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Proposed Committee Substitute by the Committee on Governmental  
Oversight and Accountability

A bill to be entitled

An act relating to publicly funded defined benefit retirement plans; amending s. 112.66, F.S.; providing that the state is not liable for shortfalls in local government retirement systems or plans; creating s. 112.664, F.S.; requiring a defined benefit system or plan to report certain information to the Department of Management Services by a certain date and specifying the assumptions and methods to be used in determining the information submitted; requiring the plan sponsor to make certain information available on certain websites; providing consequences for failure to timely submit the required information; providing a method for a plan sponsor to request a hearing to contest such consequences; amending s. 112.665, F.S.; requiring the department to provide a fact sheet specifying certain information; providing a declaration of important state interest; providing an effective date.

WHEREAS, in 2012, there were 492 local government employee defined benefit pension plans in Florida, providing pension benefits to approximately 79,000 retirees. The interests of participants in many of these plans may have property rights implications under state law, and

WHEREAS, local government employee defined benefit pension plans are becoming a large financial burden on certain local



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28 governments and have already resulted in tax increases and the  
29 reduction of services, and

30 WHEREAS, the 2012 Florida Local Government Retirement  
31 Systems Annual Report published by the Department of Management  
32 Services specifies the total unfunded actuarial accrued  
33 liability of all local government defined benefit pension plans  
34 at approximately \$10 billion, and

35 WHEREAS, some economists and observers have stated that the  
36 extent to which state or local government employee defined  
37 benefit pension plans are underfunded is obscured by  
38 governmental accounting rules and practices, particularly as  
39 they relate to the valuation of plan assets and liabilities.  
40 This results in a misstatement of the value of plan assets and  
41 an understatement of plan liabilities, a situation that poses a  
42 significant threat to the soundness of state and local budgets,  
43 and

44 WHEREAS, there is currently a lack of meaningful disclosure  
45 regarding the value of state or local government employee  
46 defined benefit pension plan assets and liabilities. This lack  
47 of meaningful disclosure poses a direct and serious threat to  
48 the financial stability of such plans and their sponsoring  
49 governments, impairs the ability of state and local government  
50 taxpayers and officials to understand the financial obligations  
51 of their government, and reduces the likelihood that state and  
52 local government processes will be effective in assuring the  
53 prudent management of their plans, and

54 WHEREAS, the financial health of state or local government  
55 employee pension benefit plans can have statewide public  
56 repercussions, and the meaningful disclosure of the value of



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57 their assets and liabilities is necessary and desirable in order  
58 to adequately protect plan participants and their beneficiaries  
59 as well as the general public, and to further efforts to provide  
60 for the general welfare and the free flow of commerce, NOW,  
61 THEREFORE,

62  
63 Be It Enacted by the Legislature of the State of Florida:

64  
65 Section 1. Subsection (14) is added to section 112.66,  
66 Florida Statutes, to read:

67 112.66 General provisions.—The following general provisions  
68 relating to the operation and administration of any retirement  
69 system or plan covered by this part shall be applicable:

70 (14) The state is not liable for any obligation relating to  
71 any current or future shortfall in any local government  
72 retirement system or plan.

73 Section 2. Section 112.664, Florida Statutes, is created to  
74 read:

75 112.664 Reporting standards for defined benefit retirement  
76 plans or systems.—

77 (1) In addition to the other reporting requirements of this  
78 part, within 180 days after the close of the first plan year  
79 that ends on or after June 30, 2013, and thereafter in each year  
80 required under s. 112.63(2), each defined benefit retirement  
81 system or plan, including the Florida Retirement System, shall  
82 electronically report the following information to the  
83 Department of Management Services in a format prescribed by the  
84 department:

85 (a) The long-term funded ratio calculated in a manner



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86 similar to the Government Accounting Standards Board's Statement  
87 No. 67, Financial Reporting for Pension Plans, including the  
88 market value of its assets, the value of its actuarial  
89 liabilities, and the amount of its unfunded accrued liability,  
90 if any.

91 (b) The dollar value of the unfunded accrued liability, if  
92 any, of the plan.

93 (c) The number of months or years for which the current  
94 market value of assets are adequate to sustain the payment of  
95 expected retirement benefits.

96 (d) The recommended contributions to the plan under the  
97 calculations required under paragraph (a) stated as an annual  
98 dollar value and a percentage of valuation payroll.

99 (2) Each defined benefit retirement system or plan shall  
100 use the following assumptions and methods in determining the  
101 information required under subsection (1):

102 (a) The actuarial cost method, which is the Entry Age  
103 Normal method.

104 (b) The assumed rate of return on investments and the  
105 assumed discount rate, which are the adjusted 24-month average  
106 corporate bond segment rates determined under s.  
107 430(h)(2)(C)(iv) of the Internal Revenue Code by the Department  
108 of the Treasury.

109 (c) Preretirement mortality calculated using the RP-2000  
110 Mortality Tables for male and female employees which accounts  
111 for generational mortality improvements. Postretirement  
112 mortality is calculated using the RP-2000 Mortality Tables for  
113 healthy white-collar employees, as projected from the year 2000  
114 to the valuation year using Projection Scale AA.



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115       (d) The asset valuation method, which is the market value  
116 less the value of any deferred retirement option program  
117 accounts.

118       (e) The actuarial accrued liabilities, excluding the value  
119 of any deferred retirement option program accounts.

120       (f) All other assumptions and methods used by the system or  
121 plan in its latest valuation.

122       (3) Each defined benefit retirement system or plan and its  
123 plan sponsor:

124       (a) Shall provide the information required by this section  
125 and the funded ratio of the system or plan as determined in the  
126 most recent actuarial valuation as part of the disclosures  
127 required under s. 166.241(3) and on any website that contains  
128 budget information relating to the plan sponsor or actuarial or  
129 performance information related to the system or plan. The  
130 Executive Office of the Governor shall comply with this  
131 subsection by making the information and funded ratio relating  
132 to the Florida Retirement System available on the website  
133 described in s. 215.985 which contains state financial  
134 information.

135       (b) That have a publicly available website shall provide  
136 the plan's most recent financial statement and actuarial  
137 valuation on that website.

138       (4) The plan shall be deemed to be in noncompliance if it  
139 has not submitted the required information to the Department of  
140 Management Services within 30 days after receipt of the  
141 certified actuarial report for the plan year for which the  
142 information is required to be submitted to the department.

143       (a) The department may notify the Department of Revenue and



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144 the Department of Financial Services of the noncompliance, and  
145 the Department of Revenue and the Department of Financial  
146 Services shall withhold any funds not pledged for satisfaction  
147 of bond debt service and which are payable to the plan sponsor  
148 until the information is provided to the department. The  
149 department shall specify the date the withholding is to begin  
150 and notify the Department of Revenue, the Department of  
151 Financial Services, and the plan sponsor 30 days before the  
152 specified date.

153 (b) Within 21 days after receipt of the notice, the plan  
154 sponsor may petition the department for a hearing under ss.  
155 120.569 and 120.57. The Department of Revenue and the Department  
156 of Financial Services may not be parties to the hearing, but may  
157 request to intervene if requested by the Department of  
158 Management Services or if the Department of Revenue or the  
159 Department of Financial Services determines its interests may be  
160 adversely affected by the hearing.

161 Section 3. Subsection (1) of section 112.665, Florida  
162 Statutes, is amended to read:

163 112.665 Duties of Department of Management Services.—

164 (1) The Department of Management Services shall:

165 (a) Gather, catalog, and maintain complete, computerized  
166 data information on all public employee retirement systems or  
167 plans in the state, based upon a review of audits, reports, and  
168 other data pertaining to the systems or plans;

169 (b) Receive and comment upon all actuarial reviews of  
170 retirement systems or plans maintained by units of local  
171 government;

172 (c) Cooperate with local retirement systems or plans on



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173 matters of mutual concern and provide technical assistance to  
174 units of local government in the assessment and revision of  
175 retirement systems or plans;

176 (d) Annually issue, by January 1 ~~annually~~, a report to the  
177 President of the Senate and the Speaker of the House of  
178 Representatives, which ~~report~~ details division activities,  
179 findings, and recommendations concerning all governmental  
180 retirement systems. The report may include legislation proposed  
181 to carry out such recommendations;

182 (e) Provide a fact sheet for each participating local  
183 government defined benefit pension plan which summarizes  
184 ~~summarizing~~ the plan's actuarial status. The fact sheet should  
185 provide a summary of the plan's most current actuarial data,  
186 minimum funding requirements as a percentage of pay, and a 5-  
187 year history of funded ratios. The fact sheet must include a  
188 brief explanation of each element in order to maximize the  
189 transparency of the local government plans. The fact sheet must  
190 also contain the information specified in s. 112.664(1). These  
191 documents shall be posted on the department's website. Plan  
192 sponsors that have websites must provide a link to the  
193 department's website;

194 (f) Annually issue, by January 1 ~~annually~~, a report to the  
195 Special District Information Program of the Department of  
196 Economic Opportunity which ~~that~~ includes the participation in  
197 and compliance of special districts with the local government  
198 retirement system provisions in s. 112.63 and the state-  
199 administered retirement system provisions ~~as~~ specified in part I  
200 of chapter 121; and

201 (g) Adopt reasonable rules to administer ~~the provisions of~~



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202 this part.

203       Section 4. The Legislature finds that a proper and  
204 legitimate state purpose is served when employees and retirees  
205 of the state and its political subdivisions, and the dependents,  
206 survivors, and beneficiaries of such employees and retirees, are  
207 extended the basic protections afforded by governmental  
208 retirement systems that provide fair and adequate benefits and  
209 that are managed, administered, and funded in an actuarially  
210 sound manner as required by s. 14, Article X of the State  
211 Constitution and part VII of chapter 112, Florida Statutes.  
212 Therefore, the Legislature determines and declares that this act  
213 fulfills an important state interest.

214       Section 5. This act shall take effect July 1, 2013.