

1                   A bill to be entitled  
 2           An act relating to the Florida Retirement System;  
 3           amending s. 121.021, F.S.; revising the definition of  
 4           the term "normal retirement date"; amending s.  
 5           121.091, F.S.; revising provisions related to the  
 6           early retirement benefit calculation and the deferred  
 7           retirement option program to conform to changes made  
 8           by the act; amending s. 121.4501, F.S.; revising  
 9           provisions related to the benefit commencement age and  
 10          years of service to conform to changes made by the  
 11          act; providing a declaration of important state  
 12          interest; providing an effective date.

13  
 14   Be It Enacted by the Legislature of the State of Florida:

15  
 16           Section 1. Subsection (29) of section 121.021, Florida  
 17   Statutes, is amended to read:

18           121.021 Definitions.—The following words and phrases as  
 19   used in this chapter have the respective meanings set forth  
 20   unless a different meaning is plainly required by the context:

21           (29) "Normal retirement date" means the date a member  
 22   attains normal retirement age and is vested, which is determined  
 23   as follows:

24           (a) If a Regular Class member, a Senior Management Service  
 25   Class member, or an Elected Officers' Class member ~~initially~~

26 ~~enrolled:~~

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

28 ~~1.a.~~ The first day of the month the member attains age 62;

29 or

30 ~~2.b.~~ The first day of the month following the date the  
31 member completes 30 years of creditable service, regardless of  
32 age.

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

34 ~~a.~~ The first day of the month the member attains age 65;

35 or

36 ~~b.~~ The first day of the month following the date the  
37 member completes 33 years of creditable service, regardless of  
38 age.

39 (b) If a Special Risk Class member ~~initially enrolled:~~

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

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

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

48 ~~3.e.~~ The first day of the month following the date the  
49 member completes 25 years of creditable service and attains age  
50 52, which service may include a maximum of 4 years of military

51 service credit if such credit is not claimed under any other  
52 system and the remaining years are in the Special Risk Class.

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

54 ~~a. The first day of the month the member attains age 60~~  
55 ~~and completes the years of creditable service in the Special~~  
56 ~~Risk Class equal to or greater than the years of service~~  
57 ~~required for vesting;~~

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

61 ~~e. The first day of the month following the date the~~  
62 ~~member completes 30 years of creditable service and attains age~~  
63 ~~57, which service may include a maximum of 4 years of military~~  
64 ~~service credit if such credit is not claimed under any other~~  
65 ~~system and the remaining years are in the Special Risk Class.~~

66

67 For pension plan members, normal retirement age is attained on  
68 the normal retirement date. For investment plan members, normal  
69 retirement age is the date a member attains his or her normal  
70 retirement date as provided in this section, or the date a  
71 member is vested under the investment plan as provided in s.  
72 121.4501(6), whichever is later.

73 Section 2. Subsection (3) and paragraph (a) of subsection  
74 (13) of section 121.091, Florida Statutes, are amended to read:  
75 121.091 Benefits payable under the system.—Benefits may

76 | not be paid under this section unless the member has terminated  
 77 | employment as provided in s. 121.021(39) (a) or begun  
 78 | participation in the Deferred Retirement Option Program as  
 79 | provided in subsection (13), and a proper application has been  
 80 | filed in the manner prescribed by the department. The department  
 81 | may cancel an application for retirement benefits when the  
 82 | member or beneficiary fails to timely provide the information  
 83 | and documents required by this chapter and the department's  
 84 | rules. The department shall adopt rules establishing procedures  
 85 | for application for retirement benefits and for the cancellation  
 86 | of such application when the required information or documents  
 87 | are not received.

88 | (3) EARLY RETIREMENT BENEFIT.—Upon retirement on his or  
 89 | her early retirement date, the member shall receive an immediate  
 90 | monthly benefit that shall begin to accrue on the first day of  
 91 | the month of the retirement date and be payable on the last day  
 92 | of that month and each month thereafter during his or her  
 93 | lifetime. Such benefit shall be calculated as follows:

94 | (a) ~~For a member initially enrolled:~~

95 | ~~1. Before July 1, 2011,~~ The amount of each monthly payment  
 96 | shall be computed in the same manner as for a normal retirement  
 97 | benefit, in accordance with subsection (1), but shall be based  
 98 | on the member's average monthly compensation and creditable  
 99 | service as of the member's early retirement date. The benefit so  
 100 | computed shall be reduced by five-twelfths of 1 percent for each

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101 complete month by which the early retirement date precedes the  
102 normal retirement date of age 62 for a member of the Regular  
103 Class, Senior Management Service Class, or the Elected Officers'  
104 Class, and age 55 for a member of the Special Risk Class, or age  
105 52 if a Special Risk member has completed 25 years of creditable  
106 service in accordance with s. 121.021(29)(b)3. ~~s.~~

107 ~~121.021(29)(b)1.c.~~

108 ~~2. On or after July 1, 2011, the amount of each monthly~~  
109 ~~payment shall be computed in the same manner as for a normal~~  
110 ~~retirement benefit, in accordance with subsection (1), but shall~~  
111 ~~be based on the member's average monthly compensation and~~  
112 ~~creditable service as of the member's early retirement date. The~~  
113 ~~benefit so computed shall be reduced by five twelfths of 1~~  
114 ~~percent for each complete month by which the early retirement~~  
115 ~~date precedes the normal retirement date of age 65 for a member~~  
116 ~~of the Regular Class, Senior Management Service Class, or the~~  
117 ~~Elected Officers' Class, and age 60 for a member of the Special~~  
118 ~~Risk Class, or age 57 if a special risk member has completed 30~~  
119 ~~years of creditable service in accordance with s.~~

120 ~~121.021(29)(b)2.c.~~

121 (b) If the employment of a member is terminated by reason  
122 of death within 10 years before normal retirement as described  
123 in s. 121.021(29)(a)2. ~~s. 121.021(29)(a)1.b. or s.~~

124 ~~121.021(29)(a)2.b.~~, the monthly benefit payable to the member's  
125 beneficiary shall be calculated in accordance with subsection

126 (1), but must be based on average monthly compensation and  
127 creditable service as of the date of death. The benefit so  
128 computed shall be reduced by five-twelfths of 1 percent for each  
129 complete month by which death precedes the normal retirement  
130 date specified above or the date on which the member would have  
131 attained the normal retirement date had he or she survived and  
132 continued his or her employment, whichever provides a higher  
133 benefit.

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

151 (a) Eligibility of member to participate in DROP.—All  
152 active Florida Retirement System members in a regularly  
153 established position, and all active members of the Teachers'  
154 Retirement System established in chapter 238 or the State and  
155 County Officers' and Employees' Retirement System established in  
156 chapter 122, which are consolidated within the Florida  
157 Retirement System under s. 121.011, are eligible to elect  
158 participation in DROP if:

159 1. The member is not a renewed member under s. 121.122 or  
160 a member of the State Community College System Optional  
161 Retirement Program under s. 121.051, the Senior Management  
162 Service Optional Annuity Program under s. 121.055, or the  
163 optional retirement program for the State University System  
164 under s. 121.35.

165 2. Except as provided in subparagraph 6., ~~for members~~  
166 ~~initially enrolled before July 1, 2011,~~ election to participate  
167 is made within 12 months immediately following the date on which  
168 the member first reaches normal retirement date, or, for a  
169 member who reaches normal retirement date based on service  
170 before he or she reaches age 62, or age 55 for Special Risk  
171 Class members, election to participate may be deferred to the 12  
172 months immediately following the date the member attains age 57,  
173 or age 52 for Special Risk Class members. ~~Except as provided in~~  
174 ~~subparagraph 6., for members initially enrolled on or after July~~  
175 ~~1, 2011, election to participate is made within 12 months~~

176 ~~immediately following the date on which the member first reaches~~  
177 ~~normal retirement date, or, for a member who reaches normal~~  
178 ~~retirement date based on service before he or she reaches age~~  
179 ~~65, or age 60 for Special Risk Class members, election to~~  
180 ~~participate may be deferred to the 12 months immediately~~  
181 ~~following the date the member attains age 60, or age 55 for~~  
182 ~~Special Risk Class members.~~ A member who delays DROP  
183 participation during the 12-month period immediately following  
184 his or her maximum DROP deferral date, except as provided in  
185 subparagraph 6., loses a month of DROP participation for each  
186 month delayed. A member who fails to make an election within the  
187 12-month limitation period forfeits all rights to participate in  
188 DROP. The member shall advise his or her employer and the  
189 division in writing of the date DROP begins. The beginning date  
190 may be subsequent to the 12-month election period but must be  
191 within the original 60-month participation period provided in  
192 subparagraph (b)1. When establishing eligibility to participate  
193 in DROP, the member may elect to include or exclude any optional  
194 service credit purchased by the member from the total service  
195 used to establish the normal retirement date. A member who has  
196 dual normal retirement dates is eligible to elect to participate  
197 in DROP after attaining normal retirement date in either class.

198 3. The employer of a member electing to participate in  
199 DROP, or employers if dually employed, shall acknowledge in  
200 writing to the division the date the member's participation in

201 DROP begins and the date the member's employment and DROP  
202 participation terminates.

203 4. Simultaneous employment of a member by additional  
204 Florida Retirement System employers subsequent to the  
205 commencement of a member's participation in DROP is permissible  
206 if such employers acknowledge in writing a DROP termination date  
207 no later than the member's existing termination date or the  
208 maximum participation period provided in subparagraph (b)1.

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

211 a. A change of employment takes place without a break in  
212 service so that the member receives salary for each month of  
213 continuous DROP participation. If a member receives no salary  
214 during a month, DROP participation ceases unless the employer  
215 verifies a continuation of the employment relationship for such  
216 member pursuant to s. 121.021(39)(b).

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

219 c. The new employer acknowledges, in writing, the member's  
220 DROP termination date, which may be extended but not beyond the  
221 maximum participation period provided in subparagraph (b)1.,  
222 acknowledges liability for any additional retirement  
223 contributions and interest required if the member fails to  
224 timely terminate employment, and is subject to the adjustment  
225 required in sub-subparagraph (c)5.d.

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

238           Section 3. Paragraph (b) of subsection (3) of section  
239 121.4501, Florida Statutes, is amended to read:

240           121.4501 Florida Retirement System Investment Plan.—

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

242           (b) Notwithstanding paragraph (a), an eligible employee  
243 who elects to participate in, or who defaults into, the  
244 investment plan and establishes one or more individual member  
245 accounts may elect to transfer to the investment plan a sum  
246 representing the present value of the employee's accumulated  
247 benefit obligation under the pension plan, except as provided in  
248 paragraph (4) (b). Upon transfer, all service credit earned under  
249 the pension plan is nullified for purposes of entitlement to a  
250 future benefit under the pension plan. A member may not transfer

251 the accumulated benefit obligation balance from the pension plan  
252 after the time period for enrolling in the investment plan has  
253 expired.

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

269 a. The discount rate and other relevant actuarial  
270 assumptions used to value the Florida Retirement System Trust  
271 Fund at the time the amount to be transferred is determined,  
272 consistent with the factors provided in sub-subparagraphs b. and  
273 c.

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

276 c. Except as provided under sub-subparagraph d., ~~for a~~  
277 ~~member initially enrolled:~~

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

281 (I) ~~(A)~~ Age 62; or

282 (II) ~~(B)~~ The age the member would attain if the member  
283 completed 30 years of service with an employer, assuming the  
284 member worked continuously from the estimate date, and  
285 disregarding any vesting requirement that would otherwise apply  
286 under the pension plan.

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

290 ~~(A) Age 65; or~~

291 ~~(B) The age the member would attain if the member~~  
292 ~~completed 33 years of service with an employer, assuming the~~  
293 ~~member worked continuously from the estimate date, and~~  
294 ~~disregarding any vesting requirement that would otherwise apply~~  
295 ~~under the pension plan.~~

296 d. For members of the Special Risk Class and for members  
297 of the Special Risk Administrative Support Class entitled to  
298 retain the special risk normal retirement date:

299 ~~(I) Initially enrolled before July 1, 2011,~~ the benefit  
300 commencement age is the younger of the following, but may not be

301 younger than the member's age as of the estimate date:

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

303 (II) ~~(B)~~ The age the member would attain if the member  
304 completed 25 years of service with an employer, assuming the  
305 member worked continuously from the estimate date, and  
306 disregarding any vesting requirement that would otherwise apply  
307 under the pension plan.

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

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

313 ~~(B) The age the member would attain if the member~~  
314 ~~completed 30 years of service with an employer, assuming the~~  
315 ~~member worked continuously from the estimate date, and~~  
316 ~~disregarding any vesting requirement that would otherwise apply~~  
317 ~~under the pension plan.~~

318 e. The calculation must disregard vesting requirements and  
319 early retirement reduction factors that would otherwise apply  
320 under the pension plan.

321 2. For each member who elects to transfer moneys from the  
322 pension plan to his or her account in the investment plan, the  
323 division shall recompute the amount transferred under  
324 subparagraph 1. within 60 days after the actual transfer of  
325 funds based upon the member's actual creditable service and

326 actual final average compensation as of the initial date of  
327 participation in the investment plan. If the recomputed amount  
328 differs from the amount transferred by \$10 or more, the division  
329 shall:

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

338 b. Transfer, or cause to be transferred, from the member's  
339 account to the Florida Retirement System Trust Fund the excess,  
340 if any, of the previously transferred amount over the recomputed  
341 amount, together with interest from the initial date of transfer  
342 to the date of transfer under this subparagraph, based upon 6  
343 percent effective annual interest, compounded annually, pro rata  
344 based on the member's allocation plan.

345 3. If contribution adjustments are made as a result of  
346 employer errors or corrections, including plan corrections,  
347 following recomputation of the amount transferred under  
348 subparagraph 1., the member is entitled to the additional  
349 contributions or is responsible for returning any excess  
350 contributions resulting from the correction. However, a return

351 of such erroneous excess pretax contribution by the plan must be  
352 made within the period allowed by the Internal Revenue Service.  
353 The present value of the member's accumulated benefit obligation  
354 may not be recalculated.

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

368 5. If the state board or the division receives  
369 notification from the United States Internal Revenue Service  
370 that this paragraph or any portion of this paragraph will cause  
371 the retirement system, or a portion thereof, to be disqualified  
372 for tax purposes under the Internal Revenue Code, the portion  
373 that will cause the disqualification does not apply. Upon such  
374 notice, the state board and the division shall notify the  
375 presiding officers of the Legislature.

376           Section 4. The Legislature finds that a proper and  
377 legitimate state purpose is served when employees and retirees  
378 of the state and its political subdivisions, and the dependents,  
379 survivors, and beneficiaries of such employees and retirees, are  
380 extended the basic protections afforded by governmental  
381 retirement systems. These persons must be provided benefits that  
382 are fair and adequate and that are managed, administered, and  
383 funded in an actuarially sound manner, as required by s. 14,  
384 Article X of the State Constitution and part VII of chapter 112,  
385 Florida Statutes. Therefore, the Legislature determines and  
386 declares that this act fulfills an important state interest.

387           Section 5. This act shall take effect July 1, 2018.