

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCB GOA 09-06 Retirement
SPONSOR(S): Government Operations Appropriations Committee
TIED BILLS: **IDEN./SIM. BILLS:**

	REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
Orig. Comm.:	Government Operations Appropriations Committee	5 Y, 0 N	Dykes	Topp
1)				
2)				
3)				
4)				
5)				

SUMMARY ANALYSIS

Section 121.031, F.S., requires that an actuarial study of the Florida Retirement System (FRS) be provided by the administrator of the system (the Department of Management Services) and for the results to be reported to the Legislature by December 31 of each year. Thereafter, the Legislature establishes uniform contribution rates in law during the next legislative session. Participating employers in the Florida Retirement System must make monthly contributions to fund the FRS based upon those rates.

The proposed committee bill (PCB) revises s. 121.71, F.S., to establish the required employer payroll contribution rates for each membership class and subclass of the defined benefit plan and the optional retirement plans within the FRS for the fiscal years beginning July 1, 2009 and July 1, 2010.

The rates for Fiscal Year 2009-10 remain unchanged from the previous year; therefore, there is no fiscal impact on the state or other participating employers.

The PCB conforms the laws to the House of Representatives FY 2009-10 General Appropriations Act as the retirement contributions are embedded in Salary and Benefits appropriation categories.

The PCB provides an effective date of July 1, 2009.

HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Section 121.71, F.S., authorizes the uniform contribution rates by member class and subclass for the defined benefit and optional retirement plans within the Florida Retirement System (FRS).

Section 121.031, F.S., requires that an actuarial study of the Florida Retirement System be provided by the administrator of the system (the Department of Management Services) and for the results to be reported to the Legislature by December 31 of each year. The annual valuation was received in December 2008 for the plan year ending June 30.¹ Thereafter, the Legislature establishes uniform contribution rates in law during the next legislative session. Participating employers in the Florida Retirement System must make monthly contributions to fund the FRS based upon those rates.

The PCB revises s. 121.71, F.S., to establish the required employer payroll contribution rates for each membership class and subclass of the defined benefit plan and the optional retirement plans within the FRS for the fiscal years beginning July 1, 2009 and July 1, 2010. The rates proposed are based on the blending of the defined benefit and the optional retirement plan rates as calculated by the consulting actuary using weighted average rates for each plan, as reported in a letter dated December 2, 2008.² The rates for July 1, 2010 are set at the normal cost to ensure that the FRS remains funded in an actuarial manner in the event the 2010 Legislature fails to enact a bill in this regard.

¹ Milliman, "Florida Retirement System Actuarial Valuation of July 1, 2008".

² Letter from Milliman to the Director of the Division of Retirement dated December 2, 2008.

Membership Class	Current Law		Bill Proposed	
	Effective July 1, 2008	Effective July 1, 2009 Normal Cost	Effective July 1, 2009	Effective July 1, 2010 Normal Cost
Regular	8.69%	9.60%	8.69%	9.63%
Special Risk				
Regular	19.76%	22.03%	19.76%	22.11%
Administrative	11.39%	11.98%	11.39%	12.10%
Elected Officers				
Leg-Atty-Cab	13.32%	14.56%	13.32%	15.20%
Judicial	18.40%	20.37%	18.40%	20.65%
County Officers	15.37%	17.06%	15.37%	17.50%
Senior Management	11.96%	13.43%	11.96%	13.43%
DROP	9.80%	11.14%	9.80%	11.14%

B. SECTION DIRECTORY:

Section 1. Amends s. 121.71, F.S., to amend the Florida Retirement System contribution rates that are to become effective July 1, 2009, and to establish the rates to become effective on July 1, 2010.

Section 2: Provides that the PCB takes effect July 1, 2009.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None. The PCB continues current year contribution rates into Fiscal Year 2009-10.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

While the contribution rates are continuing at the same level, the mandates provision appears to apply because this PCB requires counties and participating cities to spend funds or take action requiring the expenditure of funds. However, the PCB provides a declaration of important state interest and applies to all similarly situated persons thus satisfying the requirements of s. 18, Art. VII, State Constitution.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES