



State Affairs Committee

Wednesday, February 18, 2015

2:00 PM

Morris Hall (17 HOB)

Meeting Packet

Steve Crisafulli
Speaker

Matt Caldwell
Chair

Committee Meeting Notice

HOUSE OF REPRESENTATIVES

State Affairs Committee

Start Date and Time: Wednesday, February 18, 2015 02:00 pm
End Date and Time: Wednesday, February 18, 2015 04:00 pm
Location: Morris Hall (17 HOB)
Duration: 2.00 hrs

House Staff Presentation: Florida Retirement System Overview

NOTICE FINALIZED on 02/11/2015 16:13 by Love.John

Florida Retirement System

Florida House of Representatives

State Affairs Committee

February 18, 2015

Florida Retirement System (FRS)

“At a Glance”

- Annual employer contributions **\$2.4 billion**
- Annual employee contributions **\$784 million**
- Active participants **622,089**
- Annuitants **363,034**
- Funding ratio as of July 1, 2014 **86.6 percent**
- Market value of assets as of July 1, 2014 **\$150 billion**

Florida Retirement System

- Established in 1970
- Provides retirement, disability, and death benefits
- Funded through employer and employee contributions and investment earnings
- Managed by the Department of Management Services and the State Board of Administration

Two Plan Options

- INVESTMENT PLAN (defined contribution plan)
 - Funded by employer and employee contributions and investment earnings
 - Members determine how the funds in their accounts are invested (among various state-offered options)
 - Members bear the risk of their investment decisions
 - 109,725 (18%) active members
- PENSION PLAN (defined benefit plan)
 - Retirement benefit is a formula-based payment that is funded by employer and employee contributions and investment earnings
 - Employer bears the investment risk
 - Investments managed by the State Board of Administration
 - 512,364 (82%) active members

Membership

Florida Retirement System

Participants

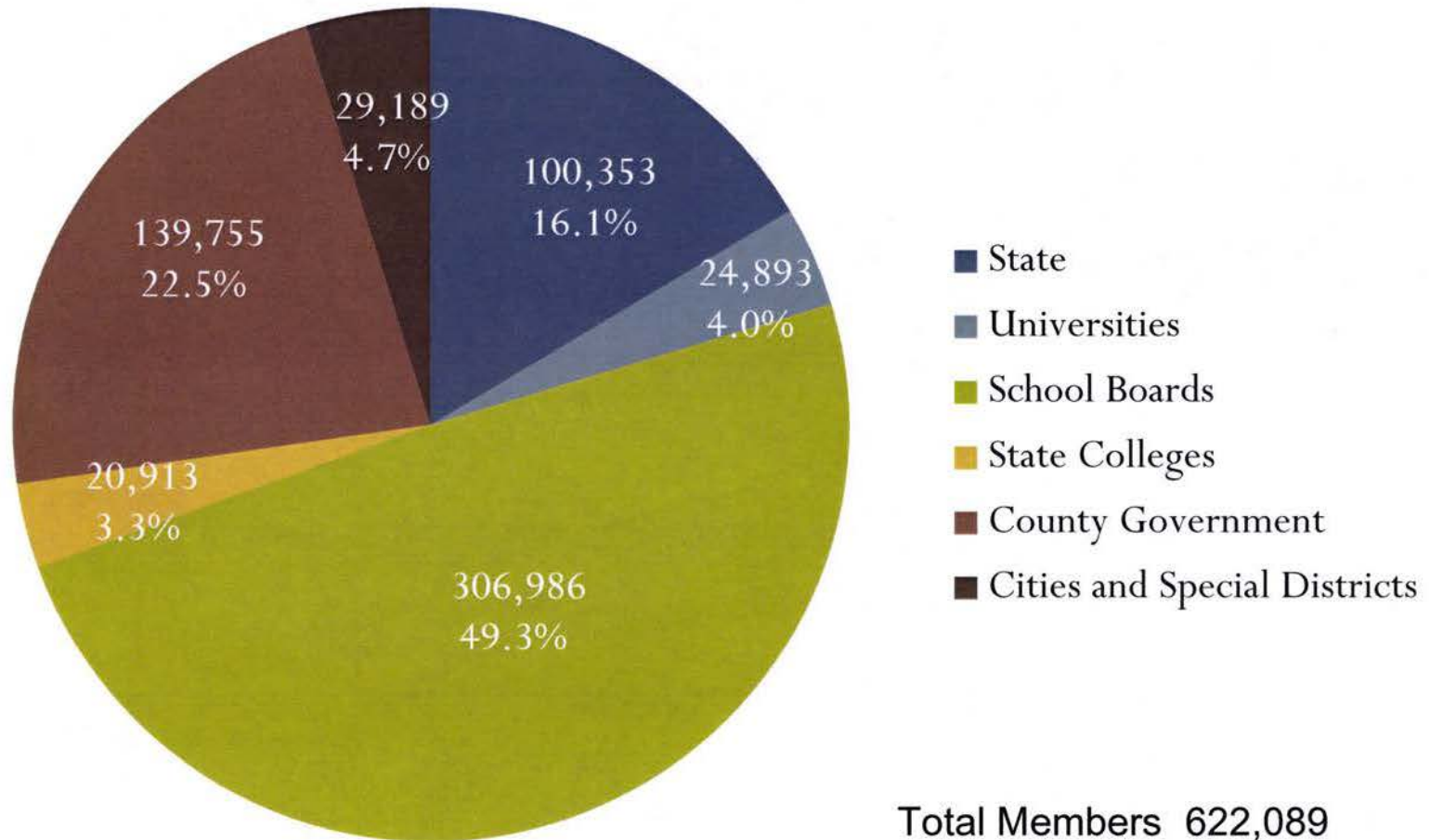
Required:

- State
- School boards
- County governments
- State universities
- State colleges

Optional:

- Municipalities
- Special districts

Active Membership by Employer



Class Structure and Benefits

FLORIDA RETIREMENT SYSTEM

Class Structure

- REGULAR CLASS – Members who do not qualify for membership in other classes within the FRS
- SPECIAL RISK CLASS – Law enforcement officers, firefighters, correctional officers, correctional probation officers, paramedics, EMTs, certain professional health care workers within Department of Corrections and Department of Children and Families, and certain forensic employees
- SPECIAL RISK ADMINISTRATIVE SUPPORT CLASS – Former special risk members who are transferred or reassigned to an administrative support position
- ELECTED OFFICERS' CLASS – Members who hold specified elective offices
- SENIOR MANAGEMENT SERVICE CLASS – Senior management level positions assigned or authorized by law

Investment Plan Benefit

- Retirement benefit is member's account balance, which is the employee and employer contributions, plus or minus investment returns, minus expenses and fees

Class	Contributions to Member Accounts	
	Pre-July 1, 2012	Post July 1, 2012
Regular Class	9.00%	6.30%
Special Risk Class	20.00%	14.00%
Special Risk Admin. Support Class	11.35%	7.95%
Senior Management Service Class	10.95%	7.67%
Elected Officers' Class:		
Leg/Atty/Cabinet	13.40%	9.38%
Judges	18.90%	13.23%
County/City	16.20%	11.34%

Pension Plan Benefit Calculation

- Years of Service X Accrual Rate X Average Final Compensation
 - Example: 30 (years of service) X 1.6% (accrual rate) X 40,000 (average final compensation) = \$19,200 (annual benefit)

Class	Years of Service		Accrual Rate
	Pre-July 1, 2011	Post July 1, 2011	
Regular	30	33	1.60%
Special Risk	25	30	3.00%
Special Risk Admin. Support	25	30	1.60%
Senior Management Service	30	33	2.00%
Elected Officers' - Judges	30	33	3.33%
Elected Officers' - Others	30	33	3.00%

Disability Benefits

- Eligibility for disability retirement requires total and permanent disability
- Available to both Pension Plan and Investment Plan members
- In-line-of-duty disability benefits are available from first day of employment:
 - 65% of AFC – Special Risk
 - 42% of AFC – Other
- Non-duty disability retirement requires 8 years of creditable service : 25% of AFC

Survivor Benefits

Investment Plan:

- If non-vested member dies, only the member's contributions are paid to his or her beneficiaries
- If vested member dies, the full value of the member's account balance, which includes both employer and member contributions, is paid to his or her beneficiaries

Pension Plan:

- In-line-of-duty survivor benefits:
 - One-half of salary at the time of death payable for the spouse's lifetime or, if there is no spouse, until the youngest dependent child reaches age 18
 - Available from first day of employment
- Non-duty survivor benefits:
 - If vested, benefit payable to the member's eligible annuitant
 - If member is not vested, beneficiary is entitled to the member's contributions only

Deferred Retirement Option Program (DROP)

- Established in 1998
- Allows members to retire and continue working for up to:
 - 5 Years: Most members
 - 8 Years: K-12 Instructional Personnel
- Pension benefits accumulate in the FRS Trust Fund
 - Earn 6.5 percent interest and 3.0 percent Cost of Living Adjustment, if enrolled in DROP before July 1, 2011
 - Earn 1.3 percent interest if enrolled in DROP on or after July 1, 2011
- Members must terminate FRS employment after completing DROP
- 38,058 total active participants

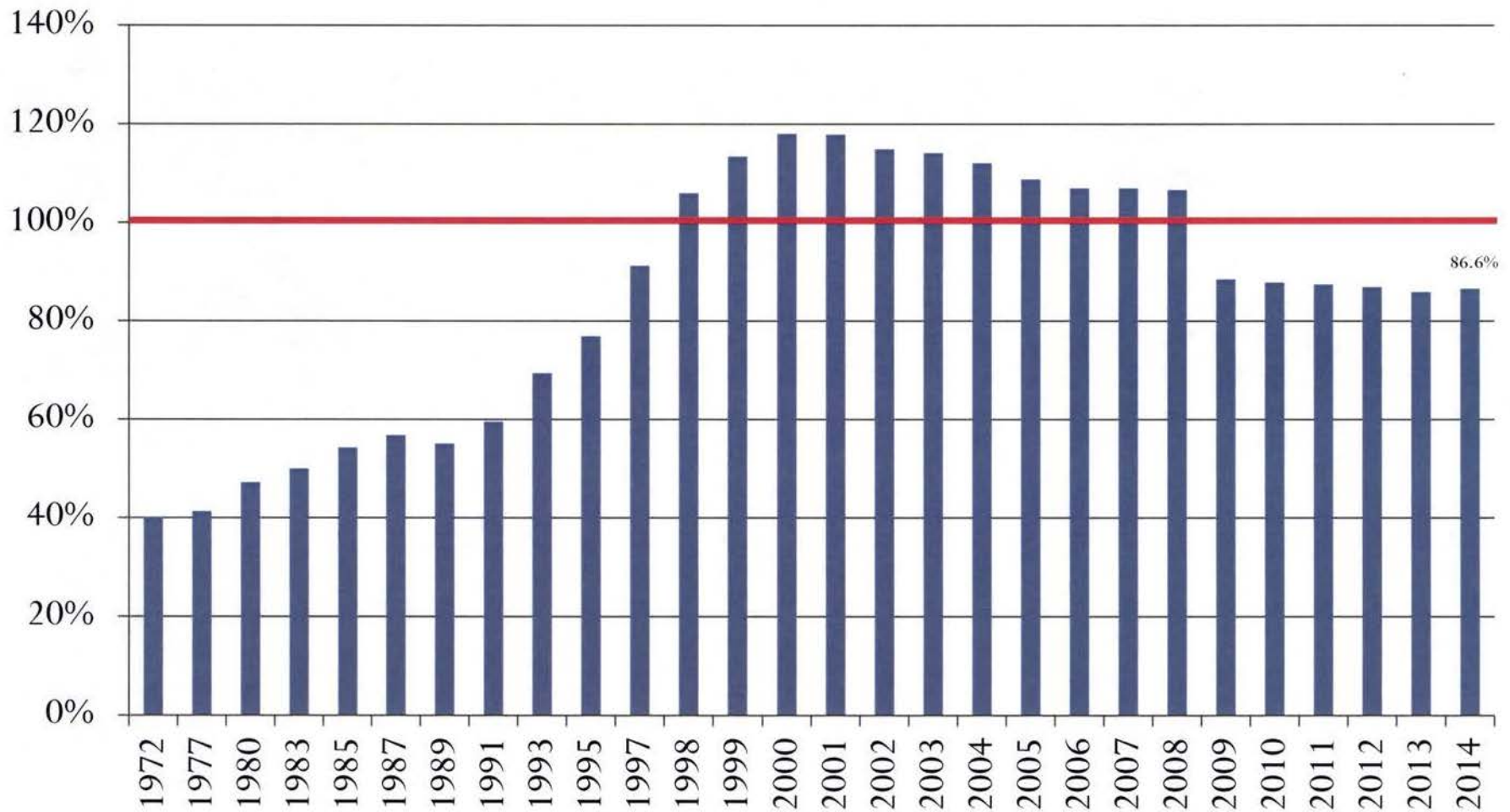
Pension Plan Funding

FLORIDA RETIREMENT SYSTEM

Contribution Rates and Funding Status

- Actuarial valuation is performed annually on the Pension Plan to determine funding status and employer contribution rates
- Employer contribution rates are set annually in law
 - Legislature generally adheres to the recommended rates and funds accordingly in the General Appropriations Act for education entities and state funded entities
- As of July 1, 2014, the Pension Plan had an actuarial funding level of 86.6 percent
 - Unfunded Actuarial Liability (UAL) of \$21.5 billion
 - As required by law, UAL must be amortized within 30 plan years

Historical Actuarial Funding Ratio



Payments to UAL (Millions \$)

	Contributions Paid		Actuarial Recommended Amount	
	State	All Employers	State	All Employers
2010-11	0	0	556.3	925.3
2011-12	125.8	239.6	703.2	1,122.6
2012-13	126.3	242.6	654.2	1,133.6
2013-14	698.2	1,122.6	698.2	1,122.8
2014-15	782.1	1,169.6	782.1	1,169.6
Total	1,732.4	2,774.4	3,394.0	5,473.9

Employer and Employee Contribution Rates FY 2014-15

Membership Class	<u>Normal</u> Employer Contribution 'Blended Rates'	<u>UAL</u> Employer Contribution 'Blended Rates'	<u>Total</u> Employer Contribution 'Blended Rates'	Employee Contribution Rates
Regular Class	3.53%	2.54%	6.07%	3.00%
Special Risk Class	11.01%	7.51%	18.52%	3.00%
Special Risk Admin. Support Class	4.18%	36.59%	40.77%	3.00%
Senior Management Service Class	4.80%	15.04%	19.84%	3.00%
Elected Officers' Class:				
Leg/Atty/Cabinet	6.30%	38.66%	44.96%	3.00%
Judges	10.10%	21.77%	31.87%	3.00%
County/City	8.36%	33.58%	41.94%	3.00%

2015 Study

Florida Retirement System

Special Study Request

- Request Letter: January 8, 2015
- Estimated Completion: March 6, 2015
- Actuarial Study:
 - Close the Pension Plan to new enrollees initially enrolled on or after July 1, 2016, in a position covered by the Elected Officers' Class or Senior Management Service Class
 - Change the default enrollment for members initially enrolled on or after July 1, 2016, to the Investment Plan from the Pension Plan, and increase the election period from 5 to 8 months after the last day of the month of hire
 - Increase the vesting period from 8 to 10 years for employees initially enrolled in the Pension Plan on or after July 1, 2016
 - Effective January 1, 2016, allow renewed membership for certain former participants of the Investment Plan, Senior Management Optional Annuity Program, State University System Optional Retirement Program, or State Community College Optional Retirement Program

The End