



REPLY TO: TALLAHASSEE

MEMORANDUM

TO: Municipal and Special District Clients

FROM: Jim Linn and Glenn E. Thomas

DATE: May 4, 2010

RE: 2010 Retirement Legislation – Final Report – Corrected

The 2010 session of the Florida Legislature adjourned with little fanfare on April 30. The session was once again dominated by budget issues and the need to reduce state expenditures. While only a couple of significant retirement bills passed this year, several other bills made progress and will likely return next year.

A summary of the retirement bills that passed this year follows. The Governor must sign the bills or allow them to become law before they can take effect. Copies of any bill can be obtained via the Internet, by accessing the Legislature's website at www.leg.state.fl.us. If you have specific questions about any bill, please feel free to call us.

2010 Retirement Legislation that Passed

HB 5607 (Florida Retirement System). This bill makes several changes to the Florida Retirement System. It sets the payroll contribution rates for the Florida Retirement System for the state fiscal years beginning July 1, 2010 and July 1, 2011 as follows:

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TALLAHASSEE
2600 Centennial Place
Suite 100
Tallahassee, FL 32308-0572
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WEST PALM BEACH
515 North Flagler Drive
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FRS Employer Contributions -- Normal Cost Rates

FRS Membership Class	Current Employer Contribution	Employer Contribution Beginning 7/1/10	Employer Contribution Beginning 7/1/11
Regular	8.69%	9.76%	9.76%
Special Risk	19.76%	22.15%	22.15%
Judges	18.40%	19.39%	19.39%
State Atty./Public Defender	13.32%	14.38%	14.38%
County, City, Sp. District Elected Officers	15.37%	16.62%	16.62%
Special Risk Adm. Support	11.39%	11.24%	11.24%
Senior Management (SMSC)	11.96%	11.70%	11.70%
DROP	9.80%	10.07%	10.07%

Note: the above rates do not include the FRS health insurance subsidy contribution (currently 1.11%) or the administrative/education fee (now .05%).

HB 5607 also creates an additional contribution for unfunded actuarial liabilities (also to be paid by FRS employers). There would be no contributions for the year beginning July 1, 2010; however, contributions would be significant beginning July 1, 2011 as shown below:

FRS Employer Contributions – To Address Unfunded Liabilities

FRS Membership Class	Employer Contribution Beginning 7/1/10	Employer Contribution Beginning 7/1/11
Regular	0%	1.74%
Special Risk	0%	6.57%
Judges	0%	12.10%
State Atty./Public Defender	0%	18.76%
County, City, Sp. District Elected Officers.	0%	21.73%
Special Risk Adm. Support	0%	17.57%
Senior Management (SMSC)	0%	10.19%
DROP	0%	5.47%

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In addition, HB 5607 makes the following changes to FRS:

- Reduces the interest rate accrued by FRS DROP participants from 6.5% to 3.0%. This change is effective for FRS members who enter DROP on or after July 1, 2010. Therefore, those who are already in the DROP on that date would not be affected.
- Reduces the fee charged to employers participating in the Florida Retirement System for administrative and educational costs from .05% to .03% through June 30, 2014. The fee increases to .04% thereafter.
- Mandates an actuarial study of DROP costs and how those costs should be allocated among FRS classes, to be based on the June 30, 2010 actuarial valuation. The study will consider the following methods of funding the DROP:
 - Through a uniform contribution rate regardless of the participant's membership class (this has been the method used up to now);
 - Treat participants as retirees such that the payroll associated with the participants is not used to develop the contribution rates for the respective membership class, and the employer is not required to make contributions on such payroll except for unfunded actuarial liability contributions; and
- Treat participants as active members such that the payroll associated with the participants is used to develop the contribution rates for the respective membership class, and the employer is required to make contributions on the payroll at the same contribution rate as the employer pays for an active member of the applicable class.

HB 1193 Retirement "Adam Pierce Act" (by Plakon). HB 1193 revises the requirements for membership in the Special Risk Class of FRS to allow members employed in a law enforcement, firefighting, or criminal detention position, who suffer a disability in the line of duty, to remain in the Special Risk Class. The disability must be a qualifying injury that prevents the member from being able to perform the duties of the former Special Risk Class position. Members must remain employed by the same employer.

A "qualifying injury" is defined as an injury sustained in the line of duty that does not result in total and permanent disability. An injury is not a qualifying injury unless it is an injury to the member's body resulting in the physical loss, or loss of use, of at least two of the following: right arm, left arm, right leg, or left leg.

HB 1193 also revises death benefits for firefighters under section 112.191, Florida Statutes. Currently \$50,000 is paid pursuant to that section if a firefighter is accidentally killed in the line of duty. The law has been revised, effective upon becoming law, to include accidental death occurring during a training exercise. Section 112.191, Florida Statutes is also amended to provide death benefits to the spouse or children of a firefighter who dies as the result of injuries

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caused by the intentional and unlawful act of another. Both provisions apply retroactively to all deaths occurring on or after November 1, 2003.

HB 1307 State Financial Matters (By Economic Development & Community Affairs Policy Council and Governmental Affairs Policy Committee and Schenck). HB 1307 makes several administrative and investment policy changes related to the FRS Investment Plan. It also provides for excess account balances for members transferring from the Investment Plan to the defined benefit plan. The excess account balance occurs when the member retains additional assets following satisfaction of the “buy-in” requirement. It permits members to either receive the amount upon retirement or use the excess balance to purchase additional service credit or upgrade existing service.

Interim Study on Retirement Issues

An interim study by the Senate Community Affairs Committee will be conducted this summer focusing on retirement issues - including issues impacting local governments like those raised in SB 1902/HB 1319. Topics included in the study, for action in 2011 will be pension benefits levels, actuarial soundness, and special risk classifications.

Please feel free to contact us if you have any questions concerning these matters.