

REPLY TO: TALLAHASSEE

MEMORANDUM

TO: Local Government Clients

FROM: Jim Linn and Glenn E. Thomas

DATE: March 22, 2017

RE: 2017 Retirement Legislation – Update

As we enter the third week of the 2017 legislative session, there has been some committee activity on the few retirement bills filed this year. Also, an FRS rate bill has been filed -- HB 7022 -- setting the new FRS contribution rates for the year beginning July 1, 2017. All the bills are summarized below, with the latest legislative action on each bill. Copies of any bill can be viewed at the legislature's website: www.leg.state.fl.us. Please feel free to contact us if you have any questions.

SB 158 / HB 143 Firefighter Presumptions (Latvala / Fitzenhagen and Willhite)

These bills create a new section 112.1816, Florida Statutes, under which a firefighter's death or disability due to certain forms of cancer will be presumed accidental and suffered in the line of duty unless proven otherwise by competent evidence. The firefighter must have successfully passed a physical examination that failed to reveal evidence of cancer. The firefighter must also have been employed as a firefighter with the current employer for at least 5 continuous years prior to becoming disabled, must not have used tobacco for at least 5 years prior to the disability and must not have been employed during the preceding 5 years in any other position that is proven to create a higher risk for cancer. Firefighters employed on July 1, 2017 are not required to meet the physical examination requirement.

SB 158 passed the Senate Governmental Oversight and Accountability Committee, and is now in the Senate Community Affairs Committee. HB 143 was workshopped by the House Oversight

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Committee, Transparency and Administration Subcommittee. It has also been referred to the Appropriations Committee, and Government Accountability Committee.

SB 428 / HB 353 Local Governments Joining FRS (Brandes / Fischer)

These bills would revise the statute concerning local governments seeking to join the Florida Retirement System (FRS). The bills would limit employees of a local government that applies to join FRS on or after January 1, 2017 to participation in the FRS defined contribution plan. Such employees would not be able to participate in the FRS defined benefit plan. The bills, if enacted, would apply retroactively to January 1, 2017. These bills would have the likely effect of discouraging local governments from joining FRS in the future, since the procedure for joining FRS includes a referendum of current employees in the affected group.

SB 428 passed the Senate Committee on Community Affairs, and is now in the Senate Committee on Governmental Oversight and Accountability. It has also been referred to the Senate Appropriations Committee. HB 353 has been referred to the House Oversight, Transparency and Administration Subcommittee, Appropriations Committee, and Government Accountability Committee.

HB 603 / SB 632 Long Range Investment Return for Public Pension Plans (Fischer/Brandes)

These bills require that all public pension plans adopt an assumed rate of investment return no greater than the “long range return rate.” The long range return rate is defined as an assumed rate of return that is expected to be realized at least 50% of the time over the next 30 year period. Beginning January 1, 2021 the assumed rate of return cannot be greater than the long range return rate, and the rate must be reevaluated every 5 years thereafter. Any plan with an assumed rate of return greater than the long range return rate on or after January 1, 2021 must reduce the assumed rate of return by at least 25 basis points per year until the long range return rate is met. In addition, plans with an assumed rate of return greater than the long range return rate for any plan year must include the following information in any required actuarial report:

- Total adjustment required to bring the assumed rate of return into compliance with the long term return rate.
- Number of plan years required to bring the assumed rate of return into compliance with the long term return rate.
- Any change to the plan investment strategy or actuarial methodology which results in a change in either the assumed rate of return or the long term return rate.
- The additional cost to the plan resulting from any changes required to be made to the assumed rate of return using the long term return rate currently in effect.

HB 603 has been referred to the House Oversight, Transparency and Administration Subcommittee, Appropriations Committee, and Government Accountability Committee. SB 632 has been referred to the Senate Committee on Governmental Oversight and Accountability, the Appropriations Subcommittee on General Government, Committee on Appropriations and the Committee on Rules.

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SB 658 / HB 873 Adds Public Safety Telecommunicators to FRS Special Risk Class (Rader/Russell)

This bill adds public safety telecommunicators to the FRS special risk class. SB 658 has been referred to the Senate Committee on Governmental Oversight and Accountability, Appropriations Subcommittee on General Government and Committee on Appropriations. HB 873 has been referred to House Oversight, Transparency and Administration Subcommittee, Appropriations Committee and Government Accountability Committee.

SB 1246 Renewed Membership in FRS (Brandes)

This bill would permit renewed membership for retirees of the FRS Investment Plan, SUSORP, SMSOAP, or SCCSORP employed in a regularly established position on or after July 1, 2017. It would also permit renewed membership in FRS for retirees who are reemployed in a position eligible for the Elected Officers' Class. It would change the default membership option to the Investment Plan for members who initially enroll on or after Jan. 1, 2018. Such members will initially be enrolled in the pension plan, but must make an election to continue under the pension plan or switch to the investment plan within 5 months of hire. If a member fails to make an election within 5 months, he or she will be deemed to have selected the investment plan.

Changes would also be made to the eligibility criteria for line-of-duty death benefits. In 2016, FRS was amended to provide that death benefit payments could be extended, for the surviving child of a member killed in the line of duty on or after July 1, 2013, until the child's 25th birthday if the child is unmarried and enrolled as a full-time student. SB 1246 would extend those benefits further, retroactive to children of members killed in the line of duty on or after July 1, 2002.

SB 1246 has been referred to the Committee on Governmental Oversight and Accountability, the Appropriations Subcommittee on General Government, the Committee on Appropriations, and the Committee on Rules. There is no House companion bill.

SB 7022 (by the Senate Committee on Governmental Oversight and Accountability) – FRS Rates

SB 7022 contains the FRS employer contribution rates for the year beginning July 1, 2017. The contribution rates are intended to fund the full normal cost as well as the full amortization payment for unfunded actuarial liabilities, as reflected in the actuarial valuation for fiscal year ended June 30, 2016. With these increases to the employer contribution rates, the FRS Trust Fund will receive approximately \$149.5 million more in revenue. The bill reflects the following employer contribution rates:

FRS Membership Class	Effective July 1, 2016			Effective July 1, 2017		
	Normal Cost	UAL Rate	Total	Normal Cost	UAL Rate	Total
Regular Class	2.97%	2.83%	5.80%	2.89%	3.30%	6.19%
Special Risk Class	11.80%	9.05%	20.85%	11.81%	9.57%	21.38%
Special Risk Administrative Support Class	3.87%	22.47%	26.34%	3.81%	29.08%	32.89%
Elected Officer's Class						
<ul style="list-style-type: none"> • Legislators, Governor, Lt. Governor, Cabinet Officers, State Attorneys, Public Defenders 	6.63%	33.75%	40.38%	6.41%	42.69%	49.10%
<ul style="list-style-type: none"> • Justices and Judges 	11.68%	23.30%	34.98%	11.66%	26.25%	37.91%
<ul style="list-style-type: none"> • Local Officers 	8.55%	32.20%	40.75%	8.48%	35.24%	43.72%
Senior Management Service Class	4.38%	15.67%	20.05%	4.28%	16.70%	20.98%
Deferred Retirement Option Program	4.23%	7.10%	11.27%	4.17%	7.43%	11.6%

Note: the above employer contribution rates do not include the FRS health insurance subsidy contribution (1.66%), which is not changed in the bill; or the employer assessment for administrative and educational expenses. Also, the above employer contribution rates do not reflect the 3% member contribution.

SB 7022 has passed the Senate Committee on Governmental Oversight and Accountability, and is now in the Appropriations Subcommittee on General Government, Committee on Appropriations, and the Committee on Rules. There is no companion in the House.

If you have any questions, please let us know.