

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCS for CS/HB 239 Florida Retirement System

SPONSOR(S): Appropriations Committee

TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Appropriations Committee		Helpling	Pridgeon

SUMMARY ANALYSIS

The bill conforms law to the House proposed 2023-2024 General Appropriations Act (GAA) as retirement contributions are included in the GAA.

The Florida Retirement System (FRS) is a multiple-employer, contributory plan that provides retirement income benefits for employees of state and county government agencies, district school boards, state colleges and universities. It also serves as the retirement plan for employees of the cities, special districts, and independent hospitals that have elected to join the system. Members of the FRS have two plan options available for participation: the pension plan, which is a defined benefit plan, and the investment plan, which is a defined contribution plan. The FRS is a low-cost system compared to other retirement systems. The cost to administer the FRS in 2022 was \$19 per active member and annuitant, compared to the peer average of \$115 for other similar pension systems.

The Deferred Retirement Option Program (DROP) allows eligible FRS Pension Plan members to participate in the program and defer receipt of retirement benefits while continuing employment with his or her Florida Retirement System Employer. Generally, members may elect to participate in DROP for a period not to exceed a maximum of 60 calendar months.

The Department of Management Services (DMS) must compile an annual actuarial valuation of the FRS and report the results to the Legislature by December 31 of each year. Thereafter, the Legislature uses the results of the actuarial valuation to establish uniform employer contribution rates during the next legislative session to ensure the FRS is funded in a sound actuarial manner.

The bill:

- Increases the employer-funded allocations to investment plan accounts by 1 percent for each membership class.
- Restores the pre-2011 cost-of-living adjustment for eligible FRS Pension Plan members to 3 percent.
- Restores the pre-2011 normal retirement age and years of service for Special Risk Class members.
- Revises DROP by:
 - removing age restrictive entry windows to enter DROP for all members that have met normal retirement requirements,
 - increasing the amount of time all eligible members can participate in DROP from 60 to 96 months, and
 - increasing the amount of interest applied to a member's accrued DROP benefit from 1.3 to 4 percent.
- Adjusts the employer contribution rates for the FRS based on the annual actuarial valuation and additional actuarial studies.
- Increases allocations for member disability coverage and line-of-duty death benefits.
- Declares that the act fulfills an important state interest.

The application of the rates will have a significant fiscal impact to funds appropriated by the Legislature associated with employee salaries and benefits. Provisions of the bill relating to employer retirement contribution rates will increase amounts FRS Employers must pay for employee retirement benefits. See Fiscal Comments.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives .

STORAGE NAME: pcs0239.APC

DATE: 3/24/2023

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Background

Florida Retirement System

The Florida Retirement System (FRS) was established in 1970 when the Legislature consolidated the Teachers' Retirement System, the State and County Officers and Employees' Retirement System, and the Highway Patrol Pension Fund. In 1972, the Judicial Retirement System was consolidated into the FRS, and in 2007, the Institute of Food and Agricultural Sciences Supplemental Retirement Program was consolidated under the Regular Class of the FRS as a closed group. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002.¹

The FRS is a multiple-employer, contributory plan² governed by the Florida Retirement System Act.³ As of June 30, 2022, the FRS provides retirement income benefits to 629,073 active members,⁴ 448,846 retired members and beneficiaries, and 28,827 members in DROP.⁵ It is the primary retirement plan for employees of state and county government agencies, district school boards, state colleges, and state universities. The FRS also serves as the retirement plan for the employees of the 180 cities, 153 special districts, and two independent hospitals that have elected to join the system.⁶

The FRS is a low-cost system compared to other retirement systems. The cost to administer the FRS in 2022 was \$19 per active member and annuitant compared to the peer average of \$115 for other similar pension systems. Further, the number of staff to administer the FRS is 1.3 positions per 10,000 members versus an average of 3.4 per 10,000 members of other similar retirement systems.⁷

Membership of the FRS is divided into the following membership classes:⁸

- Regular Class⁹ consists of 537,128 members (85.38 percent of the total 2022 FRS membership). This class is for all members who are not assigned to another class.
- Special Risk Class¹⁰ includes 72,925 members (11.59 percent). This class is for members employed as law enforcement officers, firefighters, correctional officers, probation officers, paramedics and emergency medical technicians, among others.
- Special Risk Administrative Support Class¹¹ has 104 members (0.017 percent). This class is for former Special Risk Class members who provide administrative support within an FRS special

¹ DMS *Florida Retirement System Pension Plan And Other State Administered Systems Comprehensive Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2022*, at p. 35. A copy of the report can be found online at: http://www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports [hereinafter *Annual Report*] (Last visited Mar. 22, 2023).

² Prior to 1975, members of the FRS were required to make employee contributions of either 4 percent for Regular Class members or 6 percent for Special Risk Class members. Members were again required to contribute to the system after June 30, 2011.

³ Chapter 121, F.S.

⁴ As of June 30, 2022, the FRS Pension Plan, which is a defined benefit plan, had 444,150 members, and the investment plan, which is a defined contribution plan, had 184,923 members. *Annual Report*, *supra* note 1, at p. 260.

⁵ *Id.*

⁶ *Id.*, at 298.

⁷ Email from Jeff Ivey, Deputy Chief of Staff, Department of Management Services, RE: 2022 CEM Slides (Mar. 13, 2023).

⁸ *Annual Report*, *supra* note 1, at 263.

⁹ S. 121.021(12), F.S.

¹⁰ S. 121.0515, F.S.

¹¹ The Special Risk Administrative Support Class is for a special risk member who moved or was reassigned to a nonspecial risk law enforcement, firefighting, correctional, or emergency medical care administrative support position with the same agency, or who is subsequently employed in such a position under the FRS. Section 121.0515(8), F.S.

risk employing agency. Members of this class must maintain the certification required for their former Special Risk Class position and be subject to recall into those positions if needed.

- Elected Officers' Class¹² has 2,095 members (0.33 percent). This class is for elected state and county officers, and for those elected municipal or special district officers whose governing body has chosen Elected Officers' Class participation for its elected officers.
- Senior Management Service Class¹³ has 7,875 members (1.24 percent). This class is for members who fill senior management level positions assigned by law to the Senior Management Service Class or authorized by law as eligible for Senior Management Service Class designation.

Each class is funded separately based upon the costs attributable to the members of that class.

Members of the FRS have two primary plan options available for participation:

- The investment plan, which is a defined contribution plan; and
- The pension plan, which is a defined benefit plan.

Total FRS Membership by Plan¹⁴			
	2021	2022	Percent Change
Investment Plan	176,577	184,923	5%
Pension Plan	458,689	444,150	-3%
Total Membership	635,266	629,073	-1%

Total FRS Membership by Source¹⁵	
	2022
School Districts	302,399
Counties	151,223
State	90,754
State Universities	27,994
Others	36,491
State Colleges	20,212

FRS Investment Plan

In 2000, the Legislature created the Public Employee Optional Retirement Program (investment plan), a defined contribution plan offered to eligible employees as an alternative to the pension plan. The earliest that any member could participate in the investment plan was July 1, 2002. The State Board of Administration (SBA) is primarily responsible for administering the investment plan.¹⁶ The SBA is comprised of the Governor as chair, the Chief Financial Officer, and the Attorney General.¹⁷

A member vests immediately in all employee contributions paid to the investment plan.¹⁸ With respect to the employer contributions, a member vests after completing one work year with an FRS employer.¹⁹ Vested benefits are payable upon termination of employment with the FRS employer or death, as a lump-sum distribution, direct rollover distribution, or periodic distribution.²⁰

¹² S. 121.052, F.S.

¹³ S. 121.055, F.S.

¹⁴ *Annual Report, supra* note 1, at 260.

¹⁵ *Annual Report, supra* note 1, at 261.

¹⁶ S. 121.4501(8), F.S.

¹⁷ Art. IV, section 4(e), Fla. Const.

¹⁸ S. 121.4501(6)(a), F.S.

¹⁹ If a member terminates employment before vesting in the investment plan, the nonvested money is transferred from the member's account to the SBA for deposit and investment by the SBA in its suspense account for up to five years. If the member is not reemployed as an eligible employee within five years, any nonvested accumulations transferred from a member's account to the SBA's suspense account are forfeited. Section 121.4501(6)(b) – (d), F.S.

²⁰ S. 121.591, F.S.

Benefits under the investment plan accrue in individual member accounts funded by both employee and employer contributions and investment earnings. Benefits are provided through employee-directed investments offered by approved investment providers. The amount of money contributed to each member's account varies by class as follows:²¹

Membership Class	Percentage of Gross Compensation¹
Regular Class	9.30%
Special Risk Class	17.00%
Special Risk Administrative Support Class	10.95%
Elected Officers' Class	
• Justices and Judges	16.23%
• County Elected Officers	14.34%
• Others	12.38%
Senior Management Service Class	10.67%

¹ Includes the three percent employee contribution.

The above table reflects the rates in effect since July 1, 2022. Between July 1, 2022, through June 30, 2022, the Percentage of Gross Compensation was 3 percent less for each class.²² The additional 3 percent for each class was provided in the 2022 Legislative Session.²³

FRS Pension Plan

The pension plan is a defined benefit plan that is administered by the secretary of the Department of Management Services (DMS) through the Division of Retirement (division).²⁴ Investment management is handled by the SBA.

Any member initially enrolled in the pension plan before July 1, 2011, vests in the pension plan after completing six years of service with an FRS employer.²⁵ For members initially enrolled on or after July 1, 2011, the member vests in the pension plan after eight years of creditable service.²⁶ A member vests immediately in all employee contributions paid to the pension plan.

For non-special risk members of the pension plan initially enrolled before July 1, 2011, normal retirement is the earlier of 30 years of service or age 62.²⁷ For members in the Special Risk and Special Risk Administrative Support Classes, normal retirement is the earlier of 25 years of service or age 55.²⁸ Members initially enrolled in the pension plan on or after July 1, 2011, must complete 33 years of service or attain age 65, and members in the Special Risk and Special Risk Administrative Support Classes must complete 30 years of service or attain age 60.²⁹

Cost-of-Living Adjustment

For a member whose effective retirement date is before July 1, 2011, the member receives a 3 percent cost-of-living adjustment (COLA).³⁰ In the 2011 Legislative Session, the COLA adjustment was

²¹ S. 121.72(6), F.S.

²² S. 121.72(5), F.S.

²³ Ch. 2022-159, Laws of Fla.

²⁴ S. 121.025, F.S.

²⁵ S. 121.021(45)(a), F.S.

²⁶ S. 121.021(45)(b), F.S.

²⁷ S. 121.021(29)(a)1., F.S.

²⁸ S. 121.021(29)(b)1., F.S.

²⁹ S. 121.021(29)(a)2. and (b)2., F.S.

³⁰ S. 121.101(3)(b), F.S.

reduced for future retirees.³¹ For members enrolled on or after July 1, 2011, the COLA adjustment is zero. For retirees with years of service prior to 2011, the COLA amount is prorated.³²

Below are examples of potential COLAs, dependent on the years of service before and after July 1, 2011.

Total Years of Service	Years of Service before July 1, 2011	COLA
30	30	3.00%
30	25	2.50%
30	20	2.00%
30	15	1.50%
30	10	1.00%
30	5	0.50%
30	0	0.00%

The charts below show the number of retirees receiving a full COLA (Tier I) and a reduced COLA (Tier II).³³ As more members of the FRS Pension Plan retire post July 1, 2011, Tier I will continue to decrease and Tier II will continue to increase.

Tier I Number of Retirees Receiving a 3% COLA	
1. State	61,167
2. State Universities	14,430
3. Counties	64,904
4. School Boards	135,984
5. State Colleges	9,402
6. Others	8,868
TOTAL	294,755

Tier II Number of Retirees Receiving 0.00% to 2.99% COLA	
1. State	25,570
2. State Universities	6,236
3. Counties	37,009
4. School Boards	72,628
5. State Colleges	4,972
6. Others	6,723
TOTAL	151,913

Section 121.101(5), F.S., provides for the restoration of the COLA:

Subject to the availability of funding and the Legislature enacting sufficient employer contributions specifically for the purpose of funding the expiration of the cost-of-living adjustment specified in subsection (4), in accordance with s. 14, Art. X of the State Constitution, the cost-of-living adjustment formula provided for in subsection (4) shall expire effective June 30, 2016, and the benefit of each retiree and annuitant shall be adjusted on each July 1 thereafter, as provided in subsection (3).

To date, the Legislature has not provided funding to restore the COLA to current or future retirees.

Deferred Retirement Option Program

DROP³⁴ allows eligible members³⁵ of the FRS Pension Plan to participate in the program and defer receipt of retirement benefits while continuing employment with his or her FRS employer. The deferred monthly benefits accrue, plus interest, in the FRS on behalf of the employee, including interest, for the

³¹ Ch. 2011-68, Laws of Fla.

³² Section 121.101(4)(c), F.S., explains that the COLA is prorated by taking the product of 3 percent multiplied by the quotient of the sum of the member's service credit earned for service before July 1, 2011, divided by the sum of the member's total service credit earned. Example: A member with 10 years of service prior to July 1, 2011 retires after 30 years of service. Divide 10 by 30 and multiply by 3 percent. In this example, the member's COLA would be 1.0%.

³³ Data provided by the Department of Management Services, Division of Retirement.

³⁴ S. 121.091(13), F.S.

³⁵ S. 121.091(13)(a), F.S.

period of time the member participates in DROP. For members whose DROP participation begins on or after July 1, 2011, the interest that is applied accrues at an effective annual rate of 1.3 percent, compounded monthly, on the prior month's accumulated ending balance.³⁶ Prior to July 1, 2011, the annual rate applied was 6.5 percent. Upon termination of the employment, the member receives the total DROP benefits and begins to receive the previously determined normal retirement amounts.³⁷

Current law provides eligibility windows during which a member may enter DROP. Eligibility differs by membership class, hire date, and either satisfaction of service-only criteria or age-plus-service³⁸ criteria. Generally, the law requires an FRS Pension Plan member to elect to participate in DROP within a certain time period or lose the opportunity for DROP participation.

The below charts show the DROP entry window for each scenario.³⁹

Current Law - Years of Service Criteria Only Eligibility Window for Non-Special Risk Members			
Enrollment Date	Window Opens	Open Window Start	Window Closes
Before July 1, 2011 (Tier I)	30 Years of Service	Age 57	Age 58
On or After July 1, 2011 (Tier II)	33 Years of Service	Age 60	Age 61
Current Law - Years of Service Criteria Only Eligibility Window for Special Risk			
Enrollment Date	Window Opens	Open Window Start	Window Closes
Before July 1, 2011 (Tier I)	25 Years of Service	Age 52	Age 53
On or After July 1, 2011 (Tier II)	30 Years of Service	Age 55	Age 56

Current Law - Age-Plus-Service Criteria Only Eligibility Window for Non-Special Risk Members		
Enrollment Date	Window Opens	Window Closes
Before July 1, 2011 (Tier I)	Age 62 and 6 Years of Service	After 12 months
On or After July 1, 2011 (Tier II)	Age 65 and 8 Years of Service	After 12 months
Current Law - Age-Plus-Service Criteria Only Eligibility Window for Special Risk		
Enrollment Date	Window Opens	Open Window Start
Before July 1, 2011 (Tier I)	Age 55 and 6 Years of Service	After 12 months
On or After July 1, 2011 (Tier II)	Age 60 and 8 Years of Service	After 12 months

Instructional personnel, such as classroom teachers, may elect to participate in DROP at any time following the date on which the member first reaches normal retirement.⁴⁰

Generally, FRS Pension Plan members may elect to participate in DROP for a period not to exceed a maximum of 60 calendar months.⁴¹ However, instructional personnel employed by the Florida School for the Deaf and the Blind, instructional personnel in grades K-12, and personnel employed by a developmental research school may participate in DROP for up to 36 calendar months beyond the 60-

³⁶ S. 121.091(13)(c), F.S.

³⁷ *Id.*

³⁸ S. 121.021(45), F.S.

³⁹ S. 121.091(13)(a)1., F.S.

⁴⁰ S. 121.091(13)(a)6., F.S.

⁴¹ S. 121.091(13)(b)1.a., F.S.

month period.⁴² Additionally, the Legislature modified DROP in the 2022 Legislative Session to allow law enforcement officers⁴³ in the Special Risk Class to extend DROP participation 36 calendar months beyond the 60-month period if DROP entry is on or before June 30, 2028.⁴⁴

Member Disability Coverage and Line-of-Duty Death Benefits

Current law sets the rates that are applied to each investment plan member’s gross compensation for each calendar month. For line-of-duty death benefits, the amount is transferred from the Florida Retirement System Contributions Clearing Trust Fund to the survivor benefit account of the Florida Retirement System Trust Fund.⁴⁵ For disability coverage, the amount is transferred from the Florida Retirement System Contributions Clearing Trust Fund to the disability account of the Florida Retirement System Trust Fund.⁴⁶

Actuarial Study - Contribution Rates

Section 121.031, F.S., requires DMS to compile an annual actuarial study of the FRS, the results of which must be reported to the Legislature by December 31 of each year.⁴⁷ Thereafter, the Legislature uses the report to establish the uniform contribution rates in law during the next regular legislative session. The employer contribution rate is the same percentage regardless of whether the member participates in the pension plan or the investment plan.⁴⁸ The rate is determined annually based on the actuarial study by DMS that calculates the necessary level of funding to support all of the benefit obligations under the plan. FRS employers are responsible for contributing a set percentage of the member’s monthly compensation to the division to be distributed into the FRS Contributions Clearing Trust Fund.

Effect of the Bill

Investment Plan

The bill increases the employer-funded allocations to investment plan accounts by 1 percent for each membership class in the investment plan. The revised contribution percentages, by class, are as follows:

Membership Class	Percentage of Gross Compensation¹
Regular Class	10.30%
Special Risk Class	18.00%
Special Risk Administrative Support Class	11.95%
Elected Officers Class	
• Justices and Judges	17.23%
• County Elected Officers	15.34%
• Others	13.38%
Senior Management Service Class	11.67%

¹Includes the three percent employee contribution.

FRS Pension Plan – Special Risk Years of Service

The bill revises the FRS normal retirement date for Special Risk Class members initially enrolled on or after July 1, 2011, to be consistent with the normal retirement date for Special Risk Class members initially enrolled before July 1, 2011. In other words, normal retirement for members of the Special Risk Class will be the earlier of 25 years of creditable service, or age 55, instead of 30 years of creditable service, or age 60 assuming vesting requirements have been met. Accordingly, members of the Special Risk Class initially enrolled on or after July 1, 2011, will be eligible to retire or enter DROP five years earlier.

⁴² *Id.*

⁴³ Defined in s. 1012.01(3), F.S.

⁴⁴ S. 121.091(13)(b)1.c., F.S.

⁴⁵ S. 121.735, F.S.

⁴⁶ S. 121.73, F.S.

⁴⁷ S. 121.031(3), F.S.

⁴⁸ S. 121.70(1), F.S.

Cost-of-Living Adjustment

The bill restores the cost-of-living adjustment for eligible FRS pension plan members to 3 percent for all members eligible for a COLA and removes the restoration language in current statute.

Deferred Retirement Option Program

The bill modifies DROP by:

- Eliminating the restrictive entry window for eligible FRS members to participate in DROP for all retirement classes. In effect, this will allow entry into DROP for eligible members at any age as long as years of service or age and vesting requirements are met;
- Extending the maximum amount of time for a qualified FRS member to participate in DROP from 60 calendar months to 96 calendar months for all classes; and
- Increasing the interest rate applied to a member's accrued monthly benefit each month from 1.3 percent to 4 percent.

Member Disability Coverage and Line-of-Duty Death Benefits

The bill increases the allocations for disability coverage and for line-of-duty death benefits. The increases are included in the actuarial studies for the proposed modifications to the FRS. The increases provide sufficient authority to transfer funds into the survivor benefit account and the disability account of the Florida Retirement System Trust Fund.

Actuarial Study - Contribution Rates

The bill revises the employer contribution rates for the normal costs and the unfunded actuarial liability (UAL) of the FRS based on the annual actuarial study and the actuarial studies relating to the modifications to the FRS included in the bill.

The bill declares that it fulfills an important state interest. It provides that a proper and legitimate state purpose is served by the bill, which includes providing benefits that are managed, administered, and funded in an actuarially sound manner.

B. SECTION DIRECTORY:

- Section 1:** Amends s. 121.021, F.S.; revising the definition of the term "normal retirement date" for Special Risk Class members.
- Section 2:** Amends s. 121.053, F.S.; conforming provisions to changes made by the act.
- Section 3:** Amends s. 121.091, F.S.; relating to the DROP.
- Section 4:** Amends s. 121.101, F.S.; revising provisions for the COLA for certain retirees and beneficiaries.
- Section 5:** Amends s. 121.4501, F.S.; conforming provisions to changes made by the act.
- Section 6:** Amends s. 121.71, F.S., revising retirement rates.
- Section 7:** Amends s. 121.72, F.S.; increasing allocations to investment plan member accounts.
- Section 8:** Amends s. 121.73, F.S.; increasing allocations for member disability coverage.
- Section 9:** Amends s. 121.735, F.S.; increasing allocations for line-of-duty death benefits.
- Section 10:** Provides a declaration of important state interest.
- Section 11:** Provides an effective date of July 1, 2023.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:
See Fiscal Comments.
2. Expenditures:
See Fiscal Comments.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:
See Fiscal Comments.
2. Expenditures:
See Fiscal Comments.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

The bill revises the employer contribution rates to adequately fund the FRS as determined by the July 1, 2022, Annual Valuation. Further, the bill includes the rates necessary to fund the program for each modification to the FRS included in the bill.⁴⁹ The proposed employer contributions for Fiscal Year 2023-2024 compared to the rates currently in effect, are contained in the table below.⁵⁰

Membership Class	"Blended" Normal Costs		Unfunded Actuarial Liability		Combined Contribution Rates	
	7/1/2022	7/1/2023	7/1/2022	7/1/2023	7/1/2022	7/1/2023
Regular Class	5.96%	8.07%	4.23%	7.84%	10.19%	15.91%
Special Risk Class	16.44%	24.47%	9.67%	19.51%	26.11%	43.98%
Special Risk Administrative Class	10.77%	13.77%	26.16%	32.83%	36.93%	46.60%
Elected Officer Class						
Leg/Gov/SAs/PDs	9.31%	11.72%	56.76%	54.55%	66.07%	66.27%
Judges	14.41%	18.21%	27.64%	33.80%	42.05%	52.01%
County Officers	11.30%	14.03%	43.98%	48.77%	55.28%	62.80%
Senior Management	7.70%	9.95%	22.15%	28.42%	29.85%	38.37%
DROP	7.79%	11.63%	9.15%	16.46%	16.94%	28.09%

The revised employer contribution rates based on the 2022 Actuarial Valuation and actuarial studies will have a significant fiscal impact on funds paid into the Florida Retirement System Trust Fund.

⁴⁹ Actuarial studies were performed by the Milliman actuarial and consulting firm through DMS. A study for Projected Blended FY 2023-2024 statutory rates reflecting an increase in FRS Investment Plan Employer Contribution Rates was requested by the Governor's Office. The study requested an analysis of three different scenarios including an additional 3 percent, 4 percent, and 5 percent. The 1 percent rate included in the bill is a prorated amount based on that study. The remaining modifications to the FRS included in the bill were requested in a study by the Speaker of the House of Representatives.

⁵⁰ The Milliman studies requested by the Speaker of the House of Representative and the Governor's Office include updates to the rates related to indirect costs to the FRS based on modifications to Posttraumatic Stress Disorder counseling for specified classes and modifications to firefighters eligible for additional benefits.

The total combined employer contributions estimated to be paid into the Florida Retirement System Trust Fund in Fiscal Year 2023-2024 will increase by approximately \$3.1 billion above the contributions paid in Fiscal Year 2022-2023. The estimated increase in contributions by employer contribution group for Fiscal Year 2023-2024 are as follows:

2022 Actuarial Valuation for Normal Cost and Unfunded Liability for Fiscal Year 2023-2024

Employer Contribution Group	Estimated Increase in Contributions
State Agencies	\$48.0 Million
School Boards	\$114.3 Million
State Universities	\$31.2 Million
Colleges	\$9.1 Million
Counties	\$126.6 Million
Other	\$21.4 Million
Total:	\$350.6 Million

Cost Reflecting 1.00% Employer Increase for the FRS Investment Plan

Employer Contribution Group	Estimated Increase in Contributions
State Agencies	\$11.7 Million
School Boards	\$38.5 Million
State Universities	\$4.4 Million
Colleges	\$2.9 Million
Counties	\$26.5 Million
Other	\$5.6 Million
Total:	\$89.6 Million

Cost for DROP Modifications, COLA Increase, Special Risk Years of Service

Employer Contribution Group	Estimated Increase in Contributions
State Agencies	\$378.2 Million
School Boards	\$820.7 Million
State Universities	\$209.4 Million
Colleges	\$63.4 Million
Counties	\$1,035.1 Million
Other	\$159.6 Million
Total:	\$2,666.4 Million

The total combined employer contributions estimated to be paid into the Florida Retirement System Trust Fund in Fiscal Year 2023-2024:

Employer Contribution Group	Estimated Increase In Contributions
State Agencies	\$437.9 Million
School Boards	\$973.5 Million
State Universities	\$245.0 Million
Colleges	\$75.4 Million
Counties	\$1,188.2 Million
Other	\$186.6 Million
Total:	\$3,106.6 Million

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision of Art. VII, s. 18 of the State Constitution may apply because this bill requires cities and counties to spend money or take an action that requires the expenditure of money; however, an exception may apply as the Legislature has determined that this bill satisfies an important state interest and similarly situated persons are all required to comply.

2. Other:

Actuarial Requirements Article X, s. 14 of the State Constitution requires that benefit improvements under public pension plans in the State of Florida be concurrently funded on a sound actuarial basis, as set forth below:

SECTION 14. State retirement systems benefit changes. --A governmental unit responsible for any retirement or pension system supported in whole or in part by public funds shall not after January 1, 1977, provide any increase in the benefits to the members or beneficiaries of such system unless such unit has made or concurrently makes provision for the funding of the increase in benefits on a sound actuarial basis.

Article X, s. 14 of the State Constitution is implemented by statute under part VII of ch. 112, F.S., the "Florida Protection of Public Employee Retirement Benefits Act" (Act). The Act establishes minimum standards for the operation and funding of public employee retirement systems and plans in the State of Florida. It prohibits the use of any procedure, methodology, or assumptions the effect of which is to transfer to future taxpayers any portion of the costs which may reasonably have been expected to be paid by the current taxpayers.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

Not applicable.