

# RICE PUGATCH ROBINSON, P.A.

101 NORTHEAST THIRD AVENUE, SUITE 1800  
FORT LAUDERDALE, FLORIDA 33301  
TELEPHONE: (954) 462-8000 / (305) 379-3121  
FACSIMILE: (954) 462-4300 / (305) 379-4119

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## MEMORANDUM

**TO:** All Public Pension Plan Clients

**FROM:** Ronald J. Cohen, Brent J. Chudachek and Richelle Levy  
Rice Pugatch Robinson, P.A.

**DATE:** July 13, 2015

**RE:** Mortality Tables

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House Bill 1309 was passed by both houses of the Florida legislature and was signed by the Governor on June 11, 2015. This law, which appears as Laws of Florida, Ch. 2015-157 amends Chapter 112, Part VII and applies to all police, fire and general employee defined benefit plans. It requires all plans to utilize mortality tables that have been adopted by the Florida Retirement System, for both *funding and reporting purposes*. The key provision of the statute for funding purposes is an amendment to Section 112.63. Generally, this section requires that Plans adopt an actuarial valuation, (at least once every three years), which determines the funding requirements of the Plan. The recent change in the law requires that the mortality tables used in the valuation must be based on, “one of the two most recently published actuarial valuation reports of the Florida Retirement System, including the projection scale for mortality improvement. Appropriate risk and collar adjustments must be made based on plan demographics. The tables must be used for assumptions for preretirement and postretirement mortality.”

The cost of utilizing the FRS mortality tables will depend upon the mortality tables presently being used by each plan. Each Plan should consult with their actuary on which table it is using and the anticipated cost of switching to the mandated mortality tables.

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We are not certain at this time if the FRS mortality table must be used in the first valuation after January 1, 2016, (which is customarily the valuation for the fiscal year ending September 30, 2015) or if it must be used in the first valuation for the plan year ending September 30, 2016 (which is customarily done in early 2017). The Florida Retirement System's plan year ends June 30 of each year, and its actuarial valuation is usually issued in November or December. This means that in determining which of the two most recently published actuarial reports of the Florida Retirement System to use, one of the two may be published shortly before or even while the actuary is preparing the report. We are seeking clarification from the Florida Department of Management Services ("DMS"). We anticipate that you will be required to use the required mortality table for the valuation for the plan year ending in 2016 (not the upcoming valuation), but we await guidance from DMS.

There were also changes to Chapter 112.664, concerning the issuance of required Financial Statements. These required Financial Statements must comply with the GASB Statement Number 67 and as a result of the new law, must use "mortality tables used in either of the two most recently published actuarial valuation reports of the Florida Retirement System, including the projection scale for mortality improvement. Appropriate risk and collar adjustments must be made based on plan demographics and the tables must be used for assumptions for preretirement and postretirement mortality." Thus, the required changes to the mortality tables that are used in the Plan are for both funding and reporting requirements.

We will continue to monitor the effective date and each Board of Trustees should also consult with its actuary to determine the anticipated effect on the funding requirements of the Plan.