

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 724

SPONSOR: Governmental Oversight and Productivity Committee and Senator Silver

SUBJECT: Florida Retirement System

DATE: March 11, 1999 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Lombardi</u>	<u>Wilson</u>	<u>GO</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>FP</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The committee substitute will expand the Senior Management Service Class (SMSC) to include all judges of compensation claims who are now Regular Class members of the Florida Retirement System (FRS).

This bill will take effect July 1, 1999.

This bill amends section 121.055, Florida Statutes.

II. Present Situation:

The FRS is a statewide, defined benefit pension plan. It includes five membership classes: Regular Class, Special Risk Class, Special Risk Administrative Support Class, Elected State and County Officer's Class, and Senior Management Service Class.

Judges of compensation claims belong to the FRS Regular Class. Members of the Regular Class become eligible for normal retirement benefits at attainment of 62 years of age or completion of 30 years of service, whichever occurs first; must have 10 years of service to vest retirement benefits; and accrue retirement credit at a rate of 1.6 percent per year of service. To fund these benefits, employers contribute 15.51¹ percent of each employee's gross pay.

In 1980, the Senior Management Service was created pursuant to ch. 80-404, L.O.F., and has existed as a separate system of personnel administration for employees of the executive branch whose responsibilities primarily and essentially require policy making or managerial oversight. These employees are exempt from the Career Service System, are not subject to continuing employment contracts or civil service protections, and serve at the pleasure of the state or local agency employer.

¹ Section 121.071(1)(a), F.S. (1998 Supp.).

In 1987 the SMSC was created under ch. 86-149, L.O.F., becoming one of the five current participating membership classes of the FRS. By establishing this membership class, the Legislature created a uniform system of recruiting and retaining competent individuals to top-policy making, managerial positions in state government. In addition, many of these professionals recruited by officials whose tenures are subject to the elective process, are not likely to remain in state government for the 10 years required to vest Regular Class retirement benefits. Consequently, the SMSC has a short vesting period (7 years of service) and a higher accrual rate (2 percent). To fund these benefits, employers contribute 23.10² percent of each employee's gross pay.

III. Effect of Proposed Changes:

The committee substitute will expand the Senior Management Service Class (SMSC) to include all judges of compensation claims who are now Regular Class members of the Florida Retirement System (FRS). The bill statutorily enables the 31 judges and the Chief Judge within the Office of the Judges of Compensation Claims to become eligible for SMSC retirement benefits *only*. Members identified in s. 121.055(1)(h)1., F.S., are similarly situated government appointees not necessarily receiving full Senior Management Service personnel benefits, (pays 100 percent of the premium for state individual life insurance policy; state group health insurance plan, individual or family; and a state individual disability insurance policy. Benefits also credit 240 hours of annual leave and 120 hours of sick leave.), but are recognized as eligible for SMSC retirement class status.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

² Section 121.055(3)(a), F.S. (1998 Supp.).

B. Private Sector Impact:

None.

C. Government Sector Impact:

There are 31 judges and the Chief Judge within the Office of the Judges of Compensation Claims, an independent agency of the Department of Labor and Employment Security, which this bill will affect. Total annual payroll for these judges are \$3,375,746. Based upon the proposed contribution rates for regular class membership (9.21 percent) and SMSC (11.19 percent) the incremental cost to the state would be 1.98 percent of total payroll for the affected members.

The following table represents the additional cost to the state for the next three years and includes a 3 percent cost of living adjustment (COLA).

FISCAL IMPACT		
FY 1999-00	FY 2000-01	FY 2001-02
\$66,840	\$68,845	\$70,911

VI. Technical Deficiencies:

None.

VII. Related Issues:

Positions in the SMSC are for employees of the executive branch whose responsibilities primarily and essentially require policy making or managerial oversight. Previously, judges of compensation claims have not met this legislative criterion and have been omitted from this retirement class. However, it could be argued that these judges have a legitimate role in setting policy for the state. Adding these positions to the SMSC may now set a precedent for the addition of similarly situated individuals.

VIII. Amendments:

None.