

By the Committee on Governmental Oversight and Productivity

302-206-00

1 A bill to be entitled
2 An act relating to public employees; creating
3 s. 110.1315, F.S.; requiring that the
4 Department of Management Services contract with
5 a private vendor for an alternative retirement
6 program for temporary and seasonal state
7 employees; providing contract requirements;
8 requiring the private vendor to indemnify the
9 state and participating employees from certain
10 adverse tax consequences; creating s. 110.1316,
11 F.S.; providing for favorable tax treatment for
12 certain incentive pay and payments for
13 accumulated sick leave and annual leave;
14 providing for the use of unobligated payroll
15 contributions by state agencies; providing for
16 oversight of the program; providing an
17 effective date.

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19 Be It Enacted by the Legislature of the State of Florida:

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21 Section 1. Section 110.1315, Florida Statutes, is
22 created to read:

23 110.1315 Alternative benefits; other-personal-services
24 employees.--

25 (1) The Department of Management Services shall
26 contract by October 1, 2000, for the implementation by March
27 1, 2001, of an alternative retirement income security program
28 for eligible part-time and seasonal employees of the state
29 which is funded from appropriations for other personal
30 services. The contract must provide for a private vendor to
31 administer the program, and the program must provide

1 retirement benefits as required under s. 3121(b)(7)(F) of the
2 Internal Revenue Code. The department shall develop a request
3 for proposals and solicit qualified vendors to compete for the
4 award of the contract. The proposal must have received all
5 necessary federal and state approval as required by law and
6 must comply with s. 112.65.

7 (2) The vendor shall provide and administer this
8 defined-contribution program under the provisions of s.
9 3121(b)(7)(F) of the Internal Revenue Code. The program must
10 provide that there will be no risk of the principal to the
11 participants, that there will be a reasonable rate of interest
12 as defined in the Treasury Regulations for s. 3121(b)(7)(F) of
13 the Internal Revenue Code, that there will be no withdrawal or
14 surrender penalties or fees of any nature charged to the
15 participants, that there will be no administrative charges to
16 either the participants or the state, and that there will be
17 immediate 100-percent vesting to the participants. The program
18 must be a qualified plan under s. 457 of the Internal Revenue
19 Code which is separate from any other plan under that section.
20 The vendor must indemnify the state, its agencies, and
21 participating employees for any damages resulting from a
22 finding by the Internal Revenue Service that the plan is in
23 violation of s. 3121(b)(7)(F) of the Internal Revenue Code.

24 Section 2. Section 110.1316, Florida Statutes, is
25 created to read:

26 110.1316 Alternative benefits; tax-sheltered incentive
27 pay and annual-leave and sick-leave payments.--The Department
28 of Management Services shall contract by October 1, 2000, for
29 the implementation by March 1, 2001, of a tax-sheltered plan
30 for state employees who are eligible for incentive pay or for
31 payment for accumulated sick leave or annual leave at

1 termination of employment or as a result of electing the
2 Deferred Retirement Option Plan (DROP). The contract must
3 provide for a private vendor to administer the plan, and the
4 plan must provide retirement benefits in a manner that
5 minimizes the tax liability of the participants. The plan must
6 be funded by employer contributions of incentive pay or
7 payments for accumulated sick leave or annual leave. Eligible
8 employer contributions must be placed into the plan
9 mandatorily in order to give the employer and the employee the
10 full advantages available under the federal tax laws. The plan
11 must have received all necessary federal and state approval as
12 required by law and must comply with s. 112.65. The proposal
13 may require that the vendor provide market risk or volatility
14 ratings from recognized rating agencies for each of its
15 investment products. The department shall provide for a system
16 of continuous quality-assurance oversight to ensure that the
17 plan objectives are achieved and that the plan is prudently
18 managed.

19 Section 3. Unobligated employer payroll contributions
20 under this act must be placed in a mandatory reserve and be
21 transferred to administered funds pursuant to section 216.177,
22 Florida Statutes. Pursuant to budget amendments and the
23 legislative-consultation provisions of section 216.177,
24 Florida Statutes, the Executive Office of the Governor shall
25 release such funds only to agencies that are operating under a
26 performance-based budget approved under section 216.0166,
27 Florida Statutes, and that have achieved or exceeded their
28 approved performance expectations, as authorized by law. The
29 Legislature shall annually determine the maximum amount to be
30 placed in reserve under this section.

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