

STORAGE NAME: h2265.go

DATE: April 4, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
GOVERNMENTAL OPERATIONS
ANALYSIS**

BILL #: HB 2265 (PCB GO 00-02)

RELATING TO: DMS/Division of Retirement Transfer to SBA

SPONSOR(S): Committee on Governmental Operations, Representative Posey and others

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

(1) GOVERNMENTAL OPERATIONS YEAS 6 NAYS 0

(2)

(3)

(4)

(5)

I. SUMMARY:

This bill transfers the Division of Retirement and the State Retirement Commission of the Department of Management Services, and all statutory powers, duties, functions, rules, records, personnel, property, and unexpended balances of appropriations, allocations, or other funds thereof, by a type one transfer, as defined in s. 20.06, F.S., to the State Board of Administration.

This bill establishes within the State Board of Administration, a Division of Retirement, which shall be headed by a director appointed by the board. The director shall be its agency head for all purposes in reporting to the board.

This bill provides, effective July 1, 2000, the administrative rules of the Division of Retirement of the Department of Management Services that were in effect immediately prior to July 1, 2000, shall become rules of the Division of Retirement of the State Board of Administration and shall remain in effect until specifically changed in the manner provided by law.

This bill shall not affect the validity of any judicial or administrative action involving the Division of Retirement of the Department of Management Services pending on July 1, 2000, and the Division of Retirement of the State Board of Administration shall be substituted as a party in interest in any such action.

Finally, this bill, systematically, throughout the various applicable sections of the Florida Statutes, makes the necessary changes only to reflect this transfer. This bill contains one substantive change to the statutes as a result of an amendment that was adopted when the bill was heard in committee on March 23, 2000. It increases up to 10 the number of local government agency nonelective full-time positions that may be designated for participation in the Senior Management Service Class at the discretion of each local agency employer.

The effective date of this bill is July 1, 2000.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

The Division of Retirement (Division) was established to administer the Florida Retirement System (FRS) which was created in December 1970 to consolidate existing state-administered retirement systems. Since its creation, the responsibilities of the Division have expanded to include the following:

Administering:

- The consolidated Florida Retirement System (Chapter 121, F.S.).
- The State University System Optional Retirement Program (Section 121.35, F.S.) and the Senior Management Service Optional Annuity Program (Section 121.055, F.S.).
- The Institute of Food and Agricultural Sciences Retirement Act (Section 121.40, F.S.).
- Social Security coverage for all Florida public employers, with no responsibility for Social Security benefits (Chapter 650, F.S.).

Monitoring:

- Florida's 437 local public retirement systems (Compliance with Part VII of Chapter 112, F.S.).

Oversight:

- Municipal and special district firefighters' and municipal police officers' pension plans (Chapters 175, and 185, F.S.).

Compliance:

- With Article X, Section 14, Florida Constitution, which requires concurrent funding of benefit increases on a sound actuarial basis, and s. 112.61, F.S., the Florida Protection of Public Employee Retirement Benefits Act.

The mission of the Division is to provide quality and cost-effective retirement services as measured by member satisfaction and by comparison with administrative costs of comparable retirement systems.

STORAGE NAME: h2265.go

DATE: April 4, 2000

PAGE 3

The FRS is the fourth largest public retirement system in the United States. Despite continued growth of members and retirees, the Division has remained one of the most economical with respect to administrative costs for services provided. However, to maintain and improve service levels with continued growth, the Division is currently reviewing resources, upgrading technical equipment, and reengineering its work flow processes. This five year project should be completed this year.

In 1994 the Division of Retirement became independent of the operational control of the Department of Management Services. During the 1999 legislative session, legislation was passed which moved the Division of Retirement into the Department of Management Services.

The State Board of Administration of Florida (SBA) has the following investment responsibilities:

- Managing the assets of the Florida Retirement System Trust Fund;
- Managing the assets of the Local Government Surplus Funds Trust Fund;
- Managing debt service accounts for State of Florida bond issues;
- Managing the Florida Hurricane Catastrophe Trust Fund; and
- Managing the assets of other various trust funds.

The SBA also administratively houses the Florida Division of Bond Finance and the Florida Prepaid Postsecondary Education Expense Board, which operate independently.

C. EFFECT OF PROPOSED CHANGES:

This bill transfers the Division of Retirement and the State Retirement Commission of the Department of Management Services, and all statutory powers, duties, functions, rules, records, personnel, property, and unexpended balances of appropriations, allocations, or other funds thereof, by a type one transfer, as defined in s. 20.06, F.S., to the State Board of Administration.

This bill keeps all rules of the Division effective that are in effect on July 1, 2000, until specifically changed in the manner provided by law. It also preserves the validity of any judicial or administrative action involving the Division pending on July 1, 2000.

The remainder of the bill is devoted solely to making the necessary name changes to the various sections of the Florida Statutes as a result of this transfer.

This bill contains one substantive change to the statutes as a result of an amendment that was adopted when the bill was heard in committee on March 23, 2000. It amends s. 121.055, F.S., providing that up to 10 nonelective full-time positions may be designated for participation in the Senior Management Service Class for each local agency employer at the discretion of each local agency employer.

The effective date of this bill is July 1, 2000.

STORAGE NAME: h2265.go

DATE: April 4, 2000

PAGE 4

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

N/A

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require municipalities or counties to spend funds or take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenue in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the amount of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

Proponents of moving the Division under the State Board of Administration (SBA) cite the following reasons for their support:

- The current arrangement with the Division under DMS does not offer as clearly defined lines of responsibility and accountability as when the Division was independent;
- Moving the Division as proposed will assure that funds from the Florida Retirement System Trust Fund will not be used to support operations of any agency other than the Division and SBA;
- Their belief the Division will suffer loss of organizational identity and the cohesiveness within ranks it has been able to achieve as an independent unit if it remains in DMS.
- The belief that the proposal conforms with sound principles of organizational structure since it would have the Division, like the SBA, being governed by the Board of Trustees which has the fiduciary responsibility and authority with regard to the funding source for both agencies, the FRS Trust Fund.
- These two agencies are the only agencies which receive these funds; they do not compete for funding with other state programs nor are their operations an integral part of any other program; and
- The operational functions of both agencies are unaffected by policy changes as new administrations are elected, and both provide services to units of state and local government, not directly to the general public.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

At its meeting on March 23, 2000, the Committee on Governmental Operations adopted one amendment to PCB 02 which increased up to 10 the number of local government agency nonelective full-time positions that may be designated for participation in the Senior Management Service Class at the discretion of the local agency employer. The amendment is incorporated into the bill.

STORAGE NAME: h2265.go

DATE: April 4, 2000

PAGE 6

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL OPERATIONS:

Prepared by:

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Jimmy O. Helms

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