

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: SB 1572

SPONSOR: Senator Burt

SUBJECT: FRS/Retired School Member/Reemployed

DATE: March 29, 2001 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	O'Farrell	O'Farrell	ED	Favorable
2.	_____	_____	GO	_____
3.	_____	_____	AGG	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

The bill authorizes local school boards to reemploy certified instructional employees who have been retired under the provisions of the Florida Retirement System (FRS) for at least 1 month. The re-hired employees will be eligible to draw retirement benefits in addition to an agreed-upon salary, and the employing board will be required to make monthly contributions to FRS on behalf of the reemployed personnel. In addition, certified instructional personnel of a local school board who have made the decision to participate in the Deferred Retirement Option Program (DROP) may continue in the program beyond the 60-month limit as long as a district school board employs them and the board annually reviews and approves the continuation. The bill also contains a statement expressing the legislative finding that it is in the best interests of the state and its political subdivision to have public employees enjoy the protection and benefits of an actuarially sound retirement system. In that regard, the Legislature declares the act as fulfilling an important state interest.

The effective date of the bill is July 1, 2001.

This bill amends section 121.091 of the Florida Statutes.

II. Present Situation:

Subsection (9) of s. 121.091, F.S., provides that any person retiring under the Florida Retirement System, except those retiring under disability provisions, may be reemployed by an agency participating in FRS as long as the person has been retired at least 12 months prior to reemployment. This limitation does not apply to employees participating in the Deferred Retirement Option Program. When reemployed, the person will receive FRS retirement benefits

plus a salary from the employing agency. The reemployed person is considered a “new hire” and the agency must make retirement contributions to FRS on his or her behalf.

District school boards may reemploy retired FRS members after 1 month of retirement as substitute or hourly teachers, paraprofessionals, transportation assistants, bus drivers, or food service workers on a noncontractual basis. Persons so employed are limited to no more than 780 hours of work during their first year of retirement.

The Deferred Retirement Option Program (DROP) provides an alternative method for the payment of retirement benefits for a limited period of time for FRS members. The program allows employees to retire and have benefits accumulate in the FRS Trust Fund, earning interest while the employees continue working for their FRS participating employers. Employees become eligible to participate in DROP when they vest in FRS, and reach their normal retirement date. Normal retirement for most employees is when they reach age 62, or when they complete 30 years of FRS covered service. Participation in DROP is limited to 60 months following the date an employee becomes eligible for the program. Agencies do not have to make retirement contributions for employees participating in DROP. Failure to terminate employment at the end of the DROP period results in a retroactive cancellation of retirement and DROP, and the employer must pay any additional contributions required for FRS service credit.

Article X, Section 14 of the Florida Constitution states:

State retirement system 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.

III. Effect of Proposed Changes:

The legislation under consideration allows local school boards to reemploy retired certified instructional employees after 1 month of retirement, allowing the re-hired employees to receive retirement benefits and their agreed upon salaries. The employing district must make retirement contributions to the Florida Retirement System on behalf of the re-hired employees.

The bill also authorizes certified instructional personnel of a school district to participate in the DROP program beyond the normal 60-month limit. Such employees may continue in the program as long as the school board annually reviews and approves each employee’s continued participation.

Section 2 of the bill expresses a finding of the Legislature that a proper and legitimate purpose is served when employees and retirees of the state and its political subdivisions are provided the basic protections and benefits of a well managed and actuarially sound retirement system, in a manner consistent with Article X of the State Constitution and part VII of chapter 112, Florida Statutes. Based on this finding the Legislature determines this act is fulfilling an important state interest.

Liberalizing provisions of the Florida Retirement System for public school teachers may encourage many to return to the classroom after retirement, or delay leaving the classroom upon reaching normal retirement age. In the event this occurs, the impact of the projected teacher shortage would be lessened.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

The bill contains a provision reducing the time a retired certified instructional employee of a school district would have to wait before reemployment with an FRS participating agency and be eligible to receive a salary and retirement benefits. This could prompt a large number of FRS members to retire sooner than expected. Should this happen, it would change the actuarial projections for payment to persons under FRS. If constitutionally required actuarial studies verify the anticipated payment increase, concurrent funding would have to be provided to cover the loss or the act could be found to be unconstitutional.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Newly retired certified instructional employees of school districts would benefit by being able to return to work much sooner with an FRS participating employer and draw a salary plus receive retirement benefits.

Certified instructional personnel of school districts eligible for the DROP program would benefit financially by being able to stay in the program beyond the 60-month limit. The extended time would increase the amount being invested and generating interest for the employee.

C. Government Sector Impact:

The Legislature would have to appropriate the necessary concurrent funding in the event an actuarial study revealed the early reemployment provision of the bill created an anticipated FRS trust fund shortage due to the increased demand for FRS benefit payments.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
