

STORAGE NAME: h1933.frc.doc
DATE: April 12, 2001

HOUSE OF REPRESENTATIVES
FISCAL RESPONSIBILITY COUNCIL
ANALYSIS

BILL #: HB 1933 (PCB FRC 01-66)
RELATING TO: Disability Trust Fund
SPONSOR(S): Fiscal Responsibility Council Representative Lacasa

TIED BILL(S):

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

- (1) FISCAL RESPONSIBILITY COUNCIL YEAS 19 NAYS 0
 - (2)
 - (3)
 - (4)
 - (5)
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I. SUMMARY:

Section 121.571, F.S., requires employers of participants of the Public Employee Optional Retirement Program to contribute funds to the Public Employee Disability Trust Fund. These funds will be used to provide disability coverage for participants in the optional retirement program. However, the Public Employee Disability Trust Fund does not exist currently.

This bill creates the Public Employee Disability Trust Fund in the Department of Management Services. The trust fund will be exempt from the service charges imposed by section 215.20, F.S.

This bill is not expected to impact state or local revenues.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- 1. Less Government Yes No N/A
- 2. Lower Taxes Yes No N/A
- 3. Individual Freedom Yes No N/A
- 4. Personal Responsibility Yes No N/A
- 5. Family Empowerment Yes No N/A

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

B. PRESENT SITUATION:

Subsection 121.4501(16), F.S., provides:

For any participant in the optional retirement program who becomes totally and permanently disabled, as defined in s. 121.091(4)(b), the participant shall be entitled to receive those moneys that have accrued in his or her participant account. It is the intent of the Legislature to design a disability benefit for participants of the optional program similar to those disability benefits afforded defined benefit program members. The department is directed to study the potential options of such coverage, including self-insurance and commercial coverage, the alternative methods of administering such benefits, and the fiscal impacts on the employees and employers, and to make recommendations to the Legislature by January 15, 2001.

Section 121.571, F.S., requires employers of participants of the Public Employee Optional Retirement Program to contribute funds to the Public Employee Disability Trust Fund. These funds will be used to provide disability coverage for participants in the optional retirement program. The statutory contributions are based on the participant's gross monthly compensation and are noted below:

Regular Class	0.39%
Special Risk Class	1.25%
Special Risk Administrative Support Class	0.73%
Elected Officers' Class	
Legislators	0.61%
Governor, Lt. Governor, Cabinet	0.61%
State Attorneys, Public Defenders	0.61%
Justices, Judges	1.45%
County Elected Officers	0.86%
Senior Management Service Class	0.50%

Currently, there is no trust fund in existence to receive funds for the disability portion of the Public Employee Optional Retirement Program within the Florida Retirement System.

Mercer Study of Disability Benefits

The Department hired William M. Mercer, Inc. (Mercer) to conduct the disability study and to make recommendations. Mercer recommended that the state should fund Public Employee Optional Retirement Program disability benefits through a new Disability Benefit Trust; this trust fund would offer the benefits of self-insurance and plan asset protection.

C. EFFECT OF PROPOSED CHANGES:

This bill creates the Public Employee Disability Trust Fund in the Department of Management Services. This fund will be used to fund disability benefits for participants of the Public Employee Optional Retirement Program within the Florida Retirement System.

D. SECTION-BY-SECTION ANALYSIS:

Section 1 creates the Public Employee Disability Trust Fund in the Division of Retirement of the Department of Management Services. The fund is exempt from service charges imposed by s. 215.20, F.S. Any balance remaining at the end of the fiscal year shall remain in the trust fund in order to carry out the purposes of the fund. The fund shall be terminated on July 1, 2005, unless terminated sooner, and prior to termination, shall be subject to the trust fund review process.

Section 2 provides an effective date of July 1, 2001.

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:

None.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require the expenditure of monies by counties and municipalities.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the revenue raising authority of counties and municipalities.

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

This bill does not reduce the percentage of a state tax shared with counties and municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

FISCAL RESPONSIBILITY COUNCIL:

Prepared by:

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