

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 848
 SPONSOR: Senator Burt
 SUBJECT: County Law Enforcement Officers
 DATE: April 9, 2001 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Rhea	Wilson	GO	Favorable
2.	Cooper	Yeatman	CA	Favorable
3.			AGG	
4.			AP	
5.				
6.				

I. Summary:

The bill expands the class that benefits from the statutory presumption under s. 112.18(1), F.S., that any condition or impairment of health caused by tuberculosis, heart disease, or hypertension that results in total or partial disability or death is presumed to have been accidental and to have been suffered in the line of duty. The bill includes in this class county law enforcement officers. The required funding for this provision was enacted by ch. 99-392, L.O.F., when the Special Risk Class rate was increased to fund this benefit.

This bill amends section 112.18(1) of the Florida Statutes.

II. Present Situation:

Chapter 121, F.S., the Florida Retirement System Act, establishes requirements for eligibility in the Florida Retirement System (FRS). The FRS is a multi-employer, non-participatory defined benefit pension plan that provides vested members a retirement benefit based on a formula determined by years of service, average final compensation, and member classification accrual rates. It includes five membership classes: Regular, Special Risk, Special Risk Administrative Support, Elected State and County Officers, and Senior Management Service.

Section 121.0515(2), F.S., establishes criteria for membership in the Special Risk Class, which is open only to law enforcement officers, firefighters, correctional officers, emergency medical technicians and paramedics. These members are included within special risk because they

. . . perform work that is physically demanding or arduous, or work that requires extraordinary agility and mental acuity, and that such persons, because of diminishing physical and mental faculties, may

find that they are not able, without risk to the health and safety of themselves, the public, or their coworkers, to continue performing such duties and thus enjoy the full career and retirement benefits enjoyed by persons employed in other positions and that, if they find it necessary, due to the physical and mental limitations of their age, to retire at an earlier age and usually with less service, they will suffer an economic deprivation therefrom. Therefore, as a means of recognizing the peculiar and special problems of this class of employees, it is the intent and purpose of the Legislature to establish a class of retirement membership that awards more retirement credit per year of service than that awarded to other employees. . . .¹

Accordingly, Special Risk Class members have been given greater career benefits than Regular Class members. A member of the Special Risk Class:

1. Receives 3 percent of average final compensation (AFC), as opposed to 1.60 percent to 1.68 percent for a Regular Class member, for each year of service earned.
2. Reaches normal retirement at an earlier age (55 instead of 62) or with fewer years of service (25 instead of 30) than a Regular Class member.

Under the Department of Management Services (DMS), the Division of Retirement (division) serves 800,000 statewide retirement system members and oversees approximately 500 local government retirement systems. The division administers all statewide retirement systems, the largest of which is the FRS. The FRS provides disability retirement benefits to its members as an incidental benefit. To claim disability retirement, the member must be totally and permanently disabled. This means that the member is prevented, by reason of a medically determinable physical or mental impairment, from rendering useful and efficient service as an officer or employee. All state and county employees are compulsory members of the FRS, and about 60 Florida cities cover their firefighters, police and general employees or both under the FRS.²

Under s. 121.091(4), F.S., any member of the FRS who is totally and permanently disabled due to any condition or impairment of health caused by an injury or illness (including tuberculosis, heart disease, or hypertension) is entitled to disability benefits. If the injury or illness arises out of and in the actual performance of duty required by his job, the member is entitled to in-line-of-duty disability benefits.

There are several important differences in the laws applicable to disability benefits, depending upon whether the disability is found to be due to an injury or illness “suffered in the line of duty”:

Regular Disability - Regular disability is granted for an illness or injury from natural causes or an accident not related to employment. Currently, to be eligible for regular disability, a member must complete 5 to 10 years of creditable service to be entitled to a monthly disability. Effective

¹Section 121.0515(1), F.S.

²According to the Division of Retirement, many cities and special districts have chosen to “opt out” of the FRS for new employees, and some have elected to rejoin the FRS. As of June 30, 2000, about 59 cities had withdrawn from the FRS for new employees and had not rejoined. The remaining cities have 84 plans covering special risk employees under the FRS.

July 1, 2001, the 10-year service requirement for regular disability benefits will be reduced to 8 years, as provided in ch. 2000-169, L.O.F. The minimum annual regular disability benefit is 25 percent of average final compensation for an Option 1 benefit.³

Disability in the Line of Duty - Disability in the line of duty is defined as

. . . an injury or illness arising out of and in the actual performance of duty required by a member's employment during his or her regularly scheduled working hours or irregular working hours as required by the employer.

- < Eligibility – Unlike regular disability, an FRS member is eligible for in-line-of-duty disability benefits from his/her first day on the job. In contrast, an FRS member must have from 5 to 10 years of creditable service⁴ before becoming disabled in order to receive disability retirement benefits for any disability which occurs other than in the line of duty. Special Risk Class members receive a minimum annual in-line-of-duty disability benefit of 65 percent of average final compensation for an option 1 benefit. For members of other classes in the FRS, the minimum in-line-of-duty disability benefit is 42 percent of average final compensation.
- < Threshold Benefit Amount – The level of disability benefit to which a disabled member is minimally entitled depends upon whether his/her disabling injury or illness was job related. If the disabling injury or illness occurs in the line of duty, the benefit will be at least 42 percent of the member's average final compensation (AFC) as of the disability retirement date. For special risk members retiring on or after July 1, 2000, the in-line-of-duty disability benefit threshold is 65 percent of AFC as of the disability retirement date. If the disabling injury or illness did not occur in the line of duty, the benefit threshold is 25 percent of AFC.
- < Burden of Proof – Unless a legal presumption applies such as the one provided under s. 112.18, F.S., the member must show by competent evidence that the disability occurred in the line of duty to qualify to receive the higher in-line-of-duty disability benefits. Under s. 112.19(2)(h), F.S., any full-time law enforcement, correctional, or correctional probation officer who suffers catastrophic injury as defined in s. 440.02(37), F.S., and his or her spouse and minor dependents, will have their entire health insurance premium paid for by his or her employer.

Presumption of Disability in the Line of Duty - A disability may be presumed to have occurred in the line of duty, as well. This presumption applies to persons in specified positions who become disabled as a result of certain diseases the law finds to be incident to employment. Under current law, s. 112.18(1), F.S., any Florida state, municipal, county, port authority, special tax

³The Option 1 benefit is the maximum retirement benefit payable to the member during his or her lifetime.

⁴ Under current law, any member with less than 5 years of creditable service on July 1, 1980, or any person who joins the FRS on or after that date must compete 10 years of creditable service to qualify for disability benefits for a disability that is not job-related. Otherwise, 5 years of creditable service is required to qualify for a non-duty disability benefit. Effective July 1, 2001, the 10-year service requirement is reduced to 8 years.

district, or fire control district firefighter or state law enforcement officer⁵ who has any condition or impairment of health that is caused by specified illnesses and results in total or partial disability or death is presumed to have been accidental and to have been suffered in the line of duty.⁶ The contrary may be shown by competent evidence. The specified illnesses that give rise to this presumption are:

1. Tuberculosis;
2. Heart disease; or
3. Hypertension.

In order for the presumption to apply, a firefighter or state law enforcement officer must have successfully passed a preemployment physical examination that failed to show any evidence of tuberculosis, heart disease, or hypertension.

Burden of Proof - Unless a legal presumption applies, such as the one provided for firefighters and state law enforcement officers under s. 112.18, F.S., the FRS member must show by competent evidence that the disability occurred in the line of duty to qualify to receive the higher in-line-of duty disability benefits.

Subsection (2) of the section, authorizes the state, municipalities, counties, port authorities, special tax districts, and fire control districts, to negotiate life and disability insurance policies that include accidental death benefits or double indemnity coverage and that contain the presumption for firefighters. The state is also authorized to negotiate this type of coverage on behalf of *state* law enforcement officers. The presumption explicitly does not apply to benefits under a life or disability insurance policy unless the insurer and the insured have negotiated for these benefits to be included in the policy contract under subsection (1) of the section.

Death Benefits Available Under Ch. 121, F.S. - The FRS also provides death benefits for surviving spouses and eligible dependents (or both) of active members. Under s. 121.091(7), F.S., death benefits may be paid for an active member of the FRS who dies before retirement due to an injury or illness (including tuberculosis, heart disease, or hypertension). If the injury or illness arises out of and in the actual performance of duty required by his or her job, the members' surviving spouse and eligible dependent(s) or both are entitled to in-line-of-duty death benefits.

Distinctions are made in the laws applicable to death benefits, depending on whether the death is found to be due to an injury or illness "suffered in the line of duty." From the first day of employment, an FRS member is eligible for in-line-of duty death benefits that will pay a minimum monthly benefit to a survivor equal to half the member's last monthly salary. If the

⁵The Division of Retirement has interpreted "state law enforcement officer" as used in this subsection to include police officers, corrections officers, and correctional probation officers employed by state agencies. The Division of Retirement bases this interpretation on a statement of legislative intent as provided to the State Retirement Director on 8/23/99. This clarification was issued to the Division of Retirement after the Legislature expanded the presumption to cover state law enforcement officers under ch. 99-392, L.O.F. The Division of Retirement has recommended that the law be amended to explicitly cover corrections officers and correctional probation officers.

⁶This presumption was initially established for firefighters in 1965 and was expanded to include state law enforcement officers in 1999, pursuant to ch. 99-392, L.O.F.

deceased member would have been entitled to a higher retirement benefit based on service credit, the higher benefit would be payable to his or her spouse or eligible dependent(s). Special survivor provisions apply to both in-line-of duty and non-duty deaths that allows the surviving spouse or eligible dependent to purchase credit for any service, which could have been claimed by the member at the time of his or her death.

Unless a legal presumption applies, such as the one provided for firefighters and state law enforcement officers under s. 112.18, F.S., the eligible beneficiary must show by competent evidence that the death occurred in the line of duty to qualify to receive the higher in-line-of-duty death benefits.

In addition to the death benefits available under ch. 121, F.S., special death benefits are provided under s. 112.19, F.S., for law enforcement officers, correctional officers, and correctional probation officers who are killed in the performance of duty. Similar death benefits are available for firefighters' dependents under s. 112.191, F.S.

Local Pension Plans – Chapters 175 and 185, F.S., provide funding for municipal firefighters' and police officers' plans, and numerous city plans cover firefighters and police officers under these plans. Both chapters provide a "uniform retirement system" for firefighters and police officers and set standards for operation and funding of pension systems through a trust fund supported by a tax on insurance premiums. Most Florida firefighters and local law enforcement officers participate in these plans.

Two types of plans are governed by each of these chapters – "chapter plans" and "local law plans." To be considered totally and permanently disabled, "chapter plan" employees must only be found disabled from rendering useful and efficient service as a firefighter or police officer. Under "local law plans," the standards for determining eligibility for disability retirement, death benefits, and the benefits paid, vary widely from one plan to another, although all plans must abide by minimum standards established under ss. 175.351 and 185.35, F.S.

Current law provides a similar line-of-duty disability presumption for municipal firefighters' pension systems under s. 175.231, F.S., and for municipal police officers' pension systems under s. 185.34, F.S.

In addition to the pension plans governed by chapters 175 and 185, F.S., there are numerous other local plans that provide coverage for firefighters and police officers for disability and death. Under these plans, the standards for determining eligibility for disability retirement and death benefits, and the benefits paid, vary widely from plan to plan. No statewide presumption exists under present law for these local plans.

Additional Life and Disability Insurance Benefits – The DMS, under s. 110.123, F.S., operates the State Group Insurance Program. Currently, the program offers an array of health, life, and other insurance plans to eligible state employees,⁷ retirees⁸ and their eligible dependents.⁹

⁷Section 110.123(2)(c), F.S., defines "full-time state employees" to include "... all full-time employees of all branches or agencies of state government holding salaried positions and paid by state warrant or from agency funds, and employees paid

The Group Life Insurance plan offers Basic Term Life and Accidental Death & Dismemberment (AD&D) and Optional Term Life and AD&D benefit options. Persons eligible to participate in the life insurance plan include active state officers and employees. This is a fully insured contract of insurance underwritten by the Prudential Life Insurance Company.

The Life and AD&D Insurance plan has a provision which waives life insurance premium when any enrollee is totally disabled for a continuous 9 month period and is less than 60 years of age at the time the disability begins. It also provides accidental death or double indemnity benefits, along with other accidental loss benefits, to any enrollee, subject to a 180-limitation (death or losses must be incurred within 180 days of the accident for most of the defined losses). Benefit terms specifically exclude coverage for any losses as a result of sickness, medical or surgical treatment of sickness, certain infections, certain full-time military duty, and other losses.

Under s. 112.18(2), F.S., governmental entities are authorized to negotiate policy contracts for life and disability insurance to include accidental death benefits for firefighters who are partially or totally disabled, or die in the line of duty as a result of tuberculosis, heart disease or hypertension. According to the division, the existing life insurance contract with Prudential does not cover the benefits described by the bill to firefighters or to any other group of eligible employees.

Differences in Disability Coverage and Benefits - Under the FRS and the chapter 175 and 185 plans, members are covered for disability suffered in the line of duty from the first day of employment. The minimum in-line-of-duty disability benefit is 65 percent of average final compensation (AFC) for special risk members and 42 percent of AFC for other members. By contrast, to qualify for nonduty-related disability benefits, a member must have 10 years of service, and the minimum benefit for general disability is 25 percent of AFC. So, it is often to a member's advantage, if he is disabled, to have suffered the disability in the line of duty.

Workers' Compensation – The impact of this presumption on workers' compensation claims determinations would be similar to the impact on the FRS, except that the presumption could have more impact because the threshold eligibility test for workers' compensation is whether the disability arose "out of and in the course of employment." If it did not, the employee is not

from regular salary appropriations for 8 months' employment, including university personnel on academic contracts, but in no case shall "state employee" or "salaried position" include persons paid from other-personal-service (OPS) funds."

⁸Section 110.123(2)(g), F.S., defines "retiree" to mean ". . . any state officer or state employee who retires under a state retirement system or a state optional annuity or retirement program or is placed on disability retirement, and who was insured under the state group insurance program at the time of retirement, and who begins receiving retirement benefits immediately after retirement from state office or employment."

⁹Section 110.123(2), F.S., does not contain a definition for eligible dependents, though it contains a definition for "surviving spouse." That term means ". . . the widow or widower of a deceased state officer, full-time state employee, part-time state employee, or retiree if such widow or widower was covered as a dependent under the state group health insurance plan or a health maintenance organization plan established pursuant to the section at the time of the death of the deceased officer, employee, or retiree. 'Surviving spouse' also means any widow or widower who is receiving or eligible to receive a monthly state warrant from a state retirement system as the beneficiary of a state officer, full-time state employee, or retiree who died prior to July 1, 1979. For the purposes of this section, any such widow or widower shall cease to be a surviving spouse upon his or her remarriage.

eligible for any benefits. There is no provision under ch. 440, F.S., for a non-duty-related disability as may be found in many retirement plans.

Special Disability Trust Fund – The Special Disability Trust Fund (SDTF) was established in 1955 under s. 440.49, F.S., to encourage the employment of workers with permanent impairments. Employers and insurers are reimbursed from the fund for part of the benefits provided and extra expenses incurred when they hire a worker with a recognized impairment who is subsequently injured on the job, and the later injury is affected by the preexisting condition. The SDTF is funded by assessing insurers writing workers' compensation insurance in the state and self-insured Florida employers. Assessments are levied at a specified percentage of the workers' compensation net premiums handled by the carrier/employer. The annual assessment is set at a rate intended to generate enough money to administer the program and maintain the fund, according to a statutory formula. If successful workers' compensation claims increase due to the presumption afforded by this bill, the assessments paid by carriers/employers could rise.

III. Effect of Proposed Changes:

Section 1 amends s. 112.18, F.S., to expand the class that benefits from the statutory presumption under s. 112.18(1), F.S., that any condition or impairment of health caused by tuberculosis, heart disease, or hypertension that results in total or partial disability or death is accidental and suffered in the line of duty. The bill includes in this class *county* law enforcement officers, so long as they have successfully passed a physical examination upon entering into service.

Under the bill, the burden of proving that a disability or death was accidental and suffered in the line of duty would be shifted from the affected county law enforcement officer to the officer's employer. Additional law enforcement officers would qualify for workers compensation and for the generally higher in-line-of duty benefits available under the FRS.

Section 2 provides that the bill will take effect July 1, 2001.

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.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The cost of this benefit to the FRS has been funded since 1999 with the enactment of ch. 99-392, L.O.F., although it has been available only to firefighters and state law enforcement officers, including state and correctional and correctional probation officers. As originally filed, House Bill 1883 (which was codified as ch. 99-392, L.O.F.) would have included all law enforcement officers and would have funded the cost through a contribution rate increase of 0.08 percent for the Special Risk Class. This amount was determined by the consulting actuaries for the FRS to be sufficient to fund inclusion of all Special Risk members under the presumption. When the bill was amended to limit its application to state law enforcement officers only, the corresponding contribution rate was not changed. In 2000, under ch. 2000-167, L.O.F., the minimum rate paid for in-line-of-duty disabilities for Special Risk Class members was increased from 42 percent to 65 percent and the cost of this benefit improvement was funded through a contribution rate increase of 0.13 percent for the Special Risk Class and 0.21 percent for the Special Risk Administrative Support Class.

There should be no cost to FRS employers for this expansion to cover county law enforcement officers, including correctional officers, since the FRS benefit has already been funded. It is possible, however, that as more members use in-line-of-duty disability benefits, it would produce actuarial losses that would slowly emerge. If such costs occur, they would have to be funded through contribution rate increases as recommended in future annual valuations of the FRS.

According to the Department of Management Services, the existing life insurance contract with Prudential does not cover the benefits described by the bill to firefighters or to any other group of eligible employees. If such coverage were to be negotiated by the state to eligible state firefighters and law enforcement officers, the estimated recurring fiscal impact would be:

- < \$143,505 - \$156,352 per year combined state and employee contribution, for redefined accidental death benefit premium this year.
- < \$33,046 - \$231,323 per year, combined state and employee contribution, for redefined waiver of premium benefit this year.

Currently, the state contributes approximately 80 percent of the total premium cost; enrollees contribute the remaining 20 percent.

According to the DMS, the estimated fiscal impact for the state is for the current plan year only. Future fiscal impact would be determined by future employment numbers, plan enrollment, plan experience, and premium rates.

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.
