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: CS/SB 444

SPONSOR: Governmental Oversight and Productivity Committee and Senator Wise

SUBJECT: Florida Retirement System

DATE: April 14, 2003 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Wilson	Wilson	GO	Fav/CS
2.			RC	
3.				
4.				
5.				
6.				

I. Summary:

The bill adds additional named positions to the Special Risk Class of the Florida Retirement System (FRS), permits designated classes of current and former system members to purchase service credit, and permits the reemployment after retirement of designated educational employees as early as thirty-one days after termination of employment without suspension of benefits during their first retirement year.

This bill amends the following sections of the Florida Statutes: ss. 121.055, 121.0515, 121.091, and 121.1115.

II. Present Situation:

The FRS is a multi-employer, non-participatory, pension plan covering the employees and dependents of some 800 state, county, municipal, and special district employees. It offers both a defined benefit, or percent of final pay plan, as well as a defined contribution plan for the more than 600,000 covered employees. At retirement, or termination of employment, employees may choose from a variety of annuity distributions, in the case of the defined benefit plan, or from distribution options, in the case of the defined contribution plan.[1] Investment management of the defined benefit plan is the responsibility of the State Board of Administration with retirement benefit payments made by the Division of Retirement in the Department of Management Services.

As alternatives to enrollment in the FRS, designated faculty and staff of the state universities and community colleges may choose from separate constituted option annuity plans under the same

[1] A Deferred Retirement Option Plan is available to defined benefit members only in which a partial equity distribution can be realized during the final years of employment in addition to a monthly annuity.

contribution rates as the FRS. A third plan for state and local senior managers provides equivalent coverage, all three of which provide for participant contracts with selected investment providers.[2]

The 1995 Legislature permitted local government participants to terminate membership in the FRS and establish their own pension plans effective January 1, 1996. Employees were given the choice of maintaining membership in the FRS or transferring to the successor plan.

Embedded within the structure and funding of the FRS is a provision suspending the retirement benefit for any member who reestablishes employment with a participating FRS employer within twelve months of receipt of retirement benefits. About one-quarter of retired members who return for a second-career after this time period are instructional personnel in grades K-12. The depletion of instructional ranks in these grades due to normal retirements, the enactment of Amendment IX to the State Constitution on minimum classroom teacher-to-student ratios, and enrollment growth have all combined to strain the efforts at achieving a satisfactory faculty complement in public schools.

III. Effect of Proposed Changes:

Section 1. The bill amends s. 121.0515, F.S., to add ocean lifeguards certified as first responding paramedics, and court bailiffs and deputies who provide courthouse protection services to the Special Risk Class of the FRS. It also permits an upgrading of service credit in the class from 2 percent to 3 percent on behalf of members transferring into the FRS from closed plans.

Section 2. The bill amends s. 121.055, F.S., to permit from July 1, 2003 through September 30, 2003, current, senior manager employees of former FRS employers that withdrew membership in 1996 to rejoin the FRS on a voluntary basis and to pay the difference in service credit.

Section 3. The bill amends s. 121.091, F.S., to permit designated personnel of district school boards, community colleges, and state universities to be reemployed following retirement prior to the current benefit suspense period of one year. The section substitutes a thirty-one day suspense period and repeals the 780-hour first-year limitation on reemployment.

Section 4. The bill amends s. 121.1115, F.S., to permit the purchase of prior service credit to be extended to services in territories as well as states and the federal government.

Section 5. The bill takes effect July 1, 2003.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None. The bill does not contain an important state interest clause due to the fact that the number of potentially qualifying first responders who are also ocean lifeguards is believed to be quite small. There is no data on court deputies and bailiffs as a separate

[2] The providers vary by institution.

class since many of them are assigned that duty as part of an existing law enforcement post. In that case they are already in the special risk class.

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 payroll cost difference between the Regular Class and Special Risk Class is 11.14 percent in adjusted contribution based upon FY 2003 rate tables in ch. 121, F.S.

The repurchase of service credit will be a personal expense item, unless assumed in whole or in part by the employer. Each affected employee will have to have the Division of Retirement calculate the amount due in arrears, which itself is assessed retroactive compound interest at 6.5 percent per annum.

The Division of Retirement has advised that an actuarial special study is required to fully assess the impact of forgiving the retirement suspense period. In legislation implementing a revised FRS rate structure for FY 2004, CS/CS/SB 958 contains a similar provision for district school board instructional personnel only. A preliminary fiscal impact estimate prepared by the division's external actuary estimated that impact at as much as $25 million. The cumulative impact for all three employer categories would be in excess of that amount.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.