

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.)

Prepared By: Governmental Oversight and Productivity Committee

BILL: SB 106

SPONSOR: Senator Constantine

SUBJECT: Florida Retirement System

DATE: January 19, 2005

REVISED: 01/26/05

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Wilson</u>	<u>Wilson</u>	<u>GO</u>	<u>Fav/1 amendment</u>
2.	<u> </u>	<u> </u>	<u> </u>	<u> </u>
3.	<u> </u>	<u> </u>	<u> </u>	<u> </u>
4.	<u> </u>	<u> </u>	<u> </u>	<u> </u>
5.	<u> </u>	<u> </u>	<u> </u>	<u> </u>
6.	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Please see last section for Summary of Amendments

- Technical amendments were recommended
- Amendments were recommended
- Significant amendments were recommended

I. Summary:

The bill permits certification of medical disability by two physicians of the state in which an eligible member of the Florida Retirement System works if that state is not Florida. The bill also changes the membership and quorum requirements for meetings of the State Retirement Commission to account for a change in the number of appointees.

This bill amends the following sections of the Florida Statutes: 121.091, 121.22, and 121.24.

II. Present Situation:

The Florida Retirement System (FRS) is a multi-employer, non-participatory pension plan providing retirement income and disability benefits to the more than 600,000 employees and 225,000 beneficiaries of its more than 800 state, county, municipal, and independent district public employers. The default choice in the FRS is a defined benefit, or percent of final pay pension arrangement, in which a final benefit is calculated on the basis of service, retirement class factor, and the average of the best five years' salary. Since 2001 the FRS has permitted employees to select a defined contribution alternative in which employees own and actively manage the contributions to their individual account. Both choices are accompanied by equivalent disability benefits for service and non-service related illness or injury. Retirees from

either plan are also permitted to receive a contribution from a separate account to subsidize payment of health insurance premiums.

The State Retirement Commission is a quasi-judicial entity attached to the Florida Department of Management Service and acts as an administrative tribunal for the adjudication of disputes on the denial of benefit eligibility by the department's benefit administrator, the Division of Retirement. The commission hears cases on applications for disability retirement, reexamination of retired members for receipt of continued benefits, and applications for and denials of special risk retirement membership.

Prior to the enactment of ch. 2001-89, Laws of Florida, the commission had 7 members with a statutory requirement of four members to be in attendance for purposes of a quorum. That chapter law reduced the size of the commission to three members but failed to adjust the quorum requirement from four to two members. Thus, the law in its current form requires a quorum greater than the total membership.

III. Effect of Proposed Changes:

Section 1. The bill amends s. 121.091, F.S., to permit certification of medical disability by two physicians in a state in which a member of the FRS works if that state is not Florida.

Section 2. The bill amends s. 121.22, F.S., to add two members to the State Retirement Commission each of whom is an active and retired FRS member.

Section 3. The bill permits the State Retirement Commission to conduct its business in panels of three members, the quorum of which shall be two members.

Section 4. The bill takes effect July 1, 2005.

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 bill adds two members to the State Retirement Commission. As these appointments are non-salaried positions, the only additional fiscal impact to the Division of Retirement is the payment of additional travel and per diem for appointees whose residence is outside of the division's Tallahassee headquarters.

A convention frequently used, although not formally a part of the budget instructions, is the sum of \$400 to \$500 per person per day for travel, meals, and lodging. The expense is payable from the FRS Trust Fund as it is an expense incidental to the operation of the plan.

VI. Technical Deficiencies:

As written, the bill applies only to those circumstances in which the FRS member works in the United States of America. There are a number of other members whose assignments cause them to reside in other countries such as Canada who would still fall within the provisions of current law. Nonetheless, these numbers are not believed to be material.

VII. Related Issues:

The Department of Management Services identified less than 250 state employees who reside in states other than in Florida. Frequently, these are individuals whose duties involve financial compliance or commodity regulation.

VIII. Summary of Amendments:

Barcode 291828 by Governmental Oversight and Productivity:

Amends ss. 121.35(2), F.S., to delete provisions of current law that participants in the state university system optional annuity program must have employment contracts greater than one year in length.

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