

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: Community Affairs Committee

BILL: SB 252

SPONSOR: Senator Fasano

SUBJECT: Florida Retirement System Benefits

DATE: January 25, 2005

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Herrin	Yeatman	CA	Favorable
2.	_____	_____	GO	_____
3.	_____	_____	WM	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

The bill allows cities, in addition to counties, to purchase annuities for employees meeting certain criteria. These annuities may not exceed a specified amount.

This bill amends section 121.182 of the Florida Statutes.

II. Present Situation:

The term “annuity” refers to a fixed sum payable to a person at specified intervals for a defined period. The payments represent part of a capital investment plus a return on that investment.¹ Current law allows counties to purchase annuities for county personnel with 25 or more years of creditable service who have reached age 50 and have applied for retirement under the Florida Retirement System.² However, the annuity may not provide for more than the total difference between the employee’s retirement benefit reduced for early retirement and the benefit without a reduction.

A county may also purchase annuities for members of the Florida Retirement System who have out-of-state service which has been documented as valid by the county.³ However, the annuities may not be based on more than 5 years of service and cannot exceed the benefits payable to an employee under the Florida Retirement System for the out-of-state service if credit for such service was authorized under the system.

¹ See Black’s Law Dictionary (1990), pg. 90.

² Section 121.182, F.S.

³ See *id.*

Further, counties are authorized to invest funds, purchase annuities, or provide local supplemental retirement programs in order to provide annuities for county employees.⁴ All retirement annuities must comply with s. 14, Art. X of the State Constitution, which prohibits a governmental unit from increasing member benefits without making provision for the funding increase on a sound actuarial basis.

In addition to counties, district school boards and community college boards are also authorized in ss. 1012.685 and 1012.87, F.S., respectively, to provide annuities as a benefit to their employees with similar limitations.

III. Effect of Proposed Changes:

Section 1 of the bill amends s. 121.182, F.S., to allow cities, in addition to counties, to purchase annuities for their personnel with 25 or more years of creditable service who have reached age 50 and have applied for retirement. It also authorizes cities, in addition to counties, to purchase annuities for employees with out-of-state service. There are restrictions on the amount provided by those annuities.

Section 2 of the bill provides an effective date.

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:

Depending on how many cities offer the annuities in this bill, private insurance carriers may benefit.

⁴ See *id.*

C. Government Sector Impact:

This bill will allow cities to offer annuities as an additional benefit to its employees, which may enhance their recruiting abilities. A city that chooses to offer this benefit will experience an unknown cost depending on how many employees qualify for an annuity.

There may be some minimal cost incurred by the Division of Retirement to determine the amount of the annuity.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

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

VIII. Summary of Amendments:

None.

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