

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: Ways and Means Committee

BILL: CS/SB 60

SPONSOR: Ways and Means Committee, Senators Campbell and Fasano

SUBJECT: Florida Retirement System

DATE: April 27, 2005 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Wilson</u>	<u>Wilson</u>	<u>GO</u>	<u>Favorable</u>
2.	<u>McVaney</u>	<u>Coburn</u>	<u>WM</u>	<u>Fav/CS</u>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

The bill adds forensic technical personnel employed by a law enforcement agency or a medical examiner’s office to the Special Risk Class of the Florida Retirement System.

This bill substantially amends the following section of the Florida Statutes: s. 121.0515.

II. Present Situation:

The Florida Retirement System (FRS) is a multi-employer, non-contributory pension plan providing retirement income benefits to the more than 625,000 active and 210,000 retired members and beneficiaries of its 840 state and local government public employers. Originally established in 1970 as the successor to the Teachers’ Retirement System and the State and County Officers’ and Employees’ Retirement System, the FRS is today a combination of four previously separate pension plans. Benefit payments are administered by the Department of Management Services through its Division of Retirement while investment management is undertaken by the State Board of Administration. Established as a section 401(a) government plan under the Internal Revenue Code, its benefits are exempt from federal taxation until received by the employee.

As a defined benefit plan, the FRS “Pension Plan” provides retirement income expressed as a percent of final pay. Participants accrue retirement credits based upon their eligibility in one of several membership classes. Years of creditable service multiplied by average final salary multiplied by the accrual rate for the membership class, plus up to 500 hours of annual leave, yield a monthly benefit at normal retirement. The accrual rates range from 1.60 percent for the Regular Class to 3.33 percent for the Justices and Judges subclass. For most membership classes normal retirement occurs at the earlier attainment of 30 years’ service or age 62. For public

safety employees in the Special Risk Retirement Class, normal retirement is the earlier attainment of age 55 or 25 years' service. Members seeking early retirement receive a five percent reduction in the benefit for each year below their normal age threshold.

All membership classes permit enrollment in a Deferred Retirement Option Program (DROP) under which a participant may extend employment for an additional five years - eight years for instructional personnel in district school boards - and receive a lump sum benefit at a fixed rate of interest for that additional service. Enrollment in DROP requires the participant to serve the employer with a deferred resignation from employment at the end of the period. The defined benefit plan includes a fixed, annual cost-of-living adjustment of three percent.

The 2000 Legislature enacted sweeping changes to the FRS by creating the Public Employee Optional Retirement Program (Part II of ch. 121, F.S.), an alternative defined contribution or "Investment Plan" for its members. While a defined benefit plan provides an annuitized monthly benefit expressed as a percent of final pay, a defined contribution plan gives a member an equity interest in the employer's payroll contributions and the associated earnings, although it does not assure a guaranteed result. All new FRS-covered employees were given the option to enroll in the new plan and existing employees were provided a once-in-a-lifetime opportunity to change their current enrollment. Generally, a defined benefit plan rewards career employment as its annuitized benefits become more generous with longer service. A defined contribution plan works best for those who value public service for only short employment experiences or who prefer to manage their own investments. DROP enrollment is unavailable in the Investment Plan due to the incompatibility of plan designs.

The Special Risk Retirement Class is principally composed of law enforcement, correctional and correctional probation personnel. In recent years this class has been augmented through the addition of emergency medical personnel and various state correctional system employees whose work requires them to spend their official duties within the security perimeter of a state correctional or forensic facility. Elected officials with law enforcement responsibilities have the option of choosing membership in the Elected Officers' Class or the Special Risk Class.

III. Effect of Proposed Changes:

Section 1 adds forensic personnel employed by law enforcement agencies or medical examiners' offices to the Special Risk Class. It requires the affected members to maintain compliance with certification requirements of a standards-setting organization specializing in forensic sciences.

Section 2 contains a statement of important state interest in compliance with s.18, Art. VII, State Constitution.

Section 3 appropriates \$1.4 million from the General Revenue Fund to the Department of Law Enforcement to fund the costs associated with the increased retirement contributions for the forensic personnel employed by the department.

Section 4 provides that the bill takes effect October 1, 2005.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

The Division of Retirement estimates that there are 409 forensic science and supervisory personnel in the Florida Department of Law Enforcement affected by this bill with the remainder of the estimated total of 850 spread among other state and local government employers.

The bill provides a declaration of important state interest.

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:

From the employees' standpoint, the change in classes will result in an increase in retirement benefits from the current forty-eight percent to seventy-five percent of average final compensation. Normal retirement is reduced from thirty years to twenty-five years.

Florida law requires service of twenty-five years *in the Special Risk Class* for normal retirement eligibility in that class. Split service is governed by a service length of thirty years or age 62 for the receipt of normal, unreduced benefits.

C. Government Sector Impact:

The bill is prospective in its application. Based on current retirement contribution rates, and assuming the employees in the 386 forensic science positions in the Department of Law Enforcement qualify for special risk benefits, the fiscal impact of this bill is estimated to be \$1.4 million from the General Revenue Fund in FY 2005-2006 and \$1.9 million from the General Revenue Fund in FY 2006-2007 and thereafter.

VI. Technical Deficiencies:

The bill does not define "law enforcement agency" and that determination may be left to the division to establish by rule.

VII. Related Issues:

The Special Risk Retirement Class was designed a number of years ago to provide enhanced benefits and a shorter career only for those personnel whose physically demanding skills naturally deteriorate over time. Conversely, personnel affected by SB 60 have their skills increase over time since forensic science is an academic discipline.

While it is assumed that affected personnel may choose the defined benefit alternative following the change in classes, there is no specific requirement that they do so. Individuals may also choose the Investment Plan and, in that case, will receive an employer contribution to their separate accounts of 20.00 percent.

The terms used to define the personnel may pose some definition problems among local law enforcement agencies. State employees in similar classifications are concentrated in the Department of Law Enforcement but may also be present in the Department of Environmental Protection, the Department of Agriculture and Consumer Services, the State Fire Marshal's Office, and the Department of Business and Professional Regulation. The broadband personnel classification system adopted by the Legislature some years previously and administered by the Department of Management Services contains four classifications for forensic technicians.¹ The occupational description provides that personnel in those classifications perform

. . . work collecting, identifying, classifying, and analyzing physical evidence related to criminal investigations or the natural environment. Incumbents perform tests on weapons or substances, such as fiber, hair, and tissue to determine significance to investigation. Incumbents may testify as expert witnesses on evidence or crime laboratory techniques and may serve as specialists in area of expertise, such as ballistics, fingerprinting, handwriting, or biochemistry.

Affected employees, while members of the Special Risk Retirement Class, are not considered law enforcement officers for purposes of statutes conferring additional workplace benefits other than retirement.

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

¹ Job Family 19-0000: Life, Physical and Social Science, Occupational Group 19-4090: Science Technicians.

VIII. Summary of Amendments:

None.

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