

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 622

INTRODUCER: Senator Aronberg

SUBJECT: Florida Retirement System/Dispatchers/911 Operators

DATE: April 9, 2007

REVISED: 04/12/07

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Molloy	Yeatman	CA	Fav/1 amendment
2.			CJ	
3.			GO	
4.			GA	
5.				
6.				

Please see last section for Summary of Amendments

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

I. Summary:

This bill provides that, effective October 1, 2007, the Special Risk Class membership of the Florida Retirement System (FRS) is expanded to include public safety dispatchers and 911 operators and their supervisors who are employed by an agency of the state or local government.

This bill substantially amends ss.121.021 and 121.0515, F.S.

II. Present Situation:

Profile of the FRS and the Special Risk Class¹

The FRS was created in December 1970 to consolidate then-existing state-administered retirement systems for state and county officers and employees, teachers, judges, and Highway Patrol Officers. Today, the FRS is the fourth largest public retirement system in the United States, covering over 664,000 active employees, over 252,000 retirees and their surviving beneficiaries, and more than 31,000 participants of the Deferred Retirement Option Program (DROP). As of June, 2006, state employees, including university employees, represent 22 percent of the FRS membership. Remaining members are employed by local agencies, including

¹ Information in the "Present Situation" section of this bill analysis is from an analysis of the bill provided by the Department of Management Services, Division of Retirement, dated February 1, 2007.

all counties, district school boards, and community colleges, as well as cities and special districts that have opted to join the FRS.

The active membership of the FRS is divided into five membership classes: the Regular Class, the Special Risk Class, the Special Risk Administrative Support Class, the Elected Officers' Class, and the Senior Management Service Class. Each class is separately funded based upon the costs attributable to the members of that class.

Special Risk Class. The Special Risk Class of the FRS consists of state and local government employees employed in law enforcement, firefighting, criminal detention, and emergency and forensic medical care who meet statutory criteria for membership as set forth in s. 121.0515, F.S. As of June 30, 2006, with over 72,000 active members in the Special Risk Class and 74 members in the Special Risk Administrative Support Class, special risk employees made up nearly 11 percent of the active FRS membership.

In creating the Special Risk Class of membership within the FRS, the Legislature recognized that persons employed in certain categories of law enforcement, firefighting, criminal detention, and emergency medical care positions must, as an essential function of their positions, perform work that is physically demanding or arduous, or work that requires extraordinary agility and mental acuity. The Legislature further found that as persons in such positions age, they might not be able to continue performing their duties without posing a risk to the health and safety of themselves, the public, and their coworkers. In response, the Legislature established a special class to permit these employees to retire at an earlier age and with less service without suffering economic deprivation compared to other members with normal retirement after 30 years of service or age 62 and vested.

Special Risk Class membership differs from Regular Class membership in the following ways:

- A Special Risk Class member earns retirement credit at the rate of 3 percent of average final compensation for each year of service, as opposed to the 1.60 percent to 1.68 percent credit per year of service earned by a Regular Class member.
- A Special Risk Class member qualifies for normal retirement at age 55 instead of age 62, or with 25 years of service rather than 30 years.
- A Special Risk Class member who is totally and permanently disabled in the line of duty qualifies for a 65 percent minimum option 1 benefit payment compared to a Regular Class member similarly disabled who qualifies for a 42 percent minimum option 1 benefit payment.²

The benefit improvements enjoyed by members of the Special Risk Class are funded by higher employer contributions. For the 2007-2008 plan year³ under the FRS, the retirement portion of the employer contribution rate for the Special Risk Class will be 21.96 percent – more than twice the 9.55 percent retirement contribution rate for the Regular Class, so when a membership group

² FRS members may choose to receive benefits from the Pension Plan in one of four ways. Option 1 provides the greatest amount, but is unaccompanied by survivor benefits.

³ See s. 121.71, F.S., establishing the employer contribution rates for Regular Class and Special Risk Class members effective July 1, 2006 and effective July 1, 2007.

moves from the Regular Class to the Special Risk Class, the monthly employer contributions more than double for affected employees.

Membership criteria. Under current law, FRS members must meet specified eligibility requirements to qualify for membership in the Special Risk Class. These requirements limit membership to persons who are employed as law enforcement officers, firefighters, correctional officers, correctional probation officers, emergency medical technicians or paramedics, specified forensic and health care workers, and youth custody officers, and who meet the criteria set forth in applicable s. 121.0515, F.S. At the state level, specified professional health care and forensic positions in the Department of Corrections and the Department of Children and Families were included in the Special Risk Class, effective January 1, 2001. To qualify for special risk membership, the members filling these state positions must spend at least 75 percent of their time performing duties involving inmate or patient contact. Public safety dispatchers and 911 operators are members of the Regular Class membership of the FRS.

Article X, Section 14, of the Florida Constitution

Since 1976, the Florida Constitution has required that benefit improvements under public pension plans in the State of Florida must be concurrently funded on a sound actuarial basis, as set forth below.

SECTION 14. State retirement systems benefit changes.—A governmental unit responsible for any retirement or pension system supported in whole or in part by public funds shall not after January 1, 1977, provide any increase in the benefits to the members of beneficiaries of such system unless such unit has made or concurrently makes provision for the funding of the increase in benefits on a sound actuarial basis.

Part VII of ch. 112, F.S.

Article X, Section 14, of the Florida Constitution is implemented by statute under part VII of ch. 112, F.S., the “Florida Protection of Public Employee Retirement Benefits Act,” which establishes minimum standards for the operation and funding of public employee retirement systems and plans in the State of Florida. The key provision of this act states the legislative intent to “prohibit the use of any procedure, methodology, or assumptions the effect of which is to transfer to future taxpayers any portion of the costs which may reasonably have been expected to be paid by the current taxpayers.”

Part I of ch. 121, F.S.

Section 121.091(10), F.S., provides that “it is the intent of the Legislature that future benefit increases enacted into law in this chapter shall be financed concurrently by increased contributions or other adequate funding, and such funding shall be based on sound actuarial data as developed by the actuary or state retirement actuary, as provided in ss. 121.021(6) and 121.192.”

III. Effect of Proposed Changes:

Effective October 1, 2007, membership in the Special Risk Class of the FRS is expanded to include any FRS member employed by the state or a local government as a public safety dispatcher or 911 operators whose duties and responsibilities include:

- Answering 911 calls,
- Dispatching law enforcement, fire rescue services, emergency management services, and other public safety services to the scene of an emergency, and
- Providing real-time information from federal, state, and local crime databases.

Supervisors and/or command officers of persons serving as public safety dispatchers or 911 operators are also added to the Special Risk Class membership.

If enacted by the Legislature, the bill will take effect October 1, 2007.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Section 18(a), Article VII, of the State Constitution provides in part:

SECTION 18. Laws requiring counties or municipalities to spend funds or limiting their ability to raise revenue or receive state tax revenue.

(a) No county or municipality shall be bound by any general law requiring such county or municipality to spend funds or to take an action requiring the expenditure of funds unless that legislature has determined that such law fulfills an important state interest and unless...the expenditure is required to comply with a law that applies to all persons similarly situated, including state and local governments.

This bill does require cities and counties to expend funds or take action requiring the expenditure of funds, however, all similarly situated persons will be required to comply with the provisions of the bill if it is enacted. However, the bill does not contain a statement 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:

None.

C. Government Sector Impact:

The Legislative Committee on Intergovernmental Relations conducted a FaxNet survey of local governments and state agencies to determine the following:

1. The number of 911 operators and public safety dispatchers employed by local governments that will meet the requirements of the bill for special risk membership, and total annual estimated wages per employee.
2. The number of employees serving as supervisors or commanders of qualifying 911 operators or public safety dispatchers, and the total annual estimated wages per employee.
3. The entity performing public safety dispatch functions if the local government does not employ 911 operators or public safety dispatchers.

Responses were provided by 19 Boards of County Commissions and 47 Sheriff's Offices. Twelve counties reported that both the county and the sheriff's office provide 911 services, and 13 counties did not respond to the survey. The responding local government entities reported the following:

- 2,055 full-time employees qualify as 911 operators or public safety dispatchers at an annual cost of \$78.47 million, with an average annual salary of \$38,183.
- 288 full-time employees qualify as supervisors or commanders of 911 operators or public safety dispatchers at an annual cost of \$15.69 million, with an average annual salary of \$54,466.

Five state agencies also responded to the FaxNet survey and reported the following:

- 392 full-time employees qualify as 911 operators or public safety dispatchers at an annual cost of \$12.75 million, with an annual average salary of \$32,531 per employee.
- 60 full-time employees qualify as supervisors or commanders of 911 operators or public safety dispatchers at an annual cost of \$2.36 million, with an annual average salary of \$39,389.

Survey results were forwarded to the Division of Retirement at the Department of Management Services which reports the following fiscal impact based on the data provided with an estimated annual increase of 4 percent each year⁴:

Local Governments:

<u>FY 07-08</u>	<u>FY 08-09</u>	<u>FY 09-10</u>
\$13.64 million	\$14.17 million	\$14.74 million

State Agencies:

<u>FY 07-08</u>	<u>FY 08-09</u>	<u>FY 09-10</u>
\$2.18 million	\$2.26 million	\$2.35 million

The division also noted that the fiscal impact resulting from a change in class or actuarial experience due to the provisions contained in the bill will be reflected in rates recommended by future valuations of the FRS and paid for by all FRS employers with Special Risk Class members.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

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

⁴ See "2007 Substantive Bill Analysis for Senate Bill 622-Revised", dated April 5, 2007, prepared by the Division of Retirement in the Department of Management Services, which clarifies that "these figures are conservative since not all agencies responded and not all agencies affected were surveyed" and "state universities, state community colleges, school boards, municipalities and special districts participating in the FRS were not included in the survey."

VIII. Summary of Amendments:

Barcode 405122 by Community Affairs

Provides a declaration of important state interest.(WITH TITLE AMENDMENT)

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