HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/CS/HB 495 State University System Optional Retirement Program
SPONSOR(S): State Affairs Committee, Government Operations Subcommittee and Jones
TIED BILLS: **IDEN./SIM. BILLS:** CS/SB 198

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Government Operations Subcommittee	15 Y, 0 N, As CS	Meadows	Williamson
2) State Affairs Committee	13 Y, 0 N, As CS	Meadows	Hamby

SUMMARY ANALYSIS

The optional retirement program for the State University System (SUSORP) is a retirement plan that is provided as an alternative to membership in the Florida Retirement System for eligible State University System faculty, administrators, and administrative, professional, and executive service personnel. Currently, members of the SUSORP are authorized to choose from five companies to provide their retirement and death benefits.

The bill increases the number of provider companies that the Department of Management Services (DMS) is authorized to contract with for the SUSORP from five to six companies. The bill requires DMS to utilize a competitive procurement process if it chooses to add an additional provider company for the SUSORP. The contract with the new provider, if selected, is effective until December 31, 2014. All companies seeking designation as a provider after January 1, 2015, must participate in a separate competitive procurement.

The bill does not appear to create a fiscal impact on state or local governments.

The bill provides an effective date of upon becoming a law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

The optional retirement program for the State University System (SUSORP or program) is a retirement plan that is provided as an alternative to membership in the Florida Retirement System (FRS) for eligible State University System faculty, administrators, and administrative, professional, and executive service personnel.[1] The SUSORP is a 403(b), Internal Revenue Code, qualified defined contribution plan that provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant.[2]

SUSORP became effective July 1, 1984, for eligible State University System faculty and administrators. The program was expanded in 1988, to include the State University System Executive Service and in 1999, to include administrative and professional staff. The program was created to offer more portability to the employees being recruited by the State University System.[3]

Through this program, participants elect coverage as an alternative to membership in the FRS.[4] Contracts providing retirement and death benefits may be purchased for eligible members of the SUSORP.[5]

The Department of Management Services (DMS) is responsible for administering the program. The Board of Governors of the State University System (board) provides recommendations on contract providers for the SUSORP to DMS.[6] The recommendations must include:

- The nature and extent of the rights and benefits in relation to the required contributions; and
- The suitability of the rights and benefits to the needs of the participants and the interests of the institutions in the recruitment and retention of eligible employees.[7]

After receiving and considering the recommendations of the board, DMS must designate up to five companies that may offer contracts under the SUSORP.[8] The investment products offered by provider companies are subject to review by the State Board of Administration.[9]

DMS indicates there are approximately 17,000 eligible members who have elected participation in the SUSORP, as of June 30, 2011.[10] SUSORP currently offers five investment provider choices. Those choices are:

- ING (3,042 participants);
- Jefferson National Life Insurance Company (134 participants);
- MetLife Investors USA Insurance Company (1,853 participants);

[1] *See* s. 121.35(2)(a), F.S.
[2] *See* s. 121.35(1), F.S.
[3] Information provided by telephone on January 27, 2012, by Mr. Garry Green, Operations & Management Consultant Manager, Division of Retirement, Research and Education Section, Department of Management Services.
[4] SUSORP is available to certain instructional and research faculty, administrative and professional personnel, and the Chancellor and university presidents. *See* s. 121.35(2)(a), F.S. Faculty members at a college with faculty practice plans are required to participate in the program. *See* s. 121.051(1)(a)2., F.S.
[5] Section 121.35(1), F.S.
[6] Section 121.35(6)(a), F.S.
[7] Section 121.35(6)(a)1. and 2., F.S.
[8] Section 121.35(6)(b), F.S.
[9] Section 121.35 (6)(c), F.S.
[10] Analysis of HB 495, Department of Management Services, October 27, 2011, at 1 (on file with the Government Operations Subcommittee). Information confirmed by telephone on December 15, 2011, by Mr. Todd Gunderson, Senior Benefits Analyst, Department of Management Services.

- Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) (8,870 participants); and
- VALIC Retirement (4,615 participants).[11]

All contracts currently in place expire between March and December of 2014.[12]

Effect of the Proposed Changes

The bill authorizes DMS to increase the number of authorized companies available for inclusion in the optional retirement program for the State University System from five companies to six. The bill requires DMS to utilize a competitive procurement process if it chooses to add an additional company as a provider. The contract with the new provider, if selected, is effective until December 31, 2014. All companies seeking designation as a provider after January 1, 2015, must participate in a separate competitive procurement.

B. SECTION DIRECTORY:

Section 1 amends s. 121.35, F.S., to increase the number of authorized companies from which contracts may be purchased under the SUSORP; to provide a procurement process for additional providers.

Section 2 provides an effective date of upon becoming a law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   None.

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   None.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

DMS does not anticipate an actuarial impact should this bill pass, as the number of participants and the funds available for investment remain the same.[13] In addition, the Board of Governors of the State University System does not anticipate a fiscal impact on universities.[14]

[11] The number of participants cited is as of June 30, 2011. Information provided on December 15, 2011, by Mr. Todd Gunderson, Senior Benefits Analyst, Department of Management Services.
[12] The VALIC contract expires March 2014, followed by MetLife in April 2014, with the remaining contracts all set to expire December 2014. Information provided by telephone on December 15, 2011, by Mr. Todd Gunderson, Senior Benefits Analyst, Department of Management Services.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. The bill does not appear to affect county or municipal governments.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill does not appear to create a need for rulemaking or additional rulemaking authority.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On February 6, 2012, the Government Operations Subcommittee adopted an amendment to HB 495 and reported the bill favorably as a committee substitute. The amendment requires DMS to utilize a competitive procurement process if it chooses to add an additional company as a provider. The contract with the new provider, if selected, is effective from July 1, 2012, until December 31, 2014. All companies seeking designation as a provider after January 1, 2015, must participate in a competitive procurement.

On February 16, 2012, the State Affairs Committee adopted an amendment to HB 495 and reported the bill favorably as a committee substitute. The amendment removes July 1, 2012, as the effective date of the new provider company's contract. The contract with the new provider will now run from the approval of the contract through December 31, 2014.

The analysis is drafted to the committee substitute as passed by the State Affairs Committee.

[13] Information provided on December 15, 2011, by Mr. Todd Gunderson, Senior Benefits Analyst, Department of Management Services.

[14] Analysis of HB 495, Florida Board of Governors, November 21, 2011, at 2 (on file with the Government Operations Subcommittee).