

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Community Affairs

BILL: CS/SB 1198

INTRODUCER: Community Affairs Committee and Senator Montford

SUBJECT: Florida Retirement System

DATE: April 8, 2014

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	White	Yeatman	CA	Fav/CS
2.			GO	
3.			AP	

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 1198 modifies the type of previous employment that would qualify a pension plan member of the Florida Retirement System (FRS) to purchase retirement credits that may be applied towards FRS retirement service credit. Pension Plan members employed in a school that is accredited by the Florida Association of Academic Nonpublic Schools (FAANS) and the National Council for Private School Accreditation (NCPSA) would be authorized to purchase retirement credit.

II. Present Situation:

The Florida Retirement System

The FRS is the fourth largest public retirement system in the United States. It is a multi-employer, contributory plan, governed by the Florida Retirement System Act in ch. 121, F.S., and administered by the Department of Management Services (DMS).¹ The FRS consists of 1,000 total employers; it is the primary retirement plan for employees of state and county government agencies, district school boards, community colleges, and universities, and also includes the 185 cities and 251 special districts that have elected to join the system.² Members of

¹ Section 121.021(5), F.S.

² The Florida Retirement System Annual Report, July 1, 2011 – June 30, 2012, at 38, available at https://www.rol.frs.state.fl.us/forms/2011-12_Annual_Report.pdf (last visited Feb. 14, 2013).

the FRS are required to make employee contributions of 3 percent of their salary.³ As of June 30, 2012, the FRS had 623,011 active members, 334,682 retired members and beneficiaries, and 40,556 active members of the Deferred Retirement Option Program (DROP).⁴

Members of the FRS have two primary plan options available for participation:

- The defined benefit plan, also known as the Pension Plan; and
- The defined contribution plan, also known as the Investment Plan.

Investment Plan

In 2000, the Legislature created the Public Employee Optional Retirement Program (Investment Plan), a defined contribution plan offered to eligible employees as an alternative to the FRS Pension Plan. Benefits under the Investment Plan accrue in individual member accounts funded by both employee and employer contributions and earnings. Benefits are provided through employee-directed investments offered by approved investment providers.

A member vests immediately in all employee contributions paid to the Investment Plan.⁵ With respect to the employer contributions, a member vests after completing one work year with an FRS employer.⁶ Vested benefits are payable upon termination or death as a lump-sum distribution, direct rollover distribution, or periodic distribution.⁷ The Investment Plan also provides disability coverage for both inline-of-duty and regular disability retirement benefits.⁸ An FRS member who qualifies for disability while enrolled in the Investment Plan must apply for benefits as if the employee was a member of the Pension Plan. If approved for retirement disability benefits, the member is transferred to the Pension Plan.⁹

Pension Plan

The Pension Plan is administered by the secretary of the DMS through the Division of Retirement.¹⁰ Investment management is handled by the SBA. Any member initially enrolled in the Pension Plan before July 1, 2011, vests in the Pension Plan after completing six years of

³ Prior to 1975, members of the FRS were required to make employee contributions of either 4 percent for Regular Class employees or 6 percent for Special Risk Class members. Employees were again required to contribute to the system after July 1, 2011.

⁴ Florida Retirement System 2011-2012 Annual Report, at 54, 62, and 66.

⁵ Section 121.4501(6)(a), F.S.

⁶ If a member terminates employment before vesting in the Investment Plan, the nonvested money is transferred from the member's account to the SBA for deposit and investment by the SBA in its suspense account for up to five years. If the member is not reemployed as an eligible employee within five years, then any nonvested accumulations transferred from a member's account to the SBA's suspense account are forfeited. Section 121.4501(6)(b) – (d), F.S.

⁷ Section 121.591, F.S.

⁸ See s. 121.4501(16), F.S.

⁹ Pension Plan disability retirement benefits, which apply for Investment Plan members who qualify for disability, compensate an inline-of-duty disabled member up to 65 percent of the average monthly compensation as of the disability retirement date for special risk class members. Other members may receive up to 42 percent of the member's average monthly compensation for disability retirement benefits. If the disability occurs other than in the line of duty, the monthly benefit may not be less than 25 percent of the average monthly compensation as of the disability retirement date. Section 121.091(4)(f), F.S.

¹⁰ Section 121.025, F.S.

service with an FRS employer.¹¹ For members enrolled on or after July 1, 2011, the member vests in the Pension Plan after eight years of creditable service.¹² Benefits payable under the Pension Plan are calculated based on years of service x accrual rate x average final compensation.¹³

For most members of the Pension Plan, normal retirement occurs at the earliest attainment of 30 years of service or age 62.¹⁴ For public safety employees in the Special Risk and Special Risk Administrative Support Classes, normal retirement is the earliest of 25 years of service or age 55.¹⁵ Members initially enrolled in the Pension Plan on or after July 1, 2011, have longer vesting requirements. For members initially enrolled after that date, the member must complete 33 years of service or attain age 65, and members in the Special Risk classes must complete 30 years of service or attain age 60.¹⁶

Purchase of Retirement Credits

The FRS Pension Plan members may receive credit for periods of employment with specified employers towards their FRS years of service. Retirement credit is provided for military service,¹⁷ and may be purchased for service with federal or state government,¹⁸ as well as nonpublic schools or colleges.¹⁹ Pension Plan members may purchase up to five years of retirement credit, on a year-for-year basis, for their period of employment with in-state charter schools, charter technical career centers, or any non-public school or college in Florida that is accredited by the Southern Association of Colleges and Schools.²⁰

Service credited for employment with charter schools, centers, and non-public schools and colleges is credited as service in the Regular Class, subject to s. 112.65, F.S. The cost to purchase retirement credit is calculated as 20 percent of the member's annual compensation for the first full work year of creditable service earned under the FRS, but not less than \$12,000, plus interest at 6.5 percent compounded annually from the date of first annual salary earned until full payment is made.²¹ Members may not receive credit if they are eligible to receive or are receiving a pension or benefit from a retirement or pension plan based on or including the same service.

Accreditation Authorities for Non-public Schools and Colleges

The Florida Department of Education does not act as an accrediting agency. Schools and colleges may seek accreditation from any of a number of organizations in order to strengthen their school and present the public with assurance that the school is fulfilling its published

¹¹ Section 121.021(45)(a), F.S.

¹² Section 121.021(45)(b), F.S.

¹³ Section 121.091, F.S.

¹⁴ Section 121.021(29)(a)1., F.S.

¹⁵ Section 121.021(29)(b)1., F.S.

¹⁶ Sections 121.021(29)(a)2. and (b)2., F.S.

¹⁷ Section 121.111, F.S.

¹⁸ Section 121.1115, F.S.

¹⁹ Section 121.1122, F.S.

²⁰ Section 121.1122(1)(b), F.S.

²¹ Section 121.1115(2), F.S.

purpose and philosophy. In Florida, accreditation of all schools and programs is entirely voluntary.

The mission of the Southern Association of Colleges and Schools (SACS) is to improve education in the South through accreditation. To gain or maintain accreditation with the SACS Commission on Colleges, an institution must comply with the standards contained in the Principles of Accreditation²² and with the policies and procedures of the Commission on Colleges. The Commission on Colleges applies the requirements of its principles to all applicant, candidate, and member institutions, regardless of type of institution (public, private for-profit, private not-for-profit). When accrediting schools, SACS applies the AdvancED Standards for Quality Schools, which are as follows:

- Purpose and Direction;
- Governance and Leadership;
- Teaching and Assessing for Learning;
- Resources and Support Systems; and
- Using Results for Continuous Improvement.²³

The Florida Association of Academic Nonpublic Schools (FAANS) is an umbrella agency that represents most of the private school accrediting agencies in Florida and 80 percent of all private schools in the state.²⁴ Each of the FAANS Accrediting Associations²⁵ has its own standards and evaluation procedures. Those vary in details and emphasis from one association to another, but all involve on-site evaluation and periodic reevaluation by peers and association officers. FAANS recognizes an association for accreditation only after reviewing the standards and procedures of the association. Before an association can be named an official FAANS accrediting body, the association must have a history of several years of successful experience in accrediting its schools; have its processes and standards reviewed and approved by the Board of FAANS; have a successful onsite visit by FAANS representatives during one of its regular accreditation visits of a member school; have the sponsorship of two FAANS accrediting associations; and receive a majority vote of support from the Board of Directors. Non-public schools that are accredited by FAANS member associations or organizations may not represent themselves or advertise as being accrediting members of FAANS.

Since 1993, the National Council for Private School Accreditation (NCPSA) has been a consortium of accrediting associations for the recognition of early childhood, elementary, and secondary private schools. NCPSA has established accreditation procedures to facilitate application, review, and recognition of qualified and credible accrediting associations serving

²² SACS, *Principles of Accreditation: Foundations for Quality Enhancement*, available at <http://www.sacscoc.org/principles.asp> (last visited Apr. 8, 2014).

²³ AdvancED, *Standards for Quality Schools*, http://www.advanc-ed.org/webfm_send/288 (last visited Apr. 8, 2014).

²⁴ Christian Schools of Florida, *FAANS & Legislation*, <http://csfla.org/faans> (last visited Apr. 8, 2014).

²⁵ For a list of the 23 FAANS Accrediting Associations, along with contact information, see, FAANS, *Member Associations*, <http://www.faans.org/memberassociations.html> (last visited Apr. 8, 2014).

private schools.²⁶ Before determining an applicant's status, NCPSA requires each organization applying for membership to:²⁷

- Complete an application;
- Participate in a multistep review process; and
- Participate in a multistep recognition process.

III. Effect of Proposed Changes:

Section 1 amends ss. 121.1122(1)(b), F.S., to allow FRS members to purchase retirement credit for periods of employment with an in-state charter school or in-state non-public school or charter technical career center or a non-public school or college that is accredited by the FAANS and the NCPSA.

By replacing the requirement that the school or college be accredited under the authority of the Southern Association of Colleges and Schools, the bill provides that the in-state non-public school or college be accredited according to specifications established by two other accreditation authorities.

Section 2 provides an effective date of July 1, 2014.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

²⁶ NCPSA, *Manual for the Recognition of Accrediting Associations for Early Childhood, Elementary, and Secondary Private Schools* (2010), available at http://www.ncpsa.org/client_data/files/2011/67_ncpsaaccreditationmanualrevisedmay2010.pdf (last visited Apr. 8, 2014).

²⁷ For a list of NCPSA's 17 member organizations, see, NCPSA, *Members Organizations*, http://www.ncpsa.org/accrediting_agencies/members (last visited Apr. 8, 2014).

C. Government Sector Impact:

Indeterminate.

VI. Technical Deficiencies:

None.

VII. Related Issues:

There are six member accrediting organizations with overlapping membership in both the FAANS and NCPSA umbrella organizations:

- Association of Christian Teachers and Schools;
- Association of Independent Schools of Florida;
- Christian Schools of Florida;
- Florida Association of Christian Colleges and Schools;
- Florida Catholic Conference; and
- National Independent Private Schools Association.

The bill has the essential effect of making ss. 121.1122(1)(b), F.S., only pertain to a smaller number of schools that offer early learning, elementary, or secondary education. The bill essentially eliminates eligibility to those with periods of employment at the 77 colleges to which it currently applies. From the list above, only the Florida Association of Christian Colleges and Schools has member colleges in Florida:

- Florida Baptist College (Tampa, FL); and
- Landmark Baptist College (Haines City, FL).²⁸

The bill would only provide eligibility to purchase FRS retirement credits to pension plan members with periods of employment at non-public schools or colleges in the 6 organizations with overlapping memberships in both FAANS and NCPSA. Changing the word *and* to *or*, would extend the availability of the retirement credit purchases to pension plan members with periods of employment in schools (or colleges, although it does not appear there are any colleges) accredited by the following 28 accrediting associations:

- Association of Christian Schools International;
- Bilingual Private Schools Association;
- Bilingual Schools Association;
- Central Florida Episcopal Schools Association;
- Florida Association of Independent Special Education Facilities;
- Florida Conference of Seventh-Day Adventists;
- Florida Council of Independent Schools;
- Florida-Georgia District (Lutheran);
- Florida Kindergarten Council;
- Church of God Association of Christian Schools;
- Coalition of McKay Scholarship Schools;

²⁸ Florida Association of Christian Colleges & Schools, *FACCS Approved Colleges*, http://www.faccs.org/pages/page.asp?page_id=275880 (last visited Apr. 8, 2014).

- Council of Bilingual Schools;
- Episcopal Diocese of Florida;
- Episcopal Diocese of Southeast Florida;
- Episcopal Diocese of Southwest Florida;
- Florida League of Christian Schools;
- Independent Schools of South Florida;
- Accreditation International;
- Accrediting Association of Seventh-day Adventist Schools;
- American Montessori Society;
- Association of Waldorf Schools of North America;
- Council on Occupational Education;
- E.A. Sutherland Education Association;
- Kentucky Non-Public School Commission;
- National Accreditation Board of Merkos L’Inyonei Chinuch
- North American Christian School Accrediting Agency;
- Southern Association of Independent Schools; and
- Wisconsin Evangelical Lutheran Synod School Accreditation.

VIII. Statutes Affected:

This bill substantially amends section 121.1122 of the Florida Statutes.

IX. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Community Affairs on April 8, 2014:

Provides that the non-public school or college, with which periods of employment are eligible for purchase of retirement credits, must be accredited by the FAANS *and* the NCPSA.

- B. **Amendments:**

None.