



# The Florida Senate

*Interim Project Report 2007-124*

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Committee on Governmental Operations

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## REORGANIZATION OF CHAPTER 121, F.S., THE FLORIDA RETIREMENT SYSTEM

### SUMMARY

Though young in comparison to other state pension plans, the multi-employer Florida Retirement System (FRS) has been transformed significantly since its inception. Successive amendments to ch. 121, F.S., have made it especially unwieldy to read and navigate. Concurrent changes to human resource deployment by state government further increases the importance of a retirement act that can be understood by administrators and FRS members. Given the extensive changes to the chapter that have been enacted over the years, revision of the act must be thorough and comprehensive. It is recommended that the chapter be reorganized into sub-parts based upon subject-matter to be responsive to questions posed by human resources personnel among FRS component public employer members, active employee-participants, retirees and their dependents. Reorganization of the act is consistent with recent reorganizations of ch. 119, F.S., the Public Records Act, and chs. 1000-1013, F.S., the Florida School Code.

### BACKGROUND

The Florida Retirement System (FRS) was created in 1970 as the successor to four separately constituted public pension plans for teachers, Highway Patrol officers, general government employees, and judges spread among several hundred state, county, municipal, and special district government employers.

Over the years, the FRS has grown to serve more than 910 separate units of government with some 665,000 active, 32,000 in DROP and 252,000 retired members and beneficiaries.<sup>1</sup> More than three-quarters of its employer-members are property tax-based local

governments. Constitutional units of local government are compulsory members; statutory units are optional members.

Until 2001, the FRS was an exclusively defined benefit, or percent-of-final-pay, plan in which a final retirement benefit is the product of average salary, years of service, and nominal accrual value for each service year. The final benefit is expressed as an annuity payable under one of four benefit means.

The 2000 Legislature created<sup>2</sup> an optional defined contribution alternative for plan members that allows an equity interest in contributions and earnings to permit employee management of their own investment account. In the years 1983, 1984, 1986 and 1995 the Legislature provided a number of other options for managerial, university, and community college employees, respectively, to have alternative pension plan coverage.

### METHODOLOGY

The project involves working with the Division of Retirement in the Department of Management Services to develop an organization that makes the location of important subject matter easy for employers and affected participants. It also contemplates development of a working group to assure that any proposed bill to implement the recommendations serves the needs of all affected parties without making any substantive retirement policy changes.

### FINDINGS

Public employers across all governments are undergoing significant changes. The children of World War II-era parents are leaving the active workforce. They are increasingly relying upon the pension benefits provided by their public employers. Since public sector

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<sup>1</sup> Information provided by the Division of Retirement as of September 18, 2006.

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<sup>2</sup> Chapter 2000-169, Laws of Florida; effective in 2002.

salaries traditionally tend to lag those in the private sector the reliance upon benefit compensation assumes a greater significance for these employees as they enter their retirement years. As governments have come to rely more upon workforce multipliers as a consequence of automation and process management, less labor-intensive ways have made their way to the public sector.

State of Florida agencies especially illustrate the dramatic pace of change. The 2003 deployment of a re-engineered human resources infrastructure has led to a loss of knowledge capital in state agencies but no loss in the need to provide timely and accurate benefit information. Whether that is to be done on the Internet, or through a toll-free number, in-house agency personnel, or representatives of the successor contract vendor ultimately means there has to be a high level of knowledge investment in comprehensive but understandable benefit systems.

The Florida Statutes are the singular statements of public policy in the provision of pension benefits for public employer members of the Florida Retirement System. Successive amendments to ch. 121, F.S., have made the location of important subject matter, and its subsequent change, an especially daunting drafting exercise. One of the most visible parts of this chapter is the Legislature's 1997 enactment of a Deferred Retirement Option Program (DROP). The DROP provisions are the dominant method of pension choice for FRS participants but are not even referenced as a separate section number in Chapter 121's table of contents. Instead they are contained within a subheading in another section. Amendment of the DROP section requires the repetitive republication of multiple pages of text in bill drafts whether the changes are substantive or not. It can also be a difficult reconnaissance exercise for the benefit professional who has to respond to a time-sensitive request on a matter so sensitive as a pension benefit.

Chapter 121, F.S., also contains a consolidated section of definitions. But not all the definitions apply equally to the chapter. Other portions of the same chapter have definitions that are section-specific. One may be an "employee" for designated sections of the chapter but not an "employee" for others.

Additionally, not all FRS-related material is located in ch. 121, F.S. Provisions for optional alternative state university pension arrangements are located in this chapter but similar ones for community colleges are not.

Chapter 121, F.S., provides for the assessment of contributions toward a retiree health insurance subsidy but the subsidy statute itself is located in another, undesignated chapter.

## RECOMMENDATIONS

Staff recommends a reorganization of ch. 121, F.S., that is subject-matter sensitive.

The practical effect of this is to organize the existing material such that distinct subject matter can be located in one identifiable portion of the law. This will assist human resources personnel - regardless of whether they are employees or contract vendors - in providing timely and accurate location and retrieval of important benefit information. These changes are consistent with recent reorganizations of the Public Records Act, ch. 119, F.S., and the Florida School Code, chs. 1000 through 1013, F.S.