

STORAGE NAME: s0094s1z.go  
DATE: June 5, 2000

**\*\*AS PASSED BY THE LEGISLATURE\*\***  
CHAPTER #: 2000-167, Laws of Florida

**HOUSE OF REPRESENTATIVES  
AS FURTHER REVISED BY THE COMMITTEE ON  
GOVERNMENTAL OPERATIONS  
FINAL ANALYSIS**

**BILL #:** CS/SB 94  
**RELATING TO:** Disability Retirement/Special Risk Class Members  
**SPONSOR(S):** Committee on Fiscal Policy and Senator Brown-Waite  
**TIED BILL(S):**

**ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:**

- (1) GOVERNMENTAL OVERSIGHT & PRODUCTIVITY YEAS 6 NAYS
- (2) FISCAL POLICY YEAS 6 NAYS 0
- (3)
- (4)
- (5)

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I. SUMMARY:

HB 127 was laid on the table, and the Senate companion, CS/SB 94 was substituted. This bill passed both bodies as CS/SB 94. There were no Senate or House floor amendments.

This bill increases the minimum in-line-of-duty disability benefit for Special Risk Class members from 42% to 65% of average final compensation (AFC) for an option 1 benefit, effective for members of the Special Risk Class retiring with disability benefits on, or after July 1, 2000.

The bill requires an increase in contribution rates for Special Risk Class and Special Risk Administrative Support Class membership. The increase is 0.13 percent and 0.21 percent of gross payroll, respectively, for each class. The following table graphically illustrates the budgetary increases needed to fund the benefit through June 2003:

<b>FISCAL IMPACT</b>				
<b>Fiscal Year</b>	<b>7/00 - 6/01</b>	<b>7/01 - 6/01</b>	<b>7/01 - 6/02</b>	<b>7/02 - 6/03</b>
State	\$868,350*	\$844,000	\$886,000	\$930,000
Local	\$2,029,650*	\$1,971,000	\$2,070,000	\$2,173,000
<b>Total</b>	<b>\$2,898,000*</b>	<b>\$2,815,000</b>	<b>\$2,956,000</b>	<b>\$3,103,000</b>

Source: Milliman and Robertson (\* 7/00 - 6/02 are analyst estimates)

Total estimated cost through June 30, 2003 is **\$11,772,000**.

This bill has an effective date of July 1, 2000.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- |                                   |                              |  |   |
|-----------------------------------|------------------------------|--|---|
| 1. <u>Less Government</u>         | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u>             | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | N/A <input type="checkbox"/>            |
| 3. <u>Individual Freedom</u>      | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u>      | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

This bill increases the retirement contribution rates for employers participating in the Florida Retirement System. To fund the additional personnel costs, employers may need to either increase taxes or reduce other expenditures.

B. PRESENT SITUATION:

The Florida Retirement System provides disability retirement benefits to its members. To claim disability retirement, the member must become totally and permanently disabled. This means that the member is prevented, by reason of a medically determinable physical or mental impairment, from rendering useful and efficient service as an officer or employee. For regular disability (not in-line-of-duty related), the member must complete 10 years of creditable service to be entitled to a monthly disability. For in-line-of-duty disability, the member is entitled to the benefit regardless of service.

The minimum annual in-line-of-duty disability benefit for all classes of FRS membership is 42% of average final compensation for an option 1 benefit. The minimum annual regular disability benefit is 25% of average final compensation for an option 1 benefit. The option 1 benefit is the maximum retirement benefit payable to the member during his or her lifetime.

C. EFFECT OF PROPOSED CHANGES:

This bill increases the minimum annual in-line-of-duty disability benefit for Special Risk Class members only from 42% to 65% of average final compensation for an option 1 benefit, effective July 1, 2000.

Under this bill, Special Risk Class members receive an improved minimum in-line-of-duty disability benefit. The benefit increases from a minimum of 42% of average final compensation, to a minimum of 65% of average final compensation for an option 1 benefit (only for members of the Special Risk Class). The minimum in-line-of-duty benefit for other FRS Classes remains at 42% of average final compensation.

Increasing the minimum in-line-of-duty disability benefit to 65% of the average final compensation makes retiring under in-line-of-duty disability retirement more financially attractive than retiring under normal retirement or regular disability retirement in many cases.

Social Security benefit payments and Workers' Compensation payments to in-line-of-duty disability retirees are exempt from federal income taxes. In-line-of-duty disability benefits are exempt from federal income taxes up to the minimum established by the FRS. This bill raises the tax-free portion of an in-line-of-duty disability benefit from 42% to 65%, which helps a disabled member. However, guaranteeing 65% of a Special Risk member's average final compensation for in-line-of-duty retirement, in addition to Social Security benefits and Workers' Compensation payments, may actually result in benefit income exceeding the member's income at the time of his or her disability.

Raising the minimum in-line-of-duty FRS disability benefits may reduce Workers' Compensation (WC) costs for employers because in-line-of-duty disability retirees are more likely to receive WC payments than others. However, as a result of Florida Supreme Court decision (*Grice v. Escambia County Sheriff's Department, No. 86,327*), Workers' Compensation payments to an in-line-of-duty retiree may be reduced based upon the initial amount a retiree receives from his or her FRS benefit and Social Security payment. WC payments to in-line-of-duty retirees are paid only to the extent that the retiree's average weekly wage exceeds the total of the initial FRS benefit and the initial Social Security benefit, plus cost-of-living adjustments.

**D. SECTION-BY-SECTION ANALYSIS:**

Section 1. Amends s. 121.091(4)(f), F.S., increasing the in-line-of-duty disability benefit for Special Risk Class members of the Florida Retirement System from forty-two percent to sixty-five percent of average final compensation for an option 1 benefit.

Section 2. Directs the Division of Statutory Revision to adjust contribution rates set forth in s. 121.071, F.S., increasing them for Special Risk Class and Special Risk Administrative Support Class membership. The increase is 0.13 percent and 0.21 percent of gross payroll, respectively, for each class.

Section 3. Declares that the Legislature finds that a proper and legitimate purpose is served, and fulfills an important state interest in passing this legislation.

Section 4. Provides an effective date of July 1, 2000.

**III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:**

**A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

None.

2. Expenditures:

Based on a Special Study, the retirement contribution rates must be increased for each of the two Special Risk Classes as follows: Special Risk Class - 0.13% and Special Risk Administrative Support Class - 0.21%. The cost to State Government and Local Government is outlined in the table below.

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

Based on a Special Study, the retirement contribution rates must be increased for each of the two Special Risk Classes as follows: Special Risk Class - 0.13% and Special Risk Administrative Support Class - 0.21%. The cost to Local Government is outlined in the table below.

<b>FISCAL IMPACT</b>				
<b>Fiscal Year</b>	<b>7/00 - 6/01</b>	<b>7/01 - 6/01</b>	<b>7/01 - 6/02</b>	<b>7/02 - 6/03</b>
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Source: Milliman and Robertson (\* 7/00 - 6/02 are analyst estimates)

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

None.

**D. FISCAL COMMENTS:**

If this benefit improvement was expanded to include all FRS membership classes the first year cost would be approximately \$15,000,000.

**IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:**

**A. APPLICABILITY OF THE MANDATES PROVISION:**

This legislation, as amended, requires cities and counties to expend funds. However, the legislation contains a legislative finding that the provisions fulfill an important state interest. Thus this legislation, as amended, meets an exception set forth in the Constitution and is binding upon cities and counties.

**B. REDUCTION OF REVENUE RAISING AUTHORITY:**

This bill does not reduce the authority that cities and counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the amount of a state tax shared with cities and counties.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

The Division of Retirement, within the Department of Management Services, has sufficient rule-making authority to implement the provisions of this bill.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

HB 127 amendments:

At its January 19, 2000, meeting, the Committee on Governmental Operations adopted a technical amendment inserting on page 2, line 7, after b. "Effective January 1, 2001," to make it clear that Special Risk members who have already retired on an in-line-of-duty disability are not eligible to have their benefit improved. This clarifies that the intent of the bill is prospective and not retroactive.

At the meeting of February 7, 2000, the Committee on Law Enforcement and Crime Prevention adopted an amendment inserting sections 2, 3, and 4. The amendment provides for funding of the benefits provided in the bill by increasing the contribution rates for the Special Risk Class by 0.21 percentage points, and by increasing the contribution rates for the Special Risk Administrative Support Class by 0.13 percentage points. The amendment also provides a declaration that a proper and legitimate state purpose is served and that the act fulfills an important state purpose.

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL OPERATIONS:

Prepared by:

Staff Director:

Jimmy O. Helms

Jimmy O. Helms

AS REVISED BY THE COMMITTEE ON LAW ENFORCEMENT AND CRIME PREVENTION:

Prepared by:

Staff Director:

Allen Mortham Jr.

Kurt E. Ahrendt

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**DATE:** June 5, 2000

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**AS FURTHER REVISED BY THE COMMITTEE ON FINANCE & TAXATION:**

Prepared by:

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**AS FURTHER REVISED BY THE COMMITTEE ON GENERAL APPROPRIATIONS:**

Prepared by:

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Joseph L. McVaney

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**FINAL ANALYSIS PREPARED BY THE COMMITTEE ON GOVERNMENTAL  
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Prepared by:

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