

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|---|-----------------------------|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

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

Not applicable.

B. EFFECT OF PROPOSED CHANGES:

Background

In 1939, the Legislature established the "Teachers' Retirement System of the State" (TRS) under chapter 238, F.S., for classroom teachers. In 1970, the Florida Retirement System (FRS) was created to consolidate then existing state administered retirement systems for state and county officers and employees, teachers, judges, and Highway Patrol officers. Upon creation of the FRS, the TRS was closed to new members; however, members of the plan could choose to remain in the TRS. The TRS members have had several opportunities to enroll in FRS over the years. As of June 30, 2003, there were only 193 active members and 6,939¹ retirees and annuitants in TRS.²

Retirement plans generally include a restriction on reemployment after retirement. Such restrictions limit how an employee may collect both a salary and a retirement benefit from the employer. For members of the FRS, in general, the restriction prohibits a retiree from accepting any salary from an FRS employer during the first 12 months of retirement. Prior to 2003, there was a limited exception allowing a retired member to work up to 780 hours in those first 12 months.

In 2003, FRS reemployment statutes were amended to allow reemployment of a retiree on an annual contractual basis, after one calendar month of retirement, as a K-12 classroom teacher.³ Due to an oversight, this change was not applied to the retirees under the TRS.

Effect of Bill

This bill amends reemployment provisions under the TRS. It permits retired members of the TRS to be reemployed as a K-12 classroom teacher, on an annual contractual basis, after having been retired for one calendar month. Such retirees will become new members of the FRS. This change conforms reemployment laws for TRS members to reemployment provisions applicable to retirees of the FRS.

This bill removes the 780-hour limit on district school board reemployment of TRS retirees during months two through 12 of retirement. Once again, this change conforms reemployment laws for TRS members to parallel reemployment provisions applicable to retirees of the FRS.

¹ This number includes 846 TRS annuitants receiving survivor benefits from the TRS.

² Department of Management Services 2004 Substantive Bill Analysis, January 16, 2004.

³ Section 121.091(9)(b)3., F.S. See *also* chapter 2003-260, L.O.F.

C. SECTION DIRECTORY:

Section 1 amends s. 238.181(2)(c), F.S., to permit school boards to reemploy TRS retirees as instructional personnel on an annual contractual basis, and removes the 780-hour limit on reemployment for months two through 12 of retirement. Such retirees will become new members of the FRS.

Section 2 provides legislative intent pertaining to funding and implementation.

Section 3 provides an effective date of "upon becoming a law" and will apply retroactively to July 1, 2003.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None. This bill does not create, modify, or eliminate a revenue source.

2. Expenditures:

The TRS has been closed to new membership since 1970, which is when the FRS was established. Due to attrition, the membership of the TRS plan has, over the years, become significantly reduced in size. When the FRS was similarly amended in 2003, the funding included sufficient monies to cover this change to the TRS. Therefore, there should be no added actuarial impact on the FRS Trust Fund by covering members of the TRS since the funding established under section 9 of chapter 2003-260, L.O.F., is sufficient to cover any additional persons who might be expected to benefit from the reemployment provisions provided in this bill.⁴

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

The contribution rates and thus the cost to employ a person under the TRS are different from that of the FRS. Thus, there may be a fiscal impact to a school board that elects to reemploy a TRS participant. Such cost would depend upon the salary offered to the teacher. However, this bill does not require school boards to reemploy retired members of the TRS.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None. This bill does not regulate the conduct of persons in the private sector.

D. FISCAL COMMENTS:

None.

⁴ Department of Management Services 2004 Substantive Bill Analysis, January 16, 2004.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not appear to be a mandate requiring a supermajority vote.

2. Other:

Section 14, Art. 10 of the State Constitution, requires that any increase to a retirement or pension system be actuarial sound. The Department of Management Services has certified that this bill complies with the constitutional requirement.⁵

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

None.

⁵ *Id.*