

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 1974

SPONSOR: Education Committee and Senator Wise

SUBJECT: Retirement/Community Colleges

DATE: April 14, 2004

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Woodruff</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Fav/CS</u>
2.	<u>Wilson</u>	<u>Wilson</u>	<u>GO</u>	<u>Favorable</u>
3.	_____	_____	<u>AGG</u>	_____
4.	_____	_____	<u>AP</u>	_____
5.	_____	_____	<u>RC</u>	_____
6.	_____	_____	_____	_____

## I. Summary:

The Committee Substitute provides a one-time opportunity for any active community college employee in a regularly established senior management position who has either previously not participated in the Florida Retirement System or who has withdrawn from the Florida Retirement System to transfer to the Florida Retirement System (FRS) Pension Plan defined benefit plan during a window period from July 1, 2004 through September 30, 2004. Conditions and requirements for such a move are identified.

This Committee Substitute creates an unnumbered section of the Florida Statutes.

## II. Present Situation:

**Florida Retirement System (FRS) profile.**—The FRS was created in December 1970 to consolidate then-existing state-administered retirement systems for state and county officers and employees, teachers, judges, and Highway Patrol officers. According to the Department of Management Services, today, the FRS is the fourth largest public retirement system in the United States, covering over 620,000 active employees, over 200,000 annuitants (retirees and their surviving beneficiaries), and about 27,000 participants of the Deferred Retirement Option Program (DROP). As of June 30, 2003, state employees (including university employees) represent less than 23 percent of the FRS membership. Remaining members are employed by local agencies, including all counties (23.3%), district school boards (47.7%), and community colleges (2.8%), as well as cities and special districts (3.5%) that have opted to join the FRS.

The active membership of the FRS is divided into five membership classes: the Regular Class; the Special Risk Class, the Special Risk Administrative Support Class, the Elected Officers' Class, and the Senior Management Service Class. Each class is separately funded based upon the

costs attributable to the members of that class. Membership is compulsory for all full-time and part-time employees working in a regularly established position for any covered agency.

**Part VII of chapter 112, F.S.**—Article X, Section 14, of the Florida Constitution is implemented by statute under part VII of chapter 112, F.S., the “Florida Protection of Public Employee Retirement Benefits Act,” which establishes minimum standards for the operation and funding of public employee retirement systems and plans in the State of Florida. The key provision of this act states the legislative intent to “ ... prohibit the use of any procedure, methodology, or assumptions the effect of which is to transfer to future taxpayers any portion of the costs which may reasonably have been expected to be paid by the current taxpayers.”

**Transfer from the Community College Optional Retirement Program (CCORP) to the Florida Retirement System (FRS) Pension Plan defined benefits plan.**—Section 121.051(2)c.3., Florida Statutes, provides that an employee who has elected to participate in the optional retirement program shall have one opportunity, at the employee’s discretion, to choose to transfer from the optional retirement program to the defined benefit program of the Florida Retirement System or to the Public Employee Optional Retirement Program, subject to the terms of the applicable optional retirement program contracts. The transfer is limited to an employee who must be employed in a position not included in the Senior Management Service Class. It would appear that the transfer opportunity currently in law would, therefore, not apply to employees in senior management positions who are the subject of the Committee Substitute.

### III. Effect of Proposed Changes:

**Section 1.** The Committee Substitute allows any active employee in a regularly established senior management position who has not previously participated in the Florida Retirement System or who has withdrawn from the Florida Retirement System to move to the Florida Retirement System defined benefit program. The opportunity to change is available from July 1, 2004 through September 30, 2004 and must be filed with the department and the personnel officer of the community college before October 1, 2004. Alternative dates are provided for employees who are on leave of absence on July 1, 2004. The election to change is irrevocable.

The Committee Substitute provides that an employee electing to change will receive service credit in the Florida Retirement System defined benefit program equal to the years of service in the community college system.

The legislation also provides that an employee must transfer the total accumulated employer contributions and earnings on deposit in his or her alternative retirement plan. If the amount is not sufficient to pay the amount due to the Florida Retirement System defined benefit program, the employee must pay a sum representing the remainder of the amount due.

**Section 2.** The effective date of the Committee Substitute is July 1, 2004.

### IV. Constitutional Issues:

#### A. Municipality/County Mandates Restrictions:

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

To the extent an employee does not have sufficient resources to transfer the required funds from his or her alternative retirement plan to the Florida Retirement System defined benefit program, the employee will have to pay a sum representing the remainder of the amount due.

**C. Government Sector Impact:**

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

The Committee Substitute states that the member must transfer the total amount of his/her contributions and earnings in the alternative retirement account to the FRS account into which he/she is transferring. If the amount in the member's alternative retirement account is more than what is calculated as necessary to complete the transfer, he/she would still have to transfer the entire amount according to the language in this Committee Substitute. According to the Department of Management Services, there is also no language in the Committee Substitute that specifies how the amount owed is to be calculated.

**VIII. Amendments:**

None.