

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.)

Prepared By: Education Committee

BILL: SB 688

SPONSOR: Senator Lynn

SUBJECT: FRS/Community College Employees

DATE: February 10, 2005 REVISED: 2/22/05 _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|----------|----------------|-----------|------------------------|
| 1. | Woodruff | O'Farrell | ED | Fav/1 Amendment |
| 2. | | | GO | |
| 3. | | | WM | |
| 4. | | | | |
| 5. | | | | |
| 6. | | | | |

Please see last section for Summary of Amendments

- Technical amendments were recommended
- Amendments were recommended
- Significant amendments were recommended

I. Summary:

The bill creates an open-ended period for any active community college employee in a regularly established senior management position who has not participated in the Florida Retirement System or has withdrawn from the Florida Retirement System to have one opportunity to choose to move to the Florida Retirement System defined benefit plan. Such an election would be irrevocable.

This bill substantially amends subsection 121.055(1) of the Florida Statutes.

II. Present Situation:

Subparagraph 121.055(1)(b)1, F.S., mandates that participation in the Senior Management Service Class is compulsory for the president of each community college and specifies that additional positions may be designated for inclusion in the Senior Management Service Class of the Florida Retirement System.

Subparagraph 121.055(1)(b)2, F.S., provides that in lieu of participation in the Senior Management Service Class, members of such class may withdraw from the Florida Retirement System altogether. The decision to withdraw shall be irrevocable for as long as the employee holds such a position.

Subsection 1001.64(20), F.S., provides that each community college board of trustees is authorized to enter into contracts to provide a State Community College System Optional Retirement Program and to enter into consortia with other boards of trustees for this purpose. The implementation of such an optional retirement program is specified in section 1012.875, F.S.

The United States Internal Revenue Service prohibits any person from participating in two retirement plans at the same time for the same work experience.

III. Effect of Proposed Changes:

The bill creates an open-ended period for any active community college employee in a regularly established senior management position who has not participated in the Florida Retirement System or has withdrawn from the Florida Retirement System to have one opportunity to choose to move to the Florida Retirement System defined benefit plan. Such an election would be irrevocable

Should a community college employee in a senior management position choose to move to the Florida Retirement System defined benefit plan, there must be a net zero fiscal impact upon the state retirement system. If the funds transferred from the employee's prior retirement account are not sufficient to pay the amount due to the Florida Retirement System to join the defined benefit plan, the employee must supplement the transferred funds with additional private funds unless such funds are paid by the employer on behalf of the employee.

The effective date of the bill is July 1, 2005.

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:

Should a community college employee in a senior management position choose to move to the Florida Retirement System defined benefit plan, there may be an additional cost to the employee. If the contributions in the prior retirement plan are not sufficient to create a net zero fiscal impact on the state retirement plan when those funds are transferred to the state, the employee is responsible for paying the difference. The employee will be required to supplement the transferred funds with additional private funds unless such additional funds are paid by the employer on behalf of the employee.

C. Government Sector Impact:

None. Should a community college employee in a senior management position choose to move to the Florida Retirement System defined benefit plan, there must be a net zero fiscal impact upon the state retirement system. If the funds transferred from the employee's prior retirement account are not sufficient to pay the amount due to the Florida Retirement System to join the defined benefit plan, the employee must supplement the transferred funds with additional private funds unless such funds are paid by the employer on behalf of the employee.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

Barcode 045734 by Education:

Although the amendment is a strike all amendment, the intent of the amendment remains the same as the intent of the original bill. A member of the Senior Management Service Class is provided the opportunity to elect to participate in either the defined benefit program or the Public Employee Optional Retirement Program of the Florida Retirement System by transfer from another program. The window of opportunity for that decision is from January 1, 2006 through June 30, 2006.

The transfer will not cost the State or the Florida Retirement System but there may be an additional cost to a member choosing to make such a transfer.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
