

# 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 1506

SPONSOR: Governmental Oversight and Productivity Committee and Senator Garcia

SUBJECT: Florida Retirement System

DATE: March 28, 2001                      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Wilson	Wilson	GO	Favorable/CS
2.	_____	_____	AGG	_____
3.	_____	_____	AP	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**I. Summary:**

The bill includes investigators in the Medicaid Fraud Control unit of the Office of the Attorney General in the Special Risk Retirement Class of the Florida Retirement System. It also transfers the remaining office’s employees into the Career Service System, except for those ordinarily assigned to the Selected Exempt Service (SES) class.

This bill amends s. 409.9205 of the Florida Statutes.

**II. Present Situation:**

The State of Florida places a special responsibility on the Office of the Attorney General (Department of Legal Affairs) for the conduct of investigations into benefit fraud when committed by persons receiving assistance under the combined federal and state medical assistance program (Medicaid). Unlike other public safety officers, however, these investigative staff receive an employee benefit package similar to general state employees. They are specifically excluded from eligibility for an enhanced retirement benefit; that is, participation in the Special Risk Class of the Florida Retirement System. That class provides for a normal retirement at the earlier completion of 25 years of service or age 55. Members in this class are also permitted to enroll in the Deferred Retirement Option Program at an earlier period.

The Florida Retirement System is a defined benefit, non-participatory, multi-employer pension plan covering the employees, beneficiaries, and dependents of some 800 state and local government employers. It is composed of six separate retirement classes each with its own minimum benefit qualification or vesting period, and normal duration of service requirement. The Regular Class covers most of the some 600,000 employee-members. Slightly more than 10 percent of the membership receive what are known as special risk benefits for sworn law

enforcement, correctional officer, correctional probation officer, firefighting, or designated medical service responsibilities. Section 121.0515, F.S., provides a statement of purpose that this class is to be accompanied by a shorter normal service period due to the physically demanding skills required of its members and the exposure to dangerous conditions they experience in the line of duty. Members of the Special Risk Class also receive additional disability insurance coverage and receive the benefit of certain statutory presumptions on the incidence of enumerated illnesses as having occurred in the line of duty.

The Selected Exempt Service class, Part V of ch. 110, F.S., is a classification and pay plan for “managerial/policymaking, professional, and nonmanagerial/nonpolicymaking personnel”. Employment is at the pleasure of the agency head and is accompanied by a benefit package which provides additional full employer payment for health and disability insurance.

### **III. Effect of Proposed Changes:**

**Section 1.** Section 409.9205, F.S., is amended to remove the specific prohibition on participation in the Special Risk Class of the Florida Retirement System by Medicaid fraud investigators employed by the Office of the Attorney General. It also provides that the remaining members of the office shall be placed in the Career Service System, except for those positions assigned to the Selected Exempt Service.

**Section 2.** The act takes effect July 1, 2001.

### **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:**

Affected personnel transferring back to the Career Service System will experience an increase in premium expense for health and disability insurance premiums, which are currently paid by the employer.

Depending upon reclassification actions on their positions, they may also experience a reduction in pay.

**C. Government Sector Impact:**

The bill affects the Department of Legal Affairs alone. Because Medicaid fraud detection is a joint federal/state operation, the federal government assumes 75 percent of the funding costs leaving a remaining agency impact of \$48,933. The 39 positions (7 supervisors and 32 investigators) positions are now assigned to the Selected Exempt Services Class where their non-pension benefits are paid by their employer (health and disability insurance). The net additional cost will be \$195,731 of which \$146,798 will be assumed by federal funds. The employer's payroll costs for retirement costs will increase from 9.21 percent to 20.22 percent of salary to account for the difference in payroll contribution rates.

The transfer of exempted positions (132 less 39 transferred Special Risk) to Career Service status will be accompanied by a reduction in employer-paid premiums for health and disability insurance policy coverage. This approximates a maximum of \$100 per month per affected employee.

Section 110.604, F.S., provides that occupants of SES positions are to receive enhanced salaries and benefits. Personnel transferring back to Career Service may experience a corresponding reduction as a function of reclassification or agency recalculation of salary rate for those positions. The Department of Legal Affairs prepared a position-by-position analysis of the proposal and noted several instances in which employees would experience salary reductions and increases. The largest single annual combined salary and benefit increase was \$7,195 and the largest decrease was \$3,104.

The Department plans to assume the additional costs from appropriated funds and apply the additional savings to its costs.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

Article X, section 14, State Constitution, requires that government-promised pension benefits must be funded in advance using sound actuarial practice.

Members of the SES class receive the same retirement benefits as those in the Regular Class of the FRS; that is, normal retirement at the sooner completion of 30 years of service or attainment of age 62, six-year benefit vesting<sup>1</sup>, and an annual accrual rate of 1.60 percent.

**VIII. Amendments:**

None.

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<sup>1</sup> Effective July 1, 2001 (Ch. 2000-169, Laws of Florida).

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

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