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DATE: April 9, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
STATE ADMINISTRATION
ANALYSIS**

BILL #: HB 1609
RELATING TO: Florida Retirement System
SPONSOR(S): Representative(s) Richardson
TIED BILL(S): None

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

- (1) STATE ADMINISTRATION
 - (2) CRIME PREVENTION, CORRECTIONS, & SAFETY
 - (3) FISCAL RESPONSIBILITY COUNCIL
 - (4)
 - (5)
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I. SUMMARY:

The Florida Retirement System (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. 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. As of June 30, 2000, with 58,000 members, special risk employees made up about 9.7 percent of the active FRS membership.

Current law contains specific eligibility requirements for membership in the Special Risk Class. These requirements limit membership to members employed as law enforcement officers, firefighters, correctional and correctional probation officers, emergency medical technicians, health care workers or paramedics who spend at least 75 percent of their time performing duties which involve contact with patients or inmates in a correctional or forensic facility or institution.

This bill expands the list of special risk positions to include professional health care bargaining unit or non-unit members employed by the Department of Corrections or the Department of Children and Families, if the employee spends at least 75 percent of his or her time performing duties which involve contact with patients or inmates in a correctional or forensic facility or institution.

The Department of Management Services estimates that for the Department of Children and Families the cost would be at least \$1,961,835 for the 703 forensic/corrections positions for one year based on fiscal year 2000-2001 payrolls, and for the Department of Corrections the cost would be \$48,981 for one year for the 21 forensic/corrections positions in that department based on fiscal year 2000-2001 payrolls.

This bill does not appear to have a fiscal impact on local governments.

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 type="checkbox"/> | N/A <input checked="" 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:

B. PRESENT SITUATION:

Florida Retirement System

The Florida Retirement System (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. Today, the FRS is the fourth largest public retirement system in the United States, covering about 600,000 active employees, close to 185,000 annuitants (retirees and their surviving beneficiaries), and about 20,500 participants of the Deferred Retirement Option Program (DROP).¹ State employees (including university employees) make up about 25 percent of the FRS membership. Remaining members are employed by local agencies, including counties, district school boards, and community colleges, as well as cities and special districts 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. As of June 30, 2000, with 58,000 members, special risk employees made up about 9.7 percent of the active FRS membership.²

Special Risk Class

Section 121.0515(1), F.S., contains the Legislature's purpose for creating the Special Risk Class, as follows:

to recognize that persons employed in certain categories of law enforcement, firefighting, criminal detention, and emergency medical care positions are required as one of the essential functions of their positions to perform work that is physically demanding or arduous, or work that requires extraordinary agility and mental acuity, and that such persons, because of diminishing physical and mental faculties, may find that they are not able, without risk to the health and safety of themselves, the public, or their coworkers, to continue performing such duties and thus enjoy the full career and retirement benefits enjoyed by persons employed in other positions and that, if they find it necessary, due to

¹ 2001 Bill Analysis on HB 149, Department of Management Services, February 27, 2001.

² *Id.* at 2.

the physical and mental limitations of their age, to retire at an earlier age and usually with less service, they will suffer an economic deprivation therefrom.

Section 121.0515, F.S., also contains specific eligibility requirements for membership in the Special Risk Class. These requirements limit membership to members employed as law enforcement officers, firefighters, correctional and correctional probation officers, emergency medical technicians or paramedics who meet the criteria in s. 121.0515, F.S., and certain health care workers. A special risk member must also spend at least 75 percent of his or her time performing duties which involve contact with patients or inmates in a correctional or forensic facility or institution.

Such members are eligible for special risk membership because they may not be able to continue working in their special risk positions (which are physically demanding and require extraordinary agility and mental acuity) to the normal retirement age of 62, due to normal aging processes. Accordingly, Special Risk Class members are provided the same or greater career benefit as is provided for Regular Class members but at an earlier age or with fewer years of service.

Membership in the Special Risk Class is attractive for two reasons:

- 1) A Special Risk Class member receives 3 percent of average final compensation (AFC), as opposed to 1.60 percent to 1.68 percent for a Regular Class member, for each year of service earned.
- 2) A Special Risk Class member reaches normal retirement at an earlier age (55 versus 62) or with fewer years of service (25 versus 30) than a Regular Class member.

In 2000, the Florida Legislature passed HB 2393, Chapter 2000-169, L.O.F., that expanded the definition and criteria for the Special Risk Class to include community-based correctional probation officers and certain professional health care members (forensic workers) employed by the Department of Corrections or the Department of Children and Families, effective January 1, 2001.

C. EFFECT OF PROPOSED CHANGES:

This bill amends s. 121.0515, F.S., to expand the list of special risk positions. This bill provides descriptions of the various employees to be added by the use of class code numbers. These employees include professional health care bargaining unit or non-unit members employed by the Department of Corrections or the Department of Children and Families, if the employee spends at least 75 percent of his or her time performing duties which involve contact with patients or inmates in a correctional or forensic facility or institution.

The Department of Management Services states that there are currently 1,443 FTEs included in the 12 position class codes specified in this bill.³ However, only 6 of the class codes are Forensic/Correctional with a total of 763 FTEs. The other 6 class codes (680 FTEs) are non-Forensic/Correctional positions that correspond to the 6 Forensic/Correctional position class codes, **except employees in these positions do not spend at least 75 percent of their time performing duties which involve contact with patients or inmates and are not classified as Forensic/Correctional.** Any position in the 6 non-Forensic/Correctional classes that meets the criteria in the statute should properly be reclassified to the corresponding Forensic/Correctional class position (these positions are also 1 pay grade higher).⁴

See "Fiscal Impact on State Government" for further detail.

³ 2001 Bill Analysis on SB 1384 (HB 1609 companion), Department of Management Services, March 14, 2001.

⁴ *Id.*

D. SECTION-BY-SECTION ANALYSIS:

See "Effect of Proposed Changes."

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

The Department of Management Services states that the two state agencies affected by this bill are the Department of Corrections and the Department of Children and Families.⁵ Although there are 1,443 FTE positions (1333.5 of them filled) included in the specified positions, it is not currently known how many of these positions actually meet the additional criteria of the law requiring the affected members to spend at least 75 percent of their time performing duties which involve contact with patients or inmates in a correctional or forensic facility or institution. Therefore the exact number of eligible persons is not known.⁶

However, an estimate of the cost to these 2 departments (currently equal to 11.14 percent of all affected members' salaries based on the difference between Regular Class and Special Risk Class retirement contribution rates effective July 1, 2000) can be based on the 6 classes coded as Forensic/Corrections positions that are known to spend 75 percent of their time performing duties which involve contact with patients or inmates.⁷

For the Department of Children and Families the cost would be at least \$1,961,835 for the 703 forensic/corrections positions for one year based on fiscal year 2000/2001 payrolls. Although it is not know how many of the non-forensic/corrections positions would meet the 75 percent criteria, if all of them qualified, the additional cost would be \$1,566,065 for one year based on fiscal year 2000-2001 payrolls.⁸ For the Department of Corrections the cost would be \$48,981 for one year for the 21 forensic/corrections positions in that department based on fiscal year 2000-2001 payrolls.

The positions covered by the Special Risk Class will enjoy significantly improved retirement benefits for service credit earned July 1, 2001, or after, as compared to the service credit earned before that date as Regular Class members.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

⁵ *Id.* at 4.

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

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

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

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON STATE ADMINISTRATION:

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