

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: SB 942

SPONSOR: Senator Smith

SUBJECT: Florida Retirement System; Medical and Emergency Personnel

DATE: March 7, 2002 REVISED: _____

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

I. Summary:

The bill adds a provider of medical or emergency services in a county detention facility to the special risk class.

The bill amends section 121.0515 of the Florida Statutes.

II. Present Situation:

Chapter 121, F.S., establishes the Florida Retirement System (FRS). The FRS was created in 1970 as the successor benefit plan to the separate Teachers' Retirement System, Highway Patrol retirement plan, and the State and County Officers and Employees Retirement System. The predecessor teachers' plan was approaching insolvency and its combination with the other solvent plans rescued it from financial collapse. In 1972 the FRS incorporated the last remaining independent state retirement plan, the Judicial Retirement System. Today the FRS covers about 600,000 active and 200,000 retired employees and beneficiaries. It is one of the five largest plans in the nation and reports itself as the most efficient public plan in the country in terms of administrative cost per member.

The FRS is a nonparticipatory, multi-employer pension plan covering the employees, survivors, and dependents of some 800 State of Florida agency and local government employers. The FRS is, however, a predominantly local government plan. The principal employer categories are district school boards, counties, and community colleges. State officers and employees comprise only about 25 percent of the membership. Membership is compulsory for state agencies and constitutional entities; it is optional for municipalities and independent special districts that may participate by resolution of their governing authorities. Withdrawal of optional membership can be affected only by statute and was last undertaken for public hospitals in 1995.

The FRS is composed of several sub-classes of membership with separate benefit accrual rates: Regular (1.60 percent-1.68 percent); Special Risk (3.00 percent); Special Risk, Administrative Support (1.6 percent); Senior Management (2.00 percent); Justices and Judges (3.33 percent); and Elected Officers (3.00 percent).¹

Eligibility for normal, unreduced retirement occurs at the earlier completion of 30 years of service or age 62, or 25 years of service and age 55 for the two special risk classes. Members must satisfy minimum service periods to qualify, or vest, for benefits. Effective July 1, 2001, three separate vesting periods² were collapsed into one uniform 6-year period. Early retirement can occur at any age subsequent to vesting but is accompanied by an annual penalty of 5 percent per year measured from age 62. Incorporated within the structure of the DB plan is a disability retirement benefit that provides both an in-line-of-duty and non-duty pension payments.

Beginning in 2002, the FRS became a bifurcated program that permits participants to select either the defined benefit retirement program or a defined contribution retirement program known the Public Employee Optional Retirement Program (PEORP). The defined benefit retirement program offers a monthly benefit payable in the form of an annuity over the retiree's lifetime that is calculated as a percentage of the member's highest five years' of average final pay. The PEORP is a personally owned defined contribution plan in which participants will manage their pension assets.

Active members may choose to participate in a Deferred Retirement Option Program (DROP) during the last five years of their service.³ Under its provisions participants have their accrued monthly pension benefit paid into an account bearing a fixed interest rate of 6.5 percent. Upon cessation of employment they may receive the account proceeds in a full or partial lump sum payment or they may transfer the accumulated account balance to another qualified retirement plan.

Retired members receive a fixed 3 percent cost-of-living allowance each July 1 on their monthly benefit and DROP account. Members who have terminated employment with vested rights, that is, the right to receive a future benefit, do not have these benefits indexed to inflation until the commencement of benefit payments. State of Florida employees have the additional option of maintaining their health insurance and prescription drug coverage at retirement at full cost less a monthly health insurance subsidy payment equal to \$5 per month per year of service not to exceed \$150.

Benefit administration is the responsibility of the Division of Retirement in the Department of Management Services. Investment activities are conducted by a constitutional agency, the State Board of Administration headed by the Governor, Comptroller, and Treasurer in their collegial

¹ Accrual rate is the recognized pension value per year of creditable service. Accrual rate multiplied times total length of creditable service in years multiplied times average final compensation (inclusive of up to 500 hours of annual leave) equals and Option 1 benefit for the life of the named retiree only. There are three other reduced benefit options that incorporate survivors' benefits.

² These vesting periods were 7 years, 8 years, and 10 years of service.

³ Participation in DROP requires the member to qualify for normal retirement and contractually commit to termination of employment within a five-year period.

capacity and Trustees of the Florida Retirement System Trust Fund. Article X, s. 14 of the State Constitution and ch. 121 and Part VII of ch. 112, F.S., govern the operation of the system and its requirement that benefits must be prefunded in a sound actuarial manner.

Section 121.021(15), F.S., defines “special risk member.” Section 121.0510, F.S., establishes legislative intent for the class. The provision notes that:

. . . it is the intent and purpose of the Legislature 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 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. Therefore, as a means of recognizing the peculiar and special problems of this class of employees, it is the intent and purpose of the Legislature to establish a class of retirement membership that awards more retirement credit per year of service than that awarded to other employees; however, nothing contained herein shall require ineligibility for special risk membership upon reaching age 55.

Subsection (2) of that section establishes criteria for membership in the special risk class. Numerous positions are designated special risk class, including, but not limited to, law enforcement officers, firefighters, correctional officers, emergency medical technicians or paramedics, and community-based correctional probation officers.

Section 951.231, F.S., establishes the county residential probation program.

Section 951.23(b), F.S., defines a “county residential probation center” to mean

. . . a county-operated facility housing offenders serving misdemeanor sentences or first-time felony sentences. Such facilities shall provide or contract for the provision of the programs established under s. 951.231, F.S.

III. Effect of Proposed Changes:

The bill includes within the definition of “special risk” contained in s. 121.0515, F.S., a provider of medical or emergency services in a county detention facility, as defined in s. 951.23, F.S.

The act takes effect October 1, 2002.

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:

None.

C. Government Sector Impact:

Including additional members in special risk results in an increase in the accrual rate for retirement benefits, as well as a decrease in the amount of time for retirement. Depending upon the number of persons added to the special risk class by the bill, there will be a financial impact on counties. The bill does not specify by class code or by definition who is contained in the phrase “provider of medical or emergency services in a county detention facility.” As a result, it is not clear how many persons would be affected.

VI. Technical Deficiencies:

None.

VII. Related Issues:

Paramedics and emergency medical technicians are presumptive members of the Special Risk Class. A local government employer could achieve the same result of this proposed legislation by enrolling health care employees in training programs sufficient for them to qualify under current law for special risk benefits.

VIII. Amendments:

None.