The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Higher Education Committee

BILL: SB 600

INTRODUCER: Senator Fasano

SUBJECT: State University System/Optional Retirement Program

DATE: March 30, 2009 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Harkey	Matthews	HE	**Favorable**
2.			GO	
3.			HI	
4.			WPSC	
5.				
6.				

I. Summary:

This would increase the allowable number of provider companies for the State University Optional Retirement Program from five to seven. The bill also removes historical references and obsolete provisions in the statute.

This bill amends s. 121.35, Florida Statutes.

II. Present Situation:

The State University System Optional Retirement Program

On July 1, 1984, the State University System Optional Retirement Program (SUSORP) was established as an optional program under the Florida Retirement System (FRS) for eligible state university faculty and administrators. The program was later expanded in 1988 to include the State University System Executive Service and in 1999 to include all administrative and professional personnel exempt from career service. As of June 30, 2008, there were 16,919 participants in the SUSORP.

The SUSORP is a tax-qualified defined contribution plan authorized under the provisions of section 403(b) of the Internal Revenue Code that provides retirement and death benefits through contracts with designated insurance carriers.[1] The program was established to aid the university system in recruiting employees by offering more portability to employees who don’t expect to remain in the State University System long enough to vest in the FRS Pension Plan. It provides

[1] The five approved participating companies with which participants must invest their SUSORP funds are AIG Retirement, ING, Jefferson National Life Insurance Company, MetLife Investors USA Insurance Company, and TIAA-CREFF.

for full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Participants direct the investment of contributions and account assets. At retirement, the accumulated benefits are payable to the participant or to his or her beneficiaries or estate.

The employing university contributes on behalf of each SUSORP participant a percentage of the participant's salary as required by law. As of July 1, 2008, this contribution rate is 10.43 percent of the participant's salary. An amount equivalent to 0.01 percent is retained for program administrative costs. The remaining 10.42 percent is deposited in the participant account. SUSORP participants may contribute by salary deduction an amount not to exceed the percentage contributed by the university to their program accounts.

III. Effect of Proposed Changes:

This bill would increase the allowable number of provider companies for the State University Optional Retirement Program (SUSORP) from five to seven. The proposed change to the maximum number of provider companies is permissive. The current provider company contracts expire in 2014. If additional providers were added, they would have to be selected through a competitive purchasing process.

The bill would remove several historical references which show the relationship between the FRS contribution rates and those for the SUSORP before July 1, 2001, as well as how oversight of the SUSORP evolved. The bill would delete the historical rates for this program without any other statutory summary of these rates being available.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Participants in the SUSORP program could have more investment options if the number of providers were increased from five to seven.

C. Government Sector Impact:

According to the Department of Management Services, adding a greater number of providers to the plan could increase the administrative duties and responsibilities of the Division of Retirement. The Division has biweekly, quarterly, and annual reporting requirements as well as data submission and reconciliation duties to perform for SUSORP participants. The Internal Revenue Service (IRS) regulations for 403(b) plans recently changed and require more record keeping and coordination of transfers, loans, rollovers, and distributions. The new regulations place much greater responsibility for plan administration and compliance on the plan sponsor.

Under the statute, the employer must take 10.43 percent of the employee's monthly gross amount and contribute towards the SUSORP program. According to the BOG, during fiscal year 2007-2008, there were 19,126 university participants in the program. Required contributions made to the program totaled $135,534,617, including $65,832,530 from employee contributions.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.