1989

Session Law 89-310

Florida Senate & House of Representatives

89-310

BILL HISTORY

H 720 GENERAL BILL by Young and others (Identical S 434)
~~Schools & Colleges~~/Annuities: authorizes district school boards to purchase annuities for certain school personnel under certain circumstances; authorizes community college district boards of trustees to purchase annuities for certain community college personnel under certain circumstances. Amends 231.495, 240.344. Effective Date: 07/05/89.

03/13/89	HOUSE	Prefiled
03/14/89	HOUSE	Referred to Employee & Management Relations; Appropriations
04/04/89	HOUSE	Introduced, referred to Employee & Management Relations; Appropriations -HJ 71; On Committee agenda—Employee & Management Relations, 04/06/89, 1:15 pm, 314-HOB—For subreferral
04/06/89	HOUSE	On subcommittee agenda—Employee & Management Relations, 04/10/89, 1:15 pm, 317-HOB
04/10/89	HOUSE	Subcommittee Recommendation: Favorable; On Committee agenda, pending subcommittee action—Employee & Management Relations, 04/12/89, 3:30 pm, 314-HOB
04/12/89	HOUSE	Preliminary Committee Action by Employee & Management Relations: Favorable
04/13/89	HOUSE	Comm. Report: Favorable by Employee & Management Relations -HJ 225; Now in Appropriations -HJ 225
05/08/89	HOUSE	On Committee agenda—Appropriations, 05/10/89, 8:00 am, 21-HOB
05/10/89	HOUSE	Preliminary Committee Action by Appropriations: Favorable
05/11/89	HOUSE	Comm. Report: Favorable by Appropriations, placed on Calendar -HJ 480
05/17/89	HOUSE	Placed on Special Order Calendar
05/25/89	HOUSE	Read second time; Read third time; Passed; YEAS 114 NAYS 0 -HJ 653
05/26/89	SENATE	In Messages
05/30/89	SENATE	Received -SJ 562; Substituted for SB 434; Passed; YEAS 37 NAYS 0 -SJ 572
05/30/89		Ordered enrolled
06/20/89		Signed by Officers and presented to Governor
07/05/89		Approved by Governor; Chapter No. 89-310

NOTES: Above bill history from Division of Legislative Information's *FINAL LEGISLATIVE BILL INFORMATION, 1989 SESSIONS*. Staff Analyses for bills amended beyond final committee action may not be in accordance with the enacted law. Journal page numbers (HJ & SJ) refer to daily Journals and may not be the same as final bound Journals.

89-310

AS PASSED BY THE 1989 LEGISLATURE

STORAGE NAME: h0720-f.emr
DATE: June 7, 1989

HOUSE OF REPRESENTATIVES
COMMITTEE ON EMPLOYEE & MANAGEMENT RELATIONS
FINAL STAFF ANALYSIS & ECONOMIC IMPACT STATEMENT

BILL #: HB 720

RELATING TO: Out-of-State teaching service and early retirement annuity

SPONSOR(S): Representative Young

EFFECTIVE DATE: July 1, 1989 or upon becoming a law, whichever occurs later

CHAPTER #: 89-310, Laws of Florida

DATE BECAME LAW: July 5, 1989

COMPANION BILL(S): SB 434

OTHER COMMITTEES OF REFERENCE: (1) Appropriations

(2)

****

I. SUMMARY:

A. PRESENT SITUATION:

Current law permits district school boards to purchase annuities for personnel with 25 or more years of service who have reached age 50 and have applied to retire under the FRS. Community colleges may also purchase annuities for their employees with 25 years of service who have reached age 55 and applied for retirement. Such annuity may not exceed the difference between the member's retirement benefit reduced for early retirement and the amount the benefit would be if not reduced for early retirement.

Additionally, there is no provision in the Florida Retirement System (FRS) law to permit the purchase of out-of-state credit by teachers. There are only two instances in which the legislature has permitted out-of-state employment to be purchased under the FRS; one is specified periods of wartime military service and the other is seasonal employment outside of the state by certain agricultural employees (i.e., fruit and vegetable inspectors).

B. EFFECT OF PROPOSED CHANGES:

This bill allows district school boards to include members of Plan E of the Teachers' Retirement System, who have attained age 55, to participate in the early retirement annuity program.

The bill also permits local district school boards and community colleges to purchase annuities for their teachers with out-of-state or out-of-country teaching service. The school board or community college may purchase up to five years of credit which may equal the benefits the out-of-state service would generate if it were allowed under the FRS.

C. SECTION-BY-SECTION ANALYSIS:

None

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring or First Year Start-Up Effects:

None

2. Recurring or Annualized Continuation Effects:

None

3. Long Run Effects Other Than Normal Growth:

None

4. Appropriations Consequences:

There will be no cost impact to the FRS Trust Fund since this will be a local school board and community college issue. Local school districts and community colleges who adopt this bill and provide annuities to their teachers will experience an unknown cost depending on how many teachers have out-of-state service and how much the service would increase their retirement benefit. The Division of Retirement would experience a slight administrative cost to provide the annuity amounts.

Members of the FRS and TRS with this type of service will benefit by receiving a greater amount when they retire at no cost to them.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring or First Year Start-Up Effects:

Indeterminate

2. Recurring or Annualized Continuation Effects:

Indeterminate

3. Long Run Effects Other Than Normal Growth:

Local school districts and community colleges who adopt the provisions of this bill and provide annuities to their teachers will experience an unknown cost depending on how many teachers have out-of-state service and how much the service would increase their retirement benefit. The school districts with teachers in Plan E who adopt the provisions of this bill will also experience a cost impact.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None

2. Direct Private Sector Benefits:

Depending on how school districts and community colleges finance and provide the annuities provided in this bill some private insurance carriers could benefit.

3. Effects on Competition, Private Enterprise, and Employment Markets:

None

D. FISCAL COMMENTS:

None

III. LONG RANGE CONSEQUENCES:

IV. COMMENTS:

A. The Teachers' Retirement System (TRS), which was closed to new members in 1970, permitted the purchase of out-of-state teaching service. This provision was enacted by the legislature to attract teachers to Florida during the rapid expansion and growth years of the 1950's. During this period Florida was suffering a teacher shortage. In 1963 the legislature determined it was no longer necessary to attract teachers since the state university system was providing a sufficient supply and teachers wanted to come to Florida on their own. The law was amended to effectively eliminate the purchase of out-of-state credit by requiring the member to pay the total actuarial cost of the service.

B. When the FRS was being designed and developed, it was determined the state still did not need to attract teachers to Florida. The Legislature felt in 1970 as in 1963 that the state university system was producing enough qualified teachers to satisfy the state's needs, plus teachers were wanting to come to Florida, so no provision was written into the law to allow the purchase of out-of-state teaching service. However, members of the Teachers' Retirement System who transferred to the FRS have been permitted to purchase out-of-state service if they were eligible to claim at least one year of out-of-state service prior to transferring to the FRS.

C. Passage of this bill would not be precedent-setting since school boards already have the authority to purchase early retirement annuities as supplemental benefits for their retiring employees. Costs to administer the program and purchase the annuities would be borne by the school boards that choose to provide the benefits. The cost of each annuity would depend on the number of years claimed by an individual and his average final compensation at retirement, the technique of funding adopted by the agency and the costs of the insurance company the agency chooses to provide the annuity.

D. Last session CS/HB 99 passed the House and died in Senate messages. Additionally, the bill was amended on to CS/HB 920 in the Senate which died on third reading in the House.

E. This bill complies with the House Policy Statement in that it addresses employee benefits. It also allows local governments to recruit out-of-state teachers.

V. SIGNATURES:

SUBSTANTIVE COMMITTEE: Prepared by:	Staff Director:
Ron Poppell	Ron Poppell
SECOND COMMITTEE OF REFERENCE: Prepared by:	Staff Director:
APPROPRIATIONS: Prepared by:	Staff Director:
David E. Lycan	Dr. James A. Zingale

89-310

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

	ANALYST	STAFF DIRECTOR		REFERENCE	ACTION
1.	O'Farrell	O'Farrell	1.	ED	Favorable
2.			2.	HE	Withdrawn
3.	Jones	Jones	3.	PRCB	Favorable
4.			4.	AP	

SUBJECT:

Annuities

BILL NO. AND SPONSOR:

SB 434 by
Senator Meek, et al

I. SUMMARY:

A. Present Situation:

School boards are authorized by s. 231.495, F.S., to purchase an annuity for any employee choosing to retire under the Florida Retirement System (FRS) before the normal retirement age of 62. To be eligible for the annuity, the employee must have at least 25 years of creditable service in the retirement system and be at least 50 years old.

Vesting in FRS occurs after an employee completes 10 years of creditable service in the system. This means an employee is entitled to a retirement benefit based on his years of creditable service. However, there is a penalty factor in the FRS if an employee elects to retire before reaching age 62 or completing 30 years of creditable service. The penalty is in the form of a reduction in benefits equal to 5/12 of 1 percent for each month (5 percent per year) employee's retirement precedes his 62nd birthday.

The purpose of the annuity authorized by s. 231.495, F.S., is to give school boards the option of providing an additional benefit for employees that offsets any financial penalty incurred by electing to retire early. The law limits the amount of the annuity for any employee to the difference between the benefit he would receive if he was 62 at his date of retirement and the benefit he will actually receive after the penalty for early retirement.

Teachers who are members of the Teachers' Retirement System (TRS) are not eligible for the early retirement annuity authorized by s. 231.495, F.S. Approximately 4,300 school board employees are still members of TRS (which has been closed to new membership since December, 1970), and about 4,000 of those are under Plan E with retirement after 10 years of service possible at age 55. The penalty for early retirement is a 5 percent per year reduction in benefits for each year the employee's retirement precedes his 60th birthday.

The Florida Retirement System does not accept transfer of service from an out-of-state retirement system, nor does it allow an employee to purchase credit for such service.

B. Effect of Proposed Changes:

The bill would authorize school boards to purchase annuities for employees choosing early retirement who are members of Plan E of the Teachers' Retirement System. The employees would have to be age 55 or older and must have applied for retirement to be eligible for the annuity. The annuity amount could not exceed the difference between what the employee would have received at normal retirement and the amount actually received after the penalty for early retirement.

The bill would also allow school boards and community college boards of trustees to purchase annuities for employees with documentable teaching service in another state or country. A maximum of five years of out-of-state service could be recognized, and the annuity amount could equal, but not exceed, benefits that would have been payable under FRS had the service been in Florida.

II. ECONOMIC IMPACT AND FISCAL NOTE:

A. Public:

None.

B. Government:

The annuities authorized by the bill would be optional expenses for the boards. Should a board choose to exercise the option, the cost would vary according to the number of employees involved and the number of years (up to five) that each participating employee had in creditable out-of-state teaching experience. For school boards, the cost would also vary according to the number of teachers under TRS Plan E who chose early retirement.

III. COMMENTS:

A. School boards that have elected to implement the early retirement annuity option believe that reduced payroll costs compensate for the expense of the program. Higher salaried veteran employees are replaced by lower salaried employees. The retiring employee is rewarded by being able to enjoy full retirement benefits at an earlier age.

B. Reportedly, the proposed out-of-state annuity provision would give the boards the option of having an additional incentive to use in the recruitment of out-of-state teachers. The long-term effects would probably be similar to those experienced with early retirement annuities: the former out-of-state teacher could retire earlier because the annuity would offset the early retirement penalty, and the boards would presumably experience lower payroll costs.

C. The annuities proposed by the legislation would be a form of employee compensation and would, therefore, be a subject for collective bargaining under the provisions of ch. 447, F.S.

D. All retirement annuity programs paid for in whole or in part by public funds must comply with s. 14, Art. X of the State Constitution which provides that increased retirement benefits must be funded in an actuarially sound manner. Further, such retirement annuity programs must also comply with Part VII, Chapter 112, F.S., relating to the actuarial soundness of retirement systems.

IV. AMENDMENTS:

None.