

FLORIDA

Policy

Florida law is unique in that it allows charter schools to participate in the Florida Retirement System (FRS) depending on their employer status. Since the enactment of the Florida charter school law in 1996, charters have had the option of identifying themselves as either private or public employers. At the beginning of the charter school movement in Florida, there was significant confusion in the charter sector regarding the implications of that decision—confusion that continues today. Charter schools that choose to operate as public employers are able to decide whether or not to participate in FRS; charter schools that choose to operate as private employers cannot participate in FRS. No readily available, centralized data exist that list the employer status of all charter schools in Florida. Most charter school operators in Florida, however, indicate that a majority of charters operate as private employers. Once a charter school opts in to FRS, it is difficult to exit the system.

Participation Rate

The National Center for Education Statistics' (NCES) Common Core of Data (CCD) lists 465 charter schools operating in Florida during the 2008-09 school year. Of these, sixty-four were listed as participating employers in the FRS Annual Report, meaning that 14 percent of Florida charter schools opt in to the state retirement system. Through the randomized survey, we discovered that six schools were participating employers in FRS despite not being listed as such, so the participation rate was adjusted to 23 percent (see Table 7).²⁹

Table 7. Florida Participation Rate	
Total number of charter schools	465
Number of opt-in schools	64
Participation Rate	14%
Number of schools in random sample discovered to be in FRS	6
Adjusted Participation Rate	23%

29. The participation rate was adjusted according to the following formula: $Adjusted\ Opt-In\ Rate = (TOT - (1-c)(OUT)) / TOT$, where TOT = the total number of charter schools in the state, c = the proportion of charter schools in the randomization that were found to be in FRS despite not being listed as such, and OUT = the total number of charter schools that were originally counted as being out of FRS.

Why Opt Out?

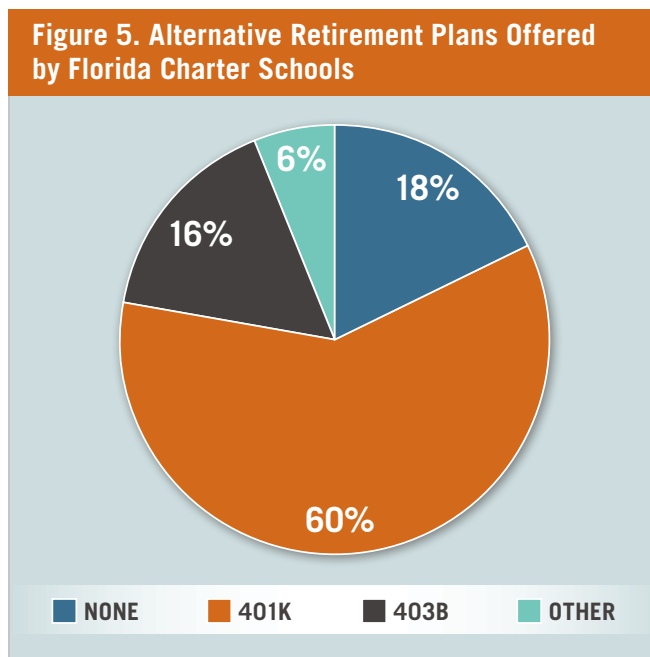
Of the six states included in this study, Florida has the lowest percentage of charter schools participating in the state's retirement system. Since charter schools in Florida are required to identify themselves as public or private employers before opening—and there's little guidance about how to decide—the participation rate may be unintentionally low. Some charter schools organized as private employers may have preferred to opt in to FRS but did not realize the ramifications of their employer status until they had already selected it. Charter schools may change their employer status, but charter school operators indicate that it is very difficult to do so.

Charter schools that choose not to opt in to FRS also cite the cost of employer contributions as a deterrent. In 2009, the annual employer contribution rate to FRS for a teacher was 8.74 percent of that teacher's annual salary.³⁰ In 2011, the legislature introduced an employee contribution of 3 percent to FRS for the first time, and adjusted the employer contribution downward. Florida state law requires charter schools to pay in to Social Security regardless of whether or not they participate in FRS, which is an additional expenditure for the employer. If a charter school refrains from opting in to FRS, it can reduce payroll costs by offering a 401(k) or 403(b) plan with a contribution rate lower than the FRS contribution rate.

Alternative Retirement Plans

A random 20 percent sample of charter schools in Florida that were not listed as participating employers in FRS in 2008-09 yielded eighty schools. Fifty-six responded to our survey, for a 70 percent response rate. Of those, thirty offer 401(k) plans, eight offer 403(b) plans, nine offer no retirement plan, one offers a profit-sharing retirement plan, one offers a SEP retirement plan, and one offers retirement payments to employees for individual investing (see Figure 5).³¹

Employer contribution rates vary widely among the 401(k) and 403(b) plans. Most employer contributions are employer matches on employee contributions, either dollar for dollar or a percentage on the dollar, which range up to 7 percent of an employee's salary; we also found a handful of plans that include straight contributions. Vesting periods range from immediate vesting up to five-year vesting schedules.



30. Florida Retirement System, *The Florida Retirement System Annual Report July 1, 2008 – June 30, 2009* (Tallahassee, FL: Florida Department of Management Services, 2010), http://www.rol.frs.state.fl.us/forms/2008-09_Annual_Report.pdf.

31. We discovered that six schools were participating employers in FRS despite not being listed as such. They were removed from the sample and were not replaced.

A Simplified Employee Pension (SEP) plan provides a source of income for retirement by allowing employers to set aside money in retirement accounts for their employees. A SEP does not have the start-up and operating costs of a conventional retirement plan.