

STORAGE NAME: h0591a.go

DATE: April 15, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
GOVERNMENTAL OPERATIONS
BILL RESEARCH & ECONOMIC IMPACT STATEMENT - LOCAL LEGISLATION**

BILL #: HB 591

RELATING TO: City of West Palm Beach (Firefighters' Pension Fund)

SPONSOR(S): Representative Frankel

COMPANION BILL(S):

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

- (1) GOVERNMENTAL OPERATIONS YEAS 5 NAYS 0
 - (2) COMMUNITY AFFAIRS
 - (3) FINANCE & TAXATION
 - (4)
 - (5)
-

I. SUMMARY:

This bill adds a Deferred Retirement Option Plan (DROP) provision to the City of West Palm Beach Firefighters' Pension Fund. It provides for two additional exclusions from disability pension provisions and further provides that in no event may a member's annual benefit exceed Internal Revenue Code limits.

There will be no financial impact on the Florida Retirement System (FRS) nor the FRS Trust Fund. It is not expected that there will be a negative fiscal impact on the City of West Palm Beach.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Constitutional Provision/Public Retirement and Pensions

Article X, Section 14, Florida Constitution, provides that a governmental unit responsible for any retirement or pension system supported wholly or partially by public pension funds may not after January 1, 1977, provide any increase in benefits to members or beneficiaries unless concurrent provisions for funding the increase in benefits are made on a sound actuarial basis.

Chapter 112, Florida Statutes

Part VII, Chapter 112, Florida Statutes, was adopted by the Legislature to implement the provisions of Article X, Section 14, Florida Constitution. Part VII, Chapter 112, Florida Statutes, also, establishes minimum standards for operating and funding public employee retirement systems and plans.

Chapters 175 and 185, Florida Statutes

Local police and firefighter pension and retirement plans are reviewed by the Retirement Administrator of Municipal Police Officers' & Firefighters' Retirement Funds of the Bureau of Local Retirement Systems, State Division of Retirement. The statutory authority for this program is in Chapters 175 and 185, Florida Statutes. The program was established to provide a uniform retirement system for the benefit of firefighters and police officers. The retirement systems or plans are to be managed, administered, operated and funded in such a manner as to maximize the protection of the Municipal Police Officers' Retirement Trust Funds and the Firefighters' Pension Trust Funds.

B. EFFECT OF PROPOSED CHANGES:

This bill, amending the City of West Palm Beach Firefighters' Pension Fund, establishes a Deferred Retirement Option Plan (DROP) for firefighters similar to the provision that was added in 1996 for their police officers. The DROP allows a member who is eligible to receive an early or normal retirement pension and who elects to participate in the DROP to cease to be a member of, and cease to accrue any benefits under, the pension fund. For all fund purposes the member becomes a retirant and the amount of credited service and final average salary freezes as of the date of entry into the DROP.

Monthly retirement benefits that would have been payable had the member terminated employment and elected to receive monthly pension benefits will be paid into the DROP and credited to the retirant. Payments into the DROP will be made monthly over the period the retirant participates in the DROP, up to a maximum of 36 months. Payments to the DROP earn interest; however, if a member does not terminate employment at the end of participation in the DROP, interest credit ceases on the current balance and on all future DROP deposits.

No payments will be made from the DROP until the member terminates employment. Upon termination of employment, participants will receive the balance in their DROP account as a lump sum, upon approval of the Board of Trustees, in three equal

STORAGE NAME: h0591a.go

DATE: April 15, 1997

PAGE 3

payments paid over three years, or as an annuity with the balance paid in monthly installments over the member's lifetime or until the entire balance is exhausted. The monthly amount to be paid will be determined by the fund's actuary. Any form of payment selected must meet Internal Revenue Code requirements.

A loan procedure for members to obtain loans from their individual accounts is established with concomitant qualifications, terms, interest, and default procedures. A member may make after-tax contributions to the DROP in the first calendar year only in allowable amounts under the Internal Revenue Code. A provision for distributions of after-tax contributions and loans against after-tax contributions is included.

Two additional exclusions from disability pensions are added to those currently existing in s. 17(6)(f), ch. 24981, L.O.F., 1947, as amended. No disability pension shall be payable, if the disability is the result of:

1. Injury or disease sustained by the member while working for anyone other than the city and arising out of such employment; or
2. Injury or disease sustained by the member before coming to work for the city.

Finally, changes are made to conform and incorporate changes to Internal Revenue Code annual benefit limits. In no event may a member's annual benefit exceed one hundred and twenty thousand dollars, adjusted for cost of living in accordance with Internal Revenue Code Section 415 (d).

C. LAWS OF FLORIDA/FLORIDA STATUTES AFFECTED:

The West Palm Beach Firemens' Relief and Pension Fund was created as part of chapter 24981, Laws of Florida, 1947, the reestablished charter for the City of West Palm Beach. Since its creation, these provisions have been amended as follows:

Chapter 24981, Laws of Florida, 1947, as amended by chapter 26308, Laws of Florida, 1949; chapter 27978, Laws of Florida, 1951; chapter 31368, Laws of Florida, 1955; and chapters 59-1981, 61-2993, 65-2382, 73-656, 77-665, 79-579, 84-541, 85-478, 87-513, 88-507, 93-374, 95-476, and 96-527, Laws of Florida.

In 1947, the original charter for the City of West Palm Beach was repealed and the city was recreated under a new charter established by chapter 24981, Laws of Florida, 1947. Section 15 of that act established the West Palm Beach Firemens' Relief and Pension Fund, a pension plan for the city's firefighters. That section was renumbered as section 17 in 1955. Section 17 was substantially revised by chapters 88-507 and 93-374, Laws of Florida; the fund was renamed in 1988, as the "West Palm Beach Firefighters' Pension Fund."

D. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

The Board of Trustees of the West Palm Beach Firefighters' Pension Fund will be required to make provisions for the administering of the Deferred Retirement Option Plan (DROP) that is being established in this bill.

(3) any entitlement to a government service or benefit?

Eligible members of the West Palm Beach Firefighters' Pension Fund will have the option of participation in DROP which may benefit them financially upon termination of employment.

b. If an agency or program is eliminated or reduced:

This bill does not eliminate or reduce an agency or program.

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

- b. Does the bill require or authorize an increase in any fees?

No.

- c. Does the bill reduce total taxes, both rates and revenues?

No.

- d. Does the bill reduce total fees, both rates and revenues?

No.

- e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No, in fact, eligible members of the West Palm Beach Firefighters' Pension Fund will have the option of participating in DROP which may be a financial benefit to them when they terminate employment.

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

Monthly retirement benefits that would have been payable had the member terminated employment and elected to receive monthly pension benefits will be paid into the DROP over the period the retirant participates in the DROP. The balance in a member's account will be paid to the member upon termination of employment as a lump sum, three equal payments over 3 years, or as a monthly annuity.

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

This bill provides an additional option to members of the West Palm Beach Firefighters' Pension Fund that they do not have currently. They will have an option to participate in a Deferred Retirement Option Plan that may financially benefit them upon termination of employment.

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

This bill does not purport to provide services to families or children.

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

- (4) Are families required to participate in a program?

N/A

- (5) Are families penalized for not participating in a program?

N/A

- b. Does the bill directly affect the legal rights and obligations between family members?

No.

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

This bill does not create or change a program providing services to families or children.

- (1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

E. SECTION-BY-SECTION RESEARCH:

Section 1. Amends s. 17(5)(k), of ch. 24981, L.O.F., 1947, as amended; adds a Deferred Retirement Option Plan (DROP) within the West Palm Beach Firefighters' Pension Fund; provides criteria for participation in the DROP; provides that monthly retirement benefits that would have been paid to the member had the member terminated employment will be paid to the member's DROP account; provides for method of payment of the DROP account balance upon termination; provides for after-tax contributions to the DROP account during the first year; and provides for member loans against the DROP account and the after-tax contributions.

Section 2. Amends s. 17(6)(f), of ch. 24981, L.O.F., 1947, as amended; adds two additional exclusions from disability pension provisions to those exclusions already established as follows: (1) Injury or disease sustained by the member while working for anyone other than the city and arising out of such employment; or (2) Injury or disease sustained by the member before coming to work for the city.

Section 3. Amends s. 17(18)(a), of ch. 24981, L.O.F., 1947, as amended; conforms and incorporates changes to Internal Revenue Code provisions.

Section 4. Provides an effective date of upon becoming a law, unless otherwise provided.

III. NOTICE/REFERENDUM AND OTHER REQUIREMENTS:

A. NOTICE PUBLISHED? Yes [X] No []

IF YES, WHEN? January 10, 1997

WHERE? The Palm Beach Post, West Palm Beach, Palm Beach County, Florida

B. REFERENDUM(S) REQUIRED? Yes [] No [X]

STORAGE NAME: h0591a.go

DATE: April 15, 1997

PAGE 8

IF YES, WHEN? N/A

C. LOCAL BILL CERTIFICATION FILED? Yes, attached [X] No []

D. ECONOMIC IMPACT STATEMENT FILED? Yes, attached [X] No []

IV. COMMENTS:

None.

V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VI. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:

Prepared by:

Legislative Research Director:

Jimmy O. Helms

Jimmy O. Helms