

STORAGE NAME: h1471.ca
DATE: April 16, 1999

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
COMMUNITY AFFAIRS
ANALYSIS - LOCAL LEGISLATION**

BILL #: HB 1471
RELATING TO: City of West Palm Beach (Firefighters Pension Fund)
SPONSOR(S): Representative Merchant
COMPANION BILL(S): None.

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

- (1) COMMUNITY AFFAIRS
 - (2) GENERAL APPROPRIATIONS
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

The bill amends provisions of the City of West Palm Beach Firefighters' Pension Fund. The bill revises definitions, amends provisions relating to service pensions, supplemental pension distribution, DROP, and lump sum payments of small retirement income. The bill provides for rollovers from qualified plans.

There is no fiscal impact on the Florida Retirement System (FRS) or the FRS Trust Fund.

II. SUBSTANTIVE ANALYSIS:

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.

Pension Fund established

The West Palm Beach Firemen's Relief and Pension Fund was created as part of chapter 24981, L.O.F., 1947, the reestablishment charter for the City of West Palm Beach. Since its creation, the provisions have been amended various times. Section 15 of the act established the West Palm Beach Firemen's 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, L.O.F., 93-374, L.O.F., and 97-327, L.O.F. The fund was renamed in 1988, as the West Palm Beach Firefighters' Pension Fund.

B. EFFECT OF PROPOSED CHANGES:

The bill effects the City of West Palm Beach Firefighters' Pension Fund as follows:

- Amends definition of actuarial equivalent value to mean the stated determination using an interest rate of 8.25% and the 1983 Group Annuity Mortality Table for males.
- Amends the definition of "service" so that a member upon returning to employment must repay any contributions withdrawn upon termination within 60 months after reemployment.
- Amends provisions regarding investments to conform with the provisions of chapter 98-134, L.O.F.
- Amends the pension accrual rate after September 30, 1982, from 2.5% to 3.0% of final average salary and changes the 65% maximum to 78% of final average salary for current DROP members and active members.
- Amends the minimum return for a supplemental pension distribution from 7% to 8.25% for current DROP members and active members.
- Amends the provisions regarding the supplemental pension distribution (13th check) to provide a minimum distribution amount for surviving spouses and dependent children.
- Adds a provision to allow rollovers from qualified plans providing certain requirements are met.

C. LAWS OF FLORIDA/FLORIDA STATUTES AFFECTED:

Chapter 24981, Laws of Florida, 1947, as amended.

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?

No.

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

No.

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

An agency or program is not eliminated or reduced.

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

Not applicable.

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

Not applicable.

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

Not applicable.

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.

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

No.

4. Individual Freedom:

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

No.

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:

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

(1) Who evaluates the family's needs?

Not applicable.

(2) Who makes the decisions?

Not applicable.

(3) Are private alternatives permitted?

Not applicable.

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

Not applicable.

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

Not applicable.

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:

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

- (1) parents and guardians?

Not applicable.

- (2) service providers?

Not applicable.

- (3) government employees/agencies?

Not applicable.

E. SECTION-BY-SECTION ANALYSIS:

Section 1 -- Amends the definition of "actuarial equivalent value" to mean the stated determination using an interest rate of 8.25% and the 1983 Group Annuity Mortality Table for males instead of the current 7% and the 1971 Group Annuity Mortality Table.

Section 2 -- Amends the definition of "service", "credited service", and "service credit" so that a member upon returning to employment must repay any contributions withdrawn upon termination within 60 months after reemployment instead of the current 90 days.

Section 3 -- Amends the provisions under the definition to require new members to undergo a physical exam for purposes of determining preexisting conditions.

Section 4 -- Renders the section of law gender neutral; amends provisions regarding investments to conform with the provisions of chapter 98-134, L.O.F.

Section 5 -- Amends the provisions under "service pension" to provide a 3% benefit for those who are actively employed and those electing to participate under the DROP as of October 1, 1998; provides that such benefits are to be provided for the years beginning October 1, 1982; provides that prior to October 1, 1982, the benefit shall be calculated at a 2 1/2% accrual rate; provides that there is a 78% cap; provides that the enhancement is subject to the maintenance of the bill's proposed 8.25% interest rate and amortizing over 20 years past, current, and future actuarial gains and loses; provides that if for any reason any of the items are changed so that the city's contribution increases, then the 3% benefit accrual rate will be reduced prospectively, but not below the 2 1/2%.

Section 6 -- Provides that for distributions made after October 1, 1998, there will be two calculations to determine distribution amount: (1) for those who retire on or after October 1, 1998, or who are part of DROP on or after October 1, 1998, the distributions shall be equal to factor (i) multiplied by the sum of factor (ii) and the positive difference, if any, between (iii) and 8.25%, and (2) for those who retire before October 1, 1998, the distribution amount shall be equal to factor (i) multiplied by the sum of factor (ii) and the positive difference, if any, between factor (iii) and 7%.

Section 7 -- Amends the provisions regarding the supplemental pension distribution (or 13th check) to provide a minimum distribution amount for surviving spouses and dependent children.

Section 8 -- Amends the DROP plan provisions to allow participation in the DROP from 3 to 5 years.

Section 9 -- Amends the provisions regarding lump sum payments of small retirement income if the single sum value of the accrued retirement benefit is less than \$5,000 from the original \$3,500.

Section 10 -- Adds a provision to allow rollovers from qualified plans.

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Section 11 -- Provides an effective date of October 1, 1999.

III. NOTICE/REFERENDUM AND OTHER REQUIREMENTS:

A. NOTICE PUBLISHED? Yes No

IF YES, WHEN? January 30, 1999

WHERE? The Palm Beach Post

B. REFERENDUM(S) REQUIRED? Yes No

IF YES, WHEN?

C. LOCAL BILL CERTIFICATION FILED? Yes, attached No

D. ECONOMIC IMPACT STATEMENT FILED? Yes, attached No

IV. COMMENTS:

Charles Slavin, Enrolled Actuary for the State of Florida Division of Retirement, Department of Management Services, provided the following comments:

Actuarial Statement of Fiscal Soundness:

1. This bill affects neither the Florida Retirement System (FRS) nor the FRS Trust Fund.
2. This bill complies with the requirements of Article X, Section 14 of the Constitution.
3. This bill complies with the requirements of Chapter 112, Part VII, Florida Statutes.
4. Explanation: Amends several existing Fund provisions in an effectively, cost neutral manner. Several of the elements for determining the 13th check distribution amounts are not correct and this has been brought to the attention of the applicable parties. Since the intent of Part VII of Chapter 112, F.S., is satisfied, it is recommended that the bill be favorably recommended.

V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

A strike everything amendment is needed to correct several technical drafting errors throughout the bill, as introduced. The strike everything amendment also reflects additional agreed to language between the City of West Palm Beach and the West Palm Beach Firefighters. A problematic formula is removed from the bill, by the strike amendment, and is referenced in the collective bargaining agreement between the City and the West Palm Beach Association of Firefighters, Local 727-IAFF.

VI. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:

Prepared by:

Staff Director:

Aimee Diaz

Joan Highsmith-Smith