

STORAGE NAME: h1555.ca

DATE: April 6, 1999

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

BILL #: HB 1555

RELATING TO: City of Pensacola Firemen's Relief and Pension Fund

SPONSOR(S): Representative Maygarden and others

COMPANION BILL(S): None

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

- (1) COMMUNITY AFFAIRS
 - (2) GOVERNMENTAL OPERATIONS
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

The bill amends the City of Pensacola's Firemen's Relief & Pension Fund. The bill amends the sources of revenue, retirement benefits for certain employees, workers compensation benefits, and cost of living benefits. The bill permits the City, by local ordinance, to provide for optional participation in a deferred retirement option program.

The Economic Impact Statement indicates a savings to the City of Pensacola of \$574,900 in FY 98-99, and \$592,100 in FY 00-01.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Constitutional Provisions: Protection of Public Retirement and Pensions

Article X, Section 14, of the Florida Constitution provides that, after January 1, 1977, any governmental unit responsible for a retirement or pension system supported wholly or partially by public funds may not increase pension benefits for members or beneficiaries of that system unless the unit of government has previously funded or concurrently funds the benefit increase on a sound actuarial basis. Part VII of chapter 112, Florida Statutes, as described below, implements these provisions.

Chapter 112, Florida Statutes

Chapter 112, F.S., contains general provisions of law affecting state and local public officers and employees. Various parts of the chapter govern conditions of employment, retirement, death benefits, etc. Part VII, the "Florida Protection of Public Employee Retirement Benefits Act," establishes requirements for public pension plans to ensure that all state and local government retirement plans are:

... managed, administered, operated, and funded in such a manner as to maximize the protection of public employee retirement benefits. [s. 112.61, F.S.]

Section 112.665(1)(c), F.S., provides that the Division of Retirement shall:

Cooperate with local retirement systems or plans on matters of mutual concern and provide technical assistance to units of local government in the assessment and revision of retirement systems or plans;

Section 112.67, F.S., prohibits special acts which conflict with the provisions of part VII of chapter 112, F.S.:

112.67 Special acts prohibited.--Pursuant to s. 11(a)(21), Art. III of the State Constitution, the Legislature hereby prohibits special laws or general laws of local application in conflict with the requirements of this part.

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 Fund and the Firefighters' Pension Trust Funds.

Deferred Retirement Option Plan (DROP)

DROP is an optional retirement plan different from the normal service retirement because it is designed to allow the participant to accumulate a lump cash sum amount for retirement. Under DROP, the participant makes a decision to determine base retirement benefit rates, yet continue to work. At the end of the DROP period, the participant must terminate employment. The participant can then receive payment of the accumulated DROP benefits as a lump sum, direct roll-over or combined lump sum and roll-over. The City of Pensacola's Firemen's Relief and Pension Fund currently does not include a DROP provision.

B. EFFECT OF PROPOSED CHANGES:

The bill amends the City of Pensacola's Firemen's Relief & Pension Fund. The bill amends the sources of revenue and retirement benefits for certain employees. The bill allows the City, by ordinance, to provide for optional participation in a deferred retirement option program (DROP). The bill also allows for coordination of retirement benefits with workers' compensation benefits and cost of living benefits.

C. LAWS OF FLORIDA/FLORIDA STATUTES AFFECTED:

Chapter 21483, Laws of Florida, 1941, as amended; chapter 74-576, Laws of Florida, 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 eliminated or reduced.

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

No.

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

No.

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

No.

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 and 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 or service 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 section 4 of chapter 41-21483, L.O.F., as amended; continues and maintains the City of Pensacola "Firemen's Relief and Pension Fund"; provides that all money in the existing fund are to remain therein; removes repetitive language; requires that revenue from the excise tax be used first to fund the cost of living adjustment provision, then the benefit for 75% of compensation for 25 years of service on normal pension benefits; provides that the remaining amount is to be used for the remaining benefits of the plan; requires that all benefits of the plan are to be paid, even if the receipt from the tax is insufficient to pay the benefits; requires that the City deduct 11% from the compensation of all members of the Fund who are not in the DROP program, and pay the same to the pension board; requires the balance in the repayment reserve account to be drawn down before the city is required to make any contributions.

Section 2 -- Amends section 5 of chapter 41-21483, L.O.F., as amended; adds that if an employee of 25 years retires on a normal pension benefit after July 1, 1999, the employee shall receive a benefit equal to 75% of his/her final average monthly compensation; removes repetitive language; provides gender neutral references.

Section 3 -- Amends section 1 of chapter 74-576, L.O.F., as amended; requires a cost of living increase to be given effective July 1, 1999, and paid annually thereafter; provides that each annual increase shall have an effective date of July 1; provides that the annual increase shall be equal, but no greater than the annual increase in the Consumer Price Index; requires that no increase be greater than 3%; provides that the increase in the CPI shall be the change in the values from April 1 to March 31; allows the City by ordinance to enact DROP provision; provides that such ordinance shall specify the period of time in which an employee may participate in the DROP, and penalty or forfeiture provision if the employee does not terminate employment.

Section 4 -- Amends subsection (1) of section 20 of chapter 41-21483, L.O.F., as amended; provides gender neutral references; requires that the total of the pension and the workers' compensation benefits are not to exceed 100% of the employee's average monthly salary; requires that if an employee receives a lump-sum settlement of a workers' compensation disability claim, the benefits must be probated over a 10 year projected period for the purposes of the offset of any benefit in excess of 100%; provides that an employee eligible for benefits must advise the Plan Administrator of the receipt of benefits from a primary source, workers' compensation disability benefits, within 3 days

after the incipient receipt of the benefits; provides that any cost of living adjustment as provided by chapter 74-576, L.O.F., as amended, shall be calculated on the full benefit, prior to the offset.

Section 5 -- Provides that all laws or parts of laws in conflict with this act are repealed.

Section 6 -- Provides effective date of upon becoming law.

III. NOTICE/REFERENDUM AND OTHER REQUIREMENTS:

A. NOTICE PUBLISHED? Yes No

IF YES, WHEN? January 31, 1999

WHERE? Pensacola News Journal

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: This bill appears to resolve several long outstanding contentious issues involving the COLA, the offset for workers' compensation benefits in event of disability and the various funding requirements resulting in contributions well in excess of actuarial requirements. With all the changes including the benefit amendments, there is a substantial annual cost reduction.

V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The following technical amendments are needed:

Amendment # 1 - Corrects the change in section 1 of the bill from 2-percent to 1.85-percent in order to reflect current general law.

Amendment #2 - Clarifies that the city may create by ordinance a deferred retirement option program (DROP).

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VI. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:

Prepared by:

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Aimee Diaz

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