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DATE: March 15, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
LOCAL GOVERNMENT & VETERANS AFFAIRS
ANALYSIS – LOCAL LEGISLATION**

BILL #: HB 873

RELATING TO: West Palm Beach/Police Pension

SPONSOR(S): Representative Frankel

TIED BILL(S): None

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

- (1) LOCAL GOVERNMENT & VETERANS AFFAIRS (SGC)
 - (2) STATE ADMINISTRATION
 - (3)
 - (4)
 - (5)
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I. SUMMARY:

This bill amends the West Palm Beach Police Pension Fund (Fund).

This bill revises the Fund's provisions for age and service requirements for retirement, early retirement, share accounts relating to death of a member, deferred retirement option plan, and death benefits.

Pursuant to House Rule 5.6(b), a local bill providing an exemption from general law may not be placed on the Special Order Calendar for expedited consideration. The provisions of House Rule 5.6(b) appear to apply to this bill. (See II.C. "EFFECT OF PROPOSED CHANGES" section.)

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

State Constitution

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.

Statutory Authority

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

Local police and firefighter pension and retirement plans are reviewed by the Retirement Administrator of Municipal Police Officers and Firefighters Retirement Funds, of the Bureau of Local Retirement Systems, State Division of Retirement. Chapters 175 and 185, F.S. provide statutory authority for this program. 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.

City of West Palm Beach Police Pension Fund

The City of West Palm Beach Police Pension and Relief Fund was created by special act in 1947, through Chapter 24981, L.O.F. The name was subsequently shortened to the West Palm Beach Police Pension Fund (Fund) in 1988 (Ch. 88-505, L.O.F.) After its passage in 1947, the Fund was amended nineteen times, through Chapters. 1949-26303, 1955-31368, 1961-2994, 1965-2379, 1965-2381, 73-656, 76-503, 79-579, 84-541, 85-505, 86-361, 87-516, 88-505, 93-373, 95-478, 96-526, 97-336, 99-483, and 2000-410, L.O.F.

The Fund, in part, provides for the following:

Normal retirement is permitted when, at a minimum, a member has reached age fifty and has twenty years of service.

An early retirement amount must factor in a reduction, based on no more than three percent, for each year that the member's age at retirement preceded the member's normal retirement age.

Lump sum payouts are provided, in full, upon death of a member, to beneficiaries, or, in the absence of a beneficiary, to certain relatives, or to the estate.

An early or normal retiree is eligible for the DROP, when the member has either reached age fifty, regardless of credited service, or finished between twenty-five and thirty years for credited service.

Interest rates on payments to DROP are assessed using the rate of investment returns during the twelve month period ending each September 30th.

Regarding death benefits, the pension ceases upon the surviving spouse's remarriage or death.

C. EFFECT OF PROPOSED CHANGES:

House Rule 5.6(b)

Pursuant to House Rule 5.6(b), a local bill providing an exemption from general law may not be placed on the Special Order Calendar for expedited consideration. The provisions of House Rule 5.6(b) appear to apply to this bill.

Section 166.021(4), F.S., requires a referendum of the electors whenever rights of municipal employees are affected. This bill does not provide for a referendum. Therefore, this bill appears to create an exception to general law.

Bill Impact

This bill expands the eligibility threshold, available to a normal retiree, to receive a pension.

This bill requires the early retirement reduction to be fixed at three percent.

Regarding benefits from a share account, this bill provides for lump sum installments to be paid to beneficiaries, other than the surviving spouse.

This bill precludes early retirees from entering the DROP program.

This bill provides that the rate of return on DROP payment interest is as reported by the Fund's investment monitor.

Regarding death benefits, provides that remarriage does not result in cessation of death benefits.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends paragraphs (a) and (c) of subsection (8) of s. 16 of ch. 24981, L.O.F., as amended, to provide for normal retirement upon the member reaching age fifty-five with at least ten years of credited service. For early retirement, provides that an early retirement reduction must be assessed at three percent for each year under normal retirement age.

Section 2. Amends paragraph (g) of subsection (11) of s. 16 of ch. 24981, L.O.F., as amended, to provide the following regarding share accounts:

- If a member dies and is eligible for benefits from the individual member account, the entire balance is converted to the beneficiary, paid out in lump sum, at the discretion of the beneficiary;
- When the beneficiary is the surviving spouse, the account may stay with the Fund until the latest period, per subsection (30);
- These accounts do not receive any more shares of money but do get credited with interest;
- Conversion occurs in the absence of a beneficiary, either named or deceased, to other designated relatives or the estate;
- Converted accounts have successor beneficiaries attached;
- Designated beneficiary, other than spouse, can opt to take a distribution of the entire balance within five years, rather than in lump sum.

Section 3. Amends paragraphs (a)1. and (b)2. of subsection (13) of s. 16 of ch. 24981, L.O.F., as amended to restrict eligibility for the DROP program to normal retirement members; provides for the rate or return in DROP to be provided by the Fund's investment monitor.

Section 4. Amends paragraphs (a)1. and (c)1. of subsection (17) of s. 16 of ch. 24981, L.O.F., to provide that the surviving spouse's right to a pension through death benefits ceases only upon the surviving spouse's death.

Section 5. Provides for repeal of all special laws, in whole or in part, that conflict with the provisions of this act.

Section 6. Provides that this act takes effect upon becoming a law.

III. NOTICE/REFERENDUM AND OTHER REQUIREMENTS:

A. NOTICE PUBLISHED? Yes No

IF YES, WHEN?

January 29, 2001

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

According to the Economic Impact Statement, there is an insignificant fiscal impact. The attached Actuarial Impact Statement, indicates that this bill complies with Part VII, Ch. 112, F.S., and S. 14, Art. X of the Florida Constitution. Also, the effect of the proposed changes on contributions and obligations is de minimus.

IV. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

This bill does not necessitate additional rulemaking authority.

C. OTHER COMMENTS:

A representative with the City of West Palm Beach expresses that the city is not opposed to these changes.

Staff with the Division of Retirement, Department of Management Services has provided a report, which reads, in part, as follows:

- This bill affects neither the Florida Retirement System nor the Florida Retirement System's Trust Fund.
- This bill complies with the requirements of Article X, Section 14 of the Constitution.
- This bill satisfies the actuarial cost impact statement provisions of Chapter 112, Part VII, F.S.
- This bill contains a de minimus fiscal impact.

Staff with the Committee on Local Government and Veterans Affairs discussed the need for codification of the Fund Acts with the attorney who drafted this bill. The current state of the law is incomplete and insufficient. Ordinances have passed, which affect the Fund, but are not specifically referenced in special law. Additionally, each amending act fails to provide specific repeals. Staff suggested that the Committee and the Pension Board work closely after session to try to remedy this confusion through an updating codification.

V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VI. SIGNATURES:

COMMITTEE ON LOCAL GOVERNMENT & VETERANS AFFAIRS:

Prepared by:

Staff Director:

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