

HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS

BILL #: HB 549 West Palm Beach Police Pension Fund
SPONSOR(S): Domino
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Local Affairs (Sub)</u>	_____	<u>Nelson</u>	<u>Highsmith-Smith</u>
2) <u>Local Government & Veterans' Affairs</u>	_____	_____	_____
3) <u>State Administration</u>	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

This bill relates to the West Palm Beach Police Pension Fund. It revises provisions relating to membership of the Board of Trustees, and provides that Fund participants and Deferred Retirement Option Plan participants may select to have investment earnings credited to their accounts at a fixed rate of 8.25 percent.

According to the Economic Impact Statement, this bill has no fiscal impact.

Pursuant to House Rule 5.5(b), a local bill providing an exception from general law may not be placed on the Special Order Calendar for expedited consideration. The provisions of House Rule 5.5(b) appear to apply to this bill.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|---|-----------------------------|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 5. Empower families? | 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. EFFECT OF PROPOSED CHANGES:

The City of West Palm Beach provides retirement benefits to its police officers through a local pension plan pursuant to chapter 185, F.S. This bill amends s.16 of chapter 24981, Laws of Florida, 1947, as amended by chapter 2002-359, Laws of Florida, relating to the West Palm Beach Police Pension Fund. It revises provisions relating to membership of the Board of Trustees, and provides that Fund participants and Deferred Retirement Option Plan participants may select to have investment earnings credited to their accounts at a fixed rate of 8.25 percent.

Current Law

The West Palm Beach Police Pension Fund was created as part of chapter 24981, Laws of Florida, 1947, the reestablishment charter for the City of West Palm Beach.

Constitutional Provision/Public Retirement and Pensions

S. 14, Art. X of the State 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, F. S., the "Florida Protection of Public Employee Retirement Benefits Act," was adopted by the Legislature to implement the provisions of s. 14, Art. X, of the State Constitution. This law establishes minimum standards for operating and funding public employee retirement systems and plans.

Chapter 185, Florida Statutes

Chapter 185, F. S., provides the statutory authority for municipal police pensions. This act was established by the Legislature to provide a uniform retirement system for the benefit of police officers; retirement systems or plans are to be managed, administered, operated and funded in such a manner as to maximize the protection of the police officers' retirement trust funds.

C. SECTION DIRECTORY:

Section 1: Adds two positions to the five-member Board of Trustees of the West Palm Beach Police Pension Fund: one appointed by the City and one elected by the retirees.

Section 2: Effective October 1, 2002, allows fund participants the option to select between two methods to credit investment earnings to their account. The method may be changed each year effective October 1; however, the method must be elected prior to October 1. Participants may choose between a fixed rate of 8.25 percent, or to have investment earnings (or losses) credited to their account at the same percentage as that of the investment earnings (or losses) of the Fund as a whole.

Section 3: Deletes the provision for the Police Chief to remain in the Deferred Retirement Option Plan (DROP) program for up to eight years.

Allows DROP participants to vote for the employee trustee member of the Board.

Section 4: Effective October 1, 2002, allows DROP participants the option to choose a fixed rate of 8.25 % as their earnings rate, or the rate of investment return earned (or lost) on Pension Fund assets. The method may be changed each year effective October 1; however, the method must be elected prior to October 1.

Provides that DROP assets are commingled with pension Fund assets for investment purposes.

Clarifies that a participant receives no future DROP deposits if he/she remains employed beyond the end of the DROP period.

Section 5: Clarifies the method for setting administrative charges. Provides that the costs, fees and expenses of administration shall be debited from the individual member accounts on a proportionate basis.

Section 6: Provides that all special laws, ordinances or regulations insofar as they are in conflict or inconsistent with the provisions of this act are repealed.

Section 7: Provides an effective date of upon becoming law.

II. NOTICE/REFERENDUM AND OTHER REQUIREMENTS

A. NOTICE PUBLISHED? Yes No

IF YES, WHEN? December 16, 2002

WHERE? *The Palm Beach Post*, a newspaper of general circulation in Palm Beach County.

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

III. COMMENTS

- A. CONSTITUTIONAL ISSUES: Not applicable.
- B. RULE-MAKING AUTHORITY: Not applicable.
- C. DRAFTING ISSUES OR OTHER COMMENTS: Not applicable.

Drafting Issues

Many local bills contain language providing that in the event of a conflict of the provisions of the local bill with the provisions of any other general or local law, the provisions of the act being considered controls to the extent of the conflict(s). This is referred to as a "supremacy" clause. This language does not allow interested persons or Members of the Legislature knowledge of the specific laws containing potential conflicts. Unless those specific laws in conflict are identified, it is suggested that the "supremacy" clause be removed from the bill.

Other Comments

The Sponsor has indicated that this bill is the result of a collective bargaining agreement between the City of West Palm Beach and the Palm Beach County Police Benevolent Association.¹

Chapter 185 provides that membership of a board of trustees consists of five members and that the provisions of this section may not be altered by a participating municipality. See, s. 185.05(1)(b)1 and s. 185.05(6), F.S. This bill provides an exception from general law.

The bill has been reviewed by the Bureau of Local Retirement, Department of Management Services who opine that the bill satisfies the requirements of s. 14, Art. X, of the State Constitution and the provisions of chapter 112, F.S., and that they concur with the consulting actuary's conclusion that the effect of the proposed changes on contributions and obligations is de minimis.²

IV. AMENDMENT/COMMITTEE SUBSTITUTE CHANGES

The Sponsor intends to offer an amendment which would remove the "supremacy" clause from the bill.

¹ Bonni S. Jensen, Hanson, Perry & Jensen, P.A. (March 11, 2003)

² Charles Slavin, Actuary (February 27, 2003)