

HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS

BILL #: HB 549 w/CS 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>9 Y, 0 N</u>	<u>Nelson</u>	<u>Highsmith-Smith</u>
2) <u>Local Government & Veterans' Affairs</u>	<u>14 Y, 0 N w/CS</u>	<u>Nelson</u>	<u>Highsmith-Smith</u>
3) <u>State Administration</u>	<u></u>	<u>Bond</u>	<u>Everhart</u>
4) <u></u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

SUMMARY ANALYSIS

This bill relates to the West Palm Beach Police Pension Fund. Currently, participants share in the investment earnings or losses of the Fund as a whole. By this bill, each participant will be able to annually choose to have his or her retirement account receive the investment earnings or losses of the Fund, or a fixed return of 8.25%.

According to the Economic Impact Statement provided by the local government, this bill will not have a fiscal impact on the state or the local government.

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.

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. Participants are credited with periodic additions to their individual retirement account, and all accounts are pooled into the West Palm Beach Police Pension Fund. A participant in the Fund is then annually credited, or charged as appropriate, with the investment returns or losses on a proportionate basis.

The bill provides that effective October 1, 2002, vested participants in the Fund have the option to select one of two methods to credit investment earnings to their account: earnings or losses credited in the same percentage as are earned or lost by the total investment earnings or losses of the Fund as a whole; or a fixed annual rate of 8.25 percent. A participant may change his or her method each year prior to October 1.

Constitutional Provision/Public Retirement and Pensions

Article X, s. 14, Fla.Const., 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 art. X, s. 14, Fla.Const. 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: 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 2: Deletes the provision for the Police Chief to remain in the Deferred Retirement Option Plan (DROP) program for up to eight years, and allows DROP participants to vote for the employee trustee member of the Board.

Section 3: 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.

This section also provides that DROP assets are commingled with pension Fund assets for investment purposes, and clarifies that a participant receives no future DROP deposits if he/she remains employed beyond the end of the DROP period.

Section 4: Clarifies the method for setting administrative charges. This section provides that the costs, fees and expenses of administration shall be debited from the individual member accounts on a proportionate basis.

Section 5: 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:

Comments by the Committee on Local Government & Veteran's Affairs:

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

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 Committee on Local Government and Veterans' Affairs adopted an amendment at its meeting on April 1, 2003, which removed language altering the board of trustees and deleted the "supremacy" clause.

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

² Charles Slavin, Actuary (February 27, 2003)