

HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS

BILL #: HB 801 w/CS W. Palm Beach Firefighters Pension
SPONSOR(S): Domino; Brandenburg
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>4 Y, 0 N</u>	<u>Bond</u>	<u>Everhart</u>
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

This bill amends the West Palm Beach Firefighters Pension Fund to provide for additional methods of crediting investment earnings to participants' accounts. 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%. A participant may also elect to split his or her retirement account between the two.

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.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h0801d.sa.doc
DATE: April 14, 2003

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:

This bill amends chapter 24981, Laws of Florida, as amended by chapter 2002-360, Laws of Florida, to amend provisions relating to the West Palm Beach Firefighters Pension Fund.

The City of West Palm Beach provides retirement benefits to its firefighters through a local pension plan pursuant to the provisions of chapter 175, F.S. 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 Firefighters 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.

This 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 also elect to split his or her account between the two methods. A participant may change his or her method each year prior to October 1.

Constitutional Provision/Public Retirement and Pensions

Art. 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 s. 14, art. X of the State Constitution. This law establishes minimum standards for operating and funding public employee retirement systems and plans.

Chapter 175, Florida Statutes

Chapter 175, F. S., provides the statutory authority for firefighter pensions. This act was established by the Legislature to provide a uniform retirement system for the benefit of firefighters; retirement systems or plans are to be managed, administered, operated and funded in such a manner as to maximize the protection of the firefighters' retirement trust funds.

C. SECTION DIRECTORY:

Section 1: 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 also elect to split his or her account between the two methods. A participant may change his or her method each year prior to October 1.

Section 2: The bill provides that effective October 1, 2002, DROP participants have the same options as active participants (as described in Section 1 above). This bill also amends the plan provisions to provide that the costs of administration of the Plan must be debited from the individual member accounts on a proportionate basis.

Section 3: 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:

Other Comments

The Sponsor provides that the bill is the result a collective bargaining agreement between the City of West Palm Beach and the West Palm Beach Firefighters, Local 727 of the International Association of Fire Fighters, to make benefit changes.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 art. X, s. 14, Fla.Const., and the provisions of

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

chapter 112, F.S. The Bureau concurs 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 & Veterans' Affairs adopted an amendment at its April 1, 2003, meeting which removes the "supremacy" clause from the bill.

² Charles Slavin, Actuary (March 7, 2003).