

**HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS**

**BILL #:** HB 801 w/CS W. Palm Beach Firefighters Pension  
**SPONSOR(S):** Domino  
**TIED BILLS:** **IDEN./SIM. BILLS:**

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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 &amp; 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></u>	<u></u>
4) <u></u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

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**SUMMARY ANALYSIS**

This bill amends the West Palm Beach Firefighters Pension Fund to provide for additional methods of crediting investment earnings to participants' accounts.

According to the Economic Impact Statement, this bill will not impact state or local government budgets.

## 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 bill provides for additional methods of crediting investment earnings to participants' accounts.

##### Present Situation

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.

##### Current Law

##### **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 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 three 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; a fixed annual rate of 8.25 percent; or a percentage of share account assets. The method may be changed each year prior to October 1.

Section 2: The bill provides that effective October 1, 2002, DROP participants have the option to select one of three methods to credit investment earnings to their account: earnings using the rate of investment return earned on Pension Fund assets; a fixed rate of 8.25 percent; or a percentage of the DROP account assets. The method may be changed each year prior to October 1.

Provides that costs of administration shall 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. <sup>1</sup>

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

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

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.<sup>2</sup>

#### **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.

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<sup>2</sup> Charles Slavin, Actuary (March 7, 2003).