

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Empower Families

This bill will allow for certain pension fund members to take advantage of federal pre-tax provisions, and others to increase their retirement benefits.

B. EFFECT OF PROPOSED CHANGES:

PRESENT SITUATION

Section 14, Art. X, State Constitution/Public Retirement and Pensions

Section 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.

Part VII, Ch. 112, F.S./Actuarial Soundness of Retirement Systems

Part VII, ch. 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, State Constitution. This law establishes minimum standards for operating and funding public employee retirement systems and plans. The act is applicable to all units of state, county, special district and municipal governments participating in or operating a retirement system for public employees which is funded in whole or in part by public funds.

Section 112.63, F.S., provides that no unit of local government shall agree to a proposed change in retirement benefits unless the administrator of the system, prior to adoption of the change by the governing body, and prior to the last public hearing thereon, has issued a statement of the actuarial impact of the proposed change upon the local retirement system, consistent with the actuarial review, and has furnished a copy of such statement to the Division of Retirement, Department of Management Services. Such statement also is required to indicate whether the proposed changes are in compliance with s. 14, art. X, State Constitution, and with s. 112.64, F.S., which relates to administration of funds and amortization of unfunded liability.

HB 1243

The City of Tampa General Employees' Pension Plan provides retirement benefits for all permanent city employees. Division A of the plan, which covers employees hired before October 1, 1981, requires participants to contribute seven percent of their salaries and wages for all years of service to participate. Division B of the plan covers employees hired on or after October 1, 1981, and those Division A employees who elect to join. The members of this plan contribute no salaries and wages but make payments into (and will receive disbursement from) the Social Security fund. The normal retirement benefit is a monthly pension commencing on or after the retirement date payable for life equal to 1.1 percent of average monthly compensation multiplied by years of service. Currently, there are 260 employees covered by Plan A, and 2, 681 employees covered by Plan B. To be eligible for retirement, employees must complete at least 10 years of service and attain the age of 55.

HB 1243 makes the following changes to the City of Tampa General Employees Pension Plan:

- provides for the seven percent payroll contributions to the pension plan by employees in Plan A to be made on a pre-tax basis by amending the definition of "salary or wages" to take advantage of the provisions found in Section 414(h) of the Internal Revenue Code;
- provides non-gender specific references; and
- increases the multiplier by .05 percent, from 1.1 percent to 1.15 percent for Plan B employees.

The changes would be effective October 1, 2005.

This is the first increase in the multiplier since pension Plan B was created in the early 80s. The mayor of the City of Tampa has indicated that she intends to improve the pension plan through incremental changes every year until the plan is commensurate with the Florida Retirement System (FRS). The FRS currently provides for a multiplier of 1.6 percent.

C. SECTION DIRECTORY:

Section 1: Amends s. 4(A) of ch. 23559, L.O.F., 1945, as amended, to amend definition of "salaries or wages."

Section 2: Amends s. 4(A) of ch. 23559, L.O.F., 1945, as amended, to provide non-gender specific references, and an increased multiplier.

Section 3: Provides an effective date.

II. NOTICE/REFERENDUM AND OTHER REQUIREMENTS

A. NOTICE PUBLISHED? Yes No

IF YES, WHEN? January 27, 2005

WHERE? *The Tampa Tribune*, a newspaper published in Hillsborough 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

According to the Economic Impact Statement, this bill will cost the city an estimated \$750,000 to implement in Fiscal Year 05-06.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The Actuarial Statement of Fiscal Soundness prepared by the Department of Management Services provides:

1. This bill affects neither the Florida Retirement System nor the System's Trust Fund.
2. The requirements of s. 14, art. X, State Constitution, and the provisions of part VII, ch. 112, F.S., are satisfied.
3. Explanation: Revises definition of "salaries or wages" to provide for city pickup enabling Division A employees to make pension contributions on a pre-tax basis; and increases the benefit accrual rate to 1.15 percent for Division B employees.
4. Fiscal Note: The increase in the benefit accrual rate increases by 0.6 percent of payroll the city's annual funding cost, according to the plan actuary's 1/18/05 impact statement based on the actuarial valuation prepared as of 1/1/04.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

None.