

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Empower Families

This bill will allow pension fund members to increase their retirement benefits, and secure post-retirement health insurance.

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.

Chapter 185, F.S./Municipal Police Pensions

Chapter 185, F.S., provides the statutory authority for municipal police officers' pension plans. This act was established by the Legislature to provide a uniform retirement system for the benefit of police officers. Municipal police officers' retirement trust fund systems and plans are to be managed, administered, operated and funded in such manner as to maximize the protection of police officers' retirement trust funds.¹

HB 957

HB 957 revises provisions relating to the West Palm Beach Police Pension Fund, based upon agreements made in collective bargaining negotiations between the City of West Palm Beach and the Palm Beach County Police Benevolent Association. Currently, there is no limit to the number of overtime hours which may be included in a member's "salary" or "final average salary," nor is there a

¹ s. 185.01, F.S.

provision which allows for the purchase of prior police officer or military service. The employee contribution is seven percent.

The bill amends definitions; revises members' contributions; allows the purchase of prior service; and clarifies provisions related to credit for intervening military service as follows:

Section 1: Provides revisions to s.16 of ch. 24981 (1941), L.O.F., as amended, the "West Palm Beach Police Pension Fund."

Amends s.16 (2) (g) to limit the number of overtime hours to be included in an employee's "final average salary" to 400 per year beginning January 1, 2005.

Amends s.16 (2) (p) to provide that effective January 1, 2005, overtime hours earned and paid in excess of 400 in any 26 consecutive pay periods will be excluded from the definition of "salary."

Amends s. 16 (2) (q) to clarify that years of service for prior police officer or military service may be considered "service" or "service credit."

Amends s.16 (6) to remove language that would have prohibited a member from purchasing prior city service that occurred more than six years in the past.

Amends s. 16 (19) to increase employee contributions effective:

- January 1, 2005, to nine percent;
- January 1, 2006, to 10 percent; and
- January 1, 2007, to 11 percent.

Contributions over seven percent will be used to purchase eligibility in post-retirement health insurance benefits.

Amends s.16 (35) to add a new provision to allow for the purchase of prior city, county, state or federal police service or for military service. Also, clarifies the crediting of service for intervening military service. Provides that:

- years, or fractional parts of years, may be added to the years of credited services, provided that the member contributes the sum that would have been contributed, based on the member's salary and contribution rate, plus any amounts necessary so that the crediting of service does not result in any cost to the fund, plus costs for all professional services rendered to the fund board in connection with the transaction;
- payment may be made within six months after the request and in one lump sum, or over a period equal to the length of time being purchased or five years, whichever is greater, at an interest rate which is equal to the fund's actuarial assumption;
- any credit purchased does not count towards vesting;
- no credit may be purchased if such prior service forms the basis of a benefit from another retirement system;
- if a member suffers a disability while in the process of purchasing service, the member will not be required to complete the "buyback," and contributions made prior to the date disability payment begins will be retained by the fund;
- if a member who has purchased prior service or is in the process of purchasing prior service terminates before vesting, the member's contributions will be refunded;
- a request to purchase service may be made at any time during employment, but the "buyback" is a one-time opportunity;
- credit for up to five years of time spent in military service will be added to the years of actual service without employee contribution, if: the employee is actively employed by the city and leaves a permanent position for the purpose of the military service; the police is entitled to reemployment; and the officer returns to his or her employment within one year of release from the military.

C. SECTION DIRECTORY:

Section 1: Provides revisions to s.16 of ch. 24981 (1941), L.O.F., as amended, the "West Palm Beach Police Pension Fund."

Section 2: Provides an effective date of upon becoming law.

II. NOTICE/REFERENDUM AND OTHER REQUIREMENTS

A. NOTICE PUBLISHED? Yes No

IF YES, WHEN? December 6, 2004.

WHERE? *The Palm Beach Post*, a newspaper of general circulation published 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:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

Other Comments

The Administrator of the West Palm Beach Police Pension Fund provided an actuarial cost estimate in which he indicates that the city's annual funding cost will be reduced 3.16 percent, a reduction of \$590,073 in FY 04/05 dollars.

The Actuarial Statement of Fiscal Soundness² 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, of the State Constitution, and ch. 112, part VII, F.S., are satisfied.
3. Explanation: Amends definition of "final average salary" and of "salary" to limit overtime hours to 400, effective January 1, 2005, prospectively; of "service" to include prior military and /or police service, and provides for the payment thereof. Increases member contribution rates from seven percent to nine percent effective January 1, 2005, to 10 percent effective January 1, 2006, and to 11 percent effective January 1, 2007. The increases over seven percent are to be used for post-retirement health insurance benefits.
4. Fiscal Note: Capping the overtime hours reduces the city's annual funding costs by 3.16 percent based on the September 30, 2003, actuarial valuation according to the plan actuary's November 17, 2004, impact statement.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

None.

² Charles Slavin, Enrolled Actuary, #02-01591.