

HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS

BILL #: HB 1219 City of Tampa, Hillsborough County
SPONSOR(S): Joyner and others
TIED BILLS: **IDEN./SIM. BILLS:** SB 2760

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Local Government Council</u>	<u>8 Y, 0 N</u>	<u>DiVagno</u>	<u>Hamby</u>
2) <u>Governmental Operations Committee</u>	<u></u>	<u>Mitchell</u>	<u>Williamson</u>
3) <u>Fiscal Council</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>

SUMMARY ANALYSIS

All general employees of the City of Tampa employed on or after October 1, 1981 are Division B employees under the General Employees' Pension Plan created by the Legislature. This General Employees' Pension Plan provides for longevity retirement benefits: after at least six years of service and attaining the age of 62, a Division B employee is entitled to a money pension payable for life equal to 1.15 percent of the average monthly salary multiplied by years of service.

This bill increases the multiplier percentage for Division B employees by 0.05 percent, from 1.15 percent to 1.20 percent.

This bill does not appear to create, modify, or eliminate rulemaking authority.

This bill will have a fiscal impact of approximately \$900,000 on the City of Tampa in Fiscal Year 2006-2007. This expenditure was ratified by Tampa City Council on November 17, 2005.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provides limited government – This bill increases retirement benefits for certain employees of the City of Tampa.

B. EFFECT OF PROPOSED CHANGES:

City of Tampa Pension System

In 1945, the Legislature created a pension fund for all permanent employees of the City of Tampa, Florida.¹ In 1981, the Legislature created two divisions within this pension system:

- Division A includes all those members who were employed prior to October 1, 1981 and who did not elect to join Division B.
- Division B includes all general employees employed on or after October 1, 1981, and all Division A employees who elected to join Division B.²

In creating these divisions, the Legislature also created different longevity retirement benefits for Division B employees: a monthly pension benefit equal to 1.1 percent of their average monthly salary multiplied by their service for those Division B employees who retired on or after their normal retirement date.³ In 2005, the Legislature amended the longevity retirement benefits for Division B employees to increase the “multiplier” percentage to 1.15.⁴ Now, after at least six years of service and attaining the age of 62, a Division B employee is entitled to a money pension payable for life equal to 1.15 percent of the average monthly salary multiplied by years of service. The average monthly salary is the total compensation received during the three years out of the last six years of continuous service which produces the highest average, divided by 36.⁵

Requirements for Increasing the Longevity Retirement Benefits

Article X, section 14 of the Florida 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 of chapter 112, Florida Statutes, the “Florida Protection of Public Employee Retirement Benefits Act,” was adopted by the Legislature to implement the provisions of article X, section 14 of the Florida Constitution. This law establishes minimum standards for operating and funding public employee retirement systems and plans. This part 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, Florida Statutes, 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

¹ Ch. 23559, Laws of Fla. (1945).

² Ch. 81-497, Laws of Fla., §§ 1 and 3.

³ *Id.*, § 8.

⁴ Ch. 2005-326, Laws of Fla., §2.

⁵ General Employees’ Pension Plan for the City of Tampa, Actuarial Impact Statement as of January 1, 2005.

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. The statement also is required to indicate whether the proposed changes are in compliance with article X, section 14 of the Florida Constitution, and with section 112.64, Florida Statutes, which relates to administration of funds and amortization of unfunded liability. It appears the requirements of this section were satisfied.

Increasing the Longevity Retirement Benefits

This bill increases the multiplier of Division B employees by 0.05 percent, raising it from 1.15 percent to 1.20 percent. This bill would entitle an eligible Division B employee to a monthly pension plan equal to 1.20 percent of his or her average monthly salary multiplied by his or her years of service.

C. SECTION DIRECTORY:

Section 1: Amends section 8 of chapter 23559, Laws of Florida, as amended by chapter 2005-326, Laws of Florida, to increase the longevity retirement benefits multiplier.

Section 2: Provides an effective date of October 1, 2006.

II. NOTICE/REFERENDUM AND OTHER REQUIREMENTS

A. NOTICE PUBLISHED? Yes No

IF YES, WHEN? *January 12, 2006.*

WHERE? *Tampa Tribune, Tampa, Hillsborough County, Florida.*

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, no fiscal impact is expected Fiscal Year 2005-2006. A fiscal impact of \$900,000 in the form of implementation costs is expected for Fiscal Year 2006-2007.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

Article X, Section 14

As previously discussed, benefit increases to public retirement or pension systems may not be made unless funding is concurrently provided for the increase. The City of Tampa ratified this increase on November 17, 2005.⁶ In addition, according to the Department of Management Services, this bill complies with the requirements of section 14 of article X of the Florida Constitution and part VII of chapter 112, Florida Statutes.⁷

⁶ See, e.g., Transcription, Tampa City Council Meeting, Nov. 17, 2005, 9:00 a.m., available at http://www.tampagov.net/appl_Cable_Communications_closed_captioning/frmAgenda.asp?pkey=1139&txtValidPage=1&txtPrevPage=index.asp&txtNextPage=frmAgenda.asp (last visited Mar. 24, 2006).

⁷ Fla. Dep't of Mgmt. Serv., HB 1219 (2006) Staff Analysis (Mar. 21, 2005) (on file with dep't).

B. RULE-MAKING AUTHORITY:

This bill does not appear to create, modify, or eliminate rulemaking authority.

C. DRAFTING ISSUES OR OTHER COMMENTS:

According to the Hillsborough County Legislative Delegation Explanatory Memorandum:

- “A negotiated increase in the pension multiplier of .05 percent to 1.2 for Division B employees was approved by the Amalgamated Transit Union on November 10, 2005 and ratified by Tampa City Council on November 17, 2005.”
- “[The] Proposed change would make the City of Tampa Pension Plan Division B more consistent with the Florida Retirement System (FRS).”

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

None.