# HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS

**BILL #:** HB 1373        City of Tampa, Hillsborough County
**SPONSOR(S):** Scionti and others
**TIED BILLS:**                    **IDEN./SIM. BILLS:** SB 2718

| | REFERENCE | ACTION | ANALYST | STAFF DIRECTOR |
|---|---|---|---|---|
| 1) | Military & Local Affairs Policy Committee | 14 Y, 0 N | Fudge | Hoagland |
| 2) | Governmental Affairs Policy Committee | | | |
| 3) | Economic Development & Community Affairs Policy Council | | | |
| 4) | | | | |
| 5) | | | | |

## SUMMARY ANALYSIS

The City of Tampa General Employees' Pension Plan provides retirement benefits for all permanent city employees.

The bill makes changes to the plan to comply with federal requirements and is effective October 1, 2009.

The actuarial analysis provided with the bill indicates that the proposed changes are for administrative and compliance purposes, and do not require increases or decreases in plan contributions.

## HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

## FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

**Current Situation**

The City of Tampa General Employees' Pension Plan provides retirement benefits for all permanent city employees.

**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.

**Effect of Proposed Changes**

The bill makes changes to the plan to comply with federal requirements. The following definitional changes are made:

- o "salaries or wages" – adds elective amounts that are excludible from the employee's gross income under section 125 (cafeteria plan); excludes payments for unused accrued bona fide sick, vacation or other leave, payments to nonqualified unfunded deferred salary plan, or severance pay after employee leaves employment with city; revises annual compensation limits;
- o "Employee" – excludes independent contractors
- o "Military Service Time"—applies to members rehired after military leave service time prior to December 12, 1994; complies with applicable provisions of Heroes Earnings Assistance and Relief Tax Act ("HEART Act").
- o "Limitation Year"—defined as Plan Year.

In addition, employee contributions are mandatory and "picked up" by the city pursuant to section 414(h) of the Code. Non-spouse beneficiaries are given the option to rollover all or a portion of a death benefit to an inherited IRA if the distribution is an eligible rollover. If the member fails to elect a distribution option, the employee contribution refunds will be rolled over to an IRA designated by the board of trustees. The act will be construed in accordance with general law and federal tax code. Limitations on the amounts of benefits are tied to specified plan years.

The bill is effective October 1, 2009.

B. SECTION DIRECTORY:

Section 1:    Amends provisions of the Pension Plan for the City of Tampa.

Section 2:    Provides an effective date of October 1, 2009.

## II.  NOTICE/REFERENDUM AND OTHER REQUIREMENTS

A. NOTICE PUBLISHED?    Yes [X]    No []

IF YES, WHEN?  January 23, 2009.

WHERE?  In the *Tampa Tribune*, a daily newspaper published in Hillsborough County, Florida.

B. REFERENDUM(S) REQUIRED?    Yes []    No [X]

IF YES, WHEN?

C. LOCAL BILL CERTIFICATION FILED?    Yes, attached [X]    No []

D. ECONOMIC IMPACT STATEMENT FILED?    Yes, attached [X]    No []

The actuarial analysis provided with the bill indicates that the proposed changes are for administrative and compliance purposes, and do not require increases or decreases in plan contributions.

## 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.  This bill complies with the requirements of Article X, Section 14 of the Constitution.
3.  This bill satisfies the actuarial cost impact provisions of Chapter 112, Part VII, F.S.


## IV.  AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES