

1 A bill to be entitled
2 An act relating to the City of West Palm Beach, Palm
3 Beach County; amending chapter 24981, Laws of Florida,
4 1947, as amended; revising definitions; defining the
5 term "Fire Chief"; authorizing the Fire Chief to opt
6 out of participation in the West Palm Beach
7 Firefighters Pension Fund; providing that chapter 175,
8 F.S., funds to be used to reduce member contributions
9 to the fund for specified calendar years; requiring
10 the city to make up certain shortfalls in member
11 contributions; providing for a reduction in member
12 contributions for 3 years; revising the crediting rate
13 for certain members in the share and BackDROP
14 accounts; removing a requirement for members to take a
15 lump sum distribution of their share and BackDROP
16 account balances within a specified time after their
17 termination of employment in certain circumstances;
18 authorizing members to choose BackDROP periods between
19 1 month and 60 months in duration; revising BackDROP
20 benefits; revising assumption for amortization of
21 gains and losses; authorizing an in-service pension
22 distribution for the Fire Chief; providing an
23 effective date.

24
25 Be It Enacted by the Legislature of the State of Florida:
26

27 Section 1. Paragraphs (a) and (h) of subsection (1),
 28 paragraphs (a) and (b) of subsection (3), paragraphs (j) and (l)
 29 of subsection (5), paragraph (b) of subsection (21), and
 30 subsection (22) of section 17 of chapter 24981, Laws of Florida,
 31 1947, as amended, are amended, and subsection (25) is added to
 32 that section, to read:

33 Section 17. West Palm Beach Firefighters Pension Fund.—

34 (1) Creation of fund.—There is hereby created a special
 35 fund for the Fire Department of the City of West Palm Beach to
 36 be known as the West Palm Beach Firefighters Pension Fund. All
 37 assets of every description held in the name of the West Palm
 38 Beach Firemen's Relief and Pension Fund and in the name of the
 39 West Palm Beach Firefighters Pension Fund have been and shall
 40 continue to be combined.

41 (a) Definitions.—The following words or phrases, as used
 42 in this act, shall have the following meanings, unless a
 43 different meaning is clearly indicated by the context:

44 1. "Actuarial equivalent value," "actuarial equivalence,"
 45 or "single sum value" means the stated determination using an
 46 interest rate of 8.00 ~~8.25~~ percent per year and the RP-2000
 47 Mortality Table ~~1983 Group Annuity Mortality Table for males~~.

48 2. "Beneficiary" means any person who is not at retirement
 49 but who is entitled to receive a benefit from the West Palm
 50 Beach Firefighters Pension Fund or the West Palm Beach Firemen's
 51 Relief and Pension Fund, as applicable.

52 3. "Board of Trustees" or "Board" means the Board of
53 Trustees provided for in this act.

54 4. "City" means the City of West Palm Beach, Florida.

55 5. "Department" means the Fire Department of the City.

56 6. "Enrolled actuary" means an actuary who is enrolled
57 under Subtitle C of Title III of the Employee Retirement Income
58 Security Act of 1974 and who is a member of the Society of
59 Actuaries or the American Academy of Actuaries.

60 7. "Final average salary" means:

61 a. The average monthly salary paid to a member in the 3
62 best years of employment before retirement for all active
63 members who retire on or after May 13, 2012, who are not
64 eligible for normal retirement as of May 13, 2012, or do not
65 have a calculated BackDROP date of October 1, 2011, or earlier.

66 b. The average of the monthly salary paid a member in the
67 2 best years of employment, paid in and prior to the 23rd year
68 of credited service for retirements before May 13, 2012, for
69 members who are eligible for normal retirement as of May 13,
70 2012, or who have a calculated BackDROP date of October 1, 2011.
71 No active nonDROP member shall have any salary amounts paid
72 prior to October 1, 2000, used in the calculation of final
73 average salary. Those members whose final average salary would
74 include salary amounts paid prior to October 1, 2000, shall use
75 salary paid during the period from October 1, 2000, through
76 September 30, 2001, to replace any salary amounts paid prior to
77 October 1, 2000. The replacement salary from October 1, 2000,

78 through September 30, 2001, may range anywhere between 2 weeks
79 and 104 weeks, but shall only be enough salary as is sufficient
80 to replace the salary paid prior to October 1, 2000. The
81 replacement salary amounts from October 1, 2000, to September
82 30, 2001, shall be prorated based upon an annual salary.

83 8. "Fire Chief" means the firefighter who is the executive
84 officer of the City of West Palm Beach Fire Department.

85 9.8. "Firefighter" means any person employed in the
86 Department who is certified as a firefighter as a condition of
87 employment in accordance with the provisions of section 633.35,
88 Florida Statutes, whose duty it is to extinguish fires and
89 protect life and property. The term includes all certified,
90 supervisory, and command personnel whose duties include, in
91 whole or in part, the supervision, training, guidance, and
92 management responsibilities of full-time firefighters, part-time
93 firefighters, or auxiliary firefighters but does not include
94 part-time firefighters or auxiliary firefighters whose duty it
95 is to extinguish fires and protect life and property. In
96 accordance with s. 175.032(8)(a), Florida Statutes, the Fire
97 Chief has the option to elect to participate, or not, in this
98 Plan.

99 10.9. "Fund" or "Pension Fund" means the West Palm Beach
100 Firefighters Pension Fund or the West Palm Beach Firemen's
101 Relief and Pension Fund, as applicable.

102 11.10. "Member" means any person who is included in the
103 membership of the Fund in accordance with paragraph (h).

104 12.11. "Pension" means a monthly amount payable from the
105 Fund throughout the future life of a person, or for a limited
106 period of time, as provided in this act.

107 13.12. "Qualified health professional" means a person duly
108 and regularly engaged in the practice of his or her profession
109 who holds a professional degree from a university or college and
110 has had special professional training or skill regarding the
111 physical or mental condition, disability, or lack thereof, upon
112 which he or she is to present evidence to the Board.

113 14.13. "Qualified public depository" means any bank or
114 savings association organized and existing under the laws of
115 Florida and any bank or savings association organized under the
116 laws of the United States that has its principal place of
117 business in Florida, or has a branch office which is authorized
118 under the laws of Florida or the United States to receive
119 deposits in Florida, that meets all of the requirements of
120 chapter 280, Florida Statutes, and that has been designated by
121 the Treasurer of the State of Florida as a qualified public
122 depository.

123 15.14. "Retirant" or "retiree" means any member who
124 retires with a pension payable from the Fund.

125 16.15. "Retirement" means a member's withdrawal from City
126 employment with a pension payable from the Fund.

127 17.16. "Salary" means: on and after January 1, 2007,
128 "salary," for the purpose of pension contributions and benefit
129 calculations, shall mean total cash remuneration paid by the

130 City to a firefighter for services rendered, excluding payments
 131 for overtime and any lump-sum payments for accumulated leave
 132 such as accrued vacation leave, accrued sick leave, and accrued
 133 personal leave. Employees who are specifically excluded from
 134 bargaining unit recognition as set forth in Article 2, but who
 135 are members of the West Palm Beach Firefighters Pension Fund,
 136 shall continue to make contributions on management incentive
 137 benefits. This definition of compensation shall not include any
 138 duty employment that is performed for other than the City of
 139 West Palm Beach per Article 31, Salary Plan. Beginning with
 140 salary paid after December 31, 2008, and pursuant to Internal
 141 Revenue Code Section 414(u)(7), the definition of salary
 142 includes amounts paid by the City as differential wages to
 143 members who are absent from employment while in qualified
 144 military service.

145 18.17. "Service," "credited service," or "service credit"
 146 means the total number of years, and fractional parts of years,
 147 of employment of any member in the employ of the Department,
 148 omitting intervening years and fractional parts of years of
 149 service when the member was not employed by the City. However,
 150 no member shall receive credit for years, or fractional parts of
 151 years, of service for which the member has withdrawn his or her
 152 contributions to the Fund, unless the member repays into the
 153 Fund the contributions withdrawn, with interest, within 60
 154 months after reemployment. Further, a member may voluntarily
 155 leave his or her contributions in the Fund for a period of 5

156 | years after leaving the employ of the Department, pending the
157 | possibility of his or her being rehired by the Department and
158 | remaining employed for a period of not less than 3 years,
159 | without losing credit for the time he or she has participated
160 | actively as a firefighter. If he or she does not remain employed
161 | for a period of at least 3 years as a firefighter with the
162 | Department upon reemployment, within 5 years his or her
163 | contributions shall be returned without interest in accordance
164 | with paragraph (5)(i). In determining the aggregate number of
165 | years of service of any member, the time spent in the military
166 | service of the United States or United States Merchant Marine by
167 | the member on leave of absence from the Department for such
168 | reason shall be added to the years of service, provided such
169 | time shall not exceed 5 years. Further, to receive credit for
170 | such service the member must return to employment as a
171 | firefighter of the City within 1 year after the date of release
172 | from such active service. Effective January 1, 2007, a member
173 | who dies or becomes disabled while serving on active duty
174 | military service which intervenes the member's employment shall
175 | be entitled to the rights of this section even though such
176 | member was not reemployed by the City. A member who dies or
177 | becomes disabled while on active duty military service shall be
178 | treated as though reemployed the day before the member became
179 | disabled or died, was credited with the service the member would
180 | have been entitled to under this section, and then either died a

181 nonduty death while employed or became disabled from a nonduty
182 disability.

183 (h) Membership.—All firefighters and all who hold a
184 position of firefighter in the employ of the Department shall be
185 members in the Fund. In accordance with s. 175.032(8)(a),
186 Florida Statutes, the Fire Chief has the option to elect to
187 participate, or not, in this Plan. All firefighters, including
188 the chief, who were in the employ of the Department as of April
189 30, 1959, shall be given credit for service rendered in the
190 employ of the Department prior to May 1, 1959. New members to
191 the Fund are required to undergo a physical examination for
192 purposes of determining preexisting conditions. This physical
193 examination shall be conducted in conjunction with the City's
194 postoffer, preemployment physical examination. The Board's
195 medical director shall review the results of this physical
196 examination and provide notice to the Board and the member of
197 any abnormal findings of the examination. This physical
198 examination will be used for the purposes of establishing a
199 physical profile of the member for determining preexisting
200 conditions and presumptive illnesses as provided for in
201 subsection (6). After review, if further physical examination is
202 required, such examination shall be conducted at Board expense.

203 (3) Sources of revenue.—The financing of the Fund shall
204 consist of the following sources of revenue:

205 (a) Taxes of insurance companies.—The moneys returned to
206 the City as provided by chapter 175, Florida Statutes, shall be

207 used to fund the share account benefit described in paragraph
208 (5) (j). The chapter 175 funds received in calendar years 2012,
209 2013, and 2014 shall be utilized to reduce the employee
210 contributions to 13.1 percent. Effective beginning with the
211 chapter 175 funds received in calendar year 2015, a portion of
212 the chapter 175 funds will be used to reduce the employee
213 contributions and the remainder will be allocated to the share
214 accounts provided for in paragraph (5) (j), in accordance with
215 the following schedule:

216 1. In 2015, 85 percent shall be allocated to reduce
217 contributions and 15 percent shall be allocated to share
218 accounts.

219 2. In 2016, 65 percent shall be allocated to reduce
220 contributions and 35 percent shall be allocated to share
221 accounts.

222 3. In 2017, 35 percent shall be allocated to reduce
223 contributions and 65 percent shall be allocated to share
224 accounts.

225
226 No amount of the Chapter 175 money is to be considered employee
227 contributions for purposes of a refund of contributions as
228 provided for in paragraph (5) (i). Effective beginning calendar
229 year 2018 ~~2015~~, the chapter 175 funds shall again be used in
230 full to fund the share account benefits provided for in
231 paragraph (5) (j). The City shall not opt out of participation in
232 chapter 175, Florida Statutes, or any similar statutory

233 enactment unless exigent circumstances exist, such as the
 234 bankruptcy of the City or changes or amendments to the statute
 235 regarding extra benefits by the Legislature. If any statutory
 236 changes are made by the Legislature, the City and the Board may
 237 renegotiate the impact of such changes, if necessary.

238 (b) Member contributions.—

239 1. Effective May 13, 2012, the member shall contribute 25
 240 percent of his or her salary to the Fund. The full amount of the
 241 chapter 175 funds received in calendar years 2012, 2013, and
 242 2014 shall be used to reduce the employee contributions to 13.1
 243 percent.

244 2. Effective October 1, 2015, the employee contribution
 245 rate will be as set forth in the table and beginning with the
 246 chapter 175 funds received in calendar year 2015, a portion of
 247 the chapter 175 funds will be used to reduce the employee
 248 contributions and the remainder will be allocated to the share
 249 accounts provided for in paragraph (5)(j), in accordance with
 250 the following schedule:

251

<u>Year</u>	<u>Employee</u> <u>Contribution</u> <u>Amount (%)</u>	<u>Allocation to</u> <u>Reduce</u> <u>Contributions</u>	<u>Actual</u> <u>Employee</u> <u>Contribution</u> <u>Rate</u>	<u>Allocation</u> <u>to Share</u> <u>Accounts (%)</u>
<u>2015</u>	<u>22%</u>	<u>85%</u>	<u>13.1%</u>	<u>15%</u>

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<u>2016</u>	<u>20%</u>	<u>65%</u>	<u>13.1%</u>	<u>35%</u>
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255

<u>2017</u>	<u>17%</u>	<u>35%</u>	<u>13.1%</u>	<u>65%</u>
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256 3. No amount of the Chapter 175 money is to be considered
 257 employee contributions for purposes of a refund of contributions
 258 as provided for in paragraph (5) (I).

259 4. Effective October 1, 2018 ~~October 1, 2014~~, the employee
 260 contributions shall be 13.1 percent, which shall be picked up
 261 ~~deducted~~ each pay period from the salary of each member in the
 262 Department, and the chapter 175 funds received in calendar year
 263 2018 ~~2015~~ and thereafter shall once again be allocated to the
 264 share accounts.

265 5. If for purposes of paragraphs 1. and 2., the chapter
 266 175 funds are insufficient to reduce the member's contributions
 267 to 13.1 percent, the city shall make up the difference. All
 268 amounts of member contributions that are picked up ~~deducted~~
 269 shall be immediately paid over to the Pension Fund.

270 6. For contributions made on or after May 13, 2012, any
 271 contribution amount over 11.1 percent is to be used to purchase
 272 eligibility in the postretirement health insurance, excluding
 273 the amounts of chapter 175 funds used to offset the member
 274 contribution rate.

275 (5) Service pension.—

276 (j) Chapter 175, Florida Statutes, share accounts.—

277 1. Individual member accounts.—A separate account shall be
 278 established and maintained in each member's name effective on or
 279 after October 1, 1988.

280 2. Share account funding.—

281 a. Each individual member account shall be credited with a
 282 pro rata share of all of the moneys received from chapter 175,
 283 Florida Statutes, tax revenues in June 1988 and thereafter.

284 I. For the chapter 175 funds received in calendar years
 285 2012, 2013, and 2014, the full amount of the chapter 175 funds
 286 shall be used to reduce the employee contributions to 13.1
 287 percent as provided for in subsection (3) (a).

288 II. Effective October 1, 2015, the employee contribution
 289 rate will be as set forth in the table and beginning with the
 290 chapter 175 funds received in calendar year 2015, a portion of
 291 the chapter 175 funds will be used to reduce the employee
 292 contributions and the remainder will be allocated to the share
 293 accounts provided for in paragraph (5) (j), in accordance with
 294 the following schedule:

295

<u>Year</u>	<u>Employee</u> <u>Contribution</u> <u>Amount (%)</u>	<u>Allocation to</u> <u>Reduce</u> <u>Contributions</u>	<u>Actual</u> <u>Employee</u> <u>Contribution</u> <u>Rate</u>	<u>Allocation</u> <u>to Share</u> <u>Accounts (%)</u>
<u>2015</u>	<u>22%</u>	<u>85%</u>	<u>13.1%</u>	<u>15%</u>

296

297

298	<u>2016</u>	<u>20%</u>	<u>65%</u>	<u>13.1%</u>	<u>35%</u>
299	<u>2017</u>	<u>17%</u>	<u>35%</u>	<u>13.1%</u>	<u>65%</u>

300 III. Effective October 1, 2018 ~~2014~~, the employee
 301 contributions shall be 13.1 percent and the chapter 175 money
 302 received in calendar year 2018 ~~2015~~ and thereafter shall be
 303 allocated to the share accounts.

304 b. In addition, any forfeitures as provided in
 305 subparagraph 5. shall be credited to the individual member
 306 accounts in accordance with the formula set forth in
 307 subparagraph 3.

308 3. Annual allocation of accounts.—

309 a. Moneys shall be credited to each individual member
 310 account in an amount directly proportionate to the number of pay
 311 periods for which the member was paid compared to the total
 312 number of pay periods for which all members were paid, counting
 313 the pay periods in the calendar year preceding the date for
 314 which chapter 175, Florida Statutes, tax revenues were received.
 315 Share account allocations made on and after October 1, 2004,
 316 shall be made to each individual share account.

317 b. At the end of each fiscal quarter, each individual
 318 account shall be adjusted to reflect the earnings or losses
 319 resulting from investment, as well as reflecting costs, fees,
 320 and expenses of administration.

321 c.(I) Effective for members who reached normal retirement
322 age on or before May 13, 2012, or members who have a calculated
323 BackDROP date of October 1, 2011, or earlier, vested
324 participants have the option to select one of three methods to
325 credit investment earnings to their account. The method may be
326 changed each year effective October 1; however, the method must
327 be elected prior to October 1. The methods are:

328 A.(I) The investment earnings or losses credited to the
329 individual member accounts shall be in the same percentage as
330 are earned or lost by the total investment earnings or losses of
331 the Fund as a whole, unless the Board dedicates a separate
332 investment portfolio for chapter 175, Florida Statutes, share
333 accounts, in which case the investment earnings or losses shall
334 be measured by the investment earnings or losses of the separate
335 investment portfolio;

336 B.(II) A fixed annual rate of 8.25 percent for members who
337 reached normal retirement age on or before May 13, 2012, or
338 members that have a calculated BackDROP date of October 1, 2011,
339 or earlier. Effective May 13, 2012, the fixed rate is 4 percent
340 for members who retire on or after May 13, 2012, and before
341 October 1, 2015; or

342 C.(III) A percentage of the share account assets to be
343 credited with earnings or losses in accordance with sub-sub-sub-
344 subparagraph A. ~~sub-sub-subparagraph (I)~~ and a corresponding
345 percentage of the share account assets credited in accordance
346 with sub-sub-sub-subparagraph B. ~~sub-sub-subparagraph (II)~~. The

347 combined total percentage invested under this sub-sub-sub-
348 subparagraph ~~sub-sub-subparagraph~~ must equal 100 percent.

349 (II) Effective after October 1, 2015, vested participants
350 have the option to select one of two methods to credit
351 investment earnings to their account. The method may be changed
352 each year effective October 1; however, the method must be
353 elected prior to October 1. The methods are:

354 A. The investment earnings or losses credited to the
355 individual member accounts shall be in the same percentage as
356 are earned or lost by the total investment earnings or losses of
357 the Fund as a whole, unless the Board dedicates a separate
358 investment portfolio for chapter 175, Florida Statutes, share
359 accounts, in which case the investment earnings or losses shall
360 be measured by the investment earnings or losses of the separate
361 investment portfolio; or

362 B. The rate of investment return earned on Pension Fund
363 assets as reported by the Fund's investment monitor. The
364 crediting rate maximum is 8 percent and the crediting rate floor
365 is 0 percent. To accomplish this, the crediting rate will be
366 compounded monthly at a rate between 0 percent and 2 percent
367 quarterly. BackDROP assets are commingled with the Pension Fund
368 assets for investment purposes unless the Board dedicates a
369 separate investment portfolio for chapter 175, Florida Statutes,
370 share accounts, in which case the investment earnings or losses
371 shall be measured by the investment earnings or losses of the
372 separate investment portfolio.

373 III. The Board has the authority to create rules to
 374 implement the provisions of this section in accordance with the
 375 law and the provisions of the Internal Revenue Code.

376 d. Costs, fees, and expenses of administration shall be
 377 debited from the individual member accounts on a proportionate
 378 basis, taking the cost, fees, and expenses of administration of
 379 the Fund as a whole, multiplied by a fraction, the numerator of
 380 which is the total assets in all individual member accounts and
 381 the denominator of which is the total assets of the Fund as a
 382 whole. The proportionate share of the costs, fees, and expenses
 383 shall be debited from each individual member account on a pro
 384 rata basis in the same manner as chapter 175, Florida Statutes,
 385 tax revenues are credited to each individual member account
 386 (i.e., based on pay periods).

387 4. Eligibility for benefits.—Any member who terminates
 388 employment with the City, upon the member's filing an
 389 application with the Board, shall be entitled to 100 percent of
 390 the value of his or her individual member account, provided the
 391 member meets any of the following criteria:

392 a. The member is eligible to receive, and is receiving, a
 393 service pension as provided in this subsection;

394 b. The member has 5 or more years of credited service and
 395 is eligible to receive, and is receiving, either:

396 (I) A nonduty disability pension as provided in paragraph
 397 (6) (a); or

398 (II) Beneficiary benefits for nonduty death as provided in
 399 paragraph (7) (a); or

400 c. The member has any credited service and is eligible to
 401 receive, and is receiving, either:

402 (I) A duty disability pension as provided in paragraph
 403 (6) (c); or

404 (II) Beneficiary benefits for death in the line of duty as
 405 provided in paragraph (7) (b).

406 5. Forfeitures.—Any member who has less than 10 years of
 407 credited service and who is not eligible for payment of benefits
 408 after termination of employment with the City shall forfeit his
 409 or her individual member account. The amounts credited to said
 410 individual member account shall be redistributed to the other
 411 individual member accounts in the same manner as chapter 175,
 412 Florida Statutes, tax revenues are credited (i.e., based on pay
 413 periods). However, the assets shall first be used to ensure that
 414 the former member's refund of contributions has not actuarially
 415 adversely impacted the payment for the extra benefits. If there
 416 has been an adverse impact, the shortfall shall be made up first
 417 before the amounts are reallocated to active members.

418 6. Payment of benefits.—The normal form of benefit payment
 419 shall be a lump sum payment of the entire balance of the
 420 individual member account. Effective October 1, 2015, each
 421 member ~~on or after May 13, 2012, members must take a lump sum~~
 422 ~~distribution of their entire share account balance within 6~~
 423 ~~months after their termination of employment. For members who~~

424 ~~reached normal retirement age on or before May 13, 2012, or who~~
425 ~~had a calculated BackDROP date of October 1, 2011, or earlier,~~
426 ~~the member~~ may leave his or her money in the share account until
427 the latest day under subsection (18), choose a lump sum
428 distribution; or, upon the written election of the member, upon
429 a form prescribed by the Board, payment may be made either by:

430 a. Installments.—The account balance shall be paid out to
431 the member in three equal payments paid over 3 years, the first
432 payment to be made upon approval of the Board; or

433 b. Annuity.—The account balance shall be paid out in
434 monthly installments over the lifetime of the member or until
435 the entire balance is exhausted. The monthly amount paid shall
436 be determined by the Fund's actuary in accordance with
437 selections made by the member in a form provided by the Board.

438 7. Death of a member.—If a member dies and is eligible for
439 benefits from the individual member account, the entire balance
440 of the individual member account shall be paid in a lump sum to
441 the beneficiaries designated in accordance with paragraph (h).
442 If a member fails to designate a beneficiary or, if the
443 beneficiary predeceases the member, the entire balance shall be
444 paid in a lump sum in the following order:

445 a. To the spouse;

446 b. If there is no spouse or the spouse is not alive, to
447 the member's surviving child or children on a pro rata basis;

448 c. If there are no children or no child is alive, to the
449 member's parent or parents; or

450 d. If no parent is alive, to the estate of the member.
 451 (1) Backwards Deferred Retirement Option Plan (BackDROP).—
 452 1. Eligibility to participate in the BackDROP.—
 453 a. Any member who has attained age 53 with 18 or more
 454 years of service, who has attained age 58 with 13 or more years
 455 of service, or who has acquired 26 years of service regardless
 456 of age may participate in the BackDROP. Members shall elect to
 457 participate by applying to the Board of Trustees on a form
 458 provided for that purpose. A member may not participate in both
 459 the DROP and the BackDROP.
 460 b. A member shall not be eligible to receive a BackDROP
 461 benefit that is greater than an accumulation of 60 months of the
 462 monthly retirement benefit. A member shall not be eligible to
 463 receive a benefit which is less than an accumulation of 36
 464 months of the monthly retirement benefit. Effective October 1,
 465 2015, a member who retires after October 1, 2015, who does not
 466 have a calculated BackDROP date of October 1, 2011, can choose a
 467 BackDROP benefit which is the accumulation of between 1 month
 468 and 60 months.
 469 c. Member contributions shall continue throughout the
 470 period of employment and are not refundable for the BackDROP
 471 period.
 472 d. Members who elect to participate in the BackDROP must
 473 retire and terminate employment to be eligible for payment of
 474 the benefit. In the event that the City determines to retain the
 475 Fire Chief, the Fire Chief shall not be required to terminate

476 employment to be eligible for BackDROP participation at normal
477 retirement, including an in-service distribution in accordance
478 with subsection (25).

479 e. Any member who terminates employment by any means,
480 including death, prior to attaining age 53 with 18 or more years
481 of service or age 58 with 13 or more years of service or by
482 acquiring 26 years of service is not eligible to participate in
483 the BackDROP.

484 2. Benefits payable upon election to participate in the
485 BackDROP.—

486 a. Upon election to receive the BackDROP benefit, a
487 member's retirement benefits will be calculated as if the member
488 had chosen to retire and terminate employment at a date which is
489 more than 36 months but less than 60 months earlier. The number
490 of months to be applied is based upon the member's election. The
491 monthly pension amount shall be multiplied by the number of
492 months of BackDROP selected by the member, which shall be
493 between 36 and 60 months, inclusive. The BackDROP benefit shall
494 be calculated as a single sum, including interest at the rate of
495 8.25 percent less expenses, compounded annually for the period
496 of BackDROP for members who have reached normal retirement age
497 on or before May 13, 2012, or who have a calculated BackDROP
498 date of October 1, 2011, or earlier. Effective for retirements
499 after May 13, 2012, the interest rate shall be 4 percent, less
500 expenses, compounded annually for the period of BackDROP.
501 Effective October 1, 2015, a member who retires after October 1,

502 2015, who does not have a calculated BackDROP date of October 1,
 503 2011, can choose a BackDROP benefit which is the accumulation of
 504 between 1 month and 60 months.

505 b. No payments shall be made from the BackDROP until the
 506 member terminates employment with the Department.

507 c. (I) Effective for retirements after October 1, 2015 ~~Upon~~
 508 ~~termination of employment,~~ participants in the BackDROP shall
 509 ~~receive lump sum the balance of the BackDROP account within 6~~
 510 ~~months after termination of employment:~~

511 ~~(I) Members who have reached normal retirement age on or~~
 512 ~~before May 13, 2012, or who have a calculated BackDROP date of~~
 513 ~~October 1, 2011, or earlier~~ may leave their money in the account
 514 until the latest day under subsection (18) or choose payments as
 515 follows:

516 (A) A lump sum.—The entire account balance shall be paid
 517 to the retirant upon approval of the Board of Trustees.

518 (B) Installments.—The account balance shall be paid out to
 519 the retirant in three equal payments paid over 3 years, the
 520 first payment to be made upon approval of the Board of Trustees.

521 (C) Annuity.—The account balance shall be paid out in
 522 monthly installments over the lifetime of the member or until
 523 the entire balance is exhausted. The monthly amount paid shall
 524 be determined by the Fund's actuary in accordance with
 525 selections made by the member in a form provided by the Board of
 526 Trustees.

527 (II) Any form of payment selected by a member must comply
 528 with the minimum distribution requirements of the IRC 401(a)(9),
 529 and are subject to the requirements of subsection (18).

530 (III) The beneficiary of the BackDROP member shall have
 531 the same right as the participant in accordance with subsection
 532 (7).

533 3. BackDROP earnings.—

534 a. Effective for members who reached normal retirement age
 535 on or before May 13, 2012, or members who have a calculated
 536 BackDROP date of October 1, 2011, or earlier, BackDROP members
 537 may select one of three methods to credit investment earnings to
 538 their accounts. Investment earnings shall be credited on a
 539 quarterly basis. The method may be changed each year effective
 540 October 1; however, the method must be elected prior to October
 541 1. The methods are:

542 (I) The BackDROP is credited with earnings and losses
 543 using the rate of investment return earned on Pension Fund
 544 assets as reported by the Fund's investment monitor. BackDROP
 545 assets are commingled with the Pension Fund assets for
 546 investment purposes;

547 (II) A fixed rate of 8.25 percent for members who reached
 548 normal retirement age on or before May 13, 2012, or members who
 549 have a calculated BackDROP date of October 1, 2011, or earlier.
 550 Effective May 13, 2012, the fixed rate is 4 percent for members
 551 who retire on or after May 13, 2012, but before October 1, 2015;
 552 or

553 (III) A percentage of the BackDROP account assets to be
554 credited with earnings or losses in accordance with sub-sub-
555 subparagraph (I) and a corresponding percentage of the BackDROP
556 account assets credited in accordance with sub-sub-subparagraph
557 (II). The combined total percentage invested under this sub-sub-
558 subparagraph must equal 100 percent.

559 b. Effective for BackDROP participants electing the
560 BackDROP on or after October 1, 2015, members who have elected
561 the BackDROP and leave the assets in the Fund to be invested may
562 select one of two methods to credit investment earnings to their
563 accounts. Investment earnings shall be credited on a quarterly
564 basis. The method may be changed each year effective October 1;
565 however, the method must be elected prior to October 1. The
566 methods are:

567 (I) The BackDROP is credited with earnings and losses
568 using the rate of investment return earned on Pension Fund
569 assets as reported by the Fund's investment monitor. BackDROP
570 assets are commingled with the Pension Fund assets for
571 investment purposes; or

572 (II) The BackDROP is credited with the rate of investment
573 return earned on Pension Fund assets as reported by the Fund's
574 investment monitor. The crediting rate maximum is 8 percent and
575 the crediting rate floor is 0 percent. To accomplish this, the
576 crediting rate will be compounded monthly at a rate between 0
577 percent and 2 percent quarterly. BackDROP assets are commingled
578 with the Pension Fund assets for investment purposes.

579 c. The Board has the authority to create rules to
580 implement the provisions of this section in accordance with the
581 law and the provisions of the Internal Revenue Code.

582 ~~d.b.~~ Costs, fees, and expenses of administration shall be
583 debited from the individual member BackDROP accounts on a
584 proportionate basis, taking the cost, fees, and expenses of
585 administration of the Fund as a whole, multiplied by a fraction,
586 the numerator of which is the total of assets in all individual
587 member accounts and the denominator of which is the total of
588 assets of the Fund as a whole.

589 (21) Rollovers from qualified plans.—

590 (b) Transfer of accumulated leave.—

591 1. Members eligible to receive accumulated sick leave,
592 accumulated vacation leave, or any other accumulated leave
593 payable upon separation shall have the leave transferred to the
594 Fund up to the amount permitted by law. Any additional amounts
595 shall be paid directly to the member. Members on whose behalf
596 leave has been transferred shall maintain the entire amount of
597 the transferred leave balance in the DROP or Share Account.

598 2. If a member on whose behalf the City makes a
599 transferred leave balance to the Plan dies after retirement or
600 other separation, then any person who would have received a
601 death benefit had the member died in service immediately prior
602 to the date of retirement or other separation shall be entitled
603 to receive an amount equal to the transferred leave balance in a
604 lump sum. In the case of a surviving spouse or former spouse, an

605 election may be made to transfer the leave balance to an
606 eligible retirement plan in lieu of the lump sum payment.
607 Failure to make such an election by the surviving spouse or
608 former spouse within 60 days after the member's death shall be
609 deemed an election to receive the lump sum payment.

610 3. The Board, by rule, shall prescribe the method for
611 implementing the provisions of this paragraph.

612 4. ~~Effective on or after May 13, 2012, members must take a~~
613 ~~lump sum distribution of the Amounts transferred under this~~
614 ~~section within 6 months after their termination of employment.~~
615 ~~For members who reached normal retirement age on or before May~~
616 ~~13, 2012, or who had a calculated BackDROP date of October 1,~~
617 ~~2011, or earlier, the member's transferred leave must remain~~
618 ~~invested in the Pension Fund for a period of not less than at~~
619 ~~least 1 year.~~

620 (22) Actuarial assumptions.—The following actuarial
621 assumptions shall be used for all purposes in connection with
622 this Fund, effective October 1, 1998:

623 ~~(a) The period for amortizing current, future, and past~~
624 ~~actuarial gains or losses shall be 20 years.~~

625 ~~(b)~~ The assumed investment rate of return shall be 8.25
626 percent. Effective October 1, 2014, the assumed investment rate
627 of return shall be 8 percent ~~8.0%~~. Due to the other assumption
628 changes that were made at the same time as this reduction in the
629 assumed rate of return, the City did not have an increase in
630 City contributions as a result of the change of the assumed

CS/HB 1167

2015

631 investment rate of return. Therefore, there was no change
632 necessary to the 3-percent accrual factor in subsection (5)(a)2.

633 (25) In-service distributions.—In accordance with Code
634 Section 401(a)(36), an in-service pension distribution may be
635 made in the limited circumstance where the Fire Chief is
636 retained in service by the City after reaching normal retirement
637 eligibility provided that occurs in or after the year in which
638 the Fire Chief attains age 50 years. No other in-service
639 distributions are permitted.

640 Section 2. This act shall take effect upon becoming a law.