

1 A bill to be entitled
2 An act relating to the West Palm Beach Police Pension
3 Fund of the City of West Palm Beach, Palm Beach
4 County; amending ch. 24981 (1947), Laws of Florida, as
5 amended; revising retirement pension calculation;
6 conforming terminology; providing an effective date.

7
8 Be It Enacted by the Legislature of the State of Florida:

9
10 Section 1. Paragraph (h) of subsection (2), paragraph (a)
11 of subsection (9), paragraph (b) of subsection (13), and
12 paragraph (c) of subsection (17) of chapter 24981 (1947), Laws
13 of Florida, as amended by chapter 2017-207, Laws of Florida, are
14 amended to read:

15 Section 16. West Palm Beach Police Pension Fund.—

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

19 (h) "Final average salary" means the average of the
20 monthly salary paid to a member in the 3 best years of
21 employment. In no event shall any one year, beginning January 1,
22 2005, include more than 400 hours of overtime. Prior to January
23 1, 2005, individual years may include more than 400 hours of
24 overtime. Effective prospectively from January 1, 2013, the
25 overtime will be limited to 300 hours in any one year. As of the

26 effective date of this act, for purposes of determining final
 27 average salary, any lump sum payment made to a member for
 28 retroactive pay, such amounts shall not be considered as a lump
 29 sum but will be treated as if paid during the retroactive pay
 30 periods.

31 (9) Retirement pension calculation.—

32 (a) Upon retirement eligibility as provided in subsection
 33 (8), a member shall receive a monthly pension. The pension shall
 34 be the following, as applicable:

35 1. For all years of service earned after October 1, 2017,
 36 the benefit is calculated using 3 percent of final average
 37 salary per year and fractional parts of the years of service up
 38 to a total of 26 years, plus 1 percent of the final average
 39 salary multiplied by the number of years, and fraction of a
 40 year, of credited service in excess of 26 years. For all years
 41 of service earned after October 1, 2011, and before October 1,
 42 2017, the benefit is calculated using 2.68 percent of final
 43 average salary per year and fractional parts of the years of
 44 service and is included in the 26-year limitation ~~up to a total~~
 45 ~~of 26 prospective years, plus 1 percent of the final average~~
 46 ~~salary multiplied by the number of years, and fraction of a~~
 47 ~~year, of credited service in excess of 26 years.~~ This change in
 48 the multiplier was due to the change in assumptions in a prior
 49 version of this special act. This reduction is required by this
 50 paragraph. For years of service earned before October 1, 2011,

51 the benefit will be calculated under the provisions of the
52 applicable subparagraphs 2.-4. For purposes of determining the
53 26-year limitation, the member's total number of years of
54 credited service are used, regardless of whether the multiplier
55 is 3 percent or 2.68 percent. In no event shall the benefit be
56 less than 2.75 ~~2~~ percent per year of credited service.

57 2. A member who has more than or equal to 12 years and 6
58 months of service at October 1, 1999, and who was actively
59 employed by the Department on or after October 1, 1999, shall
60 receive a benefit equal to 3 ~~three~~ percent of final average
61 salary multiplied by the number of years, and fraction of a
62 year, of credited service earned from April 1, 1987, to
63 September 30, 2011, plus 2.5 percent of final average salary
64 multiplied by the number of years, and fraction of a year, of
65 credited service earned prior to April 1, 1987, up to a total of
66 26 years, plus 1 percent of the final average salary multiplied
67 by the number of years, and fraction of a year, of credited
68 service which is in excess of 26 years. ~~However,~~ In no event
69 shall the benefit be less than 2.75 ~~2~~ percent per year of
70 credited service. For all years of service after October 1,
71 2011, the benefit will be calculated in accordance with
72 subparagraph 1.

73 3. A member who has less than 12 years and 6 months of
74 service on October 1, 1999, and who was actively employed by the
75 Department on or after October 1, 1999, shall receive a benefit

76 equal to 3 ~~three~~ percent of final average salary multiplied by
77 the number of years, and fraction of a year, of credited service
78 up to September 30, 2011, plus 1 percent of the final average
79 salary multiplied by the number of years, and fraction of a
80 year, of credited service which is in excess of 26 years.
81 ~~However,~~ In no event shall the benefit be less than 2.75 ~~2~~
82 percent per year of credited service. For all years of service
83 after October 1, 2011, the benefit will be calculated in
84 accordance with subparagraph 1.

85 4. A member who terminated employment, retired on a vested
86 deferred benefit, or retired on or before October 1, 1999, shall
87 receive a benefit equal to the greater of the following:

88 a. Two and one-half percent of final average salary
89 multiplied by the number of years, and fraction of a year, of
90 credited service not to exceed 26 years, plus 1 percent of the
91 final average salary multiplied by the number of years, and
92 fraction of a year, of credited service which is in excess of 26
93 years; or

94 b. The sum of the following:

95 (I) Two and one-half percent of final average salary
96 multiplied by the number of years, and fraction of a year, of
97 credited service earned through September 30, 1988; and

98 (II) Two percent of final average salary multiplied by the
99 number of years, and fraction of a year, of credited service
100 earned on and after October 1, 1988.

101
102 To the extent that the benefit accrual factor is less than 3
103 percent for active members with less than 12 years and 6 months
104 of service on October 1, 1999, the supplemental pension
105 distribution calculation under subparagraph (12)(a)2. shall be
106 adjusted for employees who retire or enter the DROP after
107 October 1, 1999. The adjustment shall be to decrease the minimum
108 return of 8.25 percent needed to afford the supplemental pension
109 distribution, where the amount of the reduction is zero if an
110 employee has been credited with 12 years and 6 months of service
111 or more with the 3-percent benefit accrual factor or 1.25
112 percent if an employee has been credited with no more than a
113 2.5-percent benefit accrual factor. If an employee has been
114 credited with less than 12 years and 6 months of service at the
115 3-percent benefit accrual factor, then the accumulated amount
116 over 2.5 percent for each year of service divided by one-half
117 percent divided by 12.5 subtracted from 1 multiplied by 1.25
118 percent is the reduction from 8.25 percent. An example of the
119 calculation of the minimum return for the supplemental pension
120 distribution as herein described is set forth in the collective
121 bargaining agreement between the City of West Palm Beach and the
122 Police Benevolent Association, Certified Unit No. 145 and
123 Certified Unit No. 825, October 1, 1998-September 30, 2001.
124
125 Effective October 1, 2011, the assumed investment rate of return

126 | was lowered from 8.25 percent to 8 percent, which resulted in a
127 | reduction in the benefit multiplier to 2.68 percent for all
128 | prospective years of service, up to 26 years of service in
129 | total, and 1 percent for each year of service after 26.
130 | Additionally, for any supplemental pension distributions
131 | subsequent to October 1, 2011, the revised factors in this
132 | paragraph will be applied.

133 | (13) Deferred Retirement Option Plan (DROP).—

134 | (b) Amounts payable upon election to participate in DROP.—

135 | 1. Monthly retirement benefits that would have been
136 | payable had the member terminated employment with the Department
137 | and elected to receive monthly pension payments shall be paid
138 | into the DROP and credited to the retirant. Payments into the
139 | DROP shall be made monthly over the period the retirant
140 | participates in the DROP, up to a maximum of 60 months.

141 | 2. Effective October 1, 2002, DROP Participants have the
142 | option to select between two methods to credit investment
143 | earnings to their account. The method may be changed each year
144 | effective October 1; however, the method must be elected prior
145 | to October 1. The methods are:

146 | a. Earnings using the rate of investment return earned (or
147 | lost) on Pension Fund assets as reported by the Fund's
148 | investment monitor. DROP assets are commingled with the Pension
149 | Fund assets for investment purposes.

150 | b. A fixed rate of 8.25 percent for members who reached

151 normal retirement age on or before October 1, 2012. Effective
152 October 1, 2012, the fixed rate is 8 percent for members who
153 retire or enter the DROP on or after October 1, 2012. In any
154 fiscal year, if the amount paid in investment earnings under
155 this paragraph creates a deficiency as compared to the gross
156 earnings of the pension fund as a whole (using the rate
157 determined by the Fund's investment monitor), then the rate will
158 be reduced to 4 percent effective the next October 1 until the
159 deficiency is satisfied. When the deficiency is satisfied, the
160 rate will return to 8 percent, effective the next October 1.
161 Beginning October 1, 2012, the cumulative amounts paid in
162 earnings for the fixed rate will be maintained in the actuarial
163 valuation.

164

165 However, if a police officer does not terminate employment at
166 the end of participation in the DROP, interest credits shall
167 cease on the balance.

168 3. No payments shall be made from the DROP until the
169 member terminates employment with the Department.

170 4. Upon termination of employment, participants in the
171 DROP shall receive the balance of the DROP account in accordance
172 with the following rules:

173 a. Members may elect to begin to receive payment upon
174 termination of employment or defer payment of the DROP until the
175 latest day as provided under sub-subparagraph c.

176 b. Payments shall be made in either:

177 (I) Lump sum.—The entire account balance shall be paid to
178 the retirant upon approval of the Board of Trustees.

179 (II) Installments.—The account balance shall be paid out
180 to the retirant in three equal payments paid over 3 years, the
181 first payment to be made upon approval of the Board of Trustees.

182 (III) Annuity.—The account balance shall be paid out in
183 monthly installments over the lifetime of the member or until
184 the entire balance is exhausted. Monthly amount paid shall be
185 determined by the Fund's actuary in accordance with selections
186 made by the member on a form provided by the Board of Trustees.

187 c. Any form of payment selected by a police officer must
188 comply with the minimum distribution requirements of s.
189 401(A)(9) of the Internal Revenue Code and is subject to the
190 requirements of subsection (30) of this act; e.g., payments must
191 commence by age 70-1/2.

192 d. If a member dies and is eligible for benefits from the
193 DROP account, the entire balance of the DROP account shall be
194 converted to the name of the beneficiary designated in
195 accordance with subsection (9)(e). The entire balance shall be
196 paid out in a lump sum to the beneficiary, at the discretion of
197 the beneficiary. If the designated beneficiary is the surviving
198 spouse, the account may remain with the Fund until the latest
199 period specified under subsection (30). These DROP accounts
200 shall not be eligible for any further DROP distributions but are

201 eligible for earnings. If a member fails to designate a
202 beneficiary, or if the beneficiary predeceases the member, the
203 entire balance shall be converted, in the following order, to
204 the name or names of:

- 205 1. The member's surviving children on a pro rata basis;
- 206 2. If no children are alive, the member's spouse;
- 207 3. If no spouse is alive, the member's surviving parents
208 on a pro rata basis; or
- 209 4. If none are alive, the estate of the member.

210

211 The accounts which are converted to the names of the
212 beneficiaries shall have the right to name a successor
213 beneficiary. Any designated beneficiary, other than the
214 surviving spouse of the member, must take a distribution of the
215 entire DROP ~~share~~ account balance by the end of 5 years after
216 the death of the member. Installment distributions which begin
217 in the calendar year of the member's death shall be treated as
218 complying with this 5-year distribution requirement, even though
219 the installments are not completed within 5 years after the
220 member's death.

221 e. Costs, fees, and expenses of administration shall be
222 debited from the individual member accounts on a proportionate
223 basis, taking the cost, fees, and expenses of administration of
224 the Fund as a whole, multiplied by a fraction, the numerator of
225 which is the total assets in all individual member accounts and

226 | the denominator of which is the total assets of the Fund as a
227 | whole.

228 | (17) Death benefits.—

229 | (c) Death after retirement.—Upon the death of a retirant,
230 | the following applicable pensions shall be paid, subject to the
231 | provisions of subsection (18). This paragraph is not applicable
232 | if a retiree chose an optional form of benefit at the time of
233 | retirement or if the retiree was not entitled at the time of
234 | retirement under paragraph (9) (c).

235 | 1. The surviving spouse of the retirant shall receive a
236 | pension of two-thirds of the retirant's pension, provided that
237 | the retirant was receiving a pension under paragraph (9) (a).
238 | Upon the surviving spouse's death, the pension shall terminate.
239 | Effective for years of service earned after June 6, 2017, ~~the~~
240 | ~~effective date of this act~~, if the retiree leaves a surviving
241 | spouse that he or she was not married to on the date of
242 | retirement, then the survivor benefit may be actuarially reduced
243 | to take into account the age of the substituted survivor.

244 | 2. In the event the deceased retirant does not leave a
245 | surviving spouse eligible to receive a pension, or if the
246 | surviving spouse dies and he or she leaves an unmarried child or
247 | children under age 18, each child shall receive a pension of an
248 | equal share of two-thirds of the deceased retirant's pension.
249 | Upon any child's adoption, marriage, death, or attainment of age
250 | 18, the child's pension shall terminate and it shall be

251 appORTIONED to the pensions payable to the deceased retirant's
252 remaining eligible children under age 18. In no case shall the
253 pension payable to any such child exceed 20 percent of the
254 deceased retirant's pension, or be less than \$15 per month.

255 3. In the event the deceased retirant does not leave a
256 surviving spouse or children eligible to a pension provided for
257 in subparagraphs 1. and 2. above, and he or she leaves a parent
258 or parents who the Board finds are dependent upon the retirant
259 for at least 50 percent of his, her, or their financial support,
260 each parent shall receive a pension of an equal share of two-
261 thirds of the deceased retirant's pension. Upon any parent's
262 remarriage or death, his or her pension shall terminate.

263 4. In the event the deceased member does not leave a
264 surviving spouse, children, or parents eligible to receive a
265 pension, then the death benefit, if any, shall be paid to the
266 estate of the deceased member. Any retirement income payments
267 due after the death of a vested member may, in the discretion of
268 the Board, be paid to the member's designated beneficiary or
269 beneficiaries.

270
271 In any of the above cases, the Board, in its discretion, may
272 direct that the actuarial value of the monthly benefit be paid
273 as a lump sum.

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