

STORAGE NAME: h1089a.ca

DATE: April 19, 2000

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
COMMUNITY AFFAIRS
ANALYSIS - LOCAL LEGISLATION**

BILL #: HB 1089

RELATING TO: W. Palm Beach/Firefighters Pension (Palm Beach Co.)

SPONSOR(S): Representative Frankel

TIED BILL(S): None

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) GOVERNMENTAL OPERATIONS (PRC) YEAS 5 NAYS 0
 - (2) COMMUNITY AFFAIRS (PRC) YEAS 10 NAYS 0
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

This bill amends current law relating to the West Palm Beach Firefighters' Pension Fund.

This bill deletes redundant language regarding normal form of benefits for disability retirement; permits disability retirees to select optional forms of benefits such as lifetime option benefit and a joint and survivor benefit; adds an optional joint and survivor benefit of 75 percent to the existing options of 100 percent, 66 2/3 percent, and 50 percent of such monthly amounts; adds the estate of the member as a potential beneficiary in the absence of an eligible beneficiary; allows Deferred Retirement Option Program (DROP) participants to continue to receive share distributions from the statutory premium tax money, effective the calendar year 1999; adds penalty provisions for making a false or misleading statement to obtain a pension benefit; makes language throughout the chapter gender neutral; provides that all special laws and parts of special laws, ordinances, or regulations, insofar as they are in conflict or inconsistent with the provisions of this act, are repealed.

The bill appears to meet constitutional and statutory provisions and has a negligible cost affect.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Constitutional Provisions: Protection of Public Retirement and Pensions

Article X, Section 14, of the Florida Constitution provides that, after January 1, 1977, any governmental unit responsible for a retirement or pension system supported wholly or partially by public funds may not increase pension benefits for members or beneficiaries of that system unless the unit of government has previously funded or concurrently funds the benefit increase on a sound actuarial basis. Part VII of chapter 112, Florida Statutes, as described below, implements these provisions.

Chapter 112, Florida Statutes

Chapter 112, Florida Statutes, contains general provisions of law affecting state and local public officers and employees. Various parts of the chapter govern conditions of employment, retirement, death benefits, etc. Part VII, the "Florida Protection of Public Employee Retirement Benefits Act," establishes requirements for public pension plans to ensure that all state and local government retirement plans are:

... managed, administered, operated, and funded in such a manner as to maximize the protection of public employee retirement benefits.
[s. 112.61, Florida Statutes]

Section 112.665(1)(c), Florida Statutes, provides that the Division of Retirement shall:

Cooperate with local retirement systems or plans on matters of mutual concern and provide technical assistance to units of local government in the assessment and revision of retirement systems or plans;

Section 112.67, Florida Statutes, prohibits special acts which conflict with the provisions of part VII of chapter 112, Florida Statutes:

112.67 Special acts prohibited.--Pursuant to s. 11(a)(21), Article III of the State Constitution, the Legislature hereby prohibits special laws or general laws of local application in conflict with the requirements of this part.

Deferred Retirement Option Plan (DROP)

DROP is an optional retirement plan different from the normal service retirement because it is designed to allow the participant to accumulate a lump sum cash amount for retirement. Under DROP, the participant makes a decision to determine base retirement benefit rates, yet continue to work. At the end of the DROP period, the participant must terminate employment. The participant can then receive payment of the accumulated DROP benefits as a lump sum, direct roll-over or combined lump sum and roll-over.

Chapters 175 and 185, Florida Statutes

Local police and firefighter pension and retirement plans are reviewed by the Retirement Administrator of Municipal Police Officers' & Firefighters' Retirement Funds of the Bureau of Local Retirement Systems, State Division of Retirement. The statutory authority for this program is in chapters 175 and 185, Florida Statutes. The program was established to provide a uniform retirement system for the benefit of firefighters and police officers. The retirement systems or plans are to be managed, administered, operated and funded in such a manner as to maximize the protection of the Municipal Police Officers' Retirement Trust Fund and the Firefighters' Pension Trust Funds.

West Palm Beach Firefighters Pension Fund

Chapter 24981, Laws of Florida, 1947, created a special fund for the Fire Department of the City of West Palm Beach to be known as the West Palm Beach Firefighters Pension Fund. This chapter has been subsequently amended, by local bill, as needed, to keep the act relating to the fund current.

C. EFFECT OF PROPOSED CHANGES:

This bill amends the West Palm Beach Firefighters Pension Fund created by chapter 24981, Laws of Florida, 1947, as amended, to:

- Delete redundant language regarding normal form of benefits for disability retirement;
- Permit disability retirees to select optional forms of benefits such as lifetime option benefit and a joint and survivor benefit;
- Add an optional joint and survivor benefit of 75 percent to the existing options of 100 percent, 66 2/3 percent, and 50 percent of such monthly amounts;
- Adds the estate of the member as a potential beneficiary in the absence of an eligible beneficiary;
- Allows Deferred Retirement Option Program (DROP) participants to continue to receive share distributions from the Chapter 175, Florida Statutes, premium tax money, effective for the Chapter 175, Florida Statutes, premium tax money received in calendar year 1999;
- Adds penalty provisions for making a false or misleading statement to obtain a pension benefit;
- Makes language throughout the chapter gender neutral;

- Provides that all special laws and parts of special laws, ordinances, or regulations, insofar as they are in conflict or inconsistent with the provisions of this act, are repealed.

D. SECTION-BY-SECTION ANALYSIS:

- Section 1: Amends section 17 of chapter 24981, Laws of Florida, 1947, as amended, deleting redundant language regarding normal form of benefits for disability retirement; adding an optional joint and survivor benefit of 75 percent; and adding the estate of the member as a potential beneficiary in the absence of an eligible beneficiary.
- Section 2: Amends section 17 of chapter 24981, Laws of Florida, 1947, as amended by chapter 99-456, Laws of Florida, effective for share account distributions made for calendar year 1998 from chapter moneys received in July 1999, allowing Deferred Retirement Option Program (DROP) participants to continue to receive share distributions from the chapter 175, Florida Statutes, premium tax moneys, effective for the chapter 175, Florida Statutes, premium tax monies received in calendar year 1999.
- Section 3: Amends section 17 of chapter 24981, Laws of Florida, 1947, as amended by chapter 93-374, Laws of Florida, permitting disability retirees to select optional forms of benefits.
- Section 4: Amends section 17 of chapter 24981, Laws of Florida, 1947, as amended by chapter 93-374, Laws of Florida, repealing paragraph (h) of subsection (6) related to normal form of disability retirement income.
- Section 5: Amends section 17 of chapter 24981, Laws of Florida, 1947, as amended by chapters 93-374, and 96-527, Laws of Florida, providing gender neutral language; clarifying language; and providing that in the event a member dies and does not leave a surviving spouse, children, or parents eligible to receive a pension, then the benefits remaining, if any, shall be paid to the member's estate.
- Section 6: Adds section 17(20)(d) of chapter 24981, Laws of Florida, 1947, as amended by chapter 93-374, Laws of Florida, providing a penalty provision upon conviction for making a false or misleading statement to obtain a pension benefit. In addition to any applicable criminal penalty for a false or misleading statement conviction, in the discretion of the Board of Trustees, a participant or beneficiary may be required to forfeit the right to receive any or all benefits to which the person would otherwise be entitled under the plan. For purposes of this sub-subparagraph, "conviction" means a determination of guilt that is the result of a plea or trial, regardless of whether adjudication is withheld.
- Section 7: Provides that all special laws and parts of special laws, ordinances, or regulations, insofar as they are in conflict or inconsistent with the provisions of this act, are repealed.
- Section 8: Provides an effective date of upon becoming a law.

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III. NOTICE/REFERENDUM AND OTHER REQUIREMENTS:

A. NOTICE PUBLISHED? Yes No

IF YES, WHEN? January 3, 2000

WHERE? The Palm Beach Post

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

IV. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

Mr. Brad Armstrong, Actuary and Consultant with Gabriel, Roeder, Smith & Company estimates that the effect of the proposed changes on contributions and obligations is de minimis.

Mr. Charles Slavin, Actuary for the Local Retirement Section of the State of Florida Division of Retirement, Division of Management Services, provided the following comments:

Actuarial Statement of Fiscal Soundness

1. This bill complies with the requirements of Article X, Section 14 of the Constitution.

2. This bill complies with the provisions of Chapter 112, Part VII, Florida Statutes.

3. Chapter 99-1, Laws of Florida, changed certain provisions of Chapter 175, Florida Statutes. The bill provides for the required changes.

4. The cost affect is expected to be negligible.

V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None

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VI. SIGNATURES:

COMMITTEE ON GOVERNMENTAL OPERATIONS:

Prepared by:

Jimmy O. Helms

Staff Director:

Jimmy O. Helms

AS REVISED BY THE COMMITTEE ON COMMUNITY AFFAIRS:

Prepared by:

Kyle V. Mitchell

Staff Director:

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