

STORAGE NAME: h0911.lgva.doc

DATE: March 26, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
LOCAL GOVERNMENT & VETERANS AFFAIRS
ANALYSIS – LOCAL LEGISLATION**

BILL #: HB 911

RELATING TO: Hillsborough Co./Tampa/Death Benefits

SPONSOR(S): Representative Murman and others

TIED BILL(S): None

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

- (1) LOCAL GOVERNMENT & VETERANS AFFAIRS (SGC)
 - (2) STATE ADMINISTRATION (SGC)
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

This bill revises death benefits, to authorize a surviving spouse to continue to receive a reduced benefit, at a rate of 50 percent, of a Division A participant's pension, when the spouse remarries. This provision creates parity between Division A and Division B surviving spouses.

According to the Economic Impact Statement, an actuarial impact statement has determined no cost increase.

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:

State Constitution

Article X, Section 14, 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.

Statutory Authority

The Legislature adopted Part VII, Chapter 112, F.S., to implement the provisions of Article X, Section 14, Florida Constitution. Part VII, Chapter 112, F.S., also establishes minimum standards for operating and funding public employee retirement systems and plans.

Local police and firefighter pension and retirement plans are reviewed by the Retirement Administrator of Municipal Police Officers and Firefighters Retirement Funds, of the Bureau of Local Retirement Systems, State Division of Retirement. Chapters 175 and 185, F.S. provide statutory authority for this program. 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 Funds and the Firefighters Pension Trust Funds.

City of Tampa Pension Plan

The City of Tampa Pension Plan was created by special act in 1945 (ch. 23559 (1945), L.O.F.) Since that time, the enabling act has been amended thirty-five times, through chs. 23563 (1945), 24918 (1947), 24924 (1947), 24927 (1947), 26264 (1949), 27934 (1951), 29563 (1953), 31301 (1955), 57-1891, 57-1900, 59-1915, 59-1922, 65-2313, 67-2115, 67-2120, 69-1660, 69-1664, 70-950, 70-953, 70-957, 71-943, 72-702, 72-703, 72-704, 73-636, 75-513, 76-493, 76-494, 79-572, 79-574, 80-615, 81-497, 88-496, 99-420, and 2000-490.

Regarding accrual of pension benefits, permanent employees, including elective officers, department heads, and appointive officers, who are not covered by another pension plan, are eligible to participate in the City's pension plan. Those employees hired before October 1, 1981 are in Division A. Employees hired on or after October 1, 1981, and those Division A employees who

elect to transfer, are in Division B. For those employees who elect to transfer to Division B, the date of election is considered to be October 1, 1981, regardless of the actual date. For Division A, employees contribute 7 percent of their compensation. For Division B, employees haven't made any contributions after October 1, 1981.

A pension board (Board), composed of seven members, oversees the retirement fund. The mayor selects three members, fund members select three employee-members, and the last member is the director of finance.

Under Division A, to receive retirement and death benefits, an employee must complete at least ten years of service and reach the age of 55. The benefit received is 2 percent of the average monthly compensation, multiplied by years of service. The spouse of a deceased retired participant receives a monthly benefit equal to 75 percent of the participant's benefit, paid as a Survivor Annuity. Dependent children under 18, of a deceased participant receive a benefit of \$100 per month. The total benefit payable to the spouse and children cannot exceed the amount received by the deceased participant. **The Survivor Annuity ceases upon death or remarriage of the spouse** or upon marriage or attainment of age 18 by the dependent. Should an employee die before he or she is entitled to any retirement benefits, his or her aggregate contributions, without interest, are distributed to legal heirs.

Under Division B, an employee is eligible to receive benefits with at least 10 years of service and the attainment of age 62. The retirement benefit is assessed at 1.1 percent of the Average Monthly Compensation, multiplied by years of service. Under this plan, a participant may elect to receive an early retirement benefit, of a reduced benefit, with at least 10 years of service and the attainment of age 55. **The spouse of a deceased retired participant receives a monthly benefit of 50 percent of the participant's benefit. This benefit does not terminate upon remarriage.** Should a former Division A employee die before he or she is entitled to any retirement benefits, without a surviving spouse, legal heirs receive a lump sum payment of the employee's contributions under Division A, without interest, less any benefits paid.

C. EFFECT OF PROPOSED CHANGES:

This bill will correct an inequity currently existing between Division A and Division B surviving spouses. The bill authorizes the continuation of a pension at 50 percent of the deceased employee's pension rate, rather than a complete cessation after remarriage, under the Division A plan.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends subparagraph a. of paragraph 1. of subsection (A) of s. 12 of ch. 23559, L.O.F., 1945, as amended, to authorize a surviving spouse to continue to receive a reduced rate of 50 percent of a Division A deceased participant's Employee Accrued Pension after the surviving spouse remarries.

Section 2. Repeals all laws, in whole or in part, that conflict with this act.

Section 3. Provides that this act takes effect upon becoming a law.

III. NOTICE/REFERENDUM AND OTHER REQUIREMENTS:

A. NOTICE PUBLISHED? Yes No

IF YES, WHEN?

February 4, 2001

WHERE?

The Times of the St. Petersburg Times

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, this bill eliminates the complete forfeiture of Division A's pension members' surviving spouses' death benefits resulting from remarriage. The EIS makes reference to an Actuarial Impact Statement, which provides, in part:

There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise provided for in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

In total, the effect of this bill will increase the cost of the benefits provided under the current pension plan by less than one-half of one percent of the current cost.

IV. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

This bill does not necessitate additional rulemaking authority.

C. OTHER COMMENTS:

An analyst with the Division of Retirement indicates the following:

An actuarial impact statement has determined no cost increase. While there is a cost for the new benefit, the plan's funded status is such that there is no additional cost to the city. This bill affects neither the Florida Retirement System nor the Florida Retirement System's Trust Fund. This bill complies with the requirements of Article X, Section 14 of the Florida Constitution. The actuarial impact statement provisions of Chapter 112, Part VII, F.S., applicable to this bill, have been satisfied.

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V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VI. SIGNATURES:

COMMITTEE ON LOCAL GOVERNMENT & VETERANS AFFAIRS:

Prepared by:

Staff Director:

Cindy M. Brown

Joan Highsmith-Smith