

**STORAGE NAME:** h0759.lgva.doc

**DATE:** January 14, 2002

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

**BILL #:** HB 759

**RELATING TO:** Orlando Police Dept. Pension Fund

**SPONSOR(S):** Representative(s) Brummer and others

**TIED BILL(S):**

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

- (1) LOCAL GOVERNMENT & VETERANS AFFAIRS (SGC)
  - (2) COUNCIL FOR SMARTER GOVERNMENT
  - (3)
  - (4)
  - (5)
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**I. SUMMARY:**

This bill amends the authority of the City of Orlando's Police Department Pension Plan (the Plan) to remove the requirements for disability retirees to report earned income and to have their benefits offset in a subsequent year by such earned income. The bill also provides authority for the Plan's board of trustees to make limited amendments, with approval of the members, in order to maintain the Plan's tax qualification under the Internal Revenue Code. These changes bring the Plan into compliance with current statutory provisions

This bill has no impact on state revenues. According to the Economic Impact Statement, the bill provides compliance with federal and state law resulting in the availability of approximately \$2.2 million to the local government.

**See IV C Other Comments regarding this bill bringing the Plan into compliance with current law.**

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 checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/>            |
| 4. <u>Personal Responsibility</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/>            |
| 5. <u>Family Empowerment</u>      | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

B. PRESENT SITUATION:

**State Constitution**

Article X, Section 14, State Constitution, provides that governmental units 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, State Constitution. Part VII, Chapter 112, F.S., also establishes minimum standards for operating and funding public employee retirement systems and plans.

The State Division of Retirement, pursuant to the authority of ch. 185, F.S., reviews local police pension and retirement plans. That review is part of a program within the Division of Retirement 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 Orlando Police Department Pension Fund**

The City's Plan was created by Chapter 22414, Laws of Florida (1943); and been repeatedly amended since. Currently, when a disability retiree, under the Plan, has earned income in any calendar year, the retiree must make a report of such earned income to the Plan's board of trustees by April 15<sup>th</sup> of the year following. The following year's benefits are offset by one dollar for each three dollars of earned income from the previous year. Additionally, there is no provision to allow the Plan to be amended by local ordinance in compliance with certain federal and state laws.

C. EFFECT OF PROPOSED CHANGES:

The bill removes the requirement that a disability retiree, under the Plan, report earned income to the Plan's board of trustees; and removes the earned income offset against benefits. Further, the bill provides the authority for the board of trustees to make limited amendments to the Plan in order to maintain the Plan's tax qualification under the Internal Revenue Code, provided such amendments are approved by the membership or their collective bargaining agent, if any.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Deletes Subsections 8(5) and (6), Chapter 22414, Laws of Florida (1943). Deletion of section 8(5) removes the requirement that a disability retiree's benefits be offset by one dollar for each three dollars of earned income received by the retiree in the previous year. Deletion of s. 8(6) removes the requirement for a disability retiree to make a report of earned income to the board of trustees by April 15<sup>th</sup> of the following year.

Section 2. Amends ch. 22414, Laws of Florida (1943), to add ss. 27(1) and (2). Section 27(1) adds authority to the legislative body of the City of Orlando to amend the Plan to the limited extent necessary to maintain Plan's tax qualification under the Internal Revenue Code. However, prior agreement must be obtained from the members or their collective bargaining agent, if any.

Section 3. Provides an effective date.

III. NOTICE/REFERENDUM AND OTHER REQUIREMENTS:

A. NOTICE PUBLISHED? Yes  No

IF YES, WHEN?

December 2, 2001

WHERE?

Orlando Sentinel

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:

The Florida Division of Retirement previously indicated that they will withhold distribution of insurance premium revenues (approximately \$2.2 million) to the Plan's Trust Fund until compliance with ch. 185, Florida Statutes, is attained. **According to the Department of Management Services' Bill Analysis, this bill brings the Plan into compliance with federal tax laws and complies with ch. 99-1, Laws of Florida, and the minimum benefit provisions of ch. 185, F.S.**

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V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VI. SIGNATURES:

COMMITTEE ON LOCAL GOVERNMENT & VETERANS AFFAIRS:

Prepared by:

Staff Director:

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Andrew S. Grayson, Esquire

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Joan Highsmith-Smith