

HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS

BILL #: HB 1023 Tampa Pension Fund
SPONSOR(S): Joyner
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Local Affairs (Sub)</u>	<u>8 Y, 0 N</u>	<u>Nelson</u>	<u>Cutchins</u>
2) <u>Local Government & Veterans' Affairs</u>	_____	_____	_____
3) <u>State Administration</u>	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

This bill amends numerous provisions and creates one new provision relating to the general employee pension fund of the City of Tampa. Specifically, the bill accomplishes the following:

- clarifies plan membership;
- reduces the years of continuous service considered for determining average monthly salary;
- reduces the years of continuous service to be eligible for vesting, early retirement, normal retirement, disability retirement, deferred retirement option program, preretirement death benefits and for accruing benefits after reemployment;
- eliminates the continuous years of service requirement for an elective officer of the city;
- increases the cost-of-living increase rates;
- adds a new subsection incorporating the requirements of the Internal Revenue Code 415 and regulations thereunder; and
- attempts to generally repeal law in conflict with provisions of the bill. (See: Drafting Issues).

According to the Economic Impact Statement, the bill does not impact the state budget.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|------------------------------|-----------------------------|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | 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. EFFECT OF PROPOSED CHANGES:

Background

Currently, an employee of the City of Tampa who is included in the City's General Employees' Pension Plan cannot participate in any other pension fund previously created by the Florida Legislature. Ten years of continuous service are required for vesting and for eligibility for all forms of retirement (including the deferred retirement option program), to receive any benefits for service subsequent to reemployment (and credit for past service) and for preretirement death benefits. Eight such years are required for an elective officer of the city to be vested and to be eligible for the plan's deferred retirement option program.

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This bill amends s. 2; ss. 4(I), (K), and (L); s. 9; s. 10(A); s. 11(A); s. 13(C); s. 15; s. 17(A); and s. 22(A); and creates s. 24 of ch. 23559, L.O.F. (1945, as amended) relating to the general employee pension fund of the City of Tampa.

Specifically, the bill accomplishes the following:

- clarifies plan membership;
- reduces the years of continuous service considered for determining average monthly salary;
- reduces the years of continuous service to be eligible for vesting, early retirement, normal retirement, disability retirement, deferred retirement option program, preretirement death benefits and for accruing benefits after reemployment;
- eliminates the continuous years of service requirement for an elective officer of the city;
- increases the cost-of-living increase rates;
- adds a new subsection incorporating the requirements of the Internal Revenue Code 415 and regulations thereunder; and
- attempts to generally repeal law in conflict with provisions of the bill. (See: Drafting Issues).

The bill clarifies that the City of Tampa General Employees' Pension Plan is for all city employees who are not now members of any other pension plan for employees of the city previously created by the Florida Legislature. Thus, an employee of the city can participate in the plan and also participate in any other plan heretofore created by the Legislature except any City of Tampa plan. The bill reduces the years of continuous service used to determine the highest three years of salary ("average monthly salary") from 10 to six. This may reduce the average salary benefits for some employees.

The bill further reduces (from 10 to six) the number of years of continuous service requirement for vesting, for all forms of retirement (including the deferred retirement option program), for accruing

benefits for service subsequent to reemployment (and receiving credit for past service) and for preretirement death benefits. This will increase the number of members eligible for benefits, and increase benefit liabilities and costs.¹

The bill provides that cost-of-living increase rates are each increased from two percent to 2.2 percent. This will increase benefit liabilities and costs.

The number of years of service required for elective officers of the city to be vested and eligible for retirement benefits is reduced to six (not necessarily continuous) from eight continuous years. This will enable more such individuals to be eligible for benefits, and also increase benefit liabilities and costs. The bill provides that, notwithstanding any other plan provision, the plan's benefits and limitations shall satisfy all the applicable provisions of IRC 415 and the regulations thereunder. Thus, the plan need not be amended as the provisions of IRC 415 and the regulations change. Additionally, staff has been informed that this also codifies a plan administrative rule.

A detailed summary of the plan amendments follows:

Section 2: Clarifies that the City of Tampa General Employees' Pension Plan is for all employees of the city who are not members of any other City of Tampa pension fund.

Section 4: Provides that average monthly salary is determined as the monthly average for the highest three of the last six (instead of 10) years of continuous service. An employee must work six (instead of 10) years to become vested in the pension plan. Six (instead of 10) years of continuous service are required to satisfy the service requirement for Normal Retirement Date.

Section 9: Provides that six (instead of 10) years of continuous service are required to satisfy the service requirement for Deferred Retirement.

Section 10: Provides that six (instead of 10) years of continuous service are required to satisfy the service requirement for Early Retirement.

Section 11: Provides that six (instead of 10) years of continuous service are required to satisfy the service requirement for Disability Retirement.

Section 13: Provides that the cost-of-living increase rate is increased to: 2.2 percent from two percent for Division A employees; and 1.2 percent from one percent for Division B employees. The increases commence January 1, 2005.

Section 15: Provides that, upon reemployment, former employees must complete six (instead of 10) years of continuous service in order to receive any benefits (including credit for past service) from the plan. A reemployed employee with a deferred pension also must complete six (instead of 10) years of continuous service subsequent to reemployment in order to receive any additional benefits.

Section 17: Eliminates the eight years of continuous service required of elective officers of the city to have a vested pension and be eligible for the deferred retirement option program.

¹ NOTE: The plan's membership consists of city employees in two divisions: Division A: members of the City's General Employees' Retirement Plan employed prior to October 1, 1981, who did not elect to become members of Division B; and Division B: general employees employed after September 30, 1981, including those Division A members electing Division B and certain other city employees prior to October 1, 1981, who elected membership in Division B. The reduction in the years of continuous service eligibility requirement affects only the members in Division B. The Division A members are not affected by this change since all have satisfied the 10-year requirement. (The Division A membership is a closed group effective October 1, 1981.)

Section 22: Provides that six (instead of 10) years of continuous service are required to satisfy the service requirement for the deferred retirement option program.

Section 24: Adds a new subsection G that provides that the plan's benefits and limitations shall satisfy all the applicable provisions of IRC 415 and the regulations thereunder, which provisions and regulations are incorporated by reference.

C. SECTION DIRECTORY:

Section 1: Amends s. 2; ss. 4(I), (K), and (L), s. 9, s. 10(A), s. 11(A), s. 13(C), s. 15, s. 17(A), and s. 22(A); and creates s. 24(G) of ch. 23559 L.O.F. (1945), as amended.

Section 2: Provides supremacy language.

Section 3: Provides an effective date of January 1, 2005.

II. NOTICE/REFERENDUM AND OTHER REQUIREMENTS

A. NOTICE PUBLISHED? Yes No

IF YES, WHEN? January 27, 2004.

WHERE? *The Tampa Tribune*, a newspaper published in Tampa, Hillsborough County.

Note: The published notice intent to file legislation specifically detailed the bill title which included language regarding s. 2. Section 2 of the bill contains supremacy language attempting to generally repeal conflicting law and should be deleted from the bill.

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

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

Drafting Issues

The bill as filed, s. 2, contains a supremacy provision attempting to generally repeal all laws or parts of laws in conflict with the bill and should be deleted from the bill.

Other Comments

According to the Department of Management Services², the Actuarial Statement of Fiscal Soundness indicates the following:

- This bill affects neither the Florida Retirement System nor the System's Trust Fund.
- This bill satisfies the requirements of art. X, s.14, of the State Constitution and the provisions of ch. 112, part VII, F.S.
- This bill provides increased benefits and increases the opportunity for benefits.
- The actuarial impact statement prepared as of January 1, 2003, establishes a cost increase of \$1,019,000 for the year beginning October 1, 2003. On the basis of a four percent growth in payroll, the cost increase is expected to be \$1,059,000 for the year beginning October 1, 2004. The annual cost increase rate is 0.8 percent.

Additionally, the DMS indicates that the estimated fiscal expenditure impact to the city will be an annual ongoing cost increase of 0.8 percent of payroll of employees covered by the City of Tampa General Employees' Pension Plan. This amount will be payable entirely by the city.

Amount and Description:	Year 1 FY 04/05	Year 2 FY 05/06	Year 3 FY 06/07
Cost Increase: Percent	0.80%	0.80%	0.80%
Dollars	\$1,059,000	\$1,102,000	\$1,146,000

IV. AMENDMENT/COMMITTEE SUBSTITUTE CHANGES

The Subcommittee on Local Affairs recommended an amendment which removes a supremacy provision in s. 2. of the bill at its meeting on March 25, 2004. .

² Department of Management Services, 2004 Substantive Bill Analysis, HB 1023, 3/11/04.