

**HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS**

**BILL #:** HB 1023 w/CS Tampa Pension Fund  
**SPONSOR(S):** Joyner  
**TIED BILLS:** None **IDEN./SIM. BILLS:** SB 2384

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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 &amp; Veterans' Affairs</u>	<u>17 Y, 0 N w/CS</u>	<u>Nelson</u>	<u>Cutchins</u>
3) <u>State Administration</u>	<u>5 Y, 0 N</u>	<u>Williamson</u>	<u>Everhart</u>
4) _____	_____	_____	_____
5) _____	_____	_____	_____

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**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;
- Increases the cost-of-living increase rates; and
- Adds a new subsection incorporating the requirements of the Internal Revenue Code 415 and regulations thereunder.

According to the Economic Impact Statement, the bill does not impact the state budget. It is estimated that the negative fiscal impact to the City of Tampa will be \$1,059,000 for FY 04-05, \$1,102,000 for FY 05-06, and \$1,146,000 for FY 06-07.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

**STORAGE NAME:** h1023d.sa.doc  
**DATE:** April 14, 2004

## 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:

Not applicable.

#### 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.

##### Effect of Bill

This 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;
- Increases the cost-of-living increase rates; and
- Adds a new subsection incorporating the requirements of the Internal Revenue Code 415 and regulations thereunder.

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.<sup>1</sup>

The bill increases the cost-of-living rates from two percent to 2.2 percent for Division A employees and from one percent to 1.2 percent for Division B employees. The increases will commence January 1, 2005. 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 from eight to six 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 must 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. This bill also codifies a plan administrative rule.

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 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 of intent to file legislation specifically detailed the bill title which included language regarding Section 2 of the bill. This provision was amended out of the bill as it contained supremacy language attempting to generally repeal conflicting law.

B. REFERENDUM(S) REQUIRED? Yes  No

IF YES, WHEN? Not applicable.

C. LOCAL BILL CERTIFICATION FILED? Yes, attached  No

D. ECONOMIC IMPACT STATEMENT FILED? Yes, attached  No

## III. COMMENTS

A. CONSTITUTIONAL ISSUES:

None.

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<sup>1</sup> 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.)

**B. RULE-MAKING AUTHORITY:**

None.

**C. DRAFTING ISSUES OR OTHER COMMENTS:**

According to the Department of Management Services (DMS)<sup>2</sup>, 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, 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	Year 2	Year 3
	<b>FY 04/05</b>	<b>FY 05/06</b>	<b>FY 06/07</b>
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 Committee on Local Government & Veterans’ Affairs adopted one amendment at its meeting on March 31, 2004, which removed a supremacy provision in Section 2 of the bill.

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