



**2015 Police and Firefighter
Pension Law
Enrolled CS/SB 172
(Senators Bradley and Ring)
Chapter No. 2015-39, Laws of Florida**
www.leg.state.fl.us



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Broad Concept

In its broadest terms, the new law can best be described as a law that positions two parties, cities and police and firefighter unions (or police/firefighter plan members if there is no union), in the collective bargaining process over the use of insurance premium tax revenues.



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Broad Concept

- New Law Eliminates:
 - “Extra Benefits” Requirement
 - Comparison to General Employee Pension Benefits
 - “Naples Letter” Interpretation
- Must Break Away from Old Law Concepts



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Broad Concept

New Law Focus:

- Two-step process regarding the use of insurance premium tax revenues (“IPTR”) under Chapters 175 (fire) and 185 (police), Florida Statutes:
 - Mutual Consent (Encouraged)
 - No Mutual Consent (Discouraged)
- Statutory Minimum Benefits and Minimum Standards



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Broad Concept

- The goal of the law is to encourage the parties to “mutually consent” on the use of insurance premium tax revenues for retirement benefits.
- If the parties cannot reach “mutual consent,” the law provides a fairly complicated process on the required use of insurance premium tax revenues.

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Broad Concept

- For the parties to understand their relative bargaining strengths and weaknesses under the law, each party will likely desire to determine its position if there is no mutual consent and the statutory insurance premium tax revenue distribution process is engaged.

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Broad Concept

If “mutual consent” is achieved, the other provisions of the law relating to any required use of IPTR are **NOT** applicable; rather the parties have “mutually consented” until the next collective bargaining cycle or until “mutual consent” is revoked.



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Broad Concept

If “mutual consent” not achieved, statutory “default” process or a reversion to a statutory IPTR distribution process. The “default” process is very complicated and potentially costly to the city or police/fire pension plan members depending on the particular circumstances in each city.



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Important Dates:

- Effective Date: July 1, 2015
- New Law Applies to:
 - Collective Bargaining Agreements Entered into on or after July 1, 2015.
 - Non-Collectively Bargained Service on or after October 1, 2015.

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Mutual Consent

Effective 10/1/2015 for non-collectively bargained for service or for the next collective bargaining agreement entered into on or after 7/1/2015:

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Mutual Consent

- Cities and unions (or police/fire plan members if there is no union) are allowed to “mutually consent” to the use of IPTR, including any accumulation of tax revenue not yet allocated for benefits.
- If “mutual consent” is achieved, IPTR are **NOT** subject to the statutory IPTR distribution process.

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Mutual Consent

- Statutory minimum benefits and minimum standards must be met.
- If as of 10/1/2012 a plan did not meet a minimum benefit level, the plan can continue under “mutual consent” and not have to increase the benefit up to the minimum benefit level.

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Mutual Consent

Special act plans (approximately 8 cities) and supplemental plan municipalities (as defined in statute includes approximately 15 cities) are considered to have mutually consented as of 7/1/2015.

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Mutual Consent

If the parties cannot reach "mutual consent" on the use of IPTR, a statutory IPTR distribution process or "default" is automatically engaged (more to come under "No Mutual Consent").

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Minimum Benefits

- The concept of “base” or a 1999 level of pension benefits is removed from consideration.
- The statutory minimum benefits and minimum standards must be met except as specifically provided.



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Minimum Benefits

- All current statutory minimum benefit levels stay the same, except for the accrual or multiplier rate.
- Effective July 1, 2015: The 2.0 % minimum accrual or multiplier rate under current law is raised to 2.75%.



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Minimum Benefits

- For any plan currently below 2.75%, the law does **NOT** require the plan to come up to 2.75%, and the current accrual or multiplier rate can remain the same.
- For any plan currently above 2.75%, the accrual or multiplier rate can be reduced down to 2.75%.
- (84% of the current police/ fire plans have a 3% or higher accrual rate.)



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Minimum Benefits

- Maximum Benefit Cap:
 - Numerous plans contain some form of maximum benefit cap
 - For example, providing that a benefit cannot exceed 80 percent of average final compensation or that a benefit cannot exceed \$80,000 a year.
 - Maximum benefit caps are allowed to stay at the current level even if the maximum benefit cap results in an effective benefit below 2.75 percent.



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Defined Contribution Plan Component

- “Share Plan”
- Effective 10/1/2015 for non-collectively bargained for service or for the next collective bargaining agreement entered into on or after 7/1/2015:



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Defined Contribution Plan Component

- The law requires each pension plan to incorporate a “defined contribution plan component” along with the current “defined benefit plan component.”
- Each plan will incur an administrative expense in adding a defined contribution plan component to its existing plan.



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Defined Contribution Plan Component

- The creation of the “defined contribution plan component” is simply an administrative step, and depending upon if there is “mutual consent” or not on the use of IPTR, the defined contribution plan component may never receive any funding.



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Defined Contribution Plan Component

- The law does **NOT** require that the defined contribution plan component be funded in any manner to provide a defined contribution or share type benefit to police officers or firefighters, except in the instance where the parties cannot reach “mutual consent” on the use of IPTR, and the statutory IPTR distribution process or “default” is engaged.



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Defined Contribution Plan Component

- The law refers to defined contribution type benefits as “special benefits.”
- Any required funding of the defined contribution plan component is further explained under “No Mutual Consent.”



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No Mutual Consent

Effective 10/1/2015 for non-collectively bargained for service or for the next collective bargaining agreement entered into on or after 7/1/2015:



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No Mutual Consent

- If there is no “mutual consent” (which means the city and union are basically at impasse over the use of insurance premium tax revenues), IPTR distribution is subject to a statutory or “default” process.



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No Mutual Consent

- Statutory minimum benefits and minimum standards must be met.
- Insurance premium tax revenues are divided into various “pots” and the revenue must be used for specified purposes as explained below.



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No Mutual Consent

Information Needed:

- Calendar year 2002 IPTR distribution amounts to city
- Calendar year 2012 IPTR distribution amounts to city
- Most current IPTR distribution amounts to city (2013)
- Fire, Fire Supplemental and Police



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No Mutual Consent Base Premium Tax Revenue

- For Plans in effect on 10/1/2003:
- Base Premium Tax Revenue is the amount of IPTR received by a city for calendar year 2002
- Must be used by the city to fund minimum benefits or other retirement benefits as determined by the city.
- The law provides for a revenue amount for plans created between 2003 and 2015.



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No Mutual Consent Base Premium Tax Revenue

Fire

1. 2002 Fire Distribution Amount: \$ _____

**2. Firefighters Supplemental Distribution
Excess as of September 2003: \$ _____**

**Total Fire Distribution for calendar year
2002: \$ _____**



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No Mutual Consent Base Premium Tax Revenue

- The total Fire distribution for calendar year 2002 is the “base premium tax revenue” amount.
- Of the current distribution of IPTR, the city is entitled to use an amount equal to the “base premium tax revenue” amount to fund minimum benefits under Chapter 175, Florida Statutes, or other retirement benefits in excess of the minimum benefits as determined by the city.



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No Mutual Consent Base Premium Tax Revenue

Police

1. 2002 Police Distribution Amount: \$ _____

2. [There is no Police Supplemental Distribution.] \$ 0.00

Total Police Distribution for calendar year 2002: \$ _____



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No Mutual Consent Base Premium Tax Revenue

- The total Police distribution for calendar year 2002 is the “base premium tax revenue” amount.
- Of the current distribution of IPTR, the city is entitled to use an amount equal to the “base premium tax revenue” amount to fund minimum benefits under Chapter 185, Florida Statutes, or other retirement benefits in excess of the minimum benefits as determined by the city.



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No Mutual Consent Additional Premium Tax Revenue

Additional Premium Tax Revenue is the amount of IPTR received by a city which exceeds base premium tax revenue.

- Gap amount (2012 to 2002 difference)
- Growth amount (excess of 2012 amount)



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No Mutual Consent Additional Premium Tax Revenue (Gap amount)

Determine “Additional Premium Tax Revenues” for the period between the distributions for calendar year 2002 and calendar year 2012 (“Gap amount”).



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No Mutual Consent
Additional Premium Tax Revenue
(Gap amount)

Fire

1. 2012 Fire Distribution Amount: \$ _____

2. Firefighters Supplemental Distribution
Excess as of October 2013: \$ _____

Total Fire Distribution for calendar year
2012: \$ _____



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No Mutual Consent
Additional Premium Tax Revenue
(Gap amount)

Fire

Total Fire Distribution for calendar year
2012: \$ _____

Total Fire Distribution for calendar year
2002: \$ _____

Total of Difference between 2012 and
2002 amounts: \$ _____



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No Mutual Consent
Additional Premium Tax Revenue
(Gap amount)

- The total of the difference between the 2012 and 2002 amounts is the amount to be used to fund benefits in excess of the minimum benefits under Chapter 175, F.S.
- The Gap amount is subject to further distribution if benefit levels are lowered. (Explained below)



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No Mutual Consent
Additional Premium Tax Revenue
(Gap amount)

- If the Gap amount of additional IPTR exceeds the full annual cost of benefits provided through the plan which are in excess of the minimum benefits, any additional IPTR amount in excess of the full annual cost is distributed:
 - 50% to the city, which must be used by the city to fund minimum benefits or other retirement benefits as determined by the city
 - 50 percent to plan members as a "defined contribution" benefit.



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**No Mutual Consent
Additional Premium Tax Revenue
(Gap amount)**

- While not likely, it could be that the 2002 amount is greater than the 2012 amount.
- In which case there would be no “additional premium tax revenues” for consideration under funding benefits in excess of the minimum benefits.
- Rather, the city would be entitled to use an amount of current IPTR up to the full 2002 “base premium tax revenue” amount.



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**No Mutual Consent
Additional Premium Tax Revenue
(Gap amount)**

Police

1. 2012 Police Distribution Amount:	\$ _____
2. [There is no Police Supplemental Distribution.]	\$ <u>0.00</u>
Total Police Distribution for calendar year 2012:	\$ _____



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**No Mutual Consent
Additional Premium Tax Revenue
(Gap amount)**

Police

Total Police Distribution for calendar year 2012: \$ _____

Total Police Distribution for calendar year 2002: \$ _____

Total of Difference between 2012 and 2002 amounts: \$ _____



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**No Mutual Consent
Additional Premium Tax Revenue
(Gap amount)**

- The total of the difference between the 2012 and 2002 amounts is the amount to be used to fund benefits in excess of the minimum benefits under Chapter 185, F.S.
- The Gap amount is subject to further distribution if benefit levels are lowered. (Explained below)



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**No Mutual Consent
Additional Premium Tax Revenue
(Gap amount)**

If the Gap amount of additional IPTR exceeds the full annual cost of benefits provided through the plan which are in excess of the minimum benefits, any additional IPTR amount in excess of the full annual cost is distributed:

- 50% to the city, which must be used by the city to fund minimum benefits or other retirement benefits as determined by the city
- 50 percent to plan members as a “defined contribution” benefit.



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**No Mutual Consent
Additional Premium Tax Revenue
(Gap amount)**

- While not likely, it could be that the 2002 amount is greater than the 2012 amount.
- In which case there would be no “additional premium tax revenues” for consideration under funding benefits in excess of the minimum benefits.
- Rather, the city would be entitled to use an amount of current IPTR up to the full 2002 “base premium tax revenue” amount.



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No Mutual Consent
Additional Premium Tax Revenue
(Growth amount)

Determine "Additional Premium Tax Revenues" that are in excess of the amount received for calendar year 2012. ("Growth amount")



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No Mutual Consent
Additional Premium Tax Revenue
(Growth amount)

Fire

**1. Most Current (currently 2013) Fire
Distribution Amount:** \$ _____

**2. Most Current Firefighter Supplemental
Distribution Excess as of October 2014 ..** \$ _____

Total Most Current Fire Distribution: \$ _____



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No Mutual Consent Additional Premium Tax Revenue (Growth amount)

Fire

Total Most Current Fire Distribution: \$ _____

**Total Fire Distribution for calendar year
2012:** \$ _____

**Total of Difference between Most
Current and 2012 amounts:** \$ _____



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No Mutual Consent Additional Premium Tax Revenue (Growth amount)

- The total of the difference between the most current and the 2012 amounts is the growth amount.
- The city is entitled to use an amount equal to 50% of the total difference between the most current and the 2012 amount to fund minimum benefits under chapter 175, Florida Statutes, or other retirement benefits in excess of the minimum benefits as determined by the city.
- The other 50% is to be placed in a defined contribution plan for firefighters.



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No Mutual Consent
Additional Premium Tax Revenue
(Growth amount)

Police

**1. Most Current (currently 2013) Police
Distribution Amount:** \$ _____

**2. [There is no Police Supplemental
Distribution.]** \$ 0.00

Total Most Current Police Distribution: ... \$ _____



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No Mutual Consent
Additional Premium Tax Revenue
(Growth amount)

Police

Total Most Current Police Distribution: ... \$ _____

**Total Police Distribution for calendar
year 2012:** \$ _____

**Total of Difference between Most
Current and 2012 amounts:** \$ _____



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No Mutual Consent Additional Premium Tax Revenue (Growth amount)

- The total of the difference between the most current and the 2012 amounts is the growth amount.
- The city is entitled to use an amount equal to 50% of the total difference between the most current and the 2012 amount to fund minimum benefits under chapter 185, Florida Statutes, or other retirement benefits in excess of the minimum benefits as determined by the city.
- The other 50% is to be placed in a defined contribution plan for police officers.



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No Mutual Consent Accumulations of Additional IPTR:

For any accumulations of additional IPTR that have not already been used or allocated to fund benefits in excess of the minimum benefits:

- 50% of the amount of accumulations must be used as a "defined contribution" benefit for plan members.
- 50% must be applied to fund any unfunded actuarial liabilities of the plan.
- (There are several cities that still have insurance premium tax revenues they did not use for "extra benefits" prior to 2013 or have other accumulations and under the statutory distribution process there would basically be a onetime distribution of these funds.)



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No Mutual Consent Reducing Benefit Levels

- For plans that offer benefits in excess of the minimum benefits, the benefits may be reduced to the minimum benefit levels (collective bargaining)
- The amount of IPTR previously used to fund benefits in excess of the minimum benefits (this is the Gap amount) is subject to a distribution.



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No Mutual Consent Reducing Benefit Levels

- For supplemental plans in effect on September 30, 2014 (these are defined contribution type plans, or "share plans," of which there have been 40-50 created by cities after 1999).
- The supplemental plan benefits cannot be reduced.
- The amount of additional IPTR that went to the supplemental plan for calendar year 2012 will continue to go to the supplemental plan
- If there is a Gap amount, the portion of the additional IPTR associated with this benefit is not subject to being re-distributed.



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No Mutual Consent Reducing Benefit Levels

- Any “defined benefit” type benefits, supplemental plan benefits not in effect on September 30, 2014, or other plan benefits in excess of the minimum benefits can be reduced to the minimum benefit levels (COLA, DROP, any benefit over minimums).
- However, a plan would have to provide at least the minimum benefit levels, including the minimum accrual rate of 2.75% (or an effective benefit of at least 2.75 percent under a maximum benefit cap) before any other benefits could be reduced down to the minimum benefit levels.



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No Mutual Consent Reducing Benefit Levels

Any IPTR previously used for the portion of the benefit that was reduced is subject to the following distribution:

- 50% to the city, which must be used by the city to fund minimum benefits or other retirement benefits as determined by city.
- 50% to plan members as a “defined contribution” benefit.



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No Mutual Consent New Plans

For a plan created after March 1, 2015:

- 50% of insurance premium tax revenue goes to the city to fund defined benefit plan benefits.
- 50% to members as a “defined contribution” benefit.



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Grandfather Naples Interpretation

Grandfather: A city that has implemented or proposed changes to its pension plan based upon the city’s reliance on an interpretation of chapter 175(fire) or 185(police) by the Department of Management Services on or after August 14, 2012 and before March 3, 2015, may continue with the implemented changes or continue to implement proposed changes.



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Grandfather Naples Interpretation

This reliance must be evidenced by:

- A written collective bargaining proposal or agreement
- Or formal correspondence between the city and the Department of Management Services
- Which describes the specific changes to the plan, with the initial proposal, agreement, or correspondence from the city dated before March 3, 2015.



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Grandfather Naples Interpretation

Provisions of the plan which do not meet the minimum benefits and minimum standards of the respective chapter may continue in effect until the earlier of October 1, 2018 or the effective date of a collective bargaining agreement that is contrary to the provisions in the plan.



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Administrative Expense Budget

- The law requires police or fire pension boards of trustees to adopt and operate under an administrative expense budget, and have an annual accounting performed.
- The annual accounting report must be posted to the board's website, if the board has a website.



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Administrative Expense Budget

- Administrative expenses include expenses relating to any legal counsel, actuary, plan administrator, and all other consultants, and all travel and other expenses paid to or on behalf of members of the board of trustees or anyone else on behalf of the plan.
- (This provision also applies to all special act plans created before May 27, 1939, which includes Jacksonville, Miami, Coral Gables and Miami Beach.)



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"Compensation" for Police Plans:

- The law clarifies that for police pension plans, the definition of "compensation" or "salary" under the plan could limit the use of overtime for plan purposes before July 1, 2011.
- Clarifies the 300 hour restriction.



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"Extra Benefits" Repealed

- The law removes the definition of "extra benefits" and other provisions from the 1999 law requiring the provision of "extra benefits" using a portion of IPTR.
- The law removes the statutory basis for the current Department of Management Services interpretation on the required use of IPTR (i.e., the "Naples Letter" interpretation).
- That is, the "Naples Letter" interpretation is effectively voided under the law.



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Effective Date

Except as specifically noted in the law,
it is effective 7/1/2015.



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Information

To obtain insurance premium tax distribution
information provided by the state
Department of Management Services for:

- Calendar Year 2002
- Calendar Year 2012
- Most recent distribution

Contact Lisa Dove (ldove@flcities.com) or
Holly McPhail (hmcpmail@flcities.com) .



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For Addition Questions:

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