

## **HB 1297 and SB 1652**

### **½ Penny Surtax for Unfunded Pension Liability**

#### **Issue**

- The city of Jacksonville's three public pension funds are substantially underfunded:
  - The Police and Fire Pension Fund is currently at a dismal 46% funded with over \$1.6 billion in unfunded liability.
  - The General Employee Pension Fund is 60% funded with approximately \$910 million in unfunded liability.
  - The Correction Officers Pension Fund is 48% funded with \$150 million in unfunded liability.
  - **Total unfunded liability is \$2.6 billion, about 25% of all Florida's cities and counties unfunded liability.**
- **If nothing is done, Jacksonville will be forced to contribute over 20% of the city's operating budget towards pension, which is approximately \$200 million each year.**

#### **Remedy**

- Jacksonville has chosen to seek a solution that does not raise taxes, keeps the sales tax at 7% and does not raise the ad valorem tax.
- **The solution will allow a county to extend and re-purpose an already existing ½ penny surtax to fund pension liability.**
- **The employees, including police officers and firefighters, who enter employment on or after the date that the local government meets the requirements to enact the pension liability surtax, are precluded from enrolling in an existing defined benefit retirement plan or system that receives the surtax proceeds.**
- City of Jacksonville will continue to pay the normal cost of pension every year, however, this will substantially reduce Jacksonville's payment to better serve the citizens.
- Provides for qualifying communities to solve their unfunded pension without asking the state for financial assistance.
- With state and local approval, the solution will allow Jacksonville to extend and re-purpose a surtax until the pension is fully funded.
- Current employee's pensions will not be impacted by these actions.

#### **Key Points for HB 1297 & SB 1652:**

- 1. New employees are precluded from enrolling in an existing defined benefit retirement plan or system that receives the surtax proceeds.**
  - This includes police and fire employees, general employees, and corrections officers.
- 2. County must have an existing local government infrastructure surtax which is scheduled to terminate and not subject to renewal.**
- 3. The pension liability surtax will expire when the pension is fully funded.**
- 4. The proceeds from the pension liability surtax must only be used to reduce the unfunded actuarial liability of the plan or system.**
- 5. The surtax must be approved by a majority of the electors on a referendum.**
- 6. All 19 Jacksonville City Council members co-sponsored and *unanimously passed* a resolution urging the state legislature to pass this bill.**