

STORAGE NAME: h0933s1.go

DATE: March 27, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
GOVERNMENTAL OPERATIONS
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB 933

RELATING TO: Retirement Funds

SPONSOR(S): Committee on Governmental Operations & Representative Martinez

STATUTE(S) AFFECTED: ss. 175.071, & 185.06

COMPANION BILL(S): SB 548 (s)

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

- (1) GOVERNMENTAL OPERATIONS YEAS 3 NAYS 0
- (2) FINANCE & TAXATION
- (3) GENERAL GOVERNMENT (Fiscal)
- (4)
- (5)

I. SUMMARY:

This bill amends the investment provisions in Chapters 175 and 185, Florida Statutes, to allow the board of trustees of firefighters' and municipal police officers' pension and retirement trust funds to invest and reinvest up to 10 percent of the assets of these trust funds in foreign investments without restrictions. It further provides that the money manager of the plan must, on a quarterly basis, disclose the ratings of these investments to the board of trustees. Finally, it removes the current prohibition against making foreign investments.

This bill does not appear to create any additional fiscal impact on state or local government.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Currently, s. 175.071, F.S., and s. 185.06, F.S., provide a list of investment options from which a board of trustees of a municipal firefighters' or police officers' retirement fund may choose. The board of trustees may invest and reinvest the assets of the pension fund in annuity and life insurance contracts of life insurance companies; time or savings accounts of a national bank, a state bank insured by the Federal Deposit Insurance Corporation (FDIC), or a savings, building and loan association insured by the Federal Savings and Loan Insurance Corporation (FSLIC); obligations of the United States or obligations guaranteed as to principal and interest by the Government of the United States; bonds issued by the State of Israel; and bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, with conditions.

Investments are currently prohibited to be made in any stocks, bonds, or other securities owned or controlled by a government other than that of the United States or the several states.

B. EFFECT OF PROPOSED CHANGES:

This bill permits boards of trustees of municipal firefighters' and police officers' pension and retirement trust funds to invest up to 10 percent of the assets of these funds in foreign investments without restrictions. It further provides that the money manager of these funds must, on a quarterly basis, disclose the ratings of these investments to the board of trustees. Finally, it removes the current prohibition against making foreign investments.

This bill, if enacted, will allow for greater diversification of the portfolio as a hedge against market correction or as an opportunity to increase the rate of return on investments.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

STORAGE NAME: h0933s1.go

DATE: March 27, 1997

PAGE 3

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

This bill does not eliminate or reduce an agency or program.

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

No.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

This bill will broaden the investment opportunities for municipal firefighters' and police officers' retirement funds.

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No. It removes certain investment prohibitions with regard to municipal firefighters' and police officers' retirement funds.

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

This bill does not purport to provide services to families or children.

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

No.

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

This bill does not create or change a program providing services to families or children.

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends s. 175.071(1)(b), F.S., to provide that the board of trustees may invest and reinvest up to 10 percent of the assets of the municipal firefighters' pension trust fund in foreign investments without restrictions. The current prohibition against making foreign investments is removed.

Section 2. Amends s. 185.06(1)(b), F.S., to provide that the board of trustees may invest and reinvest up to 10 percent of the assets of the municipal police officers' retirement trust fund in foreign investments without restrictions. The current prohibition against making foreign investments is removed.

Section 3. Provides an effective date of upon becoming a law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

Indeterminate. To the extent that a municipality successfully invests in a broader array of investment products, including foreign investments, there could be an increased rate of return on investment. Conversely, broader investment in unsuccessful investments could lead to a decreased rate of return.

3. Long Run Effects Other Than Normal Growth:

Indeterminate.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Broader investment opportunities could provide increased business for the private sector.

3. Effects on Competition, Private Enterprise and Employment Markets:

Indeterminate.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill will not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill will not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill will not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL OPERATIONS:

Prepared by:

Legislative Research Director:

Jimmy O. Helms

Jimmy O. Helms