

**HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS**

**BILL #:** HB 877  
**SPONSOR(S):** Weinstein

City of Jacksonville, Duval County

**TIED BILLS:**

**IDEN./SIM. BILLS:**

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	<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR</b>
1)	Military & Local Affairs Policy Committee	14 Y, 0 N	Fudge	Hoagland
2)	Economic Development & Community Affairs Policy Council	14 Y, 0 N	Fudge	Tinker
3)	Finance & Tax Council	13 Y, 0 N	Wilson	Langston
4)				
5)				

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**SUMMARY ANALYSIS**

Current law provides investment standards for the firefighters and municipal police pension boards. However, those sections also allow the boards to vary from these constraints by means of a local ordinance, legislative act or resolution—except for a 10 percent restriction on investment in foreign securities. Chapter 92-341, L.O.F., provides that the City of Jacksonville Police and Fire Pension Fund may invest in fixed real estate of up to 10% of the plan’s assets, at cost.

HB 877 increases the board’s ability to invest in fixed real estate from 10% to a maximum of 20% of the plan’s assets, at cost.

## HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### **Current Situation**

The Charter for the City of Jacksonville was created by ch. 67-1320, L.O.F. Subsequently, the charter was readopted as ch. 92-341, L.O.F., as amended. Article 22 of the charter pertains to the Jacksonville Police and Fire Pension Board of Trustees.

##### Firefighters and Municipal Police Pensions

Chapters 175 and 185, F.S., establish a "uniform retirement system" providing defined benefit retirement plans for firefighters<sup>1</sup> and police officers<sup>2</sup> employed by Florida municipalities and special fire control districts, and standards for the operation and funding of these pension systems. Pension plan funding comes from a number of sources: net proceeds from an excise tax levied upon property and casualty insurance companies (known as the "premium tax"); employee contributions; fines and forfeitures; mandatory payments of any extra amount needed to keep a plan solvent; gifts and bequests; and other revenues.<sup>3</sup> To qualify for premium tax dollars, plans must meet requirements found in chs. 175 and 185, F.S.

There are two types of plans that operate under these statutes: Chapter Plans (plans that adopt the chapter by reference) and Local Law Plans (plans that are created by a special act, local ordinance or resolution that meet minimum standards set forth in ss. 175.351 and 185.35, F.S.). Responsibility for overseeing and monitoring these plans is assigned to the Department of Management Services' Division of Retirement, but day-to-day operational control rests with local boards of trustees.

The local boards consist of five members: two members who are legal residents of the municipality or special fire control district and are appointed by its legislative body; two members who are full-time firefighters or police officers elected by a majority of the active firefighters or police officers who are members of such plan; and a fifth member who is chosen by a majority of the other four members.

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<sup>1</sup> Pursuant to ss. 175.041(1) and (2), F.S., such firefighters must work for municipalities or special fire control districts that have a constituted fire department or authorized volunteer fire department which owns and uses equipment for fighting fires that was in compliance with National Fire Protection Association Standards for Automotive Fire Apparatus at the time of purchase.

<sup>2</sup> Pursuant to s. 185.03(1), F.S., such police officers must work for a regularly organized municipal police department which uses equipment in serviceable condition with a value exceeding \$500 for the prevention of crime and for the preservation of life and property.

<sup>3</sup> Sections 175.091 and 185.07, F.S.

Each member serves a two-year term, and may succeed himself or herself.<sup>4</sup> The boards must meet at least quarterly.<sup>5</sup>

These boards of trustees have the power to: invest and reinvest the assets of pension funds in certain authorized investments,<sup>6</sup> issue drafts, keep required records, retain a qualified independent consultant at least once every three years, and employ legal counsel, independent actuaries and other advisors. Sections 175.071 and 185.06, F.S., provide investment standards for the boards to follow; however, those sections also allow a municipality or fire control district to vary from these constraints by means of a local ordinance, legislative act or resolution—except for a 10 percent restriction on investment in foreign securities.

As provided for in ch. 92-341, L.O.F., the Jacksonville Police Officers' and Firefighters' Plan may invest up to 10% of the plan's assets in fixed real estate, at cost.

### **Effect of Proposed Changes**

This bill amends Article 22 of the charter for the City of Jacksonville to make revisions to allocations within the Police and Fire plan.<sup>7</sup> The bill increases their ability to invest in fixed real estate from 10% to a maximum of 20% of the plan's assets, at cost.<sup>8</sup>

#### **B. SECTION DIRECTORY:**

Section 1: Increases the limit on investments in real estate.

Section 2: Provides an effective date of upon becoming law.

## **II. NOTICE/REFERENDUM AND OTHER REQUIREMENTS**

A. NOTICE PUBLISHED? Yes  No

IF YES, WHEN? December 8, 2008.

WHERE? In the *Financial News & Daily Record* published in Duval County, Florida.

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

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<sup>4</sup> Sections 175.061(1), and 185.05(1), F.S.

<sup>5</sup> Sections 175.061(3) and 185.05(3), F.S.

<sup>6</sup> Sections 175.071(1) and 185.06(1), F.S., authorize the following investments and reinvestments: (1) time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund, or a savings, building and loan association insured by the Savings Association Insurance Fund which is administered by the Federal Deposit Insurance Corporation or a state or federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund; (2) obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States; (3) bonds issued by the State of Israel; and (4) 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.

<sup>7</sup> Article 22.07(b) of the Charter requires amendments to the plan be approved by the Jacksonville City Council. On January 13, 2009, the Jacksonville City Council approved Resolution 2008-906, seeking legislation to increase the investment in real estate assets from 10% to 20%.

<sup>8</sup> Section 215.47(2)(e), F.S., authorizes investments of up to 25 percent in certain real property.

The Economic Impact Statement indicates that increased investment returns will lower long term plan costs.

### **III. COMMENTS**

**A. CONSTITUTIONAL ISSUES:**

None.

**B. RULE-MAKING AUTHORITY:**

None.

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

None.

### **IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES**