

HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS

BILL #: HB 603 w/CS Pensacola/Pension & Retirement Fund
SPONSOR(S): Murzin
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Local Affairs (Sub)</u>	<u>9 Y, 0 N</u>	<u>Nelson</u>	<u>Highsmith-Smith</u>
2) <u>Local Government & Veterans' Affairs</u>	<u>14 Y, 0 N w/CS</u>	<u>Nelson</u>	<u>Highsmith-Smith</u>
3) <u>State Administration</u>	<u>4 Y, 0 N w/CS</u>	<u>Bond</u>	<u>Everhart</u>
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

This bill relates to the General Pension and Retirement Fund for the City of Pensacola. The current charter provides that the fund may only seek investment advice from certain banks. This bill defines the term "professional money manager", and provides that the fund may seek investment advice from any professional money manager.

According to the Economic Impact Statement, this bill will not have a fiscal impact on state or local government.

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

STORAGE NAME: h0603d.sa.doc
DATE: April 14, 2003

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:

B. EFFECT OF PROPOSED CHANGES:

This bill amends chapter 99-474, Laws of Florida, as amended by chapter 2000-470, Laws of Florida, relating to the General Pension and Retirement Fund of the City of Pensacola. The current charter provides that the fund may only seek investment advice from an “investment bank of national repute.” This bill removes this restriction, and provides that the fund may seek investment advice from any professional money manager. This bill further defines “professional money manager” as an “investment management firm that is registered as an investment advisor with the Securities and Exchange Commission pursuant to the Investment Advisors Act of 1940, which firm shall acknowledge in writing its fiduciary duty to the Board of Trustees.”

City of Pensacola General Pension and Retirement Fund

The General Pension and Retirement Fund (Fund) of the City of Pensacola was created by special act in 1961, through chapter 61-2655, Laws of Florida. Since that date, the act has been amended 27 times, through chapters 65-2090, 65-2096, 67-1902, 67-3576, 72-653, 72-654, 78-589, 79-553, 82-390, 83-499, 83-500, 84-429, 84-509, 86-450, 86-452, 87-532, 88-520, 90-471, 90-495, 91-367, 92-246, 92-248, 96-506, 97-368, 99-462, 99-474, and 2000-470.

Chapter 61-2655, Laws of Florida, as amended, provides the following:

- A fund providing for retirement, disability and death benefits for general employees;
- A pension board (Board), consisting of six members, charged with administering and operating the Fund, adopting rules and regulations, and causing subpoenas to be issued and requiring witness attendance and production of documents;
- Provisions relating to the buy back of credited time and the crediting of military service, and disability pensions;
- Normal retirement is available to employees who are 55 years old, with at least 20 years of credited service, or with 30 years of service, regardless of age, or with 10 years of service at 60 years of age;
- Early retirement is available, at a reduced rate, to employees reaching 55 with 25 years of service;
- An employee who separates from service prior to 10 years of service is eligible to receive a refund of contributions;
- Dependents or beneficiaries are eligible to receive benefits when an employee dies in the line of duty;
- Disability retirement is available to an employee who is injured while not in the line of duty;
- A cost of living increase is added biennially to benefits;
- Certain employees are eligible to participate in the Deferred Retirement Option Plan

- (DROP), if the City authorizes, through ordinance;
- The Board has the power to invest fund assets in a national bank, an FDIC state bank, or a savings and loan association;
- The Board and the City are authorized to contract with nationally-known investment banks, who will act as agents and corporate trustees over the assets of the Fund; and
- The City is authorized to increase employee benefits, through ordinance.

C. SECTION DIRECTORY:

Section 1: Deletes the definitions of “bank of national repute,” and “investment bank of national repute”, and adds a definition of “professional money manager”.

Section 2: Provides that the pension board and the City of Pensacola are authorized to contract with “professional money managers” rather than “investment banks of national repute” to act as agents of all or any portion of the assets of the Fund.

Adds the term “Government,” after “United States.”

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

II. NOTICE/REFERENDUM AND OTHER REQUIREMENTS

A. NOTICE PUBLISHED? Yes No

IF YES, WHEN? January 31, 2002

WHERE? The *Pensacola News Journal*, a daily newspaper of general circulation in Escambia County.

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

III. COMMENTS

A. CONSTITUTIONAL ISSUES: Not applicable.

B. RULE-MAKING AUTHORITY: Not applicable.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The Economic Impact Statement states that this bill will allow for a broader variety of investment managers to select from for investing pension funds and that this will allow for a possibility of higher investment returns.

The bill has been reviewed by the Bureau of Local Retirement, Department of Management Services who opine that the bill satisfies the requirements of s. 14, art. X of the State Constitution and the

provisions of chapter 112, F.S., and that there are no benefit issues or costs associated with this proposal¹

IV. AMENDMENT/COMMITTEE SUBSTITUTE CHANGES

The Committee on Local Government & Veterans' Affairs adopted an amendment at its meeting on April 1, 2003, which removes the "supremacy" clause from the bill.

On April 14, 2003, the Committee on State Administration adopted one amendment to this bill to add a definition of "professional money manager." The bill was then reported favorably with a committee substitute.

¹ Charles Slavin, Actuary (February 27, 2003)