

**HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS**

**BILL #:** HB 1309 CS                                    City of Jacksonville  
**SPONSOR(S):** Kravitz and others  
**TIED BILLS:**    **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Local Government Council	8 Y, 0 N, w/CS	Nelson	Hamby
2) Finance & Tax Committee			
3)			
4)			
5)			

**SUMMARY ANALYSIS**

HB 1309 revises provisions of the charter of the City of Jacksonville relating to the Jacksonville Police and Fire Pension Board of Trustees. The bill revises the trustees’ terms of office; provides authority for the board to invest assets; revises provisions regarding investments; provides for applicability of state law; and provides a severability clause.

According to the Economic Impact Statement, this bill will have no fiscal impact except to reduce election costs by providing longer terms to board members.

**Pursuant to House Rule 5.5(b), a local bill providing an exemption from general law may not be placed on the Special Order Calendar for expedited consideration. The provisions of House Rule 5.5(b) appear to apply to this bill.**

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

This bill does not appear to implicate any of the House Principles.

#### B. EFFECT OF PROPOSED CHANGES:

##### **Section 14, Art. X, State Constitution/Public Retirement and Pensions**

Section 14, art. X of the State Constitution, provides that a governmental unit responsible for any retirement or pension system supported wholly or partially by public pension funds may not after January 1, 1977, provide any increase in benefits to members or beneficiaries unless concurrent provisions for funding the increase in benefits are made on a sound actuarial basis.

##### **Part VII, Ch. 112, F.S./Actuarial Soundness of Retirement Systems**

Part VII, ch. 112, F. S., the “Florida Protection of Public Employee Retirement Benefits Act,” was adopted by the Legislature to implement the provisions of s. 14, art. X, State Constitution. This law establishes minimum standards for operating and funding public employee retirement systems and plans. The act is applicable to all units of state, county, special district and municipal governments participating in or operating a retirement system for public employees which is funded in whole or in part by public funds.

Section 112.63, F.S., provides that no unit of local government shall agree to a proposed change in retirement benefits unless the administrator of the system, prior to adoption of the change by the governing body, and prior to the last public hearing thereon, has issued a statement of the actuarial impact of the proposed change upon the local retirement system, consistent with the actuarial review, and has furnished a copy of such statement to the Division of Retirement, Department of Management Services. Such statement also is required to indicate whether the proposed changes are in compliance with s. 14, art. X, State Constitution, and with s. 112.64, F.S., which relates to administration of funds and amortization of unfunded liability.

##### **Chapters 175 and 185, F.S./ Firefighters Pensions and Municipal Police Pensions**

Chapters 175 and 185, F.S., set up a “uniform retirement system” providing defined benefit retirement plans for firefighters and police officers, and provide standards for operation and funding of these pension systems. Chapter 175, F.S., was originally enacted in 1939 to provide an incentive—access to premium tax revenues—to Florida cities to encourage them to establish retirement plans for firefighters. Fourteen years later, in 1953, the Legislature enacted ch.185, F.S., which sets up a similar funding mechanism for municipal police officers.

Pension plan funding comes from four sources: net proceeds from an excise tax levied by the city upon property and casualty insurance companies (known as the “premium tax”); employee contributions; other revenue sources; and mandatory payments by the city of any extra amount needed to keep the plan solvent. To qualify for premium tax dollars, plans must meet requirements found in ch. 175 and 185, F.S. Responsibility for overseeing and monitoring these plans is assigned to the Division of Retirement of the Department of Management Services (DMS), but day-to-day operational control rests with local boards of trustees. Most Florida firefighters and municipal law enforcement officers participate in these plans.

Sections 175.071 and 185.06, F.S., provides the general powers and duties of the board of trustees, and investment procedures for the boards to follow. Boards may vary from these procedures by means of a municipal ordinance or special act of the Legislature except that foreign investments are limited to 10 percent of the plan assets.

### **City of Jacksonville Police and Firefighters' Pension Plan**

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.

The membership of the board of trustees consists of five members: two are legal residents of the City of Jacksonville appointed by the city council; one is a police officer elected by a majority vote of the police officers who are members of the pension fund; one is a firefighter elected by a majority of the firefighters who are members of the pension plan; and the fifth member is chosen by a majority of the four other members. The fifth member's name is submitted to the city council which appoints that person to the board. Board members serve a two-year term, pursuant to the requirements found in ss. 175.061 and 185.05, F.S.

This bill amends the charter for the City of Jacksonville to make revisions to the Police and Fire Pension Board of Trustees. The bill changes the terms of office for board members from two to four years for members who are elected or appointed after July 1, 2005. It provides that the board has the authority to invest and reinvest the assets of the plan without regard to any of the limitations in chs. 175 and 185, F.S., and is bound by the provisions of part VII, of ch. 112, F.S., and the applicable provisions of s. 215.47, F.S.<sup>1</sup>, except that any investments in fixed real estate assets are not to exceed 10 percent of the assets of the plan, at cost. The bill provides that prior to any change in the asset allocation or the introduction of a new asset class, the board must give written notice of the meeting at which the proposed change will be considered to the city council's finance committee. It further amends applicability provisions to state that the board, except as otherwise provided by the charter, will be bound by the applicable provisions of part VII of ch. 112, F.S., and s. 215.47.

#### **C. SECTION DIRECTORY:**

Section 1: Amends ss. 220.02(a) and (d), 22.04(b) and 22.08 of Article 22 of the Charter of the City of Jacksonville as readopted in ch. 92-341, L.O.F., as amended.

Section 2: Provides a severability clause.

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

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

A. NOTICE PUBLISHED? Yes  No

IF YES, WHEN? October 18, 2004

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<sup>1</sup> Section 112.661(5), F.S., provides that, "[u]nless otherwise authorized by law or ordinance, the investment of the assets of any local retirement system or plan covered by this part shall be subject to the limitations and conditions set forth in s. 215.47(1)-(8), (10), and (16)." This section provides that local retirement plans whose investment provisions are not provided in the law or by local ordinance will be bound by the investment parameters established in s. 215.47, F.S. However, plans participating under chs. 175 and 185, F.S., have investment parameters that are prescribed by law (See, ss. 175.071 and 185.06, F.S.) and many have expanded their investment authority by ordinance, or have been provided such by special act. While s. 215.47(5), F.S., provides for a 20 percent maximum foreign investment, ss. 175.071 and 185.06, F.S., limit investment in foreign securities to 10 percent.

WHERE? The *Financial News and Daily Record*, a newspaper published in Duval 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

According to the Economic Impact Statement, this bill will have no fiscal impact except to reduce election costs by providing longer terms to board members.

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

House Rule 5.5(b) states that a local bill that provides an exemption from general law may not be placed on the Special Order Calendar in any section reserved for the expedited consideration of local bills. This bill appears to create an exemption to ss. 175.061 and 185.05, F.S., which require all board member terms be for a period of two years. The bill also appears to create an exemption to ss. 175.071 and 185.06, F. S., which require a 10 percent maximum investment in foreign securities.

Note: A Chapter 175/185 plan that is in noncompliance with chs. 175 and 185, F.S., may jeopardize its future state premium tax distributions. See, ss. 175.351(1), and 185.35 (1), F.S.

### IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

The Local Government Council adopted a strike-all amendment at its meeting on April 13, 2005, which made technical corrections to the bill.