

HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS

BILL #: HB 1323 City of Tampa, Hillsborough County
SPONSOR(S): Grant, J. and others
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local, Federal & Veterans Affairs Subcommittee	15 Y, 0 N	Darden	Miller
2) State Affairs Committee	21 Y, 0 N	Darden	Williamson

SUMMARY ANALYSIS

All local government retirement systems or plans must invest their assets consistent with a written investment policy adopted by the board of the plan or system. The written investment plan must specify investment objectives, performance measures, types of authorized investments, and certain safeguards for the plan's funds.

The City of Tampa Pension Fund (Fund) was established by a special act of the Legislature in 1945. As of January 1, 2018, the Fund serves 4,636 members and has \$738,837,282 in total assets. The Fund is administered by a seven-member board of trustees who manage and invest the Fund subject to requirements of the special act.

The bill amends the special act creating the Fund to require the board of trustees to manage the investments of the fund consistent with a written investment policy adopted by the board pursuant to s. 112.661, F.S. (concerning investment policies for publicly funded retirement plans) and subject to the provisions in s. 215.47, F.S. (general investment limitations). The bill also repeals language concerning types and levels of investments the Fund may make, allowing the board to make adjustments consistent with requirements provided by general law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Florida Protection of Public Employee Retirement Benefits Act

The Florida Constitution prohibits any increase in retirement or pension benefits for a publicly funded plan, unless the plan has made or concurrently makes provision for funding the increase on an actuarially sound basis.¹ The Florida Protection of Public Employee Retirement Benefits Act (Benefits Act), Part VII of ch. 112, F.S., implements this constitutional provision.² The Benefits Act applies to all retirement or pension plans for public employees that are funded in whole or in part by public funds.³

Local governments are prohibited from agreeing to a proposed change in retirement benefits if the plan administrator did not issue a statement of actuarial impact of the proposed change before both the adoption of the change by the governing body of the local government and the last public hearing about the proposed change.⁴ This statement must also be furnished to the Division of Retirement within the Department of Management Services (DMS) before the local government can agree to the change.⁵ The statement must indicate whether the proposed change complies with Art. X, s. 14, Florida Constitution, and with s. 112.64, F.S. (concerning the administration of pension funds and the amortization of any unfunded actuarial liability).⁶

The assets of local government retirement plans must be invested consistent with a written investment policy adopted by the board of the plan.⁷ The investment policy should seek to maximize financial returns while taking into account risks and maintaining an appropriate diversification of the plan's assets. Each plan is required to specify:⁸

- Scope;
- Investment objectives;
- Performance measures;
- Investment and fiduciary standards;
- Types of authorized investments;
- Maturity and liquidity requirements;
- Composition of the fund's portfolio;
- Risk and diversification;
- Expected annual rate of return;
- Any third-party custodial agreements;
- A master repurchase agreement;
- Bid requirements;
- A system of internal controls and operational procedures;
- Continuing education duties for the members of the board governing the plan;
- Investment reporting; and
- Valuation of the fund's illiquid investments.

¹ Art. X, s. 14, Fla. Const.

² S. 112.61, F.S.

³ S. 112.62, F.S.

⁴ S. 112.63(3), F.S.

⁵ *Id.*

⁶ *Id.*

⁷ S. 112.661, F.S.

⁸ S. 112.661(1)-(15) and (17), F.S.

After the adoption of the written investment plan, each local government retirement plan is required to file its policy with DMS, the plan's sponsor, and the consulting actuary.⁹ The investment policy, as well as any amendments, take effect 31 days following the filing of the policy with the plan sponsor.¹⁰

City of Tampa Pension Fund

The City of Tampa Pension Fund (Fund) was established by the Legislature in 1945.¹¹ The act governing the Fund was most recently amended in 2013.¹² As of September 30, 2018, the Fund has 2,412 active members, 2,051 retired members, and 173 members in the Deferred Retirement Option Plan (DROP).¹³ As of January 1, 2018, the Fund had \$738,837,282 in total assets and \$5,359,270 in unfunded actuarial accrued liability.¹⁴ Normal retirement age is 62 years of age with at least 6 years of service.¹⁵

The Fund currently assumes 7.9 percent annual growth of its assets.¹⁶ During calendar year 2017, the Fund saw 8.5 percent growth in the actuarial value of its assets and 16.90 percent growth in the market value of its assets.

The Fund is administered by a seven-member board of trustees consisting of:¹⁷

- Three members elected by employees participating in the Fund;¹⁸
- Three members selected by the Mayor; and
- The city's director of finance.

Trustees elected by employees or selected by the Mayor serve staggered terms, with one seat becoming vacant each year. The city's director of finance serves as the treasurer of the board.

The board manages and invests the Fund in accordance with the following rules:¹⁹

- The board is required to retain the services of at least one professional investment counselor and/or bank offering qualified and competent investment advisory services.²⁰
- A written opinion on the condition and composition of the investment portfolio must be received at least once every six months.
- The principal and surplus funds of the Fund may be invested in securities and other property, including but not limited to real property; personal property; and bonds, notes, and other debt instruments issued by the federal government, foreign governments, and the state of Florida and its political subdivisions; mortgages and other realty interests; corporate debt; and corporate stock.
- The board must ensure actuarial surveys are conducted on a periodic basis.
- The board must use ordinary prudence in investing the fund, subject to limitations of how much of the Fund's portfolio may be invested in certain asset classes.
- The board may invest a portion of the fund in life insurance or group annuities.

⁹ S. 112.661(16), F.S.

¹⁰ *Id.*

¹¹ Ch. 23559 (1945), Laws of Fla.

¹² Ch. 2013-253, Laws of Fla.

¹³ Dept. of Management Services, *2018 Local Government Annual Report - Individual Sections*, p. 15 of Appendix F, available at http://www.dms.myflorida.com/workforce_operations/retirement/local_retirement_plans/local_retirement_section/local_government_annual_reports (last accessed Mar. 18, 2019) (herein DMS Local Government Reports).

¹⁴ DMS Local Government Reports, p. 18 of Appendix A.

¹⁵ DMS Local Government Reports, p. 63 of Appendix B1.

¹⁶ DMS Local Government Reports, p. 21 of Appendix E.

¹⁷ Ch. 23559 (1945), s. 6, Laws of Fla., as amended.

¹⁸ These members may not be from the same department of the municipal government.

¹⁹ Ch. 23559 (1945), s. 6(A)-(C), Laws of Fla., as amended.

²⁰ A bank must have a capitalization of at least \$10 million, trust assets of at least \$150 million, and at least 500 trust account to be selected.

Effect of Proposed Changes

The bill revises the management and investment rules of the Fund to require the Fund's investments to be consistent with a written investment policy adopted pursuant to s. 112.661, F.S. (concerning investment policies for publicly funded retirement plans) and subject to the provisions in s. 215.47, F.S. (general investment limitations). The bill removes provisions specifying the types of investments that can be held by the Fund, allowing the fund to adopt policies consistent with general law.

B. SECTION DIRECTORY:

Section 1: Amends ch. 23559 (1945), Laws of Fla., as amended, concerning the pension investment fund for the City of Tampa.

Section 2: Provides an effective date of October 1, 2019.

II. NOTICE/REFERENDUM AND OTHER REQUIREMENTS

A. NOTICE PUBLISHED? Yes No

IF YES, WHEN? February 1, 2019

WHERE? The *Tampa Bay Times*, a daily newspaper of general circulation published in Hillsborough 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

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

The bill neither authorizes nor requires administrative rulemaking by executive branch agencies.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

None.

HOUSE OF REPRESENTATIVES

2019 - 2020 LOCAL BILL CERTIFICATION FORM

BILL #:

SPONSOR(S): Representative Jamie Grant

RELATING TO: City of Tampa General Employees' Pension Plan
[Indicate Area Affected (City, County, or Special District) and Subject]

NAME OF DELEGATION: Hillsborough County Legislative Delegation

CONTACT PERSON: Jason Holloway

PHONE NO.: 850-487-5019 E-Mail: holloway.jason@flsenate.gov

- I. House local bill policy requires the following steps must occur before a committee or subcommittee of the House considers a local bill:
- (1) The members of the local legislative delegation must certify that the purpose of the bill cannot be accomplished at the local level;
 - (2) The legislative delegation must hold a public hearing in the area affected for the purpose of considering the local bill issue(s);
 - (3) The bill must be approved by a majority of the legislative delegation, or a higher threshold if so required by the rules of the delegation, at the public hearing or at a subsequent delegation meeting; and
 - (4) An Economic Impact Statement for local bills must be prepared at the local level and filed with the Clerk of the House. Under House policy, a local bill will not be considered by a committee or subcommittee without an Economic Impact Statement.

(1) Does the delegation certify the purpose of the bill cannot be accomplished by ordinance of a local governing body without the legal need for a referendum?

YES NO

Brief Explanation as to why the purpose of the bill cannot be accomplished at the local level:

The General Employees' Pension Plan for the City of Tampa has been governed by a Special Act of the Florida Legislature since 1945. As such, it may only be amended by a Special Act of the Legislature.

(2) Did the delegation conduct a public hearing on the subject of the bill?

YES NO

Date hearing held: January 29, 2019

Location: County Center, 601 E. Kennedy Blvd, Tampa, FL

(3) Was this bill formally approved by a majority of the delegation members?

YES NO UNANIMOUSLY APPROVED

(4) Was an Economic Impact Statement prepared at the local level and filed with the Clerk of the House?

YES NO

- II. Article III, Section 10 of the State Constitution prohibits passage of any special act unless notice of intention to seek enactment of the bill has been published as provided by general law (s. 11.02, F. S.) or

the act is conditioned to take effect only upon approval by referendum vote of the electors in the area affected.

Has this constitutional notice requirement been met?

Notice published: YES NO DATE February 1, 2019

Where? Tampa Bay Times County Hillsborough

Referendum in lieu of publication: YES NO

Date of Referendum

III. Article VII, section 9(b) of the State Constitution prohibits passage of any bill creating a special taxing district, or changing the authorized millage rate for an existing special taxing district, unless the bill subjects the taxing provision to approval by referendum vote of the electors in the area affected.

(1) Does the bill create a special district and authorize the district to impose an ad valorem tax?

YES NO

(2) Does this bill change the authorized ad valorem millage rate for an existing special district?

YES NO

If the answer to question (1) or (2) is YES, does the bill require voter approval of the ad valorem tax provision(s)?

YES NO

Please file this completed, original form with the Clerk of the House.



Delegation Chair (Original Signature)

2/7/19

Date

Senator Darryl Rouson

Printed Name of Delegation Chair

**HOUSE OF REPRESENTATIVES
2019 ECONOMIC IMPACT STATEMENT FORM**

Read all instructions carefully.

House local bill policy requires that no local bill will be considered by a committee or a subcommittee without an Economic Impact Statement. This form must be prepared by an individual who is qualified to establish fiscal data and impacts and has personal knowledge of the information given (for example, a chief financial officer of a particular local government). Please file this completed, original form with the Clerk of the House as soon as possible after a bill is filed. Additional pages may be attached as necessary.

BILL #:	
SPONSOR(S):	Rep. Jamie Grant
RELATING TO:	City of Tampa General Employees' Pension Plan

[Indicate Area Affected (City, County or Special District) and Subject]

Check if this is a revised Economic Impact Statement

I. REVENUES:

These figures are new revenues that would not exist but for the passage of the bill. The term "revenue" contemplates, but is not limited to, taxes, fees and special assessments. For example, license plate fees may be a revenue source. If the bill will add or remove property or individuals from the tax base, include this information as well.

	FY 19-20	FY 20-21
Revenue decrease due to bill:	\$ N/A	\$ N/A
Revenue increase due to bill:	\$ N/A	\$ N/A

II. COST:

Include all costs, both direct and indirect, including start-up costs. If the bill repeals the existence of a certain entity, state the related costs, such as satisfying liabilities and distributing assets.

Expenditures for Implementation, Administration and Enforcement:

	FY 19-20	FY 20-21
	\$ N/A	\$ N/A

Please include explanations and calculations regarding how each dollar figure was determined in reaching total cost.

N/A

III. FUNDING SOURCE(S):

State the specific sources from which funding will be received, for example, license plate fees, state funds, borrowed funds, or special assessments.

If certain funding changes are anticipated to occur beyond the following two fiscal years, explain the change and at what rate taxes, fees or assessments will be collected in those years.

	<u>FY 19-20</u>	<u>FY 20-21</u>
Local:	\$ N/A	\$ N/A
State:	\$ N/A	\$ N/A
Federal:	\$ N/A	\$ N/A

IV. ECONOMIC IMPACT:

Potential Advantages:

Include all possible outcomes linked to the bill, such as increased efficiencies, and positive or negative changes to tax revenue. If an act is being repealed or an entity dissolved, include the increased or decreased efficiencies caused thereby.

Include specific figures for anticipated job growth.

1. Advantages to Individuals:

2. Advantages to Businesses:

3. Advantages to Government:

This Bill allows the Tampa General Employees' Pension Fund to make investments more efficiently and with lower risk by diversifying the portfolio.

Potential Disadvantages:

Include all possible outcomes linked to the bill, such as inefficiencies, shortages, or market changes anticipated.

Include reduced business opportunities, such as reduced access to capital or training.

State any decreases in tax revenue as a result of the bill.

1. Disadvantages to Individuals:

2. Disadvantages to Businesses:

3. Disadvantages to Government:

V. DESCRIBE THE POTENTIAL IMPACT OF THE BILL ON PRESENT GOVERNMENTAL SERVICES:

The current investment language of the City of Tampa General Employees' Pension Fund was originally written in 1945 and the amendments to it over the years do not contemplate the current investment universe or economic environment. The Bill modernizes the language by adopting Florida Statutes, which is the most up-to-date investment language available. The Bill allows the Plan to increase efficiencies and reduce risk in achieving investment goals by providing more flexibility and diversification in the investment portfolio.

VI. SPECIFIC DATA USED IN REACHING ESTIMATES:

Include the type(s) and source(s) of data used, percentages, dollar figures, all assumptions made, history of the industry/issue affected by the bill, and any audits.

N/A

VII. CERTIFICATION BY PREPARER

I hereby certify I am qualified to establish fiscal data and impacts and have personal knowledge of the information given. I have reviewed all available financial information applicable to the substance of the above-stated local bill and confirm the foregoing Economic Impact Statement is a true and accurate estimate of the economic impact of the bill.

PREPARED BY:



[Must be signed by Preparer]

Print preparer's name:

Lee Huffstutler

January 24, 2019

Date

TITLE (such as Executive Director, Actuary, Chief Accountant, or Budget Director):

Chief Accountant

REPRESENTING:

City of Tampa

PHONE:

813-274-7171

E-MAIL ADDRESS:

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