

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS
FINAL BILL 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
FINAL HOUSE FLOOR ACTION: GOVERNOR'S ACTION: Approved			
117	Y's 0	N's	

SUMMARY ANALYSIS

HB 1323 passed the House on April 17, 2019, and subsequently passed the Senate on May 1, 2019.

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.

The bill was approved by the Governor on May 23, 2019, ch. 2019-181, L.O.F., and will become effective on October 1, 2019.

I. SUBSTANTIVE INFORMATION

A. EFFECT OF 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.

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.

- 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.

Effect of the Bill

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.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. ECONOMIC IMPACT STATEMENT FILED? Yes No

D. 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.

E. REFERENDUM(S) REQUIRED? Yes No

IF YES, WHEN?