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REPLY TO: Tallahassee

MEMORANDUM

To: Municipal and Special District Clients
From: Jim Linn JL
Re: Police/Fire Pension Legislation -- SB 1462 (Pension Fund Investments and Administration)
Date: June 19, 1998

While Governor Chiles' veto of HB 3075 eliminated a good deal of local government concern about this year's police/fire pension legislation, another bill affecting police and firefighter pension plans has become law. As previously reported, SB 1462, concerning the investment and administrative authority of police and firefighter pension boards, passed the legislature. SB 1462 became law on May 22, and is now designated as Chapter 98-134, Laws of Florida. This bill takes effect on October 1, 1998 and makes the following changes to the investment and administrative provisions of Chapters 175 and 185, Florida Statutes:

1. Revises and updates the references to federal agencies which insure investments made in chartered savings institutions. The FDIC is replaced by the Bank Insurance Fund and the FSLIC is replaced by reference to the Savings Association Insurance Fund administered by the FDIC.
2. Expands the list of institutions in which a pension board may invest pension funds to include a state or federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund.
3. Allows the pension board to invest pension funds in the stock of a corporation which does not hold a rating in one of the three highest classifications by a major rating service. Bonds must still hold this rating.

4. Increases from 30 to 50 percent the aggregate investments of the fund which may be invested in U.S. corporate stocks or bonds; however, the bill contains a caveat that it not be construed to revoke any preexisting legal authority permitting equity investments that exceed this amount.
5. Permits the pension board to invest up to 10 percent of plan assets in foreign securities.
6. Requires a simple majority of the board, rather than an absolute majority of three members, to approve official business coming before the board.
7. Provides record-keeping duties of the plan secretary, including a record of all persons receiving retirement benefits, the time when the pension was allowed, and when the pension shall cease.
8. Provides for an evaluation of professional money managers at least once every three years, by a "professionally qualified independent consultant." The minimum qualifications of a professionally qualified independent consultant are defined to include one who provides services on a flat fee basis and is not associated with the money manager for the fund.
9. Authorizes a plan to hire independent legal counsel, an independent actuary, and such other professional, technical, or other advisers as it deems necessary. The employment of any of these must be at the pension fund's expense. A fund may elect to use its parent local government's legal counsel, actuary, or other professional or technical advisers, but shall do so only under terms and conditions acceptable to the board.

While these changes will probably not have a major impact on most local police and fire pension plans, there are several provisions that should be monitored by local governments. These include the impact of foreign investment, increased investments in stocks and bonds, and investments in lower-rated stocks.

Please call me if you have any questions or need additional information.