

- SUBJECT:** Amending the Texas Local Fire Fighters Retirement Act
- COMMITTEE:** Pensions and Investments — favorable, without amendment
- VOTE:** 5 ayes — Telford, Johnson, Averitt, Haggerty, Rangel
0 nays
4 absent — Berlanga, McCall, Willis, Wilson
- SENATE VOTE:** On final passage, February 16 — 30-0
- WITNESSES:** For — None
Against — None
On — Helen Campbell, Texas Fire Fighters Pension Commission
- BACKGROUND:** The Texas Local Fire Fighters Retirement Act applies to 37 fire departments in midsize cities (i.e., Beaumont and Lubbock) and about 100 volunteer fire departments. Each fire department invests its own funds based on a list of investments in the law and under the prudent person rule of investing. Each department has its own retirement plan.
- DIGEST:** SB 449 would amend the Texas Local Fire Fighters Retirement Act to:
- make it apply to political subdivisions that are outside cities and that employ firefighters;
 - eliminate specific lists of authorized investments and allow the boards of trustees to invest the funds according to the prudent person rule;
 - eliminate requirements that no more than 60 percent of the book value of a fund be invested in stocks and that no investments be made in financial institutions making loans to the Republic of South Africa;

- allow all volunteer firefighters to determine their annual dues to the fund based on a majority vote by secret ballot (instead of setting them at \$3 to \$5; and
- allow the chief operating officer of the political subdivision or its representative to be a member of the board of trustees, instead of city major or their designee.

The bill would take immediate effect if approved by two thirds of the membership of each house.

**SUPPORTERS
SAY:**

SB 449 would allow firefighters outside municipal areas, such as those in fire prevention districts or county fire departments, to be covered by the Texas Local Fire Fighters Retirement Act (TELFRA). A state-approved pension system provides general oversight, educational opportunities, record keeping, investment monitoring and general assistance for firefighters.

Eliminating the investment "laundry list" would provide the needed flexibility to invest in today's market, leaving the boards of trustees the strict fiduciary responsibility to invest their pension funds under the prudent person rule. Almost all pension fund investments are governed according to the prudent person rule, which prevents risky investing. The investment list prevented the pension funds from making certain prudent investments because it was so strictly worded. Using the prudent person rule would keep the funds from having to ask the Legislature to adjust the list every session to keep up with changing markets.

The government of South Africa has abolished apartheid and has made great strides towards democracy, eliminating any need to restrict investments in that country.

**OPPONENTS
SAY:**

The list of permissible investments is needed to insure that investments made by firefighter pension systems are conservative and low risk. Allowing these funds to invest only under the prudent person rule and eliminating the requirement that they have no more than 60 percent of their portfolio in stocks could allow the investment portfolio to be less balanced and secure.