

1                   A bill to be entitled  
2           An act relating to state investments; amending s. 215.44,  
3           F.S.; clarifying provisions relating to the retention of  
4           independent investment advisers or managers by the State  
5           Board of Administration; authorizing the Investment  
6           Advisory Council to review such managers or advisers;  
7           requiring the board to include contingent compensation in  
8           its operating budget; clarifying the requirement that the  
9           Office of Program Policy Analysis and Government  
10          Accountability examine the board's management of  
11          investments; amending s. 215.441, F.S.; providing that the  
12          executive director of the board is subject to confirmation  
13          by the Senate; amending s. 215.442, F.S.; expanding the  
14          subject of a quarterly report to the board by the  
15          executive director to include certain mortgage securities  
16          and certain movements in investment grade of such  
17          securities; providing that the executive director of the  
18          board is a state officer subject to financial disclosure  
19          requirements; amending s. 215.444, F.S.; revising  
20          membership of the council; providing that council members  
21          are public officers subject to financial disclosure  
22          requirements; amending s. 215.475, F.S.; requiring the  
23          council to submit a review and summary of recommended  
24          changes to the investment policy statement of the board  
25          before the board votes on changes to the statement;  
26          providing an effective date.

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28   Be It Enacted by the Legislature of the State of Florida:

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Section 1. Subsections (2), (4), and (6) of section 215.44, Florida Statutes, are amended to read:

215.44 Board of Administration; powers and duties in relation to investment of trust funds.--

(2)(a) The board shall have the power to make purchases, sales, exchanges, investments, and reinvestments for and on behalf of the funds referred to in subsection (1), and it shall be the duty of the board to see that moneys invested under the provisions of ss. 215.44-215.53 are at all times handled in the best interests of the state.

(b) In exercising investment authority pursuant to s. 215.47, the board may retain independent investment advisers or managers, or both, external to in-house staff, to assist the board in carrying out the power specified in paragraph (a). The Investment Advisory Council shall have the right to review, on a semiannual basis, the advisers and managers retained by the board.

(4) The board shall prepare and approve an operating budget each fiscal year consistent with the provisions of chapter 216. The approved operating budget shall be submitted to the legislative appropriation committees and the Executive Office of the Governor prior to July 1 of each year. The budget shall include any contingent compensation paid to any employee, adviser, or manager, based upon the performance of investments made by the board.

(6) The Office of Program Policy Analysis and Government Accountability shall conduct a management and operations review,

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57 including, but not limited to, ~~examine~~ the board's management of  
 58 investments every 2 years. The Office of Program Policy Analysis  
 59 and Government Accountability shall submit such reports to the  
 60 board, the President of the Senate, and the Speaker of the House  
 61 of Representatives and their designees.

62 Section 2. Section 215.441, Florida Statutes, is amended  
 63 to read:

64 215.441 Board of Administration; appointment of executive  
 65 director.--The appointment of the executive director of the  
 66 State Board of Administration shall be subject to confirmation  
 67 by the Senate and ~~the~~ approval by a majority vote of the Board  
 68 of Trustees of the State Board of Administration, and the  
 69 Governor must vote on the prevailing side. Such appointment must  
 70 be reaffirmed in the same manner by the board of trustees on an  
 71 annual basis.

72 Section 3. Subsection (1) of section 215.442, Florida  
 73 Statutes, is amended, and subsection (4) is added to that  
 74 section, to read:

75 215.442 Executive director; reporting requirements; public  
 76 meeting.--

77 (1) Beginning October 2007 and quarterly thereafter, the  
 78 executive director shall present to the Board of Trustees of the  
 79 State Board of Administration a quarterly report to include the  
 80 following:

81 (a) The name of each equity in which the State Board of  
 82 Administration has invested for the quarter.

83 (b) The industry category of each equity.

84           (c) Mortgage securities or debt that represent  
85 participation in or are collateralized by mortgage loans secured  
86 by real property or debt issued, including the letter and  
87 numerical ratings provided by nationally recognized statistical  
88 rating organizations for each security.

89           (d) A reporting of which securities have moved inside and  
90 outside of investment grade.

91           (4) The executive director is a state officer, covered by  
92 s. 112.3145.

93           Section 4. Section 215.444, Florida Statutes, is amended  
94 to read:

95           215.444 Investment Advisory Council.--

96           (1) There is created an 11-member ~~a six-member~~ Investment  
97 Advisory Council to review the investments made by the staff of  
98 the Board of Administration and to make recommendations to the  
99 board regarding investment policy, strategy, and procedures.

100           (2) The members of the council shall be appointed by the  
101 board and shall be subject to confirmation by the Senate. The  
102 members shall include one member nominated by the President of  
103 the Senate, one member nominated by the Speaker of the House of  
104 Representatives, one member representing local government  
105 employees, one member representing state government employees,  
106 one member representing public educational employees, and six  
107 additional persons. These individuals shall possess special  
108 knowledge, experience, and familiarity with financial  
109 investments and portfolio management. Members shall be appointed  
110 for 4-year terms. A vacancy shall be filled for the remainder of  
111 the unexpired term. The council shall annually elect a chair and

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112 a vice chair from its membership. A member may not be elected to  
 113 consecutive terms as chair or vice chair. The members are state  
 114 officers covered by s. 112.3145.

115 Section 5. Section 215.475, Florida Statutes, is amended  
 116 to read:

117 215.475 Investment policy statement.--

118 (1) In making investments for the System Trust Fund  
 119 pursuant to ss. 215.44-215.53, the board shall make no  
 120 investment which is not in conformance with the Florida  
 121 Retirement System Defined Benefit Plan Investment Policy  
 122 Statement, hereinafter referred to as "the IPS," as developed by  
 123 the executive director and the Investment Advisory Council and  
 124 approved by the board. The IPS must include, among other items,  
 125 the investment objectives of the System Trust Fund; permitted  
 126 types of securities in which the board may invest; and  
 127 evaluation criteria necessary to measure the investment  
 128 performance of the fund. As required from time to time, the  
 129 Investment Advisory Council and the executive director of the  
 130 board may present recommended changes in the IPS to the board  
 131 for approval.

132 (2) The Investment Advisory Council shall present its  
 133 summary and review of recommended changes ~~Prior to any~~  
 134 ~~recommended changes in the IPS to being presented to the board,~~  
 135 the executive director and ~~of the board shall present such~~  
 136 ~~changes to the Investment Advisory Council for review. The~~  
 137 ~~council shall present the results of its review to the board~~  
 138 prior to the board's final approval of the IPS or changes in the  
 139 IPS.

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Section 6. This act shall take effect July 1, 2008.