

20082422er

1  
2 An act relating to the investment of local government  
3 surplus funds; amending s. 218.401, F.S.; revising the  
4 purpose of the Investment of Local Government Surplus  
5 Funds Act; amending s. 218.403, F.S.; providing  
6 definitions; amending s. 218.405, F.S.; authorizing the  
7 State Board of Administration to contract with a  
8 professional money management firm to administer the trust  
9 fund; establishing objectives of the trust fund; providing  
10 for trustee certification; amending s. 218.407, F.S.;  
11 requiring the distribution of certain enrollment materials  
12 to potential investors; specifying the contents of the  
13 enrollment materials; requiring the signed acceptance of a  
14 disclosure statement by the authorized local government  
15 official prior to investing in the trust fund; requiring  
16 surplus funds to be invested in pooled investment  
17 accounts; amending s. 218.409, F.S.; revising  
18 administration of the trust fund; providing standards of  
19 care, including level of prudence, ethics and conflicts of  
20 interest, and internal controls; providing for annual  
21 review and approval of investment policy and controls;  
22 providing for reports; revising the use and disclosure of  
23 reserves; requiring investments to be made in pooled  
24 accounts; requiring establishment and approval of an  
25 account balance information system; providing  
26 transparency; requiring monthly reports to certain persons  
27 and groups; providing criteria of the report; requiring  
28 marking to market calculation and reporting; providing  
29 criteria; providing for additional reporting; authorizing

20082422er

30 limiting withdrawals from or contributions to the trust  
31 fund under certain circumstances; providing criteria for  
32 use of interest by board; requiring an annual financial  
33 audit; requiring the audit to be reported to certain  
34 persons and groups; requiring certification report by  
35 trustees; creating the Participant Local Government  
36 Advisory Council; providing for appointments, membership,  
37 terms, the filling of vacancies, and officers; requiring  
38 biennial reports by the council to certain persons and  
39 groups; amending ss. 218.411 and 218.412, F.S.; conforming  
40 terminology; creating s. 218.418, F.S.; providing  
41 definitions; creating s. 218.421, F.S.; providing for the  
42 purpose of the Fund B Surplus Funds Trust Fund; providing  
43 rulemaking authority; providing for administration of the  
44 trust fund; providing for annual certification by the  
45 Trustees of the State Board of Administration to the Joint  
46 Legislative Auditing Committee that the trust fund has  
47 been reviewed and is in compliance with the requirements  
48 of this section; providing restrictions on the trust fund;  
49 providing criteria for payment of accrued funds;  
50 restricting participant transactions in the trust fund;  
51 providing for investment policy criteria; providing  
52 procedures for internal controls; providing duty to  
53 disclose material impacts on the trust fund; providing for  
54 investment policy implementation; providing criteria for  
55 payment of costs and use of interest; providing authority  
56 to trustees to distribute remaining reserve upon self-  
57 liquidation; providing reporting requirements; requiring  
58 monthly reports to certain persons and groups; providing

20082422er

59 criteria of the report; providing for additional  
60 reporting; requiring trustee review; creating s. 218.422,  
61 F.S.; requiring the Auditor General to review the trust  
62 fund prior to the 2013 Regular Session and provide a  
63 summary report to certain persons and entities; providing  
64 for expiration of ss. 218.418-218.422, F.S., upon  
65 termination or self-liquidation of the trust fund;  
66 providing a contingent effective date.

67

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

69

70 Section 1. Section 218.401, Florida Statutes, is amended to  
71 read:

72 218.401 Purpose.--It is the intent of this part to promote,  
73 through state assistance, the maximization of net interest  
74 earnings on invested surplus funds of local units of government,  
75 based on the principals of investor protection, mandated  
76 transparency, and proper governance, with the goal of thereby  
77 reducing the need for imposing additional taxes.

78 Section 2. Section 218.403, Florida Statutes, is amended to  
79 read:

80 218.403 Definitions.--The following words or terms, when  
81 used in this part, shall have the following meanings:

82 (1) "Board" means the State Board of Administration.

83 (2) ~~(1)~~ "Chief Financial Officer" means the mayor, manager,  
84 administrator, clerk, comptroller, treasurer, director of  
85 finance, or other local government official, regardless of the  
86 title of his or her office, charged with administering the fiscal  
87 affairs of a unit of local government.

20082422er

88        (3)~~(2)~~ "Current expenses" means expenses to meet known cash  
89 needs and anticipated cash-flow requirements for the short term.

90        (4) "GASB" means the Governmental Accounting Standards  
91 Board.

92        (5) "GFOA" means the Government Finance Officers  
93 Association.

94        (6)~~(3)~~ "Governing body" means the body or board in which  
95 the legislative power of a unit of local government is vested.

96        (7)~~(4)~~ "Short term" means a maximum of 6 months of  
97 operation.

98        (8)~~(5)~~ "Surplus funds" means any funds in any general or  
99 special account or fund of a unit of local government, or funds  
100 held by an independent trustee on behalf of a unit of local  
101 government, which in reasonable contemplation will not be  
102 immediately needed for the purposes intended.

103        (9)~~(6)~~ "Trust fund" means the pooled investment fund  
104 created by s. 218.405 and known as the Local Government Surplus  
105 Funds Trust Fund.

106        (10) "Trustees" mean the Trustees of the State Board of  
107 Administration.

108        (11)~~(7)~~ "Unit of local government" means any governmental  
109 entity within the state not part of state government and shall  
110 include, but not be limited to, the following and the officers  
111 thereof: any county, municipality, school district, special  
112 district, clerk of the circuit court, sheriff, property  
113 appraiser, tax collector, supervisor of elections, authority,  
114 board, public corporations, or any other political subdivision of  
115 the state.

116        Section 3. Section 218.405, Florida Statutes, is amended to

20082422er

117 read:

118 218.405 Local Government Surplus Funds Trust Fund;  
119 creation; objectives; certification; interest; rulemaking.--

120 (1) There is hereby created a Local Government Surplus  
121 Funds Trust Fund to be administered by the ~~State~~ board of  
122 ~~Administration~~ and to be composed of local government surplus  
123 funds deposited therein by units of local government under the  
124 procedures established in this part. ~~The board may contract with~~  
125 a professional money management firm to manage the trust fund.

126 (2) The primary objectives, in priority order, of  
127 investment activities shall be safety, liquidity, and competitive  
128 returns with minimization of risks.

129 (3) The trustees shall annually certify to the Joint  
130 Legislative Auditing Committee that the trust fund is in  
131 compliance with the requirements of this part and that the  
132 trustees have conducted a review of the trust fund and determined  
133 that the management of the trust fund is in accord with best  
134 investment practices.

135 (4) The board may adopt rules to administer the provisions  
136 of this section.

137 Section 4. Section 218.407, Florida Statutes, is amended to  
138 read:

139 218.407 Local government investment authority.--

140 (1) Prior to any determination by the governing body that  
141 it is in the interest of the unit of local government to deposit  
142 surplus funds in the trust fund, the board or a professional  
143 money management firm must provide to the governing body  
144 enrollment materials, including a trust fund profile containing  
145 impartial educational information describing the administration

20082422er

146 and investment policy of the trust fund, including, but not  
147 limited to:

148 (a) All rights and conditions of participation, including  
149 potential restrictions on withdrawals.

150 (b) The historical performance, investment holdings, credit  
151 quality, and average maturity of the trust fund investments.

152 (c) The applicable administrative rules.

153 (d) The rate determination processes for any deposit or  
154 withdrawal.

155 (e) Any fees, charges, penalties, and deductions that apply  
156 to the account.

157 (f) The most recently published financial statements or  
158 independent audits, if available, prepared under generally  
159 accepted accounting principles.

160 (g) A disclosure statement for signature by the appropriate  
161 local government official.

162 (2)~~(1)~~ Upon review of the enrollment materials and upon  
163 determination by the governing body that it is in the interest of  
164 the unit of local government to deposit surplus funds in the  
165 trust fund, a resolution by the governing body and the signed  
166 acceptance of the disclosure statement by the local government  
167 official, who may be the chief financial or administrative  
168 officer of the local government, shall be filed with the State  
169 board and, if appropriate, a copy shall be provided to a  
170 professional money management firm of Administration ~~of Administration~~ authorizing  
171 investment of its surplus funds in the trust fund established by  
172 this part. The resolution shall name:

173 (a) The local government official, who may be the chief  
174 financial or administrative officer of the local government, or

20082422er

175 (b) An independent trustee holding funds on behalf of the  
176 unit of local government,

177  
178 responsible for deposit and withdrawal of such funds.

179 (3)(2) The ~~State~~ board or a professional money management  
180 firm of Administration shall, upon the filing of the resolution,  
181 invest the moneys in the trust fund in the same manner and  
182 subject to the same restrictions as are set forth in s. 215.47.  
183 ~~Except when authorized by the board,~~ All units of local  
184 government that ~~which~~ qualify to be participants in the ~~Local~~  
185 ~~Government Surplus Funds~~ trust fund shall after January 1, 1982,  
186 ~~will normally~~ have surplus funds deposited into a pooled  
187 investment account.

188 (4)(3) The provisions of this part shall not impair the  
189 power of a unit of local government to hold funds in deposit  
190 accounts with banking or savings institutions or to invest funds  
191 as otherwise authorized by law.

192 Section 5. Section 218.409, Florida Statutes, is amended to  
193 read:

194 218.409 Administration of the trust fund; creation of  
195 advisory council.--

196 (1) Upon receipt of the items specified in s. 218.407  
197 ~~resolution~~ from the local governing body, the ~~State~~ board or a  
198 professional money management firm of Administration shall accept  
199 all wire transfers of funds into the trust fund. The ~~State~~ board  
200 or a professional money management firm of Administration shall  
201 also wire-transfer invested local government funds to the local  
202 government upon request of the local government official named in  
203 the resolution.

20082422er

204           (2)(a) The trustees shall ensure that the State board or a  
205 professional money management firm administers of Administration  
206 shall administer the investment trust fund funds on behalf of the  
207 participants. The board or a professional money management firm  
208 and shall have the power to invest such funds in accordance with  
209 a written investment policy. The investment policy shall be  
210 updated annually to conform to best investment practices. The  
211 standard of prudence to be used by investment officials shall be  
212 the fiduciary standards as set forth in s. 215.47(9), which shall  
213 be applied in the context of managing an overall portfolio.  
214 Portfolio managers acting in accordance with written procedures  
215 and an investment policy and exercising due diligence shall be  
216 relieved of personal responsibility for an individual security's  
217 credit risk or market price changes, provided deviations from  
218 expectations are reported in a timely fashion and the liquidity  
219 and the sale of securities are carried out in accordance with the  
220 terms of this part.

221           (b) Officers and employees involved in the investment  
222 process shall refrain from personal business activity that could  
223 conflict with the proper execution and management of the  
224 investment program or that could impair their ability to make  
225 impartial decisions. Employees and investment officials shall  
226 disclose any material interests in financial institutions with  
227 which they conduct business on behalf of the trust fund. They  
228 shall further disclose any personal financial or investment  
229 positions that could be related to the performance of the  
230 investment portfolio. Employees and officers shall refrain from  
231 undertaking personal investment transactions with the same  
232 individual with whom business is conducted on behalf of the



20082422er

233 | board.

234 |       (c) The board or a professional money management firm and  
235 | all employees have an affirmative duty to immediately disclose  
236 | any material impact to the trust fund to the participants. To  
237 | ensure such disclosure, a system of internal controls shall be  
238 | established by the board, which shall be documented in writing as  
239 | part of the investment policy. The controls shall be designed to  
240 | prevent the loss of public funds arising from fraud, employee  
241 | error, and misrepresentation by third parties, unanticipated  
242 | changes in financial markets, or imprudent actions by employees  
243 | and officers of the board or a professional money management  
244 | firm. The controls shall also include formal escalation reporting  
245 | guidelines for all employees. The guidelines shall establish  
246 | procedures to address material impacts on the trust fund that  
247 | require reporting and action.

248 |       (d) The investment policy shall be reviewed and approved  
249 | annually by the trustees or when market changes dictate, and in  
250 | each event the investment policy shall be reviewed by the  
251 | Investment Advisory Council and by the Participant Local  
252 | Government Advisory Council ~~A fee may be charged on any~~  
253 | ~~transaction that is not in accord with the close of business as~~  
254 | ~~set by the board.~~

255 |       (3) The ~~State~~ board or a professional money management firm  
256 | ~~of Administration~~ may purchase such surety or other bonds as may  
257 | be necessary for its officials in order to protect the trust  
258 | fund. A reserve fund may be established to fulfill this purpose.  
259 | However, any reserve must be a portion of the management fee and  
260 | must be fully disclosed, including its purpose, in the enrollment  
261 | materials at the time a unit of local government considers

20082422er

262 participation. Further, any change in the amount to be charged  
263 for a reserve must have a reasonable notice period to allow any  
264 participant to withdraw from the trust fund prior to the new  
265 reserve charge being imposed.

266 (4) ~~All investments may be purchased jointly for the~~  
267 ~~participants in the trust fund.~~ The board or a professional money  
268 management firm shall ~~may also~~ purchase investments for a pooled  
269 investment account in which all participants ~~may~~ share pro rata,  
270 ~~as determined by rule of the board,~~ in the capital gain, income,  
271 or losses, subject to any penalties for early withdrawal. Any  
272 provisions for penalties, including their purpose, must be  
273 disclosed in the enrollment materials. Any change in the amount  
274 to be charged for a penalty must have a reasonable notice period  
275 to allow any participant to withdraw from the trust fund prior to  
276 the new penalty charge being imposed ~~The board shall determine~~  
277 ~~the rate of return for the pooled investment account.~~ A system  
278 shall ~~may~~ be developed by the board, and disclosed in the  
279 enrollment materials, subject to annual approval by the trustees,  
280 to keep ~~current~~ account balances current ~~balance information~~ and  
281 to apportion pooled investment earnings ~~back~~ to individual  
282 accounts.

283 (5) ~~The State board of Administration~~ shall keep a separate  
284 account, designated by name and number of each participating  
285 local government. A maximum number of accounts allowed for each  
286 participant may be established by the board. Individual  
287 transactions and totals of all investments, or the share  
288 belonging to each participant, shall be recorded in the accounts.

289 (6) (a) ~~The State board of Administration~~ shall provide a report, at a minimum  
290 firm ~~of Administration~~

20082422er

291 monthly ~~semiannually~~ or upon the occurrence of a material event,  
292 ~~request~~ to every participant having a beneficial interest in the  
293 trust fund, the board's executive director, the trustees, the  
294 Joint Legislative Auditing Committee, the Investment Advisory  
295 Council, and the Participant Local Government Advisory Council.  
296 The report shall include:

297 1. Reports of any material impacts on the trust fund and  
298 any actions or escalations taken by staff to address such  
299 impacts. The trustees shall provide quarterly a report to the  
300 Joint Legislative Auditing Committee that the trustees have  
301 reviewed and approved the monthly reports and actions taken, if  
302 any, to address any impacts.

303 2. A management summary that provides an analysis of the  
304 status of the current investment portfolio and the individual  
305 transactions executed over the last month. This management  
306 summary shall be prepared in a manner that will allow anyone to  
307 ascertain whether investment activities during the reporting  
308 period have conformed to investment policies. Such reporting  
309 shall be in conformance with best market practices ~~show the~~  
310 ~~changes in investments made during the preceding period. The~~  
311 ~~report shall delineate, in a manner which is in accordance with~~  
312 ~~generally accepted governmental accounting procedures, those~~  
313 ~~funds on deposit, the manner in which the funds are invested, and~~  
314 ~~the interest earnings thereon. The State board or a professional~~  
315 money management firm of Administration shall furnish upon  
316 request the details of an investment transaction to any  
317 participant, the trustees, the Investment Advisory Council, and  
318 the Participant Local Government Advisory Council.

319 (b) The market value of the portfolio shall be calculated

20082422er

320 daily. Withdrawals from the trust fund shall be based on a  
321 process that is transparent to participants and will ensure that  
322 advantages or disadvantages do not occur to parties making  
323 deposits or withdrawals on any particular day. A statement of the  
324 market value and amortized cost of the portfolio shall be issued  
325 to participants in conjunction with any deposits or withdrawals.  
326 In addition, this information shall be reported monthly with the  
327 items in paragraph (a) to participants, the trustees, the  
328 Investment Advisory Council, and the Participant Local Government  
329 Advisory Council. The review of the investment portfolio, in  
330 terms of value and price volatility, shall be performed with  
331 practices consistent with the GFOA Recommended Practice on "Mark-  
332 to-Market Practices for State and Local Government Investment  
333 Portfolios and Investment Pools." In defining market value,  
334 consideration shall be given to GASB Statement 31. Additional  
335 reporting may be made to pool participants through regular and  
336 frequent ongoing multi-media educational materials and  
337 communications, including, but not limited to, historical  
338 performance, investment holdings, amortized cost and market value  
339 of the trust fund, credit quality, and average maturity of the  
340 trust fund investments.

341 (7) Costs incurred in carrying out the provisions of this  
342 part shall be deducted from the interest earnings accruing to the  
343 trust fund. Such deductions shall be prorated among the  
344 participant local governments in the percentage that each  
345 participant's deposits bear to the total trust fund. The  
346 remaining interest earned shall be distributed monthly to  
347 participants according to the amount invested. Except for costs,  
348 the board or a professional money management firm may not

20082422er

349 transfer the interest or use the interest for any other purpose,  
350 including, but not limited to, making up investment losses.

351 (8) (a) The principal, and any part thereof, of each and  
352 every account constituting the trust fund shall be subject to  
353 payment at any time from the moneys in the trust fund. However,  
354 the executive director may, in good faith, on the occurrence of  
355 an event that has a material impact on liquidity or operations of  
356 the trust fund, for 48 hours limit contributions to or  
357 withdrawals from the trust fund to ensure that the board can  
358 invest moneys entrusted to it in exercising its fiduciary  
359 responsibility ~~or as otherwise provided by agreement between the~~  
360 ~~State Board of Administration and the investing unit.~~ Such action  
361 shall be immediately disclosed to all participants, the trustees,  
362 the Joint Legislative Auditing Committee, the Investment Advisory  
363 Council, and the Participant Local Government Advisory Council.  
364 The trustees shall convene an emergency meeting as soon as  
365 practicable from the time the executive director has instituted  
366 such measures and review the necessity of those measures. If the  
367 trustees agree with such measures, the trustees shall vote to  
368 continue the measures for up to an additional 15 days. The  
369 trustees must convene and vote to continue any such measures  
370 prior to the expiration of the time limit set, but in no case may  
371 the time limit set by the trustees exceed 15 days.

372 (b) An order to withdraw funds ~~or warrant~~ may not be issued  
373 upon any account for a larger amount than the share of the  
374 particular account to which it applies; and if such order ~~or~~  
375 ~~warrant~~ is issued, the responsible official shall be personally  
376 liable under his or her bond for the entire overdraft resulting  
377 from the payment if made.

20082422er

378       (9) The Auditor General shall conduct an annual financial  
379 audit of the trust fund, which shall include testing for  
380 compliance with the investment policy. The completed audit shall  
381 be provided to the participants, the board, the trustees, the  
382 Investment Advisory Council, the Participant Local Government  
383 Advisory Council, and the Joint Legislative Auditing Committee.  
384 As soon as practicable, but no later than 30 days after  
385 completion of the audit, the trustees shall report to the Joint  
386 Legislative Auditing Committee that the trustees have reviewed  
387 the audit of the trust fund and shall certify that any necessary  
388 items are being addressed by a corrective action plan that  
389 includes target completion dates.

390       (10) (a) There is created a six-member Participant Local  
391 Government Advisory Council for the purposes of regularly  
392 reviewing the administration of the trust fund and making  
393 recommendations regarding such administration to the trustees.  
394 The members of the council shall be appointed by the board and  
395 subject to confirmation by the Senate. Members must possess  
396 special knowledge, experience, and familiarity obtained through  
397 active, long-standing, and material participation in the dealings  
398 of the trust fund. Each member shall serve a 4-year term. Any  
399 vacancy shall be filled for the remainder of the unexpired term.  
400 The council shall annually elect a chair and vice chair from  
401 within its membership. A member may not serve consecutive terms  
402 as chair or vice chair.

403       (b) The council shall prepare and submit a written biennial  
404 report to the board, trustees, the Investment Advisory Council,  
405 and the Joint Legislative Auditing Committee that describes the  
406 activities and recommendations of the council.

20082422er

407 Section 6. Section 218.411, Florida Statutes, is amended to  
408 read:

409 218.411 Authorization for state technical and advisory  
410 assistance.--

411 (1) The ~~State board of Administration~~ is authorized, upon  
412 request, to assist local governments in investing funds that are  
413 temporarily in excess of operating needs by:

414 (a) Explaining investment opportunities to such local  
415 governments through publication and other appropriate means.

416 (b) Acquainting such local governments with the state's  
417 practice and experience in investing short-term funds.

418 (c) Providing, in cooperation with the Department of  
419 Community Affairs, technical assistance to local governments in  
420 investment of surplus funds.

421 (2) The ~~State board of Administration~~ may establish fees to  
422 cover the cost of such services, which shall be paid by the unit  
423 of local government requesting such service. Such fees shall be  
424 deposited to the credit of the appropriation or appropriations  
425 from which the costs of providing the services have been paid or  
426 are to be charged.

427 Section 7. Section 218.412, Florida Statutes, is amended to  
428 read:

429 218.412 Rulemaking authority.--The ~~State board of~~  
430 ~~Administration~~ may adopt rules as it deems necessary to carry out  
431 the provisions of this part for the administration of the ~~Local~~  
432 ~~Government Surplus Funds~~ trust fund.

433 Section 8. Section 218.418, Florida Statutes, is created to  
434 read:

435 218.418 Definitions.--As used in ss. 218.421-218.422, the

20082422er

436 term:

437 (1) "Board" means the State Board of Administration.

438 (2) "Surplus funds" means any funds in any general or  
439 special account or fund of a unit of local government, or funds  
440 held by an independent trustee on behalf of a unit of local  
441 government, which in reasonable contemplation will not be  
442 immediately needed for the purposes intended.

443 (3) "Trust fund" means the pooled investment fund known as  
444 the Fund B Surplus Funds Trust Fund.

445 (4) "Trustees" means the Trustees of the State Board of  
446 Administration.

447 (5) "Unit of local government" means any governmental  
448 entity within the state not part of state government and  
449 includes, but is not limited to, the following and the officers  
450 thereof: any county, municipality, school district, special  
451 district, clerk of the circuit court, sheriff, property  
452 appraiser, tax collector, supervisor of elections, authority,  
453 board, public corporation, or other political subdivision of the  
454 state.

455 Section 9. Section 218.421, Florida Statutes, is created to  
456 read:

457 218.421 Fund B Surplus Funds Trust Fund; purpose;  
458 rulemaking; administration; reporting.--

459 (1) (a) The purpose of the Fund B Surplus Funds Trust Fund  
460 is to maximize the payout of principal on invested surplus funds  
461 of units of local government formerly in Fund B of the Local  
462 Government Surplus Funds Trust Fund through a prudent work out of  
463 the trust fund with the ultimate goal of self-liquidating the  
464 trust fund through maturity and payout of the investments.



20082422er

465 (b) The State Board of Administration may adopt rules  
466 pursuant to ss. 120.536(1) and 120.54 to administer this section.

467 (2) (a) The board or a professional money management firm  
468 shall administer the trust fund on behalf of the participants  
469 based on a written investment policy, approved by the trustees,  
470 and shall have the power to work out, restructure, or invest such  
471 funds. The trustees shall annually certify to the Joint  
472 Legislative Auditing Committee that the trustees have conducted a  
473 review of the trust fund and that the trust fund is in compliance  
474 with the requirements of this section. Any new investments must  
475 be made in money market or equivalent funds. The board or a  
476 professional money management firm shall keep a separate account,  
477 designated by name and number of each participating local  
478 government. Individual transactions and totals of all  
479 investments, or the share belonging to each participant, shall be  
480 recorded in the accounts. Any moneys accrued in the trust fund  
481 shall be subject to payment from the trust fund on a monthly  
482 basis to the trust fund participants according to their  
483 proportional interest in the trust fund so long as at least  
484 \$100,000 is in the trust fund at the end of that month. After all  
485 securities have matured, been sold, or worked out, a final  
486 distribution shall be made to the participants in the trust fund.  
487 Participants may not conduct transactions in the trust fund.

488 (b) The board or a professional money management firm and  
489 all employees of the board or firm have an affirmative duty to  
490 immediately disclose any material impact to the trust fund to the  
491 participants. To ensure such disclosure, a system of internal  
492 controls shall be established by the board, which shall be  
493 documented in writing as part of the investment policy. The

20082422er

494 controls shall be designed to prevent the loss of public funds  
495 arising from fraud, employee error, and misrepresentation by  
496 third parties, unanticipated changes in financial markets, or  
497 imprudent actions by employees and officers of the board or a  
498 professional money management firm. The controls shall also  
499 include formal escalation reporting guidelines for all employees.  
500 The guidelines shall establish procedures to address material  
501 impacts on the trust fund that require reporting and action.

502 (c) The investment policy shall be reviewed and approved by  
503 the trustees upon the transfer of the funds into the trust fund  
504 or when market changes dictate, and in each event, the investment  
505 policy shall be reviewed by the Investment Advisory Council and  
506 by the Participant Local Government Advisory Council.

507 (d) Costs incurred in carrying out the provisions of this  
508 section, which shall be prorated among the participants in the  
509 percentage that each participant's deposits bear to the total  
510 trust fund, may be deducted from any interest earned in the trust  
511 fund. The board or a professional money management firm may not  
512 transfer the interest or use the interest for any other purpose,  
513 including, but not limited to, making up investment losses.

514 (e) After the trust fund self-liquidates, any remaining  
515 reserve may be transferred by the trustees at their sole  
516 discretion back to the trust fund from which the assets were  
517 originally separated.

518 (3) (a) The board or a professional money management firm  
519 shall provide a report at a minimum, monthly, or upon the  
520 occurrence of a material event, to every participant having a  
521 beneficial interest in the trust fund, the board's executive  
522 director, the trustees, the Joint Legislative Auditing Committee,

20082422er

523 the Investment Advisory Council, and the Participant Local  
524 Government Advisory Council. The report shall include:

525 1. Reports of any material impacts on the trust fund, and  
526 any actions or escalations taken by staff to address such  
527 impacts. The trustees shall provide quarterly a report to the  
528 Joint legislative Auditing Committee that the trustees have  
529 reviewed and approved the monthly reports and actions taken, if  
530 any, to address any impacts.

531 2. A management summary that provides an analysis of the  
532 status of the current investment portfolio and the individual  
533 transactions executed over the last month. This management  
534 summary shall be prepared in a manner that will allow anyone to  
535 ascertain whether investment activities during the reporting  
536 period have conformed to investment policies. Such reporting  
537 shall be in conformance with best market practices.

538 3. The board or a professional money management firm shall  
539 furnish upon request the details of an investment transaction to  
540 any participant, the trustees, the Investment Advisory Council,  
541 and the Participant Local Government Advisory Council.

542 (b) Additional reporting may be made to participants in the  
543 trust fund through regular and frequent ongoing multi-media  
544 educational materials and communications, including, but not  
545 limited to, historical performance, investment holdings,  
546 amortized cost and market value of the trust fund, credit  
547 quality, and average maturity of the trust fund investments.

548 (4) The trustees shall review the board's progress in  
549 returning the principal in the trust fund to the participants at  
550 each meeting of the board until the trust fund self-liquidates or  
551 is terminated by law.

20082422er

552 Section 10. Section 218.422, Florida Statutes, is created  
553 to read:

554 218.422 Fund B Surplus Funds Trust Fund; review.--Unless  
555 the Fund B Surplus Funds Trust Fund has been terminated by law or  
556 through self-liquidation, prior to the 2013 Regular Session of  
557 the Legislature, the Auditor General shall review the trust fund  
558 and the steps taken up to that time to return as much of the  
559 principal to the participants as possible and provide a summary  
560 report to the board, the trustees, the President of the Senate,  
561 the Speaker of the House of Representatives, the Investment  
562 Advisory Council, and the Participant Local Government Advisory  
563 Council.

564 Section 11. Sections 218.418, 218.421, and 218.422, Florida  
565 Statutes, as created by this act, shall expire at the time the  
566 Fund B Surplus Funds Trust Fund is terminated by law or self-  
567 liquidates as determined and announced by the executive director  
568 of the State Board of Administration, whichever occurs first.

569 Section 12. This act shall take effect upon becoming a law,  
570 if House Bill 7097 or similar legislation is adopted in the same  
571 legislative session or an extension thereof and becomes law.