

By Senator Deutch

30-03537C-08

20082768__

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 advisors or managers by the State
5 Board of Administration; authorizing the Investment
6 Advisory Council to review such managers or advisors;
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.

27
28 Be It Enacted by the Legislature of the State of Florida:
29

30-03537C-08

20082768__

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

32 215.44 Board of Administration; powers and duties in
33 relation to investment of trust funds.--

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

40 (b) In exercising investment authority pursuant to s.
41 215.47, the board may retain independent investment advisers or
42 managers, or both, external to in-house staff, to assist the
43 board in carrying out the power specified in paragraph (a). The
44 Investment Advisory Council shall have the right to review, on a
45 semiannual basis, the advisers and managers retained by the
46 board.

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

55 (6) The Office of Program Policy Analysis and Government
56 Accountability shall conduct a management and operations review,
57 including, but not limited to, ~~examine~~ the board's management of
58 investments every 2 years. The Office of Program Policy Analysis

30-03537C-08

20082768__

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 to
63 read:

64 215.441 Board of Administration; appointment of executive
65 director.--The appointment of the executive director of the State
66 Board of Administration shall be subject to confirmation by the
67 Senate and ~~the~~ approval by a majority vote of the Board of
68 Trustees of the State Board of Administration, and the Governor
69 must vote on the prevailing side. Such appointment must be
70 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 section
74 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

30-03537C-08

20082768__

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 to
94 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 education employees, and six
107 additional persons. These individuals shall possess special
108 knowledge, experience, and familiarity with financial investments
109 and portfolio management. Members shall be appointed for 4-year
110 terms. A vacancy shall be filled for the remainder of the
111 unexpired term. The council shall annually elect a chair and a
112 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.

30-03537C-08

20082768__

115 Section 5. Section 215.475, Florida Statutes, is amended to
116 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 investment
120 which is not in conformance with the Florida Retirement System
121 Defined Benefit Plan Investment Policy Statement, hereinafter
122 referred to as "the IPS," as developed by the executive director
123 and the Investment Advisory Council and approved by the board.

124 The IPS must include, among other items, the investment
125 objectives of the System Trust Fund; permitted types of
126 securities in which the board may invest; and evaluation criteria
127 necessary to measure the investment performance of the fund. As
128 required from time to time, the Investment Advisory Council and
129 the executive director of the board may present recommended
130 changes in the IPS to the board for approval.

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

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