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LEGISLATIVE ACTION

Senate	.	House
Comm: WD	.	
04/05/2011	.	
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The Committee on Governmental Oversight and Accountability
(Ring) recommended the following:

Senate Amendment (with title amendment)

Delete lines 18 - 59
and insert:

Section 1. Subsections (1), (2), and (3) 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.—

(1) Except when otherwise specifically provided by the
State Constitution and subject to any limitations of the trust
agreement relating to a trust fund, the Board of Administration,
sometimes referred to in this chapter as "board" or "Trustees of



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13 the State Board of Administration," composed of the Governor as
14 chair, the Chief Financial Officer, and the Attorney General,
15 shall invest all the funds in the System Trust Fund, as defined
16 in s. 121.021(36), and all other funds specifically required by
17 law to be invested by the board pursuant to ss. 215.44-215.53 to
18 the fullest extent that is consistent with the cash
19 requirements, trust agreement, and investment objectives of the
20 fund. Notwithstanding any other law to the contrary, the State
21 Board of Administration may invest any funds of any state
22 agency, any state university or college, any unit of local
23 government, or any direct-support organization thereof pursuant
24 to the terms of a trust agreement with the head of the state
25 agency or the governing body of the state university or college,
26 unit of local government, or direct-support organization
27 thereof, ~~or pursuant to the enrollment requirements stated in s.~~
28 ~~218.407,~~ and may invest such funds in the Local Government
29 Surplus Funds Trust Fund created by s. 218.405, without a trust
30 agreement, upon completion of enrollment materials provided by
31 the board. The board shall approve the undertaking of
32 investments subject to a trust agreement before execution of
33 such trust agreement by the State Board of Administration. The
34 funds and the earnings therefrom are exempt from the service
35 charge imposed by s. 215.20. As used in this subsection, the
36 term "state agency" has the same meaning as that provided in s.
37 216.011, and the terms "governing body" and "unit of local
38 government" have the same meaning as that provided in s.
39 218.403.

40 (2) (a) The board shall have the power to make purchases,
41 sales, exchanges, investments, and reinvestments for and on



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42 behalf of the funds referred to in subsection (1), and it shall
43 be the duty of the board to see that moneys invested under the
44 provisions of ss. 215.44-215.53 are at all times handled in the
45 best interests of the state.

46 (b) In exercising investment authority pursuant to s.
47 215.47, the board may retain investment advisers or managers, or
48 both, external to in-house staff, to assist the board in
49 carrying out the power specified in paragraph (a).

50 (c) The board shall create an audit committee to assist the
51 board in fulfilling its oversight responsibilities. The
52 committee shall consist of three members appointed by the board.
53 Members shall be appointed for 4-year terms. A vacancy shall be
54 filled for the remainder of the unexpired term. The committee
55 shall annually elect a chair and vice chair from its membership.
56 A member may not be elected to consecutive terms as chair or
57 vice chair. Persons appointed to the audit committee must have
58 relevant knowledge and expertise as determined by the board. The
59 audit committee shall serve as an independent and objective
60 party to monitor processes for financial reporting, internal
61 controls and risk assessment, audit processes, and compliance
62 with laws, rules, and regulations. The audit committee shall
63 direct the efforts of the board's independent external auditors
64 and the board's internal audit staff. The committee shall
65 periodically, but at least ~~not less than~~ quarterly, report to
66 the board and the executive director of the board.

67 (d) The board shall produce a set of financial statements
68 for the Florida Retirement System on an annual basis, which
69 shall be reported to the Legislature and audited by a commercial
70 independent third-party audit firm under the direction of the



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71 audit committee.

72 (e) Pursuant to s. 110.205, the board shall establish and
73 maintain the salaries and benefits of its officers and employees
74 in a manner consistent with the board's fiduciary responsibility
75 to recruit and retain highly qualified and effective key
76 personnel. At least every 5 years, the Investment Committee
77 shall cause a total compensation study to be conducted by a
78 private consulting firm having expertise in salary and benefits
79 administration of institutional investment entities. The study
80 shall be designed to determine competitive salary ranges, other
81 compensation, and benefits for positions within the board based
82 on comparable public-sector peer investment entities. The
83 council shall present the total compensation study, along with
84 its recommendations, to the board. The recommendations are
85 subject to review and ratification or reversal by the board. The
86 board may delegate to the executive director the authority and
87 duty to set staff salaries within the ranges approved by the
88 board.

89 (f) ~~(e)~~ The board shall meet at least quarterly and shall
90 receive reports from the audit committee, the investment
91 advisory committee, ~~the inspector general, the general counsel,~~
92 the executive director, and such other persons or entities as
93 the board may require about the financial status, operations,
94 and investment activities of the board.

95 (3) Notwithstanding any law to the contrary, all
96 investments made by the State Board of Administration pursuant
97 to ss. 215.44-215.53 shall be subject to the restrictions and
98 limitations contained in s. 215.47, except that investments made
99 by the board under a trust agreement pursuant to subsection (1)



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100 are subject only to the restrictions and limitations contained
101 in that trust agreement.

102 Section 2. Section 215.441, Florida Statutes, is amended to
103 read:

104 215.441 Board of Administration; appointment of executive
105 director.—The appointment of the executive director of the State
106 Board of Administration is shall be subject to the approval by a
107 majority vote of the Board of Trustees of the State Board of
108 Administration, and the Governor must vote on the prevailing
109 side. Such appointment must be reaffirmed in the same manner by
110 the board of trustees on an annual basis.

111 (1) Before appointing the executive director, the board
112 shall appoint a search committee to develop minimum position
113 requirements, review applications, and make recommendations to
114 the board with regard to qualified applicants for the position.
115 At a minimum, the search committee shall consist of at least
116 three members of the Investment Committee.

117 (2) The executive director shall, at a minimum, possess
118 substantial experience, knowledge, and expertise in the
119 oversight of investment portfolios and must meet any other
120 requirements determined by the board to be necessary to the
121 overall management and investment of funds.

122 (3) The compensation for the executive director shall be
123 determined by the board, consistent with s. 215.44(2)(d).

124 Section 3. Subsection (1) of section 215.442, Florida
125 Statutes, is amended to read:

126 215.442 Executive director; reporting requirements; public
127 meeting.—

128 (1) Beginning October 2007 and quarterly thereafter, the



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129 executive director shall present to the Board of Trustees and
130 the Investment Committee of the State Board of Administration a
131 quarterly report to include the following:

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

134 (b) The industry category of each equity.

135 Section 4. Effective January 1, 2012, section 215.444,
136 Florida Statutes, is amended to read:

137 (Substantial rewording of section. See
138 s. 215.444, F.S. for present text.)

139 215.444 Investment Committee.-

140 (1) A five-member Investment Committee is created to review
141 the investments made by the staff of the Board of
142 Administration.

143 (2) Three of those members shall be appointed by the
144 Governor, one member shall be appointed by the Chief Financial
145 Officer, and one member shall be appointed by the Attorney
146 General. Members shall be appointed for 4-year terms. A vacancy
147 shall be filled for the remainder of the unexpired term. The
148 committee shall annually elect a chair and a vice chair from its
149 membership. A member may not be elected to consecutive terms as
150 chair or vice chair.

151 (3) In order to be appointed, an individual must possess
152 special knowledge, experience, and familiarity with portfolio
153 management, institutional investments, and fiduciary
154 responsibilities, have been in a position that oversaw \$1
155 billion in assets, and may have had extensive experience in
156 managing or overseeing investment portfolios or conducting
157 research in any two or more of the following areas: domestic



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158 equities, international equities, fixed-income securities, cash
159 management, marketable and nonmarketable alternative
160 investments, or real estate.

161 (4) The committee members must undergo regular fiduciary
162 training as required by the board and must complete an annual
163 conflict disclosure statement. In carrying out their duties,
164 committee members are deemed named fiduciaries and must make
165 recommendations consistent with the fiduciary standards
166 applicable to the board.

167 (5) The committee shall approve the investment policy
168 statements of the board as provided in ss. 215.475,
169 121.4501(14), 215.5601(4)(a), and 218.409(2)(d), participate in
170 the selection process regarding an executive director, obtain
171 periodic compensation studies and provide recommendations
172 thereon, meet at least quarterly to review the investment
173 performance of funds, and perform any other duties as determined
174 by the board. Decisions of the committee may be overturned only
175 by a unanimous vote of the Board of Administration. The
176 committee shall meet with board staff at least once each quarter
177 and provide a quarterly report directly to the Board of
178 Administration at a meeting of the board.

179 (6) The committee may create subcommittees as necessary to
180 carry out its duties and responsibilities and may direct the
181 executive director to enter into contracts with independent
182 compensation consultants.

183 (7) In carrying out the provisions of this section, a
184 member of the committee is an officer, employee, or agent of the
185 state for purposes of the state's waiver of sovereign immunity
186 as provided in s. 768.28.



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===== T I T L E A M E N D M E N T =====

And the title is amended as follows:

Delete lines 3 - 10

and insert:

amending s. 215.44, F.S.; authorizing the board to invest the assets of a governmental entity in the Local Government Surplus Funds Trust Fund without a trust agreement with that governmental entity; requiring the board to establish and maintain the salaries of its officers and employees in a manner consistent with its fiduciary duties; requiring that the Investment Advisory Council initiate a study at specified intervals to evaluate compensation; requiring that the council present the results of such study to the board; authorizing the board to delegate certain authority and duties relating to salaries to the executive director; revising the entities that submit reports to the board; providing that certain investments made by the board under a trust agreement are subject only to the restrictions and limitations contained in the trust agreement; amending s. 215.441, F.S.; providing for the creation, operation, and membership of a search committee for the purpose of selecting the executive director; providing requirements for the appointment as executive director; providing for the determination of the executive director's compensation; amending s. 215.442, F.S.; requiring that the executive director



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216 present certain information quarterly to the
217 Investment Committee; amending s. 215.444, F.S.;
218 deleting provisions relating to the Investment
219 Advisory Council and creating the five-member
220 Investment Committee to assume the duties of the
221 former council; providing for terms of members and the
222 appointment of such members; providing prerequisites
223 for membership on the committee; providing duties of
224 the committee; authorizing the committee to create
225 subcommittees and direct the executive director to
226 enter into certain contracts; providing that a
227 committee member is an officer, employee, or agent of
228 the state for the purpose of sovereign immunity;
229 amending s. 215.4755, F.S.; correcting