

By Senator Ring

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1 A bill to be entitled
2 An act relating to the State Board of Administration;
3 amending s. 215.44, F.S.; requiring the board to
4 establish and maintain the salaries of its officers
5 and employees in a manner consistent with its
6 fiduciary duties; requiring that the Investment
7 Advisory Council initiate a study at specified
8 intervals to evaluate compensation; requiring that the
9 council present the results of such study to the
10 board; authorizing the board to delegate certain
11 authority and duties relating to salaries to the
12 executive director; revising the entities that submit
13 reports to the board; amending s. 215.441, F.S.;
14 removing a requirement that the Governor vote in favor
15 of the selection of the executive director of the
16 board; providing for the creation, operation, and
17 membership of a search committee for the purpose of
18 selecting the executive director; providing
19 requirements for the appointment as executive
20 director; providing for the determination of the
21 executive director's compensation; amending s.
22 215.442, F.S.; requiring that the executive director
23 present certain information quarterly to the
24 Investment Advisory Council; amending s. 215.444,
25 F.S.; reducing the number of council members and
26 providing for the appointment of such members;
27 expanding prerequisites for membership on the council;
28 providing additional duties of the council;
29 authorizing the council to create subcommittees and

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30 direct the executive director to enter into certain
31 contracts; providing that a council member is an
32 officer, employee, or agent of the state for the
33 purpose of sovereign immunity; providing an effective
34 date.

35
36 Be It Enacted by the Legislature of the State of Florida:

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38 Section 1. Subsection (2) of section 215.44, Florida
39 Statutes, is amended to read:

40 215.44 Board of Administration; powers and duties in
41 relation to investment of trust funds.—

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

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

52 (c) The board shall create an audit committee to assist the
53 board in fulfilling its oversight responsibilities. The
54 committee shall consist of three members appointed by the board.
55 Members shall be appointed for 4-year terms. A vacancy shall be
56 filled for the remainder of the unexpired term. The committee
57 shall annually elect a chair and vice chair from its membership.
58 A member may not be elected to consecutive terms as chair or

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59 vice chair. Persons appointed to the audit committee must have
60 relevant knowledge and expertise as determined by the board. The
61 audit committee shall serve as an independent and objective
62 party to monitor processes for financial reporting, internal
63 controls and risk assessment, audit processes, and compliance
64 with laws, rules, and regulations. The audit committee shall
65 direct the efforts of the board's independent external auditors
66 and the board's internal audit staff. The committee shall
67 periodically, but at least ~~not less than~~ quarterly, report to
68 the board and the executive director of the board.

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

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

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88 reversal by the board. The board may delegate to the executive
89 director the authority and duty to set staff salaries within the
90 ranges approved by the board.

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

97 Section 2. Section 215.441, Florida Statutes, is amended to
98 read:

99 215.441 Board of Administration; appointment of executive
100 director.—The appointment of the executive director of the State
101 Board of Administration is ~~shall be~~ subject to ~~the~~ approval by a
102 majority vote of the Board of Trustees of the State Board of
103 Administration, ~~and the Governor must vote on the prevailing~~
104 ~~side~~. Such appointment must be reaffirmed in the same manner by
105 the board of trustees on an annual basis.

106 (1) Before appointing the executive director, the board
107 shall appoint a search committee to develop minimum position
108 requirements, review applications, and make recommendations to
109 the board with regard to qualified applicants for the position.
110 At a minimum, the search committee shall consist of at least
111 three members of the Investment Advisory Council.

112 (2) The executive director shall, at a minimum, possess
113 substantial experience, knowledge, and expertise in the
114 oversight of investment portfolios and must meet any other
115 requirements determined by the board to be necessary to the
116 overall management and investment of funds.

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

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

121 215.442 Executive director; reporting requirements; public
122 meeting.—

123 (1) Beginning October 2007 and quarterly thereafter, the
124 executive director shall present to the Board of Trustees and
125 the Investment Advisory Council of the State Board of
126 Administration a quarterly report to include the following:

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

129 (b) The industry category of each equity.

130 Section 4. Section 215.444, Florida Statutes, is amended to
131 read:

132 215.444 Investment Advisory Council.—

133 (1) ~~There is created~~ A five-member ~~six-member~~ Investment
134 Advisory Council is created to review the investments made by
135 the staff of the Board of Administration and to make
136 recommendations to the board regarding investment policy,
137 strategy, and procedures.

138 (2) Beginning February 1, 2011, the membership of the
139 council shall be expanded to nine members. Beginning July 1,
140 2011, board membership shall be reduced by not refilling board
141 positions as the terms of the members expire until board
142 membership consists of five members. Thereafter, three of those
143 members shall be appointed by the Governor, one member shall be
144 appointed by the Chief Financial Officer, and one member shall
145 be appointed by the Attorney General. Members shall be appointed

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146 for 4-year terms. A vacancy shall be filled for the remainder of
147 the unexpired term. The council shall annually elect a chair and
148 a vice chair from its membership. A member may not be elected to
149 consecutive terms as chair or vice chair. ~~The council shall meet~~
150 with staff of the board at least once each quarter and shall
151 provide a quarterly report directly to the Board of Trustees of
152 the State Board of Administration at a meeting of the board.

153 ~~(2) The members of the council shall be appointed by the~~
154 ~~board as a resource to the Board of Trustees of the State Board~~
155 ~~of Administration and shall be subject to confirmation by the~~
156 ~~Senate.~~

157 (3) In order to be appointed, a member must These
158 individuals shall possess special knowledge, experience, and
159 familiarity with portfolio management, institutional
160 investments, and fiduciary responsibilities, have been in a
161 position that oversaw \$1 billion in assets, and may have had
162 extensive experience in managing or overseeing investment
163 portfolios or conducting research in any two or more of the
164 following areas: domestic equities, international equities,
165 fixed-income securities, cash management, marketable and
166 nonmarketable alternative investments, or real estate. ~~Members~~
167 shall be appointed for 4-year terms. A vacancy shall be filled
168 for the remainder of the unexpired term. The council shall
169 annually elect a chair and a vice chair from its membership. A
170 member may not be elected to consecutive terms as chair or vice
171 chair.

172 (4) ~~(3)~~ The council members must undergo regular fiduciary
173 training as required by the board and must complete an annual
174 conflict disclosure statement. In carrying out their duties,

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175 council members must make recommendations consistent with the
176 fiduciary standards applicable to the board.

177 (5) In addition to the duties in subsection (1), the
178 council shall approve the investment policy statements of the
179 board, participate in the selection process regarding an
180 executive director, obtain periodic compensation studies and
181 provide recommendations thereon, meet quarterly to review the
182 investment performance of funds, and perform any other duties as
183 determined by the board. The council shall meet with board staff
184 at least once each quarter and provide a quarterly report
185 directly to the Board of Administration at a meeting of the
186 board.

187 (6)(4) The council may create subcommittees as necessary to
188 carry out its duties and responsibilities and may direct the
189 executive director to enter into contracts with independent
190 compensation consultants.

191 (7) In carrying out the provisions of this subsection, a
192 member of the council is an officer, employee, or agent of the
193 state for purposes of the state's waiver of sovereign immunity
194 as provided in s. 768.28.

195 Section 5. This act shall take effect July 1, 2011.