

**FOR CONSIDERATION By** the Committee on Governmental Oversight and Accountability

585-02689A-24

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1                                   A bill to be entitled  
2       An act relating to foreign investments by the State  
3       Board of Administration; amending s. 215.47, F.S.;  
4       conforming a provision to changes made by the act;  
5       creating s. 215.4735, F.S.; defining terms;  
6       prohibiting the State Board of Administration from  
7       acquiring, on behalf of the Florida Retirement System  
8       Trust Fund, direct holdings in Chinese companies;  
9       requiring the board to initiate a review of its direct  
10      holdings to make a specified determination by a  
11      specified date; requiring the board to develop a  
12      certain divestment plan for such holdings by a  
13      specified date; requiring the board to divest from  
14      such holdings according to the required plan by a  
15      specified date; providing for an extension under  
16      specified conditions; requiring that certain actions  
17      be adopted and incorporated into a specified  
18      investment policy statement; providing an effective  
19      date.

20  
21 Be It Enacted by the Legislature of the State of Florida:

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23       Section 1. Subsection (10) of section 215.47, Florida  
24       Statutes, is amended to read:

25       215.47 Investments; authorized securities; loan of  
26       securities.—Subject to the limitations and conditions of the  
27       State Constitution or of the trust agreement relating to a trust  
28       fund, moneys available for investments under ss. 215.44-215.53  
29       may be invested as follows:

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30 (10) (a) As used in this subsection, the term "pecuniary  
31 factor" means a factor that the State Board of Administration  
32 prudently determines is expected to have a material effect on  
33 the risk or returns of an investment based on appropriate  
34 investment horizons consistent with applicable investment  
35 objectives and funding policy. The term does not include the  
36 consideration of the furtherance of any social, political, or  
37 ideological interests.

38 (b) Notwithstanding any other law except for ss. 215.471,  
39 215.4725, ~~and 215.473,~~ and 215.4735, when deciding whether to  
40 invest and when investing the assets of any fund, the State  
41 Board of Administration must make decisions based solely on  
42 pecuniary factors and may not subordinate the interests of the  
43 participants and beneficiaries of the fund to other objectives,  
44 including sacrificing investment return or undertaking  
45 additional investment risk to promote any nonpecuniary factor.  
46 The weight given to any pecuniary factor must appropriately  
47 reflect a prudent assessment of its impact on risk or returns.

48 (c) Investments made by the State Board of Administration  
49 shall be designed to maximize the financial return to the fund  
50 consistent with the risks incumbent in each investment and shall  
51 be designed to preserve an appropriate diversification of the  
52 portfolio. The board shall discharge its duties with respect to  
53 a plan solely in the interest of its participants and  
54 beneficiaries. The board in performing the above investment  
55 duties shall comply with the fiduciary standards set forth in  
56 the Employee Retirement Income Security Act of 1974 at 29 U.S.C.  
57 s. 1104(a)(1)(A) through (C). Except as provided in paragraph  
58 (b), in case of conflict with other provisions of law

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59 authorizing investments, the investment and fiduciary standards  
60 set forth in this paragraph prevail.

61 Section 2. Section 215.4735, Florida Statutes, is created  
62 to read:

63 215.4735 Prohibited foreign investments.—

64 (1) As used in this section, the term:

65 (a) "Board" means the State Board of Administration.

66 (b) "China" means the government of the People's Republic  
67 of China, the Chinese Communist Party, the Chinese military, or  
68 any instrumentality thereof, or any combination thereof.

69 (c) "Chinese company" means a company that is publicly  
70 known to be majority-owned by China.

71 (d) "Company" means a sole proprietorship, organization,  
72 association, corporation, partnership, joint venture, limited  
73 partnership, limited liability partnership, limited liability  
74 company, or other entity or business association, including all  
75 wholly owned subsidiaries, majority-owned subsidiaries, and  
76 parent companies, or an affiliate of such entity or business  
77 association which exists for the purpose of making a profit.

78 (e) "Direct holdings" in a company means all securities of  
79 that company which are held directly by the Florida Retirement  
80 System Trust Fund or in an account or fund in which the Florida  
81 Retirement System Trust Fund owns all shares or interests. The  
82 term does not include indirect holdings in actively managed  
83 investment funds, including a private equity fund, or holdings  
84 in exchange-traded funds.

85 (f) "Florida Retirement System Trust Fund" means all assets  
86 of the Florida Retirement System held by the board in its  
87 capacity as a fiduciary pursuant to part I of chapter 121.

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88 (g) "Indirect holdings" in a company means all securities  
89 of that company which are held in a commingled fund or other  
90 collective investment, such as a mutual fund, in which the  
91 Florida Retirement System Trust Fund owns shares or interests,  
92 together with other investors not subject to this section.

93 (h) "Majority-owned" means to have ownership of 50.1  
94 percent or more of the outstanding equity interests of a  
95 company.

96 (2) (a) The board may not acquire, on behalf of the Florida  
97 Retirement System Trust Fund, direct holdings in a Chinese  
98 company.

99 (b) The board must:

100 1. Initiate, no later than June 1, 2024, a review of all  
101 current direct holdings to determine which direct holdings, if  
102 any, include securities of a Chinese company.

103 2. Develop, no later than September 1, 2024, a divestment  
104 plan for all direct holdings in Chinese companies. The  
105 divestment plan must be developed and implemented consistent  
106 with the fiduciary standards set forth in s. 215.47(10).

107 3. Complete divestment from direct holdings in Chinese  
108 companies included in the divestment plan developed pursuant to  
109 subparagraph 2. no later than September 1, 2025, or at such  
110 later time if necessary for the board to implement the  
111 divestment plan consistent with the fiduciary standards set  
112 forth in s. 215.47(10).

113 (3) The board's actions taken in compliance with this  
114 section, including all good faith determinations regarding  
115 companies as required by this section, must be adopted and  
116 incorporated into the investment policy statement as provided in

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117 s. 215.475.

118 Section 3. This act shall take effect upon becoming a law.