

## **CS/CS/HB 1307 — State Financial Matters**

by Economic Development and Community Affairs Policy Council; Governmental Affairs Policy Council; and Rep. Schenck (CS/CS/CS 1078 by Policy and Steering Committee on Ways and Means; General Government Appropriations; Governmental Oversight and Accountability; and Senator Ring)

This legislation represents the combination of two separate bills that enhance the reporting and accountability requires of the State of Florida's financial investment agency, the Board of Administration.

The bill provides technical changes to the proper nomenclatures of the separate defined benefit and defined contribution pension plans under the sponsorship of the Florida Retirement System. Employees with excess account balances after their transfer from one of the alternative optional annuity plans to the defined benefit pension plan may not access those balances until retirement. They may, however, use those balances to purchase service credit or to upgrade service to which they may be entitled.

The Board is required to maintain participant complaint records for a specified period of time. Participants in the defined contribution plan will have benefit amounts forfeited due to early termination in a separate trust account, subject to federal compliance regulation, which amounts must be reduced expeditiously to reduce overall plan costs for the remaining participants. Administrative expense charges for the defined contribution plan declines from five to three basis points (.05% to .03% or .0005 to .0003) from July 1, 2010, to June 30, 2014. The expense changes reset to four basis points on July 1, 2014.

Market losses experienced by a participants in the defined contribution program due to delayed employer contribution will not be restored if the delay is attributable to acts beyond the employer's control.

The Board is given the authority to invest monies of designated universities, state colleges, or direct-support organizations in the local government Investment Pool in the surplus trust fund created in s. 218.405, F.S.

The bill provides an enhancement to the public integrity and financial accountability provisions in current law by requiring a statutory audit committee to direct the Board's external auditors. Annual financial statements shall be produced and submitted to the Legislature. Minimum experience, knowledge, and expertise requirements will be required of future executive directors of the Board as well as of the members of the Investment Advisory Council, who will undergo regular fiduciary training. That council expands its membership from six to nine, effective February 1, 2011.

The Board receives expanded investment authorization to purchase additional public obligations pursuant to federal law or from securities issued through the Hurricane Catastrophe Fund. Concentration limits in assets of foreign corporations are increased from 25 to 35 percent.

Investment advisers and managers retained by the Board must adhere to strict ethics and disclosure requirements including a two-year hiatus from doing business with the Board by any member of the Investment Advisory Council. Investment managers and advisers to the Board shall annually certify that their decisions have been made in the best interest of the trust funds and that they refrain from personal business activity that could jeopardize their independence of judgment. The Board is given the authority to engage in rule promulgation to effect the new standards.

When events present a material adverse impact to the Board's funds requiring a forty-eight hour moratorium on contributions and withdrawals, the executive director may extend the moratorium until the Board can convene and address the material adverse events.

Lastly, the Board may copyright and trademark and otherwise protect the products it develops as well as license or sell them to others for consideration.

If approved by the Governor, these provisions take effect July 1, 2010.

*Vote: Senate 39-0; House 113-0*