

Federal Pension Issues & Florida ESG Reporting Rules



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Intro

The background features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. These shapes are primarily located on the right side of the frame, creating a modern, layered effect against the white background.

What is ESG?

- Environmental
- Social
- Governance

Background

- ▶ Federal regulations
- ▶ Other States
- ▶ Florida Issues

Florida law Chapter 2023-28

- ▶ Social
- ▶ Political
- ▶ Ideological

Application to Public Pensions

- ▶ 112.656 modified
- ▶ 112.661 modified
- ▶ 112.662 newly created
- ▶ 175.071 modified
- ▶ 185.06 modified

Application to Public Pensions

- ▶ 215.47 modified
- ▶ 215.475 modified
- ▶ 215.855 newly created
- ▶ 280.02 modified
- ▶ 287.05701 newly created

112.662 is the key

- ▶ Pecuniary factor is determined by:
 - ▶ Plan Administrator (term of art)
 - ▶ Named fiduciary (term of art)
 - ▶ Board
 - ▶ Board of Trustees

112.662 is the key

- ▶ Board determines whether the factor will have:
 - ▶ A material effect on risk or returns
 - ▶ Based on an appropriate horizon
 - ▶ Consistent with objectives

112.662 is the key

- ▶ Pecuniary factor is not the consideration of the furtherance of:
 - ▶ Social interests
 - ▶ Political interests or
 - ▶ Ideological interests

112.662 is the key

- ▶ Can only consider pecuniary factors when making investment decisions.
- ▶ Based on prudent assessment of impact on risk or returns
- ▶ Interests of participants and beneficiaries must be above any nonpecuniary factor.

112.662 is the key

- ▶ Same considerations apply to the exercise of proxy voting

Comprehensive Report

- ▶ 112.662 adds new reporting requirements for all Florida governmental plans.
- ▶ Due December 15 each odd year

Comprehensive Report

- ▶ Submitted pursuant to Rules implementing Section 112.662.
- ▶ Documents governing policy relating to investments/fiduciary standards are in the Board's Investment Policy
- ▶ Documents Investment Policy was updated to include Section 112.662.

Comprehensive Report

- ▶ All voting on investments is governed by the investment policy.
- ▶ All security level investments are delegated to investment managers who are fiduciaries.

Comprehensive Report

- ▶ Managers with direct holdings have been instructed to vote proxies according to Section 112.662.
- ▶ This report is a cover page to the Investment Policy Guidelines which were also submitted.

112.855 adds provision to Manager Agreements

- ▶ Any written communication from manager to a company must include a disclaimer if discussing social, political, or ideological interests; subordinates the interests of shareholders to another interest; or advocates for an entity other than the shareholders

112.855 - Disclaimer

- ▶ The views and opinions expressed in this communication are those of the sender and do not reflect the views and opinions of the people of the State of Florida.

Other Parts of Chapter 2023-28

- ▶ 280.02 requires QPDs to make decisions without regard to non-pecuniary factors which are delineated in the definition.
- ▶ 287.05701 which requires a notification in an RFP that social, political or ideological interests cannot be considered in the RFP process.

Questions?