

M E M O R A N D U M

To: Town Manager
From: Sue Smith, Finance Director
Report date: November 17, 2023
Meeting date: December 4, 2023
Subject: Amendment to Consolidated Retirement System Investment Policy

Recommended Action

Approve Amendment to Consolidated Retirement System Investment Policy.

Background

The State of Florida passed House Bill (HB) 3 “Government and Corporate Activism” on May 2, 2023 and published in section 112.662, Florida Statutes. The law requires local government retirement plans to use only pecuniary factors when deciding to invest plan assets and voting proxies and specifies that the interests of participants and beneficiaries may not be subordinated to other objectives.

The premise behind HB3 was to provide legislation, among other things, that blocks the consideration of social, political and ideological interests in governmental retirement plan investing. At a high-level, HB3 requires that investment decisions (and proxy voting decisions) for state pension assets be made taking into account only “pecuniary factors.” For purposes of the legislation, “pecuniary factors” are defined as factors that are “expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with applicable investment objectives and funding policy. The term does not include the consideration of the furtherance of any social, political, or ideological interests.”

By December 15, 2023 and each odd numbered year thereafter, the Town is required to submit a comprehensive report on governance policies concerning voting decisions and adherence to fiduciary standards, including the exercise of shareholder rights with guidance provided by the Department of Management Services (DMS). By January 15, 2024 and each even numbered year thereafter, DMS will begin submitting a summary of the reports to the Governor, the Attorney General, the Chief Financial Officer, the President of the senate and the Speaker of the House of Representatives.

The Consolidated Retirement System Board of Trustees (CRSBOT) has been advised and assisted by our administrative, investment and legal consultants in developing our plan for generating reports and revising our Investment Policy Statement (IPS) to be submitted to the State of Florida Department of Management Services. The CRSBOT approved the revisions to the IPS at its November 17, 2023 Regular Meeting and is being presented to the Commission for approval, in accordance with Town’s Pension Ordinance.

Attached is the revised Investment Policy with an added section, “Compliance with Chapter 2023-28, Laws of Florida” located on Page 4 and 5.

Steve Branham, Chair of the CRS, will be present at the Commission meeting to answer any questions.

Staff Recommendation

Approve Amendment to Consolidated Retirement System Investment Policy.

Attachments (Available in the Town Clerk's Office)

Revised Consolidated Retirement System Board Investment Policy

End of Agenda Item