

**THE STATE BOARD OF ADMINISTRATION OF  
FLORIDA**

**A RESOLUTION DIRECTING AN UPDATE TO THE  
INVESTMENT POLICY STATEMENT AND PROXY  
VOTING POLICIES FOR THE FLORIDA RETIREMENT  
SYSTEM DEFINED BENEFIT PENSION PLAN, AND  
DIRECTING THE ORGANIZATION AND EXECUTION OF  
AN INTERNAL REVIEW**

**August 23, 2022**

**A RESOLUTION DIRECTING AN UPDATE TO THE INVESTMENT POLICY STATEMENT AND PROXY VOTING POLICIES FOR THE FLORIDA RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN, AND DIRECTING THE ORGANIZATION AND EXECUTION OF AN INTERNAL REVIEW**

**WHEREAS**, it is the duty of the State Board of Administration to responsibly and prudently invest monies of the Florida Retirement System; and

**WHEREAS**, in investing these monies the State Board of Administration, the asset managers, the investment advisors, and all other fiduciaries must comply with the highest standard of loyalty and integrity to the fund and its beneficiaries; and

**WHEREAS**, the United States Department of Labor (DOL) has been asked to opine on the prudence of considering environmental, social, and governance (ESG) principles of funds when evaluating the fund for investment potential; and

**WHEREAS**, the definition of ESG has changed through the years and DOL's approach to ESG investing practices has differed; and

**WHEREAS**, the DOL made clear in recent years that fiduciaries responsible for investing retirement money should only consider financial factors in evaluating funds for investment potential; and

**WHEREAS**, the Biden Administration has made clear its intention to encourage investment using ESG factors; and

**WHEREAS**, the State of Florida takes its fiduciary responsibilities seriously when investing state trust fund monies, particularly retirement fund money for our law enforcement, teachers, and public servants; and

**WHEREAS**, it is the commitment of the State of Florida to only invest in funds in a manner that prioritizes the highest return on investment for beneficiaries, without consideration for nonpecuniary beliefs or political factors.

**NOW, THEREFORE, BE IT RESOLVED BY THE TRUSTEES OF THE STATE BOARD OF ADMINISTRATION DO HEREBY SET FORTH THE FOLLOWING POLICY LANGUAGE TO BE INCLUDED IN THE STATE BOARD OF ADMINISTRATION'S INVESTMENT POLICY STATEMENT FOR THE FLORIDA RETIREMENT SYSTEM DEFINED BENEFIT PLAN UPON REVIEW OF THE INVESTMENT ADVISORY COUNSEL IN ACCORDANCE WITH SECTION 215.475(2), FLORIDA STATUTES:**

1. **STANDARD OF CARE AND EVALUATION OF INVESTMENTS.** The State Board of Administration will initiate the process of updating the Board's Investment Policy Statement to reflect the following changes:

- (a) The evaluation by the Board of an investment decision must be based only on pecuniary factors. As used in this section, “pecuniary factor” means a factor that the board prudently determines is expected to have a material effect on the risk and return of an investment based on appropriate investment horizons consistent with the fund’s investment objectives and funding policy. Pecuniary factors do not include the consideration of the furtherance of social, political, or ideological interests.
  - (b) The board may not subordinate the interests of the participants and beneficiaries to other objectives and may not sacrifice investment return or take on additional investment risk to promote any non-pecuniary factors. The weight given to any pecuniary factor by the board should appropriately reflect a prudent assessment of its impact on risk and returns.
  - (c) In the case of a conflict with this section and any other provision of Florida law, Florida law shall prevail.
2. **PROXY VOTING.** When deciding whether to exercise shareholder rights and when exercising such rights, including the voting of proxies, the board:
- (a) Must act prudently and solely in the interests of participants and beneficiaries and for the exclusive purpose of providing benefits to participants and beneficiaries and defraying the reasonable expenses of the Florida Retirement System Defined Benefit Pension Plan.
  - (b) May not subordinate the interests of the participants and beneficiaries to other objectives and may not sacrifice investment return or take on additional investment risk to promote non-pecuniary factors.
  - (c) In the case of a conflict with this section and any other provision of Florida law, Florida law shall prevail.
3. **INTERNAL REVIEW.** The State Board of Administration will organize and conduct a comprehensive review and prepare a report of the governance policies over the voting practices of the Florida Retirement System Defined Benefit Pension Plan, to include an operational review of decision-making in vote decisions and adherence to the fiduciary standards of the Fund. The State Board of Administration will ensure compliance with the updated Investment Policy Statement and adherence to the proxy voting requirements through the review process of this resolution. The State Board of Administration will submit its report to the Trustees no later than December 15, 2023.

**IN TESTIMONY WHEREOF**, the Trustees of the State Board of Administration have hereunto subscribed their names and caused the Official Seal of the State of Florida to be hereunto affixed in the City of Tallahassee on this 23rd day of August, 2022.