

PCB GEAC 08-32

ORIGINAL

YEAR

1 A bill to be entitled
 2 An act relating to the Fund B Surplus Funds Trust Fund;
 3 creating s. 218.418, F.S.; providing definitions; creating
 4 s. 218.420, F.S.; providing for purpose of Fund B Surplus
 5 Funds Trust Fund; providing rulemaking authority;
 6 providing for administration of fund; providing for annual
 7 certification by Trustees to Joint Legislative Auditing
 8 Committee of review and compliance of fund; providing
 9 restrictions on the fund; providing criteria for payment
 10 of principal; restricting participant transactions in
 11 fund; providing for investment policy criteria; providing
 12 procedures for internal controls; providing duty to
 13 disclose material impacts on fund; providing for
 14 investment policy implementation; providing criteria for
 15 payment of costs and use of interest; providing for
 16 distribution of reserve upon self-liquidation; providing
 17 reporting requirements; requiring monthly reports to
 18 certain groups; providing criteria of the report;
 19 requiring marking to market calculation and reporting;
 20 providing criteria; providing for additional reporting;
 21 requiring Trustee review; creating s. 218.422, F.S.;
 22 providing Auditor General review and report to certain
 23 groups; providing an effective date.

24
 25 Be It Enacted by the Legislature of the State of Florida:

26
 27 Section 1. Section 218.418, Florida Statutes, is created
 28 to read:

PCB GEAC 08-32

ORIGINAL

YEAR

29 218.418 Definitions.--The following words or terms, when
 30 used in ss. 218.420 through 218.422, F.S., shall have the
 31 following meaning:

32 (1) "Board" means the State Board of Administration.

33 (2) "GASB" means the Governmental Accounting Standards
 34 Board.

35 (3) "GFOA" means the Government Finance Officers
 36 Association.

37 (4) "Surplus funds" means any funds in any general or
 38 special account or fund of a unit of local government, or funds
 39 held by an independent trustee on behalf of a unit of local
 40 government, which in reasonable contemplation will not be
 41 immediately needed for the purposes intended.

42 (5) "Trust fund" means the pooled investment fund known as
 43 the Fund B Surplus Funds Trust Fund.

44 (6) "Trustees" means the Trustees of the State Board of
 45 Administration.

46 (7) "Unit of local government" means any governmental
 47 entity within the state not part of state government and shall
 48 include, but not be limited to, the following and the officers
 49 thereof: any county, municipality, school district, special
 50 district, clerk of the circuit court, sheriff, property
 51 appraiser, tax collector, supervisor of elections, authority,
 52 board, public corporations, or any other political subdivision
 53 of the state.

54 Section 2. Section 218.420, Florida Statutes, is created
 55 to read:

PCB GEAC 08-32

ORIGINAL

YEAR

56 218.420 Fund B Surplus Funds Trust Fund; purpose;
 57 rulemaking; administration; reporting.--

58 (1) The purpose of the trust fund is to maximize the
 59 payout of principal on invested surplus funds of units of local
 60 government formerly in Fund B of the Local Government Surplus
 61 Funds Trust Fund through a prudent workout of the trust fund
 62 with the ultimate goal of self-liquidating the trust fund
 63 through maturity and payout of the investments. The board may
 64 adopt rules to administer the provisions of this section.

65 (2) Administration.

66 (a) The State Board of Administration or a professional
 67 money management firm shall administer the trust fund on behalf
 68 of the participants based on a written investment policy,
 69 annually approved by the Trustees, and shall have the power to
 70 workout, restructure, or invest such funds. The Trustees shall
 71 annually certify to the Joint Legislative Auditing Committee
 72 that the trust fund is in compliance with the requirements of
 73 this section and has conducted a review of the trust fund and
 74 determined that the management of the trust fund is in accord
 75 with best investment practices. Any investments must be made in
 76 money market or equivalent funds. The board or a professional
 77 money management firm shall keep a separate account, designated
 78 by name and number of each participating local government.
 79 Individual transactions and totals of all investments, or the
 80 share belonging to each participant, shall be recorded in the
 81 accounts. The principal, and any part thereof, shall be subject
 82 to payment from the moneys in the fund as determined by the
 83 board or a professional money management firm to be in the best

PCB GEAC 08-32

ORIGINAL

YEAR

84 interests of the participants. Participants may not conduct
 85 transactions in the trust fund.

86 (b) Internal Controls. The board or a professional money
 87 management firm and all employees have an affirmative duty to
 88 immediately disclose any material impact to the trust fund to
 89 the participants. To insure such disclosure, a system of
 90 internal controls shall be established by the board, which shall
 91 be documented in writing as part of the investment policy. The
 92 controls shall be designed to prevent the loss of public funds
 93 arising from fraud, employee error, and misrepresentation by
 94 third parties, unanticipated changes in financial markets, or
 95 imprudent actions by employees and officers of the board or a
 96 professional money management firm. The controls shall also
 97 include formal escalation reporting guidelines for all
 98 employees. The guidelines will establish procedures to address
 99 material impacts on the trust fund that require reporting and
 100 action.

101 (c) Approval of Investment Policy. The investment policy
 102 shall be reviewed and approved annually by the Trustees or when
 103 market changes dictate, and in each event, the investment policy
 104 shall be reviewed by the Investment Advisory Council and by the
 105 Participant Local Government Advisory Council.

106 (d) Except for administrative costs incurred in carrying
 107 out the provisions of this section, which shall be prorated
 108 among the participants in the percentage that each participant's
 109 deposits bear to the total trust fund, any interest earned in
 110 the trust fund shall be distributed monthly to the fund
 111 participants according to the amount invested. The board or a

PCB GEAC 08-32

ORIGINAL

YEAR

112 professional money management firm may not transfer the interest
 113 or use the interest for any other purpose, including, but not
 114 limited to, making up investment losses.

115 (e) Once the pool self-liquidates, any remaining reserve
 116 shall be distributed on a pro rata basis in the percentage that
 117 each participant's deposits bear to the total trust fund.

118 (3) Reports. (a) The State Board of Administration or a
 119 professional money management firm shall provide a report at a
 120 minimum, monthly, or upon the occurrence of a material event, to
 121 every participant having a beneficial interest in the trust
 122 fund, the board's executive director, the Trustees, the Joint
 123 Legislative Auditing Committee, the Investment Advisory Council,
 124 and the Participant Local Government Advisory Council. The
 125 report shall include:

126 1. reports of any material impacts on the trust fund, and
 127 any actions or escalations taken by staff to address such
 128 impacts. The Trustees shall provide quarterly a report to the
 129 Joint legislative Auditing Committee that the Trustees have
 130 reviewed and approved the monthly reports and actions taken, if
 131 any, to address any impacts.

132 2. a management summary that provides an analysis of the
 133 status of the current investment portfolio and the individual
 134 transactions executed over the last month. This management
 135 summary will be prepared in a manner which will allow anyone to
 136 ascertain whether investment activities during the reporting
 137 period have conformed to investment policies. Such reporting
 138 shall be in conformance with best market practices.

PCB GEAC 08-32

ORIGINAL

YEAR

139 3. The State Board of Administration or a professional
 140 money management firm shall furnish upon request the details of
 141 an investment transaction to any participant, the Trustees, the
 142 Investment Advisory Council, and the Participant Local
 143 Government Advisory Council.

144 (b) Marking to Market Calculation and Reporting. The market
 145 value of the portfolio shall be calculated daily. A statement of
 146 the market value and amortized cost of the portfolio shall be
 147 reported monthly with the items in paragraph (a) to
 148 participants, the Trustees, the Investment Advisory Council, and
 149 the Participant Local Government Advisory Council. The review of
 150 the investment portfolio, in terms of value and price
 151 volatility, shall be performed with practices consistent with
 152 the GFOA Recommended Practice on "Mark-to-Market Practices for
 153 State and Local Government Investment Portfolios and Investment
 154 Pools." In defining market value, considerations should be given
 155 to the GASB Statement 31 pronouncement.

156 (c) Additional reporting may be made to pool participants
 157 through regular and frequent ongoing multi-media educational
 158 materials and communications including, but not limited to,
 159 historical performance, investment holdings, amortized cost and
 160 market value of the trust fund, credit quality and average
 161 maturity of the trust fund investments.

162 (4) The Trustees shall review the board's progress in
 163 returning the principal in the trust fund to the participants at
 164 each meeting of the State Board of Administration until the
 165 trust fund terminates.

PCB GEAC 08-32

ORIGINAL

YEAR

166 Section 3. Section 218.423, Florida Statutes, is created
 167 to read:

168 218.422 Fund B Surplus Funds Trust Fund; review.--

169 Unless the trust fund has been terminated through self-
 170 liquidation, prior to the regular session of the Legislature for
 171 2013, the Auditor General shall review the trust fund and the
 172 steps taken up to that time to return as much of the principal
 173 to the participants and provide a summary report to the board,
 174 the Trustees, the President of the Senate, the Speaker of the
 175 House of Representatives, the Investment Advisory Council, and
 176 the Participant Local Government Advisory Council.

177 Section 4. This act shall take effect upon becoming a law.