

Alert | Florida Government Law & Policy



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Florida State Board of Administration Restricts Use of Environmental, Social, and Governance Factors

At an Aug. 23 meeting of the Florida Cabinet, Governor Ron DeSantis and his fellow Trustees of the State Board of Administration (SBA) unanimously adopted a resolution restricting the use of Environmental, Social, and Governance (ESG) factors in making investment decisions in the Florida Retirement System Defined Benefit Plan. The State Board of Administration Trustees are Governor Ron DeSantis, Attorney General Ashley Moody, and Chief Financial Officer Jimmy Patronis.

The resolution sets forth two policy positions related to the use of ESG in investment evaluation and proxy voting and directs the SBA to undertake an internal review of its voting practices.

The first position outlined was Standard of Care and the Evaluation of Investments by SBA. The resolution stated that:

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. 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.

The second policy issue addressed by the board related to the SBA's Proxy Voting practices:

When deciding whether to exercise shareholder rights and when exercising such rights, including the voting of proxies, the board 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 and 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 non-pecuniary factors.

The policy positions will be included in both the SBA's Investment Policy Statement and the Corporate Governance Principles and Proxy Voting Guidelines after statutorily required review by the SBA Investment Advisory Council and final approval of the Trustees at a future meeting. The SBA will immediately begin the process of incorporating the terms into their investment contracts. Governor DeSantis alluded to future legislative action to further the steps taken Aug. 23, saying "I fully anticipate that we will be working with the legislature to have statutory codification of these protections."

Press Release from Governor Ron DeSantis: [Governor Ron DeSantis Eliminates ESG Considerations from State Pension Investments](#).

Press Release from Chief Financial Officer Jimmy Patronis: [CFO Patronis: Florida Must Fight ESG Fees in the Insurance Market](#).

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