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Florida State Board bans ESG considerations in managing pension plan

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Florida State Board of Administration, Tallahassee, passed a resolution Tuesday that all decisions related to the investment management of the Florida Retirement System will not include ESG considerations.

The trustees of the board, which oversees a total of $240.1 billion, including the $189.7 billion Florida Retirement System, are Florida Gov. Ron DeSantis, Florida Chief Financial Officer Jimmy Patronis and Attorney General Ashley Moody.

A news release from Mr. DeSantis' office said the trustees passed the resolution to update the fiduciary duties of the board's investment managers and consultants, and it "clearly defines the factors fiduciaries are to consider in investment decisions and states that ESG considerations will not be included in the state of Florida's pension investment management practices."

"With the resolution we passed today, the tax dollars and proxy votes of the people of Florida will no longer be commandeered by Wall Street financial firms and used to implement policies through the board room that Floridians reject at the ballot box," Mr. DeSantis said in the news release. "We are reasserting the authority of republican governance over corporate dominance and we are prioritizing the financial security of the people of Florida over whimsical notions of a utopian tomorrow."

The **resolution** also instructs the board to "conduct a comprehensive review and prepare a report of the governance policies over the voting practices" of the state pension plan, the news release said.

The board's resolution is the latest salvo in the Florida governor's war of words against investment management practices utilizing environmental, social and governance factors.

On July 28, he announced plans to propose legislation that would prohibit the State Board of Administration from using any managers that consider ESG factors when investing the state's money. A news release from Mr. DeSantis' office had said the proposed legislation would amend the state's statute on deceptive and unfair trade practices to "prohibit discriminatory practices by large financial institutions based on ESG social credit score metrics."

Currently, the Florida State Board of Administration includes a number of corporate governance factors in its investment management practices. According to its website, SBA is "directed by state law to create a 'scrutinized companies' list, composed of companies that participate in a boycott of Israel including actions that limit commercial relations with Israel or Israeli-controlled territories." Also, the board is mandated by state law "to notify publicly traded companies of the SBA's support for the MacBride Principles (and) inquire regarding actions a company has taken in support of or furtherance of the MacBride Principles." The MacBride Principles are a code for U.S. companies doing business in Northern Ireland.

Also, in 2007, the Protecting Florida's Investments Act was signed into law and prohibits the State Board of Administration from acquiring securities from "foreign companies with certain business operations in Sudan and Iran involving the petroleum or energy sector, oil or mineral extraction, power production or military support activities."

Emilie Oglesby, spokeswoman for the board, said in an email: "The adoption of this resolution, brought forth by the SBA to the Trustees, will protect current and future beneficiaries from investment ideologies that seek to maximize social impact over financial returns. Additionally, by the adoption of this resolution, the Trustees unequivocally confirm that the financial risk and return objectives of the FRS Pension Plan should never be subordinated to non-pecuniary interests."

Bryan Griffin, Mr. DeSantis' spokesman, could not be immediately reached for further information, including the status of the legislation the governor proposed last month.

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