

2009

# Governance Research Project

State Board of Administration  
Board of Trustees

September 8, 2009



## **Introduction**

On May 13, 2009, the Board of Trustees of the State Board of Administration (SBA) voted unanimously to name an independent working group to study industry best practices and governance structures of other public pension funds. The working group was comprised of staff from each of the three Trustee offices and staff from the SBA. Following their initial meeting, it was determined that the working group would compile and present factual information for the Trustees to use to determine if Board actions or recommendations to the Legislature were needed to improve the governance structure of the SBA.

## **Methodology**

The working group focused on three key categories for gathering information in order to outline best governance practices in the industry. First, the group gathered empirical information comparing general pension fund characteristics including governance structure of fifteen other public pension funds that were identified based on assets under management (AUM), location, structure and other characteristics that the members of the working group thought might add value to the study. The second portion of the study involved personal interviews with private sector investment professionals, including CIOs and trustees of endowments and foundations, CEOs of asset management firms, investment consultants and fiduciary counsel. An interview was also conducted with the CEO of an executive recruiting firm that specializes in public sector financial sector talent. The last part of the study involved personal interviews with selected trustees of the public pensions that were identified in the first portion of the study. In conducting the personal interviews, the purpose was not to get specific individual's thoughts on the governance structures of any individual investment organization, but rather to see if any over-arching or uniform themes emerged from those conversations. All individuals interviewed were informed of Florida's public records law prior to each conversation.

## **What is Fund Governance?**

The governance structure of a pension fund is the basic arrangement of the leadership of the fund. There can be as many different types of structures as there are pension funds. These structures can include a board of directors or trustees, an executive director, committees and advisory groups. When an organization manages or invests assets for the benefit of another, there is a legal obligation, or fiduciary duty, to make decisions that are in the best economic interest of the beneficiaries or owners of those assets.

The purpose of the structure should be to provide effective oversight and accountability. Fund governance best practices can provide greater transparency to the governance of institutional investors. Additionally, these best practices can help fund trustees and other fund fiduciaries fulfill their responsibility to act solely on behalf of the fund's beneficiaries. Specifically, they can execute their duties by avoiding policies motivated by personal, political, social, or other alternative rationales that are inconsistent with the savings and benefit provision objectives whose purpose is the heart of the fund's existence.

It is clear that given the variety of institutional investors and the legal regimes that created them there can be no one universal solution to the issues facing fund governance. Any set of best practices must be flexible and adaptable to the unique characteristics of each fund.

## **Current Structure of the State Board of Administration**

The State Board of Administration is a constitutionally created agency that is comprised of the Governor as chair, the Chief Financial Officer, and the Attorney General.<sup>1</sup> Florida Statutes further outline the roles and responsibilities of the Trustees and the SBA.<sup>2</sup> The Trustees delegate authority to the Executive Director, who serves at the discretion of the Trustees and is responsible for managing and directing all administrative, personnel, budgeting, investment policy and investment functions.

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<sup>1</sup> Article IV, Section 4, Fla. Const.

<sup>2</sup> Section 121.215, F. S.



The Trustees have three main advisory groups: the Investment Advisory Council (IAC), Participant Local Government Advisory Council (PLGAC) and the Audit Committee. The IAC is created by Florida Statutes to review the investments made by the staff of the SBA and to make recommendations to the trustees regarding investment policy, strategy, and procedures. The members of the council are appointed by the Trustees, with each Trustee selecting two members for a total of six members, each of whom are subject to confirmation by the Senate. The council members must possess special knowledge, experience, and familiarity with financial investments and portfolio management.<sup>3</sup>

The PLGAC was created by the Florida Legislature in 2008 to fulfill a role similar to that of the IAC, but focusing on matters relating to the administration of the Local Government Investment Pool (currently known as Florida PRIME). Like the IAC, the members of the PLGAC are appointed by the Trustees, with each Trustee selecting two members, for a total of six members, subject to confirmation by the Senate.<sup>4</sup> Members must possess special knowledge and experience. They also must have a familiarity with the fund that is obtained through active participation in the fund.

The third advisory group is the Audit Committee, which is responsible for assisting the Trustees in fulfilling its oversight responsibilities in the area of financial reporting, internal controls and risks assessment, audit processes, and compliance with laws, rules and regulations. The Committee is comprised of three members, one appointed by each Trustee; each of whom serves a four-year-term. The Audit Committee members must be independent and without conflicts that would interfere with their judgment. The committee members also must have an understanding of basic finance and accounting practices and must have professional expertise in institutional investing.<sup>5</sup>

## I. General Public Pension Fund Characteristics

The SBA Fund Governance report includes comparison tables of pension system governance characteristics. The Florida SBA ranks as the fourth largest public pension fund in the country; therefore, the working group determined that the data point of assets under management (AUM) would be a good starting point to determine which public pension funds to include in the peer group. Using this criteria, the group created a list of ten funds: California Public Employees' Retirement System (CalPERS), New York State Common, California State Teachers' Retirement System (CalSTRS), Florida SBA, NY State Teachers (NYSTRS), Teacher Retirement System of Texas (TRS), New Jersey,

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<sup>3</sup> Section 215.444, F. S.

<sup>4</sup> Section 218.409(10), F.S.

<sup>5</sup> State Board of Administration, "Audit Committee Charter." Revised August 2007.

North Carolina Investment Mgmt Division, Wisconsin (SWIB), and New York City (NYCERS). Five more were added because the governance structures of those funds could add value to the study. These include Virginia, Georgia Teachers, Colorado Public Employees' Retirement Association (ColoradoPERA), Connecticut and Missouri (MOSERS).

**Board Composition:** Florida's primary Board is smaller than most other pension system's governing bodies, with only three members. The size of the board varies widely across funds, from sole trustees in North Carolina, Connecticut and New York, to ColoradoPERA which had sixteen primary board members. The majority of the plans studied have more than ten members. Unlike Florida, a majority of the public pension funds in this study do not have external investment advisory committees; Florida's IAC and PLGAC are comprised of six members each (12 total). Similarly, only Florida and one other plan, Virginia, have separate audit committees. Florida has a three member audit committee.

**Pension Investment vs. Other Mandates:** Florida is similar to the other plans analyzed as they have other investment mandates than just the pension plan. Of the fifteen plans in this study, four- NY State Teachers, Virginia, Georgia Teachers and MOSERS- have only a pension mandate. The SBA has thirty-six separate mandates, the largest being the Florida Retirement System Defined Benefits. Florida is among a minority of states in the survey who separate pension investment responsibilities from pension benefit administration responsibilities.

**Selection of Investment Managers:** In Florida, the primary board does not select the investment managers. In five of the surveyed pension plans, the primary board does select the investment managers with one of those five depending on the type of mandate and scope.

**Budget Approval:** The Florida SBA's budget is approved by the primary board. Nine other plans in the survey have their budget approved by the primary board. The other six are approved by a variety of entities including the state legislatures.

**Creation of Governance Structure:** Most of the fifteen pension plans have statutory created primary boards. Florida's primary board is created by constitution as are the California plans, TexasTRS and ColoradoPERA.

**Meeting Frequency:** The frequency of meetings for the pension plans surveyed varies tremendously from bimonthly meetings to no public meetings. SBA meets bimonthly as needed with the Florida Cabinet, but recently has also initiated quarterly board meetings.



## II. Personal Interview with Private Sector

Per the direction of the SBA Governance working group, the Executive Director of the SBA conducted personal interviews with a variety of respected, experienced professionals who are knowledgeable of best practices in the pension fund and endowment and foundation sides of the institutional investor community. The goal of these interviews was to identify governance practices related to institutional investment success.

These individuals included chief investment officers or investment committee members of major endowments and foundations; principals of leading investment consulting firms; fiduciary partners of major law firms and chief executive officers of investment advisory or executive recruitment firms.

A summary of themes displayed in those interviews:

- Governance structure in itself is not a primary determinate of success; it is people and execution that matter most;
- Board focus should be high level policy with operations delegated to professional staff;
- Investment policy should clearly define roles of trustees and staff;
- Board appoints and sets compensation for an executive who hires staff; staff is responsible for managing day-to-day operations;
- Training is beneficial for Trustees and advisory board members (including fiduciary and investment training);
- Outside commercial audits are preferable and provide a better perception of soundness and transparency;
- Ideal size for investment or investment advisory committee is four to eight members;
- Meeting frequency of primary board of quarterly or less is adequate;
- Preserving institutional memory is important for long term success; and

The investment process must be kept independent and merit driven, while adhering to prudence and loyalty requirements.

### III. Personal Interviews by SBA Trustees' Staff

The SBA Governance Working Group surveyed a group of trustees who serve on state pension fund boards from across the country and investment consultants. In an effort to collect best practices from those who serve in positions similar to those of the Florida SBA Trustees, the Working Group asked the selected interviewees the following three questions: First, whether in their views, there is a “best practice” for fund governance and how best to achieve that practice; secondly, whether they had any comments with regard to fund governance reforms that they would like to see other pension systems adopt based on their own experiences; and lastly, which things their board has had success with in terms of governance issues that they would like to share with others in similar governing positions.

A summary of themes displayed in those interviews:

- There should be more than three trustees on a board for more diverse and effective governance; a sole trustee model is not a good model;
- A committee structure is a good way to allow a larger board to better allocate responsibility and use the expertise of the board members when confronting board issues;
- It is helpful to have board members who have investment experience;
- It is a good practice to manage funds both internally and externally;
- It is useful to contract with external consultants, advisors, counsel, and auditors; and
- It balances the board if elected representatives of the pension fund participants are members of the board so that the membership remains informed, and the people invested in it have a say in the management of the fund.



**APPENDIX I**

<b>Public Pension Plans - Governance Features</b>										
<b>Plan</b>	<b>Pension Only Mandate?</b>	<b>Benefit Admin?</b>	<b>Non-Pension Mandates?</b>	<b>Manages LGIP?</b>	<b>Primary Board Selects Investment Managers?</b>	<b>Who Approves Budget?</b>	<b>Primary Board, Advisory, Audit</b>	<b>Statute Constitutional Rule</b>	<b>Legal Citation</b>	<b>Size/Meeting Frequency</b>
CalPERS	No	Yes	Yes (Health/457)	No	Yes, but level of staff discretion varies depending on type of mandate and scope.	Board (Governor has applied furlough action to PERS staff)	Primary - Yes Advisory - No Audit - No	Primary - Constitutional & Statutory	Title 2, Division 5, Parts 3 through 8, Sections 20000 through 22970.89. Proposition 162 was an amendment to the State Constitution in 1991, amending Article XVI, Section 17 of the California Constitution (strengthened authority of Board to oversee the Pension fund).	Primary - 13 - Monthly (10 mtgs) Health Committee (6) - Monthly Invest. Committee (13) - Monthly Subcommittees - Various - Bimonthly
CalSTRS	No	Yes	Yes (403b & 457)	No	No, but large transactions may require Board approval.	Board (Governor has applied furlough action to STRS staff)	Primary - Yes Advisory - No Audit - No	Primary - Statutory	Parts 13, 13.5, and and 14 of Division 1 of the California Education Code. The rules and regulations of the Teachers' Retirement Board, are in the California Code of Regulations	Primary - 12 - Bi-Monthly Subcommittees - Various
NY State Common	No	Yes	Yes (College)	Yes	No	State Division of Budget	Primary - Yes Advisory - Yes Audit - No	Primary - Statutory Advisory - Statutory	Section 235 of State Banking Law; Section 13, 313 and 177 of the State Retirement Social Security Law (RSSL).	Primary - 1 - No Public Meetings Investment Advisory Council- 21 - 6x year Real Estate Advisory - 11 - Quarterly Actuarial - 5 - Annual
<b>Florida SBA</b>	<b>No</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>	<b>No</b>	<b>Board</b>	<b>Primary - Yes Advisory - Yes Audit - Yes</b>	<b>Primary - Constitutional Advisory - Statutory Audit - Policy</b>	<b>Article IV, Section 4, Florida Constitution Chapter 121, 215 F.S.</b>	<b>Primary - 3 - Monthly Advisory - 6 - Quarterly Audit - 3 - Quarterly (or more)</b>
NY State Teachers (NYSTRS)	Yes	Yes	No	No	Yes	Board	Primary - Yes Advisory - No Audit - No	Primary - Statutory	Article 11 of Education Law	Primary - 10 - Quarterly Subcommittees (Various)
TexasTRS	No	Yes	Yes (Health)	No	No	Board	Primary - Yes Advisory - No Audit - No	Primary - Constitutional & Statutory	Article 16, Section 67; Title 8 of Texas Government Code, Chapter 802-806/821-825; Constitution requires Boards for all RS in State, and Legislature has authority to prescribe how Board functions.	Primary - 9 - Frequency unknown
New Jersey	No	Yes	Yes (Health)	No	No	Legislature	Primary - Yes Advisory - No Audit - No	Primary - Statutory	Statute 52:18A-83	Primary - 9 - Monthly
NC Investment Mgmt Division	No	No	Yes (STIF, 457)	No	Yes	Legislature	Primary - Yes Advisory - Yes Audit - No	Primary - Statutory Advisory - Statutory	147-69.21 NC Statute	Primary - 1 - Quarterly Investment Advisory Committee - 5 - Quarterly
Wisconsin (SWIB)	No	No	Yes (ETI)	Yes	No	Legislature	Primary - Yes Advisory - No Audit - No	Primary - Statutory	25.01 Chapter 25 of Wisconsin Law	Primary - 9 - Monthly
New York City (NYCERS)	No	Yes	Yes (Health)	No	No	Board	Primary - Yes Advisory - No Audit - No	Primary - Statutory	Established by an act of the NY State Legislature under Chapter 427 of the laws of 1920; statutes are contained in the NY State Retirement and Social Security Law (RSSL) articles 11, 14, and 15, and the New York City Administrative Code (Title 13, Chapter 1, §13-101-13-196).	Primary - 11 - Frequency unknown
Virginia	Yes	Yes	No	No	No	Board	Primary - Yes Advisory - Yes Audit - Yes	Primary - Virginia Code Advisory - Code of Virginia Audit - Board Charter	Section 51.1-124.20 of the Code of Virginia	Primary - 9 - 8 to 10 annually Audit - 3 - 6 to 8 times annually. Advisory - 7 - Quarterly
Georgia Teachers	Yes	No	No	No	Yes	Joint Mgmt Committee	Primary - Yes Advisory - No Audit - No	Primary - Statutory	Code Section 24	Primary - 10 - Bimonthly Investment Subcommittee - 6 - Monthly Audit Subcommittee - 4 - Varies Primary - 16 - Quarterly (or ad-hoc) Subcommittee(s) - Various
ColoradoPERA	No	Yes	Yes (OPEB & DC)	No	No	Board	Primary - Yes Advisory - No Audit - No	Primary - Constitutional & Statutory	Title 24, Article 51 of State Constitution	Primary - 16 - Quarterly (or ad-hoc) Subcommittee(s) - Various
Connecticut	No	No	Yes (14 funds of the CRPTF)	Yes	Yes	None, fees are reported publicly and governed by Treasurer	Primary - Yes Advisory - Yes Audit - No	Primary - Statutory Advisory - Statutory Audit - Policy	Primary - Chapter 32 State Law Advisory - Public Act 73-594	Primary - 1 - Monthly Advisory - 12 - Monthly
Missouri (MOSERS)	Yes	Yes	Yes (457)	No	No	Board	Primary - Yes Advisory - No Audit - No	Primary - Statute	Chapter 104.450	Primary - 11 - 5 times annually

## **APPENDIX II**

### **Definition of Terms**

**Pension Only Mandate**—Whether or not the investment organization manages only pension assets.

**Benefit Administration**—Whether or not the investment organization administers benefit payments, employer communications, payroll contributions, etc. in addition to managing the pension fund’s assets.

**Non-Pension Mandate**— Whether or not the investment organization manages additional public funds alongside the pension fund.

**Manages LGIP**—Whether or not the investment organization manages a governmental investment pool, usually in the form of cash or money market pooled vehicles, for governmental entities within their State. For example, the SBA manages the Florida PRIME investment pool alongside other pension and non-pension trust funds.

**Primary Board Selects Investment Managers**—Whether or not the Primary Board makes direct investment manager decisions, including the selection, hiring and termination of individual asset management companies used by the investment organization.

**Budgetary Approval**—Entity that approves the investment organization’s annual budget.

**Primary Board**—The oversight body that is legally identified as having governance responsibilities for the pension plan. Normally, the Primary Board acts as a fiduciary to the plan, and approves all related policies and procedures.

**Advisory Board**—In addition to or in lieu of a Primary Board, investment organizations may also have an “advisory” body that is comprised of individuals that have financial and/or investment experience. Many endowment funds for example, have investment committees that are comprised of distinguished investment experts that advise the endowment’s Board and staff in their investment decision-making, opining on appropriate risk levels and internal controls. Most common form in the public sector is an “Investment Advisory Council” (or Committee). At pension funds with relatively large Boards, subcommittees with advisory functions may also be present.

**Legal Citation**—Identification of the specific constitutional and/or statutory authority for an investment organization’s Board of Trustees and/or Advisory Boards.

**Size/Meeting Frequency**—Total number of members on Primary and/or Advisory Boards and the number of scheduled meetings each year.

**Pension AUM**—Assets Under Management (AUM) for pension fund mandate—actual/estimated value of the total pension fund.

**Non-Pension AUM**—Assets Under Management (AUM) for fund mandate(s) other than the pension plan(s) itself—actual/estimated value of all other funds combined.

**Percentage of Assets Internally Managed**—The percentage of assets that are managed directly by the investment organization, using internal staff and resources, but not utilizing any external investment management companies.

**Funding Ratio**—The actuarial funded ratios for the pension system as of the most recent valuation date.

**Total Excess Returns**—The difference between a plan’s actual investment performance and its own unique portfolio benchmark, annualized for 3, 5, or 10 year time periods ending June 30, 2009. Some performance data was not available at the time of data collection—such entries are listed as “n/a” within the report’s appendix.

## **APPENDIX III**

### **Personal Interview with Private Sector Notes**

#### **SBA Governance Call Notes –**

Revised to Include Interviewee Clarifications, September 14, 2009

#### **7/14/09 Afsaneh Beschloss, CEO, Rock Creek Capital. Trustee of Colonial Williamsburg Foundation and Ford Foundation (Investment Committee Chair). Former CIO, The World Bank.**

Structures are like living organisms; they can take many forms and one is not necessarily better than another. Based on experience with several highly regarded investment organizations, certain governance attributes and practices are common:

- Roles of investment staff and the board/advisory committee(s) must be defined to be sure decision focus is appropriate.
  - A board of trustees should have very broad policy responsibility, such as establishment of asset allocation and allowable variance from allocation targets.
  - Advisory boards often have more specific investment expertise than trustees and are more staff driven
  - The board hires and sets compensation for an executive to head the investment organization; this individual has hiring/firing/comp authority for other staff and runs the organization.
- Trustee talent should be retained long enough to develop expertise; for example, 8 years of service would be helpful because of the experience/knowledge gained. It is helpful to evaluate trustees every 3 years is useful.
- Continual education for board members on a wide range of subjects.
- Annual certification of fiduciary compliance and periodic fiduciary training for board members.
- Quarterly meetings of the board are sufficient; committees (if there are any) may meet more frequently.
- External audit and performance evaluation provide independent validation of staff activity and boost credibility

#### **7/14/09 Jim Williams, CIO, The Getty Trusts. Former CIO, Ford Foundation.**

- Staff should run the place, the board is there to set broad policy
- The investment group at Getty is independent and stands apart from the rest of the organization. Jim reports to the President/CEO (who is not an investment expert). Jim also reports to the chair of Getty's Investment Committee, who is a professional investor with deep expertise. The investment committee meets formally every quarter; informal meetings or calls may take place every few weeks.
- For trustees, there is often an asymmetric perspective on risk – they get zero credit for things done right but face huge downside for things that go wrong. Risk preference is strongly slanted toward risk aversion. This may be problematic as it

- may make trustees' boards slow to make decisions and lead to missed opportunities if board approval is required. This is why day to day investment decision making should be delegated to an investment officer. Quoting Warren Buffett, "The best investment committee has an odd number of members, and 3 is too many."
- Getty's investment committee and board approve asset allocation and allowable ranges of variance from allocation targets; all other decision making is delegated to the CIO, including hiring and compensation. The CIO is the implementer of investment policy and has broad authority to move assets within established ranges.
  
  - Getty's current approach dates back to 2002; prior to that time investment activity was trustee driven. Based on experience, the board determined that the best approach is to have a strong CIO and broad delegation of authority to the CIO and professional staff.
    - Decades ago the Getty was invested in balanced mutual funds.
    - New trustees came in with experience from boards of Stanford, Princeton, Harvard, Ford Foundation and Yale. Upon comparing Getty's governance model to those they had known at these institutions, they recognized the need to go to a model where the board sets broad policy and delegates management to professional investment staff.
    - Getty has evolved its investment strategy from <4% alternatives the current 60%. Jim believes the current portfolio to be less risky than the old one and notes that Getty's size and reputation afford them access to top talent managers – "alpha engines".
    - Public market strategies can be statistically described as mean reverting. In the private markets, top managers tend to remain so and not revert to the mean. Sourcing and talent make the difference.
    - Authority to move quickly is very powerful.

**7/16/09 Nancy Williams, Principal, Fiduciary Services Practice, Ennis Knupp & Associates**

- Good governance involves a commitment to have and follow pure, thorough, scrupulous, and transparent processes. Many problems in public retirement systems are a direct result of poor governance.
  - Florida has many good governance policies and compliance mechanisms in place and in that respect is a model for others to follow.
  - Florida's structure of having three elected officials serving as trustees, while not commonplace, works very well. Other structures, ranging from large boards with elected or appointed trustees or both, to sole trustees (as in North Carolina, Connecticut and New York) can work well, too, if sound governance policies are in place and enforced.
  - The Florida trustees focus at a high policy level, which is appropriate and a good use of their time. Day to day operations and investment policy

implementation are best delegated to professional staff but as the ultimate fiduciaries, trustees are entitled to delve into whatever they choose.

- The Florida trustees have wisely sought guidance from independent advisory bodies, such as the Investment Advisory Council and the Local Participant Advisory Council, through open meetings where members of the public can attend. Such openness is a fundamental tenet of good governance.
- Some other public pension funds also have advisory bodies similar to Florida's to capture investment expertise, give guidance, and serve as a sounding board/cross check on investment policy.
- Trustees commonly hire and set compensation for the Executive Director/CEO and the CIO, but delegate to the rest of the responsibility for staffing and compensation to staff with the requirements that they follow policies and the operating budget.
- Trustees should receive a thorough orientation to equip them to fulfill their fiduciary role. This should be augmented by annual fiduciary training on major issues around the country and alternatives to address them.
  - Orientation and fiduciary training should also be provided for members of advisory bodies, whether or not they are actually fiduciaries themselves, since they advise fiduciaries (the trustees).
- An independent financial audit, performed by an experience CPA firm that understands institutional investment programs is a good idea; this independent oversight fosters confidence and is likely to be more valuable than a government audit conducted by auditors without similar expertise and perspective.
- Use of outside consultants with broadly recognized experience captures best in class expertise that, in many cases, cannot practically be maintained in-house.
  - Florida's use of a pooled approach to consulting resources is prudent because it keeps best in class specialists available for particular issues, but only incurs costs on an "as needed" basis.
- Many public pension funds use a committee structure. An audit committee for a pension fund, like an audit committee for a corporate board, is of primary importance.
- Annual financial disclosures and certifications regarding conflicts of interest are good practices for all trustees, advisory bodies, and staff involved with investments. A growing trend is also to require certain disclosures from outside service providers regarding their expenditures for meals and entertainment of the fiduciaries.
- Transparency is enhanced through the quality of the website; Florida is seen by many as a model.

**7/16/09 Thrus Morton, CEO, Global Endowment Management, former CEO, Duke University Management Co. (DUMAC)**

- Boards should focus on policy level decision making and delegate day to day investment decision making to staff; 90% of reporting should be after the fact. Top flight investment staff will chafe under a board that is "too in the weeds," and turnover will be an issue.

- The board should hire and set comp for a CEO/CIO, who in turn makes all other staffing and comp decisions within guidelines set by the board.
- Maintaining competitive comp is a priority to ensure talent retention and successful recruiting. Boards should monitor the comp environment and evaluate competitiveness annually. Outside compensation consultants and peer information is helpful in this effort.
- Prospective manager selection was not part of the board's role, although board connections, knowledge networks, etc. can be very supportive to the process.
- Keeping the investment process independent and merit driven was a core value; "a bright yellow police line around our organization to protect from external intrusion into the investment process."
  - A committee with representatives across the university community was created to screen non-investment issues, calls for divestiture, prohibited securities, etc. and possibly make recommendations to the university's trustees.
- Meeting frequency: fewer is better. Three board meetings per year (commonly approx 3 hrs length), plus one telephonic meeting w/ the CEO was found to be the best schedule. Meeting too frequently or having meetings run too long are an excessive drag on resources; meeting prep and follow-up are time consuming. An executive committee might meet separately once or twice (even telephonically) to drill down on specific issues (e.g. Annual compensation, budget, etc.)
- Use of an external commercial audit firm is an important element of maintaining external credibility.
  - The board should receive a compliance report once a year.
  - Internal audit and consulting resources are useful management resources for dealing with specific issues.

**7/16/09 Susan Lewis, Sidley, Austin, Brown & Wood**

- Boards are most effective at a policy level, especially for larger funds.
  - Trustees commonly recruit/select and set comp for a sr exec, who in turn makes staffing and comp decisions for the remainder of the organization, in accordance with policies approved by the trustees.
- Fiduciary training for trustees is a useful tool for ensuring the right perspective on many issues likely to arise, especially in a public fund. The SEC may be moving in the direction of some sort of training requirements.
- Outside audits are the standard for independence, but in the post Sarbanes Oxley world, the value added isn't what it was in pre SarbOx times.

**7/16/09 Roger Smith, Greenwich Associates**

- Investment policy and guiding principles must be clearly established and related to one another.
- Long term orientation is important; focus on short term can lead to misplaced priorities and poor decisions.
- FL SBA's board structure, three trustees setting investment policy with guidance from a 6 member independent advisory council composed of investment professionals is a credible approach and makes sense.

- Trustees should hire and set comp for an executive to manage the SBA, then delegate subsequent hiring, comp and day to day management decision making to that person.
- An investment advisory committee will commonly counsel trustees on asset allocation, investment and risk policies and establishment of any new asset classes or strategies; sometimes they opine on manager selection.
- 4 to 6 people is the right size range for an IAC.
- To ensure continuity of information and policy depth, terms for appointees should differ from those of the trustees (elected officials) and be staggered among IAC membership.
- It is a good idea to have folks w/ different types of experience on the IAC, particularly asset management, plan sponsor or investment consulting experience.
- Committees that meet too often tend to make changes too often.
- Public meetings and public records requirements pose a challenge and may make it hard to recruit top quality people.
- IAC meetings are often most productive in really digging into investment issues when they are a day or a day and a half in length.
  - Meeting should include social activities to build cohesion between the advisory volunteers, professional investment staff and trustees. A dinner hosted by the plan sponsor / endowment the night before the meeting and breakfast and/or lunch on meeting days are common.
  - Meetings focusing on relevant and timely investment opportunities or issues are a good idea. Panels of managers/advisors can be set up to capture multiple perspectives and insights
- A separate audit committee is best practice.
  - The audit committee should oversee any external audit resources used.
  - The audit contract should be reevaluated and put out to bid every 5 years.

**7/20/09 Katie Hall, CEO, Hall Capital Partners LLC, also has experience as a trustee of Princeton's endowment and on the IAC for the California Regents**

- Governance structures with investment committees or boards that report up to higher level boards are common. Stanford and Princeton, for example, both have internal boards dedicated to investment decision making; these in turn report up to the university board.
- Very professional, highly empowered individuals should handle the business of running funds day to day and selecting managers.
- Boards / advisory committees should think of themselves as collective entities, not individuals representing particular constituencies, specific expertise or points of view.
  - Institutional memory matters – terms of members should be staggered to protect against wholesale turnover and consequent loss of institutional memory.
  - Avoid starting from zero on investment issues; there is always institutional context and hindsight is perfect.
  - Attendance of all meetings should be mandatory

- Managing money in-house is seldom seen as the most desirable approach. Issues that must be successfully managed to succeed with in house asset management include:
  - Recruitment & retention of professional talent
  - Establishment and maintenance of financial controls
  - Management of risk exposures
  - Ability to effect change in portfolios to capture changing opportunities.

**7/21/09 Gary Hudepohl, Principal and Managing Director, Deb Roche, Principal Hudepohl & Associates**

- Talent acquisition is critical
  - The #1 decision criterion for top talent is a governance structure that allows investment professionals to focus on investing.
    - Clear delineation of authority between staff and board
    - Delegation to executive staff of all operational decisions beyond asset allocation/allowable boundaries around allocation targets, investment policies at the total fund level, compliance.
    - Board focus must be policy, not operation.
  - Turnover in senior investment staff usually is traceable to the number and frequency of external distractions that pull executive staff away from their investment focus.
  - Some boards compensate their members; the Ohio Workers Comp Board members are paid \$60K annually for their service.

**7/20/09 Ellen Shuman, CIO, Carnegie Corporation**

- Ideal investment committee size is 5 to 7 members
  - Should have clear statement of investment policy
- Board commonly hires executive director/CIO then delegates other hiring/comp to the exec
- Board focus is primarily policy; they also approve fund managers.
  - Meets 3x annually, usually about 3 hours per meeting
    - Periodic phone calls
  - Once a year they affirm investment and spending policies
  - Panels are used from time to time to provide educational experience for trustees
  - New board members are provided education to help them up the learning curve on the fund's history, investment approach and processes.
- The audit committee is a subset of Carnegie's overall board and includes some members of the investment committee.
  - Approves external auditor
  - Sets scope of audit
  - Reviews financials
  - Makes recommendations to the board

**7/22/09 Harold Bradley, CIO, Ewing Marion Kauffman Foundation**

- Investment Committee is 4 people; policy is their focus.
  - There are 4 meetings a year, one of these is a retreat focused on learning more about investment opportunities.
    - Monthly phone calls are held as needed

- A separate audit committee manages the audit process, including scope and auditor selection.

**7/23/09 Stephen Schwarzman, CEO, Blackstone**

- Boards should view their jobs as assessing the world and determining how best to position themselves to meet their obligations given the opportunities and perils they see.
- All sorts of structures exist, from sole trusteeships to large boards; success is more a function of the people than the structure.
  - Non-investor board members must be informed to become productive contributors. Formal board education sessions are useful for this.
- The best investment partners share certain characteristics:
  - Boards set policy, delegate to professional investment staff and don't get in the way.
  - Have a first class staff with alignment of compensation relative to investment results relative to benchmarks.
- Less successful investment partners also share some characteristics:
  - Over reliance on consultants
  - Focused on politics
- SBA's IAC is a key group – a great resource that can contribute to our success

**7/23/09 Jim Voytko, President, Chief Operating Officer, Director of Research, and Senior Consultant, R.V. Kuhns & Associates, Inc., former CEO / Ex Dir of the Oregon pension system**

- Failures of governance tend to be reflected by;
  - Failure to provide clear direction – failure to establish and follow effective, pragmatic process.
  - Corruption (usually made easier by lack of direction and the failure to establish and follow process).
- Jim suggests the SBA's governance research project:
  - Look at actual investment organizations; you will quickly see a wide range of structures, from single trustees to 15 member boards. What matters most isn't structure, it is execution.
  - Pick a handful of funds and highlight:
    - Degree of delegation (clear direction and clear process).
    - Use of advisory board assets (one potential element of a good process).
    - Nature of policy instructions confirmed by the board (allocation, investment policies, compliance...clear direction and good process via documentation) Required documentation of processes followed and decisions make good process.
  - Would any of these funds seem to have consistently executed their duties better than FL SBA? ...probably not.
- Outside audit is seen as preferable; this was among the first recommendations Jim made when he became CEO / Ex Dir of the Oregon pension system.

**7/27/09 Scott Malpass, CIO, Notre Dame**

- Notre Dame's full board has 58 members and multiple committees.

- The investment committee is 13 people, all are university trustees and all have investment expertise. A smaller committee is perceived as potentially more practical, fewer than 10 would be better and 6 to 8 would be ideal. The investment committee has subcommittees of 2 to 4 people each.
    - Compensation subcommittee – ensures that comp for ND investment staff is competitive and aligns interests. Internal policy portfolio benchmarks are used as a basis for compensation evaluation.
    - Risk management subcommittee – risk oversight.
- Clearly delineating authority/delegation is important; ND accomplishes this through Investment Authority Guidelines that lay out the CIO's latitude. The CIO and inv committee chair are in regular contact, usually weekly. Together, they can react as needed to a dynamic investment environment.
  - When hiring new managers, a conference call is done w/ inv committee members to introduce the new manager; mgr docs are sent out in advance.
  - Re-ups of existing managers and private funds are within the authority of the CIO; these are reported quarterly.
- Training is a priority; board orientation with a component of fiduciary training is provided.
  - Technical sessions dedicated to specific investment opportunities, new security types, strategies or issues are held as needed.
  - Field trips for the purpose of learning more about managers and opportunities are a standard part of investment committee activity. These alternate annually between US domestic and international destinations; this year's trip was a week in China (committee members paid their own way).
- Preserving institutional memory is seen as a key to ND's long term success.
  - There have been only 2 chairs of the investment committee in Scott's 21 years at ND. The investment committee chair is the only ND bd of trustees committee chairmanship that is NOT subject to rotation after a term limit.
- Audit is handled externally with scope and selection of the auditing firm handled by the audit committee of the ND board.
- ND is well staffed with highly qualified professionals; Scott teaches part time and recruits from his students. Of the 16 people on the core investment team, 4 are Harvard MBAs and 13 are CFAs. The ND investment team has a reputation for quality and consistency that empowers recruiting and drives solid decision making.
- The university is very focused on providing resources to meet the needs of the investment team; the budget always addresses priorities properly.
- Given staff capabilities, consultant use is limited to Cambridge Associates performance database and asset allocation research.

## **APPENDIX IV**

### **Personal Interviews by SBA Trustees' Staff**

#### **The California Public Employees Retirement System**

*Terry McGuire, Designee for Ex-Officio Member State Controller John Chiang*

Mr. McGuire was surprised that Florida only has three trustees. Three should be an absolute minimum, and really there should be more than that. The New York model does not work.

CalPERS has 13 trustees serving on its board, and having a larger board is better for a number of reasons, including diversity of opinion, and it allows for there to be committees on specific sub-issues that confront the board. Also, when there are more members of the board, different people can focus on specific areas so that those areas get more attention, rather than a small group of people trying manage a wide variety of issues. With only three trustees, it is hard to achieve this kind of balance. CalSTERS has 12 trustees.

Due to the trustees' fiduciary obligation, they always come to an agreement, but often it is not a unanimous vote, so you get a lot of discussion. There are so many issues that involve interactions and delegation and benefit from different views.

Any board member can attend any committee meetings and any board member can speak at the meetings; the committee structure is actually a very inclusive structure. Also board policy establishes what comes back from committee to the board as a whole and the investment committee is the whole board.

CalPERS just finished a two year policy review during which they made changes and brought everything up to date. The biggest issue it resolved had to do with its real estate portfolio; they consolidated numerous policies for different real estate programs into a single real estate policy. They also addressed the issues of the board's delegation of authority to executive staff and investment staff, and the use of leverage.

*Bill Lockyer, Ex-Officio Member, State Treasurer*

CA has two separate pension fund board with 11-12 trustees serving on each. Lockyer serves on both as does the state Controller and a representative from the Governor's Office.

Many of the members are elected by the teachers or employee groups.

“Generally I believe that a larger group from diverse constituencies is a good idea”. He suggested expanding the board for a number a reasons, including transparency, buy-in of constituent groups and expansion of the skill sets and experience level of the board.

In CA the entire board also functions as the investment committee after problems arose with the separate IC. The board deals with investment policy issues such as specific allocations.

Time commitment is an issue in CA. Each board meets 2-3 FULL DAYS a month....one day exclusively on investments. Trustees receive a 400 page book prior to the monthly meetings. Elected officials may, by statute, appoint individuals from their staff to represent them at the meetings.

It is imperative to institutionalize risk management.

It is a best practice to employ a separate CEO and CIO.

Both funds contract with external auditors and consultants, which is a best practice.

Both funds manage assets both externally and internally, which is a best practice.

## The California State Teachers Retirement System

### *Tom Sheehy, Ex Officio Member*

Tom Sheehy-ex officio member of CalSTRS, appointed Chief Deputy Director for Policy of the **California Department of Finance** by Governor Schwarzenegger in 2008. Sheehy serves on behalf of Director Michael C. Genest as his representative on more than 80 boards, commissions, and authorities.

CalSTRS board has 12 members, with 6 appointed by the Governor. They employ a Chief Investment Office that serves at the pleasure of the board. The CIO may hire outside advisers and counsel, as well as, independent actuaries. STRS also contracts with fiduciary counsel to represent the board.

STRS fund asset allocation is determined by the board, as well as, the pension fund agenda.

A key component of transparency for STRS is the requirement for all board members to fully disclose their financial information to avoid conflicts of interest.

- As of June 30, 2009-STRS was funded at around 70%

#### Recent Legislative Changes-

- 2007 Iran Divestiture Bill-currently implementing the legislation

### Reasons for Success-

- Diverse board make-up
- Healthy conversation between the board and staff provide for better oversight
- Conduct Annual Strategic Plan and Annual Self Evaluations
- Board education is important-New Trustees are required to participate in a 2-day orientation

Tom noted that a board make-up of 7-11 members was good, and that a sole trustee model was bad.

## **The Employee Retirement System of Georgia**

*Daniel Ebersole, Ex-Officio Member, State Treasurer*

There may not be a “best practice” given differing sets of circumstances, only better and worse ways of doing things,

Believes Florida should strongly consider a broader board than three elected trustees. Representation of the participants would be important for credibility and accountability. (See chart for Georgia’s board structure...appointed, ex-officio, board elected, automatic)

One of the greatest challenges is letting the investment managers manage the assets while the board sets policies. There must be investment staff who have the leeway to make investment decisions that implement the policies of the board unencumbered by politics or outside interests.

Consider having a board appointed position with investment experience (10 years for example) who serves on the investment committee. In Georgia the Investment Committee is a sub committee of the board of trustees.

While there may not be a direct correlation between governance and fund performance, there is most likely an indirect correlation between performance and a governance structure that allows managers to manage and policy makers to set policies while providing transparency.

What has seemed to work best in Georgia is a process that has staff recommending investment policies and strategies to the investment committee, the investment committee recommending to the board, the board modifying/ratifying those recommendations and then the approved policy recommendations being implemented by staff.

It is critical to institute clearly defined policies and procedures at both the staff and board levels.

## Colorado Public Employees Retirement Association

*Cary Kennedy, Ex-officio Member, State Treasurer*

Treasurer Kennedy is new to the board; she has been a member for about two years.

PERA has been cited as a top-run pension fund. In one study that was a comparison of about 65 fund internationally that examined funds based on several different criteria, and PERA came out on top in a handful of categories (check with PERA staff on the name of this study).

There are 15 members of the PERA board: including three governor's appointees, the treasurer is an ex-officio member, and then each of the divisions – school, local government, state government, and the judicial division – elect members and there is an at-large member.

Board members sign up for subcommittees for which they review policies and make recommendations to the board as a whole. The sub-committees are the following: audit, benefits, compensation and budget (PERA), investment, shareholder responsibility, evaluation subcommittee, and the ad hoc enacting shareholder relations. There are 4-8 members per committee.

The board meets all day once a month on Fridays; the subcommittees meet during the day once a month on the day before.

As far as fiduciary responsibility and ethics, there is extensive training, with a certain amount that board members must complete. PERA pays for this training for board members.

It is very important to have representatives from the beneficiary membership. However, a little more than two years ago, the sense was that the board too heavily comprised of beneficiary membership, and the legislature added 3 members to be appointed by the governor.

With Florida only having three trustees, the membership is not directly represented.

PERA has 430,000 members, \$40 billion under management, and many staff running the day-to-day operations. PERA is a fund created by statute that is independent of the state.

PERA has both internal and external investments.

The PERA board, by virtue of its size, can do the following:

- Member outreach: 15-20 annual shareholder meetings throughout the state
- Ambassador program: beneficiary members of the fund can sign up, stay informed on the fund and legislation, and testify before the legislature on fund matters

- Allows room for membership representatives who can really represent the best interests of their members
- Allows for diverse perspectives on the board

The contribution and benefits structure of PERA is established by statute, so only the legislature can change it, but PERA can advise the legislature on needed changes.

Recently, the PERA Board went on a listening tour around the state to hear stories and thoughts from people as PERA attempts to deal with its being underfunded after the market changes in 2008. About 500 people showed up at each of the 8 meetings that were scheduled. The recommendations for PERA are due November 1.

Colorado PERA is underfunded. The market loss in 2008 created a gap in the funding ratio. Some of the options to deal with that are increasing the contribution rates, decreasing benefits, along with other options that are listed on the PERA site. PERA has asked its membership to rate the changes to which it is most amenable, and PERA plans to consider that in proposing legislation.

Each year, PERA does a series of studies to track all of the “moving parts” of the fund. There is tracking on a monthly basis that keeps the fund on track because “small errors compound into big numbers.” The PERA staff does a “superb job” of getting the board timely and accurate information. One model that is particularly helpful is a new one that the PERA staff has developed which allows the board to analyze the benefit structure and contribution structure and see how it affects liability.

Colorado PERA confronts the fund’s assets head on, when PERA is underfunded. Unlike pension systems like California that have used smoothing to absorb its losses, Colorado PERA is using a market ratio. Right now Colorado has \$26 billion in unfunded liability.

“Pension funds can be well-managed, but that means making tough decisions when faced with tough markets.”

## **Missouri State Employees Retirement System**

### ***Wayne Bill, Board Chair***

Trust independence (autonomy) and policy statements that clearly identify roles and responsibilities are critical to developing and implementing good governance practices. The trust independence tenet stems from a good statutory framework that positions our board to control the destiny of the fund. See attached newsletter description for more detail on Governance at MOSERS and the listing of best practices -- also attached.

I would like to see other funds pursue a legal framework and governance policies similar to those we have been operating under for many years. The more we can do as an industry to bring demonstrated professionalism to the process the better off we will all

be. When there are negative experiences, all funds get painted with the same brush regardless of whether or not any individual fund is operating in a way that is potentially problematic.

We are responsible for both investing the funds and administering the benefit programs. Our investment returns have been top tier over protracted periods (including both good and bad markets relative to both our benchmarks and the universe of public funds), and our customer service rankings have been independently determined to be at the top of a broad universe of public funds with associated costs being below average. I attribute both to our laws and governance policies along with excellent staff performance and retention.

*Travis Morrison, Member*

Mr. Morrison said that he is relatively new to the Board; the Governor appointed him about 9 months ago. Accordingly, he does not feel comfortable making definitive recommendations as to governance. However, he does have a couple of thoughts. First, he pointed out that because most of the board members are either members of the Legislature, state elected officials or appointed by the Governor, the board members are limited in the amount of time they can serve because of term limits. He feels that this is a problem because of the complexity of pension matters; it would be better if board members could serve longer.

He also thinks that it would be helpful if retired investment professionals could serve on the board. These individuals could offer valuable investment counsel and since they would be retired, they would have enough time to devote to the task and be free of potential conflict of interests. He thought that it might be possible to also obtain the benefit of financial expertise through an advisory investment council like we have here in Florida. He would like to have a copy of the final report.

**Teacher Retirement System of Texas**

*Eric McDonald, Member*

He was appointed to the Board in spring 2009 and has only been to a couple of board meetings so he hasn't had time to consider governance issues in detail. However, he does believe that the current composition of the board (5 members appointed by the Governor; 4 appointed by the Governor from a slate provided by participants from elementary, secondary and higher education) is effective and nonpolitical. The Governor's appointees are financial and investment professionals so they offer the expertise needed to ensure that the fund is managed properly. The retiree representatives though are also important because they help to ensure that the retirees remain informed and avoid unrealistic expectations. He feels that the greatest strength of the board is that it is nonpolitical and professional in carrying out its fiduciary responsibilities.

He believes that one of the most effective initiatives undertaken by the board has been to provide more information to the participants. For example, the staff recently traveled across Texas talking to retirees and answering questions.

He also said that the current budget structure provides checks and balances. The board prepares a budget that is subject to approval by the Legislature. He believes that this approach helps to ensure that the best investment decisions are made for professional not political reasons.

### *David Kelly, Member*

Mr. Kelly echoed Eric McDonald's observation that the great strength of the Texas Board is that it is composed of members whose sole public service is to be a fiduciary to the plan. He says that he spends a considerable amount of time preparing for board meetings. Also, the fact that the five Governor's appointees are investment professionals makes for a well administered fund. He also reiterated Eric McDonald's point that having a substantial presence from the educator professionals on the board helps to get the message across. He thinks that the structure in Texas is both "flexible and strong" and that they have a "pretty good system." He believes that the relatively large size of the board —nine members—and the fact that it is composed of financial professionals and educator representatives are important positive factors.

He also believes that the current budgetary process is appropriate and an effective way to address resource challenges. He notes that the board has a "fantastic staff". He says that the role of the governing board should be to set policy and ensure that the policy is properly applied. He would like to have a copy of the final report.

## **State of Wisconsin Investment Board**

### *David Stella, Secretary of the Wisconsin Investment Board (Benefits Side)*

Wisconsin's fund is mandated by statute. The state divides benefits and investments with two boards for oversight. On the investment side, there are nine members. Six members must possess at least ten years of investment experience. The board hires a Chief Investment Officer to run the day-to-day operation. The board also has an audit committee with an internal auditor that reports directly to the board. The board sets asset class allocations with the recommendation of contracted expert consultants.

- Approx \$66B AUM
- \$6 B in local government fund

#### Recent Legislative changes-

In the 2008 Investment Bill, the Wisconsin legislature enhanced the ability of the board to set policy to allow board to better serve participants with better communications, and the latitude to access investment opportunities.

Reasons for success-

- Policy Board consisting of members with 10 years investment experience and hired CIO helps to take the politics out of day-to-day operation

**Client Services Manager, Industry Funds Management**

*Monte Tarbox*

General Questions: Is there a best practice for fund governance?

Any reforms needed?

What has been successful with boards that you will share?

Synopsis:

Florida's SBA Board of Trustees structure is unique, but "not way outside of the norm".

Three different models for most state pension funds: Single Fiduciary, Elected Boards, Elected and Appointed Boards.

No correlation between governance structure and outcome....it is usually something else that drives performance. Often when boards make changes it is because of press or political pressures and not performance,

Governance is more about building confidence for the stakeholders: what will it take to give participants and the people of Florida confidence?

Not many firms perform consultative studies on this and it is usually expensive.

Some states manage all investments in house which may not be the best model. Florida is a blend which puts us "in the middle of the pack".

Florida is now "halfway there" by instituting separate SBA board meetings.

Some best practices: transparency, availability of documents, outside reviews.

Board should be about policy, staff should be about implementation.

**APPENDIX V**

<b>Public Pension Plans - Governance Features</b>					<b>Total Fund Excess Returns</b>			
<b>Plan</b>	<b>Pension AUM \$B (1)</b>	<b>Non-Pension AUM \$B (1)</b>	<b>% Internally Managed (1)</b>	<b>Funding Ratio (1, 2)</b>	<b>3 Year (3)</b>	<b>5 Year (3)</b>	<b>10 Year (3)</b>	<b>Plan Website</b>
1 CalPERS	180	~1.5	57%	66.0%	-0.84%	1.44%	-0.29%	<a href="http://www.calpers.ca.gov">www.calpers.ca.gov</a>
3 CalSTRS	120	0.3	36%	76.0%	-0.30%	0.48%	0.44%	<a href="http://www.calstrs.com">www.calstrs.com</a>
2 NY State Common	117	6.9	58%	107.3%	-0.25%	0.68%	1.31%	<a href="http://www.osc.state.ny.us/pension/index.htm">www.osc.state.ny.us/pension/index.htm</a>
4 Florida SBA	106	15	49%	93.0%	-0.45%	-0.04%	0.30%	<a href="http://www.sbafla.com">www.sbafla.com</a>
5 NY State Teachers (NYSTRS)	88.5	0	81%	106.6%	0.70%	0.90%	0.40%	<a href="http://www.nystrs.org">www.nystrs.org</a>
6 TexasTRS	82	0	100%	90.5%	n/a	n/a	n/a	<a href="http://www.trs.state.tx.us">www.trs.state.tx.us</a>
7 New Jersey	71.8	0	96%	76.0%	2.18%	1.75%	0.26%	<a href="http://www.state.nj.us/treasury/pensions">www.state.nj.us/treasury/pensions</a>
8 NC Investment Mgmt Division	70.5	0	n/a	102.0%	0.26%	0.36%	0.43%	<a href="http://www.nctreasurer.com/DSTHome/InvestmentMgmt/GovernmentalOpsReports/Overview.htm">www.nctreasurer.com/DSTHome/InvestmentMgmt/GovernmentalOpsReports/Overview.htm</a>
9 Wisconsin (SWIB)	63.5	5.8	26%	99.6%	-0.40%	0.03%	0.40%	<a href="http://www.swib.state.wi.us">www.swib.state.wi.us</a>
10 New York City (NYCERS)	47	0	1%	99.8%	n/a	n/a	n/a	<a href="http://www.nycers.org">www.nycers.org</a>
11 Virginia	43	0	n/a	88.0%	0.40%	0.67%	0.82%	<a href="http://www.varetire.org">www.varetire.org</a>
12 Georgia Teachers	42	0	n/a	92.0%	0.28%	0.11%	0.03%	<a href="http://www.trsga.com">www.trsga.com</a>
13 ColoradoPERA	32.8	~3	n/a	68.5%	0.80%	1.10%	n/a	<a href="http://www.copera.org">www.copera.org</a>
14 Connecticut	20.4	7	0%	70.0%	0.91%	0.80%	1.00%	<a href="http://www.state.ct.us/ott/facResponsibilities.htm">www.state.ct.us/ott/facResponsibilities.htm</a>
15 Missouri (MOSERS)	6	0	n/a	86.0%	2.03%	1.59%	2.06%	<a href="http://www.mosers.org">www.mosers.org</a>
(1) As of dates vary by plan. Data is most recent available, obtained directly from plans or as publicly reported.								
(2) For Florida SBA, value is estimated funding ratio based on interim actuarial analysis performed in the middle of FY2009. Due to the complexity of actuarial data calculations, and their inherent timing lag, current information is not available through June 30, 2009 for most of the surveyed pension systems. See color shading according to ending time periods below.								
(3) All data as of June 30, 2009, except New York State Teachers, which is as of March 31, 2009; data composed of relative total fund returns compared to a plan's own individual benchmark.								

## APPENDIX VI

### Public Pension Plans

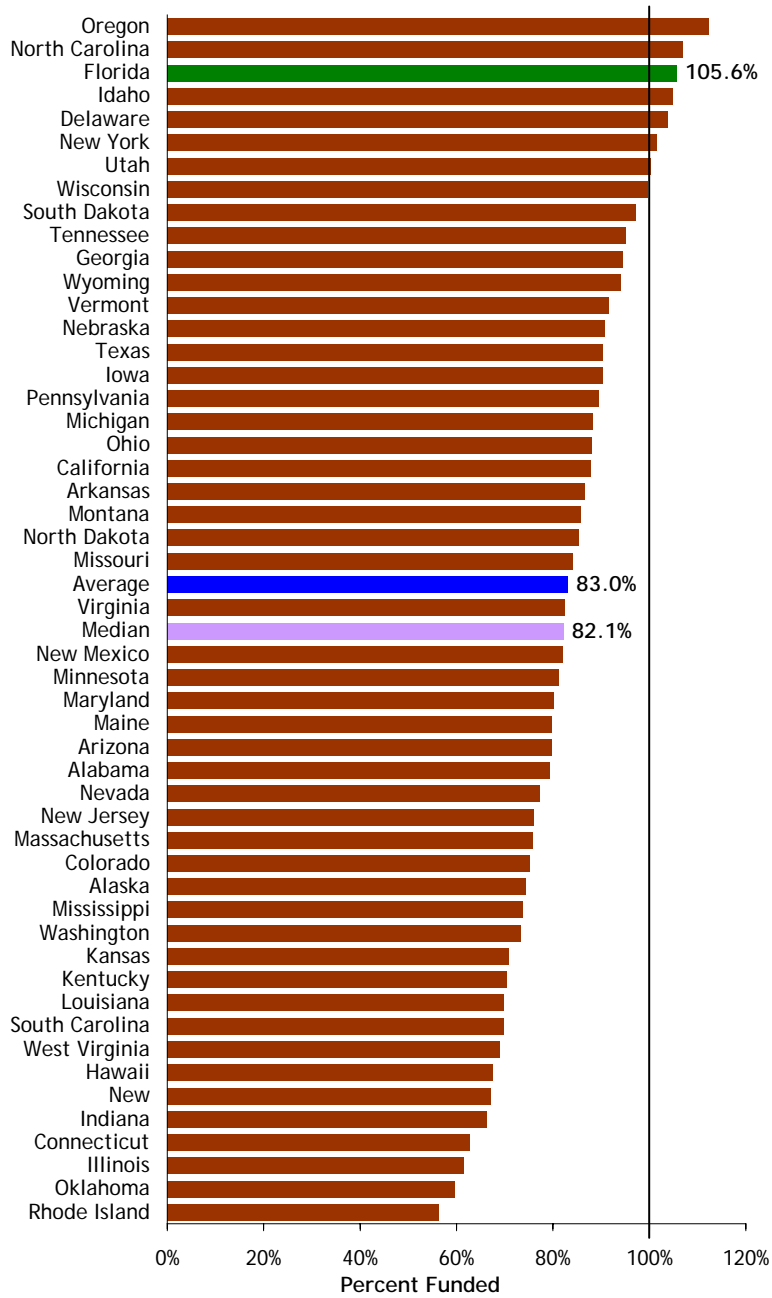
<u>Plan</u>	<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>Email</u>
CalPERS	Bill McGrew	Portfolio Manager	916-795-3829	<a href="mailto:bill_mcgreg@calpers.ca.gov">bill_mcgreg@calpers.ca.gov</a>
	Joe Dear	CIO	916-795-3829	<a href="mailto:joe_dear@calpers.ca.gov">joe_dear@calpers.ca.gov</a>
CalSTRS	Anne Sheehan	Director of Corporate Governance	916-229-3706	<a href="mailto:asheehan@calstrs.com">asheehan@calstrs.com</a>
	Jack Ehnes	Executive Director	916-229-3706	<a href="mailto:jehnes@calstrs.com">jehnes@calstrs.com</a>
NY State Common	George Wong	Corporate Governance Manager	518-474-4003	<a href="mailto:gwong@osc.state.ny.us">gwong@osc.state.ny.us</a>
	Raudine Etienne	CIO	212-681-4019	<a href="mailto:retienne@osc.state.ny.us">retienne@osc.state.ny.us</a>
	Dorothy Carey	Chief Administrative Officer	???	<a href="mailto:dcarey@osc.state.ny.us">dcarey@osc.state.ny.us</a>
<b>Florida SBA</b>	n/a	n/a	n/a	n/a
New York City	Ken Sylvestor	Corporate Affairs Director	212-669-2013	<a href="mailto:ksylvestor@comptroller.nyc.gov">ksylvestor@comptroller.nyc.gov</a>
Texas TRS	Thomas "Britt" Harris	CIO	512-542-6631	<a href="mailto:irma.zavaleta_castillo@trs.state.tx.us">irma.zavaleta_castillo@trs.state.tx.us</a>
NY State Teachers		Executive Director		-
Wisconsin (SWIB)	Lawrence Johansen	Managing Director	518-447-2611	<a href="mailto:ljoханse@nystrs.state.ny.us">ljoханse@nystrs.state.ny.us</a>
	David Villa	CIO	608-261-2381	<a href="mailto:david.villa@swib.state.wi.us">david.villa@swib.state.wi.us</a>
	Terrijo Saarela	Investor Responsibility Manager	608-261-4361	<a href="mailto:terrijo.saarela@swib.state.wi.us">terrijo.saarela@swib.state.wi.us</a>
New Jersey	Bill Clark	Director	609-292-5163	<a href="mailto:William.Clark@treas.state.nj.us">William.Clark@treas.state.nj.us</a>
North Carolina	Patricia Gerrick	CIO	919-807-3101	<a href="mailto:patricia.gerrick@nctreasurer.com">patricia.gerrick@nctreasurer.com</a>
Virginia	Charles Grant	CIO	804-344-3194	<a href="mailto:cgrant@varetire.org">cgrant@varetire.org</a>
	Curtis Mattson	Investment Compliance Officer	804-344-3129	<a href="mailto:cmattson@varetire.org">cmattson@varetire.org</a>
Georgia Teachers	Nanci Boedy	Co-CIO	404-656-2151	<a href="mailto:squarello@divinv.net">squarello@divinv.net</a>
	Charles Cary	Co-CIO	404-656-2151	<a href="mailto:squarello@divinv.net">squarello@divinv.net</a>
Illinois Teachers	Jon Bauman	Executive Director	217-753-0345	<a href="mailto:jbauman@trs.illinois.gov">jbauman@trs.illinois.gov</a>
	Stan Rupnick	CIO	217-753-0370	<a href="mailto:srupnik@trs.illinois.gov">srupnik@trs.illinois.gov</a>
Connecticut	Meredith Miller	Assistant Treasurer (Policy)	860-702-3162	<a href="mailto:meredith.miller@po.state.ct.us">meredith.miller@po.state.ct.us</a>
	Lee Ann Palladino	CIO	860-655-1750	<a href="mailto:LeeAnn.Palladino@ct.gov">LeeAnn.Palladino@ct.gov</a>
Missouri (MOSERS)	Gary Findlay	Executive Director	573-632-6110	<a href="mailto:garyfind@mosers.org">garyfind@mosers.org</a>
	Rick Dahl	CIO	573-632-6160	<a href="mailto:rh Dahl@mosers.org">rh Dahl@mosers.org</a>
ColoradoPERA	Meredith Williams	Executive Director	303-832-9550	<a href="mailto:mwilliams@copera.org">mwilliams@copera.org</a>
	Lynn Turner	Trustee	303-465-4740	<a href="mailto:LynnETurner@aol.com">LynnETurner@aol.com</a>

## APPENDIX VII

### Others (Corporate, Endowment, etc.)

<u>Plan</u>	<u>Name</u>	<u>Title</u>	
The Getty Trusts	Jim Williams	CIO	
University of Notre Dame	Scott Malpass	CIO	
Ewing & Marion Kauffman Foundation	Harold Bradley	CIO	
Carnegie Corporation	Ellen Shuman		
Blackstone	Steve Schwartzman	President & CEO	
Global Endowment Management	Thrus Morton	CEO	(former CEO, Duke Management Co.)
Hall Capital Partners LLC	Katie Hall	CEO	
Rock Creek Capital	Afsaneh Beschloss	CEO	(also Trustee Ford Foundation and Smithsonian Institution)
Groom Law Group	Ian Lanoff	Attorney	
Ennis, Knupp & Associates (EK&A)	Nancy Williams	Senior Consultant	
Hudepohl & Associates	Gary Hudepohl	Principal & Managing Director	
Greenwich Associates	Roger Smith	Senior Advisor	
RV Kuhns	James M. "Jim" Voytko	President, Chief Operating Officer, Director of Research and Senior Consultant	
Sidley, Austin, Brown & Wood	Susan Lewis	Partner	

## State Retirement Systems Funded Ratios



Source: Standard & Poors February 26, 2008 Report (2007 Data)

**Standard & Poors**  
**State Retirement Systems Funded Ratio 2007**  
**Publication Date: February 26, 2009**

<b>State</b>	<b>Funded Ratio (%)</b>
Oregon	112.2
North Carolina	106.9
<b>Florida</b>	<b>105.6</b>
Idaho	104.9
Delaware	103.7
New York	101.5
Utah	100.3
Wisconsin	99.6
South Dakota	97.1
Tennessee	95.1
Georgia	94.4
Wyoming	94
Vermont	91.6
Nebraska	90.6
Texas	90.3
Iowa	90.2
Pennsylvania	89.5
Michigan	88.2
Ohio	88
California	87.9
Arkansas	86.6
Montana	85.6
North Dakota	85.2
Missouri	84.1
<b>Average</b>	<b>83.0</b>
Virginia	82.3
<b>Median</b>	<b>82.1</b>
<b>New Mexico</b>	<b>82.0</b>
Minnesota	81.1
Maryland	80.2
Arizona	79.7
Maine	79.7
Alabama	79.3
Nevada	77.2
New Jersey	76
Massachusetts	75.7
Colorado	75.1
Alaska	74.3
Mississippi	73.7
Washington	73.3
Kansas	70.8
Kentucky	70.3
Louisiana	69.8
South Carolina	69.7
West Virginia	68.8
Hawaii	67.5
New Hampshire	67
Indiana	66.2
Connecticut	62.6
Illinois	61.4
Oklahoma	59.5
Rhode Island	56.2

Source: Standard and Poor's - Market Declines Will Shake Up  
U.S. State Pension Funding Stability February 26, 2009.