

**MEETING OF
THE STATE BOARD OF ADMINISTRATION**

**GOVERNOR CRIST AS CHAIRMAN
CHIEF FINANCIAL OFFICER SINK AS TREASURER
ATTORNEY GENERAL MCCOLLUM AS SECRETARY**

**CABINET MEETING ROOM
LL-03, THE CAPITOL
TALLAHASSEE, FLORIDA**

SEPTEMBER 1, 2009 – 9:00 A.M.

AGENDA

To View Agenda Items Click on the Following Link:

www.sbafla.com

- I. MINUTES FROM JULY 28, 2009 MEETING
(Action Required)**

- II. INVESTMENT PERFORMANCE REPORTS**
 - a. Florida Retirement System Pension Plan (DB)**
 - b. Florida Retirement System Investment Plan (DC)**
 - c. Florida Prime (Local Government Surplus Funds Trust Fund)**

- III. REPORTS**
 - a. Investment Advisory Council (IAC) – Rob Konrad**
 - b. Participant Local Government Advisory Council (PLGAC) – MaryEllen Elia**
 - c. Audit Committee – Bill Sweeney**
 - d. Update on SBA Legal Activities – Tom Beenck and Maureen Hazen**
 - e. Inspector General – Bruce Meeks**
 - f. Update on Florida Hurricane Catastrophe Fund (FHCF) 2009 Capacity –
Dr. Jack Nicholson**

- IV. UPDATE ON MAJOR INITIATIVES AND ONGOING PROJECTS**
 - a. FRS Pension Plan Asset/Liability and Asset Allocation Studies**
 - b. Enterprise Risk Management and Compliance**
 - c. Securities Lending**
 - d. Strategic Investments**
 - e. Florida Growth Fund**
 - f. Corporate Governance—Proxy Voting Guidelines**
 - g. SBA Governance**

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GOVERNOR CRIST AS CHAIRMAN
CHIEF FINANCIAL OFFICER SINK AS TREASURER
ATTORNEY GENERAL MCCOLLUM AS SECRETARY

JULY 28, 2009

MINUTES

With Governor Crist presiding and all members present, The State Board of Administration was convened in LL-03, The Capitol. Ash Williams, Executive Director, of the State Board of Administration (SBA) was also present.

The following official actions were taken.

- ITEM 1.** Approved the minutes of June 9, 2009.
- ITEM 2.** Approved the SBA Quarterly Report required by the Protecting Florida's Investments Act (PFIA). During discussion it was noted that the divestiture process has had an impact of minus six basis points on the total performance of the fund.

Pursuant to Sections 215.473 and 215.442, F.S., the SBA is required to submit a quarterly report that includes lists of "Scrutinized Companies" with activities in Sudan and Iran. The PFIA prohibits the SBA, acting on behalf of the Florida Retirement System Trust Fund, from investing in, and requires divestment from, companies involved in certain types of business activities in or with Sudan or Iran, (i.e., the "Scrutinized Companies").

- ITEM 3.** Approved the letter to the Joint Legislative Auditing Committee for annual certification of legal compliance and best investment practices for the Local Government Investment Pool. (s 218.405 (3), F.S.)

Lewis, Longman & Walker, P.A. independently performed the statutory compliance review and presented their findings to the Investment Advisory Council and Participant Local Government Advisory Council in their joint session of June 18, 2009. Lewis, Longman & Walker, P.A. indicated that the Local Government Investment Pool has been managed and operated in accordance with the statutory requirements of Part IV of Chapter 218, Florida Statutes from May 2008 to May 2009. Any items noted in the review were, in their judgment, details, matters of interpretation, or have now been corrected.

Ennis, Knupp + Associates independently performed a comprehensive review of the various aspects of the Local Government Investment Pool to determine if the management and operations are in line with best practices and presented their findings to the Investment Advisory Council and Participant Local Government Advisory Council in their joint session on June 18, 2009. Ennis, Knupp + Associates concluded that the Local Government Investment Pool is managed and operated according to best practices and is in line with, or compares favorably to its peers, in virtually all areas. Recommendations to further improve the management of the Local Government Investment Pool are incorporated in proposed changes to the Investment Policy Guidelines or are under active review.

- ITEM 4.** Approved the updated Investment Policy Guidelines for the Local Government Surplus Funds Trust Fund (i.e., Local Government Investment Pool) as required under s. 218.409(2)(d), F.S.

The Investment Policy Guidelines for the Local Government Investment Pool must be annually reviewed by the Investment Advisory Council and the Participant Local Government Advisory Council, and reviewed and approved by the Trustees. Recommended changes to the Investment Policy Guidelines:

State Board of Administration – Minutes
July 28, 2009
Page Two

1. Investment Counseling based on evolving best practices in the money market fund industry.
2. Are largely taken from the Investment Company Institute Money Market Working Group, which was formed to develop best practices in the wake of the Federal government support of money market funds in late 2008.
3. Codify elements of Federated Investment Counseling's investment process, that are conservative by design (i.e., low interest rate risk, high liquidity and minimal credit risk). Current Local Government Investment Pool investments are already in compliance with the recommended changes.
4. Were endorsed by the Investment Advisory Council and Participant Local Government Advisory Council in their joint session of June 18, 2009.

ITEM 5. Approved a letter to Joint Legislative Auditing Committee affirming that the SBA Trustees have "reviewed and approved the monthly [Local Government Investment Pool (LGIP) Management Summary] reports and actions taken, if any, to address any [material] impacts." (s. 218.409(6)(a)1., F.S.)

This is a quarterly requirement created by SB 2422, 2008 Session. During the quarter (April, May, and June 2009) there were no material impacts.

ITEM 6. Approved the reappointment of Randy Dumm, Ph.D., as Chair of the Florida Commission on Hurricane Loss Methodology, for the 2009-2010 year.

ITEM 7. Approved the amended FY2009-2010 (FY 2008-2009 Spending Authority) State Board of Administration operating budget.

The State Board of Administration's agenda was concluded.



Ashbel C. Williams
Executive Director & CIO

State Board of Administration of Florida

Florida Retirement System

Pension Plan Review
Second Quarter 2009

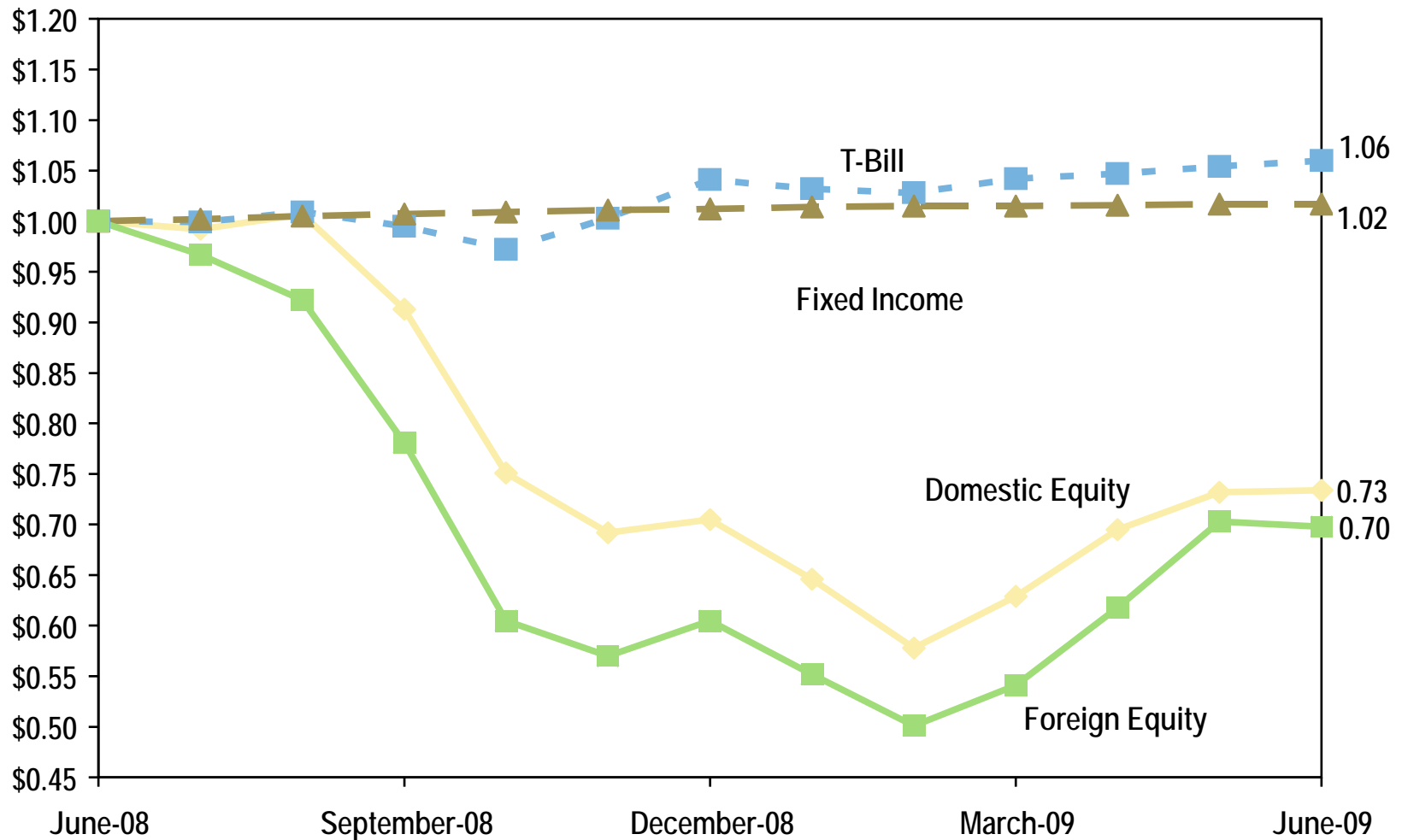
Performance Highlights

- During the second quarter of 2009, trailing one- and three-year periods, the Total Fund underperformed the Performance Benchmark. The Total Fund matched the Performance Benchmark over the trailing five-year period and outperformed over the trailing ten-year period.
- The Total Fund return exceeded the median fund in the TUCS defined benefit plan universe during the second quarter of 2009, and the trailing five-year period. The Total Fund return underperformed the median TUCS fund over the trailing one- and ten-year periods and matched the median fund over the trailing three-year period. Over the trailing five-year period, the Total Fund fell within the top half of returns reported by the TUCS defined benefit plan universe.

Market Environment

Growth of a Dollar

1 Year Ending 6/30/09

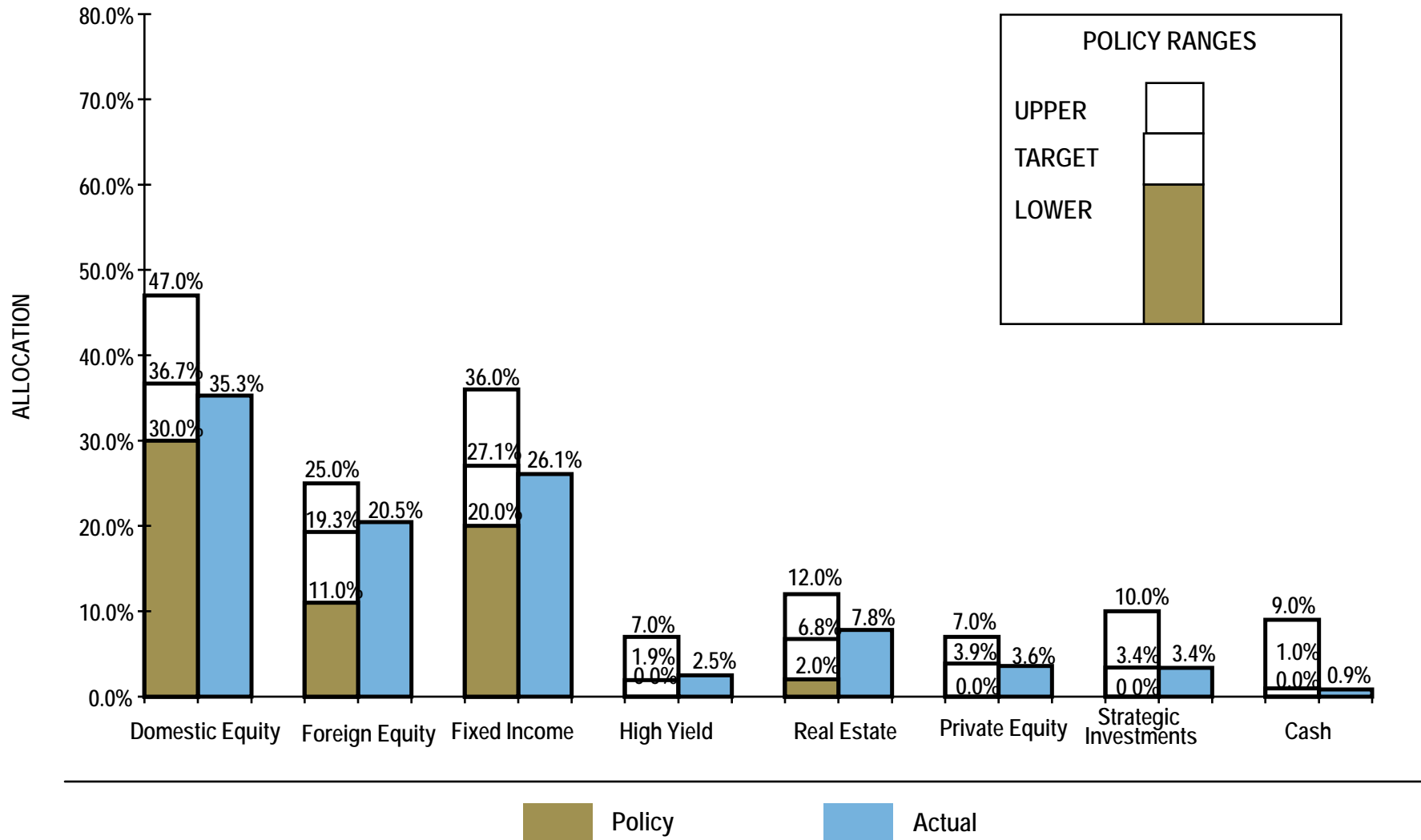


Asset Allocation Commentary

- The Fund assets total \$99.6 billion as of June 30, 2009, which represents a \$9.4 billion increase since last quarter.
- Actual allocations for all asset classes were within their respective policy ranges at quarter-end.
 - The Fund was overweight to the Foreign Equity, High Yield, and Real Estate asset classes during the quarter. All other asset classes were underweight relative to their Target.

Asset Allocation as of 6/30/09

Total Fund Assets = \$99.6 Billion

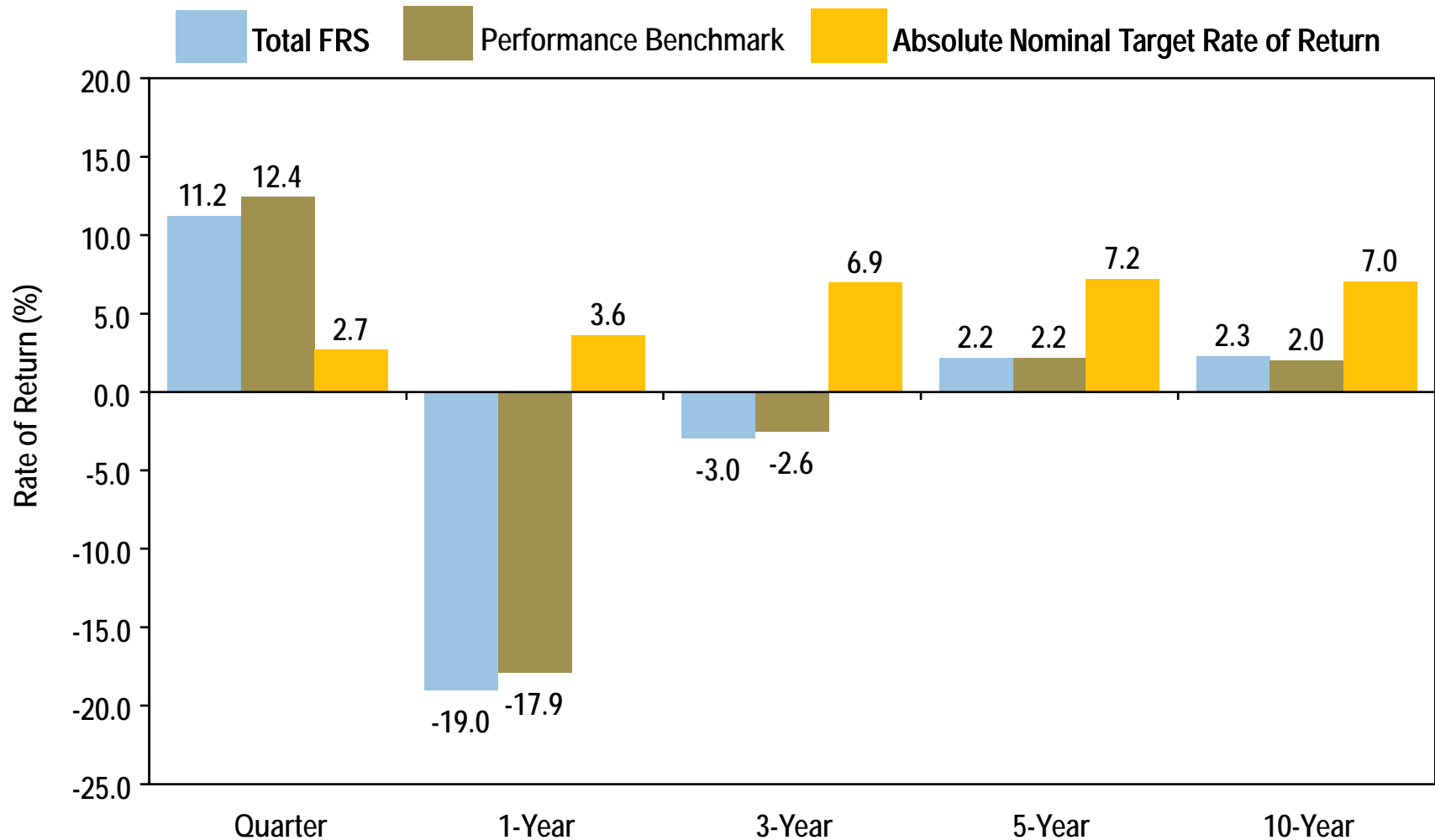


Total Fund Performance Commentary

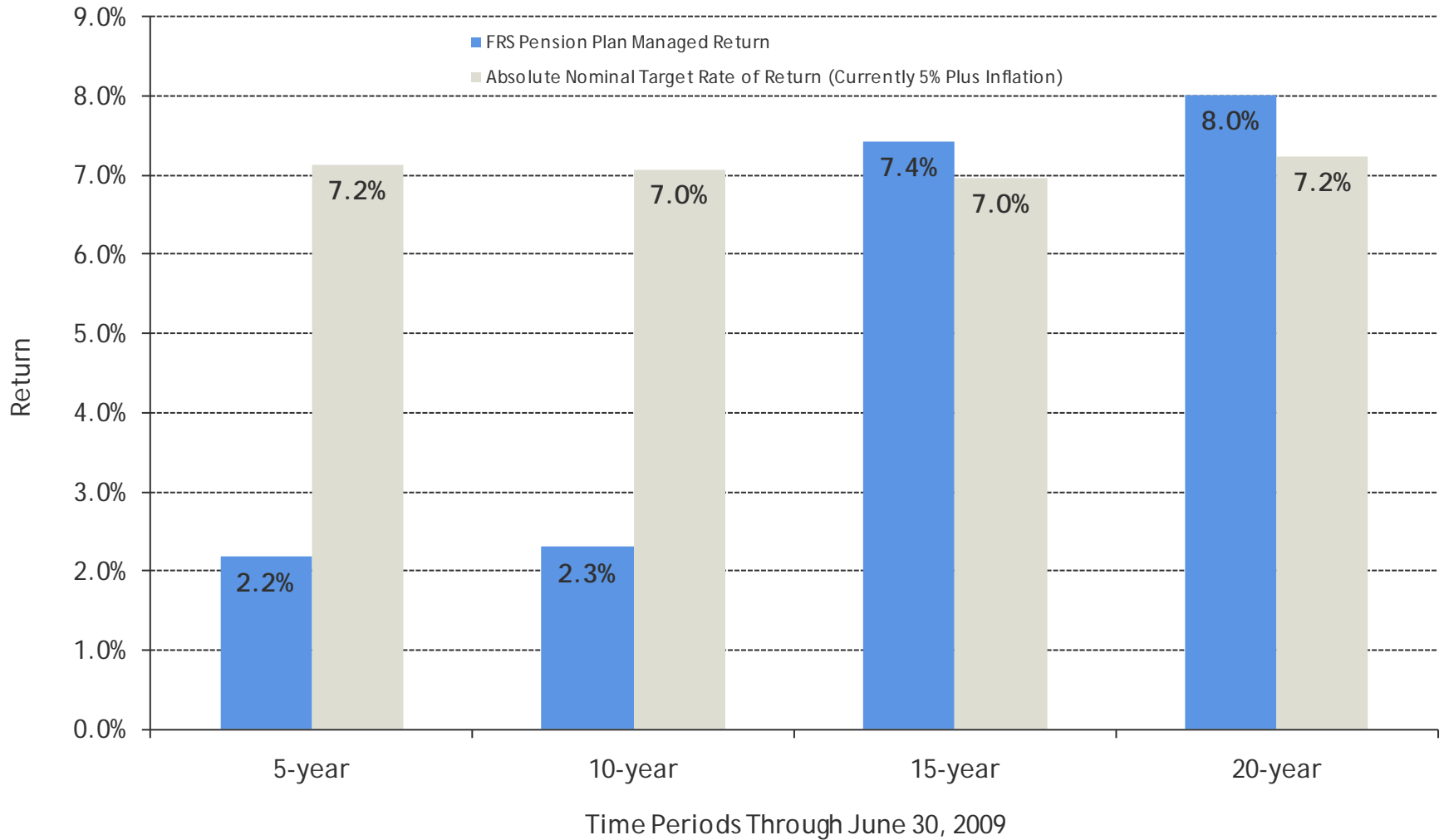
- The Total Fund return underperformed the Performance Benchmark during the second quarter and the trailing one- and three-year periods while outperforming over the trailing five- and ten-year periods.
 - Fixed Income and Strategic Investments detracted the most from performance over the trailing one-year period while the Real Estate and Foreign Equity components added the most value.
 - Over the trailing five-year period, Real Estate continues to be the primary contributor to relative performance. Underperformance by the Fixed Income and Strategic Investment components detracted the most from positive performance.
- The Fund outperformed the Absolute Nominal Target Rate of Return during the second quarter. However, the Fund underperformed the return of its Absolute Nominal Target Rate of Return over the trailing one-, three-, five-, and ten-year periods.
- The Total Fund information ratio (risk-adjusted return) is higher over the trailing ten-year period as compared to the low information ratio over the trailing three- and five-year periods.

FRS Investment Results

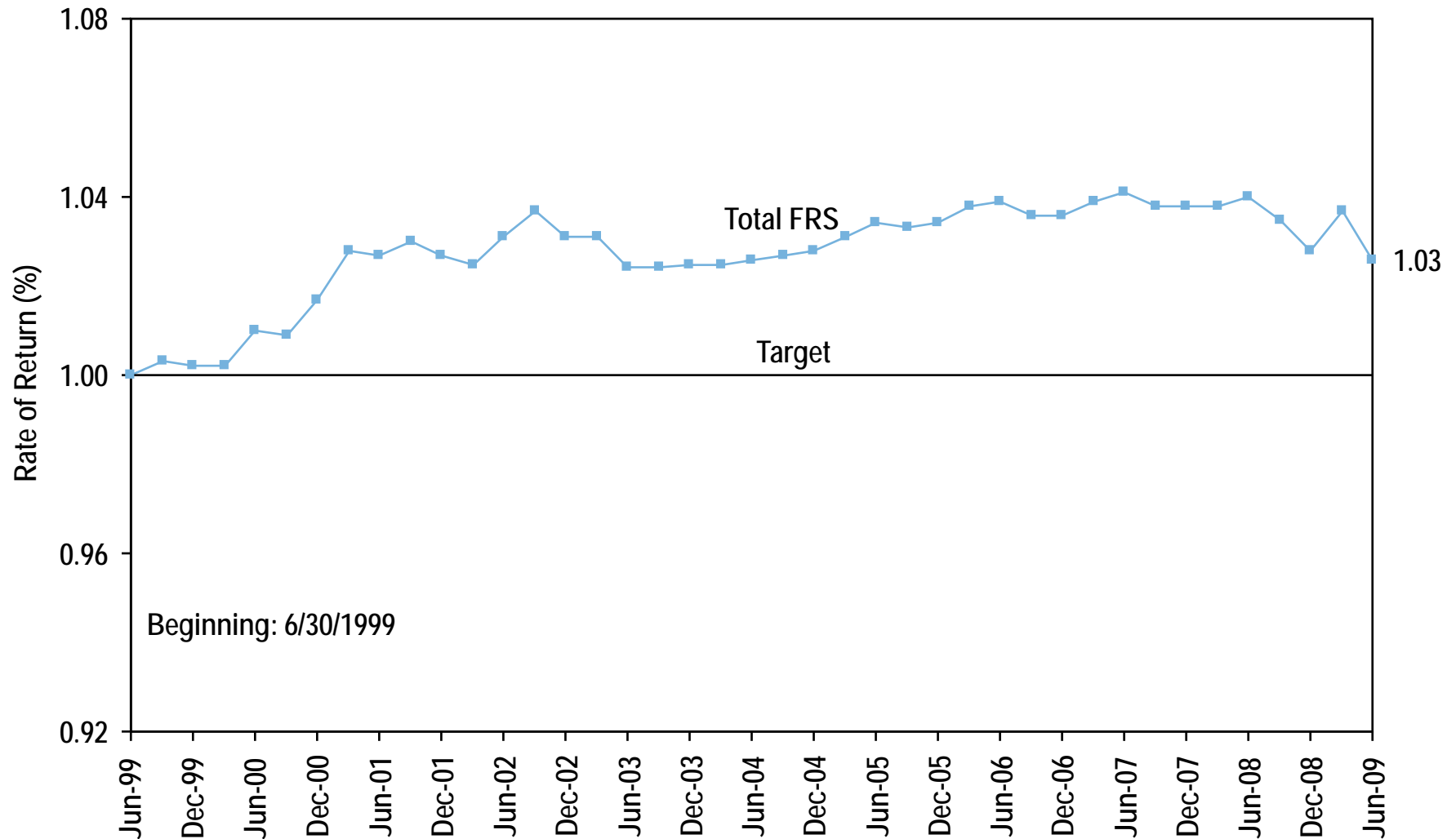
Periods Ending 6/30/09



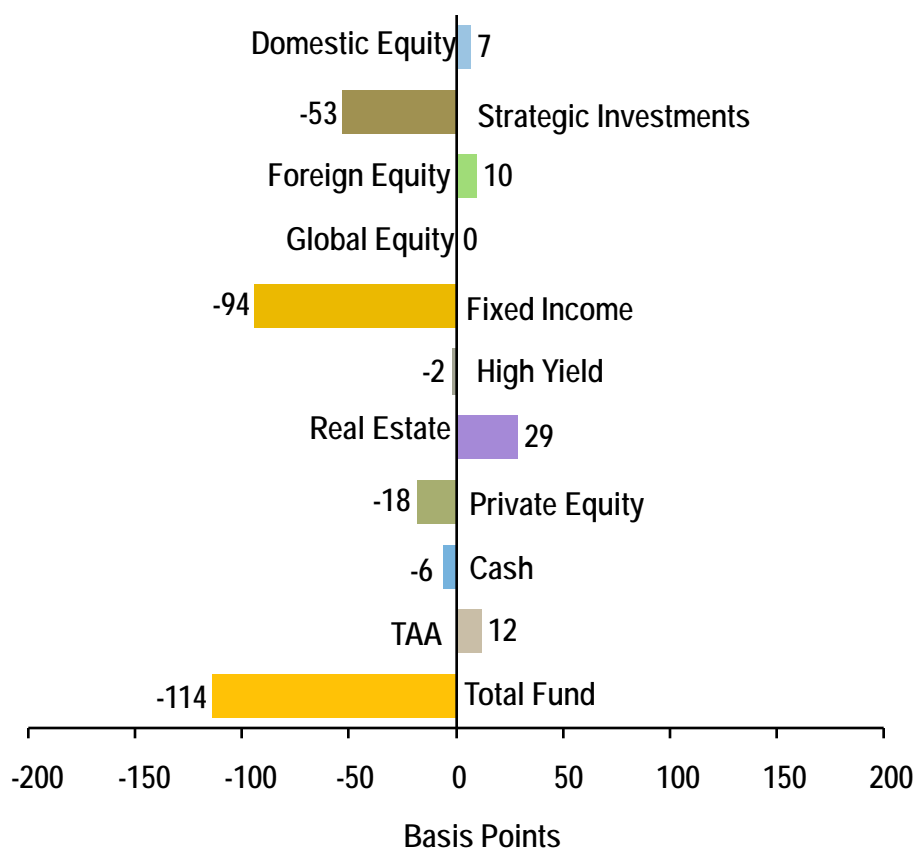
Long-Term FRS Pension Plan Performance Results vs. SBA's Investment Objective



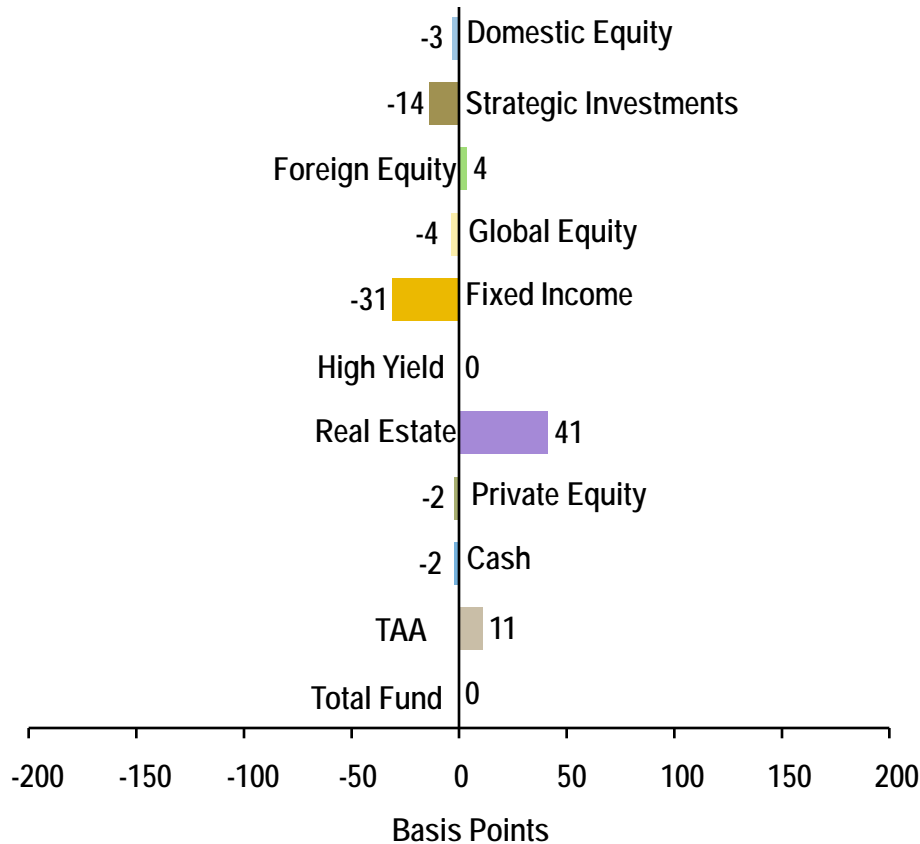
Total FRS Cumulative Relative Performance 10 Years Ending 6/30/09



Total FRS Attribution Analysis



1 Year Ending 6/30/09



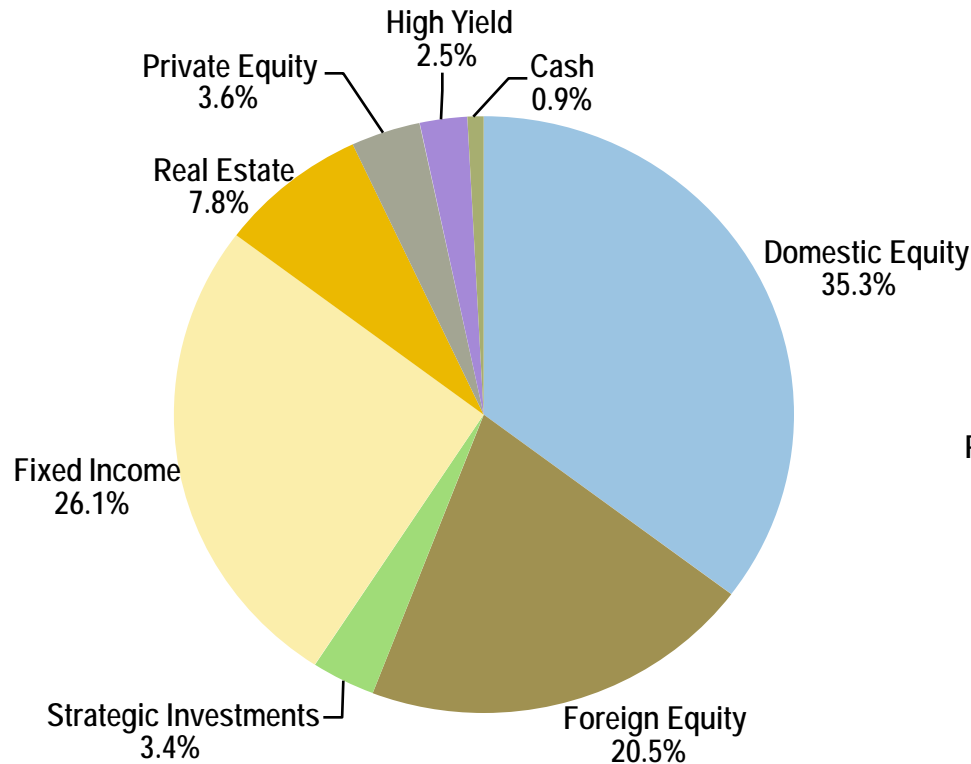
5 Years Ending 6/30/09

Peer Comparison Commentary

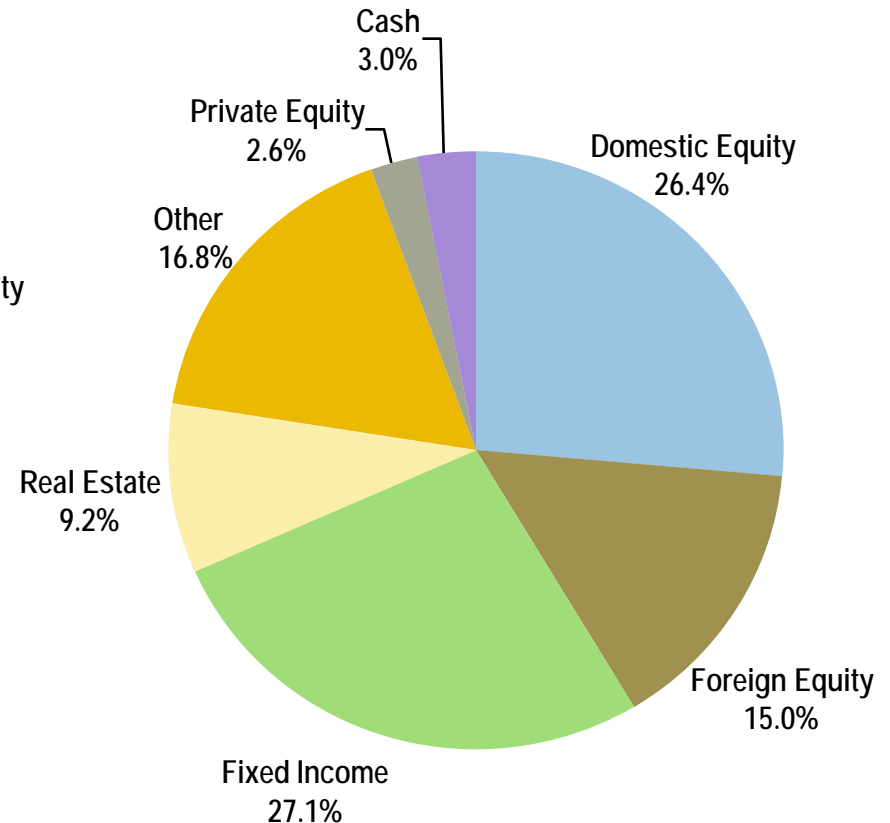
- The Total Fund return outperformed the median fund in the TUCS defined benefit plan universe during the second quarter of 2009 and the trailing five-year period while matching the median fund over the trailing three-year period. The Total Fund return underperformed the median fund over the trailing one- and ten-year periods. The Total Fund return over the trailing five-year period fell within the top half of returns reported by the TUCS defined benefit plan universe.
- FRS returns relative to the TUCS universe are largely driven by asset allocation differences.
 - While peer comparisons can be informative, asset allocation differences may cause the comparison to be misleading due to certain liability considerations and statutory restrictions.

Comparison of Asset Allocation As of 6/30/09

FRS TOTAL FUND

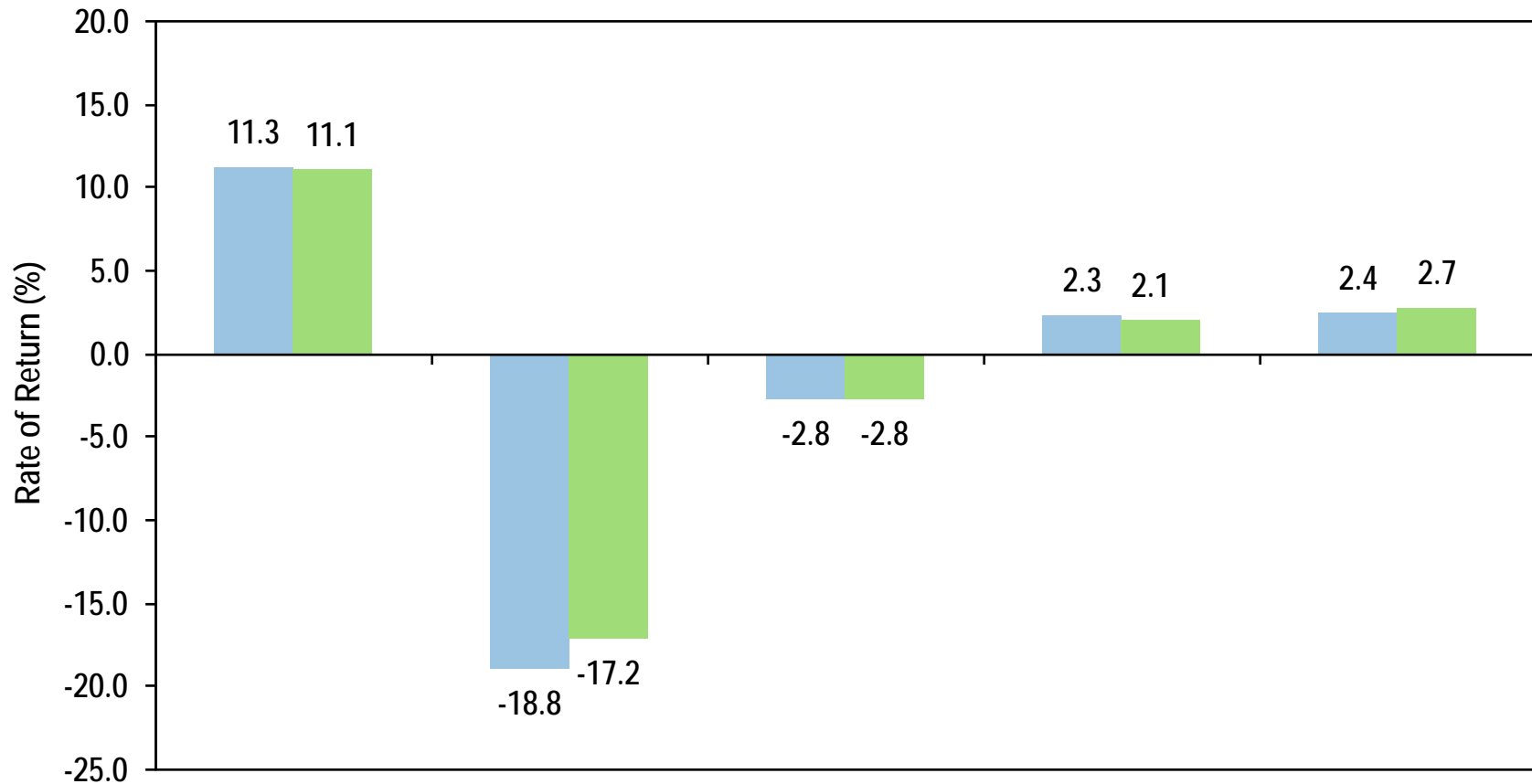


TUCS



FRS Results Relative to TUCS Universe Periods Ending 6/30/09

Total FRS (Gross) Median Defined Benefit Plan Fund (Gross)



FRS Percentile Ranks: 47 67 51 39 63

State Board of Administration of Florida

Florida Retirement System

Investment Plan Review
Second Quarter 2009

Total Investment Plan Returns

Periods Ending 6/30/09

	One-Year	Three-Year	Five-Year
FRS Investment Plan	-15.2%	-2.1%	2.3%
<i>Average DC Plan*</i>	<i>-18.1</i>	<i>-4.1</i>	<i>1.2</i>
<i>FRS Investment Plan vs. Average DC Plan</i>	<i>2.9</i>	<i>2.0</i>	<i>1.1</i>
<i>Total Plan Aggregate Benchmark</i>	<i>-15.4</i>	<i>-2.6</i>	<i>1.9</i>
<i>FRS Investment Plan vs. Total Plan Aggregate Benchmark</i>	<i>0.2</i>	<i>0.5</i>	<i>0.4</i>

Aggregate benchmark return is an average of the individual portfolio benchmark returns at their actual weights.

* Calculated *return estimates* based on average plan allocations data from PSCA (2007 Survey) and the average fund net of fee return data from Morningstar as of 06/30/2009.

Investment Plan Costs

Investment Plan Expense Ratio*	0.25%
Peer Corporate DC Plan Expense Ratio*	0.30%

Average DB Plan Investment Management Fees**	
Corporate	0.44%
Public Funds	0.39%

*Source: CEM Benchmarking 2008 Report – Custom Peer Group for FSBA of 20 DC plans with assets between \$2.1 - \$7.1 billion.

**Source: Greenwich Associates – 2008 Survey

Investment Plan Costs (cont.)

Investment Category	Investment Plan Option Fee *	Avg. Mutual Fund Fee
Large-Cap Equity Fund	0.28%	0.86%
Mid-Cap Equity Fund	0.60%	1.04%
Small-Cap Equity Fund	0.86%	1.02%
International Equity Fund	0.38%	1.07%
Diversified Bond Fund	0.29%	0.66%
Balanced Fund	0.07%	0.96%
Money Market	0.06%	0.44%
Lifecycle Funds	n/a	0.89%

Source: Morningstar and EnnisKnupp as of 06/30/2009

* Average Fee if Multiple Products in Category as of 06/30/2009

Total FRS Investment Plan vs. Peers and U.S. Universe

Period Ending 12/31/2008*

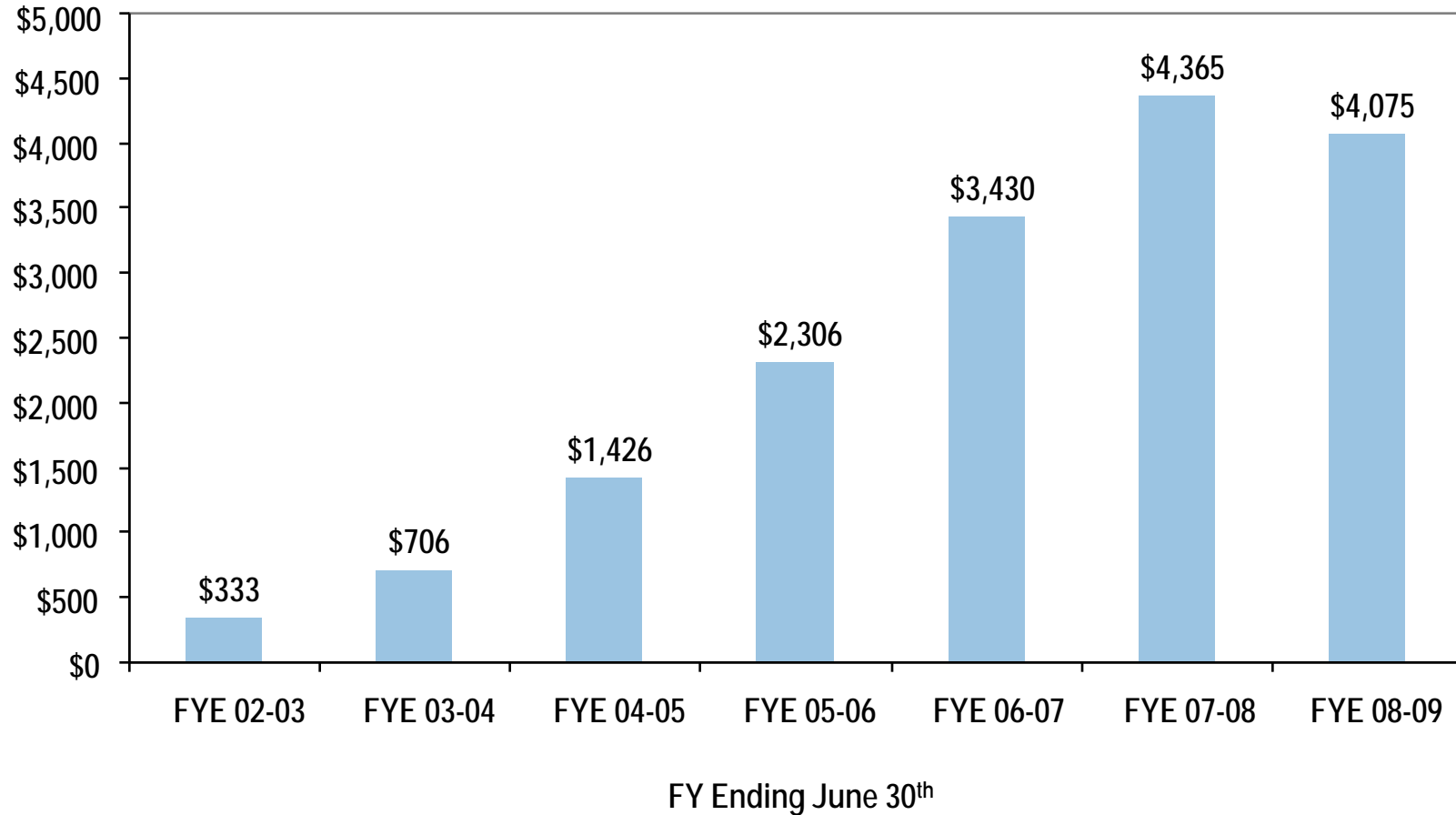
	5 Year Gross Value Added Return	Rank (All Funds)	Rank (FRS Peers)
FRS Investment Plan	0.83%	78**	80**
U.S. Median	0.44%	--	--
Peer Median	0.09%	--	--

*Source: CEM Benchmarking 2008 Report – Custom Peer Group for FSBA of 20 DC plans with assets between \$2.1 - \$7.1 billion.

**99 is a high ranking and 1 is a low ranking in the CEM Benchmarking 2008 Report

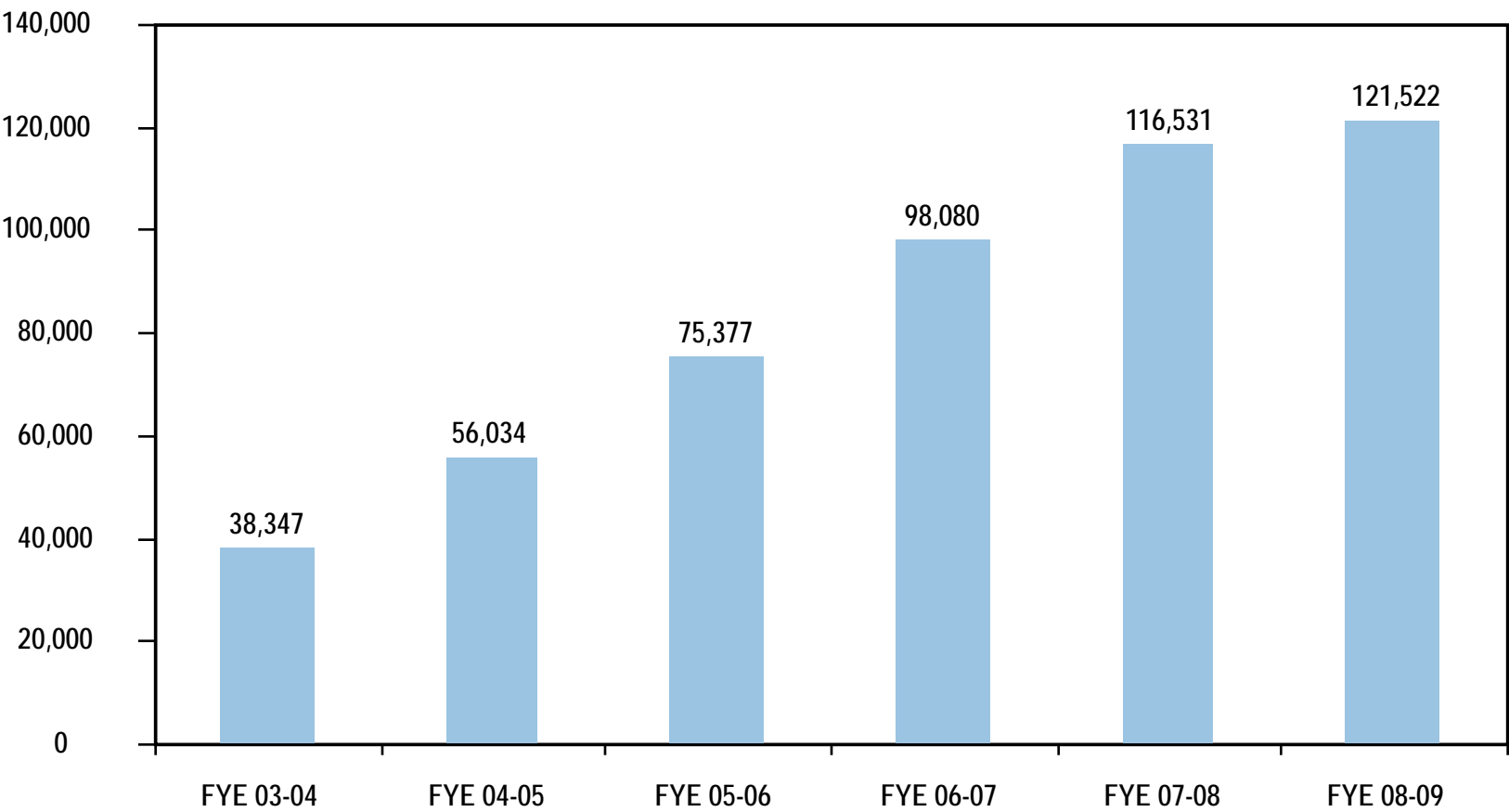
Investment Plan Fiscal Year End Assets Under Management

Data Per FYE in Millions of Dollars



Source: ING

Investment Plan Membership



State Board of Administration of Florida

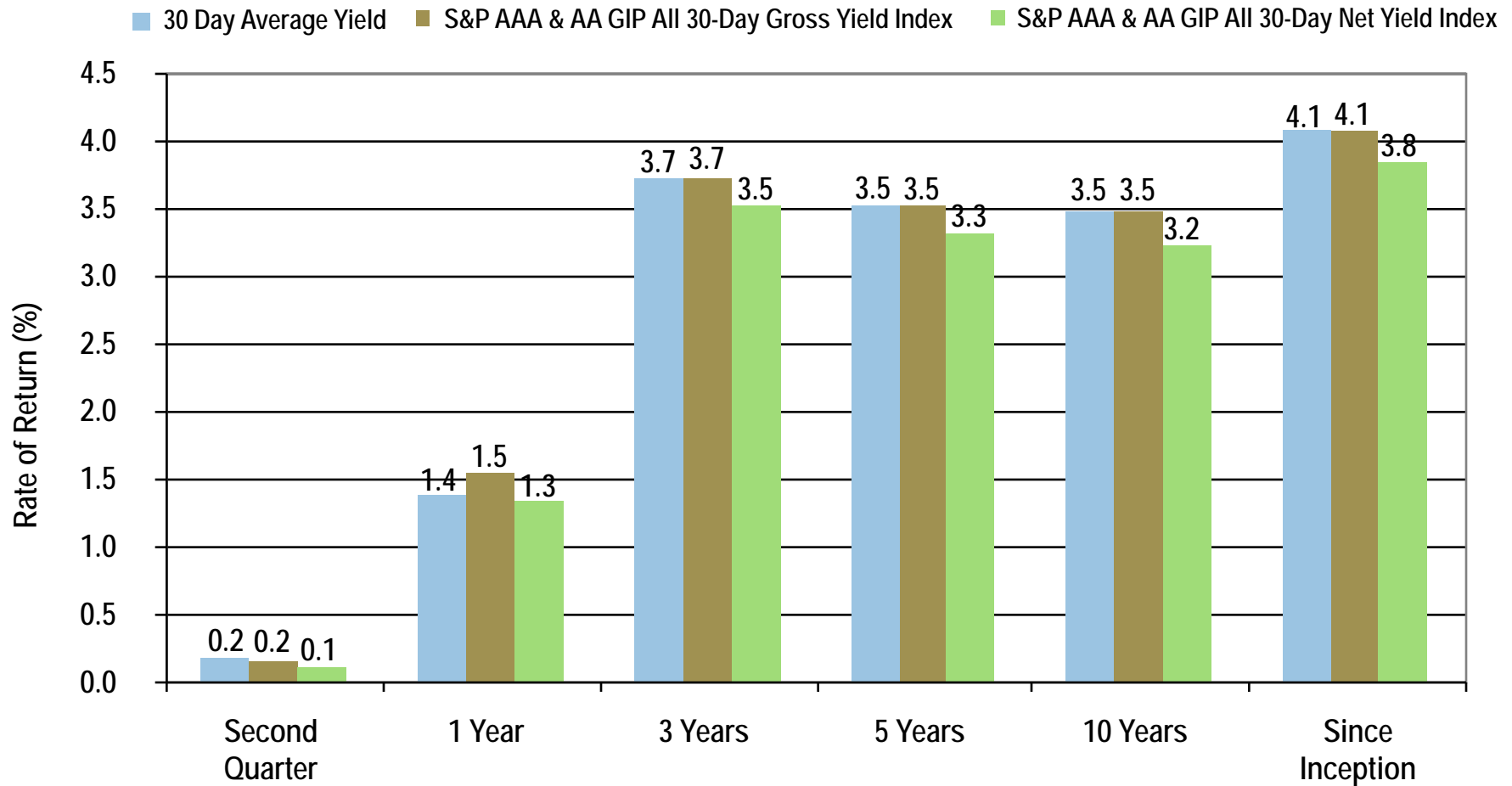
Local Government Investment Pool and
Fund B

Florida PRIME

Second Quarter 2009

LGIP Investment Results

Periods Ending 6/30/2009



LGIP Characteristics

Quarter Ending 6/30/2009

Cash Flows as of 6/30/2009	LGIP
Opening Balance (4/1/2009)	\$5,954,454,243
Participant Deposits	\$2,930,621,708
Transfers from Fund B	\$22,300,000
Gross Earnings	\$12,023,964
Participant Withdrawals	(\$2,934,599,262)
Fees	(\$506,940)
Closing Balance (6/30/2009)	\$5,984,293,713
Change Over Quarter	\$29,839,470

LGIP Characteristics

Period Ending 6/30/2009

Effective Maturity Schedule	Effective	Final
1-7 days	42.8%	41.6%
8-30 days	16.8	16.8
31-90 days	22.7	22.1
91-180 days	16.9	17.1
181+ days	0.8	2.5
Total % of Portfolio:	100.0%	100.0%

S & P Credit Quality Composition	
A-1+	72.0%
A-1	28.0
Total % of Portfolio:	100.0%

Fund B Distributions to Participants

Period Ending 6/30/2009

	Distributions to Participants	Cumulative Distributions	Participant Principal	Proportion of Original Principal Returned
12/05/07	\$	\$	\$ 2,009,451,941	0.0%
01/18/08	\$ 50,000,000	\$ 50,000,000	\$ 1,959,451,941	2.5%
02/11/08	\$ 518,000,000	\$ 568,000,000	\$ 1,441,451,941	28.3%
03/18/08	\$ 210,550,000	\$ 778,550,000	\$ 1,230,901,941	38.7%
04/21/08	\$ 106,000,000	\$ 884,550,000	\$ 1,124,901,941	44.0%
06/19/08	\$ 291,500,000	\$ 1,176,050,000	\$ 833,401,941	58.5%
06/26/08	\$ 150,500,000	\$ 1,326,550,000	\$ 682,901,941	66.0%
07/07/08	\$ 34,700,000	\$ 1,361,250,000	\$ 648,201,941	67.7%
08/06/08	\$ 10,400,000	\$ 1,371,650,000	\$ 637,801,941	68.3%
09/05/08	\$ 9,300,000	\$ 1,380,950,000	\$ 628,501,941	68.7%
10/07/08	\$ 11,750,000	\$ 1,392,700,000	\$ 616,751,941	69.3%
11/07/08	\$ 8,700,000	\$ 1,401,400,000	\$ 608,051,941	69.7%
12/04/08	\$ 20,500,000	\$ 1,421,900,000	\$ 587,551,941	70.8%
01/09/09	\$ 7,900,000	\$ 1,429,800,000	\$ 579,651,941	71.2%
02/09/09	\$ 6,800,000	\$ 1,436,600,000	\$ 572,851,941	71.5%
03/09/09	\$ 5,800,000	\$ 1,442,400,000	\$ 567,051,941	71.8%
04/09/09	\$ 6,600,000	\$ 1,449,000,000	\$ 560,451,941	72.1%
05/08/09	\$ 8,200,000	\$ 1,457,200,000	\$ 552,251,941	72.5%
06/08/09	\$ 7,500,000	\$ 1,464,700,000	\$ 544,751,941	72.9%

State Board of Administration of Florida

CAT Fund

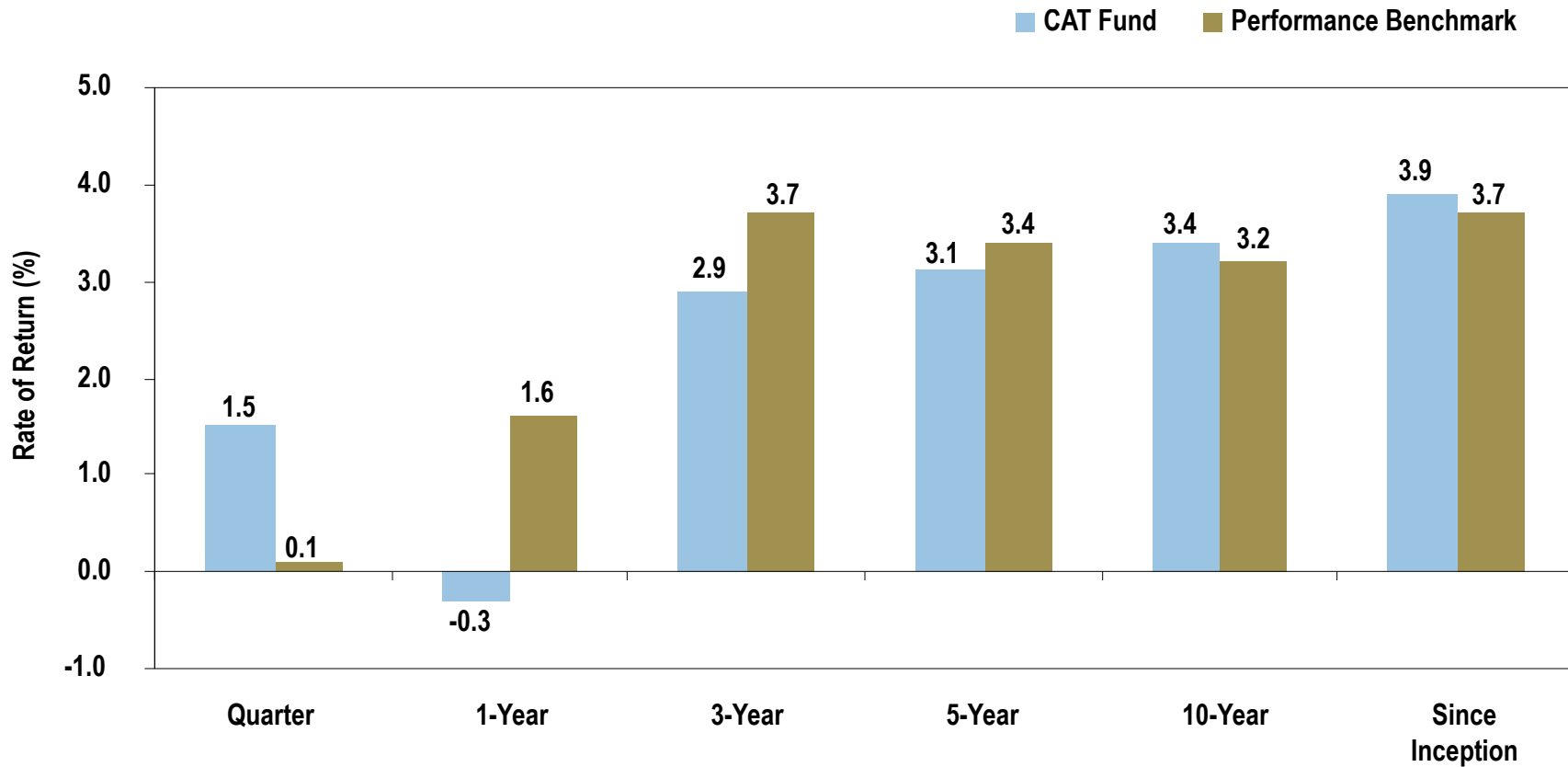
Second Quarter 2009

Florida Hurricane Catastrophe Fund Summary

- **Purpose of the Florida Hurricane Catastrophe Fund (FHCF) is to provide a stable, ongoing and timely source of reimbursement to insurers for a portion of their hurricane losses.**
- **The SBA manages 2 FHCF accounts. Both are internal actively managed portfolios benchmarked to the Merrill Lynch Total Return 1-Month LIBOR.**
- **As of June 30, 2009, the total value of both FHCF accounts managed by the SBA was \$6.65 billion.**

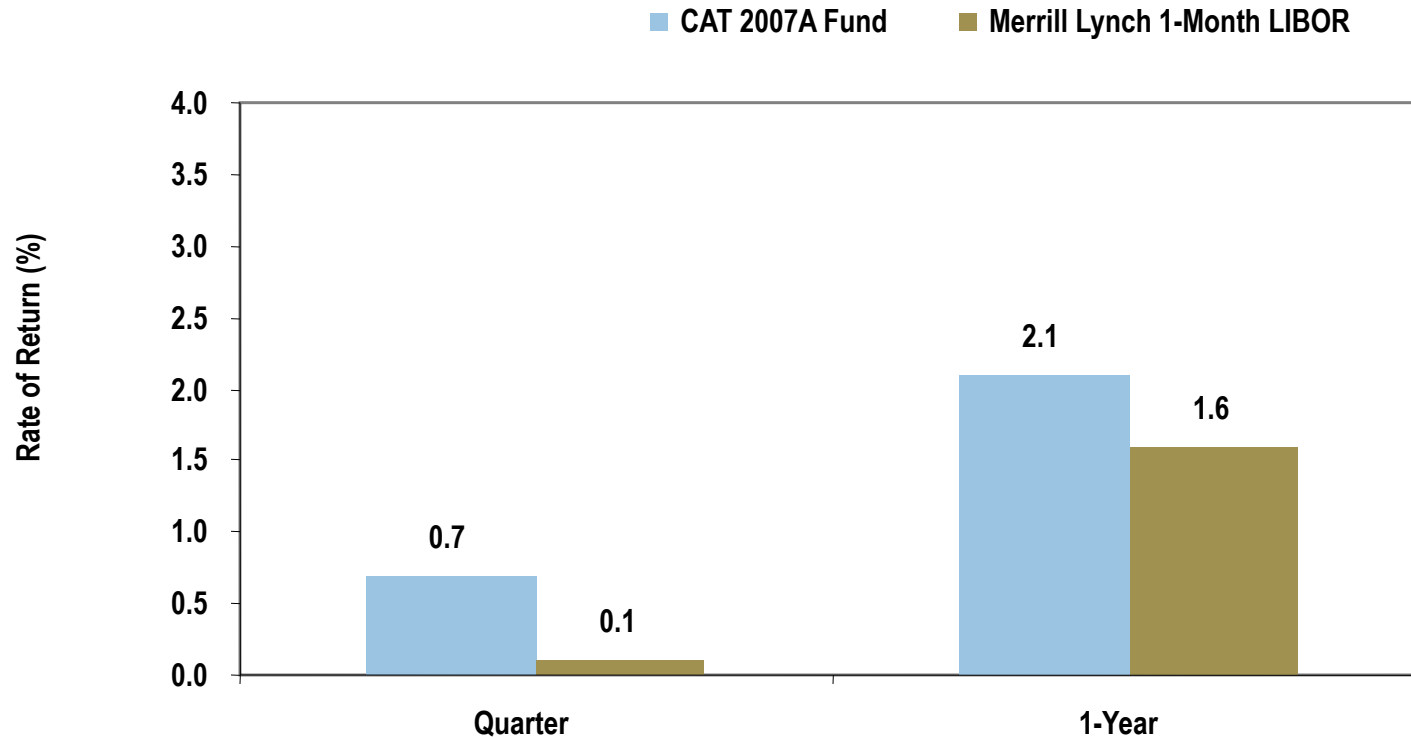
CAT Fund Investment Results (Operating Fund)

Periods Ending 6/30/09



Performance Benchmark: The CAT Fund was benchmarked to the IBC First Tier through February 2008. Effective March 2008, it is the Merrill Lynch 1-Month LIBOR.

CAT 2007 A Fund Investment Results (Pre-Event Floating Rate Taxable Notes) Periods Ending 6/30/09





**STATE BOARD OF ADMINISTRATION
OF FLORIDA**

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**CHARLIE CRIST
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**ALEX SINK
CHIEF FINANCIAL OFFICER
AS TREASURER**

**BILL McCOLLUM
ATTORNEY GENERAL
AS SECRETARY**

**ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO**

M E M O R A N D U M

TO: Honorable Charlie Crist
Honorable Alex Sink
Honorable Bill McCollum

FROM: Rob Konrad

DATE: August 24, 2009

SUBJECT: IAC Update

Review of IAC oversight and guidance provided for the SBA:

- Investment policies
- Asset allocation policy targets and allowable variance
- Investment performance and attribution
- Performance and cost effectiveness
- Evolution of investment opportunities and/or risks
- Other areas as may be directed by the Legislature or Trustees or requested by IAC members:
 - Private Equity investments and establishment of the Florida Growth Fund
 - Policies, products and performance of the FRS Investment Plan
 - SBA's budget
 - LGIP (now Florida PRIME)
 - FRS Pension Plan Performance
 - FRS Pension Plan Asset/Liability update and confirmation of asset allocation
 - Adjustments to the Lawton Chiles Endowment Fund Investment Policy Statement

Trustees' Memorandum

August 24, 2009

Page 2

- Known and potential impacts of the credit and liquidity crises on SBA's portfolios and future opportunities
- Review with staff investment policies to be sure needed adjustments are made and that the SBA is positioned to take advantage of opportunities that have been created (or may be) as a result of:
 - A deep and persistent global recession
 - Asset and risk repricing
 - Ongoing deleveraging
 - Changes in credit availability, etc.

cc: Ash Williams



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M E M O R A N D U M

TO: Honorable Charlie Crist
Honorable Alex Sink
Honorable Bill McCollum

FROM: MaryEllen Elia

DATE: August 24, 2009

SUBJECT: PLGAC Report for SBA Trustees

The Participant Local Government Advisory Council is off to a strong start and has met twice this year. Our February meeting was organizational in nature and focused on basics such as:

- PLGAC governing statutes and relationship to SBA's Investment Advisory Council
- Fiduciary duty
- Review of SBA's Financial Operations responsibilities associated with the pool
- Review of draft enrollment materials for pool investors
- Investment management overviews for the LGIP
- Review of Fund B collateral and liquidity outlook
- Election of officers and discussion of areas of interest for future meetings

In June, we held a joint meeting with the IAC. This allowed our two groups to become acquainted and to efficiently address:

- Duties shared by the IAC and PLGAC
- Independent reviews of
 - Legal compliance pursuant to Chapter 218 FS
 - Best investment practices
- Proposed revisions to LGIP Investment Policy Guidelines to reflect best practices and current practices of the fund's external manager, Federated Investors.

A portion of the June meeting was PLGAC only and focused on LGIP client perceptions, needs and interests as reflected by LGIP client survey results. We are working in partnership with the SBA to provide the best value to Florida local governments. While the most visible change has been the rebranding to Florida PRIME from the old LGIP, many substantive improvements have been implemented and we believe we are moving in the right direction.

cc: Ash Williams

**STATE BOARD OF ADMINISTRATION
AUDIT COMMITTEE**

2008 Annual Report

May 2009



Committee Members

**Kimberly Ferrell, 2008 Chair
William Sweeney, 2008 Vice-Chair
Melinda Miguel, 2008 Member**



STATE BOARD OF ADMINISTRATION
AUDIT COMMITTEE

1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308
(850) 488-4406

WILLIAM SWEENEY
CHAIR
MELINDA MIGUEL
VICE-CHAIR
KIMBERLY FERREL
MEMBER

May 27, 2009

Governor Charlie Crist, Chairman, State Board of Administration
Chief Financial Officer Alex Sink, Treasurer, State Board of Administration
Attorney General Bill McCollum, Secretary, State Board of Administration

Honorable Trustees:

We respectfully submit the 2008 Annual Report of the State Board of Administration Audit Committee.

This report contains an overview of the Committee's authority, purpose, members, meetings, and audit reports issued.

Please let us know if you have any questions or would like further information regarding this report.

Respectfully,

A handwritten signature in blue ink that reads "William Sweeney".

William Sweeney
2009 Chair
SBA Audit Committee

A. AUTHORITY AND PURPOSE

On November 13, 2002, the Trustees of the State Board of Administration (SBA) established the State Board of Administration Audit Committee effective January 7, 2003. This Committee consists of one appointee from each Trustee (Governor, Chief Financial Officer, and Attorney General).

The Committee was established by the Board to provide assistance in fulfilling its SBA oversight responsibilities in the areas of financial reporting, internal controls, risk assessment, audit processes, and compliance with laws, rules, and regulations. The Board approves the Committee's Charter annually.

The Committee has the authority to direct the SBA's Office of Internal Audit to conduct audits, reviews, and/or special investigations into any matters within the scope of the Committee's responsibility. The Committee approves the Internal Audit Charter and Work Plan annually.

B. COMMITTEE MEMBERS

The Committee was comprised of the following members in 2008:

<u>Member</u>	<u>Appointed</u>	<u>Trustee</u>
Melinda Miguel	January 2007	Charlie Crist, Governor
Kimberly Ferrell	March 2007	Bill McCollum, Attorney General
William Sweeney	June 2008 ¹	Alex Sink, Chief Financial Officer

- Melinda Miguel, CIG, CBM, CFSA, CGFM, CFE, is the Chief Inspector General for the Executive Office of the Governor.
- Kimberly Ferrell, CPA, is the Chief Auditor for the Attorney General's Medicaid Fraud Control Unit.
- William Sweeney is the Treasurer of the FSU Research Foundation.

C. COMMITTEE MEETINGS

The Committee meets at the Hermitage Centre, 1801 Hermitage Boulevard, Tallahassee, Florida. Traditionally, the Committee meets quarterly and such meetings are announced in the Florida Administrative Weekly and on the SBA website.

In 2008, because of the Local Government Investment Pool issues, the Committee met 38 times and such meetings were announced on the SBA website. Internal

¹ Doug Darling was the CFO's appointee from January 2008 through May 2008.

audit staff attend the Committee meetings. Other SBA staff attend as required by agenda.

The following is a summary of meetings held in 2008:

1. January 8, 2008

The Committee reviewed and made changes to the Request for Clarification document. The Committee asked the revised document to be posted to the SBA's website. The Committee also reviewed documents possibly needed to determine evaluation criteria of Request For Quotes (RFQ) for Audit Services responses. The Committee created a workgroup to assist in the development of the evaluation criteria and developed a guidance document for the workgroup.

The Committee received copies of letters from Former Senator Pat Frank regarding the LGIP investment funds.

The Committee also discussed the Request For Qualifications for Legal Services with representatives from the SBA's General Counsel.

2. January 10, 2008

The Committee reviewed and updated the RFQ evaluation criteria worksheet presented by Florida Rivera-Alsing. The worksheet was developed by a workgroup consisting of Joe Knicely, Nancy Graham, and Angela Lawson.

Mr. Darling advised the Committee of a request from Senator Posey to review the last few audit reports to check if there is a trend in SBA of not properly evaluating investment-related risks. Mr. Darling recommended that internal audit perform the review.

3. January 11, 2008

The Committee reviewed the two responses to the RFQ for Audit Services received from Navigant Consulting and Rachlin, Cohen & Holtz. The Committee discussed that the firms did not meet the minimum qualifications and decided to issue a new RFQ for Audit Services.

4. January 15, 2008

The Committee reviewed and updated the RFQ for Audit Services and Request For Qualifications for Legal services.

Don Hancock from the Office of the Auditor General (AG) advised the Committee that, if asked by the Legislature to conduct the audit of the SBA investment practices, the AG will certainly do it within the schedule established by the Legislature.

5. January 16, 2008
The Committee reviewed and updated the RFQ for Audit Services and Request For Qualifications for Legal Services.
6. January 17, 2008
The RFQ for Audit Services was revised, finalized, and approved by the Committee to be posted to the SBA's website. The Committee also developed an outline for the presentation requested by Chairman Alexander on the overview of internal audit functions at the SBA, findings from OIA Report # 2005-02 Fixed Income Trading Activities, the status of management's corrective action, and a briefing on the RFQ for Audit Services.
7. January 25, 2008
The Committee discussed the Request For Qualifications for Legal Services. The Committee incorporated some of the changes suggested by a representative from the Division of Legal Services of the Department of Financial Services.
8. January 28, 2008
The Committee reviewed, revised, and finalized the Request For Qualifications for Legal Services. The Request For Qualifications for Legal Services was posted to the SBA's website.
9. February 4, 2008
The Committee addressed the Request for Clarification submitted questions by the responding firms and revised the Evaluation Worksheet. Both items were finalized and posted to the SBA's website.
10. February 11, 2008
The Committee reviewed the responses received from the four law firms and decided to interview the law firms for the Request For Qualifications for Legal Services.
11. February 14, 2008
The Committee interviewed the respondents of the Request For Qualifications for Legal Services. Florida Rivera-Alsing also provided an update on SBA audit activities. The Committee requested a presentation on the Annual Risk Assessment and the draft Audit Committee Annual Report.
12. February 15, 2008
The Committee interviewed the respondents of the Request For Qualifications for Legal Services. The Committee selected the legal firm, Berger Singerman, and asked General Counsel to draft a legal contract for the selected firm.

The Committee also discussed their individual evaluations on the responses to the RFQ for Audit Services.

13. February 18, 2008
The Committee interviewed the respondents to the RFQ for Audit Services.
14. February 21, 2008
The Committee selected an audit firm, Clifton Gunderson. The Committee decided to work with the SBA General Counsel to conduct references checks on the audit firm.
15. February 25, 2008
The contract for legal services was revised and finalized. The Committee also conducted a conference call with Clifton Gunderson.
16. February 27, 2008
The Committee conducted a conference call with Clifton Gunderson to discuss the draft audit plan. Florida Rivera-Alsing also presented the Committee with the Operational Audit of the Market Valuation report.
17. February 29, 2008
The Committee was presented with preliminary reports from the Auditor General on SBA Eagle Star and PeopleSoft Financial Systems and Statewide Financial Statements audit. The Committee also reviewed and revised its annual report.
18. March 3, 2008
The Committee reviewed and revised its annual report.
19. March 6, 2008
The Committee revised and finalized its annual report. The Committee presented a self assessment document for review.
20. March 10, 2008
The Committee received an update from Clifton Gunderson on the on-going audit. The Committee discussed that they will develop the self evaluation in conjunction with the review of the Charter.
21. March 17, 2008
The Committee received an update from Clifton Gunderson on the on-going audit and listened to a recording of the March 11, 2008 Trustees' meeting.

22. March 19, 2008
The Committee received an update from Clifton Gunderson on the on-going audit. The Committee also communicated with Berger Singerman about its possible scope of legal services.
23. March 24, 2008
The Committee received an update from SBA on marked to market valuation procedures for LGIP Holdings and Fund B Holding report. The Committee discussed the engagement letter from Clifton Gunderson, management's response to the Market Valuation audit report, and received updates from Clifton Gunderson and Berger Singerman.
24. March 27, 2008
The Committee received an update from Clifton Gunderson on the on-going audit. The Committee asked Berger Singerman to review the draft audit report and to clarify audit related issues with Clifton Gunderson.
25. March 31, 2008
The Committee drafted cover letters addressed to the SBA Interim Executive Director and to the Commissioner of the Office of Financial Regulations to be included with the Clifton Gunderson draft audit report.
26. April 7, 2008
The Committee discussed the Market Valuation audit report and had a conference call with Clifton Gunderson to discuss the draft audit report.
27. April 14, 2008
The Committee drafted a cover letter addressed to the Board of Trustees to be included with the Clifton Gunderson audit report. The Committee reviewed SBA's management responses provided to the Clifton Gunderson report. The Committee requested creating a matrix of open findings and recommendations resulting from internal and external audits and reviews.
28. April 21, 2008
The Committee discussed the SBA ITN for Consulting Services for the compliance review of the SBA. The Committee also revised its cover letter to the Board of Trustees that was to be sent along with the final audit report by Clifton Gunderson.
29. April 28, 2008
The Committee received updates about the OIA's Quality Assurance Report (QAR) and OIA plan for the remaining days left for FY 2007-08. The Committee was advised by the Interim Executive Director that the Committee Chair would be a member of the selection Committee for the ITN for Consulting Services.

30. May 6, 2008
The Committee discussed the possible review of 144A investments and drafted a letter to the Board of Trustees recommending further review of 144A purchases. The Committee approved an invoice received from Clifton Gunderson for audit services. The Committee Chair briefed the Committee on the activities of the Compliance Review Selection Committee.
31. May 19, 2008
The Committee discussed with the SBA General Counsel the scope of work of the law firm contracted by the SBA, approved an amended invoice from Berger Singerman, and received the final report on OIA QAR.
32. June 20, 2008
The Committee received an update on the ITN for Compliance Review of the SBA, OIA approved budget for 2008-2009, matrix of open findings and recommendations, 2008-2009 Annual Audit Plan (AAP), OIA Memo #2008-01 Incentive Compensation Plan Second Follow-up audit, and a preliminary audit report from the Auditor General on the Florida Hurricane Catastrophe Fund.
33. July 18, 2008
The Committee received an update on the Compliance Review, received a copy of draft engagement letter and a sample of a Compliance Program Assessment Report from Deloitte and Touche. The Committee discussed specific revisions to the AAP.
34. August 19, 2008
The Committee finalized the 2008-09 AAP.
35. September 16, 2008
The Committee received an update on the Compliance Review, revised and finalized the Audit Committee Charter, reviewed and approved current OIA Charter, and conducted evaluation of CIA.
36. October 2, 2008
The Committee was updated on the status of the compliance review being conducted by Deloitte & Touche.
37. October 31, 2008
The Committee was updated on the status of the compliance review being conducted by Deloitte & Touche. Florida Rivera-Alsing also presented an updated matrix on open recommendations that reflected the completion of Media Disposal First Follow-up and Fixed Income-Securities Lending

Second Follow-up audits. A discussion took place about the recent market downturn and its effect on the SBA's securities lending program.

38. November 14, 2008

The Committee drafted letters to the Board of Trustees to formally submit the internal audit report on the securities lending program. The Committee also drafted a letter to the SBA Executive Director asking him to address their concerns on SBA's unrealized losses from its securities' lending program.

D. OIA REPORTS ISSUED

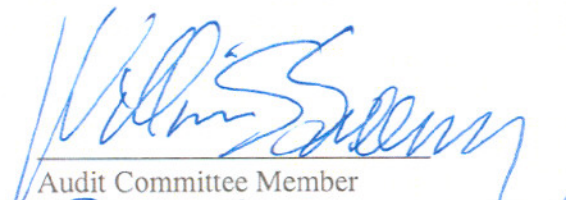
REPORT DATE	REPORT TITLE	COMMENTS
April 9, 2008	OIA Report No. 2008-01 Operational Audit of the Market Valuation of Securities and Other Financial Instruments Held in Internally-Managed Portfolios	Eight issues were raised and 18 recommendations were made.
June 13, 2008	Memo 2008-01 Incentive Compensation Plan Second Follow-up Audit	All 6 recommendations were implemented.
October 29, 2008	Memo 2008-02 Media Disposal Procedures Review Follow-up Audit	Of the 8 recommendations made: 4 were implemented, 3 were partially implemented, and 1 could not be verified at the time.
November 13, 2008	Memo 2008-03 Fixed Income-Securities Lending Second Follow-up Audit	Of the 15 recommendations: 9 were implemented, 2 were partially implemented, 2 were ongoing, and 2 cannot be implemented until a related recommendation is implemented. Two additional issues were raised and 6 recommendations were made.

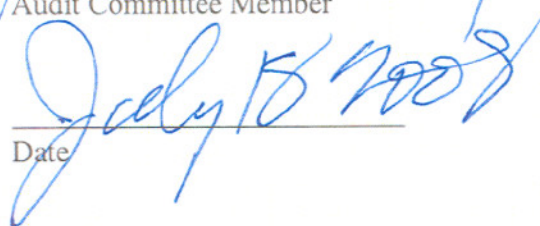
Attachments: Committee Members Annual Independence Statements

**STATE BOARD OF ADMINISTRATION
AUDIT COMMITTEE**

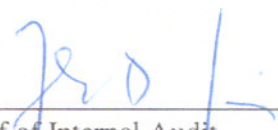
ANNUAL INDEPENDENCE STATEMENT
For Calendar Year 2008

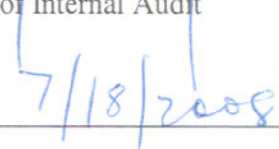
I _____ declare that no impairments exist that would inhibit my ability to be impartial, or that would give the appearance of not being impartial, during the performance of my responsibilities as a member of the State Board of Administration's Audit Committee. Further, I agree to notify the Chief of Internal Audit, the Audit Committee Chair, and my appointing trustee, in writing of any situation, which alters, or would cause others to question my ability to make objective professional judgments.



Audit Committee Member


Date



Chief of Internal Audit


Date

STATE BOARD OF ADMINISTRATION
AUDIT COMMITTEE

ANNUAL INDEPENDENCE STATEMENT
For Calendar Year 2008

I Delia Rigul declare that no impairments exist that would inhibit my ability to be impartial, or that would give the appearance of not being impartial, during the performance of my responsibilities as a member of the State Board of Administration's Audit Committee. Further, I agree to notify the Chief of Internal Audit, the Audit Committee Chair, and my appointing trustee, in writing of any situation, which alters, or would cause others to question my ability to make objective professional judgments.

Delia Rigul
Audit Committee Member

2-27-08
Date

Joe D. K.
Chief of Internal Audit
2-27-08
Date

STATE BOARD OF ADMINISTRATION
AUDIT COMMITTEE

ANNUAL INDEPENDENCE STATEMENT

For Calendar Year 2008

I Kimberly Ferrell declare that no impairments exist that would inhibit my ability to be impartial, or that would give the appearance of not being impartial, during the performance of my responsibilities as a member of the State Board of Administration's Audit Committee. Further, I agree to notify the Chief of Internal Audit, the Audit Committee Chair, and my appointing trustee, in writing of any situation, which alters, or would cause others to question my ability to make objective professional judgments.

Kimberly Ferrell
Audit Committee Member

2/27/08
Date

Jer O'K
Chief of Internal Audit

2/27/08
Date

STATE BOARD OF ADMINISTRATION
AUDIT COMMITTEE

ANNUAL INDEPENDENCE STATEMENT

For Calendar Year 2008

I Douglas Darling declare that no impairments exist that would inhibit my ability to be impartial, or that would give the appearance of not being impartial, during the performance of my responsibilities as a member of the State Board of Administration's Audit Committee. Further, I agree to notify the Chief of Internal Audit, the Audit Committee Chair, and my appointing trustee, in writing of any situation, which alters, or would cause others to question my ability to make objective professional judgments.

Douglas Darling
Audit Committee Member

2/27/08
Date

Joe P. /
Chief of Internal Audit

2/27/08
Date



STATE BOARD OF ADMINISTRATION
OF FLORIDA

1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308
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CHARLIE CRIST
GOVERNOR
AS CHAIRMAN
ALEX SINK
CHIEF FINANCIAL OFFICER
AS TREASURER
BILL McCOLLUM
ATTORNEY GENERAL
AS SECRETARY
ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

MEMORANDUM

To: MEMBERS, STATE BOARD OF ADMINISTRATION

Governor Charlie Crist, Chairman
Chief Financial Officer Alex Sink, Treasurer
Attorney General Bill McCollum, Secretary

From: Thomas A. Beenck, General Counsel
Maureen M. Hazen, Deputy General Counsel

Thomas A. Beenck
Maureen M. Hazen

xc: Ashbel C. Williams, Executive Director & CIO

Subject: Update on SBA Legal Activities

Date: August 24, 2009

We are pleased to have the opportunity to present to the Members of the State Board of Administration ("SBA") this update on the major activities of the SBA's Office of the General Counsel.

1. **Rebuilding the Legal Team.** Over the last several months, the SBA has experienced significant changes in both the leadership and overall composition of the Office of the General Counsel. In January, 2009, the Office of the General Counsel was staffed only by 3 attorneys (one of whom subsequently retired on May 1). During the last 6 months, we increased the total number of attorneys to 6 with the hiring of Paul Groom, Gary Moreland (who starts on September 1), Ruth Smith and Lamar Taylor. The newly hired attorneys all have solid practical and academic credentials that are directly relevant to the legal needs of a major public money management institution like the SBA.

2. **Search for Securities Litigation Counsel.** We recently commenced work on a search to update the pool of law firms that are eligible to serve as the SBA's securities litigation counsel. We believe that this search fulfills two important objectives of the SBA.

- **Prudence.** As a fiduciary, the SBA has a duty to ensure that it is retaining the most qualified and effective counsel to represent the SBA (and the funds that it manages) in all matters, including securities litigation. Because the SBA's list has

not been updated for several years, we believe that it would be prudent at this time to review and revise (possibly) the list of eligible law firms.

- **Integrity - Process.** The SBA will conduct the search using a prudent, transparent and competitive selection process under Category 7 (Invitation To Negotiate) of the SBA's Procurement Policy. The SBA has engaged Nancy Williams and Jeanna Cullins with Ennis Knupp & Associates ("EK&A") to provide consulting services, and Ian Lanoff with The Groom Law Group to serve as fiduciary counsel, on the project.

This project has 2 components. First, the Office of the General Counsel, together with EK&A and Ian Lanoff, will develop and prepare a solicitation document that includes: (A) substantive search criteria (including appropriate minimum qualifications) and (B) an evaluative process by a selection committee, which will include a ranking or scoring methodology to short-list all firms submitting proposals, an interviewing process for finalists and a ranking or scoring methodology for ultimate selection of eligible law firms.

We intend to send the solicitation document to all law firms that the SBA, EK&A and/or Ian Lanoff identify as interested and/or qualified. We also will make the solicitation document available to the public on the SBA's website and will publish notice of the SBA's intent to issue the solicitation document in one or more periodicals. We anticipate issuing the solicitation document during the last two weeks of September.

Second, the SBA will form a selection committee to conduct the evaluative process described in the solicitation document, to select the pool of eligible law firms and to negotiate the terms of a master legal services agreement with each of the selected law firms. Tom Beenck (General Counsel, SBA), Maureen Hazen (Deputy General Counsel, SBA), Rob Wheeler (General Counsel, Executive Office of the Governor), Dan Sumner (Deputy Chief of Staff, Chief Financial Officer and Florida Department of Financial Services), Kent Perez (General Counsel, Office of the Attorney General), and either Nancy Williams or Jeanna Cullins from EK&A will serve as voting members of the selection committee. Ian Lanoff will serve as an ex-officio, non-voting member of the selection committee. We anticipate that the process will be completed around December 1.

In light of recent developments on pay-to-play in the investment industry, the Office of the General Counsel is excited and proud to be setting what we, EK&A and Ian Lanoff believe is a precedent for industry best practices in the selection of securities litigation counsel. We are confident that a prudent, transparent and competitive process will help to retain the public's confidence in the integrity of the SBA and the Members.

3. Negotiation of SBA Contracts. During calendar year 2009, the Office of the General Counsel to date has negotiated 64 new agreements and 110 amendments/addenda to existing agreements on behalf of the SBA (for all SBA asset classes and departments).



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BILL McCOLLUM
ATTORNEY GENERAL
AS SECRETARY

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

MEMORANDUM

DATE: August 24, 2009

TO: Governor Charlie Crist, Chairman
Chief Financial Officer Alex Sink, Treasurer
Attorney General Bill McCollum, Secretary

FROM: Bruce R. Meeks, Inspector General 

SUBJECT: Update on SBA Inspector General Activities

The SBA Inspector General (IG) is responsible for serving as the organization's ethics officer; conducting internal investigations; overseeing investment protection principles (IPP) compliance; overseeing employees' personal investment activity compliance; and handling special projects as directed by the Executive Director.

Ethics and Training

- Mandatory ethics training and certification of compliance are required for all SBA employees on an annual basis. The training covers gifts, conflicts of interest, financial disclosure, outside employment, lobbyist/principal restrictions, honorarium related events, etc.
- In addition to ethics training, mandatory training is annually required for all employees in the areas of sexual harassment, public records and sunshine law, and information systems security. Certain "Affected Employees" are also required to participate in annual training on insider trading and personal investment activities.
- In July 2009, the SBA Code of Ethics was amended to include an escalation standard requiring all SBA staff to immediately report instances of material error, and misrepresentation or omission in internal or external reporting or client communications to the Executive Director, IG or General Counsel.

Investment Protection Principles Compliance

In September 2002, the Trustees of the SBA adopted Investment Protection Principles (IPPs) for broker-dealers and investment managers in the wake of Wall Street scandals involving tainted equity research and conflicts of interest. Subsequently, principles have been developed to cover investment consultants and Federated Investors, Inc. (the

external investment manager for Florida PRIME). The IPPs are geared toward promoting independence, transparency and regulatory compliance, and adherence to the highest standards of ethics and professionalism. On an annual basis, written certification is required from broker-dealers, money managers, and investment consultants.

An analysis of certifications submitted for the 2008 reporting period indicated full compliance by the majority of the broker-dealers, investment managers, and consultants. However, in a few instances additional information or clarification is being requested from the firms involved.

Personal Investment Activities

The SBA Personal Investment Activity policy provides guidance and direction to SBA employees regarding their personal investment activities, and guards against actual or perceived improprieties or conflicts of interest. Under the policy, certain non-exempt personal trading transactions must be pre-cleared by the IG prior to execution. In addition, duplicate confirms of trades are independently provided to the IG.

- 226 confirmations for stock trades were received by the IG in 2008.
- 45 trade preclearance requests were processed by the IG.
- Five violations were discovered (i.e., non-de minimus trades executed without necessary pre-clearance).

SBA Fraud Hotline

Since July 2006, The Network Inc. has been the independent provider of SBA Fraud Hotline services. Through an 800 number, SBA employees may anonymously report tips or information related to fraud, theft, or financial misconduct. The telephone number and information is prominently displayed on the SBA intranet home page.

No reports or tips have been received by the Hotline to date. Control test calls are periodically made by the IG to ensure the viability of this service

Future Activities and Initiatives

The following projects intended to promote accountability and integrity are underway or are slated for consideration or implementation within the short to intermediate term.

- In response to high-profile investigations and complaints regarding illicit payments to purported “placement agents” by other pension funds, the SBA developed a draft placement agent disclosure policy. The draft policy has been tabled pending finalization of a proposed SEC rule (17 CFR 275.206(4)-5) which is currently in the six-month public comment period.
- As a best practice recommended by the Association of Certified Fraud examiners, the SBA plans to expand its Fraud Hotline to permit receipt of reports and tips from external vendors and service providers. In addition, fraud prevention and detection refresher training will be provided to employees.

BRM

2009 - 2010 Florida Hurricane Catastrophe Fund Capacity

Background

During the 2009 Legislative Session CS/CS/CS/HB1495 was passed and ultimately signed into law by the Governor on May 27, 2009. The bill was designed to phase out the Florida Hurricane Catastrophe Fund's (FHCF) optional coverage by reducing the Temporary Increase in Coverage Limit (TICL) coverage over a six year period. The reduction in this optional coverage per year is \$2 billion. Thus, the \$12 billion of additional capacity which was created in the Special Session in January 2007 with the passage of CS/ HB1A, has been designed to be reduced to \$10 billion for the 2009-2010 FHCF Contract Year, followed by a reduction to \$8 billion the following year, etc. The TICL coverage is designed to be totally phased out by 2014. This was referred to as a "glide path" in order to transfer risk back to the private market and reduce potential assessments on Florida policyholders.

Along with the phase-out of the TICL coverage, the bill now requires that the cost of the TICL coverage be increased by a factor of 2 for 2009-2010, a factor of 3 for 2010-2011, a factor of 4 for 2011-2012, a factor of 5 for 2012-2013, and a factor of 6 for 2013-2014. The purpose of the increased cost is to allow for the transition of TICL coverage from the FHCF to the private market. The idea was to increase the cost of the TICL coverage over a period of six years to come close to matching that of the private market. In the process of phasing out the TICL coverage, large swings in residential premiums would be softened, thus residential property insurance consumers would not face large premium jumps due to the TICL coverage being shifted back to the private market. The private reinsurance market is volatile and may not be able to absorb the impact of \$12 billion being shifted back in a single year.

Several other changes in HB 1495 impacted the FHCF. There was a cash build-up factor implemented that is designed to build up cash resources and offset the need to issue debt to fund hurricane losses. This factor starts off as 5% the first year, increases to 10% the second year, and ultimately reaches 25% after five years. As such, the cash build-up factor will result in a substantial increase of cash resources which will assist the FHCF in paying claims and reducing the need for future bonding. This provision was designed to address the liquidity needs of the FHCF over the long run by allowing it to accelerate the build-up of its cash balance for paying claims on a tax-exempt basis.

Another change brought about by CS/CS/CS/HB1495 was to change the FHCF Contract Year from June 1 through May 31, to January 1 through December 31, starting in 2011. Coverage for certain companies (limited apportionment companies and companies participating in the Insurance Capital Build-Up Program) was extended until 2012.

2009-2010 Coverage Selected

As a result of CS/CS/CS//HB1495, the State Board of Administration, which administers the Florida Hurricane Catastrophe Fund by the adoption of an emergency rule, allowed participating insurers to select their optional coverage up until June 30, 2009. The results are as follows:

1. Selected Coverage Percentage: 90%, 75%, or 45%
 - a. There were a total of **195 companies** signing reimbursement contracts with the FHCF. This is down from 202 participating insurers last year.
 - b. Of these companies, 172 companies selected 90% coverage (down 4 from last year), 23 companies selected 45% coverage (down 3 from last year), and no companies selected 75% coverage.
2. Selection of Temporary Increase in Coverage Limit (TICL Coverage) – Each company is entitled to select its FHCF premium share of a total of \$10 billion of TICL optional coverage for 2009-2010.
 - a. **73** companies selected TICL Coverage (down 60 from the 133 that selected TICL last year).
 - b. 61 of the 73 selected their share of the full \$10 billion limit available, and 12 companies selected their share at less than the full \$10 billion.
 - c. **122** Companies did not select TICL Coverage.
 - d. The total TICL Coverage selected (based on a projection of last year's premium) was **\$5,556,993,011**.
 - e. Therefore, of the \$10 billion available, the TICL coverage not selected was **\$4,443,006,989**.
 - f. The total reinsurance transferred back to the private reinsurance market, capital markets, and/or retained by insurers themselves, was **\$6,443,006,989**, which includes the two billion dollar reduction in coverage by the Legislature and the above amount of TICL not selected by insurers out of the \$10 billion available.
 - g. Citizens Property Insurance Corporation selected in total for both accounts **\$3,587,038,215** (64.55% of TICL selected):
 - i. Citizens High Risk Account selected \$2,359,050,233
 - ii. Citizens Personal Lines Account/Commercial Lines Account selected \$1,227,987,982
 - h. Of the \$5,556,993,011 TICL coverage selected, all other participating insurers selected **\$1,969,954,796** (35.45% of TICL Selected).
 - i. Excluding Citizens, the 10 companies with the highest TICL coverage selected were:
 1. Royal Palm -- \$169,704,922
 2. QBE -- \$139,058,889
 3. Liberty Mutual Fire -- \$134,515,238
 4. Florida Peninsula -- \$128,124,295
 5. Homewise -- \$114,721,083
 6. Hartford -- \$ 94,850,370
 7. First Protective -- \$ 80,511,407

- | | |
|------------------------|---------------|
| 8. Magnolia -- | \$ 74,838,686 |
| 9. American Coastal -- | \$ 71,607,188 |
| 10. Security First-- | \$ 66,285,380 |
- j. The following 10 other large companies chose not to select TICL Coverage:
1. State Farm Florida
 2. Universal P&C
 3. American Home Assurance
 4. Federal
 5. USAA
 6. American Security
 7. USAA Casualty
 8. Allstate Floridian
 9. ASI Assurance
 10. Universal Insurance Company of North America
3. Participating Insurers Selecting the Up to \$10 Million Coverage Option (LAC)
- a. **25** companies selected the coverage, out of a total of 55 companies that were potentially eligible to select the coverage.
 - b. 21 companies selected the full \$10 million, whereas 4 companies selected less than \$10 million in coverage.

Structure of the FHCF Coverage 2009-2010

Given the coverage available from the FHCF for 2009-2010, the total capacity could have been as high as **\$36.721 billion (this is a theoretical number)**. But this includes approximately \$8.446 billion that could have potentially been purchased for the Temporary Emergency Additional Coverage Option (TEACO coverage). Due to its high price relative to the private market and high potential for triggering FHCF recoveries, the TEACO coverage was priced high to make coverage available in a market crisis, but to encourage the purchase in the private market if such coverage was needed by insurers and available from the private reinsurance markets. Over the last three years, no insurer has selected TEACO coverage. The following chart illustrates this capacity. Prior to coverage being selected, the projected 2009 Year-end Cash Balance is shown as unknown.

Chart #1

2009/2010 Initial Season

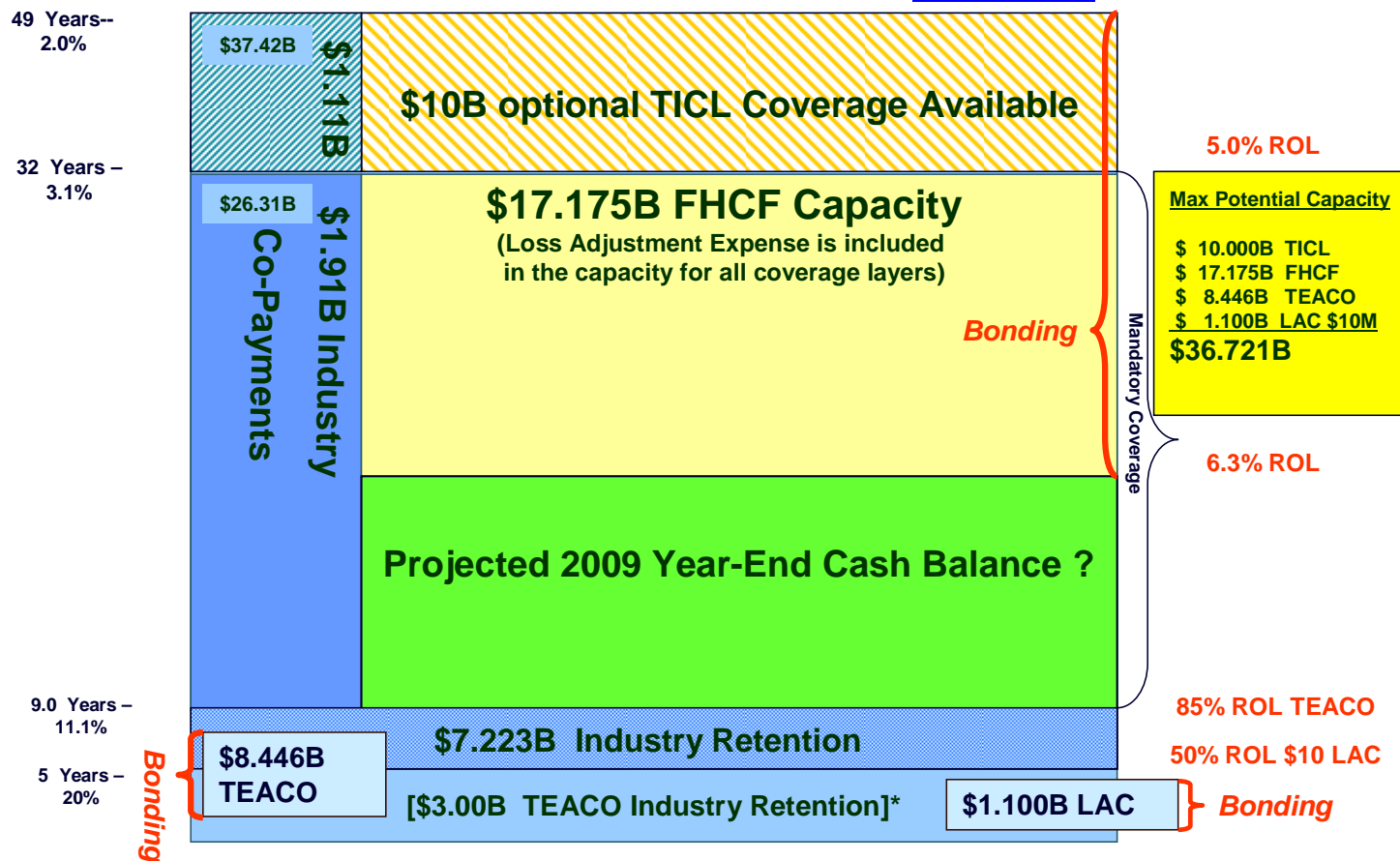
Mandatory & Optional Coverages Available

Not Official
(For Illustrative
Purposes Only)

(Based on All Optional Coverages Being Selected for 2009)

TOTAL POTENTIAL CAPACITY ALL COVERAGES: \$36.721 Billion

Not Drawn to scale.



*Individual company retentions are their share of the industry retention.

Excluding TEACO coverage, the potential capacity from the FHCF would have been **\$28.275 billion**. This number assumes that all participating insurers selected the maximum Temporary Increase in Coverage Limit (TICL coverage) and those eligible selected their full share of the “up to \$10 million” of optional coverage below the FHCF’s industry retention. The following chart illustrates the potential capacity, excluding TEACO. Again, prior to coverage being selected, the projected 2009 Year-end Cash Balance is unknown.

Chart #2

2009/2010 Initial Season

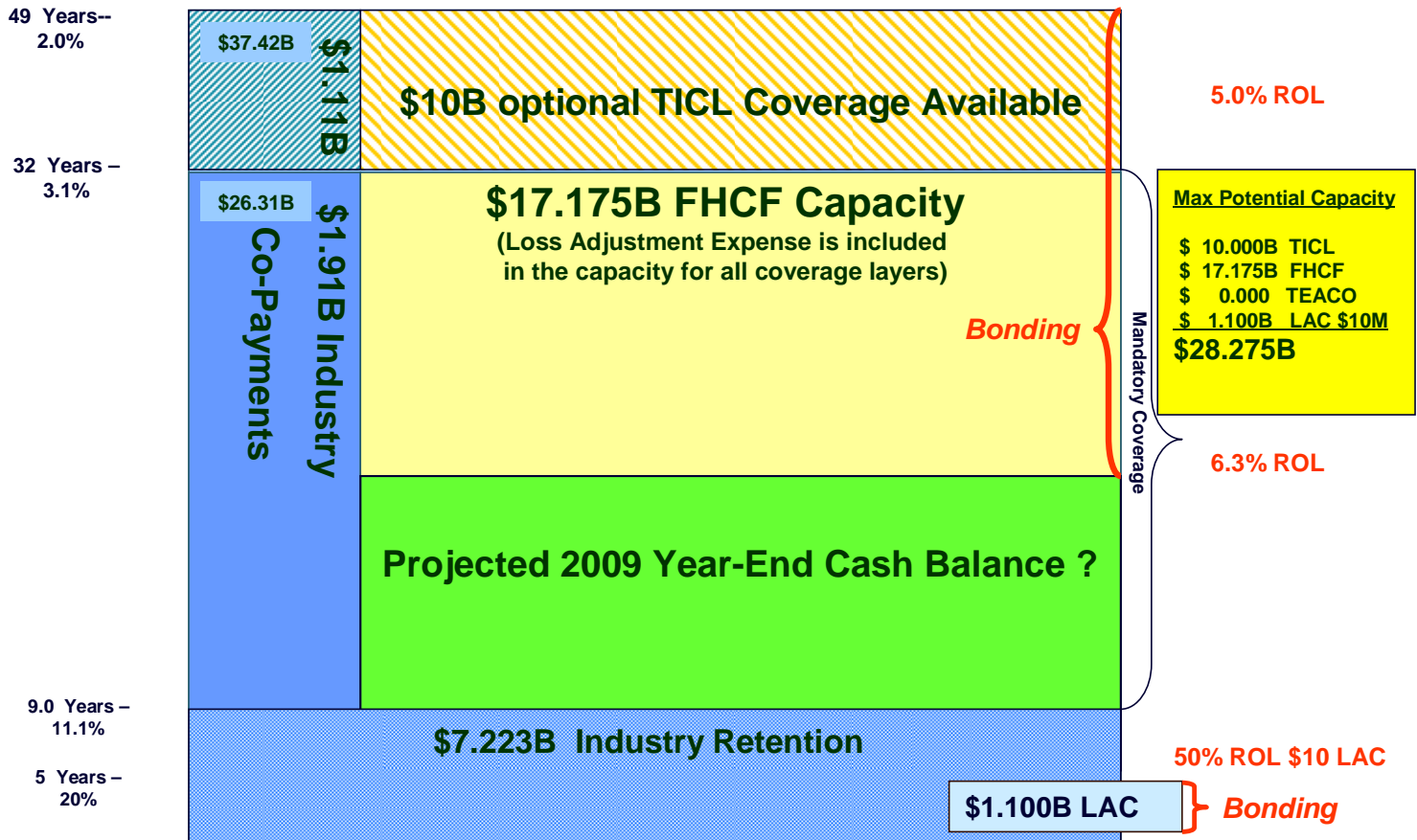
Mandatory & Optional Coverages Available

Not Official
(For Illustrative
Purposes Only)

(Based on All Optional Coverages Being Selected for 2009 Excluding TEACO)

TOTAL POTENTIAL CAPACITY ALL COVERAGES: \$28.275 Billion

Not Drawn to scale.

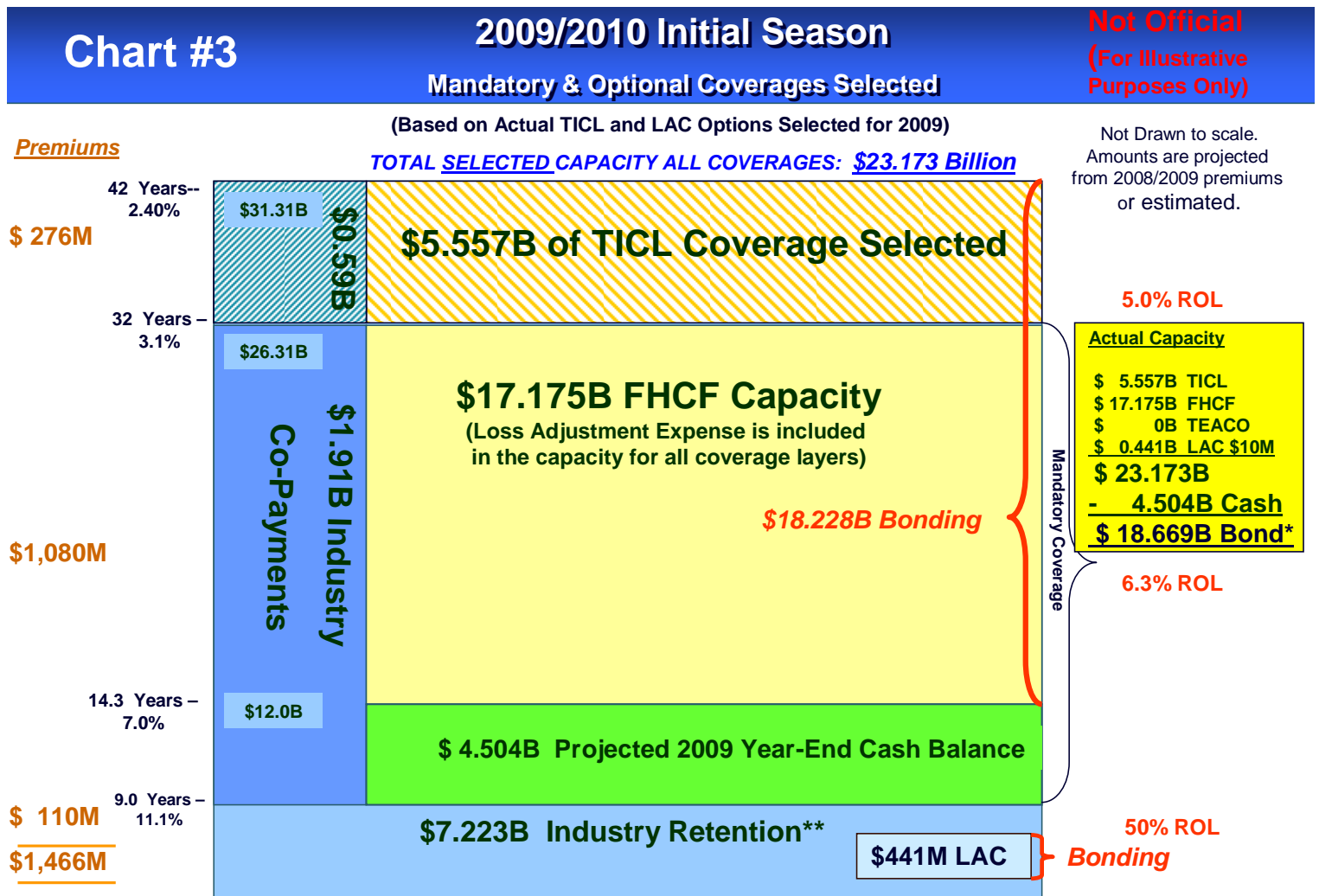


Actual FHCF Coverage Selected for 2009-2010

Based on the actual coverages selected (“TICL,” “TEACO,” and the “up to \$10 million option”), the FHCF’s maximum potential capacity for 2009-2010 is reduced to **\$23.173** billion. This is made up of \$17.175 billion of potential mandatory coverage, \$5.557 billion of TICL coverage selected, and \$441 million for the up to \$10 million option. TEACO was not selected.

Each insurer will absorb its share of the industry retention of \$7.223 billion prior to the FHCF reimbursing losses. Although, companies that choose the up to \$10 million optional coverage, will trigger at 30% of their surplus. In addition, each insurer will absorb about 10% of the losses above their retention (deductible). The FHCF will pay

5% for loss adjustment expenses for recovery in addition to the reported losses up to each insurer's limit of FHCF coverage available. From the chart below, it can be seen that the maximum potential for bonding or debt issuance to fund the FHCF's capacity is \$18.669 billion. This is the difference in the overall limit of potential capacity, less the available projected cash balance of \$4.504 billion. The second chart below represents the pre-event bonding resources which will assist the FHCF's liquidity position. Eventually, the FHCF may be required to replace the pre-event debt with permanent financing, especially in a large event scenario. Total potential capacity is \$23.173 billion (\$5.557 billion for TICL coverage, \$17.175 billion for the mandatory coverage, and \$441 million for the up to \$10 million option for certain eligible insurers). Since the selected coverage is known, the projected premiums can be used to calculate the projected 2009 Year-End Cash Balance available for paying claims. This number is \$4.504 billion. The chart below illustrates this:



* This number includes the \$18.228B plus the \$441M needed to fund the LAC Coverage.

**Individual company retentions are their share of the industry retention.

Estimated 2009-2010 FHCF Capacity and Resources

In May 2009, the FHCF estimated its loss reimbursement capacity at **\$15.960 billion**. See page 5 of the report found at the following link on the FHCF's website: <http://www.sbafla.com/FHCF/LinkClick.aspx?fileticket=D3FM7QiFVt0%3d&tabid=473&mid=1416>.

The \$15.960 billion is rounded to \$16 billion for the purpose of the chart below. But, what is illustrated is that the \$16 billion of capacity is made up of roughly \$8 billion in liquid cash resources (\$4.504 billion from the projected 2009 Year-end Cash Balance and \$3.5 billion in Pre-Event Bonding) and \$8 billion in estimated bonding capacity. The chart below illustrates these numbers, and a dotted line is drawn representing the estimated capacity of \$16 billion which falls below the mandatory coverage maximum limit of \$17.175 billion. It is also noted that the TICL coverage of \$5.557 billion may not be funded based on the estimated capacity number of \$16 billion. The up to \$10 million optional coverage limit is represented as a capacity of \$441 million and is labeled \$441M LAC in the chart. By law, this coverage would be paid concurrent with the mandatory coverage, but would limit those companies selecting the coverage to their share of the total capacity available in situations involving industry losses that exceed \$16 billion. The chart below also illustrates that it would take an industry loss exceeding \$15.71 billion to exhaust currently available cash resources. The probability of this happening is around 5.3%.

Chart #4

2009/2010 Initial Season

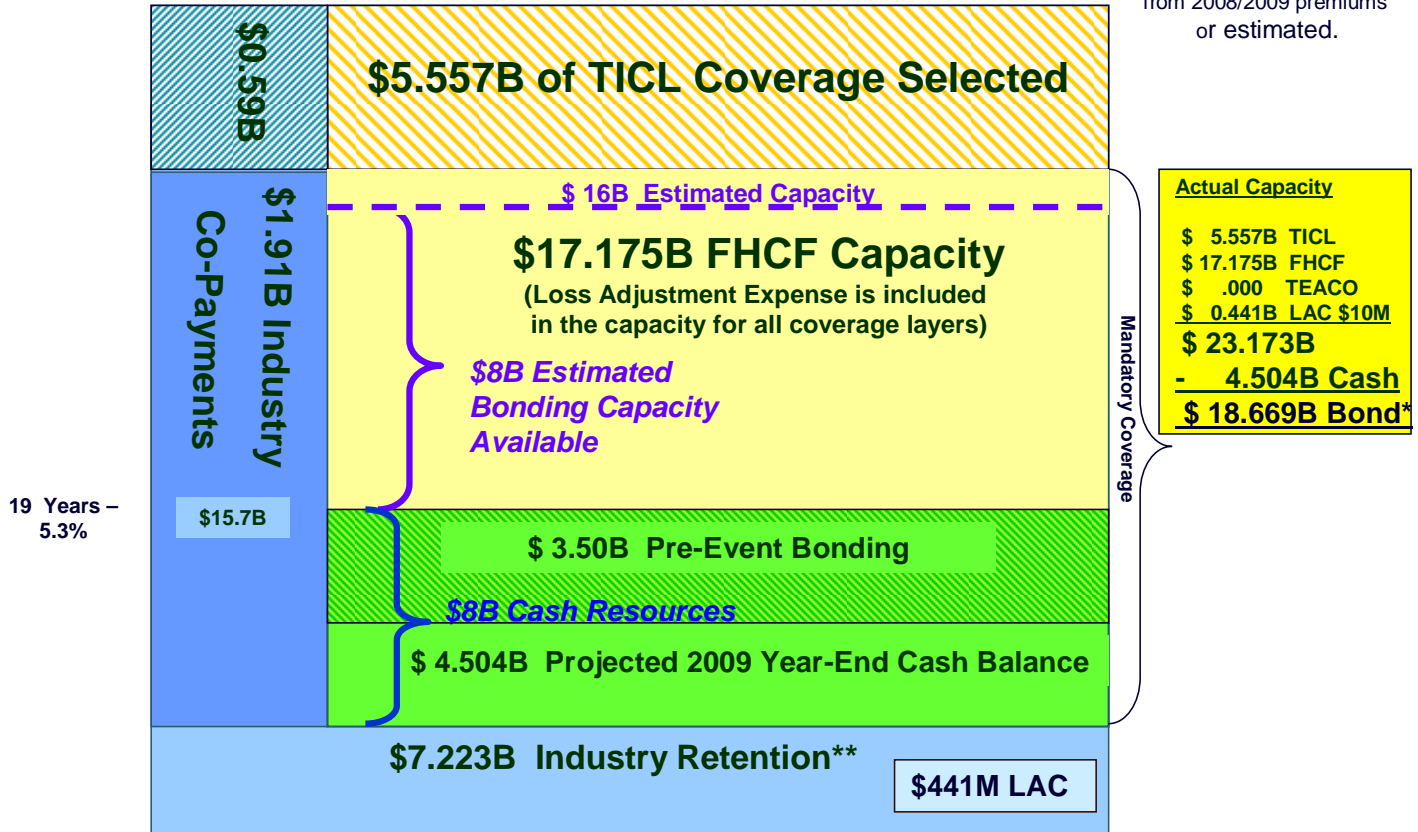
Mandatory & Optional Coverages Selected

Not Official
(For Illustrative
Purposes Only)

(Based on Actual TICL and LAC Options Selected for 2009)

TOTAL SELECTED CAPACITY ALL COVERAGES: \$23.173 Billion

Not Drawn to scale.
Amounts are projected
from 2008/2009 premiums
or estimated.



* This number includes the \$18.228B plus the \$441M needed to fund the LAC Coverage.

**Individual company retentions are their share of the industry retention.

Potential FHCF Shortfall for 2009-2010

By law, the obligation of the State Board of Administration related to the FHCF is limited to the available cash balance and the amount that it can raise by the issuance of revenue bonds. This has always been the case since the inception of the FHCF. However, beginning in 1999, a limit of annual liability was included, thus preserving capacity for subsequent seasons when actual claims-paying capacity exceeded the statutory adjusted limit. The limit for the mandatory coverage is designed to adjust each year and under current law is set at \$15 billion in Section 215.555(4)(c)1., Florida Statutes as of 2003, to be adjusted annually. The language reads as follows:

(c)1. The contract shall also provide that the obligation of the board with respect to all contracts covering a particular contract year shall not exceed the actual claims-paying capacity of the fund up to a limit of \$15 billion for that contract year adjusted based upon the reported exposure from the prior contract year to reflect the percentage growth in exposure to the fund for covered policies since 2003, provided the dollar growth in the limit may not increase in any year by an amount greater than the dollar growth of the balance of the fund as of December 31, less any premiums or interest attributable to optional coverage, as defined by rule which occurred over the prior calendar year.

A potential shortfall relates to the difference in estimated claims-paying capacity versus the maximum theoretical capacity available. The FHCF is required, by law, to estimate its capacity twice a year (in May and October) in order to provide participating insurers with a realistic estimate of the FHCF's capabilities. For the upcoming 2009-2010 FHCF Contract Year, this potential shortfall is illustrated below in the following chart as **\$7.173 billion**.

Chart #5

2009/2010 Initial Season

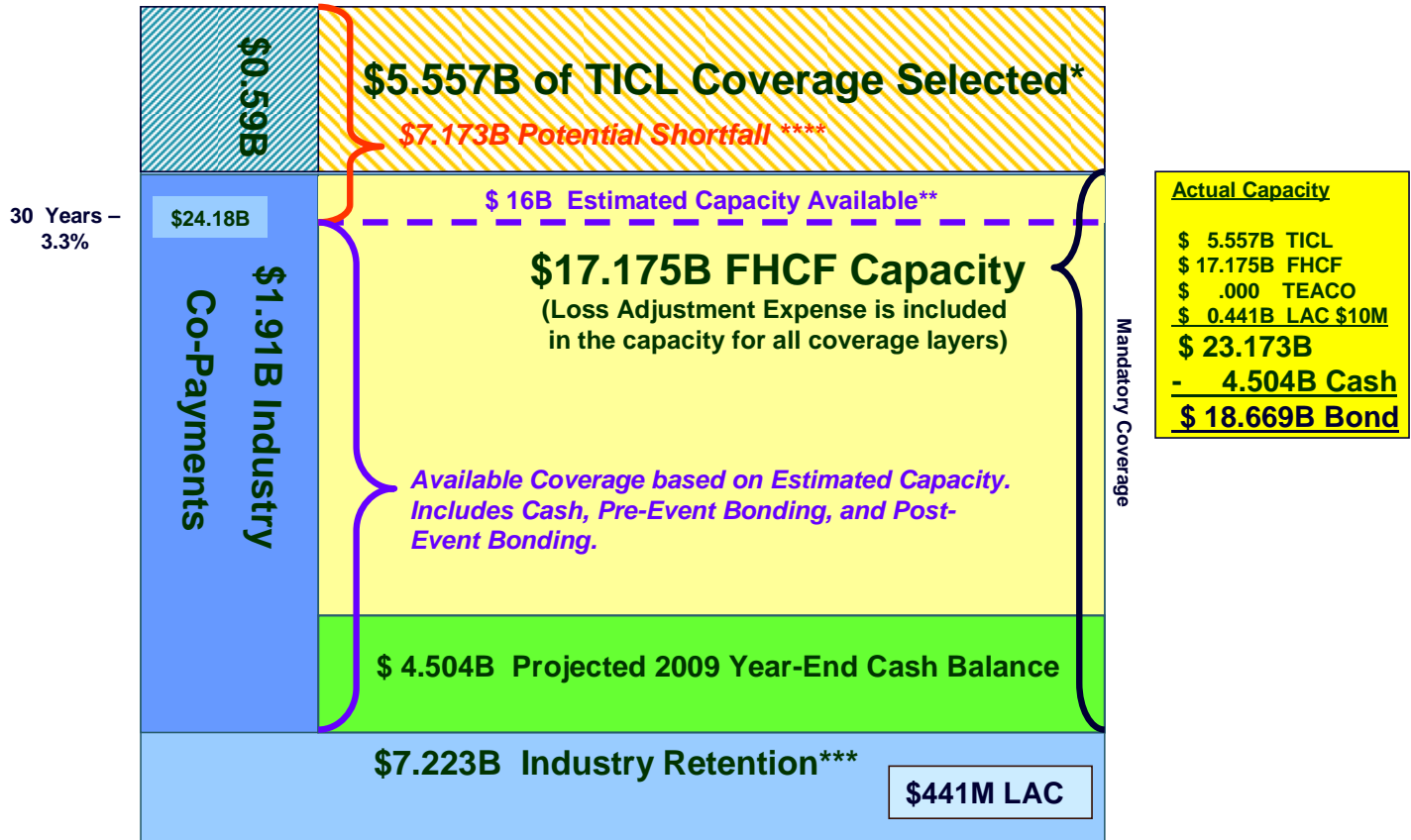
Mandatory & Optional Coverages Selected

Not Official
(For Illustrative
Purposes Only)

(Based on Actual TICL and LAC Options Selected for 2009)

Not Drawn to scale.

TOTAL SELECTED CAPACITY ALL COVERAGES: \$23.173 Billion



* Amounts are projected from 2008/2009 premiums.

** This number is based on the May 2009 Estimated Loss Reimbursement Capacity.

***Individual company retentions are their share of the industry retention.

****The potential shortfall is from the maximum theoretical capacity which includes the \$441 LAC coverage amounts.

The dotted line illustrates the estimated claims-paying capacity as of May 2009. It should be noted that the financial markets change daily and the amount of debt that can be issued following a hurricane event that exhausts the liquid resources of the FHCF may be drastically different from the estimates. The estimated claims-paying capacity numbers are “good faith” estimates, but do have their limitations. It can also be noted in the above chart that an event large enough to exhaust the estimated claims-paying capacity is expected to occur only once every 30 years and has a probability of occurrence of 3.3%.

CONCLUSIONS

The enactment of CS/CS/CS/HB1495 has resulted in a transfer back to the private market of as much as \$6,443,006,989 in residential property insurance losses should a large

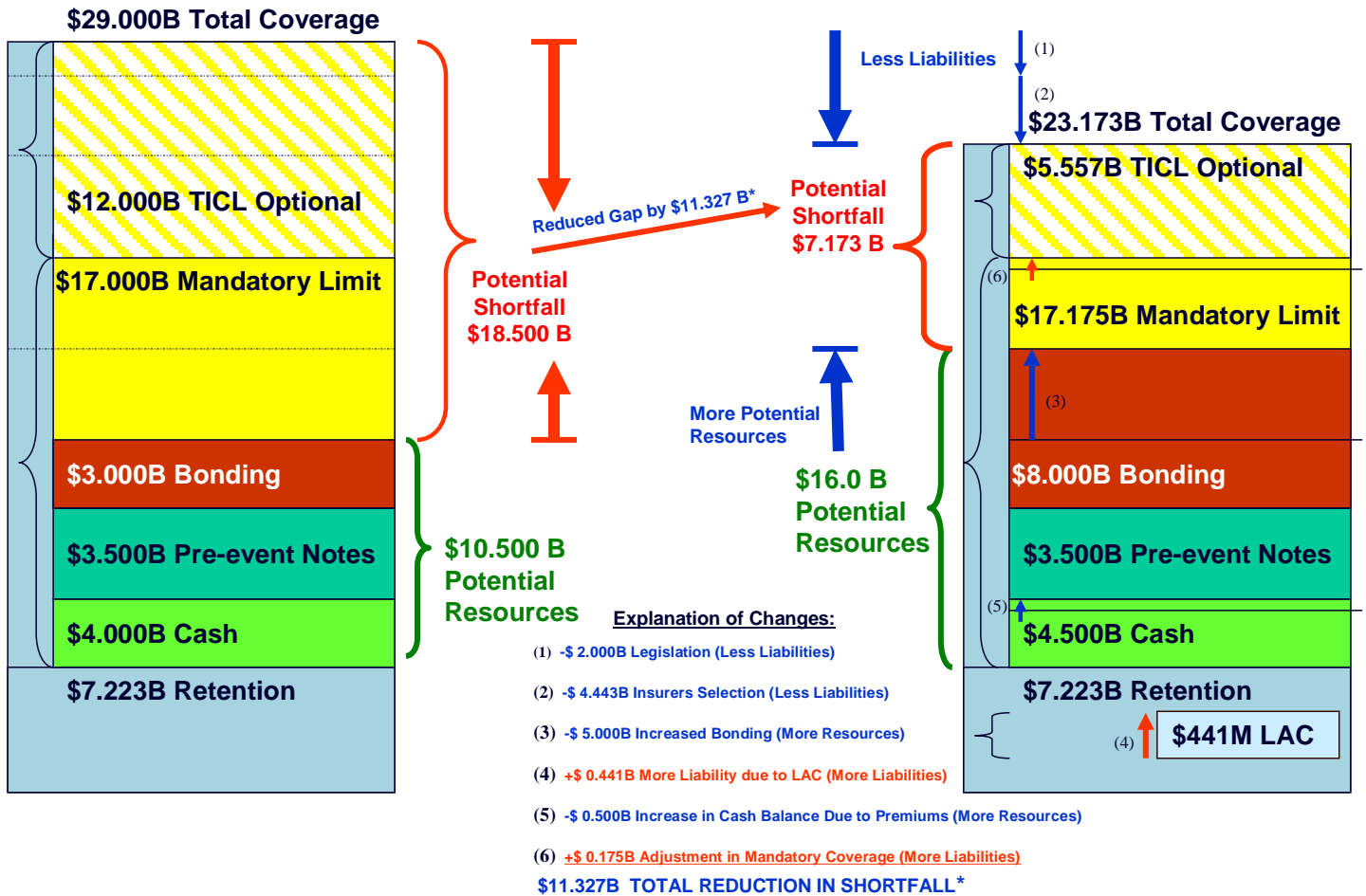
event occur. The law phases out the entire \$12 billion TICL coverage created in January 2007, as a result of HB1A, over a six year period. Additionally, the legislation has allowed for the greater build-up of cash resources in the FHCF by requiring for the charging of a higher cost for TICL coverage and for a cash build-up charge in the mandatory coverage. Based on the financial markets and recent estimates of the FHCF's claims-paying capacity, participating insurers have limited their selection of optional coverages. Only \$5.557 billion of TICL coverage was selected out of a total maximum of \$10 billion available under the law. Of the coverage selected, Citizens Property Insurance Corporation selected roughly \$3.6 billion of TICL coverage and all other participating residential insurers selected slightly less than \$2 billion in TICL coverage. Only 37% of insurers (73 of 195) selected TICL coverage. For the "up to \$10 million of optional coverage" available to certain specified insurers, only \$441 million of coverage was selected by 25 insurers out of a potential of 55 insurers that were eligible for coverage.

The FHCF's current estimated capacity for the 2009-2010 Contract Year is \$16 billion (based on the May 2009 claims paying capacity estimates). This is expected to be funded with \$8 billion of currently available liquid resources (cash of \$4.5 billion and \$3.5 billion of pre-event notes) and \$8 billion of estimated post-event bonding. The potential shortfall from the "theoretical maximum" that could be offered under law is \$7.173 billion. Although still a significant number, this number is much below the \$18.5 billion potential shortfall from maximum potential coverage reported earlier in the year. Chart #6 below illustrates the reduction in the potential shortfall from reported numbers earlier in the year. Over time, given the provisions in CS/CS/CS/HB1495, the potential limit of liability will be reduced substantially and the cash balance will have the opportunity to build in order to prepare the state for the next big hurricane or series of hurricanes that devastate residential property in the state.

Chart #6

Then (1/1/09) & Now (6/1/09)

For Illustration
Purposes Only
Not drawn to scale



8/26/09

Update on Major Initiatives and Ongoing Projects

SBA Trustees Meeting

September 1, 2009



INVESTING FOR FLORIDA'S FUTURE

→ **SBA Major Initiatives and Ongoing Projects**

- FRS Pension Plan Asset/Liability and Asset Allocation Studies
- Enterprise Risk Management and Compliance
- Securities Lending
- Strategic Investments
- Florida Growth Fund
- Corporate Governance—Proxy Voting Guidelines
- SBA Governance

→ **FRS Pension Plan Asset/Liability and Asset Allocation Studies**

- Every 3 to 5 years the SBA conducts asset/liability studies
- Goal: Investments should support the timely payment of benefits to current/future retirees and keep plan cost at a reasonable level
- The 2007 asset/liability study (approved by the Investment Advisory Council and the Trustees effective June 2007)
 - Lowered investment risk by about 10% by moving roughly \$10 billion from U.S. stocks to lower risk fixed income assets
 - Updated performance benchmarks for asset classes
 - Created a new asset class: Strategic Investments

→ **FRS Pension Plan Asset/Liability and Asset Allocation Studies**

- Financial market events of 2007/2008 were extreme by any measure, but were not unique (e.g., 1987 and 1998)
- We recommend that this Fall staff, consultants and the Investment Advisory Council should comprehensively:
 - Review the assumptions (explicit and implicit) underpinning our investment policies
 - Review the levels and sources of risk
 - Consider the best methods to maintain appropriate levels of diversification, liquidity and costs (i.e., external/internal, active/passive, etc.)

→ Enterprise Risk Management and Compliance

- Objective is to help the SBA make sound risk-based decisions by considering risks at the organization level
- Examples of Key Risks include:
 - Investment Management Risk
 - Operational Risk
 - Human Capital Risk
 - Service Provider Risk
 - Client Relationship Risk
 - Communications / Public Affairs / Reputational Risk
 - Business Continuity / Infrastructure Risk
 - Fraud / Misconduct / Internal Control Risk
 - Compliance Risk
 - Legal Risk

→ Deloitte & Touche Compliance Program Review

- “Based on our experience, the SBA’s investment operations and compliance program generally appear to be in line with our understanding of other similar organizations that are responsible for administering and managing retirement and/or other state assets.”
- “Based on our assessment and our understanding of leading industry practices of registered investment advisers, we identified a number of potential opportunities to improve upon or enhance existing processes, create new processes to increase operational efficiencies, and strengthen the SBA’s overall governance structure.”

Deloitte & Touche Recommended Opportunities for Development and Improvement

- Integrating Enterprise Risk Management with Compliance for more improved and transparent monitoring of internal and external risks
- Establishing an independent and dedicated compliance function including a Chief Risk and Compliance Officer position
- Enhancing pre- and post-trade monitoring of investment guidelines
- Enhancing the SBA's compliance culture by developing a training and education program to keep personnel apprised of new policies, procedures, or regulatory developments
- Conducting periodic assessments of the compliance program, including tests of the control activities

→ Securities Lending Review

- Callan Associates reviewed the SBA 's securities lending program
 - Typically more than \$10 billion of loans are outstanding
 - Earned \$462 million of net income over the last 6 fiscal years
 - Currently about \$580 million in unrealized losses
 - \$411 million of unrealized losses due to disrupted financial markets and should be recovered at maturity
 - \$169 million in unrealized losses that could become permanent; i.e., about 1.4% of loans or 0.17% of trust funds
- Intend to phase in a lower risk securities lending program
 - 2 year transition under current program to reserve for expected losses and avoid unnecessarily realizing losses
 - Tightly control investment risk, with the expectation that securities lending income will be materially lower over time

→ Strategic Investments

- Allocation of 0%-10% was approved by the Trustees effective May 1, 2007
- The objective of the asset class is to proactively identify and utilize non-traditional and multi-asset class investments on an opportunistic and strategic basis:
 - Generate long-term incremental returns in excess of a 5% annualized real rate of return, commensurate with risk
 - Diversify the FRS Pension Plan assets
 - Provide a potential hedge against inflation
 - Increase investment flexibility across market environments
- The asset class has both long-term and short-term performance benchmarks to reflect its unique characteristics

→ Strategic Investments

Allocations and Commitments as of July 31, 2009

.....

Asset Type Programs	Market Value (\$MM)	Market Value + Unfunded Commitments (\$MM)
Debt-Oriented	\$1,334	\$2,822
Equity	\$1,994	\$1,994
Real Assets	--	--
Multi-Sector Strategies	\$124	\$602
TOTAL	\$3,452	\$5,418

Evolving Strategic Investments 2009-10 Workplan **Consultant Assignments and Tentative Timelines***

Sub Asset Type	Consultants	Timeline
Opportunistic/ Distressed Debt	Hamilton Lane; Townsend	Ongoing
Global Equities	Wilshire	Ongoing
Corporate Gov. Activist	Wilshire	Interviews being conducted; search completed by 3 rd Q '09
Infrastructure	Mercer	Interviews conducted; search completed by 4 th Q '09
Timberland	Townsend	Interviews being conducted; search completed by 4 th Q '09
Multi-Sector/Hedge Fund Strategies	TBD	Specialty consultant negotiations; Fund reviews beginning in 4 th Q 2009

* Subject to change according to market conditions, product availability, etc.

→ Florida Growth Fund Update

- Hamilton Lane hired a new Vice President with extensive experience as venture capitalist and entrepreneur to lead a Florida-based team
- Hamilton Lane plans to open offices in Ft. Lauderdale and Orlando
- September trips planned to Ft. Lauderdale, West Palm Beach and Miami
- Test version of custom website available September 1 for SBA review

Investment Pipeline Summary (June – August)

Funds

Total number of opportunities screened	Total number of opportunities currently in diligence process	Target Sectors
25	16	Technology, Healthcare, Alternative Energy

Co-Investments

Potential opportunities screened	Representative locations include:
54	Miami, Tampa, Orlando, Boca Raton

Outreach/Sourcing Activity

- Hamilton Lane has held a series of outreach meetings in the following locations: Gainesville, Orlando, Tampa, St. Petersburg and Jacksonville

Meetings By Type

Universities	Service Providers	General Partners	Potential Co-Investments
3	8	6	2

→ Corporate Governance—Proxy Voting Guidelines

- Last fiscal year, SBA voted 3,383 company proxies
 - Director Elections—Withhold votes from directors who fail to observe good corporate governance practices or disregard the interests of shareowners
 - Executive Compensation—Consider on a case-by-case basis whether equity-based compensation plans are excessive relative to peer companies or plans that have an inappropriate performance orientation
 - Audit Ratification—Votes against where the audit firm fails to provide appropriate oversight or when significant conflicts of interest exist
 - Environmental & Sustainability Reporting—Support general sustainability reporting requirements and improved company environmental disclosures
- SBA proxy vote disclosure on www.sbafla.com occurs in advance of annual shareowner meetings
- SBA proxy voting guidelines will be submitted for Trustee approval ahead of the 2010 voting season

→ SBA Governance Research Project

- Following the SBA Trustees May 13, 2009 direction, a working group of Trustees' and SBA staff was formed
- Research designed to capture governance information from a wide range of investment-related organizations on:
 - Derivation of Authority
 - Functional Structure
 - Investment Discretion and Delegation
 - Board Meetings & Mechanics/Process
 - External Oversight
 - Financial/Funding/Reporting
- Goal is to have a final report for the Trustees by the September 15 meeting

STATE BOARD OF ADMINISTRATION OF FLORIDA (SBA)

Agenda
Investment Advisory Council (IAC)

Thursday, September 24, 2009 9:00 A.M. – 12:30 P.M.

**Hermitage Room, First Floor
Hermitage Centre
1801 Hermitage Blvd., Tallahassee, FL 32308**

- | | |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| 9:00 – 9:05 A.M. | Call to Order/Approval of Minutes
Robert Konrad, Chair |
| 9:05 – 9:30 A.M. | Opening Remarks and Performance Update
Ash Williams, Executive Director, SBA |
| 9:30 – 10:30 A.M. | Major Initiatives Update
Kevin SigRist, Deputy Executive Director, SBA |
| 10:30 – 11:00 A.M. | FRS Pension Plan Investment Review
Mike Sebastian, EnnisKnupp & Associates
Kristen Doyle, EnnisKnupp & Associates |
| 11:00 – 12:00 P.M. | Real Estate Investment Review
Terry Ahern, The Townsend Group |
| 12:00 – 12:30 P.M. | Audience Comments/Scheduled Meetings/Closing Remarks
Robert Konrad, Chair |

**MINUTES
INVESTMENT ADVISORY COUNCIL
JUNE 18, 2009**

A meeting of the Investment Advisory Council was held on Thursday, June 18, 2009, in the Hermitage Room of the State Board of Administration of Florida (SBA), Tallahassee, Florida.

Members Present: Robert Konrad, Chairman
John Hill, Vice Chairman
Robert Gidel
John Jaeb
Beth McCague

Member Absent: Jim Dahl

CALL TO ORDER/APPROVAL OF MINUTES

Mr. Rob Konrad, Chairman, called the meeting to order at 9:00 A.M. Mr. Konrad requested a motion to approve the minutes of the March 12, 2009, meeting. Mr. John Jaeb made a motion to approve the minutes; seconded by Vice Chairman John Hill; approved without objection.

EXECUTIVE DIRECTOR UPDATE/FUND GOVERNANCE

Mr. Ash Williams, Executive Director & CIO, indicated that the SBA would be launching the Florida Technology and Growth Program tomorrow morning and Mr. Mario Giannini of Hamilton Lane would discuss the program further in today's meeting. Mr. Williams discussed the SBA's major initiatives including securities lending, changes in portfolio guidelines, enhancements of compliance and controls, the SBA budget, and board governance. He introduced Mr. Rob Gidel, the new appointment of Attorney General Bill McCollum, and asked him to share his background with the group.

PERFORMANCE UPDATE AND MAJOR INITIATIVES

Mr. Kevin SigRist, Deputy Executive Director, gave an update on performance of the major asset classes and an update on major SBA initiatives including Strategic Investments, a speciality consultant search to support staff reviews of potential direct investments in venture capital funds and hedge funds, a securities lending program review by Callan that is nearing completion and Phase II of the Deloitte & Touche Compliance Review.

PRIVATE EQUITIES INVESTMENT REVIEW AND UPDATE ON FLORIDA GROWTH FUND

Mr. Mario Giannini, CEO of Hamilton Lane, provided his firm's annual independent review of the structure and performance of the SBA's private equity portfolio. He also addressed the status and outlook of the overall private equity market.

Mr. Giannini also gave an update on the Florida Growth Fund initiative that is a result of the Florida Technology and Growth Act (SB 2310) from the 2008 Florida legislative session. Hamilton Lane will manage \$250 million of capital on behalf of the Florida Retirement System Pension Fund dedicated to prudent investment in technology and growth related businesses with significant presence in the state of Florida.

INVESTMENT PLAN REVIEW

Mr. Steve Cummings and Ms. Kristen Doyle, Ennis Knupp & Associates, and Mr. Ron Poppell, SBA, gave a quarterly update on the performance of the FRS Investment Plan. The discussion indicated the plan is up 14 percent since March 2009. The plan membership continues to grow even in the down economy. Investment patterns indicate a movement of assets from equities to fixed income and money market funds.

SCHEDULED MEETINGS/CLOSING REMARKS/ADJOURNMENT

It was agreed the next meeting would be Thursday, September 24, 2009. Ms. McCague mentioned a conflict in the schedule of the December meeting, Mr. Williams suggested we could look at an alternate date for the December 2009 meeting.

The Investment Advisory Council Agenda concluded at 11:05 a.m.

(Further meeting information can be found in the written transcripts of the meeting kept by the State Board of Administration.)

**MINUTES
JOINT MEETING OF INVESTMENT ADVISORY COUNCIL (IAC) AND
PARTICIPANT LOCAL GOVERNMENT ADVISORY COUNCIL (PLGAC)
JUNE 18, 2009**

A joint meeting of the Investment Advisory Council (IAC) and Participant Local Government Advisory Council (PLGAC) was held on Thursday, June 18, 2009, in the Hermitage Room of the State Board of Administration of Florida (SBA), Tallahassee, Florida.

IAC Members Present: Robert Konrad, Chairman
John Hill, Vice Chairman
Robert Gidel
John Jaeb
Beth McCague

Member Absent: Jim Dahl

PLGAC Members Present: Patsy Heffner, Vice Chair
Karen Nicolai
John Mark Peterson
Roger B. Wishner
Daniel Wolfson

Member Absent: MaryEllen Elia, Chair

CALL TO ORDER – IAC/PLGAC JOINT RESPONSIBILITIES

Mr. Williams welcomed the PLGAC members to the joint meeting and explained the purpose of the joint meeting. Legislation passed in 2008 requires shared or joint responsibilities between the IAC and the PLGAC. The shared responsibilities discussed were policy review of the Local Government Investment Pool (LGIP), policy review of Fund B, and receipt of certain reports relating to the LGIP, including an audit report and reports on Fund B.

SBA BUDGET REVIEW

Mr. Williams discussed the preliminary SBA budget request for FY 2009-2010. At the June 9, 2009 Trustee meeting a continuation budget was adopted (i.e., equivalent to the FY 2008-2009 budget). The primary focus for incremental budget resource requests has been to improve and expand compliance, risk management, audit, communications, training and critical staff recruitment and retention. After discussion with the Advisory Councils, the general consensus was that the SBA should continue to closely scrutinize the base component of the administrative budget to find potential efficiencies (recognizing fiduciary duties cannot be sacrificed), but audit, compliance and risk management requirements should be funded. The Advisory Councils did not have a consensus view regarding the appropriate level of the SBA's fee structure, but both recognized that fee increases could be prudently deferred given the difficult economic environment and the existing balance in the administrative expense account.

LEGAL COMPLIANCE REVIEW – CHAPTER 218, PT. IV, FLORIDA STATUTES

Ms. Ann Longman, of Lewis, Longman & Walker, presented their statutory compliance review and indicated that the Local Government Investment Pool has been managed and operated in accordance with the statutory requirements of Part IV of Chapter 218, Florida Statutes from May 2008 to May 2009. Any items noted in the review were, in Ms. Longman's judgment, details, matters of interpretation, or have now been corrected.

LGIP PERFORMANCE REVIEW AND BEST INVESTMENT PRACTICES REVIEW

Mr. Steve Cummings and Ms. Kristen Doyle, EnnisKnupp & Associates presented the performance review and their comprehensive review of the various aspects of the Local Government Investment Pool (LGIP) to determine if the management and operations are in line with best practices. EnnisKnupp & Associates concluded that the LGIP is managed and operated according to best practices and is in line with, or compares favorably to its peers, in virtually all areas. Recommendations to further improve the management of the LGIP are incorporated in proposed changes to the Investment Policy Guidelines or are under active review.

Paige Wilhelm, Senior Portfolio Manager Federated Investment Counseling also provided an update on performance of LGIP and Fund B.

PROPOSED REVISIONS TO LGIP INVESTMENT POLICY GUIDELINES

Mr. Kevin SigRist presented the proposed revisions to the LGIP Investment Policy Guidelines as required under s. 218.409(2)(d), F.S.

The Investment Policy Guidelines for the LGIP must be annually reviewed by the Investment Advisory Council and the Participant Local Government Advisory Council and reviewed and approved by the Trustees. Recommended changes to the Investment Policy Guidelines:

1. Were developed by staff, EnnisKnupp & Associates and Federated Investment Counseling based on evolving best practices in the money market fund industry.
2. Are largely taken from the Investment Company Institute Money Market Working Group, which was formed to develop best practices in the wake of the Federal government support of money market funds in late 2008.
3. Codify elements of Federated Investment Counseling's investment process that are conservative by design (i.e., low interest rate risk, high liquidity and minimal credit risk). Current Local Government Investment Pool investments are already in compliance with the recommended changes.
4. Will be submitted to Trustees for approval at the July 28, 2009, meeting.

The IAC and PLGAC members accepted the recommended changes to the Investment Policy Guidelines.

The Joint IAC/PLGAC meeting concluded at approximately 2:40 P.M.

(Further meeting information can be found in the written transcripts of the meeting kept by the State Board of Administration.)

MINUTES
Participant Local Government Advisory Council (PLGAC) Meeting
June 18, 2009

A meeting of the Participant Local Government Advisory Council (PLGAC) was held on Thursday, June 18, 2009, in the Hermitage Room of the State Board of Administration (SBA), Tallahassee, Florida.

Members Present: Patsy Heffner, Vice Chair
 Karen Nicolai
 Mark Peterson
 Roger Wishner
 Daniel Wolfson

Member Absent: MaryEllen Elia, Chair

Call to Order/Approval of Minutes

In the absence of Chair MaryEllen Elia, Vice Chair Patsy Heffner called the meeting to order at 2:50 PM and requested a motion to approve the minutes of the February 25, 2009, meeting. Mayor Roger Wishner made the motion to approve the minutes; seconded by Mr. Daniel Wolfson; approved without objection.

LGIP Client Survey Results and LGIP Communication Improvement Initiatives

Dr. Jim Francis and Mr. Mike McCauley discussed the LGIP client survey and follow-on work designed to improve and enhance communications with participants. A variety of findings were discussed, as well as follow-up actions. In light of substantial enhancements to the fund, a proposal to rebrand the Pool was discussed and favorably received by the Council.

Prioritizing Future PLGAC Agenda Items

Mr. Ash Williams, Executive Director, asked for a discussion of agenda items or priorities the members would like to focus on. The topics centered on communication to the PLGAC members and keeping them informed on the operations and finances of the LGIP, as well as efforts to successfully wind down Fund B.

2009 Scheduled Meetings/Closing Remarks/Adjourn

It was decided the next meeting will be Monday, September 21, 2009, at 11:00 AM in Tampa hosted by Chair MaryEllen Elia. There was a brief discussion of what the members would like to see on the next agenda. They requested an update on the budget; whether the Trustees adopt the rule changes; the LGIP website; and possible presentations by local governments that will be attending the meeting.

The agenda was concluded and the meeting was adjourned at 3:50 PM.

(Further meeting information can be found in the written transcripts of the meeting kept by the State Board of Administration.)

STATE BOARD OF ADMINISTRATION OF FLORIDA (SBA)

AGENDA

Meeting of the

Participant Local Government Advisory Council (PLGAC)

Monday, September 21, 2009 11:00 a.m.—1:00 p.m.

Raymond O. Shelton School Administrative Center
2nd Floor Staff Conference Room
901 East Kennedy Boulevard
Tampa, FL 33602

Participant Local Government Advisory Council

- | | |
|------------------------------|----------------------------------------------------------------------------------------|
| 11:00—11:15 a.m. | Call to Order/Approval of Minutes
<i>MaryEllen Elia, Chair</i> |
| 11:15—11:30 a.m. | Update on New Branding, Website, and Client Communications
<i>SBA Staff</i> |
| 11:30 a.m.—12:00 p.m. | Investment Performance Review
<i>SBA & Federated Staff</i> |
| 12:00—12:30 p.m. | Reserve Funding—Discussion of Policy Options
<i>SBA Staff</i> |
| 12:30—12:45 p.m. | Open Agenda Items/Audience Comments |
| 12:45 – 1:00 p.m. | 2009 Scheduled Meetings/Closing Remarks/Adjourn
<i>MaryEllen Elia, Chair</i> |