

**MEETING OF THE STATE BOARD OF ADMINISTRATION**

**GOVERNOR SCOTT AS CHAIRMAN  
CHIEF FINANCIAL OFFICER ATWATER AS TREASURER  
ATTORNEY GENERAL BONDI AS SECRETARY**

**FEBRUARY 9, 2012**

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**AGENDA**

**ITEM 1      REQUEST APPROVAL OF CHANGES TO THE INVESTMENT POLICY STATEMENT FOR THE FLORIDA RETIREMENT SYSTEM PENSION PLAN, AS REQUIRED UNDER S. 215.475(2), F.S.**

The Investment Policy Statement, required pursuant to s. 215.475, F.S., is the principal vehicle through which the Trustees establish an investment objective(s), asset allocation and address associated policy issues for the FRS Pension Plan.

At the January 20, 2012 Investment Advisory Council meeting, the members unanimously agreed to direct staff to amend the Investment Policy Statements for the FRS Pension Plan, FRS Investment Plan, and Lawton Chiles Endowment Fund to include language changing the reporting relationship of the Chief Risk and Compliance Officer (CRCO).

The last investment policy/asset allocation revision for the Pension Plan was approved by the Trustees on June 16, 2011.

(See Attachments 1-A, 1-B and 1-C)

**ACTION REQUIRED**

**ITEM 2      REQUEST APPROVAL OF CHANGES TO THE INVESTMENT POLICY STATEMENT FOR THE FLORIDA RETIREMENT SYSTEM INVESTMENT PLAN, AS REQUIRED UNDER S. 121.4501(14), F.S.**

The Investment Policy Statement, required pursuant to s. 121.4501, F.S., is the principal vehicle through which the Trustees establish an investment objective(s), asset allocation and address associated policy issues for the FRS Investment Plan.

At the January 20, 2012 Investment Advisory Council meeting, the members unanimously agreed to direct staff to amend the Investment Policy Statements for the FRS Pension Plan, FRS Investment Plan, and Lawton Chiles Endowment Fund to include language changing the reporting relationship of the Chief Risk and Compliance Officer (CRCO).

The last major investment policy/asset allocation revision for the Investment Plan was approved by the Trustees on December 6, 2011.

(See Attachments 2-A, 2-B and 2-C)

**ACTION REQUIRED**

**ITEM 3      REQUEST APPROVAL OF CHANGES TO THE INVESTMENT POLICY STATEMENT FOR THE LAWTON CHILES ENDOWMENT FUND, AS REQUIRED UNDER S. 215.5601, F.S.**

The Investment Policy Statement, required pursuant to s. 215.5601, F.S., is the principal vehicle through which the Trustees establish an investment objective(s), asset allocation and address associated policy issues for the LCEF.

At the January 20, 2012 Investment Advisory Council meeting, the members unanimously agreed to direct staff to amend the Investment Policy Statements for the FRS Pension Plan, FRS Investment Plan, and Lawton Chiles Endowment Fund to include language changing the reporting relationship of the Chief Risk and Compliance Officer (CRCO).

The last investment policy/asset allocation revision for the Lawton Chiles Endowment Fund was approved by the Trustees on September 20, 2011.

(See Attachments 3-A, 3-B and 3-C)

**ACTION REQUIRED**

**ITEM 4      REQUEST APPROVAL OF A DRAFT LETTER TO THE JOINT LEGISLATIVE AUDITING COMMITTEE AFFIRMING THAT THE SBA TRUSTEES HAVE "REVIEWED AND APPROVED THE MONTHLY [FLORIDA PRIME AND FUND B MANAGEMENT SUMMARY] REPORTS AND ACTIONS TAKEN, IF ANY, TO ADDRESS ANY [MATERIAL] IMPACTS," AND "HAVE CONDUCTED A REVIEW OF THE [FUND B] TRUST FUND AND THAT THE TRUST FUND IS IN COMPLIANCE WITH THE REQUIREMENTS OF THIS SECTION." (SECTIONS 218.409(6)(A)1 AND 218.421(2)(A), F.S.)**

During the fourth quarter of 2011, there were no material impacts. Copies of the October, November and December 2011 reports are attached.

(See Attachments 4-A, 4-B, 4-C and 4-D)

**ACTION REQUIRED**

**ITEM 5      REQUEST APPROVAL OF THE APPOINTMENT OF WILLIAM H. HARRELL, JR. TO THE INVESTMENT ADVISORY COUNCIL**

(See Attachments 5-A and 5-B)

**ACTION REQUIRED**

## **Attachment 1A**



**STATE BOARD OF ADMINISTRATION  
OF FLORIDA**

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

**POST OFFICE BOX 13300  
32317-3300**

**RICK SCOTT  
GOVERNOR  
AS CHAIRMAN  
JEFF ATWATER  
CHIEF FINANCIAL OFFICER  
AS TREASURER  
PAM BONDI  
ATTORNEY GENERAL  
AS SECRETARY  
ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO**

**MEMORANDUM**

**To:** SBA Investment Advisory Council, SBA Audit Committee

**From:** Ash Williams

**Date:** 1/13/12

**Subject:** Crowe Horwath report follow-up

**CC:** SBA Trustees, Kevin SigRist, Kathy Whitehead, Eric Nelson, Florida Rivera-Alsing

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**Background**

At the December 2011 IAC and Trustees meetings, there was discussion of the Crowe Horwath October 21, 2011 report to the SBA, "Evaluation and Recommendations Related to the Compliance Program." By memo dated November 4, 2011, SBA staff accepted or partially accepted 58 of 63 of Crowe's recommendations. The remaining five recommendations were directed to the Audit Committee, Investment Advisory Council or Trustees because they addressed governance matters such as potentially separating the Executive Director and Chief Investment Officer duties or changing the reporting relationship of the Chief Risk and Compliance Officer (CRCO). The IAC chair reported to the Trustees regarding the IAC's review of Crowe's report; the IAC took a view that SBA's current risk management and compliance governance structure is functioning effectively, properly establishes accountability and mitigates any potential conflict issues through the practice of having the CRCO provide written and oral reports to the Audit Committee, Trustees and IAC. The Trustees agreed that IAC Chair Robert Gidel would work with CFO Atwater and the SBA Executive Director/CIO to identify any changes that could be made to bring closure to issues identified by Crowe, especially with regard to the independence of the CRCO.

**Current status / Action items**

In a series of separate follow-up conversations, the CFO, IAC Chair Gidel and Audit Committee member Rolf Engmann and I identified several steps that could be taken to further ensure the independence of the CRCO and advance the risk management effort. These were discussed in the January 10 Audit Committee meeting. Following is a summary of these initiatives that are responsive to the Crowe report, together with a draft amendment proposed for inclusion in the



investment policy statements of the FRS Pension and Investment Plans, Lawton Chiles Endowment Fund, Florida PRIME, Investment Pool B and non-FRS Defined Contribution Plan to adopt the recommended changes. The Trustees will be briefed on these proposals at their January 18 meeting. Investment Policy Statement changes are subject to prior IAC review, which is the purpose of the IAC's meeting January 20. Should the IAC approve these changes, the Trustees may act on them at their February 9 meeting.

### **Initiative Summary**

- Amend SBA's Investment Policy Statement(s) to explicitly require CRCO to provide written and oral reports to the IAC, Audit Committee and Trustees no less than quarterly and authorize the CRCO to directly access these or other bodies as appropriate to ensure the integrity and effectiveness of CRCO functions.
- Selection, compensation and termination of the CRCO will be affirmed by the Trustees. For day-to-day executive and administrative purposes, the CRCO will continue to work with the Executive Director/CIO and SBA management so that issues are promptly and thoroughly addressed.

### **Proposed Investment Policy Statement Addition**

*"The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions."*

### **Conclusion**

The proposed actions and related Investment Policy changes will bring closure to the governance issue raised in the Crowe report. Other Crowe related issues are being addressed by SBA staff and are subject to normal progress reporting to the Audit Committee, Trustees and IAC. SBA's independent risk management and compliance unit is relatively young and will continue to evolve with a goal of embracing best practice to the greatest practical extent.

## **Attachment 1B**

## **FLORIDA RETIREMENT SYSTEM DEFINED BENEFIT PLAN INVESTMENT POLICY STATEMENT**

### **I. DEFINITIONS**

**Absolute Real Target Rate of Return** - The total rate of return by which the FRS Portfolio must grow, in excess of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), in order to achieve the long-run investment objective.

**Asset Class** - An asset class is an aggregation of one or more portfolios with the same principal asset type.<sup>1</sup> For example, all of the portfolios whose principal asset type was stocks would be aggregated together as the Global Equity asset class. As such, it would contain primarily—but not exclusively—the principal asset type.

**Asset Type** - An asset type is a category of investment instrument such as common stock or bond.

**Portfolio** - A portfolio is the basic organization unit of the FRS Fund. Funds are managed within portfolios. A portfolio will typically contain one principal asset type (common stocks, for example), but may contain other asset types as well. The discretion for this mix of asset types is set out in guidelines for each portfolio.

### **II. OVERVIEW OF THE FRS AND SBA**

The State Board of Administration (Board) provides investment management of assets contributed and held on behalf of the Florida Retirement System (FRS). The investment of retirement assets is one aspect of the activity involved in the overall administration of the Florida Retirement System. The Division of Retirement (DOR), the administrative agency for the FRS, provides full accounting and administration of benefits and contributions, commissions actuarial studies, and proposes rules and regulations for the administration of the FRS. The State Legislature has the responsibility of setting contribution and benefit levels, and providing the statutory guidance for the administration of the FRS.

### **III. THE BOARD**

The State Board of Administration has the authority and responsibility for the investment of FRS assets. The Board consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Board has statutory responsibility for the

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<sup>1</sup> The Strategic Investments asset class is an exception, purposefully established to potentially contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

investment of FRS assets, subject to limitations on investments as outlined in Section 215.47, Florida Statutes.

The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Sections 215.44(2)(a) and 215.47(9), Florida Statutes.

The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the investment of FRS assets. An Investment Advisory Council (IAC) is appointed by the Board. The IAC meets quarterly, and is charged with the review and study of general portfolio objectives, policies and strategies, including a review of investment performance.

The mission of the State Board of Administration is to provide superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards.

#### **IV. THE EXECUTIVE DIRECTOR**

The Executive Director is charged with the responsibility for managing and directing administrative, personnel, budgeting, and investment functions, including the strategic and tactical allocation of investment assets.

The Executive Director is charged with developing specific individual investment portfolio objectives and policy guidelines, and providing the Board with monthly and quarterly reports of investment activities.

The Executive Director has investment responsibility for maintaining diversified portfolios, and maximizing returns with respect to the broad diversified market standards of individual asset classes, consistent with appropriate risk constraints. The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group(s) to regularly review, document and formally escalate guideline compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such compliance exceptions, with input from the Investment Advisory Council and Audit Committee as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

The Executive Director is responsible for evaluating the appropriateness of the goals and objectives in this Plan in light of actuarial studies and recommending changes to the Board when appropriate.

## **V. INVESTMENT OBJECTIVES**

The investment objective of the Board is to provide investment returns sufficient for the plan to be maintained in a manner that ensures the timely payment of promised benefits to current and future participants and keeps the plan cost at a reasonable level. To achieve this, a long-term real return approximating 5% per annum (compounded and net of investment expenses) should be attained, consistent with the actuarial investment return assumption of 7.75%. As additional considerations, the Board seeks to avoid excessive risk in long-term cost trends. To manage these risks, the volatility of annual returns should be reasonably controlled.

The Board's principal means for achieving this goal is through investment directives to the Executive Director. The main object of these investment directives is the asset class. The Board directs the Executive Director to manage the asset classes in ways that, in the Board's opinion, will maximize the likelihood of achieving the Board's investment objective within an appropriate risk management framework. The Board establishes asset classes, sets target allocations and reasonable ranges around them for each and establishes performance benchmarks for them. In addition, it establishes a performance benchmark for the total portfolio.

## VI. TARGET PORTFOLIO AND ASSET ALLOCATION RANGES

The Board's investment objective is an absolute one: achieve a specific rate of return, the absolute real target rate of return. In order to achieve it, the Board sets a relative objective for the Executive Director: achieve or exceed the return on a performance benchmark known as the Target Portfolio over time. The Target Portfolio is a portfolio composed of a specific mix of the authorized asset classes. The return on this portfolio is a weighted-average of the returns to passive benchmarks for each of the asset classes. The expectation is that this return will equal or exceed the absolute real target rate of return long-term and will thus assure achievement of the Board's investment objective.

This relative return objective is developed in a risk management framework. Risk from the perspective of the Board is failing to earn the absolute real target rate of return over long periods

of time, and the asset mix is developed to minimize this risk. In selecting the Target Portfolio, the Board considers information from actuarial valuation reviews and asset/liability studies of the FRS, as well as asset class risk and return characteristics. In addition, the timing of cash demands on the portfolio to honor benefit payments and other liabilities are an important consideration. Potential asset mixes are thus evaluated with respect to their expected return, volatility and liquidity.

The Target Portfolio defined in Tables 2 (i.e., 2a and 2b, as applicable) and, 4 has a long-term expected compound annual real return that approximates the absolute real target rate of return. To achieve the absolute real target rate of return or actuarial return, material market risk must be borne (i.e., year to year volatility of returns). For example, in 2008 the Trust Fund's net managed real return was -26.81% compared to gains of 17.56% in 2009 and 21.48% in 2003. While downside risk is considerably greater over shorter horizons, the natural investment horizon for the Trust Fund is the long-term. Table 1 illustrates a modeled estimate of the Target Portfolio's potential range of real returns that could result over longer-term investment horizons. Over a 15-year investment horizon there is an 80 percent probability that the Target Portfolio will experience a compound annual real return between -0.5% and 9.9% and a 90 percent probability that the Target Portfolio will experience a compound annual real return between -2.7% and 10.9%.

**Table 1: Expected Risk in Target Portfolio's Real Returns**

Time Horizon	5 <sup>th</sup> Percentile Real Return	10 <sup>th</sup> Percentile Real Return	90 <sup>th</sup> Percentile Real Return	95 <sup>th</sup> Percentile Real Return
10 Years	-4.9%	-2.8%	10.3%	11.4%
15 Years	-2.7%	-0.5%	9.9%	10.9%

~~Reaffirmed by SBA Trustees June 16, 2011~~

~~Approved by SBA Trustees June 8, 2010~~

Approved by IAC on January 20, 2012 and Proposed for Adoption by Trustees on February 9, 2012

20 Years	-1.3%	0.4%	9.5%	10.3%
25 Years	-0.7%	1.0%	9.1%	10.1%
30 Years	-0.2%	1.5%	9.0%	9.8%

Although the Target Portfolio has an expected return and risk associated with it, it is important to note that this expected return is neither an explicit nor an implicit goal for the managers of the Florida Retirement System Trust Fund (FRSTF). These figures are used solely in developing directives for fund management that will raise the probability of success in achieving the absolute real target rate of return. The Executive Director is held responsible not for specifically achieving the absolute real target rate of return in each period, but rather for doing at least as well as the market using the Target Portfolio's mix of assets.

In pursuit of incremental investment returns, the Executive Director may vary the asset mix from the target allocation based on market conditions and the investment environment for the individual asset classes. The Executive Director shall adopt an asset allocation policy guideline which specifies the process for making these tactical decisions. The guideline shall concentrate on the analysis of economic conditions, the absolute values of asset class investments and the relative values between asset classes. The Board establishes ranges for tactical allocations, as shown in Table 2 (i.e., 2a and 2b, as applicable).

The Executive Director is directed by the Trustees to seek expanded statutory authority to invest in alternative investments (i.e., private equity, venture capital, distress funds, hedge funds and certain other investments described at s. 215.47(15), Florida Statutes) beyond the current limit of 10%. The policy allocation in Table 2a would be effective upon such expanded authority becoming effective in law. Upon the effective date of this policy statement, but prior to obtaining such expanded statutory investment authority, a Transitional Asset Allocation Policy described in Table 2b would govern.

**Table 2: Authorized Asset Classes, Target Allocations and Policy Ranges**

<i>Table 2a: Expanded Authority</i>			
Asset Class	Target Allocation	Policy Range Low	Policy Range High
Global Equity	52%	44%	60%
Fixed Income	24%	16%	32%
Real Estate	7%	2%	12%

~~Reaffirmed by SBA Trustees June 16, 2011~~  
~~Approved by SBA Trustees June 8, 2010~~  
Approved by IAC on January 20, 2012 and Proposed for Adoption by Trustees on February 9, 2012

Private Equity	5%	0%	7%
Strategic Investments	11%	0%	20%
Cash Equivalents	1%	0%	9%
Total Fund	100%	--	--

**(Continued) Table 2: Authorized Asset Classes, Target Allocations and Policy Ranges**

*Table 2b: Transitional*

Asset Class	Target Allocation	Policy Range Low	Policy Range High
Global Equity	56%	48%	64%
Fixed Income	26%	18%	34%
Real Estate	7%	2%	12%
Private Equity	4%	0%	7%
Strategic Investments	6%	0%	20%
Cash Equivalents	1%	0%	9%
Total Fund	100%	--	--

For purposes of determining compliance with these policy ranges, an asset class is considered to be an aggregation of one or more portfolios with substantially the same principal asset type.<sup>2</sup> An asset type is a category of investment instrument such as common stock or bond. For example, all of the portfolios whose principal asset type is bonds would be aggregated together as the Fixed Income asset class. As such, it would contain primarily—but not exclusively—the principal asset type. As a standard management practice, portfolio managers are expected to meet their goals for all assets allocated to their portfolio.

It is expected that the FRS Portfolio will be managed in such a way that the actual allocation mix will remain within these ranges. Investment strategies or market conditions which result in an allocation position for any asset class outside of the enumerated ranges for a period exceeding thirty (30) consecutive business days shall be reported to the Board, together with a review of

<sup>2</sup> The Strategic Investments asset class is an exception, purposefully established to potentially contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.



conditions causing the persistent deviation and a recommendation for subsequent investment action.

The asset allocation is established in concert with the investment objective, capital market expectations, projected actuarial liabilities, and resulting cash flows. Table 3 indicates estimated net cash flows (employer contributions minus benefit payments) and associated probabilities that are implicit in this policy statement, assuming the Legislature adheres to system funding provisions in current law. Additionally, the annualized income yield of the fund is projected to approximate 2% to 3%.

**Table 3: Estimated Net Cash Flow (\$ millions/ % Fund)**

	In 5 Years	In 10 Years
10 <sup>th</sup> Percentile	-\$3,982/ -3.1%	-\$7,353/ -3.5%
25 <sup>th</sup> Percentile	-\$3,781/ -2.8%	-\$6,480/ -3.1%
Median	-\$3,575/ -2.6%	-\$5,282/ -2.8%
75 <sup>th</sup> Percentile	-\$3,288/ -2.4%	-\$3,233/ -2.3%
90 <sup>th</sup> Percentile	-\$1,872/ -2.1%	-\$705/ -0.8%

## VII. PERFORMANCE MEASUREMENT

Asset class performance is measured in accordance with a broad market index appropriate to the asset class. The indices identified in Table 4 are used as the primary benchmarks for the authorized asset classes.

**Table 4: Authorized Target Indices**

Asset Class	Index
Global Equity	A custom version of the MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect the provisions of the Protecting Florida's Investments Act
Fixed Income	The Barclays Capital U.S. Aggregate Index
Real Estate	An average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 90%, and the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on non-resident institutional investors, weighted at 10%
Private Equity	The Russell 3000 index return plus a fixed premium return of 300 basis points per annum
Strategic Investments	A weighted-average of individual portfolio level benchmark returns
Cash Equivalents	iMoneyNet First Tier Institutional Money Market Funds Net Index

The return on the Target Portfolio shall be calculated as an average of the returns to the target indices indicated in Table 5 weighted by the target allocations indicated by Table 2 (i.e., 2a and

2b, as applicable), but adjusted for floating allocations. The policy allocation for Strategic Investments, Private Equity and Real Estate would all “float” against Global Equity (i.e., limited short-term liquidity available for rebalancing and benefit payments means that their policy allocations would equal their actual allocations).

Measurement of asset allocation performance shall be made by comparing the actual asset allocation times the return for the appropriate indices to the target allocation times the index

returns. For asset classes with floating allocations the basis of tactical measurement shall be the asset class's actual share.

Performance measurement of the effectiveness of the implementation of the Private Equity asset class shall be based on an internal rate of return (IRR) methodology, applied over significant periods of time. Performance measurement of the effectiveness of the implementation of the Private Equity and Strategic Investments asset classes shall be assessed relative to both the applicable index in Table 4 and:

- For Private Equity, a fund-based private equity benchmark (e.g., from Venture Economics or Cambridge Associates).
- For Strategic Investments, the CPI, as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), plus 5%. Fundamentally, the Strategic Investments asset class is expected to improve the risk-adjusted return of the total fund over multiple market cycles.

## **VIII. ASSET CLASS PORTFOLIO MANAGEMENT**

### **General Asset Class and Portfolio Guidelines**

The Executive Director is responsible for developing asset class and individual portfolio policies and guidelines which reflect the goals and objectives of this Investment Policy Statement. In doing so, he is authorized to use all investment authority spelled out in Section 215.47, Florida Statutes, except as limited by this Plan or SBA Rules. The Executive Director shall develop guidelines for the selection and retention of portfolios, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board.

All asset classes shall be invested to achieve or exceed the return on their respective benchmarks over a long period of time. To obtain appropriate compensation for associated performance risks:

- Public market asset classes shall be well diversified with respect to their benchmarks and have a reliance on low cost passive strategies scaled according to the degree of efficiency in underlying securities markets, capacity in effective active strategies, and ongoing total fund liquidity requirements.

- Private Equity, Real Estate and Strategic Investments asset classes shall utilize a prudent process to maximize long-term access to attractive risk-adjusted investment opportunities through use of business partners with appropriate:
  - Financial, operational and investment expertise and resources;
  - Alignment of interests;
  - Transparency and repeatability of investment process; and
  - Controls on leverage.

### **Strategic Investments Guidelines**

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, in order to accomplish one or more of the following:

- 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, in order to access evolving or opportunistic investments outside of traditional asset classes and effective risk-adjusted portfolio management strategies.

Strategic Investments may include, but not be limited to, direct investments authorized by s. 215.47, Florida Statutes or investments in capital commitment partnerships, hedge funds or other vehicles that make or involve non-traditional, opportunistic and/or long or short investments in marketable and nonmarketable debt, equity, and/or real assets (e.g., real estate, infrastructure, or commodities). Leverage may be utilized subject to appropriate controls.

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2007-88, Laws of Florida, the “Protecting Florida’s Investments Act.” Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.473(6), Florida Statutes.

## **IX. REPORTING**

The Board directs the Executive Director to coordinate the preparation of quarterly reports of the investment performance of the FRS by the Board's independent performance evaluation consultant.

The following formal periodic reports to the Board shall be the responsibility of the Executive Director:

- An annual report on the SBA and its investment portfolios, including that of the FRS.
- A monthly report on performance and investment actions taken.
- Special investment reports pursuant to Section 215.44-215.53, Florida Statutes.

## **X. IMPLEMENTATION SCHEDULE**

This policy statement shall be effective upon approval of the Board~~the first business day of the month following approval by the Trustees. However, the target allocations listed in Table 2 and the target indices for the Global Equity and Real Estate asset classes indicated in Table 4 may be phased in over a 12 month period subsequent to the effective date(s). Authorized policy ranges shall be adjusted accordingly.~~

## **Attachment 1C**

## **FLORIDA RETIREMENT SYSTEM DEFINED BENEFIT PLAN INVESTMENT POLICY STATEMENT**

### **I. DEFINITIONS**

**Absolute Real Target Rate of Return** - The total rate of return by which the FRS Portfolio must grow, in excess of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), in order to achieve the long-run investment objective.

**Asset Class** - An asset class is an aggregation of one or more portfolios with the same principal asset type.<sup>1</sup> For example, all of the portfolios whose principal asset type was stocks would be aggregated together as the Global Equity asset class. As such, it would contain primarily—but not exclusively—the principal asset type.

**Asset Type** - An asset type is a category of investment instrument such as common stock or bond.

**Portfolio** - A portfolio is the basic organization unit of the FRS Fund. Funds are managed within portfolios. A portfolio will typically contain one principal asset type (common stocks, for example), but may contain other asset types as well. The discretion for this mix of asset types is set out in guidelines for each portfolio.

### **II. OVERVIEW OF THE FRS AND SBA**

The State Board of Administration (Board) provides investment management of assets contributed and held on behalf of the Florida Retirement System (FRS). The investment of retirement assets is one aspect of the activity involved in the overall administration of the Florida Retirement System. The Division of Retirement (DOR), the administrative agency for the FRS, provides full accounting and administration of benefits and contributions, commissions actuarial studies, and proposes rules and regulations for the administration of the FRS. The State Legislature has the responsibility of setting contribution and benefit levels, and providing the statutory guidance for the administration of the FRS.

### **III. THE BOARD**

The State Board of Administration has the authority and responsibility for the investment of FRS assets. The Board consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Board has statutory responsibility for the

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investment of FRS assets, subject to limitations on investments as outlined in Section 215.47, Florida Statutes.

The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Sections 215.44(2)(a) and 215.47(9), Florida Statutes.

The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the investment of FRS assets. An Investment Advisory Council (IAC) is appointed by the Board. The IAC meets quarterly, and is charged with the review and study of general portfolio objectives, policies and strategies, including a review of investment performance.

The mission of the State Board of Administration is to provide superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards.

#### **IV. THE EXECUTIVE DIRECTOR**

The Executive Director is charged with the responsibility for managing and directing administrative, personnel, budgeting, and investment functions, including the strategic and tactical allocation of investment assets.

The Executive Director is charged with developing specific individual investment portfolio objectives and policy guidelines, and providing the Board with monthly and quarterly reports of investment activities.

The Executive Director has investment responsibility for maintaining diversified portfolios, and maximizing returns with respect to the broad diversified market standards of individual asset classes, consistent with appropriate risk constraints. The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the



responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group(s) to regularly review, document and formally escalate guideline compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such compliance exceptions, with input from the Investment Advisory Council and Audit Committee as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

The Executive Director is responsible for evaluating the appropriateness of the goals and objectives in this Plan in light of actuarial studies and recommending changes to the Board when appropriate.

## **V. INVESTMENT OBJECTIVES**

The investment objective of the Board is to provide investment returns sufficient for the plan to be maintained in a manner that ensures the timely payment of promised benefits to current and future participants and keeps the plan cost at a reasonable level. To achieve this, a long-term real return approximating 5% per annum (compounded and net of investment expenses) should be attained, consistent with the actuarial investment return assumption of 7.75%. As additional considerations, the Board seeks to avoid excessive risk in long-term cost trends. To manage these risks, the volatility of annual returns should be reasonably controlled.

The Board's principal means for achieving this goal is through investment directives to the Executive Director. The main object of these investment directives is the asset class. The Board directs the Executive Director to manage the asset classes in ways that, in the Board's opinion, will maximize the likelihood of achieving the Board's investment objective within an appropriate risk management framework. The Board establishes asset classes, sets target allocations and reasonable ranges around them for each and establishes performance benchmarks for them. In addition, it establishes a performance benchmark for the total portfolio.

## **VI. TARGET PORTFOLIO AND ASSET ALLOCATION RANGES**

The Board's investment objective is an absolute one: achieve a specific rate of return, the absolute real target rate of return. In order to achieve it, the Board sets a relative objective for the Executive Director: achieve or exceed the return on a performance benchmark known as the Target Portfolio over time. The Target Portfolio is a portfolio composed of a specific mix of the

authorized asset classes. The return on this portfolio is a weighted-average of the returns to passive benchmarks for each of the asset classes. The expectation is that this return will equal or exceed the absolute real target rate of return long-term and will thus assure achievement of the Board's investment objective.

This relative return objective is developed in a risk management framework. Risk from the perspective of the Board is failing to earn the absolute real target rate of return over long periods

of time, and the asset mix is developed to minimize this risk. In selecting the Target Portfolio, the Board considers information from actuarial valuation reviews and asset/liability studies of the FRS, as well as asset class risk and return characteristics. In addition, the timing of cash demands on the portfolio to honor benefit payments and other liabilities are an important consideration. Potential asset mixes are thus evaluated with respect to their expected return, volatility and liquidity.

The Target Portfolio defined in Tables 2 (i.e., 2a and 2b, as applicable) and, 4 has a long-term expected compound annual real return that approximates the absolute real target rate of return. To achieve the absolute real target rate of return or actuarial return, material market risk must be borne (i.e., year to year volatility of returns). For example, in 2008 the Trust Fund's net managed real return was -26.81% compared to gains of 17.56% in 2009 and 21.48% in 2003. While downside risk is considerably greater over shorter horizons, the natural investment horizon for the Trust Fund is the long-term. Table 1 illustrates a modeled estimate of the Target Portfolio's potential range of real returns that could result over longer-term investment horizons. Over a 15-year investment horizon there is an 80 percent probability that the Target Portfolio will experience a compound annual real return between -0.5% and 9.9% and a 90 percent probability that the Target Portfolio will experience a compound annual real return between -2.7% and 10.9%.

**Table 1: Expected Risk in Target Portfolio's Real Returns**

Time Horizon	5 <sup>th</sup> Percentile Real Return	10 <sup>th</sup> Percentile Real Return	90 <sup>th</sup> Percentile Real Return	95th Percentile Real Return
10 Years	-4.9%	-2.8%	10.3%	11.4%
15 Years	-2.7%	-0.5%	9.9%	10.9%
20 Years	-1.3%	0.4%	9.5%	10.3%
25 Years	-0.7%	1.0%	9.1%	10.1%
30 Years	-0.2%	1.5%	9.0%	9.8%

Although the Target Portfolio has an expected return and risk associated with it, it is important to note that this expected return is neither an explicit nor an implicit goal for the managers of the Florida Retirement System Trust Fund (FRSTF). These figures are used solely in developing directives for fund management that will raise the probability of success in achieving the absolute

real target rate of return. The Executive Director is held responsible not for specifically achieving the absolute real target rate of return in each period, but rather for doing at least as well as the market using the Target Portfolio's mix of assets.

In pursuit of incremental investment returns, the Executive Director may vary the asset mix from the target allocation based on market conditions and the investment environment for the individual asset classes. The Executive Director shall adopt an asset allocation policy guideline which specifies the process for making these tactical decisions. The guideline shall concentrate on the analysis of economic conditions, the absolute values of asset class investments and the relative values between asset classes. The Board establishes ranges for tactical allocations, as shown in Table 2 (i.e., 2a and 2b, as applicable).

The Executive Director is directed by the Trustees to seek expanded statutory authority to invest in alternative investments (i.e., private equity, venture capital, distress funds, hedge funds and certain other investments described at s. 215.47(15), Florida Statutes) beyond the current limit of 10%. The policy allocation in Table 2a would be effective upon such expanded authority becoming effective in law. Upon the effective date of this policy statement, but prior to obtaining such expanded statutory investment authority, a Transitional Asset Allocation Policy described in Table 2b would govern.

**Table 2: Authorized Asset Classes, Target Allocations and Policy Ranges**

<i>Table 2a: Expanded Authority</i>			
Asset Class	Target Allocation	Policy Range Low	Policy Range High
Global Equity	52%	44%	60%
Fixed Income	24%	16%	32%
Real Estate	7%	2%	12%
Private Equity	5%	0%	7%
Strategic Investments	11%	0%	20%
Cash Equivalents	1%	0%	9%
Total Fund	100%	--	--

**(Continued) Table 2: Authorized Asset Classes, Target Allocations and Policy Ranges**

*Table 2b: Transitional*

Asset Class	Target Allocation	Policy Range Low	Policy Range High
Global Equity	56%	48%	64%
Fixed Income	26%	18%	34%
Real Estate	7%	2%	12%
Private Equity	4%	0%	7%
Strategic Investments	6%	0%	20%
Cash Equivalents	1%	0%	9%
Total Fund	100%	--	--

For purposes of determining compliance with these policy ranges, an asset class is considered to be an aggregation of one or more portfolios with substantially the same principal asset type.<sup>2</sup> An asset type is a category of investment instrument such as common stock or bond. For example, all of the portfolios whose principal asset type is bonds would be aggregated together as the Fixed Income asset class. As such, it would contain primarily—but not exclusively—the principal asset type. As a standard management practice, portfolio managers are expected to meet their goals for all assets allocated to their portfolio.

It is expected that the FRS Portfolio will be managed in such a way that the actual allocation mix will remain within these ranges. Investment strategies or market conditions which result in an allocation position for any asset class outside of the enumerated ranges for a period exceeding thirty (30) consecutive business days shall be reported to the Board, together with a review of conditions causing the persistent deviation and a recommendation for subsequent investment action.

The asset allocation is established in concert with the investment objective, capital market expectations, projected actuarial liabilities, and resulting cash flows. Table 3 indicates estimated net cash flows (employer contributions minus benefit payments) and associated probabilities that are implicit in this policy statement, assuming the Legislature adheres to system funding provisions in current law. Additionally, the annualized income yield of the fund is projected to approximate 2% to 3%.

<sup>2</sup> The Strategic Investments asset class is an exception, purposefully established to potentially contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

**Table 3: Estimated Net Cash Flow (\$ millions/ % Fund)**

	In 5 Years	In 10 Years
10 <sup>th</sup> Percentile	-\$3,982/ -3.1%	-\$7,353/ -3.5%
25 <sup>th</sup> Percentile	-\$3,781/ -2.8%	-\$6,480/ -3.1%
Median	-\$3,575/ -2.6%	-\$5,282/ -2.8%
75 <sup>th</sup> Percentile	-\$3,288/ -2.4%	-\$3,233/ -2.3%
90 <sup>th</sup> Percentile	-\$1,872/ -2.1%	-\$705/ -0.8%

## VII. PERFORMANCE MEASUREMENT

Asset class performance is measured in accordance with a broad market index appropriate to the asset class. The indices identified in Table 4 are used as the primary benchmarks for the authorized asset classes.

**Table 4: Authorized Target Indices**

Asset Class	Index
Global Equity	A custom version of the MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect the provisions of the Protecting Florida's Investments Act
Fixed Income	The Barclays Capital U.S. Aggregate Index
Real Estate	An average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 90%, and the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on non-resident institutional investors, weighted at 10%
Private Equity	The Russell 3000 index return plus a fixed premium return of 300 basis points per annum
Strategic Investments	A weighted-average of individual portfolio level benchmark returns
Cash Equivalents	iMoneyNet First Tier Institutional Money Market Funds Net Index

The return on the Target Portfolio shall be calculated as an average of the returns to the target indices indicated in Table 5 weighted by the target allocations indicated by Table 2 (i.e., 2a and

2b, as applicable), but adjusted for floating allocations. The policy allocation for Strategic Investments, Private Equity and Real Estate would all “float” against Global Equity (i.e., limited short-term liquidity available for rebalancing and benefit payments means that their policy allocations would equal their actual allocations).

Measurement of asset allocation performance shall be made by comparing the actual asset allocation times the return for the appropriate indices to the target allocation times the index returns. For asset classes with floating allocations the basis of tactical measurement shall be the asset class’s actual share.

Performance measurement of the effectiveness of the implementation of the Private Equity asset class shall be based on an internal rate of return (IRR) methodology, applied over significant periods of time. Performance measurement of the effectiveness of the implementation of the Private Equity and Strategic Investments asset classes shall be assessed relative to both the applicable index in Table 4 and:

- For Private Equity, a fund-based private equity benchmark (e.g., from Venture Economics or Cambridge Associates).
- For Strategic Investments, the CPI, as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), plus 5%. Fundamentally, the Strategic Investments asset class is expected to improve the risk-adjusted return of the total fund over multiple market cycles.

## **VIII. ASSET CLASS PORTFOLIO MANAGEMENT**

### **General Asset Class and Portfolio Guidelines**

The Executive Director is responsible for developing asset class and individual portfolio policies and guidelines which reflect the goals and objectives of this Investment Policy Statement. In doing so, he is authorized to use all investment authority spelled out in Section 215.47, Florida Statutes, except as limited by this Plan or SBA Rules. The Executive Director shall develop guidelines for the selection and retention of portfolios, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board.

All asset classes shall be invested to achieve or exceed the return on their respective benchmarks over a long period of time. To obtain appropriate compensation for associated performance risks:

- Public market asset classes shall be well diversified with respect to their benchmarks and have a reliance on low cost passive strategies scaled according to the degree of efficiency in underlying securities markets, capacity in effective active strategies, and ongoing total fund liquidity requirements.

- Private Equity, Real Estate and Strategic Investments asset classes shall utilize a prudent process to maximize long-term access to attractive risk-adjusted investment opportunities through use of business partners with appropriate:
  - Financial, operational and investment expertise and resources;
  - Alignment of interests;
  - Transparency and repeatability of investment process; and
  - Controls on leverage.

### **Strategic Investments Guidelines**

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, in order to accomplish one or more of the following:

- 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, in order to access evolving or opportunistic investments outside of traditional asset classes and effective risk-adjusted portfolio management strategies.

Strategic Investments may include, but not be limited to, direct investments authorized by s. 215.47, Florida Statutes or investments in capital commitment partnerships, hedge funds or other vehicles that make or involve non-traditional, opportunistic and/or long or short investments in marketable and nonmarketable debt, equity, and/or real assets (e.g., real estate, infrastructure, or commodities). Leverage may be utilized subject to appropriate controls.

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2007-88, Laws of Florida, the “Protecting Florida’s Investments Act.” Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.473(6), Florida Statutes.

## **IX. REPORTING**

The Board directs the Executive Director to coordinate the preparation of quarterly reports of the investment performance of the FRS by the Board's independent performance evaluation consultant.

The following formal periodic reports to the Board shall be the responsibility of the Executive Director:

- An annual report on the SBA and its investment portfolios, including that of the FRS.
- A monthly report on performance and investment actions taken.
- Special investment reports pursuant to Section 215.44-215.53, Florida Statutes.

## **X. IMPLEMENTATION SCHEDULE**

This policy statement shall be effective upon approval of the Board



## **Attachment 2A**



**STATE BOARD OF ADMINISTRATION  
OF FLORIDA**

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

**POST OFFICE BOX 13300  
32317-3300**

**RICK SCOTT  
GOVERNOR  
AS CHAIRMAN  
JEFF ATWATER  
CHIEF FINANCIAL OFFICER  
AS TREASURER  
PAM BONDI  
ATTORNEY GENERAL  
AS SECRETARY  
ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO**

**MEMORANDUM**

**To:** SBA Investment Advisory Council, SBA Audit Committee

**From:** Ash Williams

**Date:** 1/13/12

**Subject:** Crowe Horwath report follow-up

**CC:** SBA Trustees, Kevin SigRist, Kathy Whitehead, Eric Nelson, Florida Rivera-Alsing

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**Background**

At the December 2011 IAC and Trustees meetings, there was discussion of the Crowe Horwath October 21, 2011 report to the SBA, "Evaluation and Recommendations Related to the Compliance Program." By memo dated November 4, 2011, SBA staff accepted or partially accepted 58 of 63 of Crowe's recommendations. The remaining five recommendations were directed to the Audit Committee, Investment Advisory Council or Trustees because they addressed governance matters such as potentially separating the Executive Director and Chief Investment Officer duties or changing the reporting relationship of the Chief Risk and Compliance Officer (CRCO). The IAC chair reported to the Trustees regarding the IAC's review of Crowe's report; the IAC took a view that SBA's current risk management and compliance governance structure is functioning effectively, properly establishes accountability and mitigates any potential conflict issues through the practice of having the CRCO provide written and oral reports to the Audit Committee, Trustees and IAC. The Trustees agreed that IAC Chair Robert Gidel would work with CFO Atwater and the SBA Executive Director/CIO to identify any changes that could be made to bring closure to issues identified by Crowe, especially with regard to the independence of the CRCO.

**Current status / Action items**

In a series of separate follow-up conversations, the CFO, IAC Chair Gidel and Audit Committee member Rolf Engmann and I identified several steps that could be taken to further ensure the independence of the CRCO and advance the risk management effort. These were discussed in the January 10 Audit Committee meeting. Following is a summary of these initiatives that are responsive to the Crowe report, together with a draft amendment proposed for inclusion in the

investment policy statements of the FRS Pension and Investment Plans, Lawton Chiles Endowment Fund, Florida PRIME, Investment Pool B and non-FRS Defined Contribution Plan to adopt the recommended changes. The Trustees will be briefed on these proposals at their January 18 meeting. Investment Policy Statement changes are subject to prior IAC review, which is the purpose of the IAC's meeting January 20. Should the IAC approve these changes, the Trustees may act on them at their February 9 meeting.

### **Initiative Summary**

- Amend SBA's Investment Policy Statement(s) to explicitly require CRCO to provide written and oral reports to the IAC, Audit Committee and Trustees no less than quarterly and authorize the CRCO to directly access these or other bodies as appropriate to ensure the integrity and effectiveness of CRCO functions.
- Selection, compensation and termination of the CRCO will be affirmed by the Trustees. For day-to-day executive and administrative purposes, the CRCO will continue to work with the Executive Director/CIO and SBA management so that issues are promptly and thoroughly addressed.

### **Proposed Investment Policy Statement Addition**

*"The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions."*

### **Conclusion**

The proposed actions and related Investment Policy changes will bring closure to the governance issue raised in the Crowe report. Other Crowe related issues are being addressed by SBA staff and are subject to normal progress reporting to the Audit Committee, Trustees and IAC. SBA's independent risk management and compliance unit is relatively young and will continue to evolve with a goal of embracing best practice to the greatest practical extent.

## **Attachment 2B**

## **FLORIDA RETIREMENT SYSTEM**

### **Investment Plan Investment Policy Statement**

#### **I. PURPOSE**

The Florida Retirement System Investment Plan Investment Policy Statement (IPS) serves as the primary statement of Trustee policy regarding their statutory responsibilities and authority to establish and operate an optional defined contribution retirement program for members of the Florida Retirement System. The IPS shall serve as a guiding document pertaining to investment matters with respect to the Investment Plan. The Trustees will strive to make investment decisions consistent with this IPS. Section 121.4501(14), Florida Statutes, directs the Trustees of the State Board of Administration to approve the IPS. The IPS will be reviewed annually and will be revised or supplemented as policies are changed or developed.

#### **II. DEFINITIONS**

- A. **Member** – An employee who enrolls in the Florida Retirement System Investment Plan , a member-directed 401(a) program, in lieu of participation in the defined benefit program of the Florida Retirement System, a terminated Deferred Retirement Option Program (DROP) member as described in section 121.4501(21), Florida Statutes, or an alternate payee of a member or employee.
- B. **Investment Product** – The result of a process that forms portfolios from securities and financial instruments in order to produce investment returns.
- C. **Investment Manager** – A private sector company that provides one or more investment products.
- D. **Investment Funds** – One of the investment options that may be chosen by participants. A Fund may be an aggregate of one or more investment products.
- E. **Bundled Provider** - A private sector company that offers investment products, combined with recordkeeping and trading services, which are designed to meet individualized needs and requirements of plan participants, so as to afford value to participants not available through individual investment product.
- F. **Passively Managed Option** – An investment management strategy that intends to produce the same level and pattern of financial returns generated by a market benchmark index.
- G. **Actively Managed Option** – An investment management strategy that relies on security return predictions in an effort to out-perform the financial returns generated by a market benchmark index.

- H. **Performance Benchmark** – A market benchmark index that serves as the performance measurement criterion for investment options.
- I. **Investment Plan Administrator or Recordkeeper** – A private sector company that provides administrative services, including individual and collective recordkeeping and accounting, IRC limit monitoring, enrollment, beneficiary designation and changes, disbursement of monies, and other centralized administrative functions.

### **III. OVERVIEW OF THE INVESTMENT PLAN AND STATE BOARD OF ADMINISTRATION**

- A. The Investment Plan is a member-directed 401(a) program selected by employees in lieu of participation in the defined benefit program of the Florida Retirement System. Investment Plan benefits accrue in individual accounts that are member-directed, portable and funded by employee and employer contributions and earnings. In accordance with Section 121.4501(15)(b), Florida Statutes, members and beneficiaries bear the investment risks and reap the rewards that result when they exercise control over investments in their accounts. Fluctuations in investment returns directly affect members' benefits.
- B. The State Board of Administration (Board), Division of Retirement and affected employers administer the Investment Plan. The Board designs educational services to assist employers, eligible employees, members and beneficiaries. The State Legislature has the responsibility for setting contribution levels and providing statutory guidance for the administration of the Investment Plan.

### **IV. THE BOARD**

- A. The Board consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Board shall establish an optional defined contribution retirement program for members of the Florida Retirement System and make a broad range of investment options, covering most major market segments, available to members. The Board makes the final determination as to whether any investment manager or product, third-party administrator, education vendor or advice vendor shall be approved for the program.
- B. The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Section 121.4501(15)(a), Florida Statutes.
- C. The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the Investment Plan. The Board appoints a nine-member Investment Advisory Council (IAC). The IAC reviews the IPS and any proposed changes prior to its presentation to the Board of Trustees. The Council presents the results of its review to the Board of Trustees prior to the Trustees' final approval of the statement or any changes.

## V. THE EXECUTIVE DIRECTOR

- A. The Executive Director is responsible for managing and directing administrative, personnel, budgeting and investment-related functions, including the hiring and termination of investment managers, bundled providers and products.
- B. The Executive Director is responsible for developing specific investment objectives and policy guidelines for investment options. The Executive Director is responsible for developing policies and procedures for selecting, evaluating, and monitoring the performance of investment managers and products to which employees may direct retirement contributions under the Investment Plan, and providing the Board with monthly and quarterly reports of investment activities.
- C. The Executive Director is responsible for maintaining diversified investment options, and maximizing returns with respect to the performance benchmarks of individual investment options, consistent with appropriate risk constraints. Each investment option will avoid excessive risk and have a prudent degree of diversification relative to its broad market performance benchmark. The Executive Director will develop policies and procedures to:
  - Identify, monitor and control/mitigate key investment and operational risks.
  - Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
  - Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
  - Approve risk allocations and limits.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will cause a regular review, documentation and formal escalation of compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently

address any such compliance exceptions, with input from the Investment Advisory Council as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

- D. The Executive Director shall adopt policies and procedures designed to prevent excessive member trading between investment options from negatively impacting other members.
- E. The Executive Director is responsible for periodically reviewing this IPS and recommending changes to the Board of Trustees when appropriate.

## **VI. INVESTMENT OBJECTIVES**

- A. The Investment Plan shall seek to achieve the following long-term objectives:
  - 1) Offer a diversified mix of low-cost investment options that span the risk-return spectrum and give members the opportunity to accumulate retirement benefits.
  - 2) Offer investment options that avoid excessive risk, have a prudent degree of diversification relative to broad market indices and provide a long-term rate of return, net of all expenses and fees that seek to achieve or exceed the returns on comparable market benchmark indices.
  - 3) Offer members meaningful, independent control over the assets in their account with the opportunity to:
    - a) Obtain sufficient information about the plan and investment alternatives to make informed investment decisions;
    - b) Direct contributions and account balances between approved investment options with a frequency that is appropriate in light of the market volatility of the investment options;
    - c) Direct contributions and account balances between approved investment options without the limitation of fees or charges; and
    - d) Remove accrued benefits from the plan without undue delay or penalties, subject to the contract and all applicable laws governing the operation of the program.

## **VII. MEMBER CONTROL AND PROGRAM FIDUCIARY LIABILITY**

- A. This IPS is structured to be consistent with the Legislature's intent to assign liability for members' investment losses to members and provide a safe harbor for program fiduciaries.
- B. In Sections 121.4501(8)(b)2. and 121.4501(15)(b), Florida law incorporates the federal law concept of participant control, established by regulations of the U.S. Department of Labor under section 404(c) of the Employee Retirement Income Security Act of 1974. The Investment Plan shall incorporate these concepts by providing program participants the opportunity to give investment instructions and obtain sufficient information to make informed investment decisions. The Investment Plan shall, in accordance with the 404(c) regulations and Florida law, provide members an opportunity to choose from a broad range of investment alternatives.



- C. If a member or beneficiary of the Investment Plan exercises control over the assets in his or her account, pursuant to section 404(c) regulations and all applicable laws governing the operation of the program, no program fiduciary shall be liable for any loss to a member's or beneficiary's account which results from such member's or beneficiary's exercise of control.
- D. The default option for FRS Investment Plan members that fail to make a selection of investment options shall be the Moderate Balanced Fund, which otherwise meets the requirements of a qualified default investment alternative pursuant to regulations issued by the U.S. Department of Labor. The default option for FRS Pension Plan DROP participants who rollover funds from their DROP account to the Investment Plan as permitted by section 121.4501(21), Florida Statutes, and fail to make a selection of investment options shall be the FRS Select Money Market Fund.

## **VIII. MEMBER EDUCATION AND INVESTMENT ADVICE**

- A. The education component of the Investment Plan shall be designed by the Board to assist employers, eligible employees, members, and beneficiaries in order to maintain compliance with section 404(c) regulations and to assist employees in their choice of defined benefit or defined contribution retirement programs. Educational services include, but are not limited to, disseminating educational materials; providing retirement planning education; explaining the differences between the defined benefit retirement plan and the defined contribution retirement plan; and offering financial planning guidance on matters such as investment diversification, investment risks, investment costs, and asset allocation. The following items must be made available to members in sufficient time to allow them an opportunity to make informed decisions: -
  - A description of all investment funds including: general investment objectives, risk and return characteristics, and type and diversification of assets.
  - An explanation of how to give investment instructions and any limits or restrictions on giving instructions.
  - A description of any transaction fees or expenses that are charged to the member's account in connection with purchases or sales of an investment fund.
  - Investment summary fund profiles as defined at Sections 121.4501(15)(c).
  - Descriptions of the annual operating expenses for each investment alternative, such as investment management fees.
  - The value of shares of all investment funds and a quarterly member statement that accounts for contributions, investment earnings, fees, penalties, or other deductions.
  - Information concerning the past investment performance of each investment fund, net of expenses, and relative to appropriate market indices.
- B. Consistent with Sections 121.4501(8)(b)1. and 121.4501(10)(b), Florida Statutes, the education component shall provide system members with impartial and balanced information about program

and investment choices. In addition, the approved education organization shall not be an approved investment provider or be affiliated with an approved investment provider. Educational materials shall be prepared under the assumption that the employee is an unsophisticated investor and all educational materials, including those distributed by bundled providers, shall be approved by the Board prior to dissemination. Members shall have the opportunity to choose from different levels of education services, as well as a variety of delivery methods and media. All educational services offered by investment product providers shall be provided on a fee-for-service basis.

- C. The Board shall contract for the provision of low-cost investment advice to members that is supplemental to educational services and that is paid for by those receiving the advice. Investment advice shall consist of impartial and balanced recommendations about investment choices consistent with Rule 19-13.004, FAC. Members shall have the opportunity to choose from different levels of customized investment advisory services, as well as a variety of delivery methods and media.
- D. Bundled provider(s) selected to provide investment products for Investment Plan members shall not provide any member education services aimed at influencing the choice between the defined benefit and defined contribution programs of the Florida Retirement System. This education program will only be provided by the neutral education vendor hired to do so by the Board.

#### **IX. ROLES OF THE INVESTMENT PLAN ADMINISTRATOR AND BUNDLED PROVIDERS**

- A. The Board selects a single private party to serve as the administrator for the Investment Plan. The Board makes the final determination as to whether any administrator shall be approved for the program. Administrative services such as individual and collective recordkeeping and accounting, IRC limit monitoring, enrollment, beneficiary designation and changes, disbursement of monies, and other centralized administrative functions shall be provided by the single administrator selected by the Board. The SBA retains the right to delineate through the contract the specific administrative services to be provided by the Bundled Provider. The SBA also retains the right, consistent with Section 121.4501(8)(a)1., Florida Statutes, to enter into a contract with the Division of Retirement for certain administrative services.
- B. Bundled provider(s) selected to provide investment products to members will provide administrative services that are uniquely relevant to the bundled provider mandate. The SBA shall specify the administrative services to be provided by the single administrator and the bundled provider in the solicitation documents and contracts for services.

#### **X. INVESTMENT OPTIONS AND PERFORMANCE BENCHMARKS**

- A. The authorized categories of Investment Plan investment options are contained in IPS-Table 1. The default option for members that fail to make a selection of investment options shall be the Moderate Balanced Fund. The number of investment options shall not exceed the "Maximum Number of Options" listed in IPS-Table 1 for each category, except to the extent that:

- 1) Multiple investment options within the same category are simultaneously offered to facilitate a transitional mapping of contributions and account balances from a terminating option;
- 2) An investment option is temporarily closed to new contributions and account balance transfers.

**IPS-Table 1: Authorized Investment Option Categories and Representative Performance Benchmarks and Retiree Annuities**

Investment Option Categories	Maximum Number of Options	Representative Performance Benchmarks
<b>Tier I: Core Investment Options</b>		
Money Market	1	Money Fund Report Institutional Average (Tax.)
Inflation-Protected Bond	1	Barclays Capital U.S. Treasury Inflation Note Index
U.S. Bond	2	Barclays Capital Aggregate Bond Index
U.S. Core Stock	2	Russell 3000 Index
U.S. Small/Mid Stock	2	Russell 2000 Index
Foreign Stock	2	MSCI World, excluding U.S., Index
<b>Tier II: Balanced Investment Options</b>		
Conservative Balanced Fund	1	Weighted-Average of Constituent Fund Benchmarks per Table 2
Moderate Balanced Fund	1	Weighted-Average of Constituent Fund Benchmarks per Table 2
Aggressive Balanced Fund	1	Weighted-Average of Constituent Fund Benchmarks per Table 2
<b>Tier III: Specialty Investment Options</b>		
U.S. Large Value Stock	1	Russell 1000 Value Index

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U.S. Large Growth Stock	1	Russell 1000 Growth Index
U.S. Small/Mid Value Stock	1	Russell 2000 Value Index
U.S. Small/Mid Growth Stock	1	Russell 2000 Growth Index
Global Stock	1	MSCI World Index
U.S. Short/Intermediate Bond	1	Barclays Capital Intermediate Aggregate Bond Index
High Yield Bond	1	Barclays Capital High Yield Index

**Tier IV: Retiree Annuity Options** (Section 121.591(1)(c), Florida Statutes)

Immediate and Deferred	Not	Specified by the Executive Director
Annuities	Applicable	

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- B. Investment options and investment products (i.e., that support Investment Funds that are composed of an aggregate of one or more investment products) may be provided by investment managers or bundled providers. Pursuant to Section 121.4501(9)(a), Florida Statutes, the Board shall select one or more providers who offer multiple investment products when such an approach is determined by the Board to afford value to members otherwise not available through individual investment products.
- C. Investment options may have performance benchmarks other than the “Representative Performance Benchmarks” listed in IPS-Table 1, but any alternative performance benchmark must be identified in the investment guidelines required under Section XI of this IPS and provide substantial coverage of the financial market segment defined by the corresponding Representative Performance Benchmark.
- D. Balanced funds are only available as a weighted average of Tier I and III options. The Board shall establish procedures for initiating rebalancings per approved investment guidelines.
- E. With IAC review and input, the Executive Director shall periodically recommend changes to the authorized investment option categories in IPS-Table 1, as modifications are appropriate. Any recommended modifications must be justified in terms of the incremental costs and benefits provided to members.

## **XI. GENERAL INVESTMENT OPTION GUIDELINES**

- A. The Executive Director is responsible for developing specific investment policies and guidelines for investment options, which reflect the goals and objectives of this IPS. In doing so, he is authorized to exercise and perform all duties set forth in Section 121.4501(9), Florida Statutes, except as limited by this IPS or Board Rules. General guidelines are as follows:
- 1) The Money Market fund seeks high current income consistent with liquidity and capital preservation. The fund will be actively managed and will primarily invest in high quality, liquid, short-term instruments to control credit risk and interest rate sensitivity. The fund’s sensitivity to interest rate changes will approximate that of the performance benchmark.

- 2) The U.S. Bond funds seek high current income consistent with capital appreciation. The funds may be passively or actively managed and will primarily invest in securities contained in the benchmark, although other fixed income instruments which fit the funds' objectives may be selectively used to generate excess return, such as non-investment grade securities or securities issued by foreign entities. The funds' sensitivity to interest rate changes will closely approximate that of the performance benchmark.
- 3) The U.S. Large Stock funds seek capital appreciation and current income. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark. Other securities which fit the funds' objectives may be selectively used to generate excess return. The funds' investment process will not have a persistent bias toward the selection of securities that are predominantly in the growth or value style categories.
- 4) The Foreign Stock funds seek capital appreciation and current income. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark, although other securities which fit the funds' objectives may be selectively used to generate excess return, such as equity securities issued by corporations domiciled in emerging economies.
- 5) The Balanced Investment funds are diversified balanced portfolios designed to provide participants with pre-packaged asset allocation vehicles. The funds seek favorable long-term returns through investments in the Tier I and III Options according to the risk levels identified in IPS-Table 2. Asset allocations will generally be held within 5 percentage points of the optimal shares for their respective risk target, but short-term deviations may occur. Optimized asset allocations for the balanced funds shall be established using methodology consistent with the guidance rendered by the Investment Plan's education/advice vendor.

**IPS-Table 2: Target Risk Levels of Balanced Investment Funds**

	<b>Conservative Balanced Fund</b>	<b>Moderate Balanced Fund</b>	<b>Aggressive Balanced Fund</b>
All asset classes shall be included for optimization of each balanced fund to the risk levels indicated. Actual Tier I and III investment funds included in the balanced funds and their respective weightings shall be reported to the Trustees and communicated to members.	A risk level equivalent to that of an all bond portfolio	A risk level equivalent to that of the average U.S. investor	A risk level approximately mid-way between that of an all equity portfolio and the Moderate Balanced

Fund

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- 6) The Inflation-Protected Bond fund seeks long-term total returns that keep pace with inflation in order to protect the purchasing power of accumulated member benefits. The fund may be passively or actively managed and will primarily invest in the U.S. Treasury's inflation-indexed securities. The fund's sensitivity to interest rate changes will closely approximate that of the performance benchmark.
- 7) The High Yield Bond fund seeks high current income consistent with capital appreciation. The fund will be actively managed and will primarily invest in non-investment grade securities contained in the benchmark, although other fixed income instruments which fit the funds' objective may be selectively used to generate excess return, such as non-rated securities or securities issued by foreign entities. The fund's sensitivity to interest rate changes will closely approximate that of the performance benchmark.
- 8) The U.S. Large Value Stock fund seeks capital appreciation, and to a lesser degree, current income. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by lower price-to-book ratios and lower projected earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return.
- 9) The U.S. Small/Mid Stock funds seek capital appreciation. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark, although other securities which fit the funds' objectives may be selectively used to generate excess return. The funds' investment process will not have a persistent bias toward the selection of securities that are predominantly in the growth or value style categories.
- 10) The U.S. Large Growth Stock fund seeks capital appreciation. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by higher price-to-book ratios and projected higher earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return..
- 11) The U.S. Small/Mid Value Stock fund seeks capital appreciation, and to a lesser degree, current income. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by lower price-to-book ratios and lower projected earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return.
- 12) The U.S. Small/Mid Growth Stock fund seeks capital appreciation. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by higher price-to-book ratios and projected higher earnings growth

than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return.

13) Each investment option must:

- (a) Have a prudent degree of diversification relative to its performance benchmark;
- (b) Be readily transferable from one Investment Plan account to another Investment Plan investment option or to a private-sector or public-sector defined contribution plan accounts and self-directed individual retirement accounts;
- (c) Allow transfers of members' balances into and out of the option at least daily, subject to the excessive trading policies of the providers and/or the SBA;
- (d) Have no surrender fees or deferred loads/charges;
- (e) Have no fees or charges for insurance features (e.g. mortality and expense risk charges);
- (f) To the extent allowed by law, notwithstanding failure to meet one or more of the IPS Section XI(13)(b),(c)-(f) requirements, an option may be authorized if: (i) it produces significant and demonstrable incremental retirement benefits relative to other comparable products in the market place and comparable Tier I, Tier II, or Tier III options; and (ii) the incremental benefits are sufficient to offset all associated fees, charges and the expected economic cost of the variance(s) with the IPS Section XI(13)(b),(c)-(f) requirements. Comparability shall be based on the option's underlying investments within the broad categories of Money Market, U.S Fixed Income, U.S. Equities and Foreign Equities.

14) The investment product supporting any annuity option offered in Tier IV must have a prudent degree of diversification relative to its performance benchmark and, where applicable, providers shall have high independent ratings for financial strength and stability. Tier IV options may include allocated or unallocated immediate annuities with combinations of some of the following features:

- (a) Single or flexible premium.
- (b) Life or fixed period payouts.
- (c) Single or joint life (survivors with an insurable interest).
- (d) Complete or partial survivor benefits.
- (e) Cash refund, installment refund or period certain features.
- (f) Variable or fixed payments, non-participating, or income payable features.
- (g) Deferred payments.

B. The long-term performance of each actively managed investment option is expected to exceed the returns on their performance benchmark, net of all fees and charges, while avoiding large year-to-year deviations from the returns of the performance benchmark. The long-term performance of each passively managed investment option is expected to closely approximate returns on the performance benchmark, net of all fees and charges. Investment managers are authorized to



prudently use options, futures, notional principal contracts or securities lending arrangements, in accordance with the fiduciary standards of care, as contained in Section 121.4501(15)(a), Florida Statutes, investment guidelines and related policies.

## **XII. INVESTMENT MANAGER SELECTION AND MONITORING GUIDELINES**

- A. The Executive Director shall develop policies and guidelines for the selection, retention and termination of investment managers, bundled providers and products, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board, this IPS and provisions of Section 121.4501(9)(c), Florida Statutes.

When the Executive Director decides to terminate an investment fund in the Investment Plan, members will be granted an opportunity to direct their assets to other Investment Plan investment fund options prior to the investment fund termination. Assets that are not directed by members will be transferred or “mapped” to the investment fund(s) that the Executive Director deems appropriate. The mapping factors that the Executive Director will consider include, but are not limited to, alignment of investment fund type (e.g., asset class, capitalization and style) and investment strategy (e.g., objectives, market focus, and implementation tactics).

- B. In the selection of investment managers, investment products or bundled providers, consideration shall be given to their effectiveness in minimizing the direct and indirect costs of transferring the total present value of accumulated benefit obligations for existing employees that choose membership in Investment Plan from the defined benefit trust to the Investment Plan trust.
- C. In the selection and monitoring of products from bundled providers, each proposed product will be evaluated on a stand-alone basis, pursuant to the requirement in Section 121.4501(9)(c)9., Florida Statutes. The cost-effectiveness of the levels of non-investment services supporting the products will also be evaluated relative to their benefits.
- D. In the selection, retention and termination of bundled providers and their proposed products and services, value, as that term is used in Section 121.4501(9)(a), Florida Statutes, shall be evaluated based on the value added to the process of accumulating retirement benefits for members. This evaluation shall consider the following factors in arriving at any staff recommendation:
- 1) Additional products or services that are not otherwise available to the members within the program;
  - 2) The type and quality of investment products offered;
  - 3) The type and quality of non-investment services offered; and
  - 4) Other significant elements that provide value to members, consistent with the mandates of Section 121.4501, Florida Statutes.
- E. On at least an annual basis, a review will be conducted of the performance of each approved investment manager and product and related organizational factors to ensure continued compliance with established selection, performance and termination criteria, Board policy and procedures and



all contractual provisions. The performance and termination criteria for each provider and investment product will be reflected in each employment contract.

- F. In addition to reviewing the performance of the Investment Plan's investment managers/options, the Executive Director will periodically review all costs associated with the management of the Investment Plan's investment options, including:
- 1) Expense ratios of each investment option against the appropriate peer group; and
  - 2) Costs to administer the Program, including recordkeeping, account settlement (participant balance with that of investment), allocation of assets and earnings, and (when applicable) the proper use of 12b-1 fees to offset these fees.

### **XIII. REPORTING**

- A. The Board directs the Executive Director to coordinate the preparation of quarterly reports of the investment performance of the Investment Plan by the Board's independent performance evaluation consultant.
- B. The following formal periodic reports to the Board shall be the responsibility of the Executive Director: an annual investment report, an annual financial report and a monthly performance report.

### **XIV. IMPLEMENTATION SCHEDULE**

This IPS is effective upon approval of the Board.

## **Attachment 2C**

## **FLORIDA RETIREMENT SYSTEM**

### **Investment Plan Investment Policy Statement**

#### **I. PURPOSE**

The Florida Retirement System Investment Plan Investment Policy Statement (IPS) serves as the primary statement of Trustee policy regarding their statutory responsibilities and authority to establish and operate an optional defined contribution retirement program for members of the Florida Retirement System. The IPS shall serve as a guiding document pertaining to investment matters with respect to the Investment Plan. The Trustees will strive to make investment decisions consistent with this IPS. Section 121.4501(14), Florida Statutes, directs the Trustees of the State Board of Administration to approve the IPS. The IPS will be reviewed annually and will be revised or supplemented as policies are changed or developed.

#### **II. DEFINITIONS**

- A. **Member** – An employee who enrolls in the Florida Retirement System Investment Plan , a member-directed 401(a) program, in lieu of participation in the defined benefit program of the Florida Retirement System, a terminated Deferred Retirement Option Program (DROP) member as described in section 121.4501(21), Florida Statutes, or an alternate payee of a member or employee.
- B. **Investment Product** – The result of a process that forms portfolios from securities and financial instruments in order to produce investment returns.
- C. **Investment Manager** – A private sector company that provides one or more investment products.
- D. **Investment Funds** – One of the investment options that may be chosen by participants. A Fund may be an aggregate of one or more investment products.
- E. **Bundled Provider** - A private sector company that offers investment products, combined with recordkeeping and trading services, which are designed to meet individualized needs and requirements of plan participants, so as to afford value to participants not available through individual investment product.
- F. **Passively Managed Option** – An investment management strategy that intends to produce the same level and pattern of financial returns generated by a market benchmark index.
- G. **Actively Managed Option** – An investment management strategy that relies on security return predictions in an effort to out-perform the financial returns generated by a market benchmark index.
- H. **Performance Benchmark** – A market benchmark index that serves as the performance measurement criterion for investment options.

- I. **Investment Plan Administrator or Recordkeeper** – A private sector company that provides administrative services, including individual and collective recordkeeping and accounting, IRC limit monitoring, enrollment, beneficiary designation and changes, disbursement of monies, and other centralized administrative functions.

### **III. OVERVIEW OF THE INVESTMENT PLAN AND STATE BOARD OF ADMINISTRATION**

- A. The Investment Plan is a member-directed 401(a) program selected by employees in lieu of participation in the defined benefit program of the Florida Retirement System. Investment Plan benefits accrue in individual accounts that are member-directed, portable and funded by employee and employer contributions and earnings. In accordance with Section 121.4501(15)(b), Florida Statutes, members and beneficiaries bear the investment risks and reap the rewards that result when they exercise control over investments in their accounts. Fluctuations in investment returns directly affect members' benefits.
- B. The State Board of Administration (Board), Division of Retirement and affected employers administer the Investment Plan. The Board designs educational services to assist employers, eligible employees, members and beneficiaries. The State Legislature has the responsibility for setting contribution levels and providing statutory guidance for the administration of the Investment Plan.

### **IV. THE BOARD**

- A. The Board consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Board shall establish an optional defined contribution retirement program for members of the Florida Retirement System and make a broad range of investment options, covering most major market segments, available to members. The Board makes the final determination as to whether any investment manager or product, third-party administrator, education vendor or advice vendor shall be approved for the program.
- B. The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Section 121.4501(15)(a), Florida Statutes.
- C. The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the Investment Plan. The Board appoints a nine-member Investment Advisory Council (IAC). The IAC reviews the IPS and any proposed changes prior to its presentation to the Board of Trustees. The Council presents the results of its review to the Board of Trustees prior to the Trustees' final approval of the statement or any changes.

### **V. THE EXECUTIVE DIRECTOR**

- A. The Executive Director is responsible for managing and directing administrative, personnel, budgeting and investment-related functions, including the hiring and termination of investment managers, bundled providers and products.

- B. The Executive Director is responsible for developing specific investment objectives and policy guidelines for investment options. The Executive Director is responsible for developing policies and procedures for selecting, evaluating, and monitoring the performance of investment managers and products to which employees may direct retirement contributions under the Investment Plan, and providing the Board with monthly and quarterly reports of investment activities.
- C. The Executive Director is responsible for maintaining diversified investment options, and maximizing returns with respect to the performance benchmarks of individual investment options, consistent with appropriate risk constraints. Each investment option will avoid excessive risk and have a prudent degree of diversification relative to its broad market performance benchmark. The Executive Director will develop policies and procedures to:
- Identify, monitor and control/mitigate key investment and operational risks.
  - Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
  - Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
  - Approve risk allocations and limits.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will cause a regular review, documentation and formal escalation of compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such compliance exceptions, with input from the Investment Advisory Council as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

- D. The Executive Director shall adopt policies and procedures designed to prevent excessive member trading between investment options from negatively impacting other members.
- E. The Executive Director is responsible for periodically reviewing this IPS and recommending changes to the Board of Trustees when appropriate.

## **VI. INVESTMENT OBJECTIVES**

A. The Investment Plan shall seek to achieve the following long-term objectives:

- 1) Offer a diversified mix of low-cost investment options that span the risk-return spectrum and give members the opportunity to accumulate retirement benefits.
- 2) Offer investment options that avoid excessive risk, have a prudent degree of diversification relative to broad market indices and provide a long-term rate of return, net of all expenses and fees that seek to achieve or exceed the returns on comparable market benchmark indices.
- 3) Offer members meaningful, independent control over the assets in their account with the opportunity to:
  - a) Obtain sufficient information about the plan and investment alternatives to make informed investment decisions;
  - b) Direct contributions and account balances between approved investment options with a frequency that is appropriate in light of the market volatility of the investment options;
  - c) Direct contributions and account balances between approved investment options without the limitation of fees or charges; and
  - d) Remove accrued benefits from the plan without undue delay or penalties, subject to the contract and all applicable laws governing the operation of the program.

## **VII. MEMBER CONTROL AND PROGRAM FIDUCIARY LIABILITY**

- A. This IPS is structured to be consistent with the Legislature's intent to assign liability for members' investment losses to members and provide a safe harbor for program fiduciaries.
- B. In Sections 121.4501(8)(b)2. and 121.4501(15)(b), Florida law incorporates the federal law concept of participant control, established by regulations of the U.S. Department of Labor under section 404(c) of the Employee Retirement Income Security Act of 1974. The Investment Plan shall incorporate these concepts by providing program participants the opportunity to give investment instructions and obtain sufficient information to make informed investment decisions. The Investment Plan shall, in accordance with the 404(c) regulations and Florida law, provide members an opportunity to choose from a broad range of investment alternatives.
- C. If a member or beneficiary of the Investment Plan exercises control over the assets in his or her account, pursuant to section 404(c) regulations and all applicable laws governing the operation of the program, no program fiduciary shall be liable for any loss to a member's or beneficiary's account which results from such member's or beneficiary's exercise of control.
- D. The default option for FRS Investment Plan members that fail to make a selection of investment options shall be the Moderate Balanced Fund, which otherwise meets the requirements of a qualified default investment alternative pursuant to regulations issued by the U.S. Department of Labor. The default option for FRS Pension Plan DROP participants who rollover funds from their

DROP account to the Investment Plan as permitted by section 121.4501(21), Florida Statutes, and fail to make a selection of investment options shall be the FRS Select Money Market Fund.

### **VIII. MEMBER EDUCATION AND INVESTMENT ADVICE**

- A. The education component of the Investment Plan shall be designed by the Board to assist employers, eligible employees, members, and beneficiaries in order to maintain compliance with section 404(c) regulations and to assist employees in their choice of defined benefit or defined contribution retirement programs. Educational services include, but are not limited to, disseminating educational materials; providing retirement planning education; explaining the differences between the defined benefit retirement plan and the defined contribution retirement plan; and offering financial planning guidance on matters such as investment diversification, investment risks, investment costs, and asset allocation. The following items must be made available to members in sufficient time to allow them an opportunity to make informed decisions: -
- A description of all investment funds including: general investment objectives, risk and return characteristics, and type and diversification of assets.
  - An explanation of how to give investment instructions and any limits or restrictions on giving instructions.
  - A description of any transaction fees or expenses that are charged to the member's account in connection with purchases or sales of an investment fund.
  - Investment summary fund profiles as defined at Sections 121.4501(15)(c).
  - Descriptions of the annual operating expenses for each investment alternative, such as investment management fees.
  - The value of shares of all investment funds and a quarterly member statement that accounts for contributions, investment earnings, fees, penalties, or other deductions.
  - Information concerning the past investment performance of each investment fund, net of expenses, and relative to appropriate market indices.
- B. Consistent with Sections 121.4501(8)(b)1. and 121.4501(10)(b), Florida Statutes, the education component shall provide system members with impartial and balanced information about program and investment choices. In addition, the approved education organization shall not be an approved investment provider or be affiliated with an approved investment provider. Educational materials shall be prepared under the assumption that the employee is an unsophisticated investor and all educational materials, including those distributed by bundled providers, shall be approved by the Board prior to dissemination. Members shall have the opportunity to choose from different levels of education services, as well as a variety of delivery methods and media. All educational services offered by investment product providers shall be provided on a fee-for-service basis.
- C. The Board shall contract for the provision of low-cost investment advice to members that is supplemental to educational services and that is paid for by those receiving the advice. Investment advice shall consist of impartial and balanced recommendations about investment choices

consistent with Rule 19-13.004, FAC. Members shall have the opportunity to choose from different levels of customized investment advisory services, as well as a variety of delivery methods and media.

- D. Bundled provider(s) selected to provide investment products for Investment Plan members shall not provide any member education services aimed at influencing the choice between the defined benefit and defined contribution programs of the Florida Retirement System. This education program will only be provided by the neutral education vendor hired to do so by the Board.

## **IX. ROLES OF THE INVESTMENT PLAN ADMINISTRATOR AND BUNDLED PROVIDERS**

- A. The Board selects a single private party to serve as the administrator for the Investment Plan. The Board makes the final determination as to whether any administrator shall be approved for the program. Administrative services such as individual and collective recordkeeping and accounting, IRC limit monitoring, enrollment, beneficiary designation and changes, disbursement of monies, and other centralized administrative functions shall be provided by the single administrator selected by the Board. The SBA retains the right to delineate through the contract the specific administrative services to be provided by the Bundled Provider. The SBA also retains the right, consistent with Section 121.4501(8)(a)1., Florida Statutes, to enter into a contract with the Division of Retirement for certain administrative services.
- B. Bundled provider(s) selected to provide investment products to members will provide administrative services that are uniquely relevant to the bundled provider mandate. The SBA shall specify the administrative services to be provided by the single administrator and the bundled provider in the solicitation documents and contracts for services.

## **X. INVESTMENT OPTIONS AND PERFORMANCE BENCHMARKS**

- A. The authorized categories of Investment Plan investment options are contained in IPS-Table 1. The default option for members that fail to make a selection of investment options shall be the Moderate Balanced Fund. The number of investment options shall not exceed the “Maximum Number of Options” listed in IPS-Table 1 for each category, except to the extent that:
  - 1) Multiple investment options within the same category are simultaneously offered to facilitate a transitional mapping of contributions and account balances from a terminating option;
  - 2) An investment option is temporarily closed to new contributions and account balance transfers.



**IPS-Table 1: Authorized Investment Option Categories and Representative Performance Benchmarks and Retiree Annuities**

<b>Investment Option Categories</b>	<b>Maximum Number of Options</b>	<b>Representative Performance Benchmarks</b>
<b>Tier I: Core Investment Options</b>		
Money Market	1	Money Fund Report Institutional Average (Tax.)
Inflation-Protected Bond	1	Barclays Capital U.S. Treasury Inflation Note Index
U.S. Bond	2	Barclays Capital Aggregate Bond Index
U.S. Core Stock	2	Russell 3000 Index
U.S. Small/Mid Stock	2	Russell 2000 Index
Foreign Stock	2	MSCI World, excluding U.S., Index
<b>Tier II: Balanced Investment Options</b>		
Conservative Balanced Fund	1	Weighted-Average of Constituent Fund Benchmarks per Table 2
Moderate Balanced Fund	1	Weighted-Average of Constituent Fund Benchmarks per Table 2
Aggressive Balanced Fund	1	Weighted-Average of Constituent Fund Benchmarks per Table 2
<b>Tier III: Specialty Investment Options</b>		
U.S. Large Value Stock	1	Russell 1000 Value Index
U.S. Large Growth Stock	1	Russell 1000 Growth Index
U.S. Small/Mid Value Stock	1	Russell 2000 Value Index
U.S. Small/Mid Growth Stock	1	Russell 2000 Growth Index
Global Stock	1	MSCI World Index
U.S. Short/Intermediate Bond	1	Barclays Capital Intermediate Aggregate Bond Index
High Yield Bond	1	Barclays Capital High Yield Index
<b>Tier IV: Retiree Annuity Options</b> (Section 121.591(1)(c), Florida Statutes)		
Immediate and Deferred Annuities	Not Applicable	Specified by the Executive Director

- B. Investment options and investment products (i.e., that support Investment Funds that are composed of an aggregate of one or more investment products) may be provided by investment managers or bundled providers. Pursuant to Section 121.4501(9)(a), Florida Statutes, the Board shall select one or more providers who offer multiple investment products when such an approach is determined by the Board to afford value to members otherwise not available through individual investment products.
- C. Investment options may have performance benchmarks other than the “Representative Performance Benchmarks” listed in IPS-Table 1, but any alternative performance benchmark must be identified in the investment guidelines required under Section XI of this IPS and provide substantial coverage

of the financial market segment defined by the corresponding Representative Performance Benchmark.

- D. Balanced funds are only available as a weighted average of Tier I and III options. The Board shall establish procedures for initiating rebalancings per approved investment guidelines.
- E. With IAC review and input, the Executive Director shall periodically recommend changes to the authorized investment option categories in IPS-Table 1, as modifications are appropriate. Any recommended modifications must be justified in terms of the incremental costs and benefits provided to members.

## **XI. GENERAL INVESTMENT OPTION GUIDELINES**

- A. The Executive Director is responsible for developing specific investment policies and guidelines for investment options, which reflect the goals and objectives of this IPS. In doing so, he is authorized to exercise and perform all duties set forth in Section 121.4501(9), Florida Statutes, except as limited by this IPS or Board Rules. General guidelines are as follows:
  - 1) The Money Market fund seeks high current income consistent with liquidity and capital preservation. The fund will be actively managed and will primarily invest in high quality, liquid, short-term instruments to control credit risk and interest rate sensitivity. The fund's sensitivity to interest rate changes will approximate that of the performance benchmark.
  - 2) The U.S. Bond funds seek high current income consistent with capital appreciation. The funds may be passively or actively managed and will primarily invest in securities contained in the benchmark, although other fixed income instruments which fit the funds' objectives may be selectively used to generate excess return, such as non-investment grade securities or securities issued by foreign entities. The funds' sensitivity to interest rate changes will closely approximate that of the performance benchmark.
  - 3) The U.S. Large Stock funds seek capital appreciation and current income. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark. Other securities which fit the funds' objectives may be selectively used to generate excess return. The funds' investment process will not have a persistent bias toward the selection of securities that are predominantly in the growth or value style categories.
  - 4) The Foreign Stock funds seek capital appreciation and current income. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark, although other securities which fit the funds' objectives may be selectively used to generate excess return, such as equity securities issued by corporations domiciled in emerging economies.
  - 5) The Balanced Investment funds are diversified balanced portfolios designed to provide participants with pre-packaged asset allocation vehicles. The funds seek favorable long-term returns through investments in the Tier I and III Options according to the risk levels

identified in IPS-Table 2. Asset allocations will generally be held within 5 percentage points of the optimal shares for their respective risk target, but short-term deviations may occur. Optimized asset allocations for the balanced funds shall be established using methodology consistent with the guidance rendered by the Investment Plan's education/advice vendor.

**IPS-Table 2: Target Risk Levels of Balanced Investment Funds**

	<b>Conservative Balanced Fund</b>	<b>Moderate Balanced Fund</b>	<b>Aggressive Balanced Fund</b>
All asset classes shall be included for optimization of each balanced fund to the risk levels indicated. Actual Tier I and III investment funds included in the balanced funds and their respective weightings shall be reported to the Trustees and communicated to members.	A risk level equivalent to that of an all bond portfolio	A risk level equivalent to that of the average U.S. investor	A risk level approximately mid-way between that of an all equity portfolio and the Moderate Balanced Fund
6) The Inflation-Protected Bond fund seeks long-term total returns that keep pace with inflation in order to protect the purchasing power of accumulated member benefits. The fund may be passively or actively managed and will primarily invest in the U.S. Treasury's inflation-indexed securities. The fund's sensitivity to interest rate changes will closely approximate that of the performance benchmark.			
7) The High Yield Bond fund seeks high current income consistent with capital appreciation. The fund will be actively managed and will primarily invest in non-investment grade securities contained in the benchmark, although other fixed income instruments which fit the funds' objective may be selectively used to generate excess return, such as non-rated securities or securities issued by foreign entities. The fund's sensitivity to interest rate changes will closely approximate that of the performance benchmark.			
8) The U.S. Large Value Stock fund seeks capital appreciation, and to a lesser degree, current income. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by lower price-to-book ratios and lower projected earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return.			

- 9) The U.S. Small/Mid Stock funds seek capital appreciation. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark, although other securities which fit the funds' objectives may be selectively used to generate excess return. The funds' investment process will not have a persistent bias toward the selection of securities that are predominantly in the growth or value style categories.
- 10) The U.S. Large Growth Stock fund seeks capital appreciation. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by higher price-to-book ratios and projected higher earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return..
- 11) The U.S. Small/Mid Value Stock fund seeks capital appreciation, and to a lesser degree, current income. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by lower price-to-book ratios and lower projected earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return.
- 12) The U.S. Small/Mid Growth Stock fund seeks capital appreciation. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by higher price-to-book ratios and projected higher earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return.
- 13) Each investment option must:
  - (a) Have a prudent degree of diversification relative to its performance benchmark;
  - (b) Be readily transferable from one Investment Plan account to another Investment Plan investment option or to a private-sector or public-sector defined contribution plan accounts and self-directed individual retirement accounts;
  - (c) Allow transfers of members' balances into and out of the option at least daily, subject to the excessive trading policies of the providers and/or the SBA;
  - (d) Have no surrender fees or deferred loads/charges;
  - (e) Have no fees or charges for insurance features (e.g. mortality and expense risk charges);
  - (f) To the extent allowed by law, notwithstanding failure to meet one or more of the IPS Section XI(13)(b),(c)-(f) requirements, an option may be authorized if: (i) it produces significant and demonstrable incremental retirement benefits relative to other comparable products in the market place and comparable Tier I, Tier II, or Tier III options; and (ii) the incremental benefits are sufficient to offset all associated fees, charges and the expected economic cost of the variance(s) with the IPS Section XI(13)(b),(c)-(f) requirements. Comparability shall be based on the option's underlying

investments within the broad categories of Money Market, U.S. Fixed Income, U.S. Equities and Foreign Equities.

- 14) The investment product supporting any annuity option offered in Tier IV must have a prudent degree of diversification relative to its performance benchmark and, where applicable, providers shall have high independent ratings for financial strength and stability. Tier IV options may include allocated or unallocated immediate annuities with combinations of some of the following features:

- (a) Single or flexible premium.
- (b) Life or fixed period payouts.
- (c) Single or joint life (survivors with an insurable interest).
- (d) Complete or partial survivor benefits.
- (e) Cash refund, installment refund or period certain features.
- (f) Variable or fixed payments, non-participating, or income payable features.
- (g) Deferred payments.

- B. The long-term performance of each actively managed investment option is expected to exceed the returns on their performance benchmark, net of all fees and charges, while avoiding large year-to-year deviations from the returns of the performance benchmark. The long-term performance of each passively managed investment option is expected to closely approximate returns on the performance benchmark, net of all fees and charges. Investment managers are authorized to prudently use options, futures, notional principal contracts or securities lending arrangements, in accordance with the fiduciary standards of care, as contained in Section 121.4501(15)(a), Florida Statutes, investment guidelines and related policies.

## **XII. INVESTMENT MANAGER SELECTION AND MONITORING GUIDELINES**

- A. The Executive Director shall develop policies and guidelines for the selection, retention and termination of investment managers, bundled providers and products, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board, this IPS and provisions of Section 121.4501(9)(c), Florida Statutes.

When the Executive Director decides to terminate an investment fund in the Investment Plan, members will be granted an opportunity to direct their assets to other Investment Plan investment fund options prior to the investment fund termination. Assets that are not directed by members will be transferred or “mapped” to the investment fund(s) that the Executive Director deems appropriate. The mapping factors that the Executive Director will consider include, but are not limited to, alignment of investment fund type (e.g., asset class, capitalization and style) and investment strategy (e.g., objectives, market focus, and implementation tactics).

- B. In the selection of investment managers, investment products or bundled providers, consideration shall be given to their effectiveness in minimizing the direct and indirect costs of transferring the total present value of accumulated benefit obligations for existing employees that choose membership in Investment Plan from the defined benefit trust to the Investment Plan trust.

- C. In the selection and monitoring of products from bundled providers, each proposed product will be evaluated on a stand-alone basis, pursuant to the requirement in Section 121.4501(9)(c)9., Florida Statutes. The cost-effectiveness of the levels of non-investment services supporting the products will also be evaluated relative to their benefits.
- D. In the selection, retention and termination of bundled providers and their proposed products and services, value, as that term is used in Section 121.4501(9)(a), Florida Statutes, shall be evaluated based on the value added to the process of accumulating retirement benefits for members. This evaluation shall consider the following factors in arriving at any staff recommendation:
  - 1) Additional products or services that are not otherwise available to the members within the program;
  - 2) The type and quality of investment products offered;
  - 3) The type and quality of non-investment services offered; and
  - 4) Other significant elements that provide value to members, consistent with the mandates of Section 121.4501, Florida Statutes.
- E. On at least an annual basis, a review will be conducted of the performance of each approved investment manager and product and related organizational factors to ensure continued compliance with established selection, performance and termination criteria, Board policy and procedures and all contractual provisions. The performance and termination criteria for each provider and investment product will be reflected in each employment contract.
- F. In addition to reviewing the performance of the Investment Plan's investment managers/options, the Executive Director will periodically review all costs associated with the management of the Investment Plan's investment options, including:
  - 1) Expense ratios of each investment option against the appropriate peer group; and
  - 2) Costs to administer the Program, including recordkeeping, account settlement (participant balance with that of investment), allocation of assets and earnings, and (when applicable) the proper use of 12b-1 fees to offset these fees.

### **XIII. REPORTING**

- A. The Board directs the Executive Director to coordinate the preparation of quarterly reports of the investment performance of the Investment Plan by the Board's independent performance evaluation consultant.
- B. The following formal periodic reports to the Board shall be the responsibility of the Executive Director: an annual investment report, an annual financial report and a monthly performance report.

### **XIV. IMPLEMENTATION SCHEDULE**

This IPS is effective upon approval of the Board.

## **Attachment 3A**



**STATE BOARD OF ADMINISTRATION  
OF FLORIDA**

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

**POST OFFICE BOX 13300  
32317-3300**

**RICK SCOTT  
GOVERNOR  
AS CHAIRMAN  
JEFF ATWATER  
CHIEF FINANCIAL OFFICER  
AS TREASURER  
PAM BONDI  
ATTORNEY GENERAL  
AS SECRETARY  
ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO**

**MEMORANDUM**

**To:** SBA Investment Advisory Council, SBA Audit Committee

**From:** Ash Williams

**Date:** 1/13/12

**Subject:** Crowe Horwath report follow-up

**CC:** SBA Trustees, Kevin SigRist, Kathy Whitehead, Eric Nelson, Florida Rivera-Alsing

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**Background**

At the December 2011 IAC and Trustees meetings, there was discussion of the Crowe Horwath October 21, 2011 report to the SBA, "Evaluation and Recommendations Related to the Compliance Program." By memo dated November 4, 2011, SBA staff accepted or partially accepted 58 of 63 of Crowe's recommendations. The remaining five recommendations were directed to the Audit Committee, Investment Advisory Council or Trustees because they addressed governance matters such as potentially separating the Executive Director and Chief Investment Officer duties or changing the reporting relationship of the Chief Risk and Compliance Officer (CRCO). The IAC chair reported to the Trustees regarding the IAC's review of Crowe's report; the IAC took a view that SBA's current risk management and compliance governance structure is functioning effectively, properly establishes accountability and mitigates any potential conflict issues through the practice of having the CRCO provide written and oral reports to the Audit Committee, Trustees and IAC. The Trustees agreed that IAC Chair Robert Gidel would work with CFO Atwater and the SBA Executive Director/CIO to identify any changes that could be made to bring closure to issues identified by Crowe, especially with regard to the independence of the CRCO.

**Current status / Action items**

In a series of separate follow-up conversations, the CFO, IAC Chair Gidel and Audit Committee member Rolf Engmann and I identified several steps that could be taken to further ensure the independence of the CRCO and advance the risk management effort. These were discussed in the January 10 Audit Committee meeting. Following is a summary of these initiatives that are responsive to the Crowe report, together with a draft amendment proposed for inclusion in the



investment policy statements of the FRS Pension and Investment Plans, Lawton Chiles Endowment Fund, Florida PRIME, Investment Pool B and non-FRS Defined Contribution Plan to adopt the recommended changes. The Trustees will be briefed on these proposals at their January 18 meeting. Investment Policy Statement changes are subject to prior IAC review, which is the purpose of the IAC's meeting January 20. Should the IAC approve these changes, the Trustees may act on them at their February 9 meeting.

### **Initiative Summary**

- Amend SBA's Investment Policy Statement(s) to explicitly require CRCO to provide written and oral reports to the IAC, Audit Committee and Trustees no less than quarterly and authorize the CRCO to directly access these or other bodies as appropriate to ensure the integrity and effectiveness of CRCO functions.
- Selection, compensation and termination of the CRCO will be affirmed by the Trustees. For day-to-day executive and administrative purposes, the CRCO will continue to work with the Executive Director/CIO and SBA management so that issues are promptly and thoroughly addressed.

### **Proposed Investment Policy Statement Addition**

*"The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions."*

### **Conclusion**

The proposed actions and related Investment Policy changes will bring closure to the governance issue raised in the Crowe report. Other Crowe related issues are being addressed by SBA staff and are subject to normal progress reporting to the Audit Committee, Trustees and IAC. SBA's independent risk management and compliance unit is relatively young and will continue to evolve with a goal of embracing best practice to the greatest practical extent.

## **Attachment 3B**

## **LAWTON CHILES ENDOWMENT FOR CHILDREN AND ELDERS INVESTMENT POLICY STATEMENT**

### **I. DEFINITIONS**

**Asset Class** - An asset class is an aggregation of one or more portfolios with the same principal asset type. For example, all of the portfolios whose principal asset type was stocks would be aggregated together as the Stock asset class. As such, it would contain primarily—but not exclusively—the principal asset type.

**Asset Type** - An asset type is a category of investment instrument such as common stock or bond.

**Portfolio** - A portfolio is the basic organization unit of the Endowment. Funds are managed within portfolios. A portfolio will contain one principal asset type (common stocks, for example), but may contain small amounts of other asset types as well. The discretion for this mix of asset types is set out in guidelines for each portfolio.

**Annuity** - An agreement whereby the investor receives a specified periodic payment over a predetermined time period.

### **II. OVERVIEW OF THE ENDOWMENT FUND AND THE SBA**

The State Board of Administration (Board) provides investment management of assets contributed and held on behalf of the Lawton Chiles Endowment Fund (Endowment), pursuant to s. 215.5601, F.S. as created by Chapter 99-167, L.O.F.

### **III. THE BOARD**

The Board consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Board has statutory responsibility for the investment of Endowment assets, subject to limitations on investments as outlined in Section 215.47, Florida Statutes and the requirements specific to the Endowment contained in s. 215.5601, Florida Statutes.

The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in sections 215.47(9), Florida Statutes.

The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the investment of Endowment assets.

The mission of the State Board of Administration is to provide superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards.

#### **IV. THE EXECUTIVE DIRECTOR**

The Executive Director is charged with the responsibility for managing and directing administrative, personnel, budgeting, and investment functions, including the strategic and tactical allocation of invested assets.

The Executive Director is charged with developing specific individual investment portfolio objectives and policy guidelines, and providing the Board with monthly and quarterly reports of investment activities.

The Executive Director has investment responsibility for maintaining diversified portfolios, and maximizing returns with respect to the broad diversified market standards of individual asset classes, consistent with appropriate risk constraints. The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group(s) to regularly review, document and formally escalate guideline compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such compliance exceptions, with input from the Investment Advisory Council and Audit Committee as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

The Executive Director is responsible for evaluating the appropriateness of the goals and objectives in this Plan and recommending changes to the Board when appropriate.

## V. INVESTMENT OBJECTIVES

The investment objective of the Board is long-term preservation of the real value of the principal (contributed capital) and a specified regular annual cash outflow for appropriation, as nonrecurring revenue, utilizing a thirty-year planning horizon. The Board's principal means for achieving this goal are through defining the terms of the Endowment's annuity payout structure authorized under law and through investment directives to the Executive Director.

The main object of these investment directives is the asset class. The Board directs the Executive Director to manage the asset classes in ways that, in the Board's opinion, will maximize the likelihood of achieving the investment objective. The Board establishes asset classes, sets permissible shares of the total portfolio's value for each and establishes performance benchmarks for them. In addition, it establishes a performance benchmark for the total portfolio.

## VI. PAYOUT FORMULA

Liquidation of fund assets to support the legislative appropriations process shall be made according to the following participating annuity structure. At the start of each state budget cycle, a payout amount from the Endowment shall be established for the upcoming fiscal year according to the following formula:

$$s_i = (x)s_{i-1} + (1-x)V_i \max\left[GM - \frac{R+K}{30}, 0\right]$$

where:  $x = 75\%$

$s_i$  = real payout amount for the upcoming fiscal year;

$s_{i-1}$  = real payout amount for the prior fiscal year, proportionally adjusted for any changes in the amount of contributed principal since the prior fiscal year;

$V_i$  = real value of the endowment at the time  $s_i$  is determined;

$GM$  = the expected real geometric return on the endowment's assets, given the asset allocation directed under Section VII;

$R$  = the required change in the fund's net asset value in order for  $V_i$  to equal the real value of all contributions to the Endowment at the time  $s_i$  is determined; and

$K$  = prudence constant corresponding to a shortfall probability of 20%.<sup>1</sup>

Payouts shall be made no more frequently than quarterly, at the start of each quarter, in pro-rata portions of  $s_i$ .

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<sup>1</sup> More specifically,  $K$  = the inverse of the standard normal cumulative distribution for a probability of 20% or less times the expected risk of the portfolio times the square root of the planning horizon (30 years).

## **VII. TARGET PORTFOLIO AND ASSET ALLOCATION RANGES**

In order to achieve the investment goal, the Board sets a relative objective for the Executive Director: achieve or exceed the return on a performance benchmark known as the Target Portfolio over time. The Target Portfolio is a portfolio composed of a specific mix of the authorized asset classes. The return on this portfolio is a weighted-average of the returns to passive benchmarks for each of the asset classes. The expectation is that this return will meet or exceed the target rate of return and, thus achieve the Board's investment objectives.

This relative return objective is developed in a risk management framework. Risk from the perspective of the Board is failing to earn the target return over long periods of time, and the asset mix is developed to minimize this risk. In selecting the Target Portfolio the Board considers information related to specified future expenditures from the Endowment and historical asset class risk and return characteristics. Potential asset mixes are thus evaluated with respect to their expected return and volatility as well as risk.

Although the target portfolio has an expected return and risk associated with it, it is important to note that this expected return is neither an explicit nor an implicit goal for the managers of the Endowment. These figures are used solely in developing directives for fund management that will raise the probability of success in achieving the target rate of return. The Executive Director is held responsible not for specifically achieving the target rate of return in each period, but rather for doing at least as well as the market using the target portfolio's mix of assets.

In pursuit of incremental investment returns, the Executive Director may vary the asset mix from the target allocation based on market conditions and the investment environment for the individual asset classes. The Executive Director shall adopt an asset allocation policy guideline which specifies the process for making these tactical decisions. The guideline shall concentrate on the analysis of economic conditions, the absolute values of asset class investments and the relative values between asset classes.

The Board establishes the Target Portfolio as being composed of the following Asset Classes and Target Allocations and, additionally, the Board establishes ranges for the actual allocations to limit the risk of deviating significantly from the long-run investment plan.

**Table 1**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Policy Range</b>
Global Equity	71%	61-81%
Fixed Income	17%	12-22%
Inflation-Indexed Bonds	11%	6-16%
Cash Equivalents	1%	0-10%

For purposes of determining compliance with these Policy Ranges, an Asset Class is considered to be an aggregation of one or more portfolios with substantially the same principal asset type. As a standard management practice, portfolio managers are expected to meet their goals for all assets allocated to their portfolio.

It is expected that the Endowment will be managed in such a way that the actual allocation mix will remain within these ranges. Investment strategies or market conditions which result in an allocation position for any asset class outside of the enumerated ranges for a period exceeding thirty days shall be reported to the Board, together with a review of conditions causing the persistent deviation and a recommendation for subsequent investment action.

Notwithstanding the prior paragraph, in the event of a mandated payout from the Endowment that is expected by the Executive Director to require an accumulation of cash that exceeds ten percent of the market value of the Endowment, all asset classes' Target Allocations will float and Policy Ranges will not be applicable. During such an event, Target Allocations will be equal to the actual month-end average balances for the respective asset classes as determined by the custodian. Actual allocations will be reported monthly to the Board. Once the mandated payout has been made, Target Allocations and Policy Ranges will revert to the values in Table 1.

In adopting this plan, the board recognizes that no additional contributions are anticipated under current law.

## **VIII. PERFORMANCE MEASUREMENT**

Asset class performance is measured in accordance with a broad market index appropriate to the asset class. The following indices are used as benchmarks for the authorized asset classes:

**Table 2**

<b>Asset Class</b>	<b>Index</b>
Global Equity	A custom version of the Morgan Stanley Capital All Country World International Investable Market Index, in dollar terms, net of withholding taxes on non-resident institutional investors adjusted to reflect the exclusion of certain equities of tobacco-related companies.
Fixed Income	The Barclays Capital U.S. Aggregate Bond Index
Inflation-Indexed Bonds	The Barclays Capital U.S. Treasury Inflation Note Index.

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Cash Equivalents	The Standard & Poor's U.S. AAA & AA Rated Government Investment Pool All 30 Day - Net Yield Index
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The return on the Target Portfolio shall be calculated as an average of the returns to the Target Indices indicated in Table 2 weighted by the Target Allocations indicated by Table 1, (recognizing that Table 1 is suspended if a mandated payout from the Endowment is of sufficient size).

Performance measurement of asset allocation performance shall be made by comparing the actual asset allocation times the return for the appropriate indices to the target allocation times the index returns.

## **IX. ASSET CLASS PORTFOLIO MANAGEMENT**

### **General Portfolio Guidelines**

The Executive Director is responsible for developing asset class and individual portfolio policies and guidelines which reflect the goals and objectives of this Investment Policy Statement. In doing so, he is authorized to use all investment authority spelled out in Section 215.47, Florida Statutes, except as limited by this Plan or SBA Rules. The Executive Director shall develop guidelines for the selection and retention of portfolios, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board.

All asset classes shall be invested to achieve or exceed the return on their respective benchmarks over a long period of time. The portfolios shall also be well diversified with respect to the benchmark.

Commingled vehicles which invest broadly in foreign small-cap equities indices and foreign emerging market equities indices, including the equities of tobacco-related companies therein, are authorized to the extent necessary to prudently manage the Endowment.

## **X. REPORTING**

The Board directs the Executive Director to coordinate the preparation of regular reports of the investment performance of the Endowment by the Board's independent performance measurement firm.

The Executive Director shall also make a status report to the Governor, the Speaker of the House of Representatives, the President of the Senate, the chairpersons of the respective appropriations and substantive committees of each chamber, and the Revenue Estimating Conference monthly.

## **XI. SBA ADMINISTRATIVE COST**



~~Adopted September 20, 2011~~  
Approved by IAC on January 20, 2012 and Proposed for Adoption by Trustees on February 9, 2012

Administrative costs will be deducted from the fund at a rate not greater than that charged by the SBA for managing Florida Retirement System assets.

## **XII. IMPLEMENTATION SCHEDULE**

This plan shall be effective upon approval of the Board~~October 1, 2011~~. However, the target allocation and the target index changes for Global Equity may be phased in over a 12 month period subsequent to October 1, 2011~~the effective date~~.

## **Attachment 3C**

## **LAWTON CHILES ENDOWMENT FOR CHILDREN AND ELDERS INVESTMENT POLICY STATEMENT**

### **I. DEFINITIONS**

**Asset Class** - An asset class is an aggregation of one or more portfolios with the same principal asset type. For example, all of the portfolios whose principal asset type was stocks would be aggregated together as the Stock asset class. As such, it would contain primarily—but not exclusively—the principal asset type.

**Asset Type** - An asset type is a category of investment instrument such as common stock or bond.

**Portfolio** - A portfolio is the basic organization unit of the Endowment. Funds are managed within portfolios. A portfolio will contain one principal asset type (common stocks, for example), but may contain small amounts of other asset types as well. The discretion for this mix of asset types is set out in guidelines for each portfolio.

**Annuity** - An agreement whereby the investor receives a specified periodic payment over a predetermined time period.

### **II. OVERVIEW OF THE ENDOWMENT FUND AND THE SBA**

The State Board of Administration (Board) provides investment management of assets contributed and held on behalf of the Lawton Chiles Endowment Fund (Endowment), pursuant to s. 215.5601, F.S. as created by Chapter 99-167, L.O.F.

### **III. THE BOARD**

The Board consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Board has statutory responsibility for the investment of Endowment assets, subject to limitations on investments as outlined in Section 215.47, Florida Statutes and the requirements specific to the Endowment contained in s. 215.5601, Florida Statutes.

The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in sections 215.47(9), Florida Statutes.

The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the investment of Endowment assets.

The mission of the State Board of Administration is to provide superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards.

#### **IV. THE EXECUTIVE DIRECTOR**

The Executive Director is charged with the responsibility for managing and directing administrative, personnel, budgeting, and investment functions, including the strategic and tactical allocation of invested assets.

The Executive Director is charged with developing specific individual investment portfolio objectives and policy guidelines, and providing the Board with monthly and quarterly reports of investment activities.

The Executive Director has investment responsibility for maintaining diversified portfolios, and maximizing returns with respect to the broad diversified market standards of individual asset classes, consistent with appropriate risk constraints. The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group(s) to regularly review, document and formally escalate guideline compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such compliance exceptions, with input from the Investment Advisory Council and Audit Committee as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

The Executive Director is responsible for evaluating the appropriateness of the goals and objectives in this Plan and recommending changes to the Board when appropriate.

## **V. INVESTMENT OBJECTIVES**

The investment objective of the Board is long-term preservation of the real value of the principal (contributed capital) and a specified regular annual cash outflow for appropriation, as nonrecurring revenue, utilizing a thirty-year planning horizon. The Board's principal means for achieving this goal are through defining the terms of the Endowment's annuity payout structure authorized under law and through investment directives to the Executive Director.

The main object of these investment directives is the asset class. The Board directs the Executive Director to manage the asset classes in ways that, in the Board's opinion, will maximize the likelihood of achieving the investment objective. The Board establishes asset classes, sets permissible shares of the total portfolio's value for each and establishes performance benchmarks for them. In addition, it establishes a performance benchmark for the total portfolio.

## **VI. PAYOUT FORMULA**

Liquidation of fund assets to support the legislative appropriations process shall be made according to the following participating annuity structure. At the start of each state budget cycle, a payout amount from the Endowment shall be established for the upcoming fiscal year according to the following formula:

$$s_i = (x)s_{i-1} + (1-x)V_i \max\left[GM - \frac{R+K}{30}, 0\right]$$

where:  $x = 75\%$

$s_i$  = real payout amount for the upcoming fiscal year;

$s_{i-1}$  = real payout amount for the prior fiscal year, proportionally adjusted for any changes in the amount of contributed principal since the prior fiscal year;

$V_i$  = real value of the endowment at the time  $s_i$  is determined;

$GM$  = the expected real geometric return on the endowment's assets, given the asset allocation directed under Section VII;

$R$  = the required change in the fund's net asset value in order for  $V_i$  to equal the real value of all contributions to the Endowment at the time  $s_i$  is determined; and

$K$  = prudence constant corresponding to a shortfall probability of 20%.<sup>1</sup>

Payouts shall be made no more frequently than quarterly, at the start of each quarter, in pro-rata portions of  $s_i$ .

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<sup>1</sup> More specifically,  $K$  = the inverse of the standard normal cumulative distribution for a probability of 20% or less times the expected risk of the portfolio times the square root of the planning horizon (30 years).

## **VII. TARGET PORTFOLIO AND ASSET ALLOCATION RANGES**

In order to achieve the investment goal, the Board sets a relative objective for the Executive Director: achieve or exceed the return on a performance benchmark known as the Target Portfolio over time. The Target Portfolio is a portfolio composed of a specific mix of the authorized asset classes. The return on this portfolio is a weighted-average of the returns to passive benchmarks for each of the asset classes. The expectation is that this return will meet or exceed the target rate of return and, thus achieve the Board's investment objectives.

This relative return objective is developed in a risk management framework. Risk from the perspective of the Board is failing to earn the target return over long periods of time, and the asset mix is developed to minimize this risk. In selecting the Target Portfolio the Board considers information related to specified future expenditures from the Endowment and historical asset class risk and return characteristics. Potential asset mixes are thus evaluated with respect to their expected return and volatility as well as risk.

Although the target portfolio has an expected return and risk associated with it, it is important to note that this expected return is neither an explicit nor an implicit goal for the managers of the Endowment. These figures are used solely in developing directives for fund management that will raise the probability of success in achieving the target rate of return. The Executive Director is held responsible not for specifically achieving the target rate of return in each period, but rather for doing at least as well as the market using the target portfolio's mix of assets.

In pursuit of incremental investment returns, the Executive Director may vary the asset mix from the target allocation based on market conditions and the investment environment for the individual asset classes. The Executive Director shall adopt an asset allocation policy guideline which specifies the process for making these tactical decisions. The guideline shall concentrate on the analysis of economic conditions, the absolute values of asset class investments and the relative values between asset classes.

The Board establishes the Target Portfolio as being composed of the following Asset Classes and Target Allocations and, additionally, the Board establishes ranges for the actual allocations to limit the risk of deviating significantly from the long-run investment plan.

**Table 1**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Policy Range</b>
Global Equity	71%	61-81%
Fixed Income	17%	12-22%
Inflation-Indexed Bonds	11%	6-16%
Cash Equivalents	1%	0-10%

For purposes of determining compliance with these Policy Ranges, an Asset Class is considered to be an aggregation of one or more portfolios with substantially the same principal asset type. As a standard management practice, portfolio managers are expected to meet their goals for all assets allocated to their portfolio.

It is expected that the Endowment will be managed in such a way that the actual allocation mix will remain within these ranges. Investment strategies or market conditions which result in an allocation position for any asset class outside of the enumerated ranges for a period exceeding thirty days shall be reported to the Board, together with a review of conditions causing the persistent deviation and a recommendation for subsequent investment action.

Notwithstanding the prior paragraph, in the event of a mandated payout from the Endowment that is expected by the Executive Director to require an accumulation of cash that exceeds ten percent of the market value of the Endowment, all asset classes' Target Allocations will float and Policy Ranges will not be applicable. During such an event, Target Allocations will be equal to the actual month-end average balances for the respective asset classes as determined by the custodian. Actual allocations will be reported monthly to the Board. Once the mandated payout has been made, Target Allocations and Policy Ranges will revert to the values in Table 1.

In adopting this plan, the board recognizes that no additional contributions are anticipated under current law.

## **VIII. PERFORMANCE MEASUREMENT**

Asset class performance is measured in accordance with a broad market index appropriate to the asset class. The following indices are used as benchmarks for the authorized asset classes:

**Table 2**

<b>Asset Class</b>	<b>Index</b>
Global Equity	A custom version of the Morgan Stanley Capital All Country World International Investable Market Index, in dollar terms, net of withholding taxes on non-resident institutional investors adjusted to reflect the exclusion of certain equities of tobacco-related companies.
Fixed Income	The Barclays Capital U.S. Aggregate Bond Index
Inflation-Indexed Bonds	The Barclays Capital U.S. Treasury Inflation Note Index.
Cash Equivalents	The Standard & Poor's U.S. AAA & AA Rated Government Investment Pool All 30 Day - Net Yield Index

The return on the Target Portfolio shall be calculated as an average of the returns to the Target Indices indicated in Table 2 weighted by the Target Allocations indicated by Table 1, (recognizing that Table 1 is suspended if a mandated payout from the Endowment is of sufficient size).

Performance measurement of asset allocation performance shall be made by comparing the actual asset allocation times the return for the appropriate indices to the target allocation times the index returns.

## **IX. ASSET CLASS PORTFOLIO MANAGEMENT**

### **General Portfolio Guidelines**

The Executive Director is responsible for developing asset class and individual portfolio policies and guidelines which reflect the goals and objectives of this Investment Policy Statement. In doing so, he is authorized to use all investment authority spelled out in Section 215.47, Florida Statutes, except as limited by this Plan or SBA Rules. The Executive Director shall develop guidelines for the selection and retention of portfolios, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board.

All asset classes shall be invested to achieve or exceed the return on their respective benchmarks over a long period of time. The portfolios shall also be well diversified with respect to the benchmark.

Commingled vehicles which invest broadly in foreign small-cap equities indices and foreign emerging market equities indices, including the equities of tobacco-related companies therein, are authorized to the extent necessary to prudently manage the Endowment.

## **X. REPORTING**

The Board directs the Executive Director to coordinate the preparation of regular reports of the investment performance of the Endowment by the Board's independent performance measurement firm.

The Executive Director shall also make a status report to the Governor, the Speaker of the House of Representatives, the President of the Senate, the chairpersons of the respective appropriations and substantive committees of each chamber, and the Revenue Estimating Conference monthly.

## **XI. SBA ADMINISTRATIVE COST**

Administrative costs will be deducted from the fund at a rate not greater than that charged by the SBA for managing Florida Retirement System assets.



**XII. IMPLEMENTATION SCHEDULE**

This plan shall be effective upon approval of the Board. However, the target allocation and the target index changes for Global Equity may be phased in over a 12 month period subsequent to October 1, 2011.

## **Attachment 4A**



**STATE BOARD OF ADMINISTRATION  
OF FLORIDA**

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

**POST OFFICE BOX 13300  
32317-3300**

**RICK SCOTT  
GOVERNOR  
AS CHAIRMAN  
JEFF ATWATER  
CHIEF FINANCIAL OFFICER  
AS TREASURER  
PAM BONDI  
ATTORNEY GENERAL  
AS SECRETARY  
ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO**

February 9, 2012

Honorable Debbie Mayfield  
Alternating Chair  
Joint Legislative Auditing Committee  
317 House Office Bldg.  
402 S. Monroe Street  
Tallahassee, Florida 32399

Honorable Jim Norman  
Alternating Chair  
Joint Legislative Auditing Committee  
214 Senate Office Bldg.  
404 S. Monroe Street  
Tallahassee, Florida 32399

Dear Representative Mayfield and Senator Norman:

Pursuant to section 218.409(6)(a)1, Florida Statutes, the Trustees of the State Board of Administration are required to "provide a quarterly report to the Joint Legislative Auditing Committee that the trustees have reviewed and approved the monthly reports [on the Florida PRIME and Fund B Management Summary] and actions taken, if any, to address any [material] impacts," and "have conducted a review of the [Fund B] trust fund and that the trust fund is in compliance with the requirements of this section." (Sections 218.409(6)(a)1 and 218.421(2)(a), F.S.)

Please be advised that the Trustees have reviewed the attached reports and authorized me to convey their action to you. During the period April 1 through June 30, 2011, there were no material impacts on the trust funds in question and, therefore, no associated actions or escalations.

Please contact me if you have any questions.

Sincerely,

Ashbel C. Williams  
Executive Director & CIO

**Attachments**

cc: Honorable Larry Ahern  
Honorable Michael Bileca  
Honorable Daphne Campbell  
Honorable Jeff Clemens  
Honorable Shawn Harrison  
Honorable Arthenia Joyner  
Honorable Evelyn Lynn  
Honorable Maria Lorts Sachs  
Honorable Stephen Wise  
Ms. Kathy Dubose, Director

## **Attachment 4B**



# Monthly Summary Report for October 2011

Including Fund B

State Board of Administration

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#### Past performance is no guarantee of future results.

Views are as of the issue date and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security.

An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in this fund.

## INTRODUCTION

This report is prepared for stakeholders in Florida PRIME and Fund B in accordance with Section 218.409(6)(a), Florida Statutes. The statute requires:

- (1) Reporting of any material impacts on the funds and any actions or escalations taken by staff to address such impacts;
- (2) Presentation of a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last month; and
- (3) Preparation of the management summary “in a manner that will allow anyone to ascertain whether the investment activities during the reporting period have conformed to investment policies.”

This report, which covers the period from October 1, 2011 through October 31, 2011, has been prepared by the SBA with input from Federated Investment Counseling (“Federated”), investment adviser for the funds, in a format intended to comply with the statute.

During the reporting period, Florida PRIME and Fund B were in material compliance with investment policy. Details are available in the compliance tables in the body of this report. This report also includes details on market conditions; fees; fund holdings, transactions and performance; and client composition.

### DISCLOSURE OF MATERIAL IMPACTS

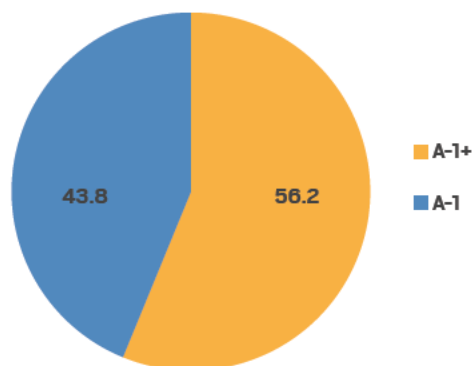
There were no developments during October 2011 that had a material impact on the liquidity or operation of Florida PRIME.

## PORTFOLIO COMPOSITION OCTOBER 31, 2011

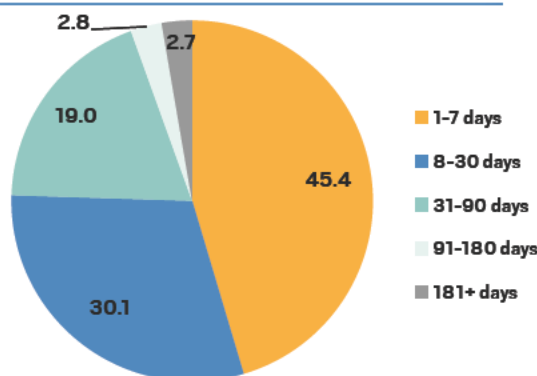
### Florida PRIME Assets

\$ 5,535,994,930

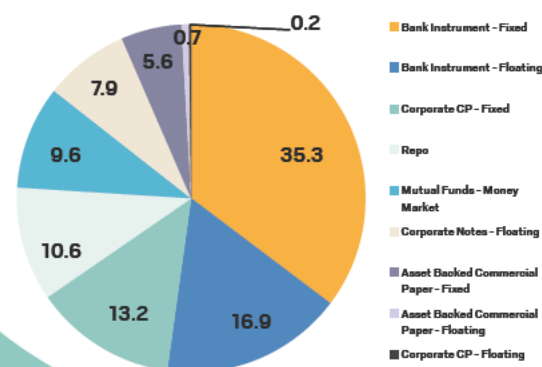
### Credit Quality Composition (%)



### Effective Maturity Schedule (%)



### Portfolio Composition (%)



## PORTFOLIO MANAGER COMMENTARY

### OCTOBER 2011 MARKET CONDITIONS

As expected, benchmark U.S. interest rates remained anchored to virtually zero during the month of October as the Federal Reserve maintained its ultra-accommodative monetary policy that it initiated almost three years ago. However, market interest rates moved higher across the cash yield curve amid encouraging signs that the U.S. economy would avoid a double-dip recession and that the euro zone finally would resolve its long-festering sovereign debt crisis.

The biggest upward moves in cash yields were concentrated among longer-dated securities. While the one-month London Interbank Offered Rate (LIBOR) closed up only 0.6 basis points to 0.246%, three-month LIBOR rose 5.5 basis points to 0.429%, six-month LIBOR climbed 6.2 basis points to 0.620%, and 12-month LIBOR increased 6.9 basis points to 0.934%. At the extreme short end of the curve, overnight rates -- which had occasionally been negative in recent months -- remained mostly above zero. Meanwhile, yields on two-year Treasuries jumped 6 basis points to 0.31%, an indication that concerns about the U.S. economy had abated slightly.

The marginally improved economic outlook was based on a combination of data and sentiment. As the month began, pessimism had risen to levels that all but assumed the U.S. economy would slip into another recession and that the debt crisis in Europe would continue to threaten the global banking system. Investors also fretted that China would be unable to push inflation back within an acceptable range without bursting that country's large property bubble. Given how low the "expectations bar" had been set, any good news -- no matter how small or tenuous -- was bound to have an impact on cash yields. And the end of the month brought such news. The flash estimate of GDP showed the U.S. economy expanding by 2.5% in the third quarter, defying bearish prognostications that a recession was already underway. A summit of European leaders calmed investor fears about another global financial crisis. In Asia, Japan eased monetary policy. China hinted it would do the same to juice its manufacturing sector, which contracted three straight months before inching back onto the expansion side of the ledger in October.

The Federal Reserve's so-called "twist" operation, in which the central bank sells shorter-dated securities and uses the proceeds

OCTOBER 31, 2011

### Top Holdings (%) and Average Maturity

1. Rabobank Nederland NV, Utrecht	5.8%
2. Deutsche Bank AG	5.7%
3. Bank of Nova Scotia, Toronto	5.4%
4. Barclays Bank PLC	5.3%
5. Mizuho Financial Group, Inc.	5.1%
6. Federated Prime Obligations Fund	5.0%
7. Bank of Montreal	5.0%
8. Mitsubishi UFJ Financial Group, Inc.	4.9%
9. ING Groep N.V.	4.9%
10. Credit Suisse Group AG	4.6%

### Average Effective Maturity (WAM)

26.7 Days

### Weighted Average Life (Spread WAM)

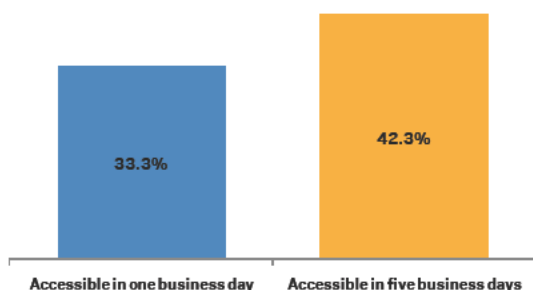
67.5 Days

Percentages based on total value of investments

Federated's conservative stance on managing and monitoring every security within its money market portfolios has resulted in extensive and continuous review of exposures to European senior bank debt. Since the extent of the sovereign debt crisis was first uncovered in 2010, this process has led portfolio management to shorten maturities, downgrade certain names and to eliminate others from its list of investable securities. Because all of these securities roll over at short intervals, Federated is able to quickly address its exposures to any security.

[Click for more on Federated's process](#)

### Highly Liquid Holdings (% at month end)



### PORTFOLIO MANAGER COMMENTARY (CON'T.)

to buy longer-term paper, has been underway for about a month, with little impact on the cash market so far. Demand for the roughly \$9 billion of money-market eligible securities that the Fed has sold to date has been so strong that any upward pressure on ultra short-term yields has been minimal at most. However, we believe that Operation Twist could at least put a floor under overnight rates, thus supporting interest rates on repurchase agreements.

### PORTFOLIO INVESTMENT STRATEGY

Given the recent configuration of global risk factors, we continue to pursue a barbell strategy, purchasing repos and other instruments at the very short end of the cash curve to maintain additional liquidity and protect against the elevated possibility of extreme market volatility, while also investing in floating-rate securities and selected longer-dated paper to capture higher yields on the longer end of the curve.

The portfolio's assets were down \$600 million to \$5.5 billion at the end of October. Declines are typical in this part of the year as the property tax billing cycle approaches. The expected seasonal decline in assets caused portfolio management to increase the pool's position in short-term paper in order to meet anticipated fund redemptions. This contributed to a decrease in the pool's weighted average maturity from 38 days to 27 days and to a decrease in its average weighted life to 67 days from 79 days. Pool management expects flows to increase again as local governments start to collect property tax revenues in November.

Pool management took advantage of the increase in LIBOR during October to reinvest a portion of maturing securities in the floating rate corporate sector, purchasing at the long end of the yield curve from eight to nine months. The result was an increase of 1 basis point in the portfolio's yield by month end.

In terms of portfolio composition, the position in bank paper was decreased by 2% to reach 35% at the end of October. Commercial paper holdings decreased 3% to total 19%, variable rate holdings increased by 3% to 22%, and the repurchase agreement position was increased from 9% to 11%. The portfolio's money market fund holdings increased 2% to 11% and its position in government paper held steady at 3%.



## CASH FLOWS

Summary of Cash Flows	
October 2011	Florida PRIME
Opening Balance (10/1/11)	\$ 6,137,609,765
Participant Deposits	795,227,154
Transfers from Fund B	4,800,000
Gross Earnings	1,407,576
Participant Withdrawals	(1,402,922,061)
Fees	(127,503)
Closing Balance (10/31/11)	\$ 5,535,994,930
Net Change over Month	(601,614,834)

Valuations based on amortized cost

As shown in the table above, Florida PRIME experienced a net outflow of \$601.6 million during October 2011.

This change in value consisted of positive flows of \$795 million in participant deposits, \$4.8 million in transfers from Fund B and \$1.4 million in earnings. Negative flows consisted of \$1.40 billion in participant withdrawals and about \$128,000 in fees.

Overall, the fund ended the month with a closing balance of \$5.54 billion.

## FLORIDA PRIME DETAILED FEE DISCLOSURE

Charges for October 2011	Amount	Basis Point Equivalent*
SBA Client Service, Account Mgt. & Fiduciary Oversight Fee	\$ 29,669.35	0.61
Federated Investment Management Fee	83,491.93	1.72
BNY Mellon Custodial Fee	116.67	0.00
Bank of America Transfer Agent Fee	5,430.58	0.11
S&P Rating Maintenance Fee	3,312.33	0.07
Audit/External Review Fees	5,482.42	0.11
<b>Total Fees</b>	<b>\$ 127,503.28</b>	<b>2.62</b>

\*The basis point equivalent is an annualized rate based on the dollar amount of fees charged for the month times 12, divided by an average of the fund's beginning and ending total value (amortized cost) for the month which was \$5,836,802,347.

## OPT OUT OF RECEIVING PAPER ACCOUNT STATEMENTS



FLORIDA PRIME INVESTORS ARE NOW ABLE TO OPT OUT OF RECEIVING PAPER MAILINGS EACH MONTH AND CAN INSTEAD GENERATE AND DOWNLOAD ELECTRONIC PDFs OF THEIR MONTHLY ACCOUNT STATEMENTS.

THIS CHANGE WILL SPEED UP RECEIPT OF MONTHLY STATEMENTS AND REDUCE POOL EXPENSES, HELPING TO KEEP COSTS LOW FOR ALL INVESTORS. IT WILL ALSO HELP PROTECT THE ENVIRONMENT.

JUST CLICK ON YOUR ACCOUNT STATEMENT TAB TO MAKE THIS ELECTION.

## FUND PERFORMANCE THROUGH OCTOBER 31, 2011

### NOTES TO PERFORMANCE TABLE

<sup>1</sup>Net of fees. Participant yield is calculated on a 365-day basis and includes adjustments for expenses and other accounting items to reflect realized earnings by participants.

<sup>2</sup>The net-of-fee benchmark is the S&P AAA/AA Rated GIP All 30-Day Net Index for all time periods.

Net asset value includes investments at market value, plus all cash, accrued interest receivable and payables.

### Florida PRIME Participant Performance Data

	Net Participant Yield <sup>1</sup>	Net-of-Fee Benchmark <sup>2</sup>	Above (Below) Benchmark
1 mo	0.26%	0.07%	0.19%
3 mos	0.24%	0.07%	0.17%
12 mos	0.25%	0.10%	0.15%
3 yrs	0.42%	0.32%	0.10%
5 yrs	1.91%	1.83%	0.08%
10 yrs	2.23%	2.02%	0.21%
Since 1.96	3.45%	3.23%	0.22%
Net asset value at month end:			\$5,535.5 m

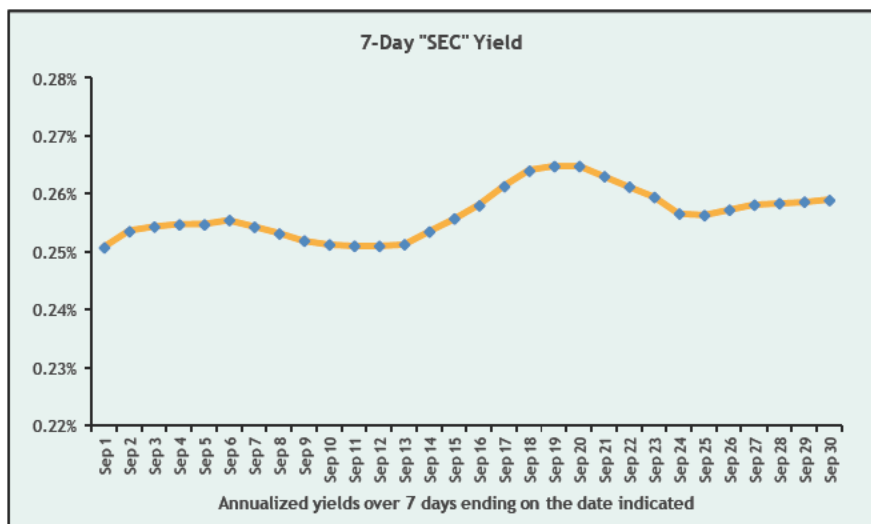
### NOTES TO CHART

The 7-Day "SEC" Yield in the chart is calculated in accordance with the yield methodology set forth by SEC rule 2a-7 for money market funds.

The 7-day yield = net income earned over a 7-day period / average units outstanding over the period / 7 times 365.

Note that unlike other performance measures, the SEC yield does not include realized gains and losses from sales of securities.

### Florida PRIME 7-Day "SEC" Yields During the Month



For performance comparisons to other short-term investment options, see [www.sbafla.com/prime](http://www.sbafla.com/prime) and click on "Pool Performance."

### ABOUT ANNUALIZED YIELDS

Performance data in the table and chart is annualized, meaning that the amounts are based on yields for the periods indicated, converted to their equivalent if obtained for a 12-month period.

For example, ignoring the effects of compounding,

an investment that earns 0.10% over a 1-month period yields 1.20% on an annualized basis. Likewise, an investment that earns a total of 3.60% over three years yields 1.20% on an annualized basis, ignoring compounding.

**INVENTORY OF HOLDINGS**  
**OCTOBER 31, 2011**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Alpine Securitization Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		11/22/11		20,000,000	0.19	\$ 19,997,678	\$ 19,997,910	\$ 232
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.40	11/07/11		15,000,000	0.41	\$ 15,000,000	\$ 14,999,793	\$ (207)
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.45	11/14/11		200,000,000	0.46	\$ 200,000,000	\$ 199,998,440	\$ (1,560)
Bank of America Triparty Repo Overnight Fixed	REPO TRIPARTY OVERNIGHT FIXED	0.12	11/01/11		285,000,000	0.12	\$ 285,000,000	\$ 285,000,000	\$ -
Bank of Montreal, Jan 10, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.33	01/10/12	11/10/11	20,000,000	0.34	\$ 20,000,000	\$ 19,992,520	\$ (7,480)
Bank of Montreal, Sep 14, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.39	09/14/12	11/14/11	250,000,000	0.40	\$ 250,000,000	\$ 249,890,750	\$ (109,250)
Bank of Nova Scotia, Toronto CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.20	11/01/11		150,000,000	0.20	\$ 150,000,000	\$ 149,999,910	\$ (90)
Bank of Nova Scotia, Toronto CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.20	11/02/11		150,000,000	0.20	\$ 150,000,000	\$ 149,999,835	\$ (165)
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.32	12/02/11		200,000,000	0.32	\$ 200,000,000	\$ 200,003,520	\$ 3,520
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.32	12/08/11		70,000,000	0.32	\$ 70,000,000	\$ 70,001,470	\$ 1,470
Barclays Bank PLC CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.41	01/06/12		75,000,000	0.42	\$ 75,000,000	\$ 75,004,155	\$ 4,155
Barclays Bank PLC CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.39	11/01/11		60,000,000	0.40	\$ 60,000,000	\$ 60,000,330	\$ 330
Barclays Bank PLC, Jan 27, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.66	01/27/12	11/28/11	150,000,000	0.67	\$ 150,000,000	\$ 150,043,950	\$ 43,950
Barton Capital LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		11/01/11		40,000,000	0.66	\$ 39,999,278	\$ 39,999,876	\$ 598

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)**  
**OCTOBER 31, 2011**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Commonwealth Bank of Australia, Dec 08, 2011	VARIABLE RATE COMMERCIAL PAPER	0.39	12/08/11	12/08/11	10,000,000	0.39	\$ 10,000,000	\$ 9,998,420	\$ (1,580)
Credit Agricole Corporate and Investment Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.43	11/09/11		175,000,000	0.44	\$ 175,000,000	\$ 174,995,608	\$ (4,393)
Credit Suisse, Zurich CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.38	02/10/12		50,000,000	0.39	\$ 50,000,000	\$ 49,990,040	\$ (9,960)
Credit Suisse, Zurich, Jun 08, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.33	06/08/12	11/08/11	200,000,000	0.31	\$ 200,000,000	\$ 199,999,800	\$ (200)
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.40	01/23/12		200,000,000	0.41	\$ 200,000,000	\$ 199,957,800	\$ (42,200)
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.41	12/28/11		116,000,000	0.41	\$ 116,001,867	\$ 115,999,965	\$ (1,902)
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND	0.01	11/01/11		6,620,901	0.01	\$ 6,620,901	\$ 6,620,901	\$ -
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		01/03/12		5,000,000	0.36	\$ 4,996,889	\$ 4,997,858	\$ 969
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		04/02/12		7,000,000	0.43	\$ 6,987,423	\$ 6,987,423	\$ (0)
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		12/02/11		15,310,000	0.28	\$ 15,306,190	\$ 15,307,632	\$ 1,442
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		11/07/11		5,000,000	0.21	\$ 4,999,796	\$ 4,999,884	\$ 88
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		11/14/11		98,000,000	0.26	\$ 97,990,091	\$ 97,994,434	\$ 4,342
Fairway Finance Co. LLC, Jan 11, 2012	VARIABLE RATE COMMERCIAL PAPER - ABS-4(2)	0.25	01/11/12	11/14/11	40,000,000	0.26	\$ 40,000,000	\$ 39,999,440	\$ (560)

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)**  
**OCTOBER 31, 2011**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Federated Prime Cash Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.18	11/01/11	11/01/11	250,935,665	0.16	\$ 250,935,665	\$ 250,935,665	\$ -
Federated Prime Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.17	11/01/11	11/01/11	276,266,129	0.17	\$ 276,266,129	\$ 276,266,129	\$ -
General Electric Capital Corp., Jul 27, 2012	VARIABLE MEDIUM TERM NOTE	0.59	07/27/12	01/27/12	10,000,000	0.60	\$ 9,998,927	\$ 10,007,590	\$ 8,663
General Electric Capital Corp., Jul 27, 2012	VARIABLE MEDIUM TERM NOTE	0.59	07/27/12	01/27/12	2,100,000	0.61	\$ 2,099,800	\$ 2,101,594	\$ 1,794
General Electric Capital Corp., Note, 3.500%, 08/13/2012	CORPORATE BOND	3.50	08/13/12		50,000,000	0.56	\$ 51,145,679	\$ 51,075,400	\$ (70,279)
General Electric Capital, Series MTNA, 6%, 6/15/2012	CORPORATE BOND	6.00	06/15/12		3,760,000	0.51	\$ 3,887,851	\$ 3,880,188	\$ (7,663)
General Electric Capital, Series MTNA, 6%, 6/15/2012	CORPORATE BOND	6.00	06/15/12		3,000,000	0.66	\$ 3,099,388	\$ 3,095,895	\$ (3,493)
General Electric Capital, Series MTNA, 6%, 6/15/2012	CORPORATE BOND	6.00	06/15/12		10,000,000	0.66	\$ 10,331,165	\$ 10,319,650	\$ (11,515)
Hewlett-Packard Co. CP4-2	COMMERCIAL PAPER - 4-2		11/18/11		61,000,000	0.18	\$ 60,994,510	\$ 60,994,510	\$ -
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		12/01/11		100,000,000	0.33	\$ 99,971,583	\$ 99,979,940	\$ 8,357
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		12/06/11		170,000,000	0.35	\$ 169,942,200	\$ 169,958,180	\$ 15,980
Jupiter Securitization Company LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		11/14/11		62,000,000	0.15	\$ 61,996,383	\$ 61,995,759	\$ (624)
Michigan State Hospital Finance Authority, (Henry Ford Health System, MI), (Series 2007), 11/15/2042	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.11	11/15/42	11/02/11	54,800,000	0.13	\$ 54,800,000	\$ 54,800,000	\$ -

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)**  
**OCTOBER 31, 2011**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Mizuho Corporate Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.32	12/15/11		30,000,000	0.32	\$ 30,000,000	\$ 30,001,119	\$ 1,119
Mizuho Corporate Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.14	11/04/11		50,000,000	0.14	\$ 50,000,000	\$ 49,999,555	\$ (445)
Mizuho Funding LLC CP4-2	COMMERCIAL PAPER - 4-2		11/01/11		200,000,000	0.14	\$ 199,999,222	\$ 200,000,000	\$ 778
Morgan Stanley & Co., Inc. Triparty Repo Overnight Fixed	REPO TRIPARTY OVERNIGHT FIXED	0.11	11/01/11		300,000,000	0.11	\$ 300,000,000	\$ 300,000,000	\$ -
Mullenix-St. Charles Properties, L.P., Times Centre Apartments Project Series 2004, Jan 01, 2028	VARIABLE RATE DEMAND NOTE	0.22	01/01/28	11/03/11	13,500,000	0.22	\$ 13,500,000	\$ 13,500,000	\$ -
National Australia Bank Ltd., Melbourne, Apr 13, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.39	04/13/12	11/14/11	20,000,000	0.40	\$ 20,000,000	\$ 20,000,040	\$ 40
New York City, NY Municipal Water Finance Authority, (Senior Revenue Bonds) (Fiscal 2008 Series B-3), 06/15/2025	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.15	06/15/25	11/01/11	92,360,000	0.15	\$ 92,360,000	\$ 92,360,000	\$ -
Rabobank Nederland NV, Utrecht, Apr 02, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.34	04/02/12	11/04/11	200,000,000	0.34	\$ 200,000,000	\$ 199,917,000	\$ (83,000)
Rabobank Nederland NV, Utrecht, May 08, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.33	05/08/12	11/08/11	20,000,000	0.34	\$ 20,000,000	\$ 19,997,840	\$ (2,160)
Rabobank Nederland, Utrecht CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.49	03/14/12		100,000,000	0.50	\$ 100,000,000	\$ 99,992,390	\$ (7,610)
Royal Bank of Canada, Montreal CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.50	09/26/12		80,000,000	0.51	\$ 80,000,000	\$ 79,780,672	\$ (219,328)
Sheffield Receivables Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		01/11/12		50,000,000	0.37	\$ 49,964,000	\$ 49,972,800	\$ 8,800
Sheffield Receivables Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		11/16/11		10,000,000	0.31	\$ 9,998,622	\$ 9,999,280	\$ 658

See notes at end of table.



**INVENTORY OF HOLDINGS (CONTINUED)**  
**OCTOBER 31, 2011**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Societe Generale North America, Inc. CP	COMMERCIAL PAPER		11/01/11		153,000,000	0.22	\$ 152,999,065	\$ 152,999,065	\$ 0
Societe Generale, Paris CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.38	11/07/11		20,000,000	0.39	\$ 20,000,000	\$ 19,999,764	\$ (236)
St. Andrew United Methodist Church, Series 2004, Jul 01, 2029	VARIABLE RATE DEMAND NOTE	0.21	07/01/29	11/03/11	9,635,000	0.21	\$ 9,635,000	\$ 9,635,000	\$ -
Straight A Funding, LLC GOVTAGYX	GOVERNMENT AGENCY EXTENDIBLE NOTE		11/09/11		100,000,000	0.19	\$ 99,995,250	\$ 99,997,690	\$ 2,440
Straight A Funding, LLC GOVTAGYX	GOVERNMENT AGENCY EXTENDIBLE NOTE		11/30/11		40,000,000	0.19	\$ 39,993,667	\$ 39,999,000	\$ 5,333
Svenska Handelsbanken, Stockholm CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.25	11/04/11		180,000,000	0.25	\$ 180,000,000	\$ 180,000,594	\$ 594
Svenska Handelsbanken, Stockholm, Oct 16, 2012	VARIABLE MEDIUM TERM NOTE	0.34	10/16/12	11/17/11	45,000,000	0.35	\$ 45,000,000	\$ 45,000,000	\$ -
Toyota Motor Credit Corp. CP	COMMERCIAL PAPER		11/08/11		47,000,000	0.13	\$ 46,998,642	\$ 46,999,093	\$ 451
U.S. Treasury Note .75% 11/30/2011	US TREASURY NOTE	0.75	11/30/11		30,000,000	0.30	\$ 30,010,972	\$ 30,016,410	\$ 5,438
Westpac Banking Corp. Ltd., Sydney, Jul 17, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.34	07/17/12	11/17/11	25,000,000	0.35	\$ 25,000,000	\$ 24,981,550	\$ (18,450)
Westpac Banking Corp. Ltd., Sydney, Jun 15, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.49	06/15/12	11/16/11	50,000,000	0.51	\$ 49,996,910	\$ 49,968,150	\$ (28,760)
<b>Total Value of Investments</b>					<b>5,532,287,696</b>		<b>\$ 5,533,820,743</b>	<b>\$ 5,533,309,176</b>	<b>\$ (511,567)</b>

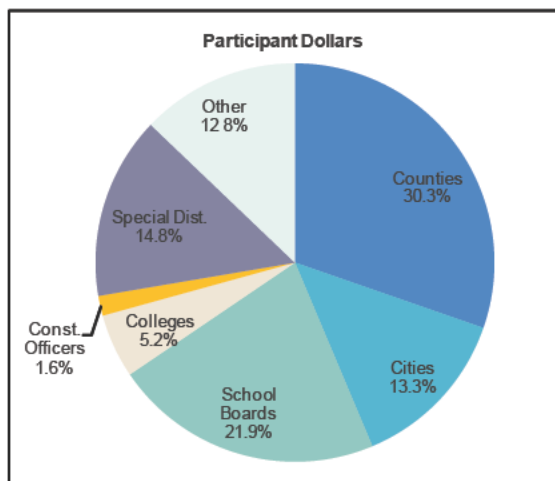
**Notes:** The data included in this report is unaudited. Amounts above are the value of investments. Income accruals, payables and uninvested cash are not included. Amortizations/accretions are reported with a one-day lag in the above valuations.

<sup>1</sup> Market values of the portfolio securities are provided by the custodian, BNY Mellon. The portfolio manager, Federated Investment Counseling, is the source for other data shown above.

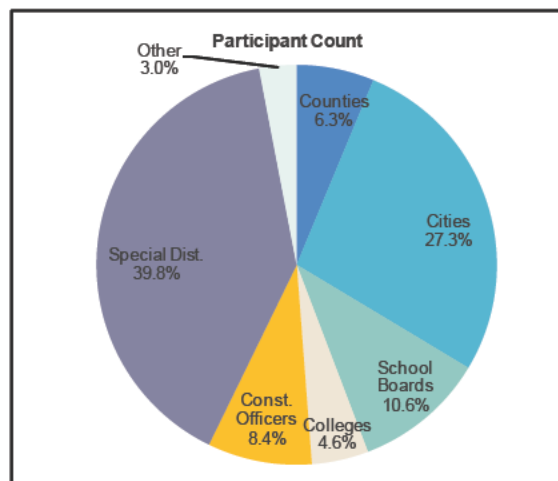
<sup>2</sup> Amortized cost is calculated using a straight line method.

### PARTICIPANT CONCENTRATION DATA - OCTOBER 31, 2011

Participant Balance	Share of Total Fund	Share of Participant Count	Participant Balance	Share of Total Fund	Share of Participant Count
<b>All Participants</b>	<b>100.0%</b>	<b>100.0%</b>	<b>Colleges &amp; Universities</b>	<b>5.2%</b>	<b>4.6%</b>
Top 10	39.1%	1.2%	Top 10	4.8%	1.2%
\$100 million or more	49.9%	1.8%	\$100 million or more	2.4%	0.1%
\$10 million up to \$100 million	39.2%	8.8%	\$10 million up to \$100 million	1.8%	0.5%
\$1 million up to \$10 million	9.8%	18.3%	\$1 million up to \$10 million	1.0%	1.3%
Under \$1 million	1.1%	71.1%	Under \$1 million	0.01%	2.7%
<b>Counties</b>	<b>30.3%</b>	<b>6.3%</b>	<b>Constitutional Officers</b>	<b>1.6%</b>	<b>8.4%</b>
Top 10	26.8%	1.2%	Top 10	1.0%	1.2%
\$100 million or more	22.3%	0.8%	\$100 million or more	0.0%	0.0%
\$10 million up to \$100 million	7.0%	1.2%	\$10 million up to \$100 million	0.7%	0.4%
\$1 million up to \$10 million	1.0%	1.3%	\$1 million up to \$10 million	0.8%	1.6%
Under \$1 million	0.0%	2.9%	Under \$1 million	0.1%	6.5%
<b>Municipalities</b>	<b>13.3%</b>	<b>27.3%</b>	<b>Special Districts</b>	<b>14.8%</b>	<b>39.8%</b>
Top 10	8.0%	1.2%	Top 10	10.7%	1.2%
\$100 million or more	0.0%	0.0%	\$100 million or more	5.4%	0.2%
\$10 million up to \$100 million	10.3%	2.4%	\$10 million up to \$100 million	6.7%	1.7%
\$1 million up to \$10 million	2.6%	5.4%	\$1 million up to \$10 million	2.3%	4.9%
Under \$1 million	0.4%	19.5%	Under \$1 million	0.4%	32.9%
<b>School Boards</b>	<b>21.9%</b>	<b>10.6%</b>	<b>Other</b>	<b>12.8%</b>	<b>3.0%</b>
Top 10	18.1%	1.2%	Top 10	6.2%	1.2%
\$100 million or more	13.6%	0.4%	\$100 million or more	6.1%	0.2%
\$10 million up to \$100 million	6.6%	1.7%	\$10 million up to \$100 million	6.2%	1.0%
\$1 million up to \$10 million	1.5%	2.9%	\$1 million up to \$10 million	0.5%	0.8%
Under \$1 million	0.1%	5.7%	Under \$1 million	0.0%	1.0%



Total Fund Value: \$5,535,994,930



Total Participant Count: 830



## INVESTMENT POLICY COMPLIANCE - OCTOBER 2011

Test by Source	Pass/Fail
<b><u>Florida PRIME's Investment Policy</u></b>	
Securities must be USD denominated.	Pass
<b><u>Ratings requirements</u></b>	
The Pool must purchase exclusively first-tier securities. Securities purchased with short-term ratings by an NRSRO, or comparable in quality and security to other obligations of the issuer that have received short-term ratings from an NRSRO, are eligible if they are in one of the two highest rating categories.	Pass
Securities purchased that do not have short-term ratings must have a long-term rating in one of the three highest long-term rating categories.	Pass
Commercial Paper must be rated by at least one short-term NRSRO.	Pass
<b><u>Maturity</u></b>	
Securities, excluding Government floating rate notes/variable rate notes, purchased did not have a maturity in excess of 397 days.	Pass
Government floating rate notes/variable rate notes purchased did not have a maturity in excess of 762 days.	Pass
The Pool must maintain a Spread WAM of 120 days or less.	Pass
<b><u>Issuer Diversification</u></b>	
First-tier issuers (limit does not apply to cash, cash items, U.S. Government securities refunded securities and repo collateralized by these securities) are limited, at the time of purchase, to 5% of the Pool's total assets. <sup>1</sup>	Pass
<b><u>Demand Feature and Guarantor Diversification</u></b>	
First-tier securities issued by or subject to demand features and guarantees of a non-controlled person, at time of purchase, are limited to 10% with respect to 75% of the Pool's total assets.	Pass
First-tier securities issued by or subject to demand features and guarantees of a control person, at time of purchase, are limited to 10% with respect to the Pool's total assets.	Pass
<b><u>Money Market Mutual Funds</u></b>	
The account, at time of purchase, will not have exposure to any one Money Market Mutual Fund in excess of 10% of the Pool's total assets.	Pass
<b><u>Concentration Tests</u></b>	
The account, at time of purchase, will not have exposure to an industry sector, excluding the financial services industry, in excess of 25% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to any single Government Agency in excess of 33.33% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to illiquid securities in excess of 5% of the Pool's total assets.	Pass
The account, at time of purchase, will invest at least 10% of the Pool's total assets in securities accessible within one business day.	Pass
The account, at time of purchase, will invest at least 30% of the Pool's total assets in securities accessible within five business days. <sup>2</sup>	Pass
<b><u>S&amp;P Requirements</u></b>	
The Pool must maintain a Dollar Weighted Average Maturity of 60 days or less.	Pass
The account, at time of purchase, will invest at least 50% of the Pool's total assets in Securities in Highest Rating Category (A-1+ or equivalent).	Pass

<sup>1</sup> This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to liquidate positions if the exposure in excess of the specified percentage is caused by account movements.

<sup>2</sup> This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to take immediate corrective measures if asset movements cause the exposure to be below the specified percentage.

### TRADING ACTIVITY FOR OCTOBER 2011

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Buys</b>					\$	\$	\$	\$
ALPINE SECURITIZATPCABS4	11/22/11	10/26/11	10/26/11	20,000,000	19,997,150	-	19,997,150	-
BNP PARIBAS SACDYAN	11/14/11	10/28/11	10/28/11	50,000,000	50,000,000	-	50,000,000	-
BNP PARIBAS SACDYAN	11/14/11	10/28/11	10/28/11	50,000,000	50,000,000	-	50,000,000	-
BNP PARIBAS SACDYAN	11/14/11	10/28/11	10/28/11	50,000,000	50,000,000	-	50,000,000	-
BNP PARIBAS SACDYAN	11/14/11	10/28/11	10/28/11	50,000,000	50,000,000	-	50,000,000	-
BARTON CAPITAL LLCCPABS4-	11/01/11	10/14/11	10/14/11	40,000,000	39,987,000	-	39,987,000	-
CREDIT AGRICOLE NORCP	10/14/11	10/07/11	10/07/11	26,150,000	26,149,034	-	26,149,034	-
FCAR OWNER TRUST, ACPABS3	04/02/12	10/31/11	10/31/11	7,000,000	6,987,423	-	6,987,423	-
GENERAL ELECTRIC CAPITAL CORP	07/27/12	10/13/11	10/18/11	2,100,000	2,099,790	2,044	2,101,834	-
GENERAL ELECTRIC CAPITAL CORP	06/15/12	10/12/11	10/17/11	10,000,000	10,351,500	203,333	10,554,833	-
GENERAL ELECTRIC CAPITAL CORP	06/15/12	10/12/11	10/12/11	3,000,000	3,107,670	58,500	3,166,170	-
HEWLETT-PACKARD CO, CP4-2	10/27/11	10/25/11	10/25/11	50,000,000	49,999,611	-	49,999,611	-
HEWLETT-PACKARD CO, CP4-3	10/27/11	10/25/11	10/25/11	50,000,000	49,999,611	-	49,999,611	-
HEWLETT-PACKARD CO, CP4-4	10/27/11	10/25/11	10/25/11	50,000,000	49,999,611	-	49,999,611	-
HEWLETT-PACKARD CO, CP4-5	10/27/11	10/25/11	10/25/11	15,000,000	14,999,883	-	14,999,883	-
HEWLETT-PACKARD CO, CP4-6	10/27/11	10/26/11	10/26/11	50,000,000	49,999,834	-	49,999,834	-
HEWLETT-PACKARD CO, CP4-7	11/18/11	10/31/11	10/31/11	50,000,000	49,995,500	-	49,995,500	-
HEWLETT-PACKARD CO, CP4-8	11/18/11	10/31/11	10/31/11	11,000,000	10,999,010	-	10,999,010	-
MIZUHO CORPORATE BACDYAN	11/04/11	10/28/11	10/28/11	50,000,000	50,000,000	-	50,000,000	-
MIZUHO FUNDING LLCCP4-2	11/01/11	10/25/11	10/25/11	50,000,000	49,998,639	-	49,998,639	-
MIZUHO FUNDING LLCCP4-2	11/01/11	10/25/11	10/25/11	50,000,000	49,998,639	-	49,998,639	-
MIZUHO FUNDING LLCCP4-2	11/01/11	10/25/11	10/25/11	50,000,000	49,998,639	-	49,998,639	-
MIZUHO FUNDING LLCCP4-2	11/01/11	10/25/11	10/25/11	50,000,000	49,998,639	-	49,998,639	-
NATIONAL AUSTRALIA BANK/NEW YORK	04/13/12	10/12/11	10/13/11	20,000,000	20,000,000	-	20,000,000	-
SHEFFIELD RECEIVABLECPABS4	01/11/12	10/12/11	10/12/11	50,000,000	49,954,500	-	49,954,500	-
SOCIETE GENERALE NOCP	11/01/11	10/31/11	10/31/11	50,000,000	49,999,695	-	49,999,695	-
SOCIETE GENERALE NOCP	11/01/11	10/31/11	10/31/11	50,000,000	49,999,695	-	49,999,695	-
SOCIETE GENERALE NOCP	11/01/11	10/31/11	10/31/11	50,000,000	49,999,695	-	49,999,695	-

# TRADING ACTIVITY FOR OCTOBER 2011 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
					\$	\$	\$	\$
<b><i>Buys (continued)</i></b>								
SOCIETE GENERALE NOCP	11/01/11	10/31/11	10/31/11	3,000,000	2,999,982	-	2,999,982	-
STARBIRD FUNDING COCPABS4	10/11/11	10/04/11	10/04/11	18,500,000	18,497,842	-	18,497,842	-
STRAIGHT A FUNDING GOVTAG	10/06/11	10/03/11	10/03/11	34,000,000	33,999,717	-	33,999,717	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/03/11	10/03/11	2,721,667	2,721,667	-	2,721,667	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/05/11	10/05/11	2,857,793	2,857,793	-	2,857,793	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/07/11	10/07/11	4,396,431	4,396,431	-	4,396,431	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/12/11	10/12/11	601,060	601,060	-	601,060	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/13/11	10/13/11	211,457	211,457	-	211,457	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/14/11	10/14/11	2,177,149	2,177,149	-	2,177,149	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/18/11	10/18/11	2,823,315	2,823,315	-	2,823,315	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/19/11	10/19/11	562,407	562,407	-	562,407	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/21/11	10/21/11	6,222,700	6,222,700	-	6,222,700	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/25/11	10/25/11	1,224,844	1,224,844	-	1,224,844	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/27/11	10/27/11	1,082,528	1,082,528	-	1,082,528	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/31/11	10/31/11	1,585,857	1,585,857	-	1,585,857	-
FEDERATED PRIME CASH OBLIGATIONS FUND	10/01/40	10/01/11	10/01/11	25,446	25,446	-	25,446	-
FEDERATED PRIME OBLIGATIONS FUND	10/01/40	10/01/11	10/01/11	28,550	28,550	-	28,550	-
MORGAN STANLEY TRIPARTY	10/04/11	10/03/11	10/03/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/04/11	10/03/11	10/03/11	445,000,000	445,000,000	-	445,000,000	-
MORGAN STANLEY TRIPARTY	10/05/11	10/04/11	10/04/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/05/11	10/04/11	10/04/11	460,000,000	460,000,000	-	460,000,000	-
MORGAN STANLEY TRIPARTY	10/06/11	10/05/11	10/05/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/06/11	10/05/11	10/05/11	560,000,000	560,000,000	-	560,000,000	-
MORGAN STANLEY TRIPARTY	10/07/11	10/06/11	10/06/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/07/11	10/06/11	10/06/11	520,000,000	520,000,000	-	520,000,000	-
MORGAN STANLEY TRIPARTY	10/11/11	10/07/11	10/07/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/11/11	10/07/11	10/07/11	575,000,000	575,000,000	-	575,000,000	-
MORGAN STANLEY TRIPARTY	10/12/11	10/11/11	10/11/11	300,000,000	300,000,000	-	300,000,000	-

### TRADING ACTIVITY FOR OCTOBER 2011 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<i>Buys (continued)</i>					\$	\$	\$	\$
BANK OF AMERICA TRIPARTY	10/12/11	10/11/11	10/11/11	690,000,000	690,000,000	-	690,000,000	-
MORGAN STANLEY TRIPARTY	10/13/11	10/12/11	10/12/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/13/11	10/12/11	10/12/11	650,000,000	650,000,000	-	650,000,000	-
MORGAN STANLEY TRIPARTY	10/14/11	10/13/11	10/13/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/14/11	10/13/11	10/13/11	610,000,000	610,000,000	-	610,000,000	-
MORGAN STANLEY TRIPARTY	10/17/11	10/14/11	10/14/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/17/11	10/14/11	10/14/11	580,000,000	580,000,000	-	580,000,000	-
MORGAN STANLEY TRIPARTY	10/18/11	10/17/11	10/17/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/18/11	10/17/11	10/17/11	615,000,000	615,000,000	-	615,000,000	-
MORGAN STANLEY TRIPARTY	10/19/11	10/18/11	10/18/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/19/11	10/18/11	10/18/11	760,000,000	760,000,000	-	760,000,000	-
BANK OF AMERICA TRIPARTY	10/20/11	10/19/11	10/19/11	720,000,000	720,000,000	-	720,000,000	-
MORGAN STANLEY TRIPARTY	10/20/11	10/19/11	10/19/11	300,000,000	300,000,000	-	300,000,000	-
MORGAN STANLEY TRIPARTY	10/21/11	10/20/11	10/20/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/21/11	10/20/11	10/20/11	690,000,000	690,000,000	-	690,000,000	-
MORGAN STANLEY TRIPARTY	10/24/11	10/21/11	10/21/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/24/11	10/21/11	10/21/11	690,000,000	690,000,000	-	690,000,000	-
MORGAN STANLEY TRIPARTY	10/25/11	10/24/11	10/24/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/25/11	10/24/11	10/24/11	670,000,000	670,000,000	-	670,000,000	-
MORGAN STANLEY TRIPARTY	10/26/11	10/25/11	10/25/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/26/11	10/25/11	10/25/11	265,000,000	265,000,000	-	265,000,000	-
MORGAN STANLEY TRIPARTY	10/27/11	10/26/11	10/26/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/27/11	10/26/11	10/26/11	270,000,000	270,000,000	-	270,000,000	-
MORGAN STANLEY TRIPARTY	10/28/11	10/27/11	10/27/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/28/11	10/27/11	10/27/11	460,000,000	460,000,000	-	460,000,000	-
MORGAN STANLEY TRIPARTY	10/31/11	10/28/11	10/28/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/31/11	10/28/11	10/28/11	570,000,000	570,000,000	-	570,000,000	-
MORGAN STANLEY TRIPARTY	11/01/11	10/31/11	10/31/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/01/11	10/31/11	10/31/11	285,000,000	285,000,000	-	285,000,000	-
<b>Total Buys</b>				<b>18,221,271,204</b>	<b>\$ 18,221,639,511</b>	<b>\$ 263,877</b>	<b>\$ 18,221,903,388</b>	<b>\$ -</b>

# TRADING ACTIVITY FOR OCTOBER 2011 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
					\$	\$	\$	\$
<b>Maturities</b>								
BNP PARIBAS FINANCE, INC,	10/04/11	10/04/11	10/04/11	55,670,000	55,670,000	-	55,670,000	-
BNP PARIBAS FINANCECP	10/24/11	10/24/11	10/24/11	39,000,000	39,000,000	-	39,000,000	-
BNP PARIBAS SACDYAN	10/28/11	10/28/11	10/28/11	200,000,000	200,000,000	-	200,000,000	-
BANK OF TOKYO-MITSUCDYAN	10/05/11	10/05/11	10/05/11	25,000,000	25,000,000	-	25,000,000	-
BANK OF TOKYO-MITSUCDYAN	10/06/11	10/06/11	10/06/11	13,500,000	13,500,000	-	13,500,000	-
CHARIOT FUNDING LLCCPABS4	10/07/11	10/07/11	10/07/11	25,000,000	25,000,000	-	25,000,000	-
CHARIOT FUNDING LLCCPABS4	10/26/11	10/26/11	10/26/11	36,000,000	36,000,000	-	36,000,000	-
CREDIT AGRICOLE NORCP	10/14/11	10/14/11	10/14/11	26,150,000	26,150,000	-	26,150,000	-
FALCON ASSET SECURICPABS4	10/05/11	10/05/11	10/05/11	100,000,000	100,000,000	-	100,000,000	-
GOTHAM FUNDING CORPCPABS4	10/31/11	10/31/11	10/31/11	1,000,000	1,000,000	-	1,000,000	-
HEWLETT-PACKARD CO, CP4-2	10/27/11	10/27/11	10/27/11	215,000,000	215,000,000	-	215,000,000	-
ING (U.S ) FUNDING CP	10/04/11	10/04/11	10/04/11	25,000,000	25,000,000	-	25,000,000	-
ING (U.S ) FUNDING CP	10/14/11	10/14/11	10/14/11	25,000,000	25,000,000	-	25,000,000	-
MIZUHO CORPORATE BACDYAN	10/13/11	10/13/11	10/13/11	45,000,000	45,000,000	-	45,000,000	-
MIZUHO CORPORATE BACDYAN	10/18/11	10/18/11	10/18/11	102,000,000	102,000,000	-	102,000,000	-
RBS FINANCE NV (NORCP)	10/28/11	10/28/11	10/28/11	190,000,000	190,000,000	-	190,000,000	-
SALISBURY RECEIVABLC PABS4-2	10/11/11	10/11/11	10/11/11	100,000,000	100,000,000	-	100,000,000	-
SALISBURY RECEIVABLC PABS4	10/12/11	10/12/11	10/12/11	23,971,000	23,971,000	-	23,971,000	-
SOCIETE GENERALE NOCP	10/03/11	10/03/11	10/03/11	122,000,000	122,000,000	-	122,000,000	-
SOCIETE GENERALE, PCDYAN	10/17/11	10/17/11	10/17/11	150,000,000	150,000,000	-	150,000,000	-
SOCIETE GENERALE, PCDYAN	10/20/11	10/20/11	10/20/11	26,000,000	26,000,000	-	26,000,000	-
SOCIETE GENERALE, PARIS CDYAN .45%	10/07/11	10/07/11	10/07/11	10,000,000	10,000,000	-	10,000,000	-
STARBIRD FUNDING COCPABS4	10/04/11	10/04/11	10/04/11	18,500,000	18,500,000	-	18,500,000	-
STARBIRD FUNDING COCPABS4	10/11/11	10/11/11	10/11/11	18,500,000	18,500,000	-	18,500,000	-
STRAIGHT A FUNDING GOVTAG	10/06/11	10/06/11	10/06/11	34,000,000	34,000,000	-	34,000,000	-
TOYOTA MOTOR CREDIT CP	10/03/11	10/03/11	10/03/11	75,000,000	75,000,000	-	75,000,000	-
WINDMILL FUNDING COCPABS4	10/04/11	10/04/11	10/04/11	5,000,000	5,000,000	-	5,000,000	-
MORGAN STANLEY TRIPARTY	10/03/11	10/03/11	10/03/11	300,000,000	300,000,000	-	300,000,000	-

## TRADING ACTIVITY FOR OCTOBER 2011 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<i>Maturities (continued)</i>					\$	\$	\$	\$
BANK OF AMERICA TRIPARTY	10/03/11	10/03/11	10/03/11	290,000,000	290,000,000	-	290,000,000	-
MORGAN STANLEY TRIPARTY	10/04/11	10/04/11	10/04/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/04/11	10/04/11	10/04/11	445,000,000	445,000,000	-	445,000,000	-
MORGAN STANLEY TRIPARTY	10/05/11	10/05/11	10/05/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/05/11	10/05/11	10/05/11	460,000,000	460,000,000	-	460,000,000	-
MORGAN STANLEY TRIPARTY	10/06/11	10/06/11	10/06/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/06/11	10/06/11	10/06/11	560,000,000	560,000,000	-	560,000,000	-
MORGAN STANLEY TRIPARTY	10/07/11	10/07/11	10/07/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/07/11	10/07/11	10/07/11	520,000,000	520,000,000	-	520,000,000	-
MORGAN STANLEY TRIPARTY	10/11/11	10/11/11	10/11/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/11/11	10/11/11	10/11/11	575,000,000	575,000,000	-	575,000,000	-
MORGAN STANLEY TRIPARTY	10/12/11	10/12/11	10/12/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/12/11	10/12/11	10/12/11	690,000,000	690,000,000	-	690,000,000	-
MORGAN STANLEY TRIPARTY	10/13/11	10/13/11	10/13/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/13/11	10/13/11	10/13/11	650,000,000	650,000,000	-	650,000,000	-
MORGAN STANLEY TRIPARTY	10/14/11	10/14/11	10/14/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/14/11	10/14/11	10/14/11	610,000,000	610,000,000	-	610,000,000	-
MORGAN STANLEY TRIPARTY	10/17/11	10/17/11	10/17/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/17/11	10/17/11	10/17/11	580,000,000	580,000,000	-	580,000,000	-
MORGAN STANLEY TRIPARTY	10/18/11	10/18/11	10/18/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/18/11	10/18/11	10/18/11	615,000,000	615,000,000	-	615,000,000	-
MORGAN STANLEY TRIPARTY	10/19/11	10/19/11	10/19/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/19/11	10/19/11	10/19/11	760,000,000	760,000,000	-	760,000,000	-
BANK OF AMERICA TRIPARTY	10/20/11	10/20/11	10/20/11	720,000,000	720,000,000	-	720,000,000	-
MORGAN STANLEY TRIPARTY	10/20/11	10/20/11	10/20/11	300,000,000	300,000,000	-	300,000,000	-
MORGAN STANLEY TRIPARTY	10/21/11	10/21/11	10/21/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/21/11	10/21/11	10/21/11	690,000,000	690,000,000	-	690,000,000	-
MORGAN STANLEY TRIPARTY	10/24/11	10/24/11	10/24/11	300,000,000	300,000,000	-	300,000,000	-



# TRADING ACTIVITY FOR OCTOBER 2011 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Maturities (continued)</b>					\$	\$	\$	\$
BANK OF AMERICA TRIPARTY	10/24/11	10/24/11	10/24/11	690,000,000	690,000,000	-	690,000,000	-
MORGAN STANLEY TRIPARTY	10/25/11	10/25/11	10/25/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/25/11	10/25/11	10/25/11	670,000,000	670,000,000	-	670,000,000	-
MORGAN STANLEY TRIPARTY	10/26/11	10/26/11	10/26/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/26/11	10/26/11	10/26/11	265,000,000	265,000,000	-	265,000,000	-
MORGAN STANLEY TRIPARTY	10/27/11	10/27/11	10/27/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/27/11	10/27/11	10/27/11	270,000,000	270,000,000	-	270,000,000	-
MORGAN STANLEY TRIPARTY	10/28/11	10/28/11	10/28/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/28/11	10/28/11	10/28/11	460,000,000	460,000,000	-	460,000,000	-
MORGAN STANLEY TRIPARTY	10/31/11	10/31/11	10/31/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	10/31/11	10/31/11	10/31/11	570,000,000	570,000,000	-	570,000,000	-
<b>Total Maturities</b>				<b>18,796,291,000</b>	<b>\$ 18,796,291,000</b>	<b>\$ -</b>	<b>\$ 18,796,291,000</b>	<b>\$ -</b>
<b>Sells</b>								
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/04/11	10/04/11	2,313,623	2,313,623	-	2,313,623	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/06/11	10/06/11	5,898,623	5,898,623	-	5,898,623	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/11/11	10/11/11	984,717	984,717	-	984,717	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/17/11	10/17/11	712,510	712,510	-	712,510	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/17/11	10/17/11	461,061	461,061	-	461,061	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/17/11	10/17/11	408,044	408,044	-	408,044	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/17/11	10/17/11	2,857,793	2,857,793	-	2,857,793	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/17/11	10/17/11	393,282	393,282	-	393,282	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/20/11	10/20/11	4,003,149	4,003,149	-	4,003,149	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/20/11	10/20/11	1,196,810	1,196,810	-	1,196,810	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/24/11	10/24/11	4,981,970	4,981,970	-	4,981,970	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/26/11	10/26/11	449,230	449,230	-	449,230	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/28/11	10/28/11	601,060	601,060	-	601,060	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/28/11	10/28/11	175,772	175,772	-	175,772	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/28/11	10/28/11	-	-	-	-	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/28/11	10/28/11	1,240,730	1,240,730	-	1,240,730	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	10/28/11	10/28/11	1,224,844	1,224,844	-	1,224,844	-
<b>Total Sells</b>				<b>27,903,217</b>	<b>\$ 27,903,217</b>	<b>\$ -</b>	<b>\$ 27,903,217</b>	<b>\$ -</b>

# FUND B

## FUND B FACTS

### INVESTMENT OBJECTIVE

Fund B's primary objective is to maximize the present value of distributions from the Fund.

### COMPOSITION

Fund B principally consists of Segregated Securities, which are securities originally purchased for the LGIP that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; (4) experienced elevated market illiquidity; or (5) did not meet the criteria of the nationally recognized statistical rating organization (NRSRO) that provides Florida PRIME's AAAM rating.

### DISTRIBUTIONS

Participants in Fund B will receive periodic distributions to the extent that Fund B receives proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken.

### ACCOUNTING

Fund B is accounted for as a fluctuating NAV pool, not a 2a-7-like money market fund. That is, accounting valuations reflect estimates of the market value of securities rather than their amortized cost.

### STATUS OF INVESTMENTS

Florida East and West: Restructured from KKR and receiving principal and interest.

Florida Funding I: Restructured from Ottimo (Issuer Entity) and receiving principal and interest.

Florida Funding II: Restructured from Axon and receiving principal and interest.

## COMMENTARY ON PORTFOLIO MANAGEMENT

All cash from paydowns on securities in Fund B are invested in overnight securities, repurchase agreements, overnight time deposits or commercial paper pending monthly distribution to participant accounts in Florida PRIME. This month, \$4.8 million in liquid assets were transferred from Fund B to Florida PRIME, consisting of principal paydowns and income from the securities in the Fund.

The investment team continually analyzes the bonds in each portfolio, comparing estimated defaults and estimated cumulative net losses to an historical loss-timing curve. Many different factors in the domestic and global economies can affect both the securities and the underlying bonds. Some of the factors will contribute positively while others may have adverse consequences. The SBA and Stone Tower Capital's investment team will continue to employ prudent risk mitigation strategies in order to maximize the present value of distributions from Fund B with a primary focus on the restoration of principal.

## LEGAL ISSUE

As an ongoing legal matter, the SBA asserts Lehman Brothers (which is now in liquidation) sold the SBA certain unregistered secured notes that were not exempt from registration under the Securities Act of 1933. The Lehman Trustee has not yet responded to the SBA's general creditor claim on behalf of Fund B as to whether the Lehman estate will have any assets available for recovery. The Trustee's latest reports have stated that "returns to general estate creditors will be limited at best." However, the secured notes sold by Lehman Brothers were secured by certain collateral. Fund B has been receiving and is expected to continue receiving monetary distributions of principal and interest from that underlying collateral.

The SBA will promptly disclose any future developments as they become matters of public record.

## DISCLOSURE OF MATERIAL IMPACTS

There were no developments during October 2011 that had a material impact on the liquidity or operation of Fund B.



# FUND B

## FUND B DISTRIBUTIONS

### RETURN OF FUND B PRINCIPAL

The first table below details the SBA's progress in returning principal to investors in Fund B. Through the end of October 2011, investors cumulatively received distributions from Fund B totaling nearly \$1.70 billion or 84.4% of their original balances.

The securities remaining in Fund B are legacy items from the four issuers whose financial circumstances gave rise to the November 2007 run (as well as overnight instruments temporarily holding fund earnings). As of October 31, 2011, their remaining amortized cost was \$518.4 million,

or 69.4% more than remaining participant positions in Fund B. Conversely, the current estimated liquidation (market) value of these securities is pegged at \$237.3 million or 75.5% of remaining participant positions.

It is important to note that due to the lack of an actively traded market for Fund B securities, their "market value" is an estimate of current liquidation value that has been determined through a collaborative process among various pricing experts and sources in the marketplace. See footnote 1 on page 22.

### FUND B DISTRIBUTIONS TO PARTICIPANTS

	Distributions to Participants	Cumulative Distributions	Participant Principal	Proportion of Original Principal Returned
12/05/07	\$	\$	\$ 2,009,451,941	0.0%
CY 2008	\$ 1,421,900,000	\$ 1,421,900,000	\$ 587,551,941	70.8%
CY 2009	\$ 89,100,000	\$ 1,511,000,000	\$ 498,451,941	75.2%
CY 2010	\$ 135,100,000	\$ 1,646,100,000	\$ 363,351,941	81.9%
01/07/11	\$ 4,600,000	\$ 1,650,700,000	\$ 358,751,941	82.1%
02/08/11	\$ 5,675,000	\$ 1,656,375,000	\$ 353,076,941	82.4%
03/07/11	\$ 4,525,000	\$ 1,660,900,000	\$ 348,551,941	82.7%
04/07/11	\$ 5,100,000	\$ 1,666,000,000	\$ 343,451,941	82.9%
05/09/11	\$ 5,100,000	\$ 1,671,100,000	\$ 338,351,941	83.2%
06/08/11	\$ 4,300,000	\$ 1,675,400,000	\$ 334,051,941	83.4%
07/07/11	\$ 4,600,000	\$ 1,680,000,000	\$ 329,451,941	83.6%
08/05/11	\$ 5,825,000	\$ 1,685,825,000	\$ 323,626,941	83.9%
09/09/11	\$ 4,475,000	\$ 1,690,300,000	\$ 319,151,941	84.1%
10/06/11	\$ 4,800,000	\$ 1,695,100,000	\$ 314,351,941	84.4%

### FUND B MONTHLY DISTRIBUTION DETAIL

October 2011 Distribution Detail Including Receipts by Source For the period 9/9/11 - 10/5/11	Fund B	
	Participant Allocation	Expense Allocation
Beginning Balance	\$ -	\$ 73,237.04
Receipts:		
Florida East	\$ 1,171,532.08	
Florida West	\$ 1,878,705.22	
Florida Funding I	\$ 604,070.24	
Florida Funding II	\$ 1,159,272.77	
Overnight Investments	\$ 0.04	
Total Receipts	\$ 4,813,580.35	
Distributions:		
Allocation to/from Expense Reserve	\$ (13,580.35)	\$ 13,580.35
Expenses Paid		\$ (14,878.44)
Participant Distribution	\$ (4,800,000.00)	
Ending Balance	\$ -	\$ 71,938.95

# FUND B

## INVENTORY OF HOLDINGS - AS OF OCTOBER 31, 2011

Security Name	Type	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND		4,839,930	0.00	\$ 4,839,930	\$ 4,839,930	\$ -
Florida East Funding LLC	VARIABLE RATE TERM NOTE	10/26/11	84,618,317	0.60	\$ 84,618,317	\$ 53,578,466	\$ (31,039,851)
Florida West Funding LLC	VARIABLE RATE TERM NOTE	10/26/11	192,135,992	0.60	\$ 192,135,992	\$ 94,828,596	\$ (97,307,396)
Florida Funding I LLC	VARIABLE RATE TERM NOTE	10/31/11	125,479,383	0.44	\$ 125,479,383	\$ 26,322,597	\$ (99,156,786)
Florida Funding II LLC	VARIABLE RATE COMMERCIAL PAPER	10/31/11	111,362,337	0.78	\$ 111,353,457	\$ 57,702,868	\$ (53,650,589)
<b>Total Value of Investments</b>			<b><u>518,435,959</u></b>		<b><u>\$ 518,427,079</u></b>	<b><u>\$ 237,272,457</u></b>	<b><u>\$ (281,154,622)</u></b>

### Notes:

<sup>1</sup> Due to the lack of an actively traded market for Fund B securities, the "market value" is an estimate of current liquidation value that has been determined through a collaborative process among various pricing experts and sources in the marketplace. Although the estimate represents an attempt to reasonably reflect the stressed market conditions that currently exist, the amount actually realized if the securities were liquidated at this time could be more or less than the estimate. Moreover, these estimates of current market value may not be predictive of the ultimate amount likely to be realized from these securities. Fund B's investment objective is to maximize the present value of distributions to participants. If, in the judgment of the portfolio manager, fair value exceeds liquidation value at points in the future, then complete or partial liquidations of securities could be deferred for an extended period of time; e.g., a seven- to nine-year horizon for complete termination or self-liquidation of Fund B.

<sup>2</sup> Amortized cost is calculated using a straight line method.

The securities held in Fund B result from workouts of the LGIP's original holdings from 4 issuers – Axon, KKR Atlantic, KKR Pacific and Ottimo. The purpose of Fund B is to maximize the present value of distributions to participants through a prudent workout with an ultimate goal of liquidation. As a result, the maturity dates of each holding in Fund B will be dependent on the maturity date or earlier liquidation, if prudent, of the collateral securities underlying each of these holdings and will be contingent upon future market conditions and other factors.

The portfolio manager, Stone Tower Capital, is the source for data shown above other than market value. See note 1.

The amounts shown above are the value of investments. Income accruals, payables and uninvested cash are not included. The data is unaudited.

# FUND B

## COMPLIANCE AND TRADING ACTIVITY

### COMPLIANCE WITH INVESTMENT POLICY - OCTOBER 2011

Test by Source	Pass/Fail
<b>Fund B's Investment Policy</b>	
Securities must be USD denominated.	Pass
<b>Ratings requirements</b>	
Fund B purchased exclusively first-tier securities during the reporting period.	Pass
Securities purchased that do not have short-term ratings must have a long-term rating in one of the three highest long-term rating categories.	Pass
Commercial Paper must be rated by at least one short-term NRSRO.	Pass
<b>Maturity</b>	
Securities purchased by Fund B, excluding Government floating rate notes/variable rate notes, did not have a maturity in excess of 397 days.	Pass
Government floating rate notes/variable rate notes purchased by Fund B did not have a maturity in excess of 762 days.	Pass
<b>Money Market Mutual Funds</b>	
Fund B only purchased pre-approved mutual funds during the reporting period.	Pass
<b>Repurchase Agreements</b>	
The minimum Repurchase Agreement Counterparty Rating is A-1.	Pass

Note: In the Trading Activity table below, the gain reflected on the sales from Florida Funding II is an accounting gain. The original Axon Financial Funding LLC security was purchased at a discount and was deemed "in default" prior to the original maturity date. At the point of becoming "in default," amortization of the discount was terminated thus leaving the cost of the security less than par. Any principal payment received at par will result in recognition of a gain, calculated as Proceeds less Cost Basis of the par value being sold.

### TRADING ACTIVITY - OCTOBER 2011

Security Description	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Buys</b>							
DREYFUS GOVERNMENT CASH MANAGEMENT	10/03/11	10/03/11	21,439	21,439	0	21,439	0
DREYFUS GOVERNMENT CASH MANAGEMENT	10/04/11	10/04/11	0	0	0	0	0
DREYFUS GOVERNMENT CASH MANAGEMENT	10/28/11	10/28/11	4,769,183	4,769,183	0	4,769,183	0
<b>Total Buys</b>			<b>4,790,622</b>	<b>4,790,622</b>	<b>0</b>	<b>4,790,622</b>	<b>0</b>
<b>Sells</b>							
FLORIDA FUNDING I LLC	10/28/11	10/28/11	723,721	723,721	0	723,721	0
FLORIDA EAST FUNDING LLC	10/28/11	10/28/11	952,101	952,101	0	952,101	0
FLORIDA WEST FUNDING LLC	10/28/11	10/28/11	1,432,183	1,432,183	0	1,432,183	0
FLORIDA FUNDING II	10/28/11	10/28/11	1,422,132	1,422,132	0	1,422,132	113
DREYFUS GOVERNMENT CASH MANAGEMENT	10/05/11	10/05/11	4,800,000	4,800,000	0	4,800,000	0
DREYFUS GOVERNMENT CASH MANAGEMENT	10/19/11	10/19/11	1,192	1,192	0	1,192	0
<b>Total Sells</b>			<b>9,331,329</b>	<b>9,331,329</b>	<b>0</b>	<b>9,331,329</b>	<b>113</b>

## Our Mission

The SBA is committed to providing superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards.



STATE BOARD OF ADMINISTRATION  
[WWW.SBAFLA.COM](http://WWW.SBAFLA.COM)

## **Attachment 4C**



# Monthly Summary Report for November 2011

Including Fund B

State Board of Administration

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#### Past performance is no guarantee of future results.

Views are as of the issue date and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security.

An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in this fund.

## INTRODUCTION

This report is prepared for stakeholders in Florida PRIME and Fund B in accordance with Section 218.409(6)(a), Florida Statutes. The statute requires:

- (1) Reporting of any material impacts on the funds and any actions or escalations taken by staff to address such impacts;
- (2) Presentation of a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last month; and
- (3) Preparation of the management summary “in a manner that will allow anyone to ascertain whether the investment activities during the reporting period have conformed to investment policies.”

This report, which covers the period from November 1, 2011 through November 30, 2011, has been prepared by the SBA with input from Federated Investment Counseling (“Federated”), investment adviser for the funds, in a format intended to comply with the statute.

During the reporting period, Florida PRIME and Fund B were in material compliance with investment policy. Details are available in the compliance tables in the body of this report. This report also includes details on market conditions; fees; fund holdings, transactions and performance; and client composition.

### DISCLOSURE OF MATERIAL IMPACTS

There were no developments during November 2011 that had a material impact on the liquidity or operation of Florida PRIME.

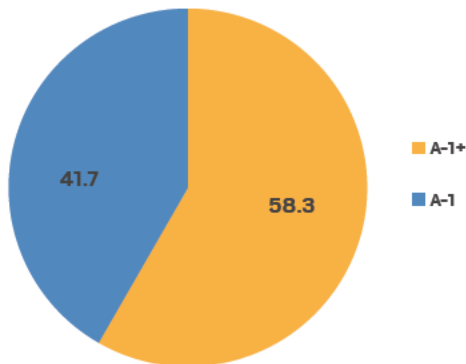


## PORTFOLIO COMPOSITION NOVEMBER 30, 2011

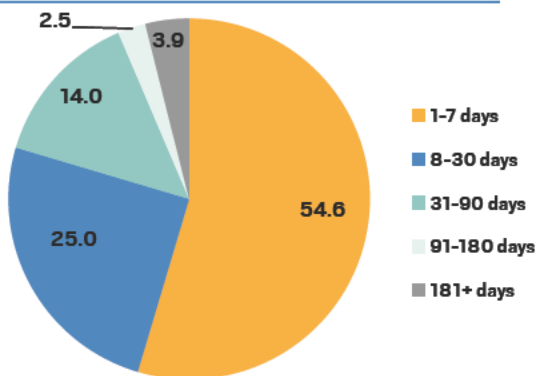
### Florida PRIME Assets

\$ 6,345,815,437

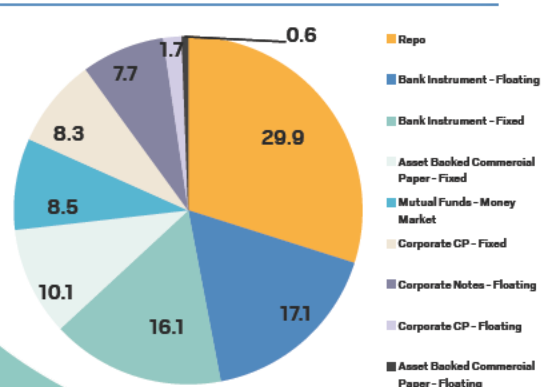
### Credit Quality Composition (%)



### Effective Maturity Schedule (%)



### Portfolio Composition (%)



## PORTFOLIO MANAGER COMMENTARY

### NOVEMBER 2011 MARKET CONDITIONS

Short-term interest rates rose over the month in response to a tightening of liquidity and credit conditions in Europe, as the region's long sovereign debt crisis entered a new and more worrisome phase. Though we would welcome a comprehensive solution, the euro-zone crisis nonetheless can work to the advantage of savers by boosting short-term yields. During November, the one-month London Interbank Offered Rate (LIBOR) rose 2.6 basis points to 0.27%, three-month LIBOR jumped 9.9 basis points to 0.53%, six-month LIBOR soared 12.9 basis points to 0.75%, and one-year LIBOR moved up by 13.5 basis points to 1.07%.

Cash investors are tracking more than just developments in Europe. But in stark contrast to the global financial crisis in 2008 and the near-technical default on Treasury securities last summer, the failure of America's so-called Super Committee to reach agreement on at least \$1.2 trillion in spending cuts and/or revenue increases to the federal budget had minimal impact on short-term funding markets, probably because the outcome already had been discounted. Longer-term, the continued inability of lawmakers to put fiscal policy on a sustainable path could further undermine the U.S. credit rating, which was put on negative watch by Fitch this month after being lowered one notch by Standard & Poor's last summer.

Meanwhile, the Federal Reserve continued to sell a portion of its massive short-term Treasury position as part of "Operation Twist," which the central bank launched in September to bring down intermediate- and longer-dated yields. Subsequent Fed auctions have been vastly oversubscribed, however, and thus have exerted little or no upward pressure on cash rates. With U.S. monetary policy on hold for the foreseeable future—and with year-end technical factors set to exert downward pressure on yields at the extreme short end of the cash curve—we sought to opportunistically lengthen maturities by moving into sectors where we found value.

We continue to closely monitor developments in Europe and, at this time, remain comfortable with our credit exposures. The coordinated actions taken by six large central banks on November 30 to provide the global financial system with dollar liquidity at a cheaper price is strongly positive since it indicates that policymakers recognize the severity of the euro-zone situation and are prepared to take whatever steps are necessary to avoid a repeat of the credit freeze



NOVEMBER 30, 2011

### Top Holdings (%) and Average Maturity

1. Rabobank Nederland NV, Utrecht	5.0%
2. Deutsche Bank AG	5.0%
3. Royal Bank of Canada, Montreal	4.4%
4. Federated Prime Obligations Fund	4.3%
5. Bank of Montreal	4.3%
6. Amsterdam Funding Corp.	4.3%
7. Mitsubishi UFJ Financial Group, Inc.	4.2%
8. ING Groep N.V.	4.2%
9. Credit Suisse Group AG	4.1%
10. Federated Prime Cash Obligations Fund	3.9%

### Average Effective Maturity (WAM)

28.8 Days

### Weighted Average Life (Spread WAM)

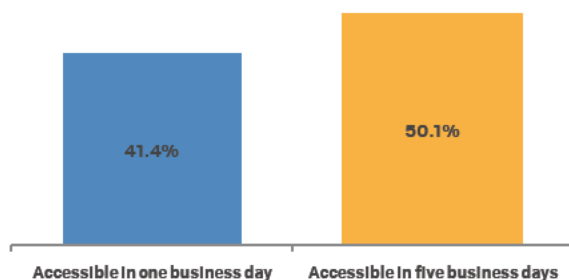
68.5 Days

Percentages based on total value of investments

Federated's conservative stance on managing and monitoring every security within its money market portfolios has resulted in extensive and continuous review of exposures to European senior bank debt. Since the extent of the sovereign debt crisis was first uncovered in 2010, this process has led portfolio management to shorten maturities, downgrade certain names and to eliminate others from its list of investable securities. Because all of these securities roll over at short intervals, Federated is able to quickly address its exposures to any security.

[Click for more on Federated's process](#)

### Highly Liquid Holdings (% at month end)



### PORTFOLIO MANAGER COMMENTARY (CON'T.)

that accompanied the September 2008 bankruptcy of Lehman Brothers. Though the liquidity injection does not bridge the deep political chasm that continues to separate creditor and debtor countries in the euro zone, we are encouraged that in addition to the strong policy response overseas, the U.S. economy appears to have regained a meaningful degree of traction in recent weeks, with housing, manufacturing and employment all showing at least modest improvement. Economic healing in the United States is a prerequisite for the normalization of domestic interest rates, which now have been within the unprecedented low range of zero to 0.25% for three consecutive years.

### PORTFOLIO INVESTMENT STRATEGY

During November, portfolio assets increased by \$810 million, totaling \$6.3 billion at the end of the month, reflecting seasonal inflows. The pool's weighted average maturity increased by two days to 29 days and its weighted average life increased by one day to 68 days.

The pool's gross yield, however, was diminished slightly by one basis point at month-end due to the sizeable seasonal cash flow that came into the pool late in the month. These large inflows are typically invested in the repurchase agreement (repo) market until fund management is able to invest the funds in other securities.

The composition of the pool changed as a result of the significant increase in its repo position at month-end. Specifically, the portfolio's repo holdings were up by 19% to reach 30%, bank paper was down 19% to 16%, government paper holdings were at 2%, a decrease of 1%, money market funds were down 1%, representing 10% of the portfolio. The pool's position in variable rate holdings increased by 2% to reach 24%.

As noted in the commentary above, LIBOR increased during November across the cash yield curve, indicative of the higher levels of investable securities for Florida PRIME. In addition to its large allocation to the repo market at month-end, the majority of additional purchases by pool management were in 30- to 90-day asset backed commercial paper. Management added to the pool's variable rate position by purchasing longer-term variable rate bank paper.

## CASH FLOWS

Summary of Cash Flows	
November 2011	Florida PRIME
Opening Balance (11/1/11)	\$ 5,535,994,930
Participant Deposits	1,862,384,306
Transfers from Fund B	4,750,000
Gross Earnings	1,312,503
Participant Withdrawals	(1,058,510,520)
Fees	(115,782)
Closing Balance (11/30/11)	\$ 6,345,815,437
Net Change over Month	809,820,507

Valuations based on amortized cost

As shown in the table above, Florida PRIME experienced a net inflow of \$809.8 million during November 2011.

This change in value consisted of positive flows of \$1.86 billion in participant deposits, \$4.8 million in transfers from Fund B and \$1.3 million in earnings. Negative flows consisted of \$1.06 billion in participant withdrawals and about \$116,000 in fees.

Overall, the fund ended the month with a closing balance of \$6.35 billion.

## FLORIDA PRIME DETAILED FEE DISCLOSURE

Charges for November 2011	Amount	Basis Point Equivalent*
SBA Client Service, Account Mgt. & Fiduciary Oversight Fee	\$ 27,425.23	0.55
Federated Investment Management Fee	73,894.81	1.49
BNY Mellon Custodial Fee	116.67	0.00
Bank of America Transfer Agent Fee	5,834.01	0.12
S&P Rating Maintenance Fee	3,205.48	0.06
Audit/External Review Fees	5,305.56	0.11
<b>Total Fees</b>	<b>\$ 115,781.76</b>	<b>2.34</b>

\*The basis point equivalent is an annualized rate based on the dollar amount of fees charged for the month times 12, divided by an average of the fund's beginning and ending total value (amortized cost) for the month which was \$5,940,905,184.

## OPT OUT OF RECEIVING PAPER ACCOUNT STATEMENTS



FLORIDA PRIME INVESTORS ARE NOW ABLE TO OPT OUT OF RECEIVING PAPER MAILINGS EACH MONTH AND CAN INSTEAD GENERATE AND DOWNLOAD ELECTRONIC PDFs OF THEIR MONTHLY ACCOUNT STATEMENTS.

THIS CHANGE WILL SPEED UP RECEIPT OF MONTHLY STATEMENTS AND REDUCE POOL EXPENSES, HELPING TO KEEP COSTS LOW FOR ALL INVESTORS. IT WILL ALSO HELP PROTECT THE ENVIRONMENT.

JUST CLICK ON YOUR ACCOUNT STATEMENT TAB TO MAKE THIS ELECTION.

## FUND PERFORMANCE THROUGH NOVEMBER 30, 2011

### NOTES TO PERFORMANCE TABLE

<sup>1</sup>Net of fees. Participant yield is calculated on a 365-day basis and includes adjustments for expenses and other accounting items to reflect realized earnings by participants.

<sup>2</sup>The net-of-fee benchmark is the S&P AAA/AA Rated GIP All 30-Day Net Index for all time periods.

Net asset value includes investments at market value, plus all cash, accrued interest receivable and payables.

### Florida PRIME Participant Performance Data

	Net Participant Yield <sup>1</sup>	Net-of-Fee Benchmark <sup>2</sup>	Above (Below) Benchmark
1 mo	0.26%	0.08%	0.18%
3 mos	0.25%	0.07%	0.18%
12 mos	0.25%	0.10%	0.15%
3 yrs	0.39%	0.28%	0.11%
5 yrs	1.83%	1.74%	0.08%
10 yrs	2.21%	2.00%	0.21%
Since 1.96	3.43%	3.21%	0.22%
Net asset value at month end:			\$6,345.5 m

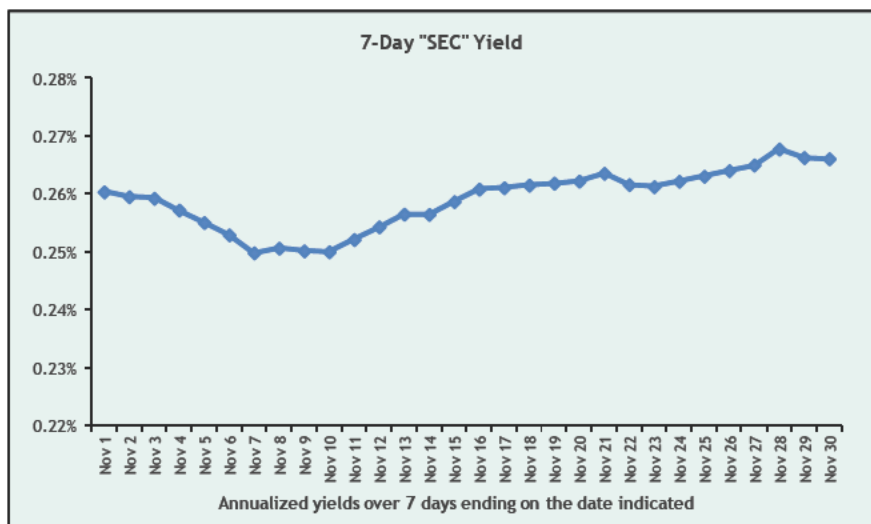
### NOTES TO CHART

The 7-Day "SEC" Yield in the chart is calculated in accordance with the yield methodology set forth by SEC rule 2a-7 for money market funds.

The 7-day yield = net income earned over a 7-day period / average units outstanding over the period / 7 times 365.

Note that unlike other performance measures, the SEC yield does not include realized gains and losses from sales of securities.

### Florida PRIME 7-Day "SEC" Yields During the Month



For performance comparisons to other short-term investment options, see [www.sbafla.com/prime](http://www.sbafla.com/prime) and click on "Pool Performance."

### ABOUT ANNUALIZED YIELDS

Performance data in the table and chart is annualized, meaning that the amounts are based on yields for the periods indicated, converted to their equivalent if obtained for a 12-month period.

For example, ignoring the effects of compounding,

an investment that earns 0.10% over a 1-month period yields 1.20% on an annualized basis. Likewise, an investment that earns a total of 3.60% over three years yields 1.20% on an annualized basis, ignoring compounding.

**INVENTORY OF HOLDINGS  
NOVEMBER 30, 2011**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Alpine Securitization Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		12/20/11		55,000,000	0.20	\$ 54,993,889	\$ 54,995,171	\$ 1,282
Amsterdam Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		12/16/11		150,000,000	0.25	\$ 149,983,333	\$ 149,988,540	\$ 5,207
Amsterdam Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		12/20/11		45,427,000	0.25	\$ 45,420,691	\$ 45,418,167	\$ (2,524)
Amsterdam Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		12/27/11		100,000,000	0.26	\$ 99,980,500	\$ 99,980,500	\$ -
Australia & New Zealand Banking Group, Melbourne, May 04, 2012	VARIABLE RATE COMMERCIAL PAPER - 4-2	0.40	05/04/12	12/05/11	100,000,000	0.40	\$ 100,000,000	\$ 99,999,800	\$ (200)
Bank of America N.A. Triparty Repo Overnight Fixed	REPO TRIPARTY OVERNIGHT FIXED	0.14	12/01/11		1,200,000,000	0.14	\$ 1,200,000,000	\$ 1,200,000,000	\$ -
Bank of Montreal, Jan 10, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.34	01/10/12	12/12/11	20,000,000	0.34	\$ 20,000,000	\$ 19,996,080	\$ (3,920)
Bank of Montreal, Sep 14, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.40	09/14/12	12/14/11	250,000,000	0.40	\$ 250,000,000	\$ 249,900,750	\$ (99,250)
Bank of Nova Scotia, Toronto, May 08, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.40	05/08/12	12/08/11	50,000,000	0.40	\$ 50,000,000	\$ 49,998,700	\$ (1,300)
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.32	12/02/11		200,000,000	0.32	\$ 200,000,000	\$ 200,001,100	\$ 1,100
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.32	12/08/11		70,000,000	0.32	\$ 70,000,000	\$ 70,001,554	\$ 1,554
Barclays Bank PLC CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.41	01/06/12		75,000,000	0.42	\$ 75,000,000	\$ 75,008,453	\$ 8,453
Barclays Bank PLC, Jan 27, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.68	01/27/12	12/28/11	150,000,000	0.69	\$ 150,000,000	\$ 150,025,050	\$ 25,050

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)**  
**NOVEMBER 30, 2011**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Commonwealth Bank of Australia, Dec 08, 2011	VARIABLE RATE COMMERCIAL PAPER	0.39	12/08/11	12/08/11	10,000,000	0.39	\$ 10,000,000	\$ 9,999,790	\$ (210)
Credit Suisse, Zurich CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.38	02/10/12		50,000,000	0.39	\$ 50,000,000	\$ 49,985,955	\$ (14,045)
Credit Suisse, Zurich, Jun 08, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.34	06/08/12	12/08/11	200,000,000	0.31	\$ 200,000,000	\$ 199,999,000	\$ (1,000)
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.40	01/23/12		200,000,000	0.41	\$ 200,000,000	\$ 199,981,820	\$ (18,180)
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.41	12/28/11		116,000,000	0.41	\$ 116,000,901	\$ 116,007,192	\$ 6,291
Deutsche Bank Securities, Inc. REP3P	REPO TRPARTY OVERNIGHT FXED	0.15	12/01/11		700,000,000	0.15	\$ 700,000,000	\$ 700,000,000	\$ -
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND	0.01	12/01/11		10,897,927	0.01	\$ 10,897,927	\$ 10,897,927	\$ -
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		01/03/12		5,000,000	0.36	\$ 4,998,347	\$ 4,999,122	\$ 775
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		04/02/12		7,000,000	0.43	\$ 6,989,873	\$ 6,988,017	\$ (1,856)
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		12/02/11		15,310,000	0.28	\$ 15,309,762	\$ 15,309,890	\$ 128
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		01/20/12		1,700,000	0.26	\$ 1,699,374	\$ 1,699,276	\$ (98)
Fairway Finance Co. LLC, Jan 11, 2012	VARIABLE RATE COMMERCIAL PAPER - ABS-4(2)	0.26	01/11/12	12/12/11	40,000,000	0.26	\$ 40,000,000	\$ 39,999,480	\$ (520)
Federated Prime Cash Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.17	12/01/11	12/01/11	250,966,245	0.19	\$ 250,966,245	\$ 250,966,245	\$ -

See notes at end of table.



**INVENTORY OF HOLDINGS (CONTINUED)**  
**NOVEMBER 30, 2011**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Federated Prime Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.18	12/01/11	12/01/11	276,301,733	0.17	\$ 276,301,733	\$ 276,301,733	\$ -
General Electric Capital Corp. CP	COMMERCIAL PAPER		02/15/12		10,000,000	0.20	\$ 9,995,722	\$ 9,997,113	\$ 1,391
General Electric Capital Corp., Jul 27, 2012	VARIABLE MEDIUM TERM NOTE	0.59	07/27/12	01/27/12	10,000,000	0.60	\$ 9,999,046	\$ 10,003,490	\$ 4,444
General Electric Capital Corp., Jul 27, 2012	VARIABLE MEDIUM TERM NOTE	0.59	07/27/12	01/27/12	2,100,000	0.61	\$ 2,099,822	\$ 2,100,733	\$ 911
General Electric Capital Corp., Note, 3.500%, 08/13/2012	CORPORATE BOND	3.50	08/13/12		50,000,000	0.56	\$ 51,025,922	\$ 50,981,450	\$ (44,472)
General Electric Capital, Series MTNA, 6%, 6/15/2012	CORPORATE BOND	6.00	06/15/12		3,760,000	0.51	\$ 3,871,029	\$ 3,865,321	\$ (5,708)
General Electric Capital, Series MTNA, 6%, 6/15/2012	CORPORATE BOND	6.00	06/15/12		3,000,000	0.66	\$ 3,086,310	\$ 3,084,033	\$ (2,277)
General Electric Capital, Series MTNA, 6%, 6/15/2012	CORPORATE BOND	6.00	06/15/12		10,000,000	0.66	\$ 10,287,591	\$ 10,280,110	\$ (7,481)
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		12/01/11		100,000,000	0.33	\$ 99,999,083	\$ 99,999,500	\$ 417
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		12/06/11		170,000,000	0.35	\$ 169,990,367	\$ 169,994,900	\$ 4,533
JPMorgan Chase & Co., Floating Rate Note, Series MTN, 2/22/2012	CORPORATE BOND	0.58	02/22/12	02/22/12	1,000,000	0.51	\$ 1,000,168	\$ 1,000,763	\$ 595
Market Street Funding LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		02/15/12		25,000,000	0.23	\$ 24,987,701	\$ 24,992,460	\$ 4,759
Michigan State Hospital Finance Authority, (Henry Ford Health System, MI), (Series 2007), 11/15/2042	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.11	11/15/42	12/07/11	53,900,000	0.11	\$ 53,900,000	\$ 53,900,000	\$ -

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)**  
**NOVEMBER 30, 2011**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Mizuho Corporate Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.32	12/15/11		30,000,000	0.32	\$ 30,000,000	\$ 30,001,248	\$ 1,248
Mizuho Funding LLC CP4-2	COMMERCIAL PAPER - 4-2		02/13/12		200,000,000	0.45	\$ 199,816,667	\$ 199,814,580	\$ (2,087)
Mullenix-St. Charles Properties, L.P., Times Centre Apartments Project Series 2004, Jan 01, 2028	VARIABLE RATE DEMAND NOTE	0.23	01/01/28	12/01/11	13,500,000	0.23	\$ 13,500,000	\$ 13,500,000	\$ -
National Australia Bank Ltd., Melbourne, Apr 13, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.40	04/13/12	12/13/11	20,000,000	0.40	\$ 20,000,000	\$ 19,999,920	\$ (80)
New York City, NY Municipal Water Finance Authority, (Senior Revenue Bonds) (Fiscal 2008 Series B-3), 06/15/2025	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.15	06/15/25	12/01/11	92,360,000	0.15	\$ 92,360,000	\$ 92,360,000	\$ -
Rabobank Nederland NV, Utrecht, Apr 02, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.37	04/02/12	12/02/11	200,000,000	0.35	\$ 200,000,000	\$ 199,935,000	\$ (65,000)
Rabobank Nederland NV, Utrecht, May 08, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.34	05/08/12	12/08/11	20,000,000	0.34	\$ 20,000,000	\$ 19,998,140	\$ (1,860)
Rabobank Nederland, Utrecht CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.49	03/14/12		100,000,000	0.50	\$ 100,000,000	\$ 99,988,190	\$ (11,810)
Royal Bank of Canada, Montreal CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.50	09/26/12		80,000,000	0.51	\$ 80,000,000	\$ 80,006,368	\$ 6,368
Royal Bank of Canada, Montreal CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.55	11/07/12		100,000,000	0.56	\$ 100,000,000	\$ 99,914,560	\$ (85,440)
Royal Bank of Canada, Montreal, Dec 21, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.58	12/21/12	12/21/11	100,000,000	0.59	\$ 100,000,000	\$ 99,979,800	\$ (20,200)
Salisbury Receivables Company LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		01/10/12		17,000,000	0.32	\$ 16,993,804	\$ 16,995,276	\$ 1,472
Salisbury Receivables Company LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		01/23/12		23,500,000	0.38	\$ 23,486,958	\$ 23,489,143	\$ 2,185

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)**  
**NOVEMBER 30, 2011**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Salisbury Receivables Company LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		02/09/12		20,000,000	0.39	\$ 19,985,011	\$ 19,985,012	\$ 1
Salisbury Receivables Company LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		12/02/11		25,000,000	0.22	\$ 24,999,694	\$ 24,999,778	\$ 84
Sheffield Receivables Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		01/11/12		50,000,000	0.37	\$ 49,979,000	\$ 49,986,700	\$ 7,700
Sheffield Receivables Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		02/08/12		30,000,000	0.39	\$ 29,977,833	\$ 29,979,174	\$ 1,341
St. Andrew United Methodist Church, Series 2004, Jul 01, 2029	VARIABLE RATE DEMAND NOTE	0.20	07/01/29	12/01/11	9,635,000	0.21	\$ 9,635,000	\$ 9,635,000	\$ -
Straight A Funding , LLC GOVTAGYX	GOVERNMENT AGENCY EXTENDIBLE NOTE		02/06/12		100,000,000	0.19	\$ 99,964,111	\$ 99,988,100	\$ 23,989
Straight A Funding , LLC GOVTAGYX	GOVERNMENT AGENCY EXTENDIBLE NOTE		01/26/12		25,058,000	0.19	\$ 25,050,462	\$ 25,052,605	\$ 2,143
Svenska Handelsbanken, Stockholm, Oct 16, 2012	VARIABLE MEDIUM TERM NOTE	0.52	10/16/12	02/17/12	45,000,000	0.52	\$ 45,000,000	\$ 44,991,270	\$ (8,730)
Toyota Motor Credit Corp. CP	COMMERCIAL PAPER		05/07/12		50,000,000	0.55	\$ 49,880,750	\$ 49,914,980	\$ 34,230
Vermont State Student Assistance Corp., (Series 2008C-1), 12/15/2040	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.16	12/15/40	12/01/11	69,085,000	0.13	\$ 69,085,000	\$ 69,085,000	\$ -
Westpac Banking Corp. Ltd., Sydney, Jul 17, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.35	07/17/12	12/19/11	25,000,000	0.36	\$ 25,000,000	\$ 24,983,675	\$ (16,325)
Westpac Banking Corp. Ltd., Sydney, Jun 15, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.55	06/15/12	12/16/11	50,000,000	0.57	\$ 49,997,317	\$ 49,972,550	\$ (24,767)
Windmill Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		12/22/11		25,000,000	0.25	\$ 24,996,181	\$ 24,994,792	\$ (1,389)
Windmill Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		12/27/11		50,000,000	0.26	\$ 49,990,250	\$ 49,990,250	\$ -
<b>Total Value of Investments</b>					<b>6,357,500,905</b>		<b>\$ 6,358,483,374</b>	<b>\$ 6,358,190,296</b>	<b>\$ (293,078)</b>

**Notes:** The data included in this report is unaudited. Amounts above are the value of investments. Income accruals, payables and uninvested cash are not included. Amortizations/accretions are reported with a one-day lag in the above valuations.

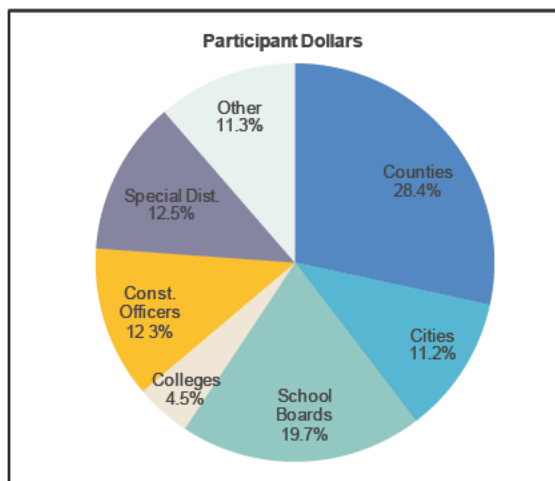
<sup>1</sup> Market values of the portfolio securities are provided by the custodian, BNY Mellon. The portfolio manager, Federated Investment Counseling, is the source for other data shown above.

<sup>2</sup> Amortized cost is calculated using a straight line method.

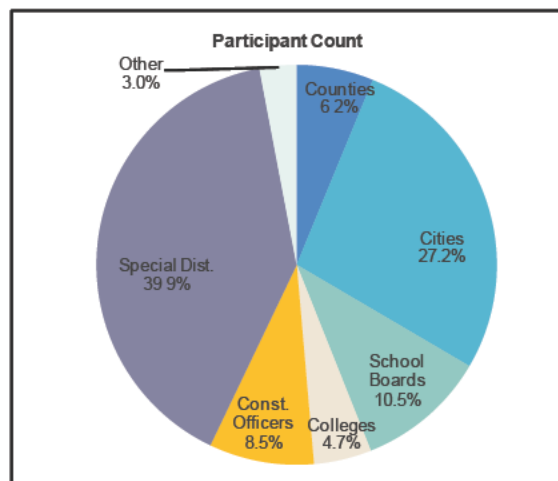


### PARTICIPANT CONCENTRATION DATA - NOVEMBER 30, 2011

Participant Balance	Share of Total Fund	Share of Participant Count	Participant Balance	Share of Total Fund	Share of Participant Count
<b>All Participants</b>	<b>100.0%</b>	<b>100.0%</b>	<b>Colleges &amp; Universities</b>	<b>4.5%</b>	<b>4.7%</b>
Top 10	40.1%	1.2%	Top 10	4.1%	1.2%
\$100 million or more	52.4%	1.9%	\$100 million or more	2.1%	0.1%
\$10 million up to \$100 million	38.3%	9.4%	\$10 million up to \$100 million	1.5%	0.5%
\$1 million up to \$10 million	8.3%	17.7%	\$1 million up to \$10 million	0.9%	1.4%
Under \$1 million	0.9%	71.0%	Under \$1 million	0.01%	2.6%
<b>Counties</b>	<b>28.4%</b>	<b>6.2%</b>	<b>Constitutional Officers</b>	<b>12.3%</b>	<b>8.5%</b>
Top 10	24.7%	1.2%	Top 10	0.9%	1.2%
\$100 million or more	19.1%	0.7%	\$100 million or more	9.5%	0.2%
\$10 million up to \$100 million	8.4%	1.4%	\$10 million up to \$100 million	2.1%	0.5%
\$1 million up to \$10 million	0.9%	1.3%	\$1 million up to \$10 million	0.7%	1.6%
Under \$1 million	0.0%	2.7%	Under \$1 million	0.0%	6.2%
<b>Municipalities</b>	<b>11.2%</b>	<b>27.2%</b>	<b>Special Districts</b>	<b>12.5%</b>	<b>39.9%</b>
Top 10	6.5%	1.2%	Top 10	9.0%	1.2%
\$100 million or more	0.0%	0.0%	\$100 million or more	4.5%	0.2%
\$10 million up to \$100 million	8.7%	2.4%	\$10 million up to \$100 million	5.5%	1.6%
\$1 million up to \$10 million	2.2%	5.3%	\$1 million up to \$10 million	2.1%	5.0%
Under \$1 million	0.3%	19.6%	Under \$1 million	0.4%	33.1%
<b>School Boards</b>	<b>19.7%</b>	<b>10.5%</b>	<b>Other</b>	<b>11.3%</b>	<b>3.0%</b>
Top 10	16.0%	1.2%	Top 10	5.1%	1.2%
\$100 million or more	12.4%	0.4%	\$100 million or more	4.8%	0.2%
\$10 million up to \$100 million	6.2%	2.2%	\$10 million up to \$100 million	6.0%	1.0%
\$1 million up to \$10 million	1.0%	2.4%	\$1 million up to \$10 million	0.5%	0.7%
Under \$1 million	0.1%	5.6%	Under \$1 million	0.0%	1.1%



**Total Fund Value: \$6,345,815,437**



**Total Participant Count: 837**

## INVESTMENT POLICY COMPLIANCE - NOVEMBER 2011

Test by Source	Pass/Fail
<b><u>Florida PRIME's Investment Policy</u></b>	
Securities must be USD denominated.	Pass
<b><u>Ratings requirements</u></b>	
The Pool must purchase exclusively first-tier securities. Securities purchased with short-term ratings by an NRSRO, or comparable in quality and security to other obligations of the issuer that have received short-term ratings from an NRSRO, are eligible if they are in one of the two highest rating categories.	Pass
Securities purchased that do not have short-term ratings must have a long-term rating in one of the three highest long-term rating categories.	Pass
Commercial Paper must be rated by at least one short-term NRSRO.	Pass
Repurchase Agreement Counterparties must be rated by S&P	Pass
S&P Weighted Average Life - maximum 90 days <sup>1</sup>	Pass
<b><u>Maturity</u></b>	
Securities, excluding Government floating rate notes/variable rate notes, purchased did not have a maturity in excess of 397 days.	Pass
Government floating rate notes/variable rate notes purchased did not have a maturity in excess of 762 days.	Pass
The Pool must maintain a Spread WAM of 120 days or less.	Pass
<b><u>Issuer Diversification</u></b>	
First-tier issuers (limit does not apply to cash, cash items, U.S. Government securities refunded securities and repo collateralized by these securities) are limited, at the time of purchase, to 5% of the Pool's total assets. <sup>2</sup>	Pass
<b><u>Demand Feature and Guarantor Diversification</u></b>	
First-tier securities issued by or subject to demand features and guarantees of a non-controlled person, at time of purchase, are limited to 10% with respect to 75% of the Pool's total assets.	Pass
First-tier securities issued by or subject to demand features and guarantees of a control person, at time of purchase, are limited to 10% with respect to the Pool's total assets.	Pass
<b><u>Money Market Mutual Funds</u></b>	
The account, at time of purchase, will not have exposure to any one Money Market Mutual Fund in excess of 10% of the Pool's total assets.	Pass
<b><u>Concentration Tests</u></b>	
The account, at time of purchase, will not have exposure to an industry sector, excluding the financial services industry, in excess of 25% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to any single Government Agency in excess of 33.33% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to illiquid securities in excess of 5% of the Pool's total assets.	Pass
The account, at time of purchase, will invest at least 10% of the Pool's total assets in securities accessible within one business day.	Pass
The account, at time of purchase, will invest at least 30% of the Pool's total assets in securities accessible within five business days. <sup>3</sup>	Pass
<b><u>S&amp;P Requirements</u></b>	
The Pool must maintain a Dollar Weighted Average Maturity of 60 days or less.	Pass
The account, at time of purchase, will invest at least 50% of the Pool's total assets in Securities in Highest Rating Category (A-1+ or equivalent).	Pass

<sup>1</sup> The fund may use floating rate government securities to extend the limit up to 120 days

<sup>2</sup> This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to liquidate positions if the exposure in excess of the specified percentage is caused by account movements.

<sup>3</sup> This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to take immediate corrective measures if asset movements cause the exposure to be below the specified percentage.

### TRADING ACTIVITY FOR NOVEMBER 2011

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Buys</b>					\$	\$	\$	\$
ALPINE SECURITIZATICPABS4	12/20/11	11/15/11	11/15/11	5,000,000	4,999,028	-	4,999,028	-
ALPINE SECURITIZATICPABS4	12/20/11	11/15/11	11/15/11	50,000,000	49,990,278	-	49,990,278	-
AMSTERDAM FUNDING CCPABS4	12/16/11	11/15/11	11/15/11	50,000,000	49,989,236	-	49,989,236	-
AMSTERDAM FUNDING CCPABS4	12/16/11	11/15/11	11/15/11	50,000,000	49,989,236	-	49,989,236	-
AMSTERDAM FUNDING CCPABS4	12/16/11	11/15/11	11/15/11	50,000,000	49,989,236	-	49,989,236	-
AMSTERDAM FUNDING CCPABS4	12/20/11	11/22/11	11/22/11	45,427,000	45,418,167	-	45,418,167	-
AMSTERDAM FUNDING CCPABS4	12/27/11	11/30/11	11/30/11	50,000,000	49,990,250	-	49,990,250	-
AMSTERDAM FUNDING CCPABS4	12/27/11	11/30/11	11/30/11	50,000,000	49,990,250	-	49,990,250	-
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	11/04/14	11/02/11	11/08/11	50,000,000	50,000,000	-	50,000,000	-
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	11/04/14	11/02/11	11/08/11	50,000,000	50,000,000	-	50,000,000	-
BANK OF NOVA SCOTIA/HOUSTON	05/08/12	11/08/11	11/08/11	50,000,000	50,000,000	-	50,000,000	-
BARCLAYS US FUNDING CORP	11/07/11	11/04/11	11/04/11	30,000,000	29,999,700	-	29,999,700	-
BARTON CAPITAL LLCCPABS4	11/02/11	11/01/11	11/01/11	50,000,000	49,999,403	-	49,999,403	-
BARTON CAPITAL LLCCPABS4	11/02/11	11/01/11	11/01/11	12,000,000	11,999,857	-	11,999,857	-
FCAR OWNER TRUST, ACPABS3	01/20/12	11/22/11	11/22/11	1,700,000	1,699,276	-	1,699,276	-
GENERAL ELECTRIC CAPITAL CORP	02/15/12	11/17/11	11/17/11	10,000,000	9,995,000	-	9,995,000	-
JPMORGAN CHASE & CO	02/22/12	11/23/11	11/29/11	1,000,000	1,000,170	112	1,000,282	-
MARKET STREET FUNDICPABS4	02/15/12	11/09/11	11/09/11	25,000,000	24,984,347	-	24,984,347	-
MIZUHO FUNDING LLCCP4-2	02/13/12	11/15/11	11/15/11	50,000,000	49,945,000	-	49,945,000	-
MIZUHO FUNDING LLCCP4-2	02/13/12	11/15/11	11/15/11	50,000,000	49,945,000	-	49,945,000	-
MIZUHO FUNDING LLCCP4-2	02/13/12	11/15/11	11/15/11	50,000,000	49,945,000	-	49,945,000	-
MIZUHO FUNDING LLCCP4-2	02/13/12	11/15/11	11/15/11	50,000,000	49,945,000	-	49,945,000	-
MIZUHO FUNDING LLCCP4-2	11/08/11	11/01/11	11/01/11	50,000,000	49,998,639	-	49,998,639	-
MIZUHO FUNDING LLCCP4-2	11/08/11	11/01/11	11/01/11	50,000,000	49,998,639	-	49,998,639	-
MIZUHO FUNDING LLCCP4-2	11/08/11	11/01/11	11/01/11	50,000,000	49,998,639	-	49,998,639	-
MIZUHO FUNDING LLCCP4-2	11/08/11	11/01/11	11/01/11	45,000,000	44,998,775	-	44,998,775	-
MIZUHO FUNDING LLCCP4-2	11/15/11	11/08/11	11/08/11	50,000,000	49,998,639	-	49,998,639	-
MIZUHO FUNDING LLCCP4-2	11/15/11	11/08/11	11/08/11	50,000,000	49,998,639	-	49,998,639	-
MIZUHO FUNDING LLCCP4-2	11/15/11	11/08/11	11/08/11	50,000,000	49,998,639	-	49,998,639	-
MIZUHO FUNDING LLCCP4-2	11/15/11	11/08/11	11/08/11	50,000,000	49,998,639	-	49,998,639	-

# TRADING ACTIVITY FOR NOVEMBER 2011 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
					\$	\$	\$	\$
<b><i>Buys (continued)</i></b>								
ROYAL BANK OF CANADA/NEW YORK NY	11/07/12	11/03/11	11/07/11	50,000,000	50,000,000	-	50,000,000	-
ROYAL BANK OF CANADA/NEW YORK NY	11/07/12	11/03/11	11/07/11	50,000,000	50,000,000	-	50,000,000	-
ROYAL BANK OF CANADA/NEW YORK NY	12/21/12	11/22/11	11/28/11	50,000,000	50,000,000	-	50,000,000	-
ROYAL BANK OF CANADA/NEW YORK NY	12/21/12	11/22/11	11/28/11	50,000,000	50,000,000	-	50,000,000	-
SALISBURY RECEIVABLE CPABS4	01/10/12	11/17/11	11/17/11	17,000,000	16,991,840	-	16,991,840	-
SALISBURY RECEIVABLE CPABS4	01/23/12	11/03/11	11/03/11	23,500,000	23,480,436	-	23,480,436	-
SALISBURY RECEIVABLE CPABS4	02/09/12	11/14/11	11/14/11	20,000,000	19,981,633	-	19,981,633	-
SALISBURY RECEIVABLE CPABS4	12/02/11	11/02/11	11/02/11	25,000,000	24,995,417	-	24,995,417	-
SHEFFIELD RECEIVABLE CPABS4	02/08/12	11/08/11	11/08/11	30,000,000	29,970,867	-	29,970,867	-
STRAIGHT A FUNDING GOVTAG	02/06/12	11/09/11	11/09/11	50,000,000	49,976,514	-	49,976,514	-
STRAIGHT A FUNDING GOVTAG	02/06/12	11/09/11	11/09/11	50,000,000	49,976,514	-	49,976,514	-
STRAIGHT A FUNDING GOVTAG	01/26/12	11/01/11	11/01/11	25,058,000	25,046,626	-	25,046,626	-
TOYOTA MOTOR CREDIT CP	05/07/12	11/08/11	11/08/11	50,000,000	49,864,250	-	49,864,250	-
VERMONT STUDENT ASSISTANCE CORP	12/15/40	11/07/11	11/14/11	54,430,000	54,430,000	32,017	54,462,017	-
VERMONT STUDENT ASSISTANCE CORP	12/15/40	11/30/11	12/05/11	14,655,000	14,655,000	9,805	14,664,805	-
WINDMILL FUNDING COCPABS4	12/22/11	11/22/11	11/22/11	25,000,000	24,994,792	-	24,994,792	-
WINDMILL FUNDING COCPABS4	12/27/11	11/30/11	11/30/11	50,000,000	49,990,250	-	49,990,250	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/02/11	11/02/11	951,245	951,245	-	951,245	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/04/11	11/04/11	9,885,616	9,885,616	-	9,885,616	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/14/11	11/14/11	3,333,222	3,333,222	-	3,333,222	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/16/11	11/16/11	4,773,108	4,773,108	-	4,773,108	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/18/11	11/18/11	3,687,005	3,687,005	-	3,687,005	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/22/11	11/22/11	1,844,384	1,844,384	-	1,844,384	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/23/11	11/23/11	7,910,793	7,910,793	-	7,910,793	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/29/11	11/29/11	3,771,791	3,771,791	-	3,771,791	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/30/11	11/30/11	4,033,550	4,033,550	-	4,033,550	-
FEDERATED PRIME CASH OBLIGATIONS FUND	10/01/40	11/01/11	11/01/11	30,580	30,580	-	30,580	-
FEDERATED PRIME OBLIGATIONS FUND	10/01/40	11/01/11	11/01/11	35,604	35,604	-	35,604	-
MORGAN STANLEY TRIPARTY	11/02/11	11/01/11	11/01/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/02/11	11/01/11	11/01/11	600,000,000	600,000,000	-	600,000,000	-

### TRADING ACTIVITY FOR NOVEMBER 2011 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<i>Buys (continued)</i>					\$	\$	\$	\$
MORGAN STANLEY TRIPARTY	11/03/11	11/02/11	11/02/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/03/11	11/02/11	11/02/11	795,000,000	795,000,000	-	795,000,000	-
MORGAN STANLEY TRIPARTY	11/04/11	11/03/11	11/03/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/04/11	11/03/11	11/03/11	670,000,000	670,000,000	-	670,000,000	-
MORGAN STANLEY TRIPARTY	11/07/11	11/04/11	11/04/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/07/11	11/04/11	11/04/11	840,000,000	840,000,000	-	840,000,000	-
MORGAN STANLEY TRIPARTY	11/08/11	11/07/11	11/07/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/08/11	11/07/11	11/07/11	775,000,000	775,000,000	-	775,000,000	-
MORGAN STANLEY TRIPARTY	11/09/11	11/08/11	11/08/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/09/11	11/08/11	11/08/11	625,000,000	625,000,000	-	625,000,000	-
MORGAN STANLEY TRIPARTY	11/10/11	11/09/11	11/09/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/10/11	11/09/11	11/09/11	790,000,000	790,000,000	-	790,000,000	-
MORGAN STANLEY TRIPARTY	11/14/11	11/10/11	11/10/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/14/11	11/10/11	11/10/11	810,000,000	810,000,000	-	810,000,000	-
MORGAN STANLEY TRIPARTY	11/15/11	11/14/11	11/14/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/15/11	11/14/11	11/14/11	1,065,000,000	1,065,000,000	-	1,065,000,000	-
MORGAN STANLEY TRIPARTY	11/16/11	11/15/11	11/15/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/16/11	11/15/11	11/15/11	820,000,000	820,000,000	-	820,000,000	-
MORGAN STANLEY TRIPARTY	11/17/11	11/16/11	11/16/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/17/11	11/16/11	11/16/11	820,000,000	820,000,000	-	820,000,000	-
MORGAN STANLEY TRIPARTY	11/18/11	11/17/11	11/17/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/18/11	11/17/11	11/17/11	900,000,000	900,000,000	-	900,000,000	-
MORGAN STANLEY TRIPARTY	11/21/11	11/18/11	11/18/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/21/11	11/18/11	11/18/11	1,110,000,000	1,110,000,000	-	1,110,000,000	-
MORGAN STANLEY TRIPARTY	11/22/11	11/21/11	11/21/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/22/11	11/21/11	11/21/11	1,130,000,000	1,130,000,000	-	1,130,000,000	-
MORGAN STANLEY TRIPARTY	11/23/11	11/22/11	11/22/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/23/11	11/22/11	11/22/11	1,115,000,000	1,115,000,000	-	1,115,000,000	-
MORGAN STANLEY TRIPARTY	11/28/11	11/23/11	11/23/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/28/11	11/23/11	11/23/11	1,150,000,000	1,150,000,000	-	1,150,000,000	-
MORGAN STANLEY TRIPARTY	11/29/11	11/28/11	11/28/11	300,000,000	300,000,000	-	300,000,000	-

# TRADING ACTIVITY FOR NOVEMBER 2011 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Buys (continued)</b>					\$	\$	\$	\$
BANK OF AMERICA TRIPARTY	11/29/11	11/28/11	11/28/11	1,230,000,000	1,230,000,000	-	1,230,000,000	-
MORGAN STANLEY TRIPARTY	11/30/11	11/29/11	11/29/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/30/11	11/29/11	11/29/11	1,415,000,000	1,415,000,000	-	1,415,000,000	-
DEUTSCHE BANK	12/01/11	11/30/11	11/30/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/01/11	11/30/11	11/30/11	1,200,000,000	1,200,000,000	-	1,200,000,000	-
<b>Total Buys</b>				<b>25,860,026,897</b>	<b>\$ 25,859,413,718</b>	<b>\$ 41,934</b>	<b>\$ 25,859,455,652</b>	<b>\$ -</b>
<b>Maturities</b>								
ALPINE SECURITIZATCPABS4	11/22/11	11/22/11	11/22/11	20,000,000	20,000,000	-	20,000,000	-
BNP PARIBAS SACDYAN	11/07/11	11/07/11	11/07/11	15,000,000	15,000,000	-	15,000,000	-
BNP PARIBAS SACDYAN	11/14/11	11/14/11	11/14/11	200,000,000	200,000,000	-	200,000,000	-
BANK OF NOVA SCOTIACDYAN	11/01/11	11/01/11	11/01/11	150,000,000	150,000,000	-	150,000,000	-
BANK OF NOVA SCOTIACDYAN	11/02/11	11/02/11	11/02/11	150,000,000	150,000,000	-	150,000,000	-
BARCLAYS US FUNDING CORP	11/07/11	11/07/11	11/07/11	30,000,000	30,000,000	-	30,000,000	-
BARCLAYS BANK PLCCDYAN	11/01/11	11/01/11	11/01/11	60,000,000	60,000,000	-	60,000,000	-
BARTON CAPITAL LLCCPABS4	11/01/11	11/01/11	11/01/11	40,000,000	40,000,000	-	40,000,000	-
BARTON CAPITAL LLCCPABS4	11/02/11	11/02/11	11/02/11	62,000,000	62,000,000	-	62,000,000	-
CREDIT AGRICOLE CORCDYAN	11/09/11	11/09/11	11/09/11	175,000,000	175,000,000	-	175,000,000	-
FCAR OWNER TRUST, ACPABS3	11/07/11	11/07/11	11/07/11	5,000,000	5,000,000	-	5,000,000	-
FCAR OWNER TRUST, ACPABS3	11/14/11	11/14/11	11/14/11	98,000,000	98,000,000	-	98,000,000	-
HEWLETT-PACKARD CO., CP4-2	11/18/11	11/18/11	11/18/11	61,000,000	61,000,000	-	61,000,000	-
JUPITER SECURITIZATCPABS4	11/14/11	11/14/11	11/14/11	62,000,000	62,000,000	-	62,000,000	-
MIZUHO CORPORATE BACDYAN	11/04/11	11/04/11	11/04/11	50,000,000	50,000,000	-	50,000,000	-
MIZUHO FUNDING LLCCP4-2	11/01/11	11/01/11	11/01/11	200,000,000	200,000,000	-	200,000,000	-
MIZUHO FUNDING LLCCP4-2	11/08/11	11/08/11	11/08/11	195,000,000	195,000,000	-	195,000,000	-
MIZUHO FUNDING LLCCP4-2	11/15/11	11/15/11	11/15/11	200,000,000	200,000,000	-	200,000,000	-
SHEFFIELD RECEIVABLECPABS4	11/16/11	11/16/11	11/16/11	10,000,000	10,000,000	-	10,000,000	-
SOCIETE GENERALE NOCP	11/01/11	11/01/11	11/01/11	153,000,000	153,000,000	-	153,000,000	-
SOCIETE GENERALE, PCDYAN	11/07/11	11/07/11	11/07/11	20,000,000	20,000,000	-	20,000,000	-
STRAIGHT A FUNDING GOVTAG	11/09/11	11/09/11	11/09/11	100,000,000	100,000,000	-	100,000,000	-
STRAIGHT A FUNDING GOVTAG	11/30/11	11/30/11	11/30/11	40,000,000	40,000,000	-	40,000,000	-
SVENSKA HANDELSBANKCDYAN	11/04/11	11/04/11	11/04/11	180,000,000	180,000,000	-	180,000,000	-



**TRADING ACTIVITY FOR NOVEMBER 2011 (CONTINUED)**

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<i>Maturities (continued)</i>					\$	\$	\$	\$
TOYOTA MOTOR CREDIT CP	11/08/11	11/08/11	11/08/11	47,000,000	47,000,000	-	47,000,000	-
UNITED STATES TREASURY NOTE/BOND	11/30/11	11/30/11	11/30/11	30,000,000	30,000,000	-	30,000,000	-
MORGAN STANLEY TRIPARTY	11/01/11	11/01/11	11/01/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/01/11	11/01/11	11/01/11	285,000,000	285,000,000	-	285,000,000	-
MORGAN STANLEY TRIPARTY	11/02/11	11/02/11	11/02/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/02/11	11/02/11	11/02/11	600,000,000	600,000,000	-	600,000,000	-
MORGAN STANLEY TRIPARTY	11/03/11	11/03/11	11/03/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/03/11	11/03/11	11/03/11	795,000,000	795,000,000	-	795,000,000	-
MORGAN STANLEY TRIPARTY	11/04/11	11/04/11	11/04/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/04/11	11/04/11	11/04/11	670,000,000	670,000,000	-	670,000,000	-
MORGAN STANLEY TRIPARTY	11/07/11	11/07/11	11/07/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/07/11	11/07/11	11/07/11	840,000,000	840,000,000	-	840,000,000	-
MORGAN STANLEY TRIPARTY	11/08/11	11/08/11	11/08/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/08/11	11/08/11	11/08/11	775,000,000	775,000,000	-	775,000,000	-
MORGAN STANLEY TRIPARTY	11/09/11	11/09/11	11/09/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/09/11	11/09/11	11/09/11	625,000,000	625,000,000	-	625,000,000	-
MORGAN STANLEY TRIPARTY	11/10/11	11/10/11	11/10/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/10/11	11/10/11	11/10/11	790,000,000	790,000,000	-	790,000,000	-
MORGAN STANLEY TRIPARTY	11/14/11	11/14/11	11/14/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/14/11	11/14/11	11/14/11	810,000,000	810,000,000	-	810,000,000	-
MORGAN STANLEY TRIPARTY	11/15/11	11/15/11	11/15/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/15/11	11/15/11	11/15/11	1,065,000,000	1,065,000,000	-	1,065,000,000	-
MORGAN STANLEY TRIPARTY	11/16/11	11/16/11	11/16/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/16/11	11/16/11	11/16/11	820,000,000	820,000,000	-	820,000,000	-
MORGAN STANLEY TRIPARTY	11/17/11	11/17/11	11/17/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/17/11	11/17/11	11/17/11	820,000,000	820,000,000	-	820,000,000	-
MORGAN STANLEY TRIPARTY	11/18/11	11/18/11	11/18/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/18/11	11/18/11	11/18/11	900,000,000	900,000,000	-	900,000,000	-
MORGAN STANLEY TRIPARTY	11/21/11	11/21/11	11/21/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/21/11	11/21/11	11/21/11	1,110,000,000	1,110,000,000	-	1,110,000,000	-
MORGAN STANLEY TRIPARTY	11/22/11	11/22/11	11/22/11	300,000,000	300,000,000	-	300,000,000	-

# TRADING ACTIVITY FOR NOVEMBER 2011 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Maturities (continued)</b>					\$	\$	\$	\$
BANK OF AMERICA TRIPARTY	11/22/11	11/22/11	11/22/11	1,130,000,000	1,130,000,000	-	1,130,000,000	-
MORGAN STANLEY TRIPARTY	11/23/11	11/23/11	11/23/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/23/11	11/23/11	11/23/11	1,115,000,000	1,115,000,000	-	1,115,000,000	-
MORGAN STANLEY TRIPARTY	11/28/11	11/28/11	11/28/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/28/11	11/28/11	11/28/11	1,150,000,000	1,150,000,000	-	1,150,000,000	-
MORGAN STANLEY TRIPARTY	11/29/11	11/29/11	11/29/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/29/11	11/29/11	11/29/11	1,230,000,000	1,230,000,000	-	1,230,000,000	-
MORGAN STANLEY TRIPARTY	11/30/11	11/30/11	11/30/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	11/30/11	11/30/11	11/30/11	1,415,000,000	1,415,000,000	-	1,415,000,000	-
<b>Total Maturities</b>				<b>24,998,000,000</b>	<b>\$ 24,998,000,000</b>	<b>\$ -</b>	<b>\$ 24,998,000,000</b>	<b>\$ -</b>
<b>Sells</b>								
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/01/11	11/01/11	348,582	348,582	-	348,582	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/01/11	11/01/11	2,823,315	2,823,315	-	2,823,315	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/03/11	11/03/11	772,492	772,492	-	772,492	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/07/11	11/07/11	4,363,655	4,363,655	-	4,363,655	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/08/11	11/08/11	1,082,528	1,082,528	-	1,082,528	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/08/11	11/08/11	1,551,929	1,551,929	-	1,551,929	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/09/11	11/09/11	1,756,675	1,756,675	-	1,756,675	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/10/11	11/10/11	631,757	631,757	-	631,757	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/10/11	11/10/11	107,479	107,479	-	107,479	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/15/11	11/15/11	1,394,101	1,394,101	-	1,394,101	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/17/11	11/17/11	496,147	496,147	-	496,147	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/17/11	11/17/11	4,773,108	4,773,108	-	4,773,108	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/21/11	11/21/11	178,753	178,753	-	178,753	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/21/11	11/21/11	3,765,285	3,765,285	-	3,765,285	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/21/11	11/21/11	1,442,975	1,442,975	-	1,442,975	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/21/11	11/21/11	179,201	179,201	-	179,201	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/28/11	11/28/11	490,530	490,530	-	490,530	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/28/11	11/28/11	1,844,384	1,844,384	-	1,844,384	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	11/28/11	11/28/11	7,910,793	7,910,793	-	7,910,793	-
MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	11/15/42	11/02/11	11/02/11	900,000	900,000	-	900,000	-
<b>Total Sells</b>				<b>35,913,688</b>	<b>\$ 35,913,688</b>	<b>\$ -</b>	<b>\$ 35,913,688</b>	<b>\$ -</b>



# FUND B

## FUND B FACTS

### INVESTMENT OBJECTIVE

Fund B's primary objective is to maximize the present value of distributions from the Fund.

### COMPOSITION

Fund B principally consists of Segregated Securities, which are securities originally purchased for the LGIP that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; (4) experienced elevated market illiquidity; or (5) did not meet the criteria of the nationally recognized statistical rating organization (NRSRO) that provides Florida PRIME's AAAM rating.

### DISTRIBUTIONS

Participants in Fund B will receive periodic distributions to the extent that Fund B receives proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken.

### ACCOUNTING

Fund B is accounted for as a fluctuating NAV pool, not a 2a-7-like money market fund. That is, accounting valuations reflect estimates of the market value of securities rather than their amortized cost.

### STATUS OF INVESTMENTS

Florida East and West: Restructured from KKR and receiving principal and interest.

Florida Funding I: Restructured from Ottimo (Issuer Entity) and receiving principal and interest.

Florida Funding II: Restructured from Axon and receiving principal and interest.

## COMMENTARY ON PORTFOLIO MANAGEMENT

All cash from paydowns on securities in Fund B are invested in overnight securities, repurchase agreements, overnight time deposits or commercial paper pending monthly distribution to participant accounts in Florida PRIME. This month, \$4.75 million in liquid assets were transferred from Fund B to Florida PRIME, consisting of principal paydowns and income from the securities in the Fund.

The investment team continually analyzes the bonds in each portfolio, comparing estimated defaults and estimated cumulative net losses to an historical loss-timing curve. Many different factors in the domestic and global economies can affect both the securities and the underlying bonds. Some of the factors will contribute positively while others may have adverse consequences. The SBA and Stone Tower Capital's investment team will continue to employ prudent risk mitigation strategies in order to maximize the present value of distributions from Fund B with a primary focus on the restoration of principal.

## LEGAL ISSUE

As an ongoing legal matter, the SBA asserts Lehman Brothers (which is now in liquidation) sold the SBA certain unregistered secured notes that were not exempt from registration under the Securities Act of 1933. The Lehman Trustee has not yet responded to the SBA's general creditor claim on behalf of Fund B as to whether the Lehman estate will have any assets available for recovery. The Trustee's latest reports have stated that "returns to general estate creditors will be limited at best." However, the secured notes sold by Lehman Brothers were secured by certain collateral. Fund B has been receiving and is expected to continue receiving monetary distributions of principal and interest from that underlying collateral.

The SBA will promptly disclose any future developments as they become matters of public record.

## DISCLOSURE OF MATERIAL IMPACTS

There were no developments during November 2011 that had a material impact on the liquidity or operation of Fund B.

# FUND B

## FUND B DISTRIBUTIONS

### RETURN OF FUND B PRINCIPAL

The first table below details the SBA's progress in returning principal to investors in Fund B. Through the end of November 2011, investors cumulatively received distributions from Fund B totaling nearly \$1.70 billion or 84.6% of their original balances.

The securities remaining in Fund B are legacy items from the four issuers whose financial circumstances gave rise to the November 2007 run (as well as overnight instruments temporarily holding fund earnings). As of November 30, 2011, their remaining amortized cost was \$513.9 million,

or 66.0% more than remaining participant positions in Fund B. Conversely, the current estimated liquidation (market) value of these securities is pegged at \$229.7 million or 74.2% of remaining participant positions.

It is important to note that due to the lack of an actively traded market for Fund B securities, their "market value" is an estimate of current liquidation value that has been determined through a collaborative process among various pricing experts and sources in the marketplace. See footnote 1 on page 22.

### FUND B DISTRIBUTIONS TO PARTICIPANTS

	Distributions to Participants	Cumulative Distributions	Participant Principal	Proportion of Original Principal Returned
12/05/07	\$	\$	\$ 2,009,451,941	0.0%
CY 2008	\$ 1,421,900,000	\$ 1,421,900,000	\$ 587,551,941	70.8%
CY 2009	\$ 89,100,000	\$ 1,511,000,000	\$ 498,451,941	75.2%
CY 2010	\$ 135,100,000	\$ 1,646,100,000	\$ 363,351,941	81.9%
01/07/11	\$ 4,600,000	\$ 1,650,700,000	\$ 358,751,941	82.1%
02/08/11	\$ 5,675,000	\$ 1,656,375,000	\$ 353,076,941	82.4%
03/07/11	\$ 4,525,000	\$ 1,660,900,000	\$ 348,551,941	82.7%
04/07/11	\$ 5,100,000	\$ 1,666,000,000	\$ 343,451,941	82.9%
05/09/11	\$ 5,100,000	\$ 1,671,100,000	\$ 338,351,941	83.2%
06/08/11	\$ 4,300,000	\$ 1,675,400,000	\$ 334,051,941	83.4%
07/07/11	\$ 4,600,000	\$ 1,680,000,000	\$ 329,451,941	83.6%
08/05/11	\$ 5,825,000	\$ 1,685,825,000	\$ 323,626,941	83.9%
09/09/11	\$ 4,475,000	\$ 1,690,300,000	\$ 319,151,941	84.1%
10/06/11	\$ 4,800,000	\$ 1,695,100,000	\$ 314,351,941	84.4%
11/07/11	\$ 4,750,000	\$ 1,699,850,000	\$ 309,601,941	84.6%

### FUND B MONTHLY DISTRIBUTION DETAIL

November 2011 Distribution Detail Including Receipts by Source For the period 10/6/11 - 11/4/11	Participant Allocation	Fund B Expense Allocation
Beginning Balance	\$ -	\$ 71,938.95
Receipts:		
Florida East	\$ 992,686.20	
Florida West	\$ 1,523,991.40	
Florida Funding I	\$ 763,590.52	
Florida Funding II	\$ 1,488,914.63	
Overnight Investments	\$ 0.01	
Total Receipts	\$ 4,769,182.76	
Distributions:		
Allocation to/from Expense Reserve	\$ (19,182.76)	\$ 19,182.76
Expenses Paid		\$ (1,191.62)
Participant Distribution	\$ (4,750,000.00)	
Ending Balance	\$ -	\$ 89,930.09

# FUND B

## INVENTORY OF HOLDINGS - AS OF NOVEMBER 30, 2011

Security Name	Type	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND		3,706,963	0.00	\$ 3,706,963	\$ 3,706,963	\$ -
Florida East Funding LLC	VARIABLE RATE TERM NOTE	11/28/11	83,815,346	0.61	\$ 83,815,346	\$ 52,457,659	\$ (31,357,687)
Florida West Funding LLC	VARIABLE RATE TERM NOTE	11/28/11	190,932,162	0.61	\$ 190,932,162	\$ 91,947,761	\$ (98,984,401)
Florida Funding I LLC	VARIABLE RATE TERM NOTE	11/30/11	125,007,595	0.25	\$ 125,007,595	\$ 25,197,732	\$ (99,809,863)
Florida Funding II LLC	VARIABLE RATE COMMERCIAL PAPER	11/30/11	110,418,577	0.62	\$ 110,409,773	\$ 56,383,270	\$ (54,026,503)
<b>Total Value of Investments</b>			<b><u>513,880,644</u></b>		<b><u>\$ 513,871,840</u></b>	<b><u>\$ 229,693,386</u></b>	<b><u>\$ (284,178,454)</u></b>

### Notes:

<sup>1</sup> Due to the lack of an actively traded market for Fund B securities, the "market value" is an estimate of current liquidation value that has been determined through a collaborative process among various pricing experts and sources in the marketplace. Although the estimate represents an attempt to reasonably reflect the stressed market conditions that currently exist, the amount actually realized if the securities were liquidated at this time could be more or less than the estimate. Moreover, these estimates of current market value may not be predictive of the ultimate amount likely to be realized from these securities. Fund B's investment objective is to maximize the present value of distributions to participants. If, in the judgment of the portfolio manager, fair value exceeds liquidation value at points in the future, then complete or partial liquidations of securities could be deferred for an extended period of time; e.g., a seven- to nine-year horizon for complete termination or self-liquidation of Fund B.

<sup>2</sup> Amortized cost is calculated using a straight line method.

The securities held in Fund B result from workouts of the LGIP's original holdings from 4 issuers – Axon, KKR Atlantic, KKR Pacific and Ottimo. The purpose of Fund B is to maximize the present value of distributions to participants through a prudent workout with an ultimate goal of liquidation. As a result, the maturity dates of each holding in Fund B will be dependent on the maturity date or earlier liquidation, if prudent, of the collateral securities underlying each of these holdings and will be contingent upon future market conditions and other factors.

The portfolio manager, Stone Tower Capital, is the source for data shown above other than market value. See note 1.

The amounts shown above are the value of investments. Income accruals, payables and uninvested cash are not included. The data is unaudited.

# FUND B

## COMPLIANCE AND TRADING ACTIVITY

### COMPLIANCE WITH INVESTMENT POLICY - NOVEMBER 2011

Test by Source	Pass/Fail
<b>Fund B's Investment Policy</b>	
Securities must be USD denominated.	Pass
<b>Ratings requirements</b>	
Fund B purchased exclusively first-tier securities during the reporting period.	Pass
Securities purchased that do not have short-term ratings must have a long-term rating in one of the three highest long-term rating categories.	Pass
Commercial Paper must be rated by at least one short-term NRSRO.	Pass
<b>Maturity</b>	
Securities purchased by Fund B, excluding Government floating rate notes/variable rate notes, did not have a maturity in excess of 397 days.	Pass
Government floating rate notes/variable rate notes purchased by Fund B did not have a maturity in excess of 762 days.	Pass
<b>Money Market Mutual Funds</b>	
Fund B only purchased pre-approved mutual funds during the reporting period.	Pass
<b>Repurchase Agreements</b>	
The minimum Repurchase Agreement Counterparty Rating is A-1.	Pass

Note: In the Trading Activity table below, the gain reflected on the sales from Florida Funding II is an accounting gain. The original Axon Financial Funding LLC security was purchased at a discount and was deemed "in default" prior to the original maturity date. At the point of becoming "in default," amortization of the discount was terminated thus leaving the cost of the security less than par. Any principal payment received at par will result in recognition of a gain, calculated as Proceeds less Cost Basis of the par value being sold.

### TRADING ACTIVITY - NOVEMBER 2011

Security Description	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Buys</b>				\$	\$	\$	\$
DREYFUS GOVERNMENT CASH MANAGEMENT	11/02/11	11/02/11	0.04	0.04	0	0.04	0
DREYFUS GOVERNMENT CASH MANAGEMENT	11/30/11	11/30/11	3,704,611	3,704,611	0	3,704,611	0
<b>Total Buys</b>			<b>3,704,611</b>	<b>3,704,611</b>	<b>0</b>	<b>3,704,611</b>	<b>0</b>
<b>Sells</b>							
FLORIDA FUNDING I LLC	11/30/11	11/30/11	471,788	471,788	0	471,788	0
FLORIDA EAST FUNDING LLC	11/30/11	11/30/11	802,971	802,971	0	802,971	0
FLORIDA WEST FUNDING LLC	11/30/11	11/30/11	1,203,830	1,203,830	0	1,203,830	0
FLORIDA FUNDING II	11/30/11	11/30/11	943,759	943,759	0	943,759	75
DREYFUS GOVERNMENT CASH MANAGEMENT	11/04/11	11/04/11	4,750,000	4,750,000	0	4,750,000	0
DREYFUS GOVERNMENT CASH MANAGEMENT	11/09/11	11/09/11	86,368	86,368	0	86,368	0
DREYFUS GOVERNMENT CASH MANAGEMENT	11/16/11	11/16/11	1,209	1,209	0	1,209	0
<b>Total Sells</b>			<b>8,259,925</b>	<b>8,259,925</b>	<b>0</b>	<b>8,259,925</b>	<b>75</b>

## Our Mission

The SBA is committed to providing superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards.



STATE BOARD OF ADMINISTRATION  
[WWW.SBAFLA.COM](http://WWW.SBAFLA.COM)

## **Attachment 4D**



# Monthly Summary Report for December 2011

Including Fund B

State Board of Administration



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#### Past performance is no guarantee of future results.

Views are as of the issue date and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security.

An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in this fund.

## INTRODUCTION

This report is prepared for stakeholders in Florida PRIME and Fund B in accordance with Section 218.409(6)(a), Florida Statutes. The statute requires:

- (1) Reporting of any material impacts on the funds and any actions or escalations taken by staff to address such impacts;
- (2) Presentation of a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last month; and
- (3) Preparation of the management summary "in a manner that will allow anyone to ascertain whether the investment activities during the reporting period have conformed to investment policies."

This report, which covers the period from December 1, 2011 through December 31, 2011, has been prepared by the SBA with input from Federated Investment Counseling ("Federated"), investment adviser for the funds, in a format intended to comply with the statute.

During the reporting period, Florida PRIME and Fund B were in material compliance with investment policy. Details are available in the compliance tables in the body of this report. This report also includes details on market conditions; fees; fund holdings, transactions and performance; and client composition.

### DISCLOSURE OF MATERIAL IMPACTS

There were no developments during December 2011 that had a material impact on the liquidity or operation of Florida PRIME.

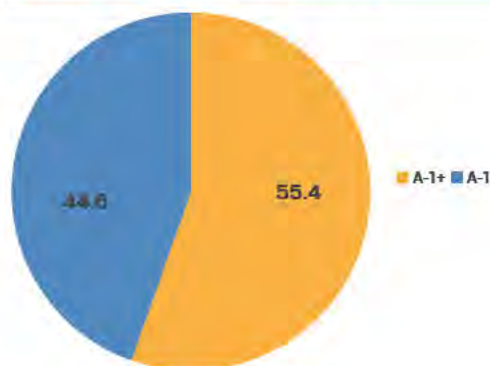


## PORTFOLIO COMPOSITION DECEMBER 31, 2011

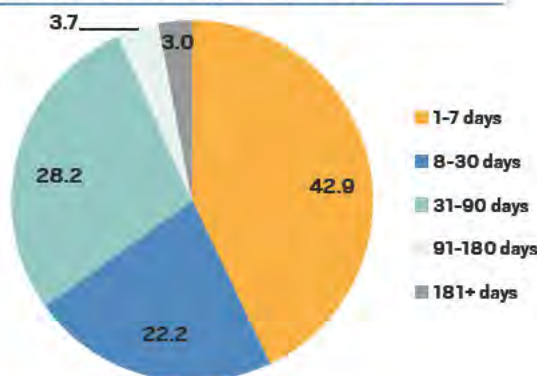
### Florida PRIME Assets

\$ 7,783,094,067

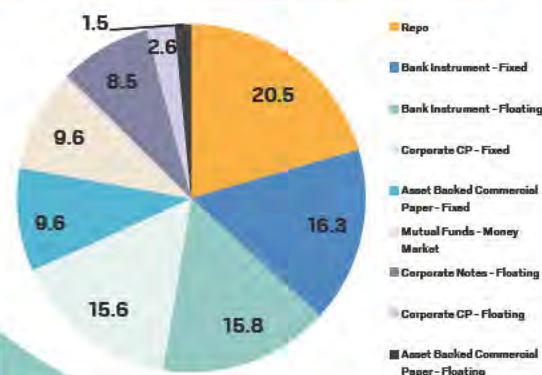
### Credit Quality Composition (%)



### Effective Maturity Schedule (%)



### Portfolio Composition (%)



## PORTFOLIO MANAGER COMMENTARY

### DECEMBER 2011 MARKET CONDITIONS

The cash-yield curve steepened during December as a sharp drop in the supply of overnight paper pushed rates lower at the short end while mounting jitters over the continuing euro-zone debt crisis nudged yields higher at the longer end. Normal year-end window dressing and other seasonal factors accounted for the dearth in repo supply, which effectively pushed some overnight rates down into the single digits. Meanwhile, the one-month London Interbank Offered Rate (LIBOR) rose 2 basis points in December to 0.30%, three-month LIBOR increased 5 basis points to 0.58%, six-month LIBOR climbed 6 basis points to 0.81%, and one-year LIBOR moved up 6 basis points to 1.1%. The increase in LIBOR could have been larger had not the Federal Reserve in early December lowered the rate it charges foreign institutions to “swap” euros for dollars. The Fed intervention, which was designed to provide dollar liquidity to the euro-zone financial system, curtailed interbank lending, thus limiting the scope of upward pressure on LIBOR.

It was a challenging month from a cash management perspective. Supply was severely constrained as banks and broker-dealers closed their books for the year, even as seasonal inflows necessitated putting new funds to work. It remained our objective to keep maturities relatively short to take advantage of the more generous cash yields that we believe will be available if, as we expect, the U.S. economic recovery gains traction in 2012.

News from the domestic economic front was mostly positive in December. Retailers generally reported solid holiday sales, initial unemployment claims continued their gradual decline, some housing metrics showed clear improvement and consumer confidence unexpectedly rose, probably in response to the promising jobs data. Indications that the U.S. economy was pulling out of its summer soft patch further reduced the probability of the Fed initiating a third round of quantitative easing, or the purchasing of Treasury debt with newly printed money. For savers, the absence of a QE3 is positive, since heavy Fed bond buying would exert more downward pressure — albeit indirectly — on short rates and imply that policymakers were moving farther away from the first rate hike.

As the New Year unfolds, investors will be casting a watchful eye on Europe. During the first few months of 2012, Italy will need to rollover massive amounts of government debt, and while recent



DECEMBER 31, 2011

### Top Holdings (%) and Average Maturity

1. Deutsche Bank AG	4.9%
2. ING Groep N.V.	4.8%
3. Bank of Montreal	4.3%
4. Mitsubishi UFJ Financial Group, Inc.	4.3%
5. Rabobank Nederland NV, Utrecht	4.1%
6. Barclays Bank PLC	3.9%
7. Credit Suisse Group AG	3.9%
8. Mizuho Financial Group, Inc.	3.7%
9. Royal Bank of Canada, Montreal	3.6%
10. Federated Prime Obligations Fund	3.5%

#### **Average Effective Maturity (WAM)**

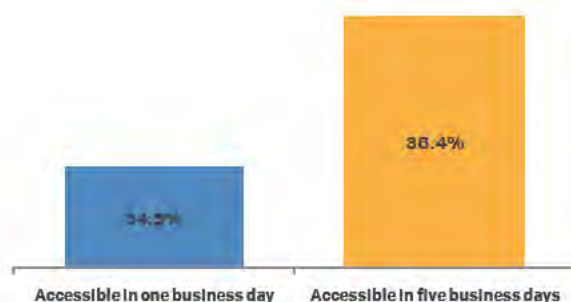
36.7 Days

#### **Weighted Average Life (Spread WAM)**

67.5 Days

Percentages based on total value of investments

### Highly Liquid Holdings (% at month end)



### **PORTFOLIO MANAGER COMMENTARY (CON'T.)**

action by the European Central Bank to extend longer-term loans to the region's struggling banks will significantly reduce the possibility of a liquidity crisis, major sovereign solvency issues remain unresolved. We are carefully monitoring financial conditions in the euro zone and are maintaining sufficient cash to invest if the yield curve continues to steepen in coming months.

### **PORTFOLIO INVESTMENT STRATEGY**

During December, the pool's assets increased by approximately \$1.5 billion, totaling \$7.8 billion at the end of the month, reflecting seasonal inflows. As a result of management's ability to invest much of this incoming cash, the pool's weighted average maturity increased by eight days to 37 days. Its weighted average life remained constant at 68 days. The pool's gross yield increased by two basis points to 31 basis points at month-end.

The composition of the pool changed as a result of the increased cash inflows in December. Specifically, the portfolio's commercial paper holdings increased by 7% to 25% while overnight money market holdings increased by 2% to a 12% position. The pool's positions in bank paper, government paper and variable rate holdings remained the same at 16%, 2%, and 24%, respectively.

As noted in the commentary above, LIBOR rates increased during December. The increases occurred primarily at the beginning of the month, which is when the bulk of the portfolio's purchases were made. These purchases included 30-, 60- and 90-month asset-backed commercial paper, bank instruments, as well as six-month bank-related floating rate securities. Typically, by the second half of December, the supply for commercial paper and short-term instruments substantially decreases because most of the issuers have already funded themselves into the next calendar year. Purchases during the last two weeks of the year were concentrated in the overnight sector.



## CASH FLOWS

Summary of Cash Flows	
December 2011	Florida PRIME
Opening Balance (12/1/11)	\$ 6,345,815,437
Participant Deposits	4,071,987,699
Transfers from Fund B	3,675,000
Gross Earnings	1,962,981
Participant Withdrawals	(2,640,186,444)
Fees	(160,605)
Closing Balance (12/31/11)	<u>\$ 7,783,094,067</u>
Net Change over Month	1,437,278,630

Valuations based on amortized cost

As shown in the table above, Florida PRIME experienced a net inflow of \$1.44 billion during December 2011.

This change in value consisted of positive flows of \$4.07 billion in participant deposits, \$3.7 million in transfers from Fund B and \$2.0 million in earnings. Negative flows consisted of \$2.64 billion in participant withdrawals and about \$161,000 in fees.

Overall, the fund ended the month with a closing balance of \$7.78 billion.

## FLORIDA PRIME DETAILED FEE DISCLOSURE

Charges for December 2011	Amount	Basis Point Equivalent*
SBA Client Service, Account Mgt. & Fiduciary Oversight Fee	\$ 37,567.31	0.64
Federated Investment Management Fee	107,202.66	1.82
BNY Mellon Custodial Fee	116.67	0.00
Bank of America Transfer Agent Fee	6,923.95	0.12
S&P Rating Maintenance Fee	3,312.33	0.06
Audit/External Review Fees	5,482.42	0.09
<b>Total Fees</b>	<b>\$ 160,605.34</b>	<b>2.73</b>

\*The basis point equivalent is an annualized rate based on the dollar amount of fees charged for the month times 12, divided by an average of the fund's beginning and ending total value (amortized cost) for the month which was \$7,064,454,752.

## COMING SOON! - THE NEW FLORIDA PRIME EDUCATION CENTER

OVER THE NEXT FEW WEEKS, THE SBA WILL OPEN A NEW TRAINING PORTAL WITHIN THE FLORIDA PRIME WEBSITE THAT WILL ALLOW POOL INVESTORS TO ENROLL IN HUNDREDS OF ONLINE COURSES AT SIGNIFICANTLY DISCOUNTED PRICES COVERING ACCOUNTING, AUDITING, FINANCIAL AND INVESTMENT TOPICS. MANY OF THE COURSES OFFER CPE AND CEU CREDIT.

STAY TUNED FOR FUTURE ANNOUNCEMENTS ABOUT THIS NEW SERVICE FROM FLORIDA PRIME.





## FUND PERFORMANCE THROUGH DECEMBER 31, 2011

### NOTES TO PERFORMANCE TABLE

<sup>1</sup>Net of fees. Participant yield is calculated on a 365-day basis and includes adjustments for expenses and other accounting items to reflect realized earnings by participants.

<sup>2</sup>The net-of-fee benchmark is the S&P AAA/AA Rated GIP All 30-Day Net Index for all time periods.

Net asset value includes investments at market value, plus all cash, accrued interest receivable and payables.

### Florida PRIME Participant Performance Data

	Net Participant Yield <sup>1</sup>	Net-of-Fee Benchmark <sup>2</sup>	Above (Below) Benchmark
1 mo	0.29%	0.08%	0.21%
3 mos	0.27%	0.08%	0.19%
12 mos	0.25%	0.09%	0.16%
3 yrs	0.37%	0.24%	0.13%
5 yrs	1.74%	1.66%	0.08%
10 yrs	2.20%	1.99%	0.21%
Since 1.96	3.41%	3.19%	0.22%

Net asset value at month end: \$7,783.1 m

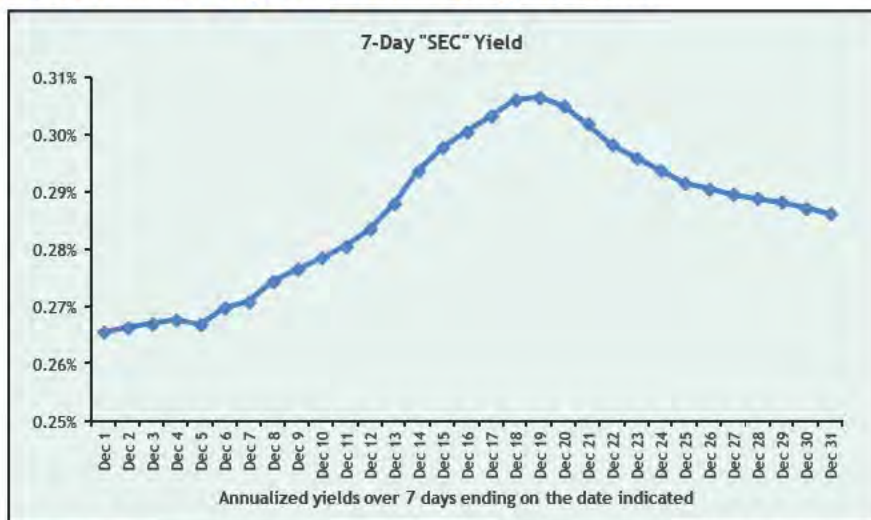
### NOTES TO CHART

The 7-Day "SEC" Yield in the chart is calculated in accordance with the yield methodology set forth by SEC rule 2a-7 for money market funds.

The 7-day yield = net income earned over a 7-day period / average units outstanding over the period / 7 times 365.

Note that unlike other performance measures, the SEC yield does not include realized gains and losses from sales of securities.

### Florida PRIME 7-Day "SEC" Yields During the Month



For performance comparisons to other short-term investment options, see [www.sbafla.com/prime](http://www.sbafla.com/prime) and click on "Pool Performance."

### ABOUT ANNUALIZED YIELDS

Performance data in the table and chart is annualized, meaning that the amounts are based on yields for the periods indicated, converted to their equivalent if obtained for a 12-month period.

For example, ignoring the effects of compounding,

an investment that earns 0.10% over a 1-month period yields 1.20% on an annualized basis. Likewise, an investment that earns a total of 3.60% over three years yields 1.20% on an annualized basis, ignoring compounding.



**INVENTORY OF HOLDINGS  
DECEMBER 31, 2011**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Australia & New Zealand Banking Group, Melbourne, Jul 03, 2012	VARIABLE RATE COMMERCIAL PAPER - 4-2	0.45	07/03/12	01/04/12	100,000,000	0.43	\$ 100,000,000	\$ 99,999,500	\$ (500)
Australia & New Zealand Banking Group, Melbourne, Jun 07, 2012	VARIABLE RATE COMMERCIAL PAPER - 4-2	0.53	06/07/12	03/07/12	100,000,000	0.54	100,000,000	99,980,100	(19,900)
Bank of America N.A. Triparty Repo Overnight Fixed	REPO TRIPARTY OVERNIGHT FIXED	0.06	01/03/12		900,000,000	0.06	900,000,000	900,000,000	0
Bank of Montreal, Jan 10, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.37	01/10/12	01/10/12	20,000,000	0.37	20,000,000	19,999,220	(780)
Bank of Montreal, Jun 06, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.29	06/06/12	01/06/12	50,000,000	0.29	50,000,000	49,993,650	(6,350)
Bank of Montreal, Sep 14, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.43	09/14/12	01/16/12	250,000,000	0.43	250,000,000	249,908,750	(91,250)
Bank of Nova Scotia, Toronto, May 08, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.43	05/08/12	01/09/12	50,000,000	0.43	50,000,000	49,999,250	(750)
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.45	03/02/12		150,000,000	0.46	150,000,000	149,981,595	(18,405)
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.47	03/08/12		170,000,000	0.48	170,000,000	169,983,680	(16,320)
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.33	01/11/12		12,000,000	0.25	12,000,319	12,000,359	39
Barclays Bank PLC CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.41	01/06/12		75,000,000	0.42	75,000,000	75,002,768	2,768
Barclays Bank PLC, Jan 27, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.71	01/27/12	01/27/12	150,000,000	0.72	150,000,000	150,008,100	8,100
Commonwealth Bank of Australia CP4-2	COMMERCIAL PAPER - 4-2		06/04/12		150,000,000	0.61	149,607,500	149,570,865	(36,635)
Credit Suisse, Zurich CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.38	02/10/12		50,000,000	0.39	50,000,000	49,996,465	(3,535)
Credit Suisse, Zurich CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.50	03/01/12		50,000,000	0.51	50,000,000	49,993,960	(6,040)
Credit Suisse, Zurich, Jun 08, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.37	06/08/12	01/09/12	200,000,000	0.34	200,000,000	199,998,000	(2,000)
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.40	01/23/12		200,000,000	0.41	200,000,000	199,997,240	(2,760)

See notes at end of table.



**INVENTORY OF HOLDINGS (CONTINUED)**  
**DECEMBER 31, 2011**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
							\$	\$	\$
Deutsche Bank Financial, Inc. CP	COMMERCIAL PAPER		01/03/12		185,000,000	0.06	184,998,767	184,998,766	(1)
Deutsche Bank Securities, Inc. REP3P	REPO TRPARTY OVERNIGHT FIXED	0.08	01/03/12		700,000,000	0.08	700,000,000	700,000,000	0
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND	0.00	01/03/12		207,196,986	0.00	207,196,986	207,196,986	0
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		01/03/12		5,000,000	0.36	4,999,806	4,999,934	128
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		04/02/12		7,000,000	0.43	6,992,323	6,993,566	1,243
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		01/20/12		1,700,000	0.26	1,699,742	1,699,861	119
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		02/06/12		113,000,000	0.30	112,964,217	112,979,604	15,387
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		02/10/12		75,000,000	0.36	74,969,375	74,984,078	14,703
Fairway Finance Co. LLC, Jan 11, 2012	VARIABLE RATE COMMERCIAL PAPER - ABS-4(2)	0.29	01/11/12	01/11/12	40,000,000	0.29	40,000,000	39,999,200	(800)
Fairway Finance Co. LLC, Jun 08, 2012	VARIABLE RATE COMMERCIAL PAPER - ABS-4(2)	0.32	06/08/12	01/09/12	25,000,000	0.32	25,000,000	24,995,675	(4,325)
Fairway Finance Co. LLC, Jun 15, 2012	VARIABLE RATE COMMERCIAL PAPER - ABS-4(2)	0.32	06/15/12	01/16/12	50,000,000	0.32	50,000,000	50,000,000	0
Federated Prime Cash Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.20	01/03/12	01/03/12	251,002,242	0.21	251,002,242	251,002,242	0
Federated Prime Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.21	01/03/12	01/03/12	276,339,169	0.19	276,339,169	276,339,169	0
General Electric Capital Corp. CP	COMMERCIAL PAPER		02/15/12		10,000,000	0.20	9,997,389	9,999,178	1,789
General Electric Capital Corp. CP	COMMERCIAL PAPER		03/05/12		100,000,000	0.18	99,967,000	99,983,870	16,870
General Electric Capital Corp., Jul 27, 2012	VARIABLE MEDIUM TERM NOTE	0.59	07/27/12	01/27/12	10,000,000	0.60	9,999,165	10,012,430	13,265
General Electric Capital Corp., Jul 27, 2012	VARIABLE MEDIUM TERM NOTE	0.59	07/27/12	01/27/12	2,100,000	0.61	2,099,844	2,102,610	2,766
General Electric Capital Corp., Note, 3.500%, 08/13/2012	CORPORATE BOND	3.50	08/13/12		50,000,000	0.56	50,906,164	50,825,850	(80,314)
General Electric Capital Corp., Series GMTN, 5.250%, 10/19/2012	CORPORATE BOND	5.25	10/19/12		4,913,000	0.81	5,087,239	5,084,822	(2,416)

See notes at end of table.



**INVENTORY OF HOLDINGS (CONTINUED)**  
**DECEMBER 31, 2011**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
							\$	\$	\$
General Electric Capital, Series MTNA, 6%, 6/15/2012	CORPORATE BOND	6.00	06/15/12		11,250,000	0.51	11,532,493	11,502,900	(29,593)
General Electric Capital, Series MTNA, 6%, 6/15/2012	CORPORATE BOND	6.00	06/15/12		3,760,000	0.51	3,854,206	3,844,525	(9,681)
General Electric Capital, Series MTNA, 6%, 6/15/2012	CORPORATE BOND	6.00	06/15/12		3,000,000	0.66	3,073,233	3,067,440	(5,793)
General Electric Capital, Series MTNA, 6%, 6/15/2012	CORPORATE BOND	6.00	06/15/12		10,000,000	0.66	10,244,017	10,224,800	(19,217)
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		02/29/12		125,000,000	0.53	124,889,861	124,912,313	22,451
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		03/05/12		150,000,000	0.54	149,854,250	149,881,200	26,950
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		03/06/12		50,000,000	0.54	49,950,681	49,959,430	8,749
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		03/20/12		50,000,000	0.58	49,935,875	49,945,215	9,340
JPMorgan Chase & Co., Floating Rate Note, Series MTN, 2/22/2012	CORPORATE BOND	0.58	02/22/12	02/22/12	1,000,000	0.51	1,000,108	1,000,296	188
Market Street Funding LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		02/15/12		25,000,000	0.23	24,992,493	24,995,758	3,264
Michigan Finance Authority, Unemployment Obligation Assessment Variable Rate Demand Revenue Bonds (Series 2011), 07/01/2014	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.20	07/01/14	01/04/12	50,000,000	0.24	50,000,000	50,000,000	0
Michigan State Hospital Finance Authority, (Henry Ford Health System, MI), (Series 2007), 11/15/2042	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.07	11/15/42	01/04/12	53,900,000	0.09	53,900,000	53,900,000	0
Mizuho Corporate Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.42	02/01/12		25,000,000	0.41	25,000,454	25,001,370	916
Mizuho Corporate Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.50	03/01/12		50,000,000	0.51	50,000,000	50,000,845	845
Mizuho Corporate Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.48	03/09/12		10,000,000	0.49	10,000,000	9,999,803	(197)
Mizuho Funding LLC CP4-2	COMMERCIAL PAPER - 4-2		02/13/12		200,000,000	0.45	199,890,000	199,927,500	37,500
Mullenix-St. Charles Properties, L.P., Times Centre Apartments Project Series 2004, 01/0128	VARIABLE RATE DEMAND NOTE	0.23	01/01/28	01/05/12	13,500,000	0.23	13,500,000	13,500,000	0

See notes at end of table.



**INVENTORY OF HOLDINGS (CONTINUED)**  
**DECEMBER 31, 2011**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
National Australia Bank Ltd., Melbourne, Apr 13, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.43	04/13/12	01/13/12	20,000,000	0.43	\$ 20,000,000	\$ 19,999,780	\$ (220)
National Australia Bank Ltd., Melbourne, Jun 08, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.54	06/08/12	03/07/12	100,000,000	0.55	100,000,000	99,993,700	(6,300)
New York City, NY Municipal Water Finance Authority, (Senior Revenue Bonds) (Fiscal 2008 Series B-3), 06/15/2025	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.15	06/15/25	01/02/12	92,360,000	0.15	92,360,000	92,360,000	0
Rabobank Nederland NV, Utrecht, Apr 02, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.40	04/02/12	01/03/12	200,000,000	0.38	200,000,000	199,951,200	(48,800)
Rabobank Nederland NV, Utrecht, May 08, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.37	05/08/12	01/09/12	20,000,000	0.37	20,000,000	19,998,340	(1,660)
Rabobank Nederland, Utrecht CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.49	03/14/12		100,000,000	0.50	100,000,000	100,004,020	4,020
Royal Bank of Canada, Montreal CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.50	09/26/12		80,000,000	0.51	80,000,000	80,119,936	119,936
Royal Bank of Canada, Montreal CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.55	11/07/12		100,000,000	0.56	100,000,000	100,129,680	129,680
Royal Bank of Canada, Montreal, Dec 21, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.64	12/21/12	03/21/12	100,000,000	0.65	100,000,000	99,979,800	(20,200)
Salisbury Receivables Company LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		01/10/12		17,000,000	0.32	16,998,338	16,999,194	856
Salisbury Receivables Company LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		01/23/12		23,500,000	0.38	23,494,203	23,497,290	3,087
Salisbury Receivables Company LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		02/09/12		20,000,000	0.39	19,991,344	19,995,240	3,896
Sheffield Receivables Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		01/11/12		50,000,000	0.37	49,994,000	49,997,735	3,735
Sheffield Receivables Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		02/08/12		30,000,000	0.39	29,987,333	29,993,766	6,433
St. Andrew United Methodist Church, Series 2004, Jul 01, 2029	VARIABLE RATE DEMAND NOTE	0.20	07/01/29	01/05/12	9,635,000	0.20	9,635,000	9,635,000	0
Straight A Funding , LLC GOVTAGYX	GOVERNMENT AGENCY EXTENDIBLE NOTE		02/06/12		100,000,000	0.19	99,979,944	99,995,670	15,726
Straight A Funding , LLC GOVTAGYX	GOVERNMENT AGENCY EXTENDIBLE NOTE		01/26/12		25,058,000	0.19	25,054,429	25,055,933	1,503

See notes at end of table.



**INVENTORY OF HOLDINGS (CONTINUED)**  
**DECEMBER 31, 2011**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Surrey Funding Corporation CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		01/04/12		28,800,000	0.28	\$ 28,798,880	\$ 28,799,479	\$ 599
Surrey Funding Corporation CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		01/20/12		30,850,000	0.34	30,843,881	30,847,301	3,419
Svenska Handelsbanken, Stockholm CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.49	03/08/12		100,000,000	0.49	100,000,000	99,991,350	(8,650)
Svenska Handelsbanken, Stockholm CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.50	03/12/12		100,000,000	0.50	100,001,013	99,993,900	(7,113)
Svenska Handelsbanken, Stockholm, Oct 16, 2012	VARIABLE MEDIUM TERM NOTE	0.52	10/16/12	02/17/12	45,000,000	0.52	45,000,000	44,991,855	(8,145)
Toyota Motor Credit Corp. CP	COMMERCIAL PAPER		05/07/12		50,000,000	0.55	49,903,250	49,949,295	46,045
UBS Finance (Delaware) LLC CP	COMMERCIAL PAPER		01/12/12		150,000,000	0.20	149,989,167	149,990,250	1,083
Variable Funding Capital Company LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		01/03/12		58,153,000	0.05	58,152,677	58,152,677	(0)
Vermont State Student Assistance Corp., (Series 2008C-1), 12/15/2040	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.08	12/15/40	01/05/12	68,485,000	0.13	68,485,000	68,485,000	0
Wells Fargo & Co., Floating Rate Note, 01/24/2012	CORPORATE BOND	0.51	01/24/12	01/24/12	100,000,000	0.51	100,021,205	100,015,100	(6,105)
Westpac Banking Corp. Ltd., Sydney, Jul 17, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.38	07/17/12	01/17/12	25,000,000	0.39	25,000,000	24,985,300	(14,700)
Westpac Banking Corp. Ltd., Sydney, Jun 15, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.65	06/15/12	01/16/12	50,000,000	0.66	49,997,723	49,976,050	(21,673)
Windmill Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		01/11/12		50,000,000	0.30	49,995,000	49,996,785	1,785
Windmill Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		01/12/12		51,143,000	0.32	51,137,090	51,139,400	2,309
Windmill Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		01/13/12		159,476,000	0.32	159,456,154	159,463,720	7,566
Wisconsin Health & Educational Facilities Authority, (Aspirus Wausau Hospital, Inc.), (Series 2000), 08/15/2036	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.06	08/15/36	01/02/12	4,300,000	0.06	4,300,000	4,300,000	0
<b>Total Value of Investments</b>					<b>7,780,421,397</b>		<b>\$ 7,781,020,550</b>	<b>\$ 7,781,058,481</b>	<b>\$ 37,931</b>

**Notes:** The data included in this report is unaudited. Amounts above are the value of investments. Income accruals, payables and uninvested cash are not included. Amortizations/accretions are reported with a one-day lag in the above valuations.

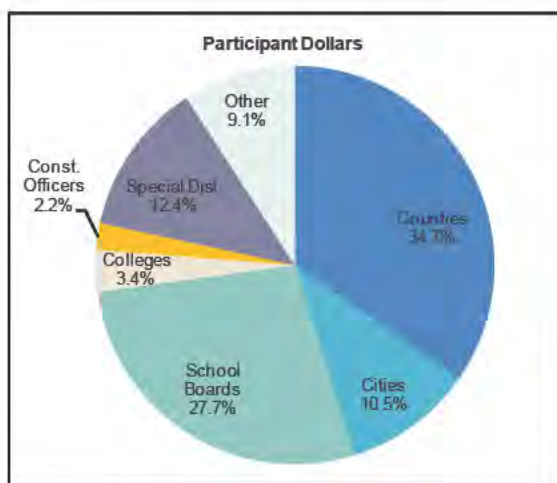
<sup>1</sup> Market values of the portfolio securities are provided by the custodian, BNY Mellon. The portfolio manager, Federated Investment Counseling, is the source for other data shown above.

<sup>2</sup> Amortized cost is calculated using a straight line method.

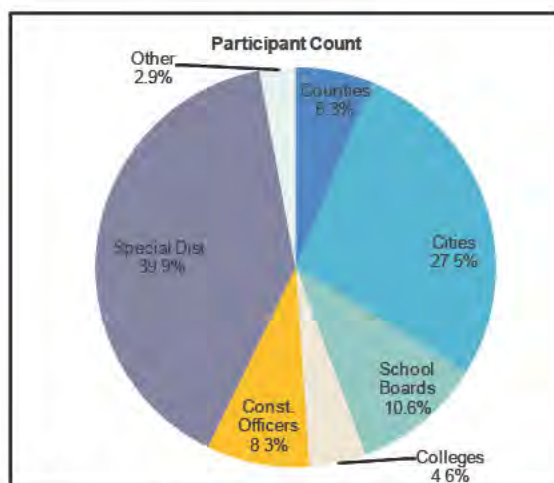


### PARTICIPANT CONCENTRATION DATA - DECEMBER 31, 2011

Participant Balance	Share of Total Fund	Share of Participant Count	Participant Balance	Share of Total Fund	Share of Participant Count
<b>All Participants</b>	<b>100.0%</b>	<b>99.9%</b>	<b>Colleges &amp; Universities</b>	<b>3.4%</b>	<b>4.6%</b>
Top 10	43.2%	1.2%	Top 10	3.1%	1.2%
\$100 million or more	57.9%	2.3%	\$100 million or more	1.5%	0.1%
\$10 million up to \$100 million	34.5%	10.1%	\$10 million up to \$100 million	1.1%	0.5%
\$1 million up to \$10 million	6.8%	17.2%	\$1 million up to \$10 million	0.7%	1.3%
Under \$1 million	0.7%	70.3%	Under \$1 million	0.02%	2.6%
<b>Counties</b>	<b>34.7%</b>	<b>6.3%</b>	<b>Constitutional Officers</b>	<b>2.2%</b>	<b>8.3%</b>
Top 10	28.7%	1.2%	Top 10	0.7%	1.2%
\$100 million or more	27.4%	1.1%	\$100 million or more	0.0%	0.0%
\$10 million up to \$100 million	6.6%	1.2%	\$10 million up to \$100 million	1.5%	0.6%
\$1 million up to \$10 million	0.7%	1.2%	\$1 million up to \$10 million	0.6%	1.4%
Under \$1 million	0.0%	2.8%	Under \$1 million	0.1%	6.3%
<b>Municipalities</b>	<b>10.5%</b>	<b>27.4%</b>	<b>Special Districts</b>	<b>12.4%</b>	<b>39.8%</b>
Top 10	6.0%	1.2%	Top 10	8.6%	1.2%
\$100 million or more	0.0%	0.0%	\$100 million or more	5.4%	0.4%
\$10 million up to \$100 million	8.3%	2.6%	\$10 million up to \$100 million	5.1%	1.9%
\$1 million up to \$10 million	1.9%	4.9%	\$1 million up to \$10 million	1.6%	5.2%
Under \$1 million	0.3%	19.9%	Under \$1 million	0.3%	32.4%
<b>School Boards</b>	<b>27.6%</b>	<b>10.6%</b>	<b>Other</b>	<b>9.1%</b>	<b>2.9%</b>
Top 10	23.5%	1.2%	Top 10	4.1%	1.2%
\$100 million or more	18.3%	0.4%	\$100 million or more	5.3%	0.4%
\$10 million up to \$100 million	8.3%	2.4%	\$10 million up to \$100 million	3.5%	0.8%
\$1 million up to \$10 million	0.9%	2.4%	\$1 million up to \$10 million	0.4%	0.7%
Under \$1 million	0.1%	5.4%	Under \$1 million	0.0%	1.0%



Total Fund Value: \$7,783,094,067



Total Participant Count: 831



## INVESTMENT POLICY COMPLIANCE - DECEMBER 2011

Test by Source	Pass/Fail
<b><u>Florida PRIME's Investment Policy</u></b>	
Securities must be USD denominated.	Pass
<b><u>Ratings requirements</u></b>	
The Pool must purchase exclusively first-tier securities. Securities purchased with short-term ratings by an NRSRO, or comparable in quality and security to other obligations of the issuer that have received short-term ratings from an NRSRO, are eligible if they are in one of the two highest rating categories.	Pass
Securities purchased that do not have short-term ratings must have a long-term rating in one of the three highest long-term rating categories.	Pass
Commercial Paper must be rated by at least one short-term NRSRO.	Pass
Repurchase Agreement Counterparties must be rated by S&P	Pass
S&P Weighted Average Life - maximum 90 days <sup>1</sup>	Pass
<b><u>Maturity</u></b>	
Securities, excluding Government floating rate notes/variable rate notes, purchased did not have a maturity in excess of 397 days.	Pass
Government floating rate notes/variable rate notes purchased did not have a maturity in excess of 762 days.	Pass
The Pool must maintain a Spread WAM of 120 days or less.	Pass
<b><u>Issuer Diversification</u></b>	
First-tier issuers (limit does not apply to cash, cash items, U.S. Government securities refunded securities and repo collateralized by these securities) are limited, at the time of purchase, to 5% of the Pool's total assets. <sup>2</sup>	Pass
<b><u>Demand Feature and Guarantor Diversification</u></b>	
First-tier securities issued by or subject to demand features and guarantees of a non-controlled person, at time of purchase, are limited to 10% with respect to 75% of the Pool's total assets.	Pass
First-tier securities issued by or subject to demand features and guarantees of a control person, at time of purchase, are limited to 10% with respect to the Pool's total assets.	Pass
<b><u>Money Market Mutual Funds</u></b>	
The account, at time of purchase, will not have exposure to any one Money Market Mutual Fund in excess of 10% of the Pool's total assets.	Pass
<b><u>Concentration Tests</u></b>	
The account, at time of purchase, will not have exposure to an industry sector, excluding the financial services industry, in excess of 25% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to any single Government Agency in excess of 33.33% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to illiquid securities in excess of 5% of the Pool's total assets.	Pass
The account, at time of purchase, will invest at least 10% of the Pool's total assets in securities accessible within one business day.	Pass
The account, at time of purchase, will invest at least 30% of the Pool's total assets in securities accessible within five business days. <sup>3</sup>	Pass
<b><u>S&amp;P Requirements</u></b>	
The Pool must maintain a Dollar Weighted Average Maturity of 60 days or less.	Pass
The account, at time of purchase, will invest at least 50% of the Pool's total assets in Securities in Highest Rating Category (A-1+ or equivalent).	Pass

<sup>1</sup> The fund may use floating rate government securities to extend the limit up to 120 days

<sup>2</sup> This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to liquidate positions if the exposure in excess of the specified percentage is caused by account movements.

<sup>3</sup> This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to take immediate corrective measures if asset movements cause the exposure to be below the specified percentage.



### TRADING ACTIVITY FOR DECEMBER 2011

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Buys</b>					\$	\$	\$	\$
AMSTERDAM FUNDING CCPABS4	12/27/11	12/23/11	12/23/11	50,000,000	49,999,722	-	49,999,722	-
AMSTERDAM FUNDING CCPABS4	12/27/11	12/23/11	12/23/11	33,957,000	33,956,811	-	33,956,811	-
AMSTERDAM FUNDING CCPABS4	12/28/11	12/01/11	12/01/11	21,000,000	20,995,905	-	20,995,905	-
AMSTERDAM FUNDING CCPABS4	12/30/11	12/29/11	12/29/11	14,009,000	14,008,981	-	14,008,981	-
AMSTERDAM FUNDING CCPABS4	12/30/11	12/29/11	12/29/11	50,000,000	49,999,931	-	49,999,931	-
AMSTERDAM FUNDING CCPABS4	12/30/11	12/29/11	12/29/11	50,000,000	49,999,931	-	49,999,931	-
AMSTERDAM FUNDING CCPABS4	12/30/11	12/29/11	12/29/11	50,000,000	49,999,931	-	49,999,931	-
AMSTERDAM FUNDING CCPABS4	12/30/11	12/29/11	12/29/11	50,000,000	49,999,931	-	49,999,931	-
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	06/07/12	12/06/11	12/07/11	50,000,000	50,000,000	-	50,000,000	-
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	06/07/12	12/06/11	12/07/11	50,000,000	50,000,000	-	50,000,000	-
BANK OF MONTREAL/CHICAGO IL	06/06/12	12/05/11	12/05/11	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	03/02/12	12/02/11	12/02/11	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	03/02/12	12/02/11	12/02/11	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	03/02/12	12/02/11	12/02/11	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	03/08/12	12/08/11	12/08/11	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	03/08/12	12/08/11	12/08/11	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	03/08/12	12/08/11	12/08/11	20,000,000	20,000,000	-	20,000,000	-
BANK OF TOKYO-MITSUCDYAN	03/08/12	12/08/11	12/08/11	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	01/11/12	12/12/11	12/12/11	12,000,000	12,000,798	6,820	12,007,618	-
BANK OF TOKYO-MITSUCDYAN	12/29/11	12/22/11	12/22/11	50,000,000	50,000,000	-	50,000,000	-
BARTON CAPITAL LLCCPABS4-	12/23/11	12/22/11	12/22/11	5,000,000	4,999,882	-	4,999,882	-
BARTON CAPITAL LLCCPABS4-	12/23/11	12/22/11	12/22/11	50,000,000	49,998,820	-	49,998,820	-
COMMONWEALTH BANK OCP4-2	06/04/12	12/02/11	12/02/11	50,000,000	49,845,834	-	49,845,834	-
COMMONWEALTH BANK OCP4-2	06/04/12	12/02/11	12/02/11	50,000,000	49,845,834	-	49,845,834	-
COMMONWEALTH BANK OCP4-2	06/04/12	12/02/11	12/02/11	50,000,000	49,845,834	-	49,845,834	-
CREDIT SUISSE, ZURICDYAN	03/01/12	12/01/11	12/01/11	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK FINANCIAL LLC	01/03/12	12/30/11	12/30/11	35,000,000	34,999,767	-	34,999,767	-
DEUTSCHE BANK FINANCIAL LLC	01/03/12	12/30/11	12/30/11	50,000,000	49,999,667	-	49,999,667	-
DEUTSCHE BANK FINANCIAL LLC	01/03/12	12/30/11	12/30/11	50,000,000	49,999,667	-	49,999,667	-
DEUTSCHE BANK FINANCIAL LLC	01/03/12	12/30/11	12/30/11	50,000,000	49,999,667	-	49,999,667	-
DEUTSCHE BANK FINANCP	12/29/11	12/28/11	12/28/11	35,000,000	34,999,942	-	34,999,942	-
DEUTSCHE BANK FINANCP	12/29/11	12/28/11	12/28/11	50,000,000	49,999,917	-	49,999,917	-
DEUTSCHE BANK FINANCP	12/29/11	12/28/11	12/28/11	50,000,000	49,999,917	-	49,999,917	-
DEUTSCHE BANK FINANCP	12/29/11	12/28/11	12/28/11	50,000,000	49,999,917	-	49,999,917	-
DU PONT (E,I) DE NCP4-2	12/22/11	12/21/11	12/21/11	6,500,000	6,499,993	-	6,499,993	-
FCAR OWNER TRUST, ACPABS3	02/06/12	12/06/11	12/06/11	50,000,000	49,974,167	-	49,974,167	-
FCAR OWNER TRUST, ACPABS3	02/06/12	12/06/11	12/06/11	50,000,000	49,974,167	-	49,974,167	-
FCAR OWNER TRUST, ACPABS3	02/06/12	12/06/11	12/06/11	13,000,000	12,993,283	-	12,993,283	-
FCAR OWNER TRUST, ACPABS3	02/10/12	12/13/11	12/13/11	25,000,000	24,985,660	-	24,985,660	-
FCAR OWNER TRUST, ACPABS3	02/10/12	12/13/11	12/13/11	50,000,000	49,971,320	-	49,971,320	-
FAIRWAY FINANCE LLC	06/08/12	12/08/11	12/09/11	25,000,000	25,000,000	-	25,000,000	-
FAIRWAY FINANCE LLC	06/15/12	12/13/11	12/15/11	50,000,000	50,000,000	-	50,000,000	-
GENERAL ELECTRIC CA CP	03/05/12	12/05/11	12/05/11	50,000,000	49,977,250	-	49,977,250	-
GENERAL ELECTRIC CA CP	03/05/12	12/05/11	12/05/11	50,000,000	49,977,250	-	49,977,250	-



**TRADING ACTIVITY FOR DECEMBER 2011 (CONTINUED)**

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
					\$	\$	\$	\$
<b><i>Buys (continued)</i></b>								
GENERAL ELECTRIC CAPITAL CORP	10/19/12	12/06/11	12/09/11	4,913,000	5,099,684	35,824	5,135,508	-
GENERAL ELECTRIC CAPITAL CORP	06/15/12	12/23/11	12/29/11	11,250,000	11,534,175	26,250	11,560,425	-
ING (U.S.) FUNDING CP	02/29/12	12/01/11	12/01/11	25,000,000	24,967,500	-	24,967,500	-
ING (U.S.) FUNDING CP	02/29/12	12/01/11	12/01/11	50,000,000	49,935,000	-	49,935,000	-
ING (U.S.) FUNDING CP	02/29/12	12/01/11	12/01/11	50,000,000	49,935,000	-	49,935,000	-
ING (U.S.) FUNDING CP	03/05/12	12/06/11	12/06/11	50,000,000	49,933,750	-	49,933,750	-
ING (U.S.) FUNDING CP	03/05/12	12/06/11	12/06/11	50,000,000	49,933,750	-	49,933,750	-
ING (U.S.) FUNDING CP	03/05/12	12/06/11	12/06/11	50,000,000	49,933,750	-	49,933,750	-
ING (U.S.) FUNDING CP	03/06/12	12/07/11	12/07/11	50,000,000	49,933,750	-	49,933,750	-
ING (U.S.) FUNDING CP	03/20/12	12/21/11	12/21/11	50,000,000	49,928,750	-	49,928,750	-
MARKET STREET FUNDICPABS4	12/22/11	12/21/11	12/21/11	25,000,000	24,999,965	-	24,999,965	-
MARKET STREET FUNDICPABS4	12/22/11	12/21/11	12/21/11	25,000,000	24,999,965	-	24,999,965	-
MARKET STREET FUNDICPABS4	12/22/11	12/21/11	12/21/11	23,424,000	23,423,967	-	23,423,967	-
MARKET STREET FUNDICPABS4	12/23/11	12/21/11	12/21/11	9,275,000	9,274,964	-	9,274,964	-
MARKET STREET FUNDICPABS4	12/23/11	12/22/11	12/22/11	20,022,000	20,021,972	-	20,021,972	-
MARKET STREET FUNDICPABS4	12/27/11	12/23/11	12/23/11	35,004,000	35,003,805	-	35,003,805	-
MICHIGAN STATE FINANCE AUTHORITY	07/01/14	12/27/11	12/28/11	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	02/01/12	12/09/11	12/09/11	25,000,000	25,000,743	11,083	25,011,826	-
MIZUHO CORPORATE BACDYAN	03/01/12	12/01/11	12/01/11	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	03/09/12	12/09/11	12/09/11	10,000,000	10,000,000	-	10,000,000	-
NATIONAL AUSTRALIA BANK/NEW YORK	06/08/12	12/07/11	12/09/11	50,000,000	50,000,000	-	50,000,000	-
NATIONAL AUSTRALIA BANK/NEW YORK	06/08/12	12/07/11	12/09/11	50,000,000	50,000,000	-	50,000,000	-
SALISBURY RECEIVABLECPABS4	12/27/11	12/23/11	12/23/11	7,530,000	7,529,950	-	7,529,950	-
SALISBURY RECEIVABLECPABS4	12/27/11	12/23/11	12/23/11	50,000,000	49,999,667	-	49,999,667	-
SANOFI-AVENTIS SACP4-2	12/27/11	12/21/11	12/21/11	34,000,000	33,999,773	-	33,999,773	-
SOCIETE GENERALE NOCP	12/29/11	12/28/11	12/28/11	50,000,000	49,999,695	-	49,999,695	-
SOCIETE GENERALE NOCP	12/29/11	12/28/11	12/28/11	50,000,000	49,999,695	-	49,999,695	-
SOCIETE GENERALE NOCP	12/29/11	12/28/11	12/28/11	50,000,000	49,999,695	-	49,999,695	-
SOCIETE GENERALE NOCP	12/29/11	12/28/11	12/28/11	50,000,000	49,999,695	-	49,999,695	-
SOCIETE GENERALE NOCP	12/29/11	12/28/11	12/28/11	50,000,000	49,999,695	-	49,999,695	-
SOCIETE GENERALE NOCP	12/29/11	12/28/11	12/28/11	50,000,000	49,999,695	-	49,999,695	-
SOCIETE GENERALE NOCP	12/30/11	12/29/11	12/29/11	50,000,000	49,999,695	-	49,999,695	-
SOCIETE GENERALE NOCP	12/30/11	12/29/11	12/29/11	50,000,000	49,999,695	-	49,999,695	-
SOCIETE GENERALE NOCP	12/30/11	12/29/11	12/29/11	50,000,000	49,999,695	-	49,999,695	-
SOCIETE GENERALE NOCP	12/30/11	12/29/11	12/29/11	50,000,000	49,999,695	-	49,999,695	-
SOCIETE GENERALE NOCP	12/30/11	12/29/11	12/29/11	50,000,000	49,999,695	-	49,999,695	-
SOCIETE GENERALE NOCP	12/30/11	12/29/11	12/29/11	50,000,000	49,999,695	-	49,999,695	-
SOCIETE GENERALE NOCP	12/30/11	12/29/11	12/29/11	50,000,000	49,999,695	-	49,999,695	-
SURREY FUNDING CORPCPABS4	01/04/12	12/01/11	12/01/11	28,800,000	28,792,384	-	28,792,384	-
SURREY FUNDING CORPCPABS4	01/20/12	12/01/11	12/01/11	30,850,000	30,835,432	-	30,835,432	-
SVENSKA HANDELSBANKCDYAN	03/08/12	12/08/11	12/08/11	50,000,000	50,000,000	-	50,000,000	-
SVENSKA HANDELSBANKCDYAN	03/08/12	12/08/11	12/08/11	50,000,000	50,000,000	-	50,000,000	-
SVENSKA HANDELSBANKCDYAN	03/12/12	12/13/11	12/13/11	50,000,000	50,000,624	-	50,000,624	-
SVENSKA HANDELSBANKCDYAN	03/12/12	12/13/11	12/13/11	50,000,000	50,000,624	-	50,000,624	-
UBS FINANCE (DELAWARECP)	01/12/12	12/12/11	12/12/11	50,000,000	49,991,389	-	49,991,389	-



**TRADING ACTIVITY FOR DECEMBER 2011 (CONTINUED)**

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<i>Buys (continued)</i>					\$	\$	\$	\$
UBS FINANCE (DELAWACP)	01/12/12	12/12/11	12/12/11	50,000,000	49,991,389	-	49,991,389	-
UBS FINANCE (DELAWACP)	01/12/12	12/12/11	12/12/11	50,000,000	49,991,389	-	49,991,389	-
UBS FINANCE (DELAWACP)	12/22/11	12/21/11	12/21/11	50,000,000	49,999,945	-	49,999,945	-
UBS FINANCE (DELAWACP)	12/23/11	12/22/11	12/22/11	50,000,000	49,999,945	-	49,999,945	-
UBS FINANCE (DELAWACP)	12/30/11	12/29/11	12/29/11	30,000,000	29,999,967	-	29,999,967	-
UBS FINANCE (DELAWACP)	12/30/11	12/29/11	12/29/11	50,000,000	49,999,945	-	49,999,945	-
VARIABLE FUNDING COCPABS4	01/03/12	12/30/11	12/30/11	8,153,000	8,152,955	-	8,152,955	-
VARIABLE FUNDING COCPABS4	01/03/12	12/30/11	12/30/11	50,000,000	49,999,722	-	49,999,722	-
WELLS FARGO & CO	01/24/12	12/08/11	12/13/11	50,000,000	50,017,812	35,108	50,052,920	-
WELLS FARGO & CO	01/24/12	12/08/11	12/13/11	50,000,000	50,017,812	35,108	50,052,920	-
WINDMILL FUNDING COCPABS4	01/11/12	12/12/11	12/12/11	50,000,000	49,987,500	-	49,987,500	-
WINDMILL FUNDING COCPABS4	01/12/12	12/08/11	12/08/11	50,000,000	49,984,445	-	49,984,445	-
WINDMILL FUNDING COCPABS4	01/12/12	12/08/11	12/08/11	1,143,000	1,142,644	-	1,142,644	-
WINDMILL FUNDING COCPABS4	01/13/12	12/09/11	12/09/11	9,476,000	9,473,052	-	9,473,052	-
WINDMILL FUNDING COCPABS4	01/13/12	12/09/11	12/09/11	50,000,000	49,984,445	-	49,984,445	-
WINDMILL FUNDING COCPABS4	01/13/12	12/09/11	12/09/11	50,000,000	49,984,445	-	49,984,445	-
WINDMILL FUNDING COCPABS4	01/13/12	12/09/11	12/09/11	50,000,000	49,984,445	-	49,984,445	-
WINDMILL FUNDING COCPABS4	12/28/11	12/01/11	12/01/11	24,976,000	24,971,130	-	24,971,130	-
WISCONSIN HEALTH & EDUCATIONAL FACILITIES AUTHORITY	08/15/36	12/21/11	12/21/11	4,300,000	4,300,000	126	4,300,126	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/02/11	12/02/11	6,466,231	6,466,231	-	6,466,231	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/09/11	12/09/11	22,006,681	22,006,681	-	22,006,681	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/13/11	12/13/11	3,680,041	3,680,041	-	3,680,041	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/16/11	12/16/11	3,770,778	3,770,778	-	3,770,778	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/20/11	12/20/11	3,140,181	3,140,181	-	3,140,181	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/22/11	12/22/11	169,727,745	169,727,745	-	169,727,745	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/27/11	12/27/11	39,004	39,004	-	39,004	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/28/11	12/28/11	1,757,274	1,757,274	-	1,757,274	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/29/11	12/29/11	191,308,645	191,308,645	-	191,308,645	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/30/11	12/30/11	9,441,605	9,441,605	-	9,441,605	-
FEDERATED PR ME CASH OBLIGATIONS FUND	10/01/40	12/01/11	12/01/11	35,997	35,997	-	35,997	-
FEDERATED PR ME OBLIGATIONS FUND	10/01/40	12/01/11	12/01/11	37,437	37,437	-	37,437	-
DEUTSCHE BANK	12/02/11	12/01/11	12/01/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/02/11	12/01/11	12/01/11	1,175,000,000	1,175,000,000	-	1,175,000,000	-
DEUTSCHE BANK	12/05/11	12/02/11	12/02/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/05/11	12/02/11	12/02/11	1,190,000,000	1,190,000,000	-	1,190,000,000	-
DEUTSCHE BANK	12/06/11	12/05/11	12/05/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/06/11	12/05/11	12/05/11	1,030,000,000	1,030,000,000	-	1,030,000,000	-
DEUTSCHE BANK	12/07/11	12/06/11	12/06/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/07/11	12/06/11	12/06/11	970,000,000	970,000,000	-	970,000,000	-
DEUTSCHE BANK	12/08/11	12/07/11	12/07/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/08/11	12/07/11	12/07/11	1,125,000,000	1,125,000,000	-	1,125,000,000	-
BANK OF AMERICA TRIPARTY	12/09/11	12/08/11	12/08/11	1,200,000,000	1,200,000,000	-	1,200,000,000	-
DEUTSCHE BANK	12/09/11	12/08/11	12/08/11	380,000,000	380,000,000	-	380,000,000	-
DEUTSCHE BANK	12/12/11	12/09/11	12/09/11	700,000,000	700,000,000	-	700,000,000	-



**TRADING ACTIVITY FOR DECEMBER 2011 (CONTINUED)**

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b><i>Buys (continued)</i></b>					\$	\$	\$	\$
BANK OF AMERICA TRIPARTY	12/12/11	12/09/11	12/09/11	1,000,000,000	1,000,000,000	-	1,000,000,000	-
DEUTSCHE BANK	12/13/11	12/12/11	12/12/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/13/11	12/12/11	12/12/11	925,000,000	925,000,000	-	925,000,000	-
DEUTSCHE BANK	12/14/11	12/13/11	12/13/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/14/11	12/13/11	12/13/11	445,000,000	445,000,000	-	445,000,000	-
DEUTSCHE BANK	12/15/11	12/14/11	12/14/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/15/11	12/14/11	12/14/11	385,000,000	385,000,000	-	385,000,000	-
DEUTSCHE BANK	12/16/11	12/15/11	12/15/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/16/11	12/15/11	12/15/11	430,000,000	430,000,000	-	430,000,000	-
DEUTSCHE BANK	12/19/11	12/16/11	12/16/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	12/19/11	12/16/11	12/16/11	1,300,000,000	1,300,000,000	-	1,300,000,000	-
DEUTSCHE BANK	12/20/11	12/19/11	12/19/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/20/11	12/19/11	12/19/11	1,010,000,000	1,010,000,000	-	1,010,000,000	-
DEUTSCHE BANK	12/21/11	12/20/11	12/20/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/21/11	12/20/11	12/20/11	980,000,000	980,000,000	-	980,000,000	-
DEUTSCHE BANK	12/22/11	12/21/11	12/21/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/22/11	12/21/11	12/21/11	810,000,000	810,000,000	-	810,000,000	-
DEUTSCHE BANK	12/23/11	12/22/11	12/22/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/23/11	12/22/11	12/22/11	898,000,000	898,000,000	-	898,000,000	-
DEUTSCHE BANK	12/27/11	12/23/11	12/23/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/27/11	12/23/11	12/23/11	860,000,000	860,000,000	-	860,000,000	-
DEUTSCHE BANK	12/28/11	12/27/11	12/27/11	1,000,000,000	1,000,000,000	-	1,000,000,000	-
BANK OF AMERICA TRIPARTY	12/28/11	12/27/11	12/27/11	870,000,000	870,000,000	-	870,000,000	-
DEUTSCHE BANK	12/29/11	12/28/11	12/28/11	900,000,000	900,000,000	-	900,000,000	-
BANK OF AMERICA TRIPARTY	12/29/11	12/28/11	12/28/11	310,000,000	310,000,000	-	310,000,000	-
DEUTSCHE BANK	12/30/11	12/29/11	12/29/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/30/11	12/29/11	12/29/11	500,000,000	500,000,000	-	500,000,000	-
DEUTSCHE BANK	01/03/12	12/30/11	12/30/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	01/03/12	12/30/11	12/30/11	900,000,000	900,000,000	-	900,000,000	-
WELLS FARGO BANK, NTD CAY 0.01 20111229	12/29/11	12/28/11	12/28/11	250,000,000	250,000,000	-	250,000,000	-
<b>Total Buys</b>				<b>37,792,993,619</b>	<b>37,792,250,957</b>	<b>150,320</b>	<b>37,792,401,277</b>	<b>-</b>
<b><i>Maturities</i></b>								
ALPINE SECURITIZATIO CPABS4	12/20/11	12/20/11	12/20/11	55,000,000	55,000,000	-	55,000,000	-
AMSTERDAM FUNDING CCPABS4	12/16/11	12/16/11	12/16/11	150,000,000	150,000,000	-	150,000,000	-
AMSTERDAM FUNDING CCPABS4	12/20/11	12/20/11	12/20/11	45,427,000	45,427,000	-	45,427,000	-
AMSTERDAM FUNDING CCPABS4	12/27/11	12/27/11	12/27/11	100,000,000	100,000,000	-	100,000,000	-
AMSTERDAM FUNDING CCPABS4	12/27/11	12/27/11	12/27/11	83,957,000	83,957,000	-	83,957,000	-
AMSTERDAM FUNDING CCPABS4	12/28/11	12/28/11	12/28/11	21,000,000	21,000,000	-	21,000,000	-
AMSTERDAM FUNDING CCPABS4	12/30/11	12/30/11	12/30/11	214,009,000	214,009,000	-	214,009,000	-
BANK OF TOKYO-MITSUCDYAN	12/02/11	12/02/11	12/02/11	200,000,000	200,000,000	-	200,000,000	-
BANK OF TOKYO-MITSUCDYAN	12/08/11	12/08/11	12/08/11	70,000,000	70,000,000	-	70,000,000	-
BANK OF TOKYO-MITSUCDYAN	12/29/11	12/29/11	12/29/11	50,000,000	50,000,000	-	50,000,000	-
BARTON CAPITAL LLC CPABS4	12/23/11	12/23/11	12/23/11	55,000,000	55,000,000	-	55,000,000	-



**TRADING ACTIVITY FOR DECEMBER 2011 (CONTINUED)**

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<i>Maturities (continued)</i>					\$	\$	\$	\$
COMMONWEALTH BANK OF AUSTRALIA	12/08/11	12/08/11	12/08/11	10,000,000	10,000,000	-	10,000,000	-
DEUTSCHE BANK FINANCP	12/29/11	12/29/11	12/29/11	185,000,000	185,000,000	-	185,000,000	-
DEUTSCHE BANK AGCDYAN	12/28/11	12/28/11	12/28/11	116,000,000	116,000,000	-	116,000,000	-
DU PONT (EL.) DE NCP4-2	12/22/11	12/22/11	12/22/11	6,500,000	6,500,000	-	6,500,000	-
FCAR OWNER TRUST, ACPABS3	12/02/11	12/02/11	12/02/11	15,310,000	15,310,000	-	15,310,000	-
ING (U.S.) FUNDING CP	12/01/11	12/01/11	12/01/11	100,000,000	100,000,000	-	100,000,000	-
ING (U.S.) FUNDING CP	12/06/11	12/06/11	12/06/11	170,000,000	170,000,000	-	170,000,000	-
MARKET STREET FUNDICPABS4	12/22/11	12/22/11	12/22/11	73,424,000	73,424,000	-	73,424,000	-
MARKET STREET FUNDICPABS4	12/23/11	12/23/11	12/23/11	29,297,000	29,297,000	-	29,297,000	-
MARKET STREET FUNDICPABS4	12/27/11	12/27/11	12/27/11	35,004,000	35,004,000	-	35,004,000	-
MIZUHO CORPORATE BACDYAN	12/15/11	12/15/11	12/15/11	30,000,000	30,000,000	-	30,000,000	-
SALISBURY RECEIVABLECPABS4	12/02/11	12/02/11	12/02/11	25,000,000	25,000,000	-	25,000,000	-
SALISBURY RECEIVABLECPABS4	12/27/11	12/27/11	12/27/11	57,530,000	57,530,000	-	57,530,000	-
SANOFI-AVENTIS SACPA-2	12/27/11	12/27/11	12/27/11	34,000,000	34,000,000	-	34,000,000	-
SOCIETE GENERALE NOCP	12/29/11	12/29/11	12/29/11	300,000,000	300,000,000	-	300,000,000	-
SOCIETE GENERALE NOCP	12/30/11	12/30/11	12/30/11	300,000,000	300,000,000	-	300,000,000	-
UBS FINANCE (DELAWACP	12/22/11	12/22/11	12/22/11	50,000,000	50,000,000	-	50,000,000	-
UBS FINANCE (DELAWACP	12/23/11	12/23/11	12/23/11	50,000,000	50,000,000	-	50,000,000	-
UBS FINANCE (DELAWACP	12/30/11	12/30/11	12/30/11	80,000,000	80,000,000	-	80,000,000	-
WINDMILL FUNDING COCPABS4	12/28/11	12/28/11	12/28/11	24,976,000	24,976,000	-	24,976,000	-
WINDMILL FUNDING COCPABS4	12/22/11	12/22/11	12/22/11	25,000,000	25,000,000	-	25,000,000	-
WINDMILL FUNDING COCPABS4	12/27/11	12/27/11	12/27/11	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK	12/01/11	12/01/11	12/01/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/01/11	12/01/11	12/01/11	1,200,000,000	1,200,000,000	-	1,200,000,000	-
DEUTSCHE BANK	12/02/11	12/02/11	12/02/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/02/11	12/02/11	12/02/11	1,175,000,000	1,175,000,000	-	1,175,000,000	-
DEUTSCHE BANK	12/05/11	12/05/11	12/05/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/05/11	12/05/11	12/05/11	1,190,000,000	1,190,000,000	-	1,190,000,000	-
DEUTSCHE BANK	12/06/11	12/06/11	12/06/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/06/11	12/06/11	12/06/11	1,030,000,000	1,030,000,000	-	1,030,000,000	-
DEUTSCHE BANK	12/07/11	12/07/11	12/07/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/07/11	12/07/11	12/07/11	970,000,000	970,000,000	-	970,000,000	-
DEUTSCHE BANK	12/08/11	12/08/11	12/08/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/08/11	12/08/11	12/08/11	1,125,000,000	1,125,000,000	-	1,125,000,000	-
BANK OF AMERICA TRIPARTY	12/09/11	12/09/11	12/09/11	1,200,000,000	1,200,000,000	-	1,200,000,000	-
DEUTSCHE BANK	12/09/11	12/09/11	12/09/11	380,000,000	380,000,000	-	380,000,000	-
DEUTSCHE BANK	12/12/11	12/12/11	12/12/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/12/11	12/12/11	12/12/11	1,000,000,000	1,000,000,000	-	1,000,000,000	-
DEUTSCHE BANK	12/13/11	12/13/11	12/13/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/13/11	12/13/11	12/13/11	925,000,000	925,000,000	-	925,000,000	-
DEUTSCHE BANK	12/14/11	12/14/11	12/14/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/14/11	12/14/11	12/14/11	445,000,000	445,000,000	-	445,000,000	-
DEUTSCHE BANK	12/15/11	12/15/11	12/15/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/15/11	12/15/11	12/15/11	385,000,000	385,000,000	-	385,000,000	-



**TRADING ACTIVITY FOR DECEMBER 2011 (CONTINUED)**

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Maturities (continued)</b>					\$	\$	\$	\$
DEUTSCHE BANK	12/16/11	12/16/11	12/16/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/16/11	12/16/11	12/16/11	430,000,000	430,000,000	-	430,000,000	-
DEUTSCHE BANK	12/19/11	12/19/11	12/19/11	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	12/19/11	12/19/11	12/19/11	1,300,000,000	1,300,000,000	-	1,300,000,000	-
DEUTSCHE BANK	12/20/11	12/20/11	12/20/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/20/11	12/20/11	12/20/11	1,010,000,000	1,010,000,000	-	1,010,000,000	-
DEUTSCHE BANK	12/21/11	12/21/11	12/21/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/21/11	12/21/11	12/21/11	980,000,000	980,000,000	-	980,000,000	-
DEUTSCHE BANK	12/22/11	12/22/11	12/22/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/22/11	12/22/11	12/22/11	810,000,000	810,000,000	-	810,000,000	-
DEUTSCHE BANK	12/23/11	12/23/11	12/23/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/23/11	12/23/11	12/23/11	898,000,000	898,000,000	-	898,000,000	-
DEUTSCHE BANK	12/27/11	12/27/11	12/27/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/27/11	12/27/11	12/27/11	860,000,000	860,000,000	-	860,000,000	-
DEUTSCHE BANK	12/28/11	12/28/11	12/28/11	1,000,000,000	1,000,000,000	-	1,000,000,000	-
BANK OF AMERICA TRIPARTY	12/28/11	12/28/11	12/28/11	870,000,000	870,000,000	-	870,000,000	-
DEUTSCHE BANK	12/29/11	12/29/11	12/29/11	900,000,000	900,000,000	-	900,000,000	-
BANK OF AMERICA TRIPARTY	12/29/11	12/29/11	12/29/11	310,000,000	310,000,000	-	310,000,000	-
DEUTSCHE BANK	12/30/11	12/30/11	12/30/11	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	12/30/11	12/30/11	12/30/11	500,000,000	500,000,000	-	500,000,000	-
WELLS FARGO BANK, NTD CAY 0.01 20111229	12/29/11	12/29/11	12/29/11	250,000,000	250,000,000	-	250,000,000	-
<b>Total Maturities</b>				<b>36,154,434,000</b>	<b>36,154,434,000</b>	<b>-</b>	<b>36,154,434,000</b>	<b>-</b>
<b>Sells</b>								
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/01/11	12/01/11	574,007	574,007	-	574,007	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/01/11	12/01/11	3,771,791	3,771,791	-	3,771,791	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/01/11	12/01/11	4,033,550	4,033,550	-	4,033,550	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/05/11	12/05/11	1,889,757	1,889,757	-	1,889,757	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/06/11	12/06/11	536,775	536,775	-	536,775	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/07/11	12/07/11	279,060	279,060	-	279,060	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/08/11	12/08/11	1,104,974	1,104,974	-	1,104,974	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/12/11	12/12/11	4,174,231	4,174,231	-	4,174,231	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/12/11	12/12/11	22,006,681	22,006,681	-	22,006,681	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/14/11	12/14/11	785,461	785,461	-	785,461	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/15/11	12/15/11	35,686	35,686	-	35,686	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/15/11	12/15/11	5,698	5,698	-	5,698	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/15/11	12/15/11	5,222	5,222	-	5,222	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/15/11	12/15/11	3,680,041	3,680,041	-	3,680,041	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/19/11	12/19/11	28,707	28,707	-	28,707	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/19/11	12/19/11	16,736	16,736	-	16,736	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/19/11	12/19/11	122,506	122,506	-	122,506	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/19/11	12/19/11	976,378	976,378	-	976,378	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/21/11	12/21/11	1,730,194	1,730,194	-	1,730,194	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	12/23/11	12/23/11	169,281,675	169,281,675	-	169,281,675	-
VERMONT STUDENT ASSISTANCE CORP	12/15/40	12/30/11	12/30/11	600,000	600,000	36	600,036	-
<b>Total Sells</b>				<b>215,639,128</b>	<b>\$ 215,639,128</b>	<b>\$ 36</b>	<b>\$ 215,639,163</b>	<b>\$ -</b>

# FUND B

## FUND B FACTS

### INVESTMENT OBJECTIVE

Fund B's primary objective is to maximize the present value of distributions from the Fund.

### COMPOSITION

Fund B principally consists of Segregated Securities, which are securities originally purchased for the LGIP that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; (4) experienced elevated market illiquidity; or (5) did not meet the criteria of the nationally recognized statistical rating organization (NRSRO) that provides Florida PRIME's AAAM rating.

### DISTRIBUTIONS

Participants in Fund B will receive periodic distributions to the extent that Fund B receives proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken.

### ACCOUNTING

Fund B is accounted for as a fluctuating NAV pool, not a 2a-7-like money market fund. That is, accounting valuations reflect estimates of the market value of securities rather than their amortized cost.

### STATUS OF INVESTMENTS

Florida East and West: Restructured from KKR and receiving principal and interest.

Florida Funding I: Restructured from Ottimo (Issuer Entity) and receiving principal and interest.

Florida Funding II: Restructured from Axon and receiving principal and interest.

## COMMENTARY ON PORTFOLIO MANAGEMENT

All cash from paydowns on securities in Fund B are invested in overnight securities, repurchase agreements, overnight time deposits or commercial paper pending monthly distribution to participant accounts in Florida PRIME. This month, \$3.7 million in liquid assets were transferred from Fund B to Florida PRIME, consisting of principal paydowns and income from the securities in the Fund.

The investment team continually analyzes the bonds in each portfolio, comparing estimated defaults and estimated cumulative net losses to an historical loss-timing curve. Many different factors in the domestic and global economies can affect both the securities and the underlying bonds. Some of the factors will contribute positively while others may have adverse consequences. The SBA and Stone Tower Capital's investment team will continue to employ prudent risk mitigation strategies in order to maximize the present value of distributions from Fund B with a primary focus on the restoration of principal.

### LEGAL ISSUE

As an ongoing legal matter, the SBA asserts Lehman Brothers (which is now in liquidation) sold the SBA certain unregistered secured notes that were not exempt from registration under the Securities Act of 1933. The Lehman Trustee has not yet responded to the SBA's general creditor claim on behalf of Fund B as to whether the Lehman estate will have any assets available for recovery. The Trustee's latest reports have stated that "returns to general estate creditors will be limited at best." However, the secured notes sold by Lehman Brothers were secured by certain collateral. Fund B has been receiving and is expected to continue receiving monetary distributions of principal and interest from that underlying collateral.

The SBA will promptly disclose any future developments as they become matters of public record.

### DISCLOSURE OF MATERIAL IMPACTS

There were no developments during December 2011 that had a material impact on the liquidity or operation of Fund B.

On December 9, 2011 Fund B assets were transitioned from Deutsche Bank to BNYMellon in order to reduce custody fees and to facilitate management of the collateral. This transition caused the process for valuing Fund B securities to take several days longer than normal, and as a result issuance of this edition of the Monthly Summary Report was delayed.



# FUND B

## FUND B DISTRIBUTIONS

### RETURN OF FUND B PRINCIPAL

The first table below details the SBA's progress in returning principal to investors in Fund B. Through the end of December 2011, investors cumulatively received distributions from Fund B totaling over \$1.70 billion or 84.8% of their original balances.

The securities remaining in Fund B are legacy items from the four issuers whose financial circumstances gave rise to the December 2007 run (as well as overnight instruments temporarily holding fund earnings). As of December 31, 2011, their remaining amortized cost was \$510.8 million,

or 67.0% more than remaining participant positions in Fund B. Conversely, the current estimated liquidation (market) value of these securities is pegged at \$234.7 million or 76.7% of remaining participant positions.

It is important to note that due to the lack of an actively traded market for Fund B securities, their "market value" is an estimate of current liquidation value that has been determined through a collaborative process among various pricing experts and sources in the marketplace. See footnote 1 on page 22.

### FUND B DISTRIBUTIONS TO PARTICIPANTS

	Distributions to Participants	Cumulative Distributions	Participant Principal	Proportion of Original Principal Returned
12/05/07	\$	\$	\$ 2,009,451,941	0.0%
CY 2008	\$ 1,421,900,000	\$ 1,421,900,000	\$ 587,551,941	70.8%
CY 2009	\$ 89,100,000	\$ 1,511,000,000	\$ 498,451,941	75.2%
CY 2010	\$ 135,100,000	\$ 1,646,100,000	\$ 363,351,941	81.9%
01/07/11	\$ 4,600,000	\$ 1,650,700,000	\$ 358,751,941	82.1%
02/08/11	\$ 5,675,000	\$ 1,656,375,000	\$ 353,076,941	82.4%
03/07/11	\$ 4,525,000	\$ 1,660,900,000	\$ 348,551,941	82.7%
04/07/11	\$ 5,100,000	\$ 1,666,000,000	\$ 343,451,941	82.9%
05/09/11	\$ 5,100,000	\$ 1,671,100,000	\$ 338,351,941	83.2%
06/08/11	\$ 4,300,000	\$ 1,675,400,000	\$ 334,051,941	83.4%
07/07/11	\$ 4,600,000	\$ 1,680,000,000	\$ 329,451,941	83.6%
08/05/11	\$ 5,825,000	\$ 1,685,825,000	\$ 323,626,941	83.9%
09/09/11	\$ 4,475,000	\$ 1,690,300,000	\$ 319,151,941	84.1%
10/06/11	\$ 4,800,000	\$ 1,695,100,000	\$ 314,351,941	84.4%
11/07/11	\$ 4,750,000	\$ 1,699,850,000	\$ 309,601,941	84.6%
12/07/12	\$ 3,675,000	\$ 1,703,525,000	\$ 305,926,941	84.8%

### FUND B MONTHLY DISTRIBUTION DETAIL

December 2011 Distribution Detail Including Receipts by Source For the period 11/5/11 - 12/6/11	Fund B	
	Participant Allocation	Expense Allocation
Beginning Balance	\$ -	\$ 89,930.09
Receipts:		
Florida East	\$ 849,187.57	
Florida West	\$ 1,308,770.49	
Florida Funding I	\$ 523,148.23	
Florida Funding II	\$ 1,023,504.44	
Overnight Investments	\$ 0.01	
Total Receipts	\$ 3,704,610.74	
Distributions:		
Allocation to/from Expense Reserve	\$ (29,610.74)	\$ 29,610.74
Expenses Paid		\$ (87,694.00)
Participant Distribution	\$ (3,675,000.00)	
Ending Balance	\$ -	\$ 31,846.83

# FUND B

## INVENTORY OF HOLDINGS - AS OF DECEMBER 31, 2011

Security Name	Type	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND		4,766,842	0.00	\$ 4,766,842	\$ 4,766,842	\$ -
Florida East Funding LLC	VARIABLE RATE TERM NOTE	12/28/11	82,957,439	0.65	\$ 82,957,439	\$ 51,961,649	\$ (30,995,790)
Florida West Funding LLC	VARIABLE RATE TERM NOTE	12/28/11	189,697,099	0.65	\$ 189,697,099	\$ 91,048,298	\$ (98,648,801)
Florida Funding I LLC	VARIABLE RATE TERM NOTE	12/30/11	123,715,079	0.36	\$ 123,715,079	\$ 25,116,734	\$ (98,598,345)
Florida Funding II LLC	VARIABLE RATE COMMERCIAL PAPER	12/30/11	109,659,646	0.57	\$ 109,650,902	\$ 61,794,313	\$ (47,856,589)
<b>Total Value of Investments</b>			<b><u>510,796,106</u></b>		<b><u>\$ 510,787,361</u></b>	<b><u>\$ 234,687,836</u></b>	<b><u>\$ (276,099,525)</u></b>

### Notes:

<sup>1</sup> Due to the lack of an actively traded market for Fund B securities, the "market value" is an estimate of current liquidation value that has been determined through a collaborative process among various pricing experts and sources in the marketplace. Although the estimate represents an attempt to reasonably reflect the stressed market conditions that currently exist, the amount actually realized if the securities were liquidated at this time could be more or less than the estimate. Moreover, these estimates of current market value may not be predictive of the ultimate amount likely to be realized from these securities. Fund B's investment objective is to maximize the present value of distributions to participants. If, in the judgment of the portfolio manager, fair value exceeds liquidation value at points in the future, then complete or partial liquidations of securities could be deferred for an extended period of time; e.g., a seven- to nine-year horizon for complete termination or self-liquidation of Fund B.

<sup>2</sup> Amortized cost is calculated using a straight line method.

The securities held in Fund B result from workouts of the LGIP's original holdings from 4 issuers – Axon, KKR Atlantic, KKR Pacific and Ottimo. The purpose of Fund B is to maximize the present value of distributions to participants through a prudent workout with an ultimate goal of liquidation. As a result, the maturity dates of each holding in Fund B will be dependent on the maturity date or earlier liquidation, if prudent, of the collateral securities underlying each of these holdings and will be contingent upon future market conditions and other factors.

The portfolio manager, Stone Tower Capital, is the source for data shown above other than market value. See note 1.

The amounts shown above are the value of investments. Income accruals, payables and uninvested cash are not included. The data is unaudited.

# FUND B

## COMPLIANCE AND TRADING ACTIVITY

### COMPLIANCE WITH INVESTMENT POLICY - DECEMBER 2011

Test by Source	Pass/Fail
<b>Fund B's Investment Policy</b>	
Securities must be USD denominated.	Pass
<b>Ratings requirements</b>	
Fund B purchased exclusively first-tier securities during the reporting period.	Pass
Securities purchased that do not have short-term ratings must have a long-term rating in one of the three highest long-term rating categories.	Pass
Commercial Paper must be rated by at least one short-term NRSRO.	Pass
<b>Maturity</b>	
Securities purchased by Fund B, excluding Government floating rate notes/variable rate notes, did not have a maturity in excess of 397 days.	Pass
Government floating rate notes/variable rate notes purchased by Fund B did not have a maturity in excess of 762 days.	Pass
<b>Money Market Mutual Funds</b>	
Fund B only purchased pre-approved mutual funds during the reporting period.	Pass
<b>Repurchase Agreements</b>	
The minimum Repurchase Agreement Counterparty Rating is A-1.	Pass

Note: In the Trading Activity table below, the gain reflected on the sales from Florida Funding II is an accounting gain. The original Axon Financial Funding LLC security was purchased at a discount and was deemed "in default" prior to the original maturity date. At the point of becoming "in default," amortization of the discount was terminated thus leaving the cost of the security less than par. Any principal payment received at par will result in recognition of a gain, calculated as Proceeds less Cost Basis of the par value being sold.

### TRADING ACTIVITY - DECEMBER 2011

Security Description	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
				\$	\$	\$	\$
<b>Buys</b>							
DREYFUS GOVERNMENT CASH MANAGEMENT	12/02/11	12/02/11	0.02	0.02	0	0.02	0
DREYFUS GOVERNMENT CASH MANAGEMENT	12/30/11	12/30/11	4,736,128	4,736,128	0	4,736,128	0
<b>Total Buys</b>			<b>4,736,128</b>	<b>4,736,128</b>	<b>0</b>	<b>4,736,128</b>	<b>0</b>
<b>Sells</b>							
FLORIDA FUNDING I LLC	12/30/11	12/30/11	1,292,516	1,292,516	0	1,292,516	0
FLORIDA EAST FUNDING LLC	12/30/11	12/30/11	857,907	857,907	0	857,907	0
FLORIDA WEST FUNDING LLC	12/30/11	12/30/11	1,235,063	1,235,063	0	1,235,063	0
FLORIDA FUNDING II	12/30/11	12/30/11	758,931	758,931	0	758,931	61
DREYFUS GOVERNMENT CASH MANAGEMENT	12/01/11	12/01/11	117	117	0	117	0
DREYFUS GOVERNMENT CASH MANAGEMENT	12/06/11	12/06/11	3,675,000	3,675,000	0	3,675,000	0
DREYFUS GOVERNMENT CASH MANAGEMENT	12/15/11	12/15/11	1,133	1,133	0	1,133	0
<b>Total Sells</b>			<b>7,820,667</b>	<b>7,820,667</b>	<b>0</b>	<b>7,820,667</b>	<b>61</b>



## Our Mission

The SBA is committed to providing superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards.



STATE BOARD OF ADMINISTRATION  
[WWW.SBAFLA.COM](http://WWW.SBAFLA.COM)



## **Attachment 5A**



**STATE BOARD OF ADMINISTRATION  
OF FLORIDA**

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

**POST OFFICE BOX 13300  
32317-3300**

**RICK SCOTT  
GOVERNOR  
AS CHAIRMAN  
JEFF ATWATER  
CHIEF FINANCIAL OFFICER  
AS TREASURER  
PAM BONDI  
ATTORNEY GENERAL  
AS SECRETARY  
ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO**

**MEMORANDUM**

**TO:** Honorable Rick Scott  
Honorable Jeff Atwater  
Honorable Pam Bondi

**FROM:** Ash Williams

**DATE:** February 9, 2012

**SUBJECT:** Appointment of William H. Harrell, Jr. to the Investment Advisory Council

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William H. Harrell, Jr. has been appointed to serve on the Investment Advisory Council. Pursuant to Section 215.444, F.S., upon approval of the appointment by the Trustees, the appointment will be submitted to the Florida Senate for confirmation during the next legislative session.

## **Attachment 5B**

# **William Hughes Harrell, Jr.**

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## **EMPLOYMENT**

2003-present   Capco Asset Management, LLC  
Founder and Principal

Capco is a boutique investment management firm, with a value discipline and a focus on making concentrated investments in a small number of high quality companies.

1992-2002   Trenam Kemker, Shareholder  
Litigation Department, specializing in complex commercial litigation

## **EDUCATION**

University of Florida, MBA, 2004  
Concentration in Graham-Buffett Security Analysis  
Recipient, Outstanding Achievement Award in Core Curriculum  
Graduated #1 in Class

Duke University, JD, 1992

Duke University, BA, 1989

Stanton College Preparatory High School, Jacksonville, FL, 1986

## **FAMILY and COMMUNITY**

My wife Marie and I have three children, ages 14, 13 and 10.

I continue to be a member of the Florida Bar, with an active license. I am a member of Vistage. I am on the board of the Gator Student Investment Fund at the University of Florida, and mentor the University's team in the annual Florida CFA Investment Research Challenge. I also coach various youth sports. In the past, I have served on the board of Communities in Schools, and was a member of the Rotary Club.