**MEETING OF**
**THE STATE BOARD OF ADMINISTRATION**

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

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

**MARCH 4, 2010 – 9:00 A.M.**

# AGENDA

**To View Agenda Items, Click on the Following Link:**
**www.sbafla.com**

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**I. REQUEST APPROVAL OF THE MINUTES OF JANUARY 26, 2010**

**(See Attachment 1)**

**ACTION REQUIRED**

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

**(See Attachments 2-A, 2-B, 2-C, & 2-D)**

**INFORMATION/DISCUSSION**

**III. STANDING REPORTS**
- **a. Audit Committee – Bill Sweeney**
- **b. Participant Local Government Advisory Council – Mayor Roger Wishner**
- **c. Investment Advisory Council – Rob Gidel**
- **d. General Counsel – Tom Beenck and Maureen Hazen**
- **e. Inspector General – Bruce Meeks**
- **f. Corporate Governance – Mike McCauley**
- **g. Florida Hurricane Catastrophe Fund (FHCF) – Dr. Jack Nicholson**

**INFORMATION/DISCUSSION**

**IV. MAJOR PROJECTS**
- **a. Florida Retirement System Pension Plan (DB) Asset Liability Study – Rowland Davis, EnnisKnupp + Associates**
- **b. Florida Retirement System Pension Plan (DB) Preliminary Asset Allocation Study – Steve Cummings and Mike Sebastian, EnnisKnupp + Associates**
- **c. Florida Growth Fund – Mike Koenig, Hamilton Lane**

**(See Attachments 4-A, 4-B, & 4-C)**

**INFORMATION/DISCUSSION**

**V. EXECUTIVE DIRECTOR & CIO UPDATE**

**(See Attachment 5)**

**INFORMATION/DISCUSSION**

**VI. REQUEST APPROVAL OF THE STATE BOARD OF ADMINISTRATION'S RESOLUTION REGARDING THE ISSUANCE OF BONDS BY THE FLORIDA HURRICANE CATASTROPHE FUND FINANCE CORPORATION.**

**The Florida Hurricane Catastrophe Fund requests that the Trustees adopt a resolution which requests the Florida Hurricane Catastrophe Fund Finance Corporation to issue and sell by negotiated sale, not exceeding $710,000,000 Florida Hurricane Catastrophe Fund Finance Corporation post-event Revenue Bonds. The bonds will have fixed interest rates, will be exempt from federal income taxes, and will be secured by emergency assessments and reimbursement premiums received by the Florida Hurricane Catastrophe Fund. The proceeds of the bonds will be used for the reimbursement of insurance companies for additional claims due to hurricanes during the 2005 hurricane season. The resolution provides that the Florida Hurricane Catastrophe Fund is authorized to execute such documents as are necessary for the issuance of the bonds.**

**(See Attachment 6)**

**ACTION REQUIRED**

**VII. REQUEST APPROVAL OF THE STATE BOARD OF ADMINISTRATION'S RESOLUTION REGARDING THE LEVY OF EMERGENCY ASSESSMENTS.**

**The Florida Hurricane Catastrophe Fund requests a resolution making determinations relating to the adequacy of funds for the obligations, costs and expenses of the Florida Hurricane Catastrophe Fund and the Florida Hurricane Catastrophe Fund Finance Corporation, including the reimbursement of insurance companies for claims paid due to hurricanes; directing the Office of Insurance Regulation to levy, by order, emergency assessments on certain property and casualty insurance premiums; and directing the Office of Insurance Regulation regarding the assessment amount, timing, reporting, collection, remittance verification and enforcement of the collection of emergency assessments and interest on late payments.**

**(See Attachment 7)**

**ACTION REQUIRED**

# T H E   C A B I N E T

# S T A T E   O F   F L O R I D A

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Representing:

DIVISION OF BOND FINANCE
FINANCIAL SERVICES COMMISSION, FINANCIAL REGULATION
FINANCIAL SERVICES COMMISSION, INSURANCE REGULATION
ADMINISTRATION COMMISSION
FLORIDA LAND AND WATER ADJUDICATORY COMMISSION
BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND
STATE BOARD OF ADMINISTRATION

The above agencies came to be heard before THE FLORIDA CABINET, Honorable Governor Crist presiding, in the Cabinet Meeting Room, LL-03, The Capitol, Tallahassee, Florida, on Tuesday, January 26, 2010, commencing at approximately 9:07 a.m.

Reported by:

MARY ALLEN NEEL
Registered Professional Reporter
Florida Professional Reporter
Notary Public

ACCURATE STENOTYPE REPORTERS, INC.
2894 REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA  32308
(850)878-2221

APPEARANCES:

Representing the Florida Cabinet:

CHARLIE CRIST
Governor

CHARLES H. BRONSON
Commissioner of Agriculture

BILL McCOLLUM
Attorney General

ALEX SINK
Chief Financial Officer

* * *

# I N D E X

## CONTINUED INDEX

BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND
(Presented by MIKE SOLE)



STATE BOARD OF ADMINISTRATION
(Presented by ASH WILLIAMS)

GOVERNOR CRIST: Ash Williams, State Board of Administration.

See you, Commish. Have a good day.

MR. WILLIAMS: Good morning, Governor and Trustees.

GOVERNOR CRIST: Good morning, Ash. How are you?

MR. WILLIAMS: Fine, thank you.

GOVERNOR CRIST: Good, good.

MR. WILLIAMS: I feel given the luminaries that we've just celebrated, it's a tough position I'm in here on the tail end of the agenda and following great talent like Lou the Hippo, very tough.

GOVERNOR CRIST: Not at all. You'll do great.

MR. WILLIAMS: Item 1, request approval of the minutes of the December 8 meeting.

ATTORNEY GENERAL McCOLLUM: I move it.

CFO SINK: Move it.

ATTORNEY GENERAL McCOLLUM: Second.

GOVERNOR CRIST: Moved and seconded. Show the minutes approved without objection.

MR. WILLIAMS: Item 2 is a fiscal sufficiency, State Board of Education Lottery Revenue Refunding Bonds.

GOVERNOR CRIST: Is there a motion?

CFO SINK: Move it.

ATTORNEY GENERAL McCOLLUM: Second.

GOVERNOR CRIST: Moved and seconded. Show it approved without objection.

MR. WILLIAMS: Item 3, request approval of a fiscal sufficiency, State Board of Education Public Education Capital Outlay Refunding Bonds.

ATTORNEY GENERAL McCOLLUM: I move it.

CFO SINK: Second.

GOVERNOR CRIST: Moved and seconded. Show it approved without objection.

MR. WILLIAMS: Item 4, request approval of a fiscal sufficiency for State of Florida Board of Education Lottery Revenue Bonds.

ATTORNEY GENERAL McCOLLUM: I move it.

CFO SINK: Move it.

ATTORNEY GENERAL McCOLLUM: Second.

GOVERNOR CRIST: Moved and seconded. Show Item 4 approved without objection.

MR. WILLIAMS: Item 5, request approval of a fiscal sufficiency for the Florida Department of Environmental Protection Everglades Restoration Revenue Bonds.

ATTORNEY GENERAL McCOLLUM: I move Item 5.

GOVERNOR CRIST: Is there a second?

CFO SINK: Second.

GOVERNOR CRIST: Moved and seconded. Show it approved without objection.

MR. WILLIAMS: Item 6, request approval of the SBA quarterly report required by the Protecting Florida's Investments Act. The report is attached.

With regard to Sudan, there have been no new companies added to the scrutinized list. Three companies were added to the continued examination list. Two companies were removed from the continued exam list.

And with regard to Iran, there were no additions to the scrutinized list, three were removed from the scrutinized list, and no companies either added or removed from the continued examination list.

CFO SINK: Move it.

ATTORNEY GENERAL McCOLLUM: Second.

GOVERNOR CRIST: Moved and seconded. Show it approved without objection.

MR. WILLIAMS: Item 7, request approval of a draft letter to the Joint Legislative Auditing Committee affirming that the Trustees have reviewed and approved the monthly Local Government

Investment Pool Management Summary reports and actions taken, if any, to address material impacts. The quarterly report is attached. There are no material impacts.

ATTORNEY GENERAL McCOLLUM: I move Item 7.

CFO SINK: Second.

GOVERNOR CRIST: Moved and seconded. Show it approved without objection.

MR. WILLIAMS: Item 8, request approval of, and authority to file, a notice of proposed rule for the five rules listed below on behalf of the Florida Hurricane Catastrophe Fund.

GOVERNOR CRIST: Is there a motion on Item 8?

CFO SINK: Move it.

ATTORNEY GENERAL McCOLLUM: Second.

GOVERNOR CRIST: Moved and seconded. Show it approved without objection.

MR. WILLIAMS: Item 9 relates to the master contract that is currently in discussion with various law firms that we've looked at for securities litigation activity going forward.

At our last meeting, there was discussion of how to handle a $50 million cap on fees. We would like some further clarification from the Trustees as to whether we should include that cap at the level of the master agreement versus the agreements with the individual firm or firms involved in any individual actions.

ATTORNEY GENERAL McCOLLUM: If I could, Governor, I would move that we instruct the State Board of Administration executives to put in that $50 million cap that we discussed last time for these contracts. And I think it would be a very prudent thing to do for transparency, for accountability, and for making sure that the taxpayers of Florida get the biggest return, and most importantly, the pensioners get the biggest return for whatever recoveries there may be in these suits or these claims that we might have. So I move that we put the 50 million cap there and instruct you to do that.

CFO SINK: Governor, I'm prepared to second the -- to offer a second with an amendment to strengthen the issue, because the issue is the fees that we pay for these law firms. And what I would like to offer is an amendment, in addition to what the General has offered, is that we get -- we have these firms. When we choose the litigation that we believe we have good reason to -- that we've had losses, that we open up the opportunity -- we've selected our five or maybe six firms, that what we do then is that we have these five or six firms compete for and offer up to the SBA -- and this would be the director's call -- their individual proposals for how they would handle the case and what they see as their potential fees being, so that we actually have an opportunity to get the best deal for the taxpayer and keep our fees as low as we possibly can. And the only way to do that really is to inject competition amongst these five or six hungry law firms.

ATTORNEY GENERAL McCOLLUM: I would accept that very friendly amendment. It conforms with my thinking and what we proposed to the Legislature to pose in my office and what we use as a rule on seeking outside counsel with these contingency fees. So that's a very good amendment, and I accept it.

GOVERNOR CRIST: So it maintains the cap, but also encourages competition among the firms that are involved?

CFO SINK: Yes, yes. And I think it goes without saying that, because this is a policy matter, if in fact we were to have some multi-billion-dollar case and the law firm -- and we had to go revisit the cap, that whoever the board is could always assume that -- or decide on a case-by-case basis that there may be some rare case where there's more at stake here.

So that's not part of my amendment. I'm just clarifying that that's what we're doing here. We're setting our policy currently with the $50 million cap on fees, which by our calculations, it would be rare that that would even be an occurrence, but that we are injecting competition into the system.

ATTORNEY GENERAL McCOLLUM: And we are writing into this master contract the $50 million cap.

GOVERNOR CRIST: Right. Show it approved without objection.

MR. WILLIAMS: Thank you.

GOVERNOR CRIST: Thank you, Ash. We're adjourned.

(Proceedings concluded at 10:32 a.m.)

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# State Board of Administration of Florida

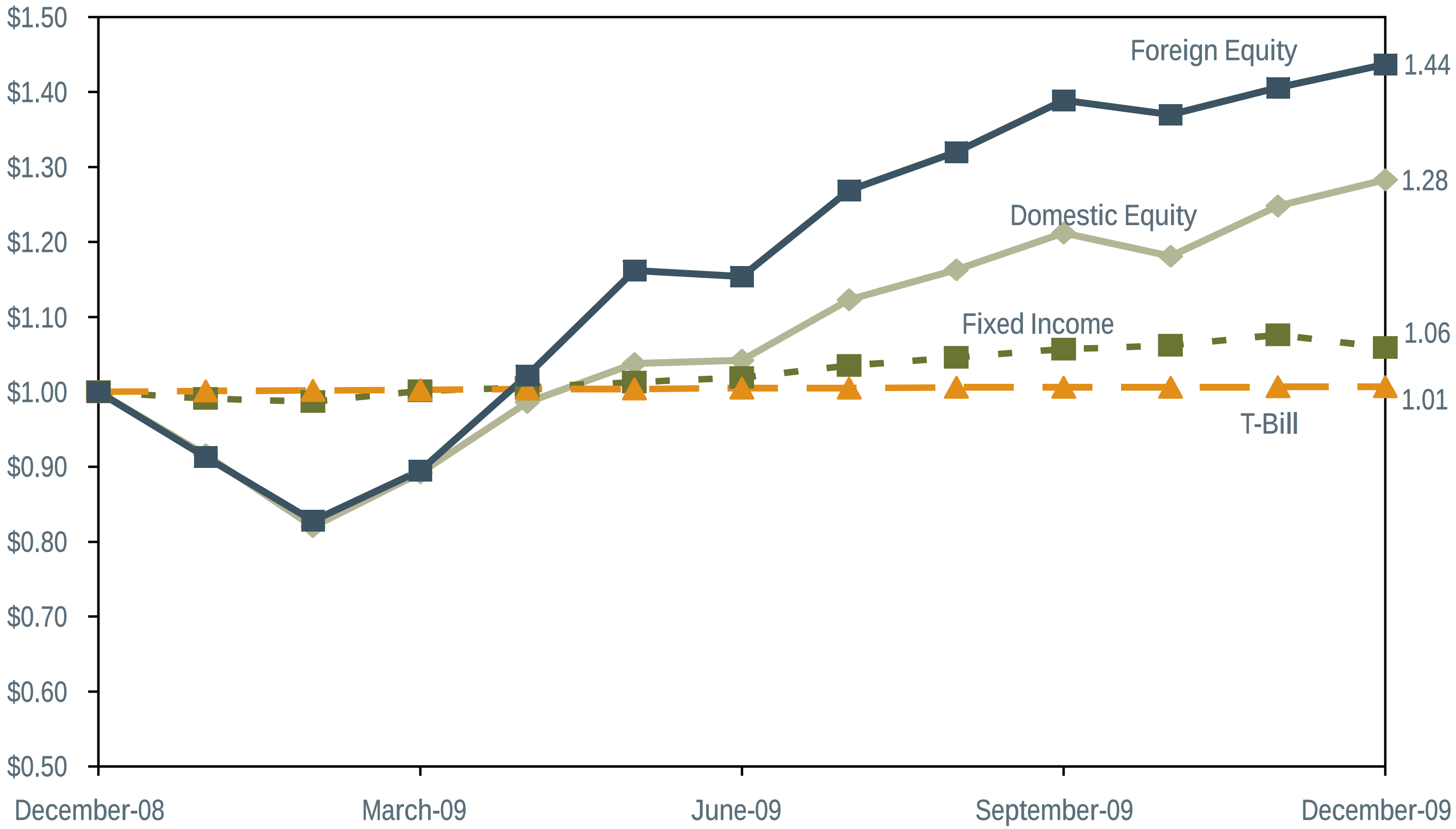
## Florida Retirement System

Pension Plan Review
Fourth Quarter 2009

# Performance Highlights

- During the fourth quarter of 2009 and over the trailing one-, three-, five-, and ten-year periods, the Total Fund outperformed the Performance Benchmark.
- The Total Fund return exceeded the median fund in the Trust Universe Comparison Service (TUCS) top ten defined benefit plan universe during the fourth quarter and over the trailing one-, three-, and five-year periods. The Total Fund return underperformed the median TUCS top ten defined benefit plan universe over the trailing ten-year period. Over the trailing one-, three-, and five-year periods, the Total Fund fell within the top quartile of returns reported by the TUCS top ten defined benefit plan universe.

# Market Environment Growth of a Dollar
# 1 Year Ending 12/31/09



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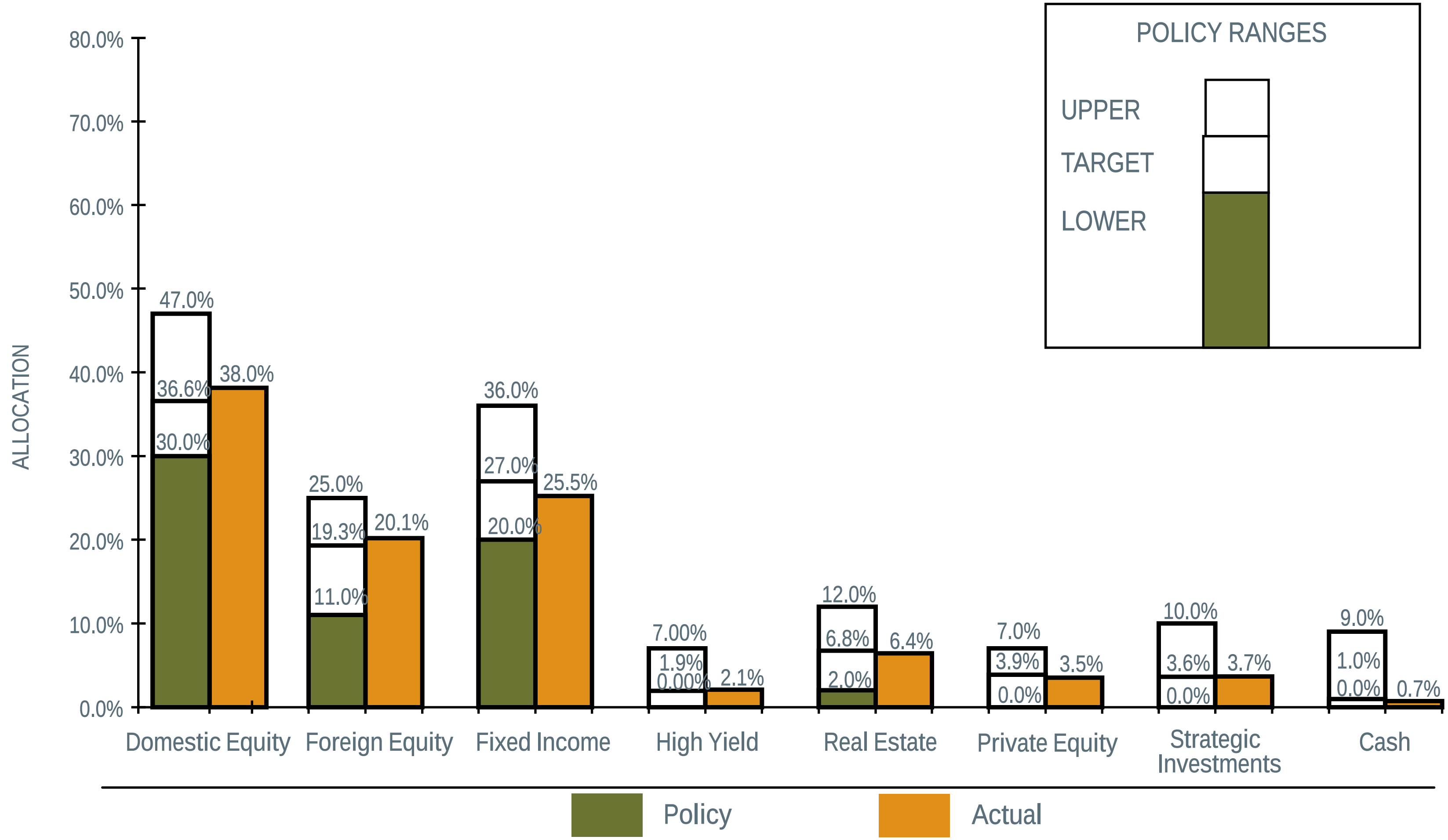
# Asset Allocation Commentary

- The Fund assets total $113.5 billion as of December 31, 2009, which represents a $3.5 billion increase since last quarter.
- Actual allocations for all asset classes were within their respective policy ranges at quarter end.
  - The Fund was overweight to the Domestic Equity, Foreign Equity, High Yield, and Strategic Investments asset classes at quarter end. All other asset classes were underweight relative to their Target.

# Asset Allocation as of 12/31/09
# Total Fund Assets = $113.5 Billion



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# Total Fund Performance Commentary

- The Total Fund return outperformed the Performance Benchmark during the fourth quarter and the trailing one-, three-, five-, and ten-year periods.
  – Private Equity and Foreign Equity detracted the most from performance over the trailing one-year period while the Real Estate and Fixed Income components added the most value.
  – Over the trailing five-year period, Real Estate continues to be the primary contributor to relative performance. Underperformance by the Fixed Income component detracted the most from positive performance.
- The Fund outperformed the Absolute Nominal Target Rate of Return during the fourth quarter and trailing one-year period. However, the Fund underperformed the return of its Absolute Nominal Target Rate of Return over the trailing three-, five-, and ten-year periods.



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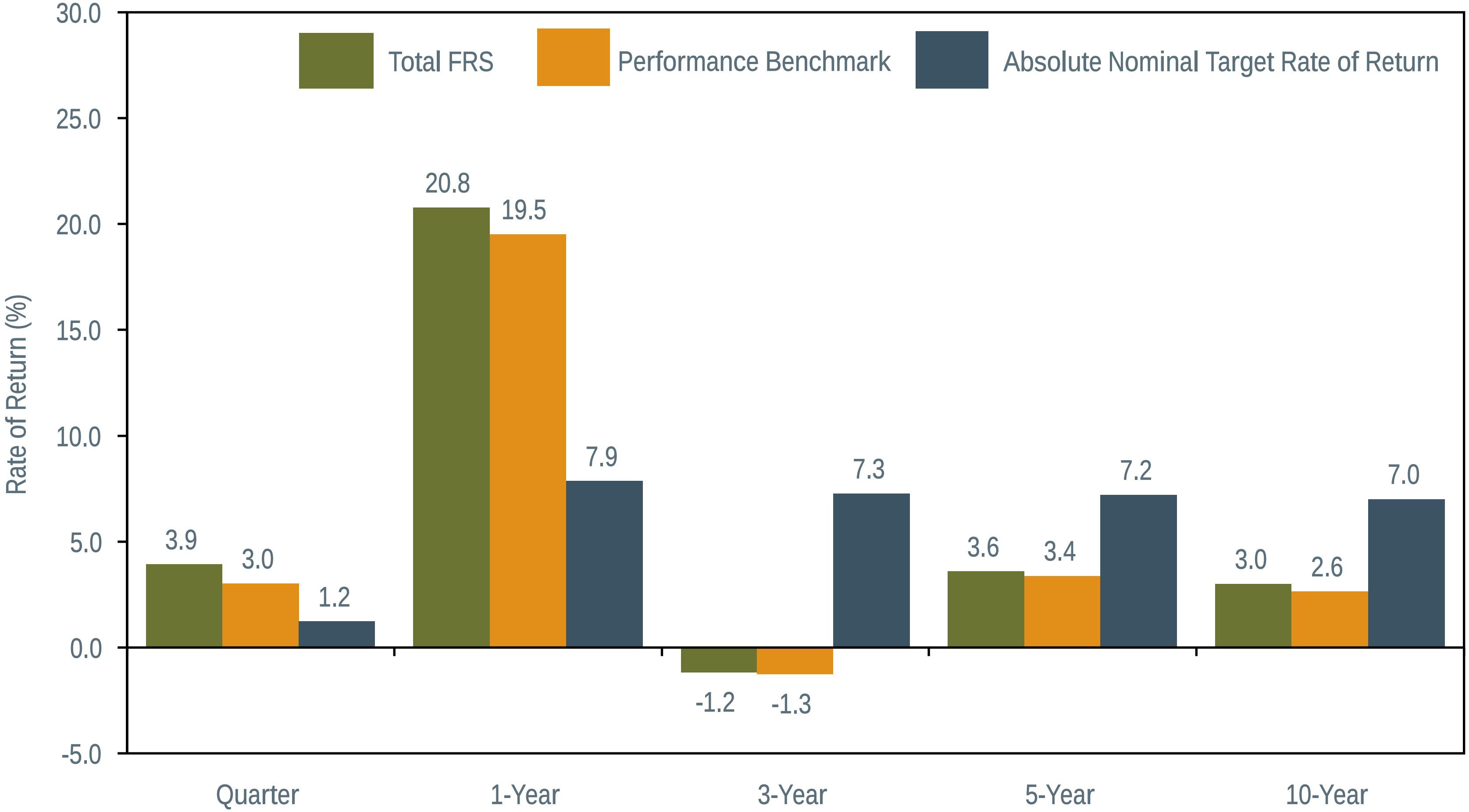
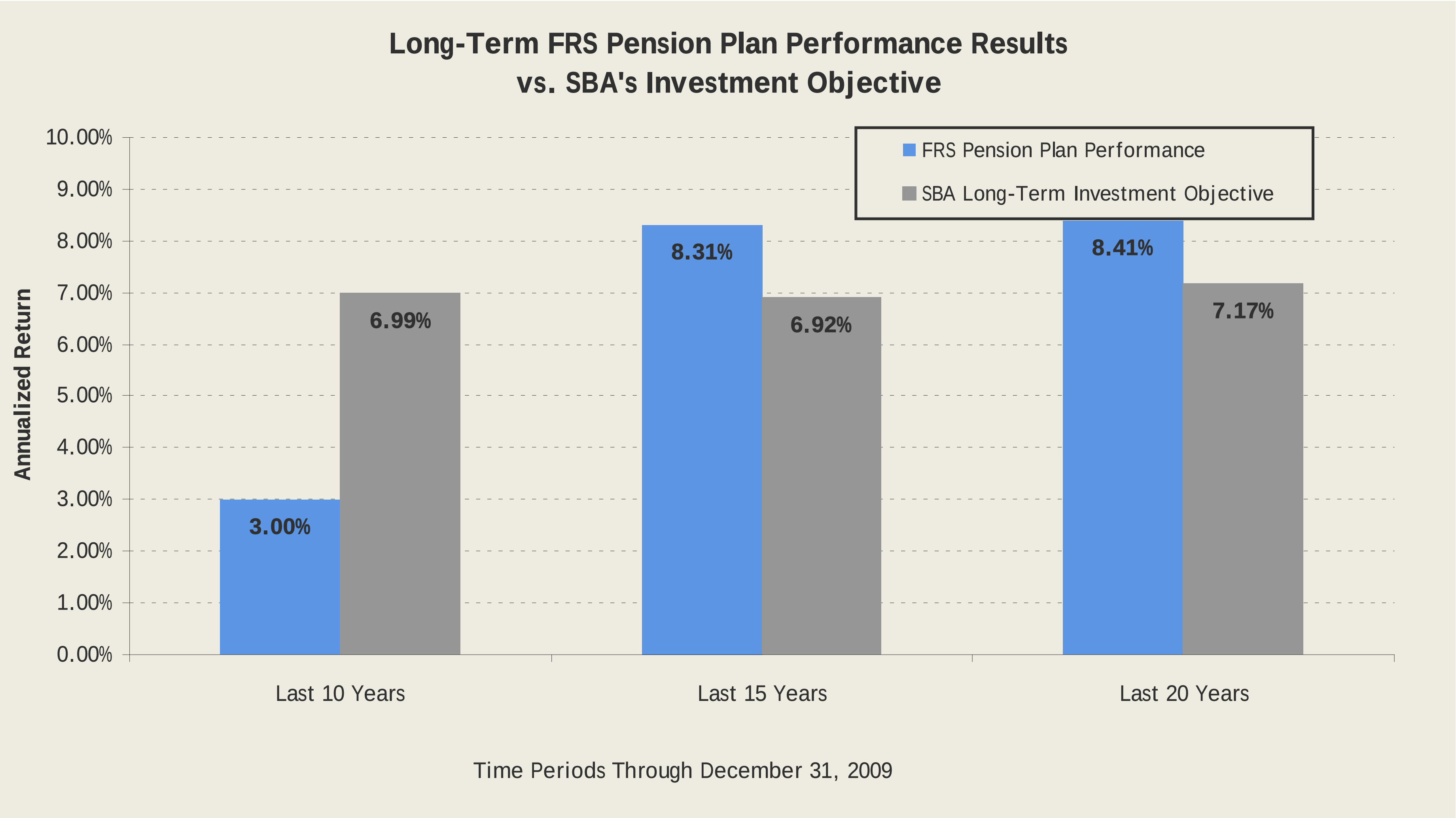
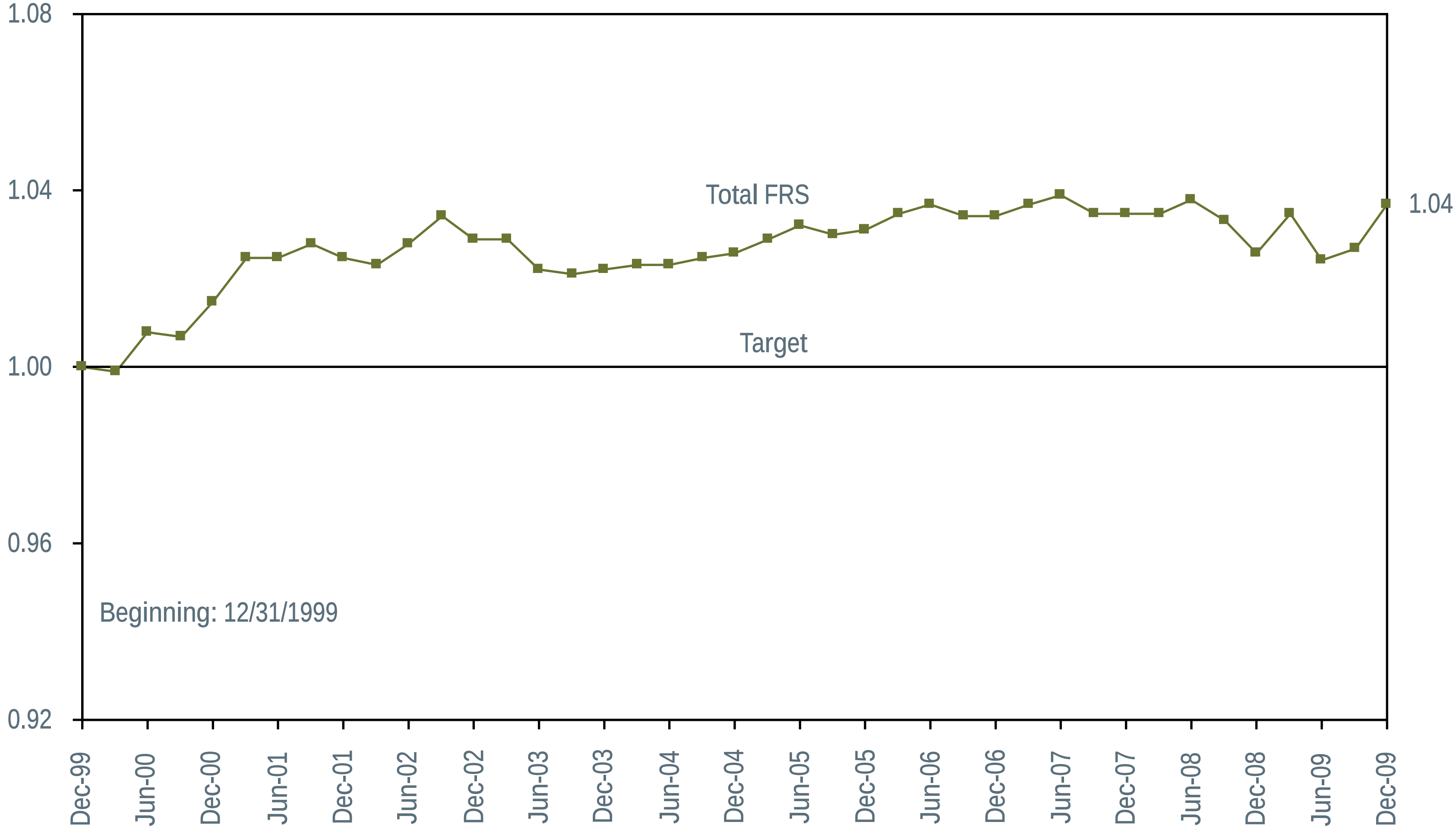
# FRS Investment Results
# Periods Ending 12/31/09




Long-Term FRS Pension Plan Performance Results
vs. SBA's Investment Objective
FRS Pension Plan Performance
SBA Long-Term Investment Objective
Annualized Return
10.00%
9.00%
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
3.00%
6.99%
8.31%
6.92%
8.41%
7.17%
Last 10 Years
Last 15 Years
Last 20 Years
Time Periods Through December 31, 2009

# Total FRS Cumulative Relative Performance
# 10 Years Ending 12/31/09



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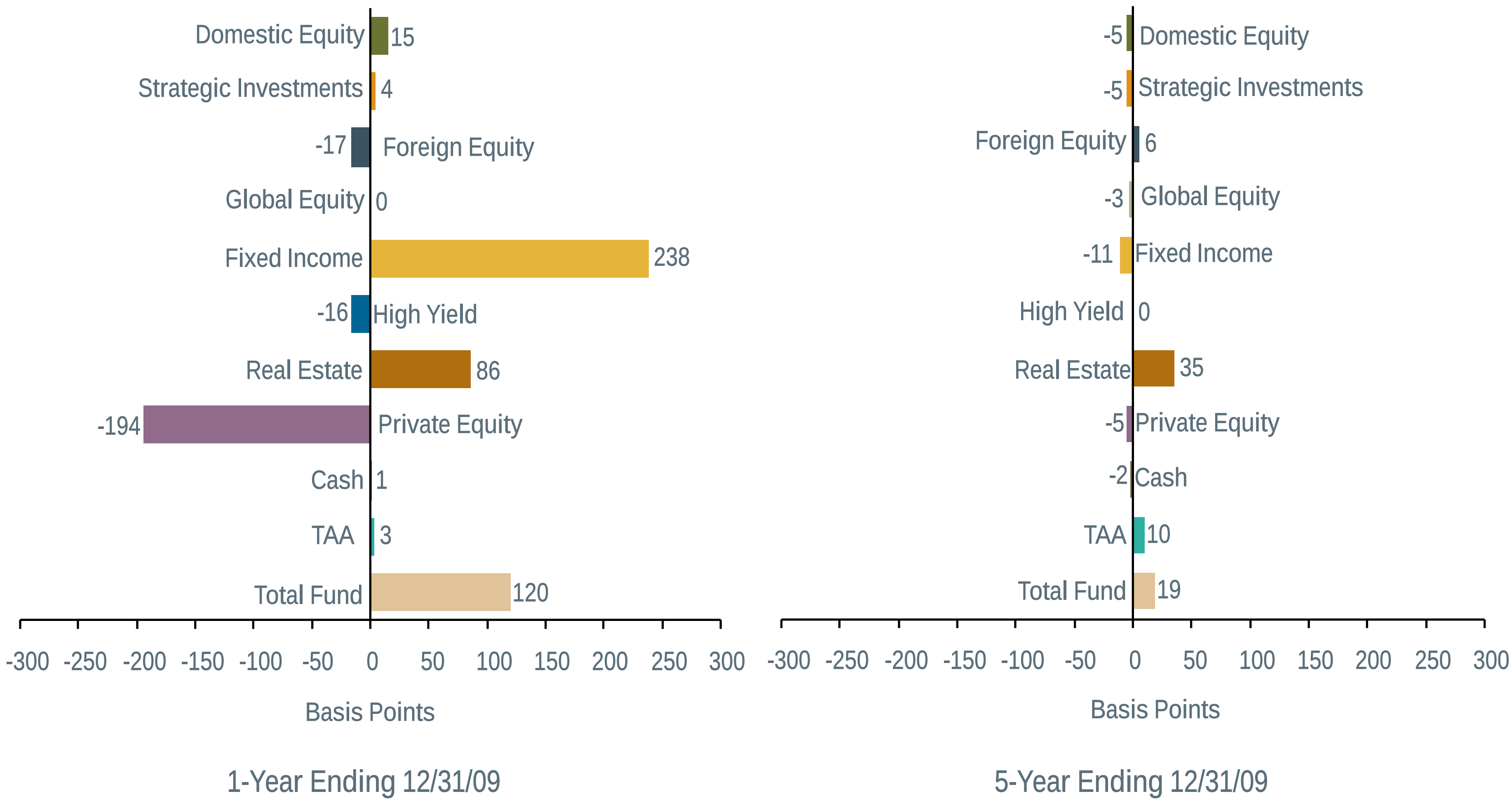
# Total FRS Attribution Analysis



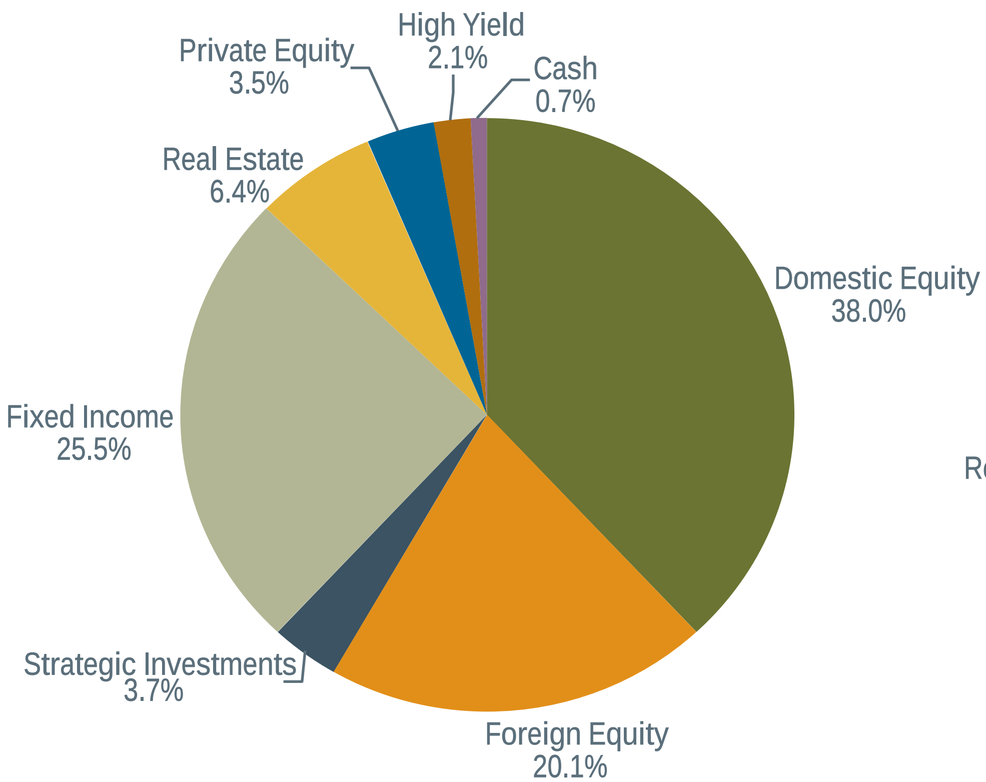
# Peer Comparison Commentary

- The Total Fund return exceeded the median fund in the Trust Universe Comparison Service (TUCS) top ten defined benefit plan universe during the fourth quarter and over the trailing one-, three-, and five-year periods. The Total Fund return underperformed the median TUCS top ten defined benefit plan universe over the trailing ten-year period. Over the trailing one-, three-, and five-year periods, the Total Fund fell within the top quartile of returns reported by the TUCS top ten defined benefit plan universe.
- FRS returns relative to the TUCS universe are largely driven by asset allocation differences.
  - While peer comparisons can be informative, asset allocation differences may cause the comparison to be misleading due to certain liability considerations and statutory restrictions.
- TUCS Top Ten Defined Benefit Plan Universe Data
  - $961 billion in total assets.
  - Median fund size is $94.2 billion.
  - Average fund size is $96.1 billion.

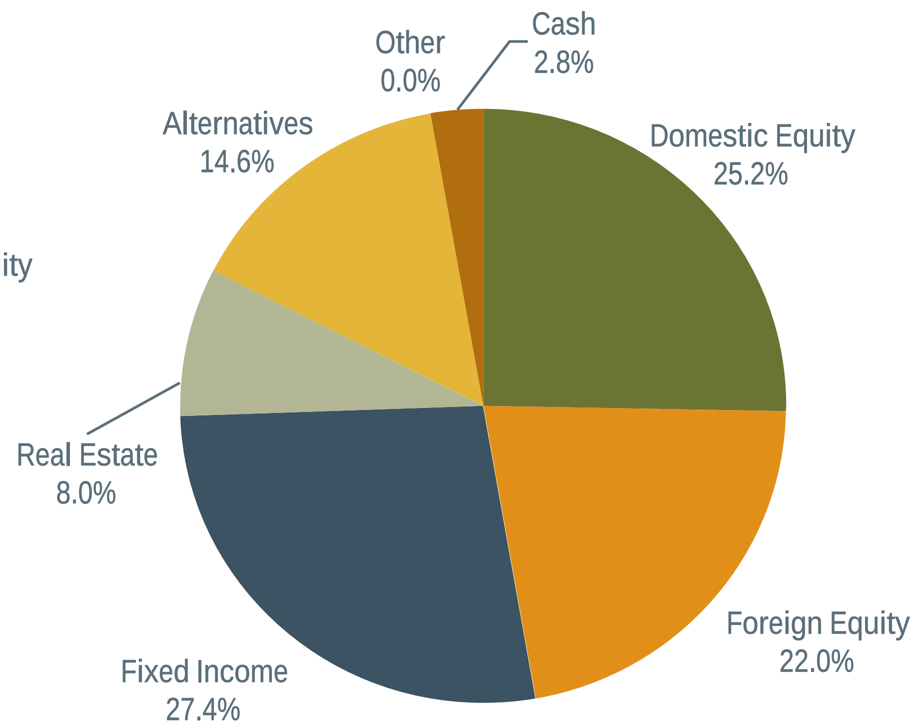
# Comparison of Asset Allocation
# As of 12/31/09

FRS Pension Plan vs. Top Ten Defined Benefit Plans

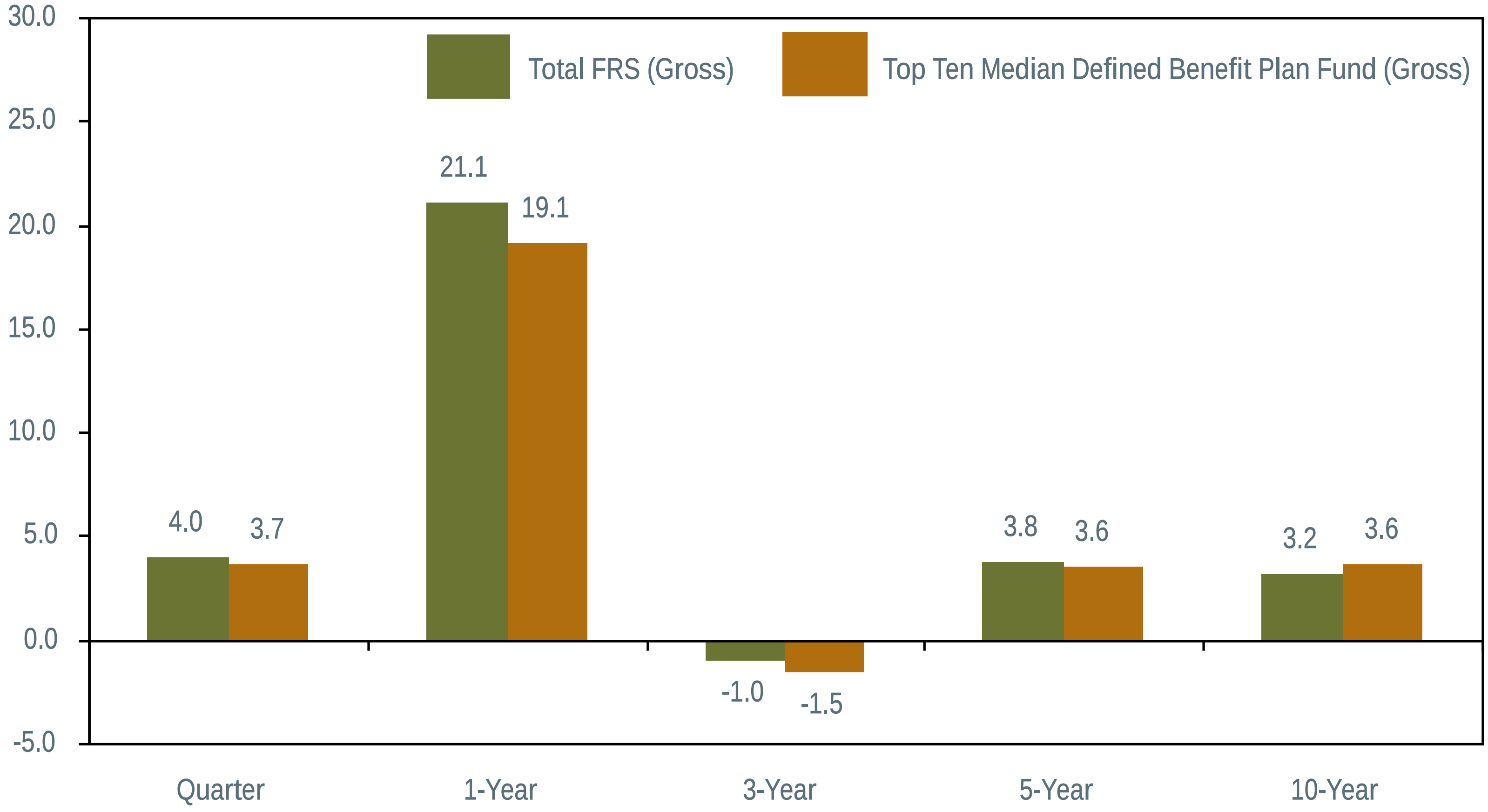
## FRS TOTAL FUND




## TUCS



# FRS Results Relative to TUCS Top Ten Defined Benefit Plans Periods Ending 12/31/09



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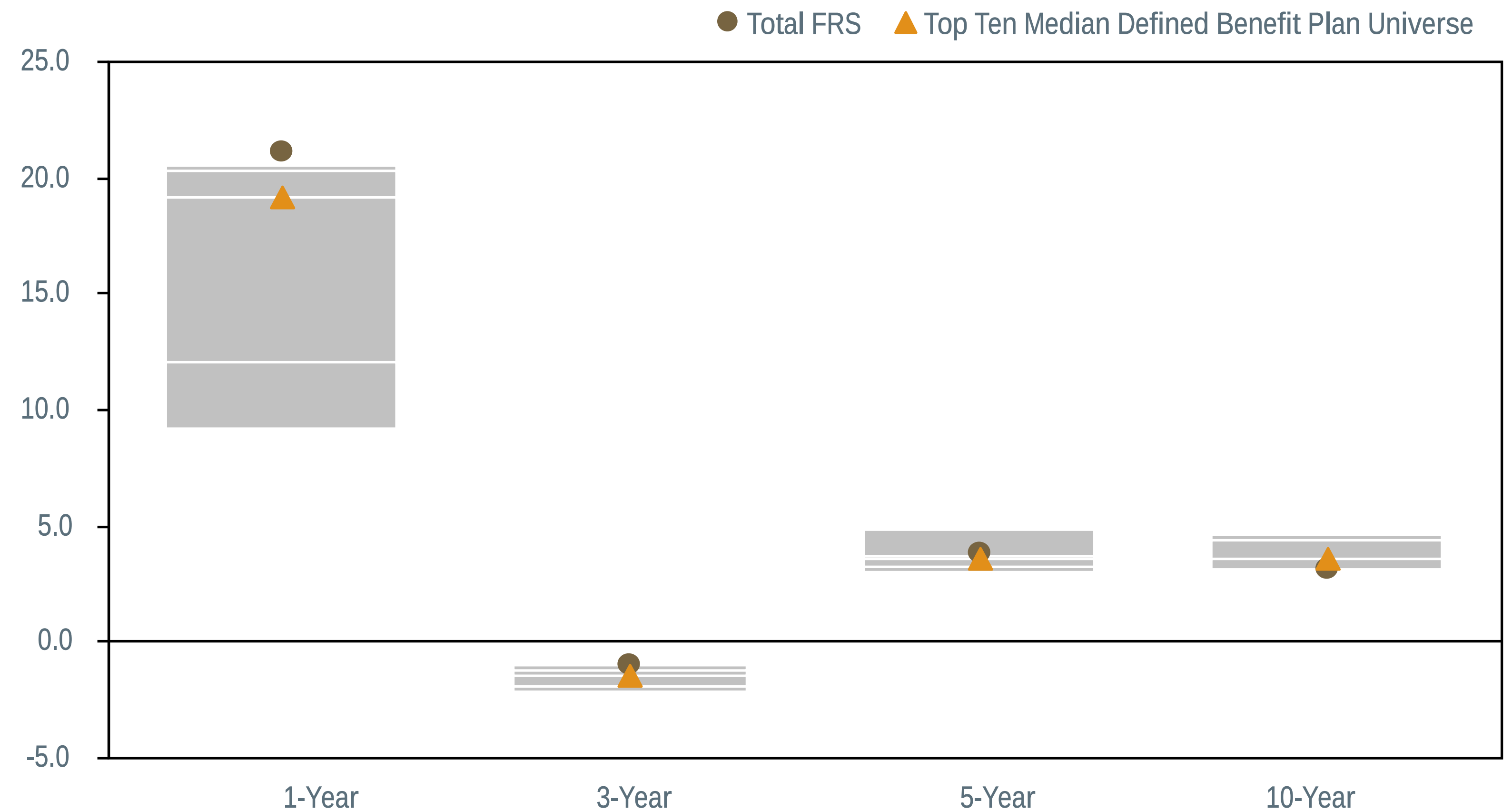
# (TUCS)
# Periods Ending 12/31/09




| | 1-Year | 3-Year | 5-Year | 10-Year |
|---|---|---|---|---|
| FRS Percentile Ranking | 1 | 5 | 25 | 99 |

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# State Board of Administration of Florida
# Florida Retirement System

Investment Plan Review

Fourth Quarter 2009

# Total Investment Plan Returns

Periods Ending 12/31/2009

| | 1-Year | 3-Year | 5-Year |
|---|---|---|---|
| FRS Investment Plan | 18.4% | -0.7% | 3.4% |
| *Average DC Plan** | 24.5 | -1.4 | 2.3 |
| *FRS Investment Plan vs. Average DC Plan* | *-6.2* | *0.8* | *1.1* |
| *Total Plan Aggregate Benchmark*** | 16.8 | -1.7 | 2.8 |
| *FRS Investment Plan vs. Total Plan Aggregate Benchmark* | *1.6* | *1.0* | *0.6* |

*Calculated *return estimates* based on average plan allocations data from PSCA (2008 Survey) and the average fund net of fee return data from Morningstar as of 12/31/2009.

**Aggregate benchmark returns are an average of the individual portfolio benchmark returns at their actual weights.

# Investment Plan Costs

| | |
|---|---|
| FRS Investment Plan Expense Ratio* | 0.24% |
| Peer Corporate DC Plan Expense Ratio* | 0.30% |

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

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

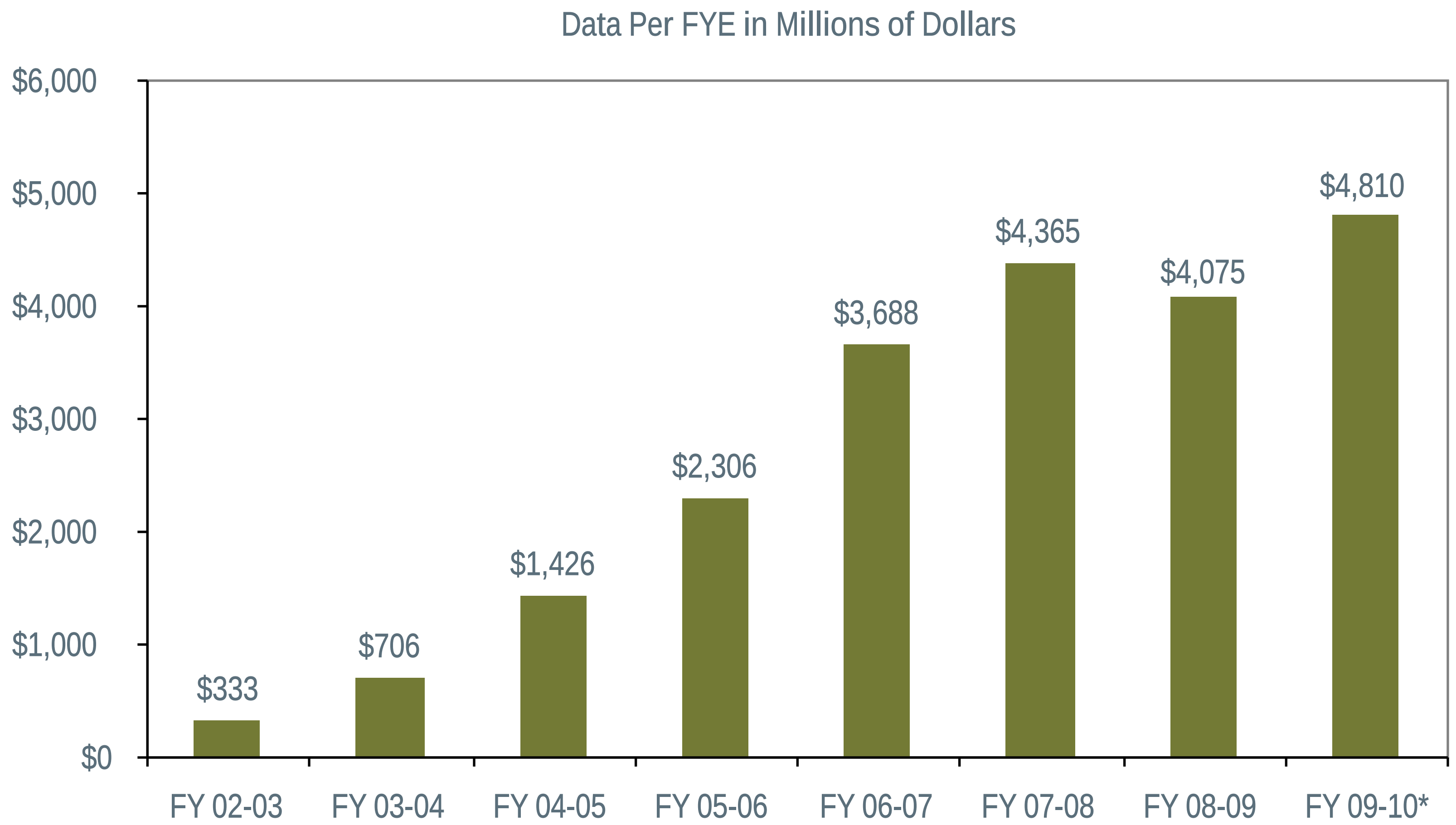
# Investment Plan Costs (cont.)

| Investment Category | Investment Plan Option Fee* | Avg. Mutual Fund Fee** |
|---|---|---|
| Large-Cap Equity Fund | 0.28% | 0.89% |
| Mid-Cap Equity Fund | 0.60% | 0.98% |
| Small-Cap Equity Fund | 0.89% | 1.08% |
| International Equity Fund | 0.38% | 1.17% |
| Diversified Bond Fund | 0.29% | 0.67% |
| Balanced Fund | 0.07% | 0.96% |
| Money Market | 0.06% | 0.45% |
| Lifecycle Funds | n/a | 0.87% |

*Average Fee if Multiple Products in Category as of 12/31/2009.

**Source: Morningstar and EnnisKnupp as of 12/31/2009.

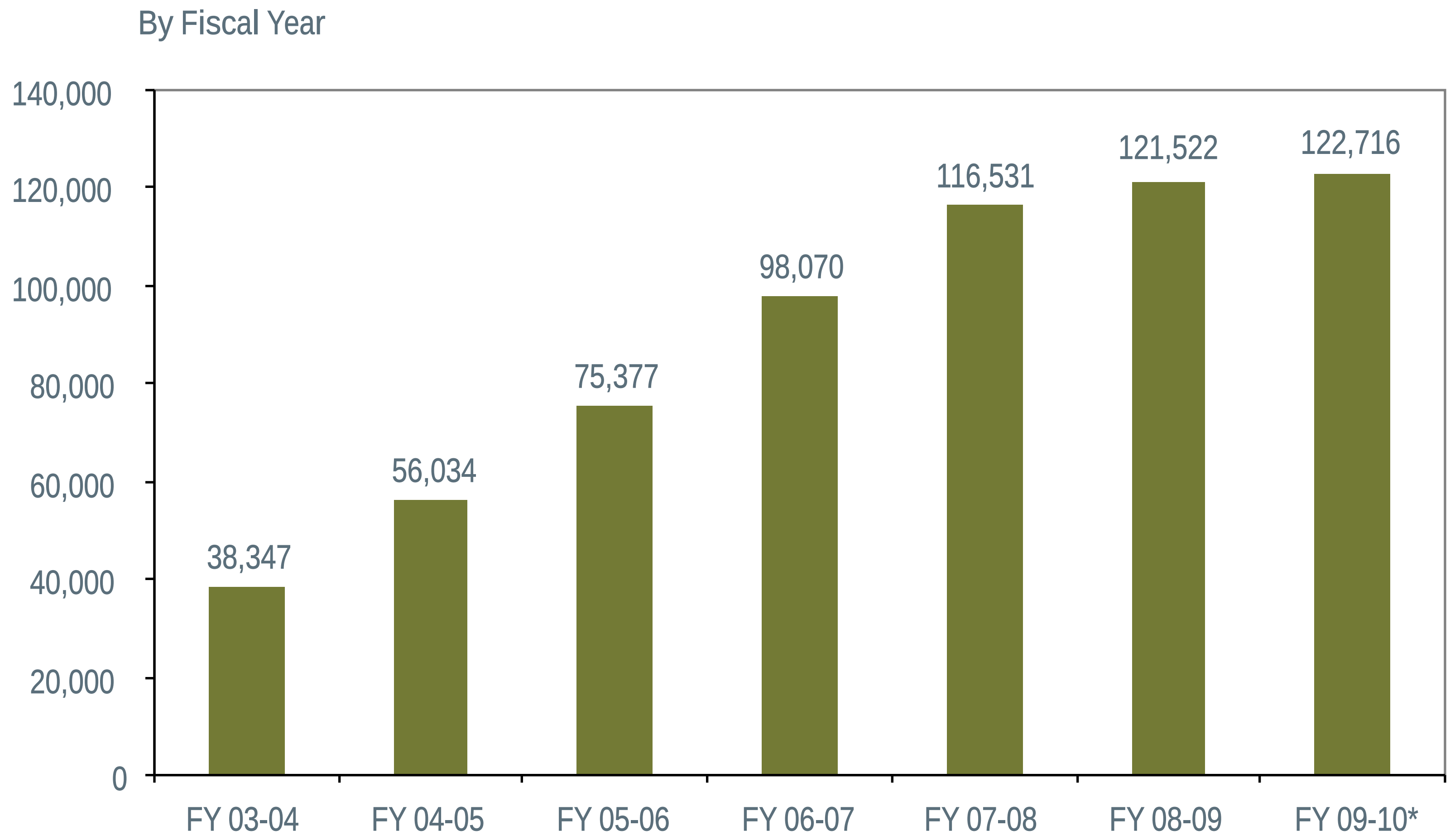
# Investment Plan Fiscal Year End Assets Under Management




*Period Ending 12/31/2009

Source: ING

# Investment Plan Membership



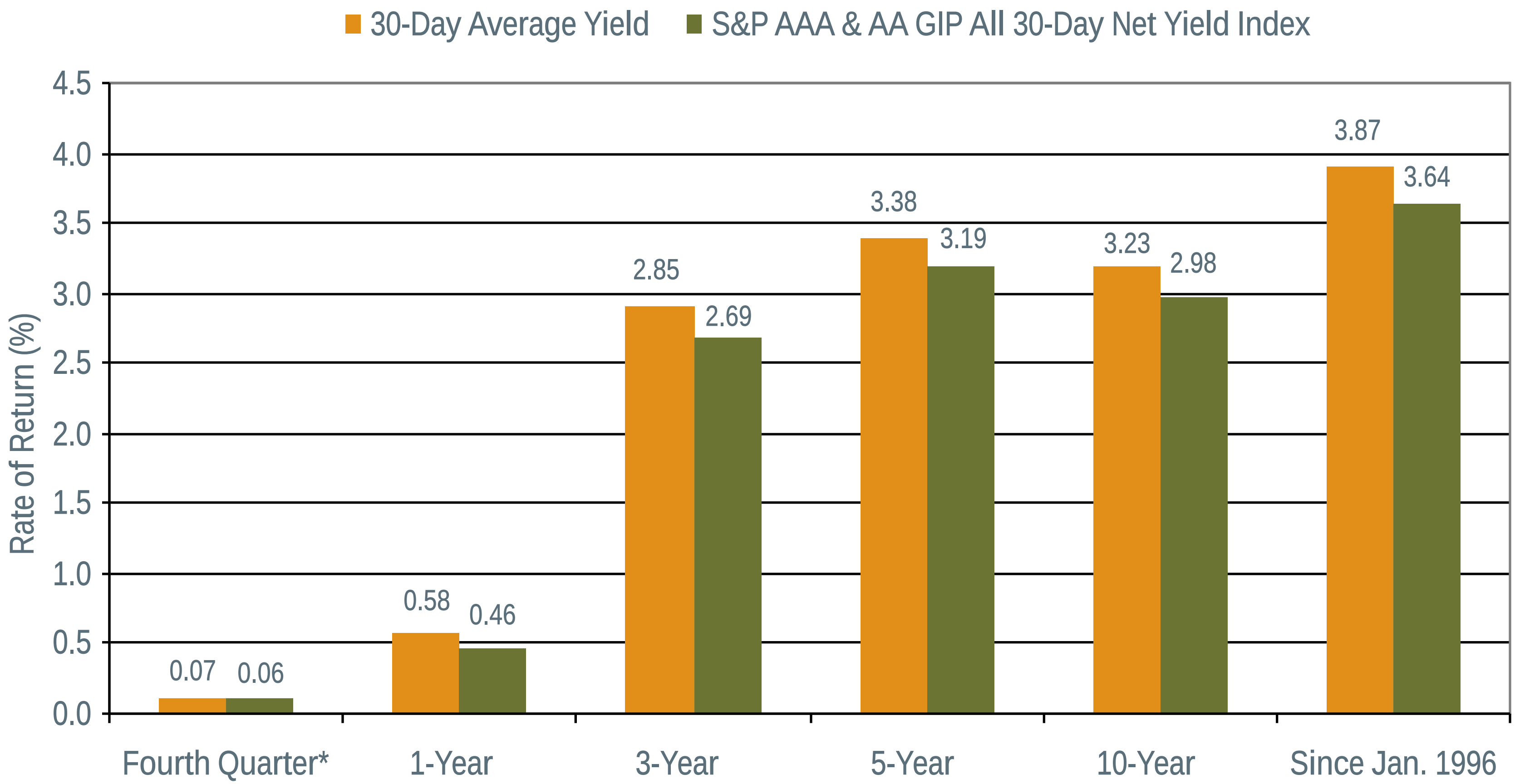

*Period Ending 12/31/2009

# State Board of Administration of Florida

## Florida PRIME and Fund B

Fourth Quarter 2009

# Florida PRIME Investment Results
# Periods Ending 12/31/2009




*Returns less than one year are not annualized.

# Florida PRIME Characteristics
# Quarter Ending 12/31/2009

| Cash Flows as of 12/31/2009 | Florida PRIME |
|---|---|
| Opening Balance (10/1/2009) | $5,354,256,677 |
| Participant Deposits | $5,233,581,351 |
| Transfers from Fund B | $21,050,000 |
| Gross Earnings | $3,732,008 |
| Participant Withdrawals | ($4,074,413,934) |
| Fees | ($348,089) |
| Closing Balance (12/31/2009) | $6,537,858,013 |
| Change Over Quarter | $1,183,601,336 |



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# Florida PRIME Characteristics
# Period Ending 12/31/2009

| Effective Maturity Schedule | Effective |
|---|---|
| 1-7 days | 51.4% |
| 8-30 days | 26.3 |
| 31-90 days | 13.4 |
| 91-180 days | 5.1 |
| 181+ days | 3.7 |
| Total % of Portfolio: | 100.0% |

| S & P Credit Quality Composition | |
|---|---|
| A-1+ | 71.7% |
| A-1 | 28.3 |
| Total % of Portfolio: | 100.0% |



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Fund B Distributions to Participants

| | Distributions to Participants | Cumulative Distributions | Participant Principal | Proportion of Original Principal Returned |
|---|---|---|---|---|
| 12/5/2007 | $ | $ | $ 2,009,451,941 | 0.0% |
| 1/18/2008 | $ 50,000,000 | $ 50,000,000 | $1,959,451,941 | 2.5% |
| 2/11/2008 | $ 518,000,000 | $ 568,000,000 | $ 1,441,451,941 | 28.3% |
| 3/18/2008 | $ 210,550,000 | $ 778,550,000 | $ 1,230,901,941 | 38.7% |
| 4/21/2008 | $ 106,000,000 | $ 884,550,000 | $ 1,124,901,941 | 44.0% |
| 6/19/2008 | $ 291,500,000 | $ 1,176,050,000 | $ 833,401,941 | 58.5% |
| 6/26/2008 | $ 150,500,000 | $ 1,326,550,000 | $ 682,901,941 | 66.0% |
| 7/7/2008 | $ 34,700,000 | $ 1,361,250,000 | $ 648,201,941 | 67.7% |
| 8/6/2008 | $ 10,400,000 | $ 1,371,650,000 | $ 637,801,941 | 68.3% |
| 9/5/2008 | $ 9,300,000 | $ 1,380,950,000 | $ 628,501,941 | 68.7% |
| 10/7/2008 | $ 11,750,000 | $ 1,392,700,000 | $ 616,751,941 | 69.3% |
| 11/7/2008 | $ 8,700,000 | $ 1,401,400,000 | $ 608,051,941 | 69.7% |
| 12/4/2008 | $ 20,500,000 | $ 1,421,900,000 | $ 587,551,941 | 70.8% |
| 1/9/2009 | $ 7,900,000 | $ 1,429,800,000 | $ 579,651,941 | 71.2% |
| 2/9/2009 | $ 6,800,000 | $ 1,436,600,000 | $ 572,851,941 | 71.5% |
| 3/9/2009 | $ 5,800,000 | $ 1,442,400,000 | $ 567,051,941 | 71.8% |
| 4/9/2009 | $ 6,600,000 | $ 1,449,000,000 | $ 560,451,941 | 72.1% |
| 5/8/2009 | $ 8,200,000 | $ 1,457,200,000 | $ 552,251,941 | 72.5% |
| 6/8/2009 | $ 7,500,000 | $ 1,464,700,000 | $ 544,751,941 | 72.9% |
| 7/9/2009 | $ 7,100,000 | $ 1,471,800,000 | $ 537,651,941 | 73.2% |
| 8/7/2009 | $ 8,150,000 | $ 1,479,950,000 | $ 529,501,941 | 73.6% |
| 9/4/2009 | $ 10,000,000 | $ 1,489,950,000 | $ 519,501,941 | 74.1% |
| 10/7/2009 | $ 8,050,000 | $ 1,498,000,000 | $ 511,451,941 | 74.5% |
| 11/6/2009 | $ 6,750,000 | $ 1,504,750,000 | $ 504,701,941 | 74.9% |
| 12/8/2009 | $ 6,250,000 | $ 1,511,000,000 | $ 498,451,941 | 75.2% |

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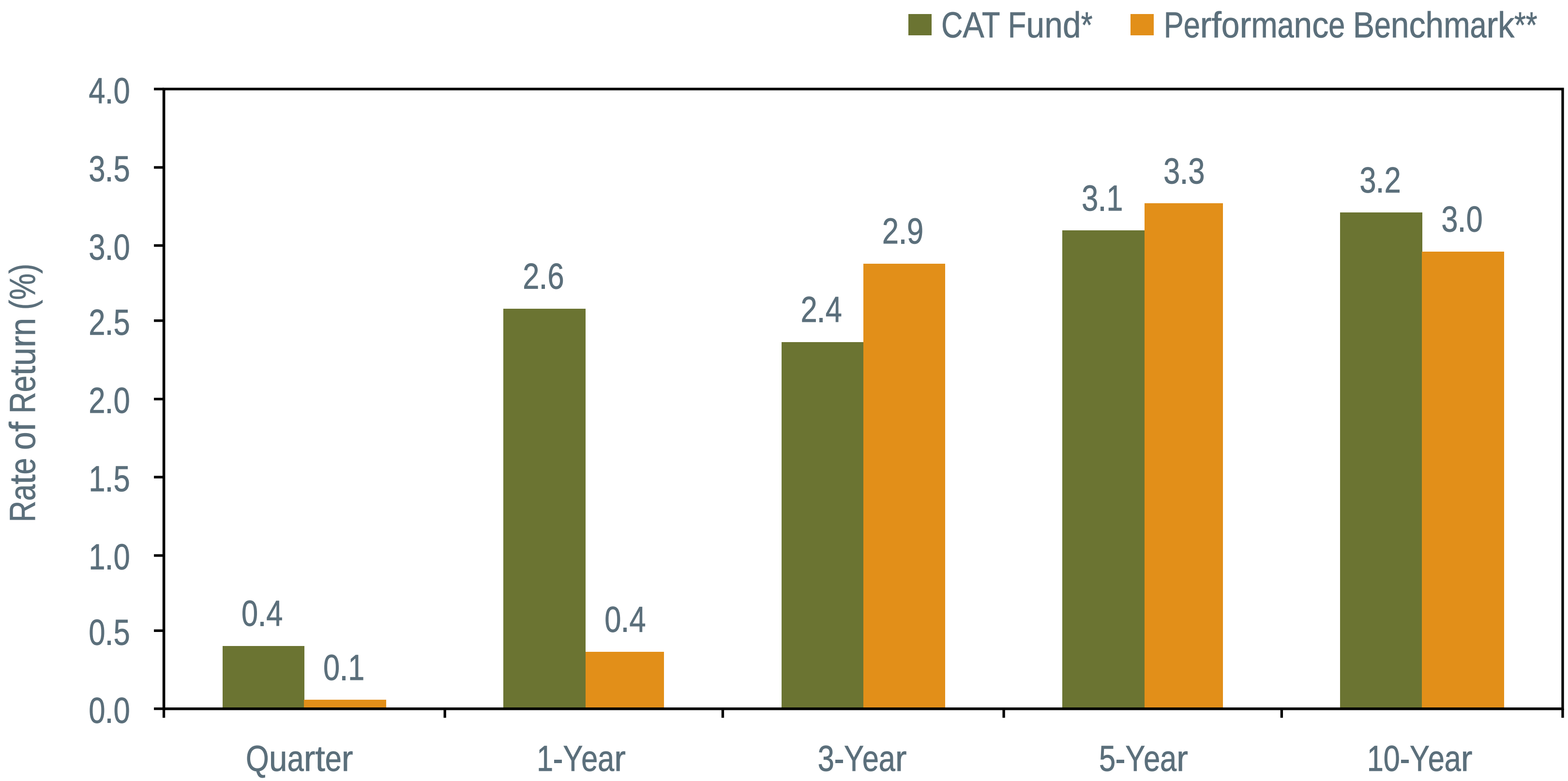
# State Board of Administration of Florida
# CAT Fund

Fourth Quarter 2009

# Florida Hurricane Catastrophe Fund Summary

- Purpose of the Florida Hurricane Catastrophe Fund (FHCF) is to provide a stable, ongoing and timely source of reimbursement to insurers for a portion of their hurricane losses.
- The SBA manages 2 FHCF accounts, the CAT Fund (Operating Fund) and the CAT 2007 A Fund (Pre-Event Floating Rate Taxable Notes). Both are internal actively managed portfolios benchmarked to the Merrill Lynch Total Return 1-Month LIBOR.
- As of December 31, 2009, the total value of both FHCF accounts managed by the SBA was $8.07 billion.

# CAT Fund Investment Results
# Periods Ending 12/31/2009




*CAT Fund: Beginning March 2008, the returns for the CAT Fund reflect marked-to-market returns. Prior to that time, cost-based returns are used.
**Performance Benchmark: The CAT Fund was benchmarked to the IBC First Tier through February 2008. Effective March 2008, it is the Merrill Lynch 1-Month Libor.



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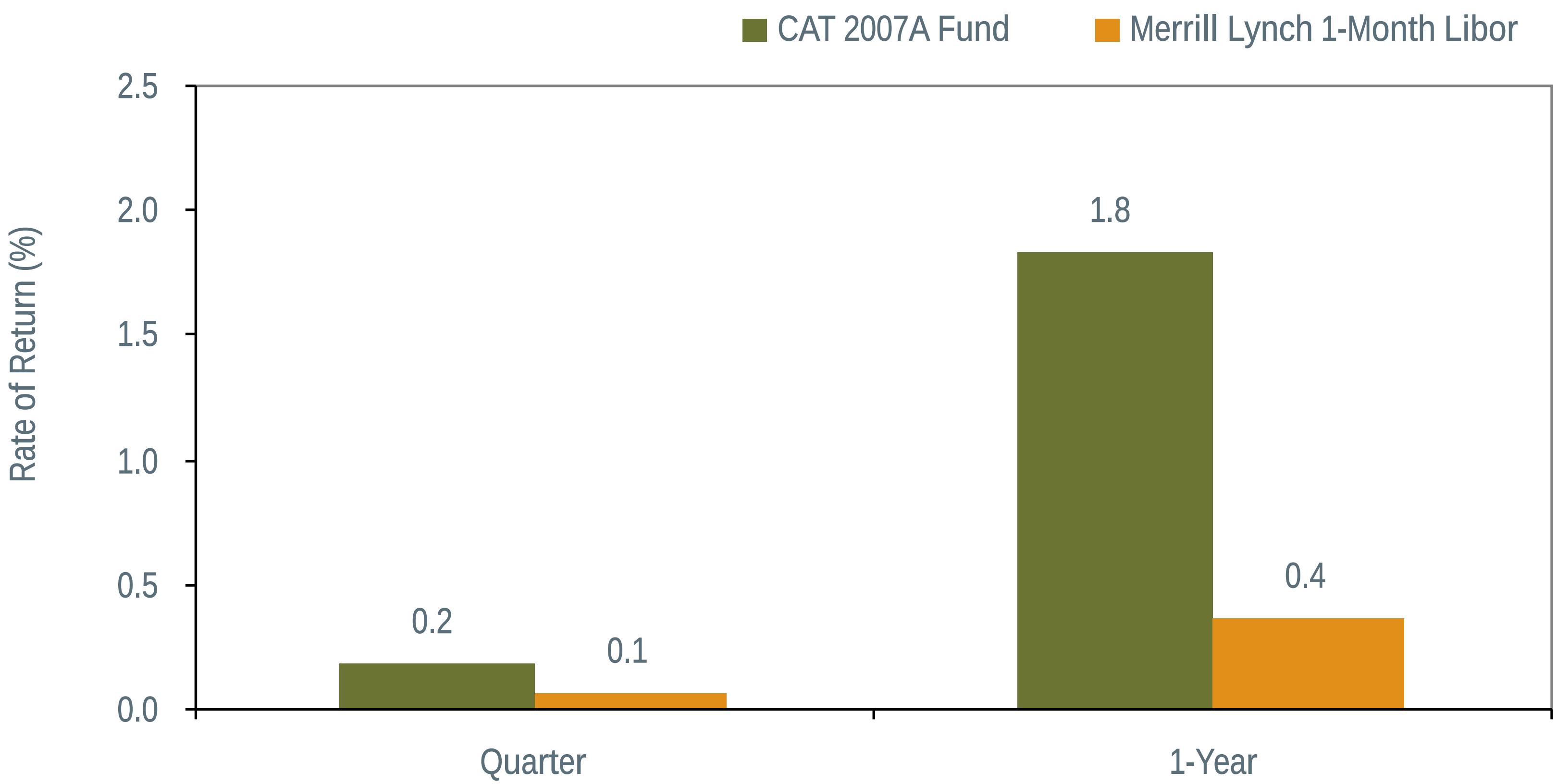
# CAT 2007 A Fund Investment Results
# Periods Ending 12/31/2009



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# Meeting of the State Board of Administration

III. Reports

a. Audit Committee

b. Participant Local Government Advisory Council

c. Investment Advisory Council

d. General Counsel

e. Inspector General

f. Corporate Governance

h. Florida Hurricane Catastrophe Fund (FHCF)

SBA FLORIDA

INVESTING FOR FLORIDA'S FUTURE

# Audit Committee Report

- Audit of the Real Estate Direct-Owned Investments
- Audit of the Financial Statements of the FRS Pension Plan and FRS Investment Plan
- Follow-up on Audit Recommendations
- Liquidity Requirement of the FRS Pension Plan

## Participant Local Government Advisory Council Report

- Healthy participant cash flow activity
- Enhanced quality and scope of information contained in Monthly Summary Report
- Monitored SEC reforms affecting Rule 2a-7
- Evaluation of further enhancements to pool's operations
- Performance

# Investment Advisory Council Report

Information on this item to be provided at a later date.

# SBA General Counsel Activities

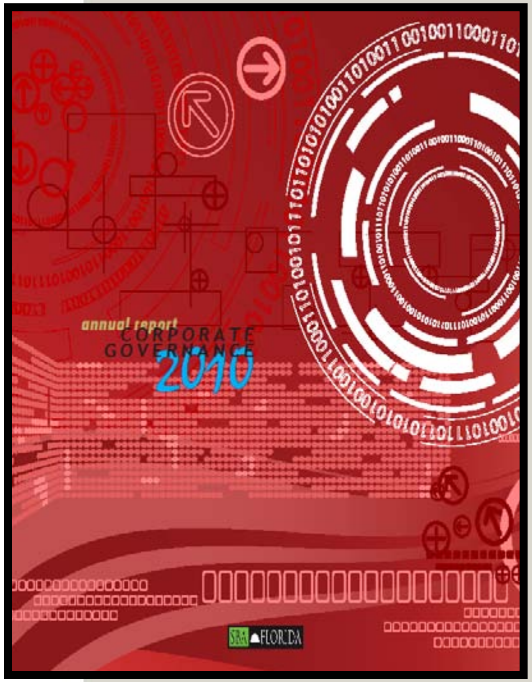
- Securities Litigation Counsel Search and Master Agreements
- SBA Agreements - New Agreements and Amendments by Asset Class & Department
- Litigation - Recoveries as a Passive Plaintiff
- Special Topics - Upcoming Hedge Funds Training

# SBA Inspector General Activities

- Status of SEC Rule regarding placement agents
- Investment Protection Principles (IPPs) and Related Compliance
- Personal Investment Activities Policy Compliance Review
- Ethics and Related Training

# SBA Governance Activities

- 2010 Annual Report  on Corp Governance
- Corporate Governance & Proxy Voting Oversight Group
- Comment Letter to the SEC
- Proposal at Hospitality Properties Trust
- 2010 Proxy Season



# Florida Hurricane Catastrophe Fund Activities

- See agenda items VI. and VII.
- See agenda for Florida Hurricane Catastrophe Fund Finance Corporation

# Asset / Liability Study for the Florida Retirement System Defined Benefit Program

Trustee Presentation

March 4, 2010

Rowland Davis

# Agenda

- Methodology for the asset-liability study
- Assumptions
- Forecast results under current policy
- Risk-reward analysis and asset allocation recommendation
- Special analysis
  - Impact of closing plan to new entrants
  - Liquidity issues

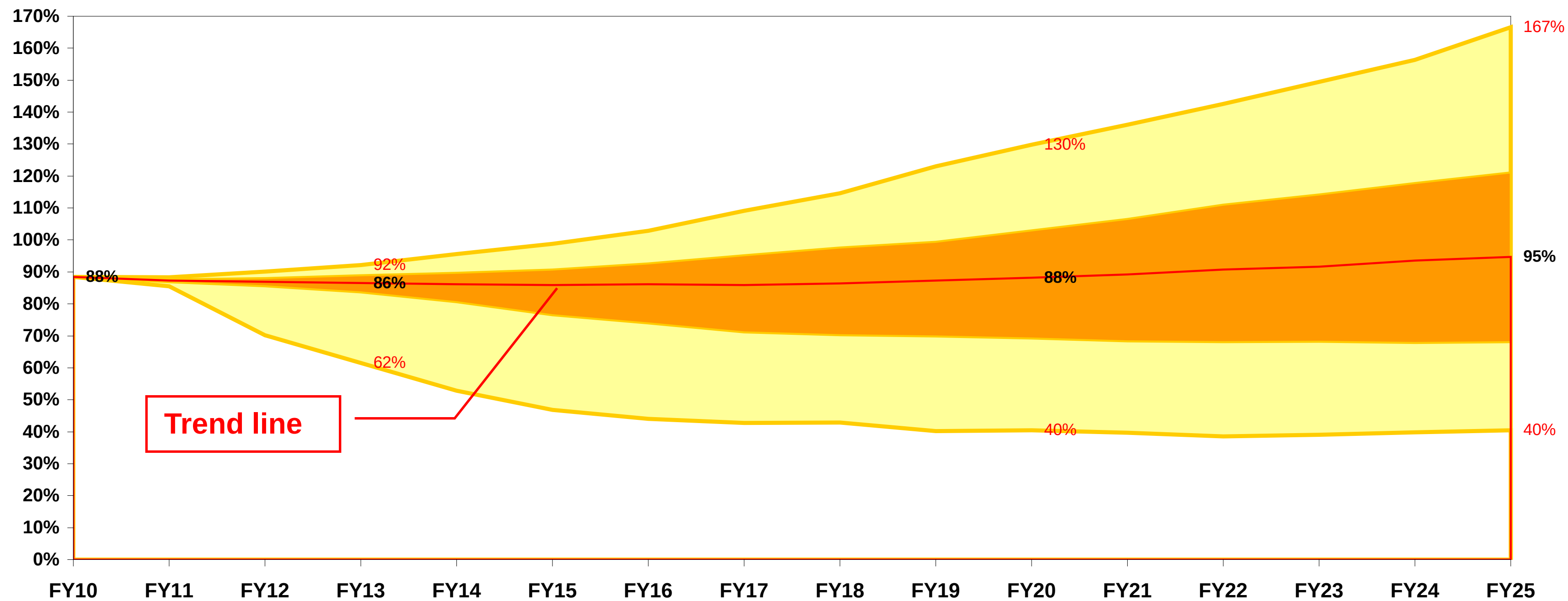
# Methodology

- The ultimate goal of the asset-liability study is to provide a basis for recommending how much overall investment risk is appropriate for the defined benefit pension plan.
- Our model for the FRS Pension Plan creates 15-year forecasts of plan cost and funded ratios.
- We run the model using a full range of possible economic and investment scenarios (1,000 scenarios under a Monte Carlo simulation):
  - Expected trend patterns, plus
  - Range of uncertainty, and downside risk exposure
- When we run the model using different asset allocations, we can analyze the risk and reward trade-offs:
  - "Risk assets" are those expected to earn a return premium over bonds = equities + real estate + strategic/opportunistic + high yield bonds
  - Higher allocation to risk assets = higher expected returns = lower average costs and higher average funded ratios
  - Higher allocation to risk assets = more uncertainty about future returns = increased downside risk of higher costs and lower funded ratios

# Assumptions

- Key assumptions for investment returns over next 15 years
  - Bonds = 4.6% expected return
  - US stocks = 8.0% expected return
    - Bond return + equity risk premium of 3.4%
    - Equity risk premium assumption is based on the average from the four SBA investment consulting firms
    - Average equity risk premium over the last 50 years has been 3.5%
- Portfolio return over the next 15 years, net of expenses, under current policy mix
  - Nominal returns
    - Expected average return = 7.4%
    - 50% confidence range is 4.9% to 10.2%; 90% confidence range is 0.2% to 13.2%
  - Real returns after inflation
    - Expected average return = 4.7%
    - 50% confidence range is 2.3% to 7.5%; 90% confidence range is -2.2% to 10.3%

# Range Of Funded Ratios – Current 71% Risk Asset Allocation




**%-tile values:**

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 5% | 88% | 86% | 70% | 62% | 53% | 47% | 44% | 43% | 43% | 40% | 40% | 40% | 39% | 39% | 40% | 40% |
| 25% | 88% | 87% | 86% | 84% | 81% | 76% | 74% | 71% | 70% | 70% | 69% | 68% | 68% | 68% | 68% | 68% |
| **50%** | **88%** | **87%** | **87%** | **86%** | **86%** | **86%** | **86%** | **86%** | **86%** | **87%** | **88%** | **89%** | **91%** | **92%** | **94%** | **95%** |
| 75% | 88% | 88% | 88% | 89% | 90% | 91% | 93% | 95% | 98% | 99% | 103% | 107% | 111% | 114% | 118% | 121% |
| 95% | 88% | 88% | 90% | 92% | 96% | 99% | 103% | 109% | 115% | 123% | 130% | 136% | 143% | 150% | 156% | 167% |

**Dark shaded area indicates the 50% probability zone, and light shaded area indicates the 90% probability zone.**



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# Risk-Reward Analysis

- Key drivers for results
  - Current plan funded status
  - Equity risk premium assumption
- The current overall 71% allocation to risk assets is right in the middle of the 61% to 81% "comfort zone" under our methodology

| ***Allocation to risk assets*** ==========> | | ***66%*** | | ***71%*** | | ***76%*** |
|---|---|---|---|---|---|---|
| **Median funded ratio after 15 years** | | 93.8% | | 95.9% | | 97.6% |
| **Long-term economic cost ($ billions)** | | | | | | |
| Average for all scenarios: | | | | | | |
| PV of contributions for 15 yrs. | $ | 64.2 | $ | 63.5 | $ | 62.8 |
| Adjustment for terminal funding shortfall/(surplus) | $ | 19.1 | $ | 18.3 | $ | 17.9 |
| Total | $ | 83.3 | $ | 81.8 | $ | 80.7 |
| Average for worst 20% | $ | 191.0 | $ | 194.8 | $ | 198.7 |
| **Change in cost vs. current risk level (71%)** | | | | | | |
| Average for all scenarios (negative values = reward) | $ | 1.5 | $ | - | $ | (1.1) |
| Average for worst 20% (risk) | $ | (3.8) | $ | - | $ | 3.9 |

- No change is recommended, although the specific mix of risk assets will be reviewed in more detail
- The analysis will be redone if there are any significant plan changes from the current legislative session.

# Closing Plan To New Entrants

- Demographic impact after 15 years
  - Most active participants have retired or entered the DROP program
  - The DB payroll (including DROP) is about 20% of what it would be without any changes
- Liability impact after 15 years
  - Total liabilities are reduced about 15% from what they would be without any changes
  - About 75% of the total liability is for retirees, compared with 65% without any changes
- Asset impact after 15 years
  - Total fund is reduced about 18% from what it would be without any changes
  - Benefit payouts as a percent of fund value is about 7.9%, compared with 6.7% without any changes
- Cost impact (on blended rates for DB + DC plans)
  - Expected trend rate is lower by about 1% of payroll after 10 years, and by about 1.3%
  - Cost volatility is reduced by about 15% after 10 years
- Investment policy implications:  eventually a more conservative policy would be indicated

# Liquidity Analysis

- Develop range of net cash flow as a percent of the fund:
  - Benefit payments (annuities + DROP + PEORP transfers), less
  - Cash inflows:
    - Employer contributions
    - Estimate of cash yield on funds (assumed 3% initial for the current policy, grading down to 2%)

**Distribution of net cash flow (% of fund):**

| Percetile: | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2020 | 2025 |
|---|---|---|---|---|---|---|---|---|
| **95%** | -0.7% | 0.7% | 0.5% | 0.3% | 0.6% | 1.1% | 2.2% | 3.0% |
| **75%** | -0.7% | 0.6% | 0.3% | 0.0% | -0.2% | -0.4% | -0.3% | 0.0% |
| **50%** | **-0.7%** | **0.5%** | **0.1%** | **-0.2%** | **-0.4%** | **-0.7%** | **-0.9%** | **-1.0%** |
| **25%** | -0.7% | 0.5% | 0.0% | -0.4% | -0.6% | -0.9% | -1.3% | -1.6% |
| **5%** | -0.7% | 0.3% | -0.7% | -1.0% | -1.3% | -1.5% | -2.1% | -2.7% |

- In the next five years, the net cash outflow is almost always less than 1.5% of the fund value.
- In the longer term, cash outflows increase – and could potentially reach 2.5%+ of the fund value.

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# State Board of Administration of Florida
# Asset Allocation Study

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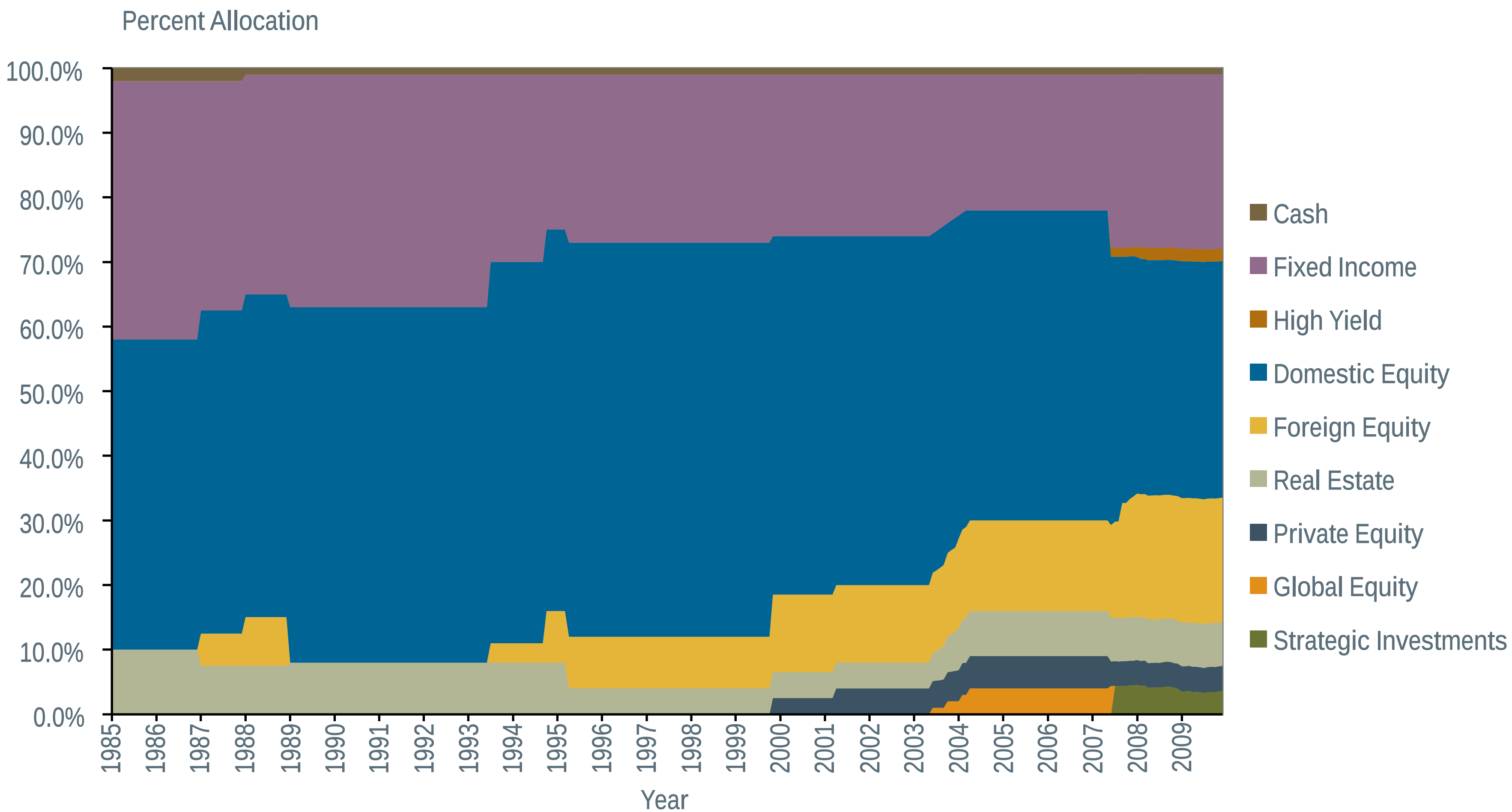
# Policy Allocation Over Time



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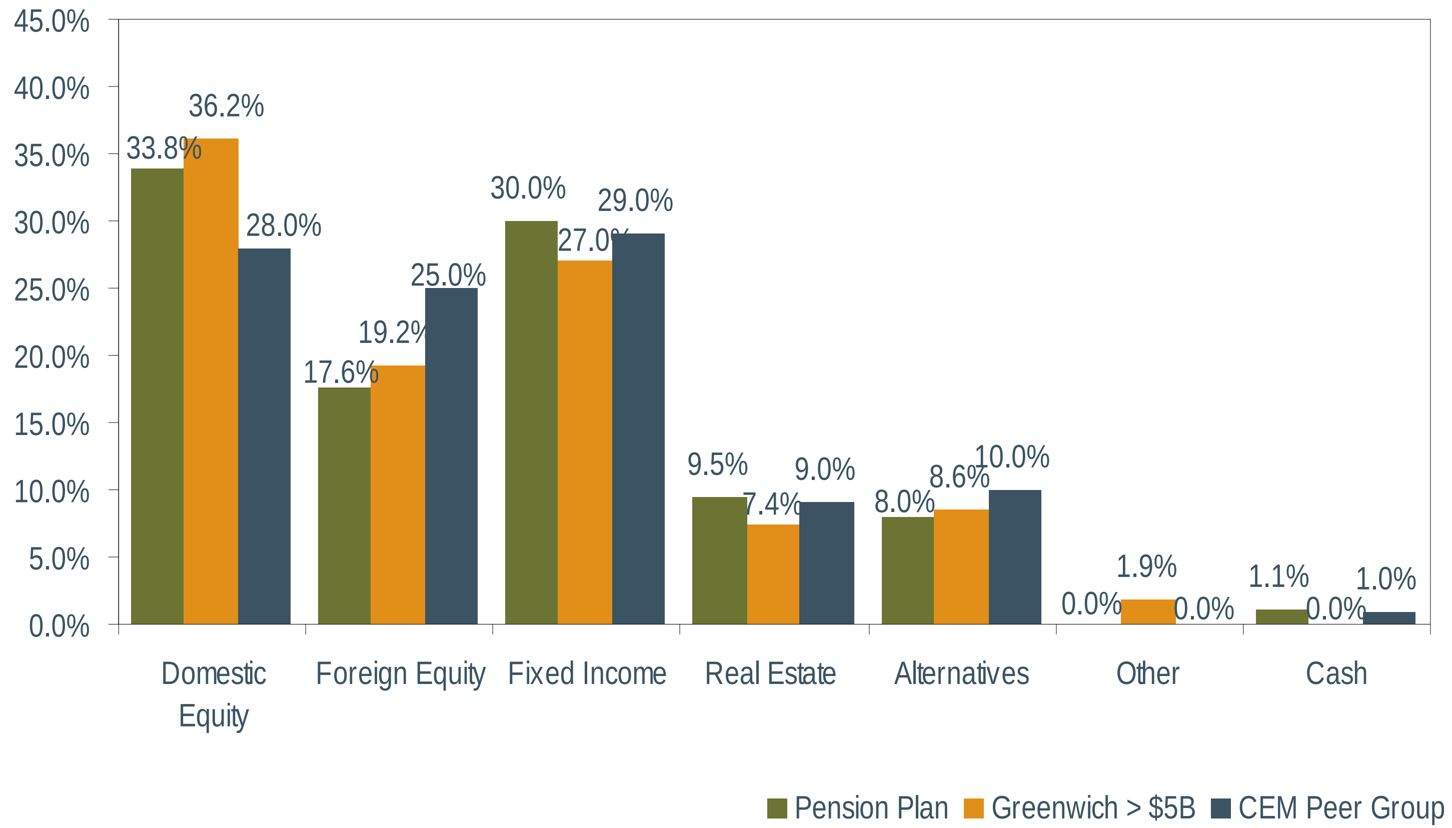
# Asset Allocation Comparison
# As of 12/31/2008




- The Pension Plan's 2.3% high yield allocation has been added to fixed income and the 3.5% Strategic Investments allocation has been added to Alternatives
- Greenwich Associates peer group includes 87 public funds with aggregate assets of $2.8 trillion
- CEM Peer Group includes 17 funds with aggregate assets of $1.2 trillion



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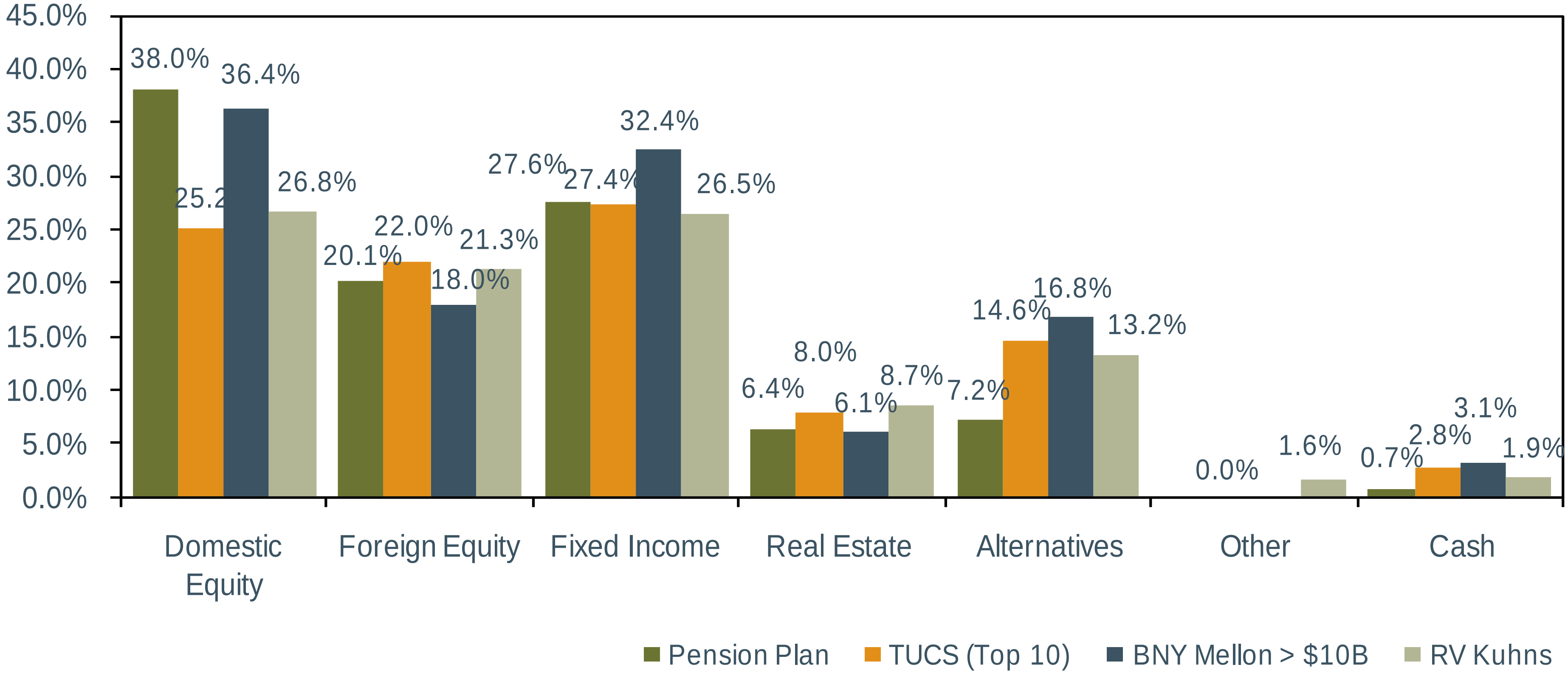
# Asset Allocation Comparison
# As of 12/31/2009




- The Pension Plan's 2.1% high yield allocation has been added to fixed income and the 3.7% Strategic Investments allocation has been added to Alternatives
- Trust Universe Comparison System (TUCS) data includes 10 defined benefit plans with aggregate assets of $961 billion
- The Bank of New York Mellon Universe includes 42 public funds each with over $10 billion in assets
- RV Kuhns data is as of 6/30/09. The universe includes 15 public funds each with over $20 billion in assets

# Assumptions – Traditional Asset Classes

| Asset Class | Risk | Expected Return | Methodology |
|---|---|---|---|
| Non-Risky | | | |
| Fixed Income (Investment Grade) | 6.6 | 4.6 | Barclays Capital U.S. Aggregate Bond Index |
| Treasuries | 6.5 | 3.6 | Barclays Capital U.S. Treasury Index |
| Treasury Inflation Protected Securities (TIPS) | 5.8 | 4.1 | Barclays Capital U.S. TIPS Index |
| Cash | 0.2 | 3.0 | 90-Day T-Bill |
| Risky | | | |
| High Yield Bonds | 12.3 | 6.2 | Citigroup High Yield Bond Index |
| U.S. Equity | 17.1 | 8.0 | Dow Jones U.S. Total Stock Market Index |
| Non-U.S. Equity | 19.7 | 7.7 | MSCI All Country World ex-U.S. Index |
| Global Equity | 17.1 | 8.0 | MSCI All Country World Index |
| Core Private Real Estate* | 12.3 | 6.2 | MIT- Transaction Based Index |
| Private Equity (Broad)** | 32.3 | 10.9 | Venture Economics Post Venture Capital Index |

**Includes 1.0% Liquidity Premium Adjustment*
***Includes 3.0% Liquidity Premium Adjustment*



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# Assumptions – Strategic Investments Asset Types

| Asset Type | Risk | Expected Return | Methodology |
|---|---|---|---|
| Debt-Oriented Funds* | 10.5 | 9.7 | HFRI Distressed Securities Index |
| Global Equity | 17.1 | 8.0 | MSCI All Country World Index |
| U.S. REITs | 21.4 | 6.7 | Dow Jones U.S. Real Estate Securities Index |
| Commodities | 16.0 | 4.1 | Dow Jones/UBS Commodity Index |
| Infrastructure** | 27.9 | 8.8 | Macquarie Global Infrastructure Index |
| Timberland** | 8.0 | 6.4 | NCREIF Timberland Index |
| Absolute Return Hedge Funds | 9.3 | 5.9 | Developed by Staff with Consultants' Input |
| Long/Short Equity Hedge Funds | 12.9 | 7.8 | Developed by Staff with Consultants' Input |
| Open Mandate Hedge Funds | 10.6 | 7.4 | Developed by Staff with Consultants' Input |

**Includes 3.0% Liquidity Premium Adjustment + Adjusted for Active Management Premium*
***Includes 3.0% Liquidity Premium Adjustment*



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# Current Policy

| | Current Policy |
|---|---|
| Non-Risky | |
| Fixed Income (Aggregate) | 28.0% |
| Treasuries | 0.0% |
| TIPS | 0.0% |
| Cash | 1.0% |
| Risky | |
| High Yield | 2.0% |
| U.S. Equity | 38.0% |
| Non-U.S. Equity | 20.0% |
| Global Equity | 0.0% |
| Core Private Real Estate | 7.0% |
| Private Equity (Broad) | 4.0% |
| Strategic | |
| Debt-Oriented Funds | 0.0% |
| U.S. REITs | 0.0% |
| Commodities | 0.0% |
| Infrastructure | 0.0% |
| Timberland | 0.0% |
| Absolute Return HFs | 0.0% |
| Long/Short Equity HFs | 0.0% |
| Open Mandate | 0.0% |
| Total | 100.0% |
| Total Non-Risky | 29.0% |
| Total Risky | 71.0% |
| Risk (%) | 11.96 |
| Sharpe Ratio | 0.365 |
| Probability of Returning 7.75% or More | 51.5% |



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# With Strategic Investments (Near Term)

| | Current Policy | With Strategic Investments (Near Term) |
|---|---|---|
| Non-Risky | | |
| Fixed Income (Aggregate) | 28.0% | 27.0% |
| Treasuries | 0.0% | 0.0% |
| TIPS | 0.0% | 0.0% |
| Cash | 1.0% | 1.0% |
| Risky | | |
| High Yield | 2.0% | 1.9% |
| U.S. Equity | 38.0% | 36.6% |
| Non-U.S. Equity | 20.0% | 19.3% |
| Global Equity | 0.0% | 0.0% |
| Core Private Real Estate | 7.0% | 6.7% |
| Private Equity (Broad) | 4.0% | 3.9% |
| Strategic | | |
| Debt-Oriented Funds | 0.0% | 1.3% |
| U.S. REITs | 0.0% | 0.0% |
| Commodities | 0.0% | 0.0% |
| Infrastructure | 0.0% | 0.0% |
| Timberland | 0.0% | 0.0% |
| Absolute Return HFs | 0.0% | 0.7% |
| Long/Short Equity HFs | 0.0% | 1.1% |
| Open Mandate | 0.0% | 0.5% |
| Total | 100.0% | 100.0% |
| Total Non-Risky | 29.0% | 27.9% |
| Total Risky | 71.0% | 72.1% |
| Risk (%) | 11.96 | 11.81 |
| Sharpe Ratio | 0.365 | 0.371 |
| Probability of Returning 7.75% or More | 51.5% | 51.6% |

*SI Near-Term: Allocation by Market Value + Hedge Funds (@$2B)*

*•Note that SBA has a legal limit of 10% in PE, Distressed, Venture & HF that would need to be addressed. There is also a legal limit of 25% in Foreign Investments*

# With Strategic Investments (Full Exposure)

| | With Strategic Investments (Near Term) | With Strategic Investments (Full Exposure) |
|---|---|---|
| Non-Risky | | |
| Fixed Income (Aggregate) | 27.0% | 25.7% |
| Treasuries | 0.0% | 0.0% |
| TIPS | 0.0% | 0.0% |
| Cash | 1.0% | 0.9% |
| Risky | | |
| High Yield | 1.9% | 1.8% |
| U.S. Equity | 36.6% | 34.8% |
| Non-U.S. Equity | 19.3% | 18.3% |
| Global Equity | 0.0% | 0.0% |
| Core Private Real Estate | 6.7% | 6.4% |
| Private Equity (Broad) | 3.9% | 3.7% |
| Strategic | | |
| Debt-Oriented Funds | 1.3% | 3.2% |
| U.S. REITs | 0.0% | 0.0% |
| Commodities | 0.0% | 0.0% |
| Infrastructure | 0.0% | 0.0% |
| Timberland | 0.0% | 0.0% |
| Absolute Return HFs | 0.7% | 1.7% |
| Long/Short Equity HFs | 1.1% | 2.1% |
| Open Mandate | 0.5% | 1.4% |
| Total | 100.0% | 100.0% |
| Total Non-Risky | 27.9% | 26.6% |
| Total Risky | 72.1% | 73.4% |
| Risk (%) | 11.81 | 11.61 |
| Sharpe Ratio | 0.371 | 0.379 |
| Probability of Returning 7.75% or More | 51.6% | 51.8% |

*SI Near-Term: Allocation by Market Value + Hedge Funds (@$2B)*

*SI Full Exposure: Allocation by Market Value + Pipeline + Uncalled Capital + Hedge Funds (@$5B)*

*•Note that SBA has a legal limit of 10% in PE, Distressed, Venture & HF that would need to be addressed. There is also a legal limit of 25% in Foreign Investments*

# Alternative Portfolio

| | With Strategic Investments (Near Term) | Alternative Portfolio |
|---|---|---|
| Non-Risky | | |
| Fixed Income (Aggregate) | 27.0% | 25.0% |
| Treasuries | 0.0% | 0.0% |
| TIPS | 0.0% | 0.0% |
| Cash | 1.0% | 0.0% |
| Risky | | |
| High Yield | 1.9% | 0.0% |
| U.S. Equity | 36.6% | 0.0% |
| Non-U.S. Equity | 19.3% | 0.0% |
| Global Equity | 0.0% | 50.0% |
| Core Private Real Estate | 6.7% | 7.0% |
| Private Equity (Broad) | 3.9% | 7.0% |
| Strategic | | |
| Debt-Oriented Funds | 1.3% | 3.0% |
| U.S. REITs | 0.0% | 0.0% |
| Commodities | 0.0% | 0.0% |
| Infrastructure | 0.0% | 2.0% |
| Timberland | 0.0% | 0.0% |
| Absolute Return HFs | 0.7% | 2.0% |
| Long/Short Equity HFs | 1.1% | 2.0% |
| Open Mandate | 0.5% | 2.0% |
| Total | 100.0% | 100.0% |
| Total Non-Risky | 27.9% | 25.0% |
| Total Risky | 72.1% | 75.0% |
| Risk (%) | 11.81 | 12.32 |
| Sharpe Ratio | 0.371 | 0.386 |
| Probability of Returning 7.75% or More | 51.6% | 55.2% |

*SI Near-Term: Allocation by Market Value + Hedge Funds (@$2B)*

*•Note that SBA has a legal limit of 10% in PE, Distressed, Venture & HF that would need to be addressed. There is also a legal limit of 25% in Foreign Investments*

# Universal Asset Allocation

| | Current Policy | Universal Asset Allocation (42% Strategic & Opportunistic) |
|---|---|---|
| Non-Risky | | |
| Fixed Income (Aggregate) | 28.0% | 0.0% |
| Treasuries | 0.0% | 12.9% |
| TIPS | 0.0% | 6.4% |
| Cash | 1.0% | 0.0% |
| Risky | | |
| U.S. Equity | 38.0% | 0.0% |
| Non-U.S. Equity | 20.0% | 0.0% |
| Global Equity | 0.0% | 38.7% |
| Strategic & Opportunistic | | |
| High Yield | 2.0% | 0.0% |
| Private Equity (Broad) | 4.0% | 11.4% |
| Core Private Real Estate | 7.0% | 18.2% |
| Debt-Oriented Funds | 0.0% | 4.5% |
| U.S. REITs | 0.0% | 0.0% |
| Commodities | 0.0% | 0.0% |
| Infrastructure | 0.0% | 0.0% |
| Timberland | 0.0% | 0.0% |
| Absolute Return HFs | 0.0% | 2.3% |
| Long/Short Equity HFs | 0.0% | 3.9% |
| Open Mandate | 0.0% | 1.8% |
| Total | 100.0% | 100.0% |
| Total Non-Risky | 29.0% | 19.3% |
| Total Risky | 71.0% | 80.7% |
| Risk (%) | 11.96 | 11.85 |
| Sharpe Ratio | 0.365 | 0.403 |
| Probability of Returning 7.75% or More | 51.5% | 55.4% |

*•Note that SBA has a legal limit of 10% in PE, Distressed, Venture & HF that would need to be addressed. There is also a legal limit of 25% in Foreign Investments*

Hamilton Lane

# Florida Growth Fund Update

March 2010

PHILADELPHIA LONDON HONG KONG SAN FRANCISCO SAN DIEGO NEW YORK FORT LAUDERDALE TEL AVIV TOKYO SINGAPORE

**Mario Giannini**
**Chief Executive Officer**

**Erik Hirsch**
**Chief Investment Officer**

**Florida Growth Fund Team**

| | |
|---|---|
| **Greg Baty, Vice President** | Mike Kelly, Managing Director |
| **Casey Swercheck, Analyst** | Mike Koenig, Vice President |
| **Asha Munroe, Admin/Intern** | Anthony Donofrio, Vice President |

**Fund Investment Team**
5 Professionals

475 PPMs Screened in 2009

**Co-Investment Team**
8 Professionals

62 Deals Screened in 2009

**Legal Team**
8 Professionals

**Monitoring & Reporting**
34 Professionals

## Hamilton Lane overview

- Recognized leader in private equity investing since founding in 1991
- History of strong performance
- Employee-owned firm of over 120 employees
- Ten offices around the world
- More than $13 billion in private equity assets under management along with oversight of an additional $83 billion in advisory assets*
- Hamilton Lane has been a SBA partner since 1997

* As of December 31, 2009

## FGF Co-Investments Pipeline Review

**Preliminary Screening: 183**

**Initial Diligence: 104**

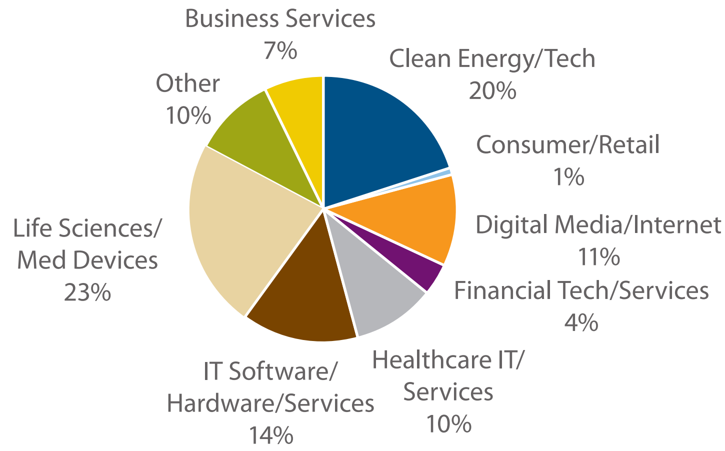
**Meeting: 26**

**Final Diligence: 7**

**Closed: 4***

Note: This represents all investment activity from FGF inception to date
* 1 fund pending documentation

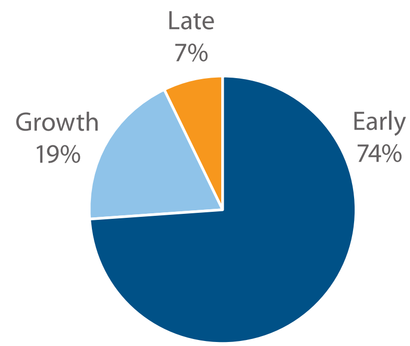
## FGF Co-Investments Reviewed by Industry




### Direct Investment Criteria

- The direct investment portion of the Florida Growth Fund will make co-investments into companies alongside private equity partnerships. Hamilton Lane's dedicated direct investment team rigorously reviews each opportunity, focusing on:
  - Companies headquartered in, or conducting a significant portion of its business in Florida
  - Industry and stage agnostic
  - Experienced management teams
  - Attractive growth trends, with a preference toward technology-related businesses
  - $3 million to $15 million equity investments

## FGF Co-Investments Reviewed by Stage



# Florida Growth Fund Update

Hamilton Lane

## FGF Partnerships Pipeline Review

**Preliminary Screening: 30**

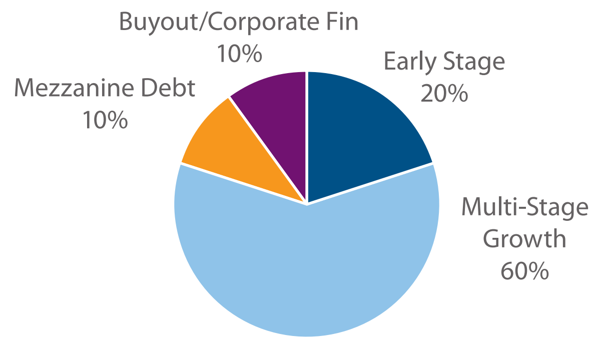
**Meeting: 20**

**Site Visit: 4**

**Closed: 3***

Note: This represents all investment activity from FGF inception to date
* 2 funds pending documentation

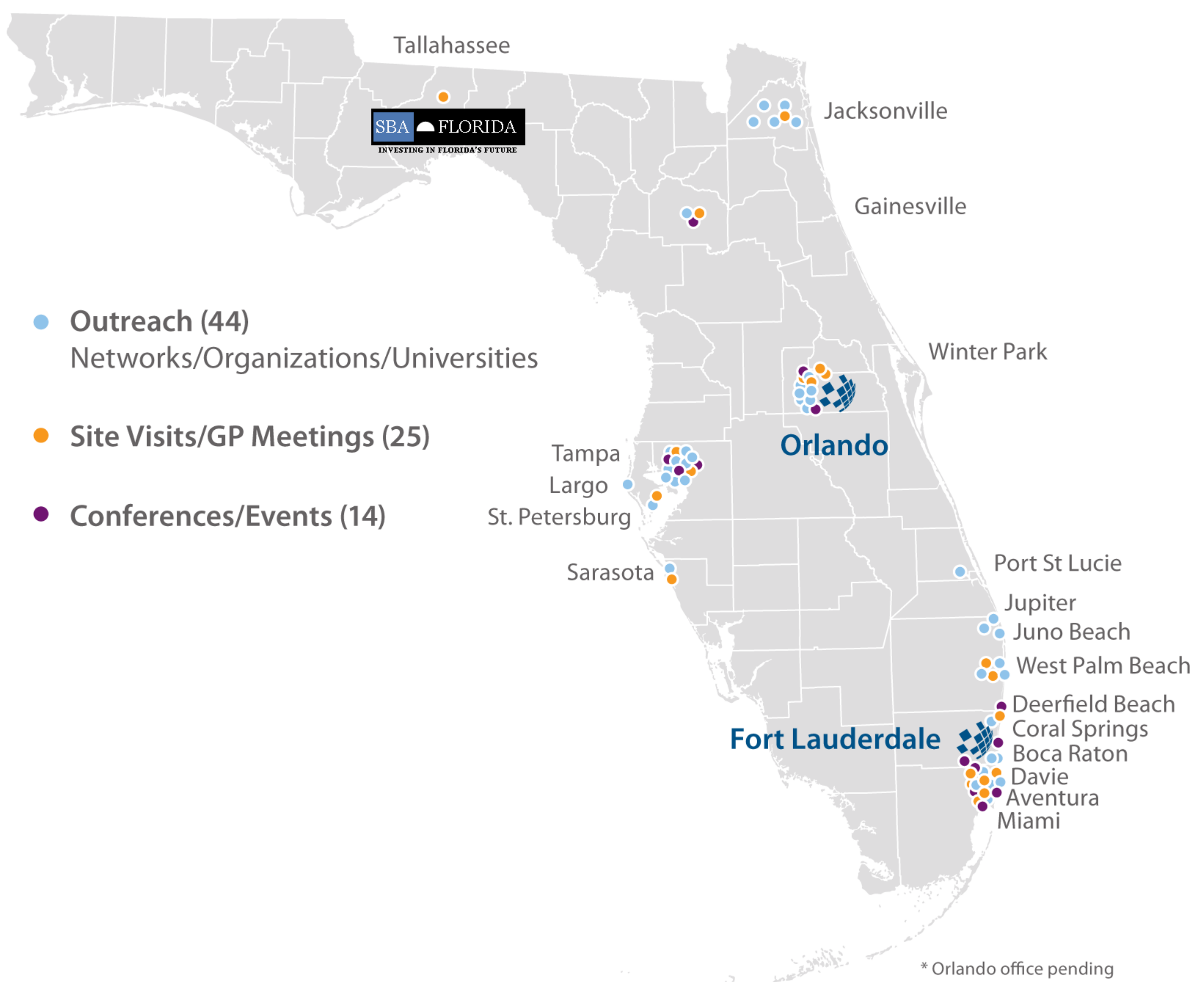
## FGF Fund Allocation by Strategy




### Fund Partnership Criteria

- The Fund will seek to make meaningful commitments to top-tier private equity partnerships identified through Hamilton Lane's rigorous due diligence process, with specific focus on:
  - Venture Capital, Growth Equity and Small to Mid-Sized Buyouts
  - Funds based in Florida or that have a significant investment presence in Florida
  - Seeking attractive track records, stable and cohesive management teams, strong and coherent investment strategies
  - $5 million to $15 million commitments

- The Florida Growth Fund has made four investments and three additional commitments to date in Florida-focused partnerships and companies, totaling $55.5 million
- Hamilton Lane's Ft. Lauderdale office has been open for five months, and is comprised of three employees. An Orlando office is planned for 2010
- Outreach effort continues – Through multiple diligence and network building trips across the state, Hamilton Lane has gained significant insight into the Florida investing culture and community
- Over the past few months we have attended many successful events and conferences that have allowed our team to meet with members of the deal community and networks around the state
- Attendees of these conferences and events have included: University staff, venture capitalists, entrepreneurs, politicians, service providers/intermediaries, fund managers, state development groups, life science organizations and other professionals familiar with businesses within the region
- www.floridagrowthfund.com is operational and serves as a conduit for relationship building, investment ideas, and general interest in the fund




* Orlando office pending

# Florida Growth Fund Update - Website

Hamilton Lane

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Hamilton Lane

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*** As of February 23, 2010**

# Executive Director & CIO Update

SBA Trustee Meeting

March 4, 2010

SBA FLORIDA

INVESTING FOR FLORIDA'S FUTURE

# Obtaining Investment Advisory Council and Consultants Input on the SBA Business Model

- Assessing the optimal deployment of internal, external, active and passive strategies
  - 80% passive in domestic equities. Considering merits of more passive and/or lower risk approaches in other asset classes
  - Reviewing the comparative advantages/disadvantages of internal versus external investment management

- Assessing how to best access opportunistic investments and opportunistic investment management skill
  - Hedge funds as a complement or replacement for traditional active managers
  - Private market strategies, including infrastructure, private debt funds, timberland, etc.

# Obtaining Investment Advisory Council and Consultants Input on the SBA Business Model

- Other policy questions being considered
  - Adopt a global equities structure to improve diversification, rather than separate domestic equities and foreign equities asset classes
  - Continue with a policy allocation to the High Yield asset class or allow external managers to decide the best time to invest
  - In attempting to beat performance benchmarks, how much risk is reasonable and appropriate for the FRS Pension Plan?

# SBA Major Mandates Month End Market Values ($Millions)

| Mandate | Dec-08 | Feb-09 | Dec-09 | Feb 18, 2010* |
|---|---|---|---|---|
| FRS Pension Plan | $97,355 | $86,921 | $113,502 | $112,823 |
| FRS Investment Plan | $3,736 | $3,464 | $4,810 | $4,820 |
| CAT Fund | $9,143 | $7,641 | $8,906 | $9,133 |
| Lawton Chiles Endowment | $1,472 | $1,226 | $666 | $665 |
| Florida PRIME | $5,686 | $5,967 | $6,537 | $8,187 |
| Other SBA Mandates | $4,507 | $4,532 | $4,203 | $2,275 |
| | | | | |
| Total | $121,900 | $109,752 | $138,625 | $137,903 |

*Unaudited and Tentative Data

## FRS Pension Plan Additive Performance vs. Benchmark
### Official Performance Data through January 2010

| | Last 3 Months | Last 12 Months |
|---|---|---|
| Asset Allocation | -0.06% | -0.42% |
| Domestic Equities | -0.01% | 0.01% |
| Foreign Equities | 0.15% | -0.12% |
| Fixed Income | 0.26% | 2.26% |
| High Yield | 0.00% | -0.13% |
| Real Estate | 0.06% | 0.56% |
| Private Equity | -0.09% | -2.28% |
| Cash | 0.00% | 0.01% |
| Strategic Investments | 0.09% | 0.03% |
| **TOTAL** | **0.44%** | **-0.01%** |

## Private Equity: Areas of Focus

- Largest drag on total fund performance over the last year. Largely because of mark-downs of highly leveraged company investments made during the 2006-2007 easy credit years and lagged appraisals

- Depending on the speed and profile of the economic recovery, selected private equity investments could continue to have challenges

- SBA has $4.6 billion in uncalled capital commitments, including a number of recent commitments to funds that specialize in investing in corporate restructurings

# ➡ Real Estate: Areas of Focus

- Over the last year SBA Real Estate values have fallen 23%, but Real Estate has been conservatively managed overall with about 88% of the allocation in stabilized properties with low leverage

- Slow job growth, weak retail spending and poor rental prospects will continue to depress values for a number of SBA properties and funds
  - If the economy does not recover sufficiently by 2011 and 2012, there is an elevated risk of debt restructurings and/or loss of capital
  - Current at risk investments include a set of resort hotel holdings, several apartments that were repositioning and several developments

- SBA also has $445 million in uncalled capital commitments and is actively looking for sales of stabilized properties by distressed sellers

# Strategic Investments: Areas of Focus

- Strategic Investments has been the strongest asset class this fiscal year, rising over 26% in 7 months, in part because we started building out a diversified set of opportunistic debt funds in late 2007
- SBA has $2 billion in uncalled capital commitments, including a number of commitments to funds that specialize in lending to distressed companies and companies undergoing restructurings
- Also researching:
  - Residential and Commercial Real Estate funds
  - Corporate Governance Activist funds
  - Timberland
  - Hedge funds

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF THE STATE OF FLORIDA, ACTING AS THE GOVERNING BODY OF THE FLORIDA HURRICANE CATASTROPHE FUND, MAKING A DETERMINATION THAT THE ISSUANCE AND SALE OF REVENUE BONDS BY THE FLORIDA HURRICANE CATASTROPHE FUND FINANCE CORPORATION IS NECESSARY AND REQUESTING THE ISSUANCE OF SUCH BONDS; RATIFYING THE MASTER TRUST INDENTURE AND THE PLEDGE AND SECURITY AGREEMENT PREVIOUSLY ENTERED INTO; AUTHORIZING THE EXECUTION AND DELIVERY OF A FIFTH SUPPLEMENTAL INDENTURE, A PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL STATEMENT, AND A PURCHASE CONTRACT IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, Section 215.555, Florida Statutes (the "Act"), created the Florida Hurricane Catastrophe Fund (the "Fund"), a trust fund administered by the State Board of Administration of Florida (the "Board"), for the purpose of establishing a program to provide insurers who write covered policies, as defined in the Section 215.555(2)(c), Florida Statutes (the "Covered Policies") with reimbursement for a portion of their catastrophic hurricane losses; and

**WHEREAS**, the Fund is authorized pursuant to Section 215.555(5), Florida Statutes, to collect reimbursement premiums from insurers writing Covered Policies (the "Insurers") and to enter into annual reimbursement contracts with participating Insurers requiring payment by the Insurers of reimbursement premiums and payment by the Fund to reimburse Insurers for claims paid for hurricane damage; and

**WHEREAS**, the Fund is authorized to collect emergency assessments pursuant to Section 215.555(6)(b), Florida Statutes, on premiums for certain property and casualty insurance policies; and

**WHEREAS**, pursuant to the Act, moneys derived from reimbursement premiums and emergency assessments may be pledged to secure revenue bonds issued pursuant to the Act; and

**WHEREAS**, the Act created the Florida Hurricane Catastrophe Fund Finance Corporation (the "Corporation") with the authority to issue revenue bonds and pay the proceeds of the bonds, through the Fund, to participating Insurers to reimburse such Insurers for claims paid for hurricane damages; and

**WHEREAS**, the issuance of revenue bonds for the benefit of the Fund by the Corporation is authorized by Section 215.555(6)(a), Florida Statutes, when a hurricane has caused insured losses in Florida and a determination has been made that the legally available moneys in the Fund are or will be insufficient to pay reimbursement at the levels promised in the reimbursement contracts; and

**WHEREAS**, Hurricanes Dennis, Katrina, Rita and Wilma caused substantial property damage in Florida during the 2005 hurricane season; and

**WHEREAS**, the Corporation issued its Florida Hurricane Catastrophe Fund Finance Corporation Revenue Bonds, Series 2006A (the "Series 2006A Bonds") to pay a portion of the reimbursement caused by such storms; and

**WHEREAS**, the Corporation also issued its Florida Hurricane Catastrophe Fund Finance Corporation Revenue Bonds, Series 2008A (the "Series 2008A Bonds") to pay a portion of the reimbursement caused by the aforementioned storms; and

**WHEREAS**, the Board deems it desirable to issue additional bonds to provide funds to pay additional reimbursement costs resulting from said storms;

**NOW, THEREFORE, BE IT RESOLVED** by the State Board of Administration of the State of Florida, as the governing body of the Fund, as follows:

1. The Board hereby determines, as required pursuant to Section 215.555(6)(a)l., Florida Statutes, and Rule 19-8.013(4)(e), Florida Administrative Code, that the legally available moneys in the Fund, including moneys derived from the 2006A Bonds and the Series 2008A Bonds, will be insufficient to pay reimbursement at the levels promised in the reimbursement contracts. Further, pursuant to Rule 19-8.013(4)(e), Florida Administrative Code, the Board has determined the projected reimbursable losses of participating Insurers, has determined that the Fund will not have sufficient legally available funds, including taking into account the moneys derived from the Series 2006A Bonds and the Series 2008A Bonds, to reimburse participating Insurers for their reimbursable losses, and has determined the estimated shortfall, a portion of which will be covered by the issuance of the Series 2010A Bonds (as herein defined), all as based upon reports of consultants to and staff of the Fund. The Board has also determined, based upon the Fund's review of available information from the Office of Insurance Regulation, the Florida Surplus Lines Service Office and the National Association of Insurance Commissioners, regarding direct written premiums on Assessable Lines in Florida and upon the Fund's review of existing market conditions regarding the issuance and sale of Series 2010A Bonds, that the Emergency Assessment levied pursuant to direction of the Board and Orders for Case Numbers 86203-06 and 86443-06 issued by

the Office of Insurance Regulation ("OIR"), dated June 12, 2006, as superseded by Orders to be issued by OIR prior to the issuance of the Series 2010A Bonds pursuant to the direction of the Board, will be sufficient to fund the necessary obligations of the Fund, including the debt service on the Series 2006A Bonds, the Series 2008A Bonds and the proposed Series 2010A Bonds through the term of such Bonds.

2. The Board hereby determines that the issuance of revenue bonds by the Corporation is necessary and requests the Corporation to issue and sell not exceeding $710,000,000 Florida Hurricane Catastrophe Fund Finance Corporation Revenue Bonds, Series 2010A for hurricane losses during the 2005 hurricane season (the "Series 2010A Bonds"). The Series 2010A Bonds may be issued in multiple series as determined by the Corporation to be necessary or desirable.

3. The Board hereby confirms and ratifies the Pledge and Security Agreement, dated as of June 1, 2006 and attached hereto as Exhibit A, between the Fund and the Corporation and confirms and ratifies its prior pledge of revenues to the repayment of debt of the Corporation as provided in the documents approved by the Board on May 31, 2006, as supplemented or amended, including but not limited to the pledge of revenues from reimbursement premiums levied pursuant to Section 215.555(5), Florida Statutes, and revenues from emergency assessments levied pursuant to Section 215.555(6)(b), Florida Statutes. The Corporation is authorized to execute any further pledge to the extent determined by the Corporation to be necessary and any pledge to debt of the Corporation shall be to the extent provided for in the documents executed by the Board and by the Corporation in relation to the issuance of debt of the Corporation.

4. The Board hereby confirms and ratifies the Master Trust Indenture, dated as of June 1, 2006, between the Corporation and Wells Fargo Bank, N.A., as Master Trustee, attached hereto as Exhibit B; and authorizes the execution and implementation of the Fifth Supplemental Indenture, in the form attached hereto as Exhibit C. The documents approved herein shall be subject to such changes, completion, insertions, or omissions as may be approved by an officer of the Corporation, and the execution or certification of such document by an officer of the Corporation shall be conclusive evidence of any such approval. Additionally, the Corporation is authorized to amend or revise, or authorize the amendment or revisions of any other documents relating to debt of the Corporation which has previously been approved or authorized by the Corporation.

5. The Board hereby authorizes and directs the Corporation to negotiate, approve, execute and deliver a contract for the sale of the Series 2010A Bonds to the underwriters approved by the Corporation (the "Purchase Contract") in the form attached hereto as Exhibit D. The Purchase Contract shall contain such terms and provisions as are customary for obligations such as the Series 2010A Bonds with such changes, completion, insertions or omissions as may be approved by an officer of the Corporation and which are not inconsistent with this resolution, and the execution of the Purchase Contract by an officer of the Corporation shall be conclusive evidence of such approval.

The officers, employees, and Trustees of the Board and the Fund are authorized to execute or endorse the Purchase Contract and are authorized to take all actions necessary to fulfill the obligations of the Board thereunder.

6. The Board hereby authorizes and directs the Corporation to cause the preparation, execution and delivery of a preliminary official statement in the form attached hereto as Exhibit E, an official statement, and any other disclosure document relating to the Series 2010A Bonds which is determined by the Corporation to be necessary or desirable. The officers, employees, and Trustees of the Board and the Fund are also authorized to execute and deliver, on behalf of the Board, the official statement and any other disclosure document, and any certificates in connection with any official statement and any other disclosure document and any amendment thereto, as they determine are necessary or appropriate. The Board hereby further authorizes and directs the Corporation to cause the preparation, execution and delivery of a continuing disclosure agreement relating to the Series 2010A Bonds, which continuing disclosure agreement shall comply with Securities and Exchange Commission Rule 15c2-12. The officers, employees, and Trustees of the Board and the Fund are authorized to execute or endorse the continuing disclosure agreement and are authorized to take all actions necessary to fulfill the obligations of the Board thereunder.

7. The officers, employees and Trustees of the Board and the Fund and the members of the board of directors and the officers of the Corporation are hereby authorized and directed, jointly and severally, to execute the named documents and to execute such additional agreements, documents, instruments, assents, acceptances, assignments, financing statements, and approvals as they determine to be necessary and to do any and all things which they may deem necessary or advisable in order to consummate the transactions contemplated by this resolution.

8. All resolutions, or parts thereof, or other official actions of the Board in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

9. This resolution shall take effect immediately upon its adoption.

**PASSED AND ADOPTED THIS** ____ day of ___________, 2010.

**STATE OF FLORIDA**

**COUNTY OF LEON**

I, ____________________________, of the State Board of Administration of the State of Florida, in and for the County and State aforesaid, do hereby certify that the above and foregoing is a true and correct copy of the resolution passed and adopted by the State Board of Administration of the State of Florida on the ____ day of __________, 2010.

**IN WITNESS WHEREOF**, I hereunto set my hand and official seal of the State Board of Administration of the State of Florida this ____ day of ______________, 2010.

_______________________________________

Title

(SEAL)

# EXHIBIT A

## Pledge and Security Agreement

# EXHIBIT B

## Master Trust Indenture

# EXHIBIT C

## Form of Fifth Supplemental Indenture

# EXHIBIT D

## Form of Purchase Contract

# EXHIBIT E

## Form of Preliminary Official Statement

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF THE STATE OF FLORIDA, ACTING AS THE GOVERNING BODY OF THE FLORIDA HURRICANE CATASTROPHE FUND, A TRUST FUND OF THE STATE OF FLORIDA CREATED BY SECTION 215.555, FLORIDA STATUTES; MAKING CERTAIN DETERMINATIONS; DIRECTING THE OFFICE OF INSURANCE REGULATION TO LEVY, BY ORDER, EMERGENCY ASSESSMENTS; AND DIRECTING THE OFFICE OF INSURANCE REGULATION REGARDING THE ASSESSMENT AMOUNT, TIMING, REPORTING, COLLECTION, REMITTANCE VERIFICATION AND ENFORCEMENT OF THE COLLECTION OF EMERGENCY ASSESSMENTS, AND ANY INTEREST THEREON.**

**WHEREAS,** Section 215.555, Florida Statutes, (the "Act"), created the Florida Hurricane Catastrophe Fund (the "Fund"), a trust fund administered by the State Board of Administration (the "Board") of the State of Florida (the "State"), for the purpose of establishing a program to provide insurers who write covered policies, as defined in Section 215.555(2)(c), Florida Statutes (the "Covered Policies"), with reimbursement for a portion of their catastrophic hurricane losses;

**WHEREAS,** pursuant to the Act, the Fund is authorized to collect reimbursement premiums from insurers writing Covered Policies in this State which have entered into a reimbursement contract with the Board, pursuant to Section 215.555(4)(a), Florida Statutes (the "Participating Insurers");

**WHEREAS,** the Act created the Florida Hurricane Catastrophe Fund Finance Corporation (the "Corporation") with the authority to issue revenue bonds and pay the proceeds of the bonds, through the Fund, to Participating Insurers, thereby enabling Participating Insurers to pay the claims of policyholders for hurricane damage to properties;

**WHEREAS,** the Board is authorized pursuant to Section 215.555(6)(b), Florida Statutes, to direct the Office of Insurance Regulation (the "Office") to levy emergency assessments on the premiums on certain property and casualty lines of business in the State;

**WHEREAS,** Hurricanes Dennis, Katrina, Rita and Wilma caused substantial property damage in Florida during the 2005 hurricane season (the "2005 Hurricanes");

**WHEREAS,** the Office shall verify the accurate and timely collection and remittance of emergency assessments and shall report the information to the Board in a form and at a time specified by the Board.

**NOW, THEREFORE, BE IT RESOLVED** by the Board, as the governing body of the Fund, as follows:

1. Pursuant to Section 215.555(6)(b)l., Florida Statutes, and Rule 19-8.013(4)(c)l., Florida Administrative Code, the Board hereby determines that the amount of revenue produced from reimbursement premiums is insufficient to fund the obligations, costs, and expenses of the Fund and the Corporation, including repayment of revenue bonds and that portion of debt service coverage not met by reimbursement

premiums. In making this determination the Board has considered, pursuant to Rule 19-8.013(4)(c)l., Florida Administrative Code, the projected balance of the fund; anticipated additional Fund revenues; the meteorological severity and geographical area impacted by each covered event; and estimates of losses from the insurance industry, from individual insurers, from federal, state, and local emergency response entities, from loss reports submitted to the Board by Participating Insurers, from reviews of loss reports by the Fund's administrator, from information provided by modeling companies, from claims development patterns derived from known historical events, including the 2005 Hurricanes, and from an analysis of market shares of Participating Insurers in the impacted area. In addition, pursuant to Rule 19-8.013(4)(e), Florida Administrative Code, the Board hereby determines that legally available moneys in the Fund will be insufficient to pay reimbursement at the levels promised in the reimbursement contracts, has determined the projected reimbursable losses of Participating Insurers, has determined that the Fund will not have sufficient legally available funds to reimburse Participating Insurers for their reimbursable losses, and has determined the estimated shortfall which will be covered by the issuance of revenue bonds.

2. Subject to Section 5 hereof, the Board hereby directs the Office to levy, by Order, a 1.30% emergency assessment on the direct written premiums for property and casualty lines of business in the State, including all lines of business identified on the Exhibit of Premiums and Losses, in the National Association of Insurance Commissioners (the "NAIC") annual statement required of authorized insurers by Section

624.424, Florida Statutes, except those lines identified as accident and health insurance, workers' compensation insurance, medical malpractice insurance and policies written under the National Flood Insurance Program and the Federal Crop Insurance Act. The Office is also directed to levy by Order a 1.30% emergency assessment on the same property and casualty lines of business of surplus lines regulated under Part VIII of Chapter 626, Florida Statutes, and on each insured procuring property and casualty coverage and filing under Section 626.938, Florida Statutes, which assessments will be collected by the Florida Surplus Lines Service Office (the "FSLSO"). In determining the rate of emergency assessment, pursuant to Rule 19-8.013(4)(e)2., Florida Administrative Code, the Board reviewed available information from the Office of Insurance Regulation, the FSLSO and the NAIC, regarding direct written premiums, and has reviewed and assessed existing market conditions regarding the issuance and sale of bonds to determine the amount of revenues which will be required to pay debt service on any bonds issued. Based upon this review, the Board hereby determines, pursuant to Rule 19-8.013(4)(e)2.c, Florida Administrative Code, that the rate of emergency assessment established herein is necessary to fund the obligations, costs and expenses of the Fund and the Corporation, including repayment of revenue bonds and that portion of debt service coverage not met by reimbursement premiums.

3. The Order to be issued by the Office which is directed at authorized insurers regulated by the Office and other "Insurers" is included herein as Appendix A. "Insurer" shall have the meaning that it is given in the Order in Appendix A. The Order

to be issued by the Office, which is directed to the FSLSO and to insureds independently procuring property and casualty coverage and filing under Section 626.938, Florida Statutes, is included herein as Appendix B.

4. The Orders provide that the emergency assessment shall be collected and remitted with respect to all policies issued or renewed on or after the effective date designated in the Orders. The emergency assessments levied under the Orders shall continue until the Office is directed by the Board to issue an Order superseding or terminating an Order levying emergency assessments, and the Office issues such Order.

5. The Orders each dated June 12, 2006 for Case Number 86203-06, which was directed to Authorized Insurers and Case No. 86443-06, which was directed to the Florida Surplus Lines Service Office, shall each stay in effect until December 31, 2010. Commencing on January 1, 2011, the Orders provided in Appendices A and B hereto shall become effective and shall supersede the Orders for Case Numbers 86203-06 and 86443-06, respectively.

6. The emergency assessments collected on policies, other than surplus lines policies, must be collected by Insurers from each policyholder at the same time the policyholder makes a premium payment. Emergency assessments, and any interest collected on delinquent remittance of emergency assessments pursuant to Section 215.555(3), Florida Statutes, and Rule 19-8.013(4)(e)3., Florida Administrative Code, must be remitted by Insurers in the manner directed by the Office.

7. The emergency assessments collected on surplus lines policies must be collected by each surplus lines agent at the same time as the agent collects the surplus lines tax required by Section 626.932, Florida Statutes, and the agent must remit the emergency assessment together with any interest collected on delinquent remittance of emergency assessments pursuant to Section 215.555(3), Florida Statutes, and Rule 19-8.013(4)(e)3., Florida Administrative Code, as directed by the FSLSO, at the same time as the agent remits the surplus lines tax to the FSLSO. Insureds procuring coverage and filing under Section 626.938, Florida Statutes, must remit the emergency assessment as directed by the FSLSO, at the time the insured pays the surplus lines tax.

8. The Orders shall be issued by the Office no later than 15 days following the adoption of this resolution. Executed copies of the Orders and any other information distributed therewith, shall be provided to the Board immediately after issuance.

9. In order to facilitate compliance with the Act, the Office shall:

a. Verify the accurate and timely collection and remittance of emergency assessments pursuant to Section 215.555(6)(b), Florida Statutes.

b. Report this information to the Board in a form and at a time specified by the Board. The type of information shall include, but not be limited to, reported assessment base (direct written premium) by company and aggregate, assessments reported, assessments remitted, date of the remittance, number of days late, date of reporting to the Office, late filers, non filers, company contacts, non-compliance, and any issues, actions or, comments. The Office shall also provide annually a calendar year-end report reconciling, by Insurer, the amount remitted to the Board to the Exhibit of Premiums and Losses on their NAIC annual statement filing if the Insurer is required to file such.

c. On or before each April 15th and September 15th, provide the Board, if requested, by line of business and by company, the most recent prior year end aggregate direct written premium on such property and casualty lines of business as are subject to the levy of emergency assessments pursuant to Section 215.555, Florida Statutes.

d. Provide in the manner and time specified by the Board, any other information requested which is available to the Office and which is relevant to the levy, collection and verification of the emergency assessments.

10. In order to facilitate compliance with the Act, the Fund shall:

a. Provide to the Office remittance reports from the assessment collection agent selected by the Fund. Such reports shall be remitted on a daily basis fifteen days before and fifteen days after the assessment due dates, and on a monthly basis for all other periods.

b. Based on reports obtained from the Office, the Fund shall submit bills for interest on delinquent emergency assessments to Insurers as directed by the Board.

11. This resolution shall take effect immediately upon its adoption.

**PASSED AND ADOPTED** this ____ day of _________________, 2010.

**STATE OF FLORIDA**

**COUNTY OF LEON**

__________________________________ of the State Board of Administration of the State of Florida, in and for the County and State aforesaid, do hereby certify that the above and foregoing is a true and correct copy of the resolution passed and adopted by the State Board of Administration of the State of Florida on _____ day of ______________, 2010.

**IN WITNESS WHEREOF**, I hereunto set my hand and official seal of the State Board of Administration of the State of Florida this ___ day of ____________, 2010.

________________________________________
Title: Executive Director & CIO

(SEAL)

# APPENDIX A

# FORM OF ORDER FOR INSURERS

# APPENDIX B

# FORM OF ORDER FOR FLORIDA SURPLUS LINES SERVICE OFFICE AND ALL ENTITIES SUBJECT TO PART VIII OF CHAPTER 626, FLORIDA STATUTES

**OFFICE OF INSURANCE REGULATION**

**Kevin M. McCarty**
**COMMISSIONER**

**<u>IN THE MATTER OF</u>:**

**Emergency Assessments, Percentages, Timing,**
**Procedures for Remitting and Reporting.**

**CASE NO.: __________**

**ORDER**

**TO: All "Insurers" as defined herein, which write property and casualty lines of business in this state.**

**THIS CAUSE** came on for consideration upon the determination by the State Board of Administration (the "Board"), pursuant to the provisions of Section 215.555(6)(b), Florida Statutes, that the amount of revenue produced under Section 215.555(5), Florida Statutes, is insufficient to fund the obligations, costs, and expenses of the Florida Hurricane Catastrophe Fund (the "Fund") and the Florida Hurricane Catastrophe Fund Finance Corporation (the "Corporation"), including repayment of revenue bonds and that portion of the debt service coverage not met by reimbursement premiums. Pursuant to the provisions of S. 215.555(6)(b), Florida Statutes, the Board has directed the Office of Insurance Regulation (the "Office") to levy, by order, an emergency assessment on direct premiums for all property and casualty lines of business in this state. The Office, having considered the statutory direction of the Board and being otherwise fully advised in the premises, hereby finds as follows:

**JURISDICTION AND FINDINGS OF FACT**

1. The Office has the requisite authority and duty, pursuant to Section 215.555, Florida Statutes (the "Act"), and the Florida Insurance Code, Section 624.307, Florida Statutes, to issue and enforce this Order.

2. Hurricanes Dennis, Katrina, Rita and Wilma, caused substantial property damage in Florida during the 2005 hurricane season; and

3. Certain of the hurricanes causing property damage in the 2005 hurricane season caused insured losses covered by the Fund.

4. The Board, pursuant to the Act, has determined that the amount of revenue produced from reimbursement premiums is insufficient to fund the obligations, costs and expenses of the Fund and the Corporation, including repayment of revenue bonds and that portion of the debt service coverage not met by reimbursement premiums. Therefore, pursuant to Section 215.555(6)(b), Florida Statutes, the Board has adopted the Resolution (the "Resolution" attached as Exhibit "A" hereto), directing the Office to levy emergency assessments.

5. The Resolution directs the Office to levy the emergency assessment on the direct written premiums for property and casualty lines of business in this state, with the exception of premiums for workers' compensation policies, premiums for accident and

health insurance policies, premiums of medical malpractice insurance policies and premiums for policies written under the National Flood Insurance Program and the Federal Crop Insurance Act.

**WHEREFORE,** pursuant to the Act and the Resolution, the Office issues this Order.

**Accordingly, IT IS HEREBY ORDERED:**

(1) Commencing on January 1, 2011, an emergency assessment is hereby levied upon the direct written premiums for property and casualty lines of business (as defined in paragraph 2 below) of Insurers as defined herein. Insurers shall include those authorized insurers as defined in Section 624.09(1), Florida Statutes, any residual market entity created pursuant to Section 627.351, Florida Statutes, and any other entity writing or procuring property or casualty lines of business in this State, other than those subject to part VIII of Chapter 626, Florida Statutes, unless specifically exempt by law (the "Insurers"). Insurers includes all property and casualty insurers holding a valid Certificate of Authority regardless of whether the Certificate of Authority was issued prior to or during an effective Assessment Period (as hereafter defined).

(2) The term "property and casualty lines of business" includes those lines of business identified on the Exhibit of Premiums and Losses for the State of Florida in the National Association of Insurance Commissioners annual statement required of Authorized Insurers by Section 624.424, Florida Statutes. This definition of "property

and casualty lines of business" is applicable whether or not an Insurer, as defined herein, is required to file such annual statement. The term "property and casualty lines of business" for purposes of this Order does not include workers' compensation policies, accident and health policies, medical malpractice policies, or policies written under the National Flood Insurance Program and the Federal Crop Insurance Act. The lines of business currently subject to emergency assessment under this Order are:

a. Fire.
b. Allied Lines.
c. Multiple Peril Crop.
d. Farmowners Multiple Peril.
e. Homeowners Multiple Peril.
f. Commercial Multiple Peril (non-liability).
g. Commercial Multiple Peril (liability).
h. Mortgage Guaranty.
i. Ocean Marine.
j. Inland Marine.
k. Financial Guaranty.
1. Earthquake.
m. Other Liability.
n. Products Liability.
o. Private Passenger Auto No-Fault.
p. Other Private Passenger Auto Liability.
q. Commercial Auto No-Fault.
r. Other Commercial Auto Liability.
s. Private Passenger Auto Physical Damage.
t. Commercial Auto Physical Damage.
u. Aircraft (all perils).
v. Fidelity.
w. Surety.
x. Burglary and Theft.
y. Boiler and Machinery.
z. Credit.
aa. Warranty.
bb. Aggregate Write Ins For Other Lines of Insurance.

(3) Insurers shall collect the emergency assessment from each property and casualty policyholder with a policy that is issued or renewed during an Assessment Period. An "Assessment Period" begins on each January 1 and continues for twelve-months. The emergency assessment shall be assessed in each successive Assessment Period until further Order of the Office. Each Insurer shall collect the emergency assessment at the same time it collects a premium payment. When an Insurer is required to return an unearned premium, it shall also return any collected emergency assessment attributable to the unearned premium.

(4) The emergency assessment is 1.30% of direct written premium on each policy and the same percentage shall apply to all transactions "related" to each policy. A transaction that is "related" to a policy subject to the emergency assessment includes, but is not limited to, endorsements on that policy, and audit premiums.

(5) Emergency assessment remittances are due from Insurers on the full amount of the direct written premiums attributable to policies issued or renewed within an Assessment Period, even if the Insurer collects premium through installment billing plans or other similar mechanisms.

(6) Each Insurer shall remit emergency assessments, quarterly by wire transfer or ACH.

(a) If remitting by wire transfer, the wire shall be submitted to:

Bank of America, Tallahassee, Florida
ABA #026009593
Account #5566388313
Account Name: SBA Florida Hurricane Catastrophe Fund Emergency Assessment

(b) If remitting by ACH:

Bank of America, Tallahassee, Florida
ABA #063100277
Account #5566388313
Account Name: SBA Florida Hurricane Catastrophe Fund Emergency Assessment

For ACH transactions, payment is considered paid on date of receipt not date of payment.

(c) Assessments shall be remitted in an amount equal to 1.30% of the direct written premium, for the first calendar quarter no later than May 15, for the second quarter no later than August 15, for the third quarter no later than November 15, and for the fourth quarter no later than March 1 of the following year. If the applicable due date is Saturday, Sunday, or a legal holiday, then the actual due date will be the first business day immediately following the applicable due date.

(7) Adjustments to direct written premium shall be performed in the normal course of business and resulting impact reflected in the quarterly assessment remittances. The direct written premium reported for the fourth quarter shall be reconciled with the Exhibit of Premiums and Losses in the annual statement required of authorized insurers by Section 624.424, Florida Statutes, for the applicable year. The Insurer is required to

provide the Office an explanation of any differences between the direct written premium reported to the Office and the direct written premium reported on such annual statement. No refunds of payments by Insurers are permitted.

(8) The payment of emergency assessments by the Insurer is subject to interest on delinquent remittances at a rate determined by the Board and invoiced by the Fund.

(9) Emergency assessments are not premiums and are not subject to the premium tax, to any fees, or to any commissions. An Insurer shall diligently attempt to collect all assessments owed by an insured. An Insurer must treat the failure of an insured to pay an assessment as failure to pay the premium.

(10) Insurers shall report such information relating to emergency assessments and direct written premiums as is required by the Office.

(11) Pursuant to Section 215.555(10), Florida Statutes, the failure to timely remit emergency assessments, to file any report required by this Order, or by the Office, or to otherwise fail to abide by this Order shall be deemed to be a violation of the Florida Insurance Code. The Office shall take all actions authorized by law or rule to enforce this Order and to assure that the emergency assessments (including any interest thereon) are properly collected and remitted.

(12) The Order to Authorized Insurers, Case Number 86203-06, issued on June 12, 2006, shall stay in force and effect until 12:00 p.m. midnight, Eastern Time, on

December 31, 2010. Commencing at 12:01 a.m., Eastern Time on January 1, 2011, this Order shall become effective and shall supersede the Order for Case Number 86203-06.

**DONE AND ORDERED** this ___ day of _________________, 2010.

_______________________________________

Kevin M. McCarty
Commissioner
Office of Insurance Regulation

## NOTICE OF RIGHTS

Pursuant to Sections 120.569 and 120.57, Florida Statutes, and Rule Chapters 28-106 and 28-107, Florida Administrative Code (F.A.C.), you have a right to request a proceeding to contest this action by the Office of Insurance Regulation (hereinafter the "Office"). You may request a proceeding by filing a Petition. Your Petition for a proceeding must be in writing and must be filed with the General Counsel acting as the Agency Clerk, Office of Insurance Regulation. If served by U.S. Mail the Petition should be addressed to the Florida Office of Insurance Regulation at 612 Larson Building, Tallahassee, Florida 32399-4206. If Express Mail or hand-delivery is utilized, the Petition should be delivered to 612 Larson Building, 200 East Gaines Street, Tallahassee, Florida 32399-0300. The written Petition must be received by, and filed in the Office no later than 5:00 p.m. on the twenty-first (21) day after your receipt of this notice. Unless your Petition challenging this action is received by the Office within twenty-one (21) days from the date of the receipt of this notice, the right to a proceeding shall be deemed waived. Mailing the response on the twenty-first day will not preserve your right to a hearing.

If a proceeding is requested and there is no dispute of material fact the provisions of Section 120.57(2), Florida Statutes would apply. In this regard you may submit oral or written evidence in opposition to the action taken by this agency or a written statement challenging the grounds upon which the agency has relied. While a hearing is normally not required in the absence of a dispute of fact, if you feel that a hearing is necessary one will be conducted in Tallahassee, Florida or by telephonic conference call upon your request.

If you dispute material facts, which are the basis for this agency's action, you may request a formal adversarial proceeding pursuant to Sections 120.569 and 120.57(1), Florida Statutes. If you request this type of proceeding, the request must comply with all of the requirements of Rule Chapter 28-106.201, F.A.C., must demonstrate that your substantial interests have been affected by this agency's action, and contain:

**a) A statement of all disputed issues of material fact. If there are none, the petition must so indicate;**

b) A concise statement of the ultimate facts alleged, including the specific facts the Petitioner contends warrant reversal or modification of the agency's proposed action;

c) A statement of the specific rules or statutes the petitioner contends require reversal or modification of the agency's proposed action; and

d) A statement of the relief sought by the petitioner, stating precisely the action Petitioner wishes the agency to take with respect to the agency's proposed action.

These proceedings are held before a State hearing officer of the Division of Administrative Hearings. Unless the majority of witnesses are located elsewhere, the Office will request that the hearing be conducted in Tallahassee.

In some instances you may have additional statutory rights than the ones described herein.

Failure to follow the procedure outlined with regard to your response to this notice may result in the request being denied. Any request for administrative proceeding received prior to the date of this notice shall be deemed abandoned unless timely renewed in compliance with the guidelines as set out above.

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of this Order was sent by Electronic Email and Facsimile, this ___ day of ________________, ____.

_______________________________________
Assistant General Counsel
Florida Office of Insurance Regulation
Legal Service Office
200 East Gaines Street
Tallahassee, Florida 32399-4206

**OFFICE OF INSURANCE REGULATION**

**Kevin M. McCarty**
**COMMISSIONER**

**<u>IN THE MATTER OF</u>:**

**Emergency Assessments on Premiums; Percentages, Timing, Procedures for Remitting and Reporting.**

**CASE NO.: ________**

## ORDER

**TO: The Florida Surplus Lines Service Office and all entities subject to Part VIII of Chapter 626, Florida Statutes**

**THIS CAUSE** came on for consideration upon the determination by the State Board of Administration (the "Board"), pursuant to the provisions of Section 215.555(6)(b), Florida Statutes, that the amount of revenue produced under Section 215.555(5), Florida Statutes, is insufficient to fund the obligations, costs, and expenses of the Florida Hurricane Catastrophe Fund (the "Fund") and the Florida Hurricane Catastrophe Fund Finance Corporation (the "Corporation"), including repayment of revenue bonds and that portion of the debt service coverage not met by reimbursement premiums. Pursuant to the provisions of Section 215.555(6)(b), Florida Statutes, the Board has directed the Office of Insurance Regulation (the "Office") to levy, by order, an emergency assessment, and the Commissioner being fully informed in the premises,

**NOW THEREFORE,** the Commissioner hereby finds as follows:

**JURISDICTION AND FINDINGS OF FACT**

1. The Office has the requisite authority and duty, pursuant to Section 215.555, Florida Statutes (the "Act"), and the Florida Insurance Code, Section 624.307, Florida Statutes, to issue and enforce this Order.

2. Hurricanes Dennis, Katrina, Rita and Wilma, caused substantial property damage in Florida during the 2005 hurricane season; and

3. Certain of the hurricanes causing property damage in the 2005 hurricane season caused insured losses covered by the Fund.

4. The Board, pursuant to the Act, has determined that the amount of revenue produced from reimbursement premiums is insufficient to fund the obligations, costs and expenses of the Fund and the Corporation, including repayment of revenue bonds and that portion of the debt service coverage not met by reimbursement premiums. Therefore, pursuant to Section 215.555(6)(b), Florida Statutes, the Board has adopted the Resolution (the "Resolution" attached as Exhibit "A", hereto), directing the Office to levy the emergency assessment.

5. The Resolution directs the Office to levy the emergency assessment on the premiums for property and casualty lines of business in this state, including surplus lines property and casualty business regulated under part VIII of Chapter 626, Florida Statutes, and on each insured procuring property and casualty coverage and filing under Section 626.938, Florida Statutes, with the exception of premiums for workers' compensation

policies, premiums for accident and health insurance policies, premiums of medical malpractice insurance policies and premiums for policies written under the National Flood Insurance Program and the Federal Crop Insurance Act.

**WHEREFORE,** pursuant to the Act and the Resolution, the Office issues this Order.

**Accordingly, IT IS HEREBY ORDERED:**

(1) Commencing January 1, 2011, an emergency assessment is hereby levied upon the premiums for property and casualty lines written through surplus lines regulated under part VIII of Chapter 626, Florida Statutes, and on each insured procuring property and casualty coverage and filing under Section 626.938, Florida Statutes.

(2) The term "property and casualty lines of business" includes those lines of business identified on the Exhibit of Premiums and Losses in the annual statement required of Authorized Insurers by Section 624.424, Florida Statutes. The term "property and casualty lines of business" for purposes of this Order includes all those lines of business except workers' compensation policies, accident and health policies, medical malpractice policies, or policies written under the National Flood Insurance Program and the Federal Crop Insurance Act.

(3) The Florida Surplus Lines Service Office (the "FSLSO") shall instruct each surplus lines agent to collect the assessment at the same time as the agent collects the

surplus lines tax required by Section 626.932, Florida Statutes, and shall instruct the agent to remit the assessment as directed by the FSLSO at the same time as the agent remits the surplus lines tax to the FSLSO (on or before the end of the month next following each calendar quarter). The FSLSO shall instruct each insured procuring coverage and filing under Section 626.938, Florida Statutes, to remit the emergency assessment as directed by the FSLSO at the time the insured pays the surplus lines tax to the FSLSO (within 30 days after the insurance is procured, continued or renewed). Emergency assessments shall be collected from each property and casualty policyholder with a policy that is issued or renewed during an Assessment Period. An "Assessment Period" begins on each January 1 and continues for twelve-months. The emergency assessment shall be assessed in each successive Assessment Period until further Order of the Office.

(4) The emergency assessment is 1.30% of premium on each policy and the same percentage shall apply to all transactions "related" to each policy. A transaction that is "related" to a policy subject to the emergency assessment includes, but is not limited to, endorsements on that policy, policy cancellations, and audit premiums.

(5) Emergency assessment remittances are due on the full annual premium attributable to policies issued or renewed within an Assessment Period.

(6) The FSLSO shall remit emergency assessments to the Board in such manner as is subsequently directed by the Board. When a surplus lines insured or an

insured who has procured coverage and filed under Section 626.938, Florida Statutes, is entitled to the return of an unearned premium, the FSLSO shall provide a credit where applicable to agents or the Fund shall refund to the agent or such insured for the collected assessment attributable to the unearned premium.

(7) The payment of emergency assessments is subject to interest on delinquent remittances at a rate determined by the Board and invoiced by the FSLSO.

(8) Emergency assessments are not premiums and are not subject to the surplus lines premium tax, to the FSLSO fee, or to any other statutorily imposed assessment or surcharge. Each surplus lines agent shall diligently attempt to collect all assessments owed by an insured and must treat the failure of an insured to pay an assessment as failure to pay the premium.

(9) Each surplus lines agent and insured procuring coverage and filing under Section 626.938, Florida Statutes, shall report such information relating to emergency assessments and premiums as is required by the FSLSO.

(10) The FSLSO shall verify the proper application of emergency assessments and shall assist the Board in ensuring the accurate and timely collection and remittance of assessments as required by the Board. The FSLSO shall annually calculate the aggregate written premium on property and casualty business procured through surplus lines agents and for insureds procuring coverage and filing under Section 626.938, Florida Statutes, other than premiums relating to workers' compensation policies, accident and health

policies, medical malpractice policies, or policies written under the National Flood Insurance Program and the Federal Crop Insurance Act, and shall report the information to the Board, in a form and at a time specified by the Board.

(11) Pursuant to Section 215.555(10), Florida Statutes, the failure to timely remit emergency assessments, to file any report required by this Order or by the Office, or to otherwise fail to abide by this Order shall be deemed to be a violation of the Florida Insurance Code. The Office shall take all action authorized by law to enforce this Order and to assure that emergency assessments (including any interest thereon) are properly collected and remitted.

(12) The Order to the FSLSO, Case Number 86443-06, issued on June 12, 2006, shall stay in force and effect until 12:00 p.m., Eastern Time, midnight on December 31, 2010. Commencing at 12:01 a.m., Eastern Time, on January 1, 2011, this Order shall become effective and shall supersede the Order for Case Number 86443-06.

**DONE AND ORDERED** this ___ day of _________________, 2010.

______________________________________
Kevin M. McCarty
Commissioner
Office of Insurance Regulation

## NOTICE OF RIGHTS

Pursuant to Sections 120.569 and 120.57, Florida Statutes, and Rule Chapters 28-106 and 28-107, Florida Administrative Code (F.A.C.), you have a right to request a proceeding to contest this action by the Office of Insurance Regulation (hereinafter the "Office"). You may request a proceeding by filing a Petition. Your Petition for a proceeding must be in writing and must be filed with the General Counsel acting as the Agency Clerk, Office of Insurance Regulation. If served by U.S. Mail the Petition should be addressed to the Florida Office of Insurance Regulation at 612 Larson Building, Tallahassee, Florida 32399-4206. If Express Mail or hand-delivery is utilized, the Petition should be delivered to 612 Larson Building, 200 East Gaines Street, Tallahassee, Florida 32399-0300. The written Petition must be received by, and filed in the Office no later than 5:00 p.m. on the twenty-first (21) day after your receipt of this notice. Unless your Petition challenging this action is received by the Office within twenty-one (21) days from the date of the receipt of this notice, the right to a proceeding shall be deemed waived. Mailing the response on the twenty-first day will not preserve your right to a hearing.

If a proceeding is requested and there is no dispute of material fact the provisions of Section 120.57(2), Florida Statutes would apply. In this regard you may submit oral or written evidence in opposition to the action taken by this agency or a written statement challenging the grounds upon which the agency has relied. While a hearing is normally not required in the absence of a dispute of fact, if you feel that a hearing is necessary one will be conducted in Tallahassee, Florida or by telephonic conference call upon your request.

If you dispute material facts, which are the basis for this agency's action, you may request a formal adversarial proceeding pursuant to Sections 120.569 and 120.57(1), Florida Statutes. If you request this type of proceeding, the request must comply with all of the requirements of Rule Chapter 28-106.201, F.A.C., must demonstrate that your substantial interests have been affected by this agency's action, and contain:

**a) A statement of all disputed issues of material fact. If there are none, the petition must so indicate;**

b) A concise statement of the ultimate facts alleged, including the specific facts the Petitioner contends warrant reversal or modification of the agency's proposed action;

c) A statement of the specific rules or statutes the petitioner contends require reversal or modification of the agency's proposed action; and

d) A statement of the relief sought by the petitioner, stating precisely the action Petitioner wishes the agency to take with respect to the agency's proposed action.

These proceedings are held before a State hearing officer of the Division of Administrative Hearings. Unless the majority of witnesses are located elsewhere, the Office will request that the hearing be conducted in Tallahassee.

In some instances you may have additional statutory rights than the ones described herein.

Failure to follow the procedure outlined with regard to your response to this notice may result in the request being denied. Any request for administrative proceeding received prior to the date of this notice shall be deemed abandoned unless timely renewed in compliance with the guidelines as set out above.

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of this Order was sent by Electronic Email and Facsimile this ___ day of _________________, ____.

______________________________________

Assistant General Counsel
Florida Office of Insurance Regulation
Legal Services Office
200 East Gaines Street
Tallahassee, Florida 32399-4206

# AGENDA
# FLORIDA HURRICANE CATASTROPHE FUND FINANCE CORPORATION

Governor Charlie Crist, Chair
Chief Financial Officer Alex Sink
Attorney General Bill McCollum
J. Ben Watkins, III
Jack E. Nicholson, President

**March 4, 2010**

**To View Agenda Items, Click on the Following Link:**
**www.sbafla.com**

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9:00 A.M.
LL-03, The Capitol
Tallahassee, Florida

Contact Person:
Dr. Jack E. Nicholson
(850) 413-1340

**ITEM 1. REQUEST APPROVAL OF FEBRUARY 24, 2010 MINUTES.**

(See Attachment 1)

**ACTION REQUIRED**

**ITEM 2. REQUEST ADOPTION OF A RESOLUTION AUTHORIZING THE CORPORATION TO ISSUE REVENUE BONDS.**

The President of the Florida Hurricane Catastrophe Fund Finance Corporation requests that the Board of Directors of the Corporation adopt a resolution authorizing the Corporation to issue and sell by negotiated sale, not exceeding $710,000,000 Florida Hurricane Catastrophe Fund post-event Revenue Bonds. The bonds will have fixed interest rates, will be exempt from federal income taxes, and will be secured by emergency assessments and reimbursement premiums received by the Florida Hurricane Catastrophe Fund. The proceeds of the bonds will be used for the reimbursement of insurance companies for additional claims due to hurricanes during the 2005 season. The resolution also authorizes the President to enter into any agreements necessary to retain a trustee for the bonds and to execute such documents as are necessary for the issuance of the bonds.

(See Attachment 2) – **BACK UP TO FOLLOW**

**ACTION REQUIRED**

**FLORIDA HURRICANE CATASTROPHE FUND FINANCE CORPORATION**

**FEBRUARY 24, 2010**

**MINUTES**

A meeting of the Florida Hurricane Catastrophe Fund Finance Corporation was held on February 24, 2010, at the Capitol, Tallahassee, Florida.

Board Members present were:

Governor Charlie Crist, Chairman
Chief Financial Officer Alex Sink
Ben Watkins, Director, Division of Bond Finance
Dr. Jack Nicholson, COO, Florida Hurricane Catastrophe Fund

ITEM 1. Approved the minutes of July 29, 2008.

ITEM 2. Deferred a request for adoption of a resolution authorizing the Corporation to issue revenue bonds.

The Florida Hurricane Catastrophe Fund Finance Corporation's agenda was concluded.

Jack E. Nicholson
President
Florida Hurricane Catastrophe Fund Finance Corporation

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE FLORIDA HURRICANE CATASTROPHE FUND FINANCE CORPORATION AUTHORIZING THE ISSUANCE AND NEGOTIATED SALE OF ADDITIONAL POST-EVENT REVENUE BONDS; RATIFYING THE MASTER TRUST INDENTURE AND THE PLEDGE AND SECURITY AGREEMENT PREVIOUSLY ENTERED INTO BY THE CORPORATION; AUTHORIZING THE EXECUTION AND DELIVERY OF A FIFTH SUPPLEMENTAL INDENTURE, A PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL STATEMENT, AND A PURCHASE CONTRACT; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, Section 215.555, Florida Statutes (the "Act"), created the Florida Hurricane Catastrophe Fund (the "Fund"), a trust fund administered by the State Board of Administration of Florida (the "Board"), for the purpose of establishing a program to provide insurers who write covered policies, as defined in the Section 215.555(2)(c), Florida Statutes (the "Covered Policies") with reimbursement for a portion of their catastrophic hurricane losses;

**WHEREAS**, the Act also created the Florida Hurricane Catastrophe Fund Finance Corporation (the "Corporation") with the authority, pursuant to Section 215.555(6)(d), Florida Statutes, to issue revenue bonds for the benefit of the Fund and pay the proceeds of the bonds, through the Fund, to certain insurers, thereby enabling such insurers to pay the claims of policyholders for hurricane damage to properties;

**WHEREAS**, Hurricanes Dennis, Katrina, Rita and Wilma caused insured losses in Florida during the 2005 hurricane season and a determination has been made by the Board that the moneys in the Fund will be insufficient pay certain obligations of the Fund;

**WHEREAS**, the Corporation is authorized, pursuant to Section 215.555(6)(d), Florida Statutes, to issue revenue bonds for the benefit of the Fund;

**WHEREAS**, by prior action, the Corporation authorized the issuance of not exceeding $10 billion of such revenue bonds;

**WHEREAS**, the Corporation has previously issued both pre-event notes and post-event bonds, as follows: on July 6, 2006, the Corporation issued $1,350,025,000 in post-event revenue bonds (the "Series 2006A Bonds"); on July 21, 2006, the Corporation issued $2,800,000,000 in pre-event extendible floating rate notes (the "Series 2006B

Notes"); on October 3, 4, 5, 10, 12 and 15, 2007, the Corporation issued a total of $3,500,000,000 in pre-event floating rate notes (the "Series 2007A Notes"); and on July 31, 2008, the Corporation issued $625,000,000 in post-event revenue bonds (the "Series 2008A Bonds").

**WHEREAS**, it is now necessary to issue and sell additional post-event revenue bonds;

**WHEREAS**, through an invitation to negotiate issued by the Board on behalf of the Fund, a syndicate of underwriters was selected to serve on the Fund's financial services team (the "Financial Services Team"), with the Fund to select firms from the Financial Services Team to serve on individual financings;

**WHEREAS**, the syndicate of underwriters selected by the Board on behalf of the Fund to serve on the Fund's Financial Services Team includes Goldman, Sachs & Co., JP Morgan Securities, Inc., Citigroup Global Markets Inc., Barclays Capital, as successor in interest to Lehman Brothers, Morgan Stanley & Co., Incorporated, Merrill Lynch & Co./Banc of America Securities LLC, Wells Fargo Securities, as successor in interest to Wachovia Securities, RBC Capital Markets, Jefferies & Co. Inc., as successor in interest to DEPFA First Albany Securities LLC, Morgan Keegan & Company, Inc., SunTrust Robinson Humphrey, Inc., Ramirez & Co., Inc., Loop Capital Markets, LLC, BB&T Capital Markets, M.R. Beal & Company, and Siebert Brandford Shank & Co. LLC (collectively, the "Underwriters");

**WHEREAS**, the Board on behalf of the Fund designated JP Morgan Securities, Inc. to serve as lead senior manager and Goldman, Sachs & Co., Citigroup Global Markets Inc. and Barclays Capital, as successor in interest to Lehman Brothers, to serve as co-senior managers for the issuance of the post-event revenue bonds authorized by this Resolution;

**WHEREAS**, the following factors require that post-event revenue bonds issued by the Corporation receive extensive pre-sale marketing in a manner not likely to be available in a competitive sale:

(a) The uncertain conditions in the global financial markets,

(b) The nature of and source of the security for the post-event revenue bonds is still relatively unfamiliar in the credit markets; and

(c) A large principal amount of post-event revenue bonds is being sold for each maturity and in total;

**WHEREAS**, considering the above, it is in the best interests of the State and the Corporation to authorize at this time the negotiated sale of the post-event revenue bonds;

**WHEREAS**, it is hereby determined that the post-event revenue bonds authorized herein will be sold through negotiated sale to the Underwriters;

**WHEREAS**, it is necessary to delegate to the chief executive officer of the Corporation or his designee (the "President") the authority to negotiate and approve the final terms of the sale and issuance of the post-event revenue bonds, subject to certain restrictions set forth herein.

**NOW, THEREFORE, BE IT RESOLVED** by the Florida Hurricane Catastrophe Fund Finance Corporation, as follows:

1. The Corporation hereby finds, determines and declares the matters hereinabove set forth.

2. The Corporation hereby authorizes the issuance and sale of not exceeding $710,000,000 Florida Hurricane Catastrophe Fund Finance Corporation Revenue Bonds, Series 2010A for hurricane losses during the 2005 hurricane season (the "Series 2010A Bonds"), which Series 2010A Bonds shall be in addition to the obligations described in the preambles hereof.

3. The Corporation hereby confirms and ratifies the Pledge and Security Agreement, dated June 1, 2006 and attached hereto as Exhibit A (the "Pledge and Security Agreement"), between the Fund and the Corporation, as supplemented or amended, and confirms and ratifies its prior pledge of revenues to the repayment of debt of the Corporation as provided in the documents approved by the Corporation on May 31, 2006, as supplemented or amended, including but not limited to the pledge of reimbursement premiums levied pursuant to Section 215.555(5), Florida Statutes, and revenues from emergency assessments levied pursuant to Section 215.555(6)(b), Florida Statutes. The pledge of such revenues shall be as provided in the documents executed by the Corporation in relation to debt of the Corporation.

4. The Corporation hereby confirms and ratifies the Master Trust Indenture, dated June 1, 2006 and attached hereto as Exhibit B, between the Corporation and Wells Fargo Bank, N.A., as supplemented or amended.

5. The selection of the Underwriters and the designation of the lead senior manager and the co-senior managers are hereby confirmed.

6. The President is hereby delegated the authority to negotiate and approve the final terms of sale and the fiscal details of the Series 2010A Bonds, subject to compliance with the following:

(a) The Series 2010A Bonds shall be issued and sold in one or more series, all as determined by the President.

(b) The Series 2010A Bonds shall be sold to the Underwriters pursuant to a purchase contract containing such terms and conditions which are not inconsistent with this resolution and which are approved by the President (the "Purchase Contract"). The President is authorized to define and designate the roles of the Underwriters and co-senior managers in connection with their participation in the sale of the Series 2010A Bonds. The President is hereby further authorized to remove any Underwriter from participation in the sale of the Series 2010A Bonds.

(c) The President is hereby authorized to approve the final terms of the Series 2010A Bonds, subject to the restrictions set forth herein, without need of further authorization of the Corporation. The maturities, interest rate or rates, redemption provisions, sale price, and other terms and details of the Series 2010A Bonds shall be consistent with the provisions of and shall be within the restrictions set forth in this resolution and shall, in the judgment of the President, produce the lowest true interest cost to the Corporation reasonably available in the financial markets at that time.

7. The Corporation hereby approves the form of and authorizes the execution and delivery of the Fifth Supplemental Indenture to the Master Trust Indenture. Such form of the Fifth Supplemental Indenture is attached hereto as Exhibit C. The document approved herein is subject to such changes, completion, insertions or omissions as may be approved by the President, and the execution or certification of such document shall be conclusive evidence of such approval. Additionally, the President is authorized to amend or revise any other documents relating to debt of the Corporation which have previously been approved or authorized by the Corporation.

8. The Corporation hereby authorizes and directs the President to negotiate, approve, execute and deliver the Purchase Contract for the sale of the Series 2010A Bonds to the Underwriters in the form attached hereto as Exhibit D. The Purchase Contract shall contain such terms and provisions as are customary for such obligations with such changes, completion, insertions or omissions as may be approved by the President and which are not inconsistent with this resolution, and the execution thereof by the President shall be conclusive evidence of such approval. The President shall have and is hereby acknowledged to have full power and authority to bind the Corporation with respect to the negotiation of the terms of the Purchase Contract.

9. The Corporation hereby authorizes and directs the President to cause a preliminary official statement, in the form attached hereto as Exhibit E and an official statement to be prepared and delivered. The President is hereby authorized to certify or otherwise represent when the preliminary official statement shall be "deemed final" by the Corporation as of its date (except for permitted omissions), in accordance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). The President and any

members of the board of directors of the Corporation are also authorized to execute and deliver to the Underwriters, on behalf of the Corporation, the official statement and such certificates in connection therewith and any amendment thereto, as they determine are necessary or appropriate. The distribution and use of any preliminary official statement or official statement by the Underwriters in connection with the original issuance of the Series 2010A Bonds is further approved.

10. The President is hereby authorized to approve, execute and deliver a Continuing Disclosure Agreement satisfying the requirements of the Rule. The President, officers and members of the board of directors of the Corporation are authorized to execute and deliver the continuing disclosure agreement and are authorized to take all actions necessary to fulfill the obligations of the Corporation thereunder.

11. Wells Fargo Bank, N.A., previously designated as trustee under the Master Trust Indenture and as registrar and paying agent thereunder is hereby confirmed.

12. The President, officers, and members of the board of directors of the Corporation are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver the named documents and any and all other agreements, documents, instruments, assents, acceptances, assignments, financing statements and approvals which they may deem necessary or advisable in order to consummate the transactions contemplated by this resolution. In the absence or unavailability of the President, the Treasurer is authorized to take all actions provided herein of the President.

13. This resolution shall take effect immediately upon its adoption.

**ADOPTED THIS** ____ day of ___________, 2010.

**STATE OF FLORIDA**

**COUNTY OF LEON**

I, Tracy L. Allen, Senior Attorney, do hereby certify that the above and foregoing is a true and correct copy of the resolution passed and adopted by the Florida Hurricane Catastrophe Fund Finance Corporation on the ____ day of __________, 2010.

**IN WITNESS WHEREOF**, I hereunto set my hand and official seal of the Florida Hurricane Catastrophe Fund Finance Corporation this ___ day of ________, 2010.

(SEAL)

______________________________________

Tracy L. Allen, Secretary
Florida Hurricane Catastrophe Fund Finance Corporation

# EXHIBIT A

## Pledge and Security Agreement

# EXHIBIT B

## Master Trust Indenture

# EXHIBIT C

## Form of Fifth Supplemental Indenture

# EXHIBIT D

## Form of Purchase Contract

# EXHIBIT E

## Form of Preliminary Official Statement