

MEETING OF THE STATE BOARD OF ADMINISTRATION

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

NOVEMBER 17, 2009

To View Agenda Items Click on the Following Link:

www.sbafla.com

AGENDA

ITEM 1. Request approval of the minutes of October 13, 2009.

(See Attachment 1)

ACTION REQUIRED

ITEM 2. Request approval of a fiscal sufficiency of an amount not exceeding \$285,000,000 State of Florida, Department of Environmental Protection Florida Forever Revenue Bonds, Series (To Be Determined).

(See Attachment 2)

ACTION REQUIRED

ITEM 3. Request approval of a fiscal sufficiency of an amount not exceeding \$19,500,000 State of Florida, Board of Governors, University of Central Florida Parking Facility Revenue Bonds, Series 2009A.

(See Attachment 3)

ACTION REQUIRED

ITEM 4. Request approval of a fiscal determination of an amount not exceeding \$900,000,000 Florida Housing Finance Corporation Homeowner Mortgage Revenue Bonds, 2009 Phase Two (Multiple Series to be Determined).

(See Attachment 4)

ACTION REQUIRED

ITEM 5. Request approval to file Rule 19-7.002 (Investment Policy Guidelines) for adoption. The Investment Policy Guidelines were approved by the Trustees on July 28, 2009, and made effective July 1, 2009, for the Local Government Surplus Funds Trust Fund. The revised guidelines reflect the addition of information as to investment strategies, risks, and other changes.

Both a rule development workshop and a rule hearing were properly noticed and offered, however, neither was requested, and, therefore, neither was held.

(See Attachments 5, 5-A & 5-B)

ACTION REQUIRED

State Board of Administration - Agenda
November 17, 2009
Page Two

- ITEM 6.** Request approval to file amended Rule 19-11.006 (Enrollment Procedures for New Hires) for notice.

Amended to adopt the revised EZ form, "EZ Retirement Plan Enrollment Form for Regular, Special Risk and Special Risk Administrative Support Class Employees," Form ELE-1-EZ; to specify what information is required to be completed on the EZ form; and to provide that a member may designate a beneficiary electronically. The revised form moves all instructions to the back of the form to make it easier to read and complete.

A rule development workshop was offered on October 12, 2009, but it was not held because it was not requested. If the Trustees give permission to file the amended rule for notice, a rule hearing will be held on Monday, December 21, 2009.

(See Attachments 6, 6-A & 6-B)

ACTION REQUIRED

- ITEM 7.** Reaffirmation of the Executive Director.

F.S. 215.441 provides that the State Board of Administration's Executive Director must be reaffirmed annually by the Board of Trustees following the original appointment. Mr. Williams was appointed Executive Director in 2008.

ACTION REQUIRED

- ITEM 8.** Ethics policies and procedures update.

(See Attachment 8)

INFORMATION/DISCUSSION ONLY

THE CABINET
STATE OF FLORIDA

Representing:

FINANCIAL SERVICES COMMISSION, OFFICE OF
FINANCIAL REGULATION

BOARD OF TRUSTEES, 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,
October 13, 2009, commencing at 9:05 a.m.

Reported by:
JO LANGSTON

Registered Professional Reporter

ACCURATE STENOGRAPHY REPORTERS, INC.
2894 REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA 32308

APPEARANCES:

Representing the Florida Cabinet:

CHARLIE CRIST
Governor

CHARLES H. BRONSON
Commissioner of Agriculture

BILL McCOLLUM
Attorney General

ALEX SINK
Chief Financial Officer

* * *

1 INDEX

2 FINANCIAL SERVICES COMMISSION, OFFICE
3 OF FINANCIAL REGULATION
(Presented by TOM CARDWELL)

4	ITEM	ACTION	PAGE
	1	Approved	4
5	2	Approved	5

6

7 BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND
(Presented by MICHAEL SOLE)

8	ITEM	ACTION	PAGE
9	1	Approved	6
	2	Approved	9

10

11 STATE BOARD OF ADMINISTRATION
(Presented by ASH WILLIAMS)

12	ITEM	ACTION	PAGE
13	1	Deferred	10
	2	Approved	11

14

15

16

17

18

19

20

21 CERTIFICATE OF REPORTER 12

22

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1 GOVERNOR CRIST: State Board of Administration,
2 Ash.

3 MR. WILLIAMS: Good morning, Governor,
4 Trustees.

5 GOVERNOR CRIST: Good morning.

6 MR. WILLIAMS: Item 1 is the minutes. We'd
7 like to defer the minutes, if we could, and clarify
8 them. Just want to make sure they're exactly right.

9 GOVERNOR CRIST: Is there a motion to defer the
10 minutes?

11 CFO SINK: I move it.

12 ATTORNEY GENERAL MCCOLLUM: Second.

13 GOVERNOR CRIST: Moved and seconded. Show the
14 minutes deferred without objection.

15 MR. WILLIAMS: Thank you. Item 2 is a request
16 to file for notice proposed amendments to five rules
17 for the Florida Retirement System's Investment Plan.
18 These are essentially technical in nature and
19 largely increase web-based access for plan
20 participants.

21 They also take better advantage of the skill
22 set of our new service provider, Hewitt Associates,
23 which by the way is based in Orlando.

24 ATTORNEY GENERAL MCCOLLUM: So move Item 2.

25 CFO SINK: Second.

1 GOVERNOR CRIST: Moved and seconded. Show it
2 approved without objection. Thank you, Ash.

3 MR. WILLIAMS: Thank you.

4 GOVERNOR CRIST: Our work here is done.

5 (Whereupon, the meeting was concluded at 9:55
6 a.m.)

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**STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308**

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE: November 4, 2009

APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$285,000,000 STATE OF FLORIDA, DEPARTMENT OF ENVIRONMENTAL PROTECTION FLORIDA FOREVER REVENUE BONDS, SERIES (TO BE DETERMINED):

The Division of Bond Finance of the State Board of Administration (the "Division"), on behalf of the Department of Environmental Protection of Florida, has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding \$285,000,000 State of Florida Department of Environmental Protection, Florida Forever Revenue Bonds, Series (to be determined) (the "Bonds") to finance the costs of acquisition and improvement of lands, water areas, and related property interests and resources in the State of Florida for the purposes of restoration, conservation, recreation, water resource development or historical preservation. The Bonds will be issued in one or more series pursuant to the Thirteenth Subsequent Resolution adopted by the Governor and Cabinet on January 23, 2001, as amended, and the Thirty-fourth Subsequent Resolution anticipated to be adopted by the Governor and Cabinet on November 17, 2009.

The Department of Environmental Protection has heretofore issued Preservation 2000 Revenue and Revenue Refunding Bonds, Series 1997A through 2001A, Florida Forever Revenue and Revenue Refunding Bonds, Series 2001A through 2008B, and Everglades Restoration Revenue and Revenue Refunding Bonds, Series 2007A-B and 2008A (collectively, the "Previous Bonds"). The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$278,000,000 Florida Forever Revenue Refunding Bonds, Series (to be determined) at its February 12, 2008, meeting (the "Refunding Bonds"). The proposed Bonds shall be issued on a parity with the Previous Bonds and, if and when issued, the Refunding Bonds as to source and security for payment.

A study of this proposal and the estimates of revenue expected to accrue from the Pledged Revenues, indicate that the proposed Bonds are fiscally sufficient and that the proposal will be executed pursuant to the applicable provisions of law.

RECOMMENDATION: It is recommended that the Board approve the proposal outlined above.

cc: Janie Knight

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION
APPROVING THE FISCAL SUFFICIENCY OF AN AMOUNT NOT
EXCEEDING \$285,000,000 STATE OF FLORIDA, DEPARTMENT OF
ENVIRONMENTAL PROTECTION FLORIDA FOREVER
REVENUE BONDS, SERIES (TO BE DETERMINED)**

WHEREAS, the Division of Bond Finance of the State Board of Administration (the "Division") proposes to issue an amount not exceeding \$285,000,000 State of Florida Department of Environmental Protection Florida Forever Revenue Bonds, Series (to be determined) (the "Bonds"), on behalf of and in the name of the State of Florida Department of Environmental Protection, to finance the costs of acquisition and improvement of lands, water areas, and related property interests and resources in the State of Florida for the purposes of restoration, conservation, recreation, water resource development or historical preservation; and,

WHEREAS, the Bonds will be issued in one or more series pursuant to the Thirteenth Subsequent Resolution adopted by the Governor and Cabinet on January 23, 2001 and the Thirty-fourth Subsequent Resolution anticipated to be adopted by the Governor and Cabinet on November 17, 2009 (collectively referred to herein as the "Resolution"); and,

WHEREAS, the Division has requested the State Board of Administration to approve the fiscal sufficiency of the proposed issue as required by Section 215.73, Florida Statutes; and,

WHEREAS, the Department of Environmental Protection has heretofore issued Preservation 2000 Revenue and Revenue Refunding Bonds, Series 1997A through 2001A, Florida Forever Revenue Bonds and Revenue Refunding Bonds, Series 2001A through 2008B, and Everglades Restoration Revenue and Revenue Refunding Bonds, Series 2007A-B and 2008A (collectively, the "Previous Bonds"); and,

WHEREAS, The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$278,000,000 Florida Forever Revenue Refunding Bonds, Series (to be determined) at its February 12, 2008, meeting (the "Refunding Bonds"); and,

WHEREAS, the proposed Bonds shall be issued on parity with the Previous Bonds and, if and when issued, the Refunding Bonds as to source and security for payment; and,

WHEREAS, the proposed Bonds are secured by excise taxes required by law to be distributed pursuant to Section 201.15(1), Florida Statutes (the "Pledged Revenues"). The Bonds to be issued pursuant to the Resolution shall not constitute, directly or indirectly, a debt or a charge against the State of Florida, or any political subdivision thereof under the Constitution and laws of the State of Florida and shall not constitute a lien on any of the lands acquired from the proceeds of the Bonds, or any part thereof; and,

WHEREAS, the Pledged Revenues for a 12 consecutive month period out of the 24 month period immediately preceding the issuance of the proposed Bonds will equal at least 150% of the maximum Debt Service Requirement; and,

WHEREAS, an examination of this plan of financing indicated that the same will be executed pursuant to the applicable provisions of law, and that the revenue to be used in servicing and liquidating the indebtedness to be created thereby may be reasonably expected to accrue in amounts sufficient to accomplish this purpose; and,

WHEREAS, the Division, on behalf of Department of Environmental Protection, has furnished sufficient information to enable the State Board of Administration to fulfill its duties pursuant to Section 215.73, Florida Statutes; and,

WHEREAS, the State Board of Administration has relied upon information from others but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the State Board of Administration does not approve or disapprove the Bonds as an investment and has not passed upon the accuracy or adequacy of the Official Statement; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body created by Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, that pursuant to the requirements of Section 215.73, Florida Statutes, the proposal of the Division of Bond Finance of the State Board of Administration to issue an amount not exceeding \$285,000,000 State of Florida Department of Environmental Protection, Florida Forever Revenue Bonds, Series (to be determined), is hereby approved as to fiscal sufficiency.

ADOPTED November 17, 2009

**STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308**

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE: November 4, 2009

**APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING
\$19,500,000 STATE OF FLORIDA, BOARD OF GOVERNORS, UNIVERSITY OF
CENTRAL FLORIDA PARKING FACILITY REVENUE BONDS, SERIES 2009A:**

The Division of Bond Finance of the State Board of Administration (the "Division") has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding \$19,500,000 State of Florida, Board of Governors, University of Central Florida Parking Facility Revenue Bonds, Series 2009A (the "Bonds"), for the purpose of financing the construction of a parking facility on the main campus of the University of Central Florida, funding a reserve account, and paying costs associated with the issuance and sale of the Bonds.

The Bonds will be issued pursuant to the Original Resolution adopted by the Governor and Cabinet on November 22, 1994 and the Sixth Supplemental Resolution which is anticipated to be adopted by the Governor and Cabinet on November 17, 2009 (collectively, the "Resolution"). The Division has heretofore issued University of Central Florida Parking Facility Revenue Bonds, Series 1997 through 2004A (collectively, the "Outstanding Bonds"). The Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Revenues as defined in the Resolution, with the Outstanding Bonds.

A study of this proposal and the estimates of revenue expected to accrue indicate that the proposed Bonds are fiscally sufficient and that the proposal will be executed pursuant to the applicable provisions of law.

RECOMMENDATION: It is recommended that the Board approve the proposal outlined above.

cc: Janie Knight

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION
APPROVING THE FISCAL SUFFICIENCY OF AN AMOUNT NOT
EXCEEDING \$19,500,000 STATE OF FLORIDA, BOARD OF GOVERNORS,
UNIVERSITY OF CENTRAL FLORIDA PARKING FACILITY REVENUE BONDS,
SERIES 2009A**

WHEREAS, the Division of Bond Finance of the State Board of Administration (the "Division") proposes to issue an amount not exceeding \$19,500,000 State of Florida, Board of Governors, University of Central Florida Parking Facility Revenue Bonds, Series 2009A (the "Bonds"), for the purpose of financing the construction of a parking facility on the main campus of the University of Central Florida, funding a reserve account, and paying costs associated with the issuance and sale of the Bonds; and,

WHEREAS, the Division has requested the State Board of Administration to approve the fiscal sufficiency of the proposed issue as required by Section 215.73, Florida Statutes; and,

WHEREAS, the Bonds will be issued pursuant to the Original Resolution adopted by the Governor and Cabinet on November 22, 1994 and the Sixth Supplemental Resolution which is anticipated to be adopted by the Governor and Cabinet on November 17, 2009 (collectively, the "Resolution"); and,

WHEREAS, the Division has heretofore issued University of Central Florida Parking Facility Revenue Bonds, Series 1997 through 2004A (collectively, the "Outstanding Bonds"); and,

WHEREAS, the Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Revenues and in all other respects, with the Outstanding Bonds; and,

WHEREAS, the principal of and interest due on the Bonds shall be paid solely out of revenues and other amounts pledged therefor, as described in the Resolution; and,

WHEREAS, the Bonds do not constitute an obligation, either general or special, of the State of Florida or any of its units of local government and shall not be a debt of the State or of any unit of local government, and neither the State nor any unit of local government shall be liable thereon; and,

WHEREAS, the University of Central Florida shall not have the power to pledge the credit, the revenues, or the taxing power of the State or of any unit of local government, and neither the credit, the revenues, nor the taxing power of the State or of any unit of local government shall be deemed to be pledged to the payment of the Bonds; and,

WHEREAS, the proceeds of the Bonds shall be and constitute trust funds and shall be used and applied solely in the manner and for the purposes provided in the Resolution; and,

WHEREAS, the estimate of funds pledged to the issue indicates that in no State fiscal year will the debt service requirements of the Bonds and all other issues secured by the same pledged revenues exceed the Pledged Revenues available for payment of such debt service requirements and that in no State fiscal year will the moneys pledged for the debt service requirements be less than the required coverage amount; and,

WHEREAS, the Division, has furnished sufficient information to enable the State Board of Administration to fulfill its duties pursuant to Section 215.73, Florida Statutes; and,

WHEREAS, the State Board of Administration has relied upon information from others but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the State Board of Administration does not approve or disapprove the Bonds as an investment and has not passed upon the accuracy or adequacy of the Official Statement; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body created by Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, that pursuant to the requirements of Section 215.73, Florida Statutes, the proposal of the Division of Bond Finance of the State Board of Administration to issue an amount not exceeding \$19,500,000 State of Florida, Board of Governors, University of Central Florida Parking Facility Revenue Bonds, Series 2009A for the uses and purposes hereinabove set forth, is hereby approved as to fiscal sufficiency.

ADOPTED November 17, 2009

**STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308**

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Determination
DATE: November 4, 2009

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING \$900,000,000 FLORIDA HOUSING FINANCE CORPORATION HOMEOWNER MORTGAGE REVENUE BONDS, 2009 PHASE TWO (MULTIPLE SERIES TO BE DETERMINED):

The Florida Housing Finance Corporation has submitted for approval as to fiscal determination a proposal to issue an amount not exceeding \$900,000,000 Florida Housing Finance Corporation Homeowner Mortgage Revenue Bonds, 2009 Phase Two (multiple series to be determined) (the "Bonds") to be used to fund below market rate mortgages for low, moderate or middle income homebuyers and may provide funds to refund outstanding series of Homeowner Mortgage Revenue Bonds that originally funded below market rate mortgages for low, moderate or middle income homebuyers.

The Bonds shall be payable as to principal, premium (if any), and interest solely out of revenues and other amounts pledged therefor, and shall not be secured by the full faith and credit of the State of Florida

RECOMMENDATION: It is recommended that, pursuant to the fiscal determination requirements of Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, and in reliance upon information provided by the Florida Housing Finance Corporation, the Board find and determine that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements. The Board does not assume any responsibility for, and makes no warranty (express or implied) with respect to any aspect of this bond issue.

cc: Janie Knight

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA
MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE
OF AN AMOUNT NOT EXCEEDING \$900,000,000 FLORIDA HOUSING FINANCE
CORPORATION HOMEOWNER MORTGAGE REVENUE BONDS,
2009 PHASE TWO (MULTIPLE SERIES TO BE DETERMINED)**

WHEREAS, the Florida Housing Finance Corporation (the "Corporation") proposes to issue an amount not exceeding \$900,000,000 Florida Housing Finance Corporation Homeowner Mortgage Revenue Bonds, 2009 Phase Two (multiple series to be determined) (the "Bonds") to be used to fund below market rate mortgages for low, moderate or middle income homebuyers and may provide funds to refund outstanding series of Homeowner Mortgage Revenue Bonds that originally funded below market rate mortgages for low, moderate or middle income homebuyers; and,

WHEREAS, the Corporation has requested the State Board of Administration of Florida to make the fiscal determination required by Section 420.509, Florida Statutes, as stated in Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended (the "Florida Constitution"); and,

WHEREAS, the Bonds shall be secured by a Trust Indenture; and,

WHEREAS, in accordance with Section 420.509, Florida Statutes, the principal of and all interest and any premium on the Bonds shall be payable solely out of revenues and other amounts pledged therefor, as described in the Trust Indenture and other required documents, and shall not be secured by the full faith and credit of the State of Florida; and,

WHEREAS, the cash flow analysis furnished by the Corporation shows that in no State fiscal year will the debt service requirements of the Bonds proposed to be issued and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements; and,

WHEREAS, the Corporation has furnished sufficient information to enable the State Board of Administration of Florida to fulfill its duties pursuant to Section 420.509(2), Florida Statutes; and;

WHEREAS, the Board has relied upon information from others, including the Corporation, but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the Board's determination pursuant to Section 16(c) of Article VII of the Florida Constitution and Section 420.509(2), Florida Statutes, is limited to a review of the matters essential to making such determination and the Board does not approve or disapprove of the Bonds as investments and has not passed upon the accuracy or adequacy of the Trust Indenture or any other required documents; **Now, Therefore**,

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body created by Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, that in connection with the issuance of the Florida Housing Finance Corporation Homeowner Mortgage Revenue Bonds, 2009 Phase Two (multiple series to be determined), in an amount not exceeding \$900,000,000, for the uses and purposes hereinabove set forth, it makes the fiscal determination required by Section 420.509, Florida Statutes.

Accordingly, as required by Section 16(c) of Article VII of the Florida Constitution, the Board finds and determines that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues, as defined in Section 420.503, Florida Statutes and described in the Trust Indenture, which are available for payment of such debt service requirements.

ADOPTED November 17, 2009



**STATE BOARD OF ADMINISTRATION
OF FLORIDA**

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

**POST OFFICE BOX 13300
32317-3300**

**CHARLIE CRIST
GOVERNOR
AS CHAIRMAN

ALEX SINK
CHIEF FINANCIAL OFFICER
AS TREASURER

BILL McCOLLUM
ATTORNEY GENERAL
AS SECRETARY

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO**

MEMORANDUM

To: Ashbel C. Williams, Executive Director & CIO

From: Ruth A. Smith, Assistant General Counsel

Subject: Agenda Item for the November 17, 2009 Cabinet Meeting: Proposed New Rule 19-7.002, Investment Policy Guidelines

Date: October 30, 2009

Proposed New Rule 19-7.002 (Investment Policy Guidelines)

ACTION REQUESTED:

The staff of the State Board of Administration requests that the Trustees approve filing of the following proposed new rule for adoption:

Rule 19-7.002 (Investment Policy Guidelines) – Created to adopt the revised Investment Policy Guidelines approved by the Trustees July 28, 2009, and made effective July 1, 2009, for the Local Government Surplus Funds Trust Fund. The revised guidelines reflect the addition of information as to investment strategies, risks and other changes.

Both a rule development workshop and a rule hearing were properly noticed and offered. However, neither was requested and, therefore, neither was held.

If the Trustees give permission to file for adoption, we will file the rule for adoption shortly thereafter.

Attached are:

Proposed New Rule 19-7.002 (Investment Policy Guidelines)
Investment Policy Guidelines Local Government Investment Pool (Non-Qualified), Effective July 1, 2009

ATTACHMENT 5

19-7.002 Investment Policy Guidelines.

The Local Government Investment Pool (Non-Qualified) Investment Policy Guidelines, as approved by the Trustees of the State Board of Administration on July 28, 2009, and made effective July 1, 2009, are hereby adopted and incorporated by reference. The Investment Policy Guidelines may be obtained by contacting: State Board of Administration, 1801 Hermitage Blvd., Suite 100, Tallahassee, Florida 32308; Attn.: Local Government Investment Pool Program, or by accessing the sbafla.com website, and clicking on the Florida PRIME heading under the Related Websites section.

Rulemaking Authority 218.412, FS. Law Implemented 218.405(1), (2), (3), (4), 218.409(2), 218.409(9), FS. History- New _____

**Investment Policy Guidelines
Local Government Investment Pool (Non-Qualified)
Effective July 1, 2009**

I. Purpose and Scope

The purpose of these Investment Policy Guidelines (“Policy”) is to set forth the investment objective, investment strategies, and authorized portfolio securities for the Local Government Surplus Funds Trust Fund (“Local Government Investment Pool” or “LGIP”). The Policy also describes the risks associated with an investment in the LGIP. This Policy does not relate to Fund B as defined at Section 218.421, Florida Statutes.

II. Overview of the LGIP

The Local Government Surplus Funds Trust Fund was created by an Act of the Florida Legislature effective October 1, 1977 (Chapter 218, Part IV, Florida Statutes). The State Board of Administration (“SBA”) is charged with the powers and duties to administer and invest the LGIP, in accordance with the statutory fiduciary standards of care as contained in Section 215.47(9), Florida Statutes. The SBA has contracted with Federated Investment Counseling (the “Investment Manager”) to provide investment advisory services for the LGIP.

The LGIP is governed by Chapters 215 and 218, Florida Statutes, and Chapter 19-7 of the Florida Administrative Code (collectively, “Applicable Florida Law”).

III. Roles and Responsibilities

The Board of Trustees of the SBA (“Trustees”) consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Trustees will annually certify that the LGIP is in compliance with the requirements of Chapter 218, Florida Statutes, and that the management of the LGIP is in accord with best investment practices.

The Trustees delegate the administrative and investment authority to manage the LGIP to the Executive Director of the SBA, subject to Applicable Florida Law. The Trustees appoint a six-member Investment Advisory Council and a six member Participant Local Government Advisory Council. Both Councils will at least annually review this Policy and any proposed changes prior to its presentation to the Trustees and will undertake other duties set forth in Applicable Florida Law.

IV. Amortized Cost Accounting

In March 1997, the Governmental Accounting Standards Board (“GASB”) issued Statement 31, titled “Accounting and Financial Reporting for Certain Investments and for External Investment Pools.” GASB 31 applies to the LGIP.

GASB 31 outlines the two options for accounting and reporting for money market investment pools as either “2a-7 like” or fluctuating net asset value (“NAV”). GASB 31 describes a “2a-7 like” pool as an “external investment pool that is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the “1940 Act”).” Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions.

The LGIP will operate in a manner consistent with the diversification, credit quality and maturity conditions of Rule 2a-7. Accordingly, it qualifies for “2a-7 like” status under GASB 31, and is thereby permitted to use the amortized cost method to maintain a stable NAV of \$1.00 per share.

V. Investment Objective

The primary investment objectives for the LGIP, in priority order, are safety, liquidity, and competitive returns with minimization of risks. Investment performance of the LGIP will be evaluated on a monthly basis against the Standard & Poor’s U.S. AAA & AA Rated GIP All 30 Day Net Yield Index. While there is no assurance that the LGIP will achieve its investment objectives, it endeavors to do so by following the investment strategies described in this Policy.

VI. Investment Strategies & Specific Limitations

The Investment Manager will invest the LGIP’s assets in short-term, high-quality fixed income securities. To be considered high-quality, a security must be rated in the highest short-term rating category by one or more nationally recognized statistical rating organizations (“NRSROs”), or be deemed to be of comparable quality thereto by the Investment Manager, subject to Section 215.47(1)(j), Florida Statutes. The Investment Manager also may enter into special transactions for LGIP, like repurchase agreements.

The Investment Manager will manage credit risk by purchasing only high quality securities. The Investment Manager will perform a credit analysis to develop a database of issuers and securities that meet the Investment Manager’s standard for minimal credit risk. The Investment Manager will monitor the credit risks of all the LGIP’s portfolio securities on an ongoing basis by regularly reviewing the financial data, issuer news and developments, and ratings of NRSROs. The Investment Manager will utilize a “new products” or similar committee to review and approve new security structures prior to an investment of LGIP assets in such securities. The Investment Manager will consider and follow best practices in connection with minimal credit risk determinations.

The Investment Manager will manage interest rate risk by purchasing only short-term fixed income securities. The Investment Manager will target a dollar-weighted average maturity range for the LGIP based on its interest rate outlook. The Investment Manager will formulate its interest rate outlook by analyzing a variety of factors, such as current and expected U.S. economic growth; current and expected interest rates and inflation; and the Federal Reserve Board’s monetary policy. The Investment Manager will generally shorten the LGIP’s dollar-weighted average maturity when it expects interest rates to rise and extend the LGIP’s dollar-weighted average maturity when it expects interest rates to fall. The Investment Manager will

exercise reasonable care to maintain a dollar-weighted average maturity of 60 days or less and a spread WAM of 120 days or less for the LGIP. A spread WAM is a calculation that does not permit the use of interest rate reset dates and instead only uses a security's stated (legal) final maturity date or Demand Feature to measure the WAM (Weighted Average Maturity). The remaining maturity of securities purchased by the Investment Manager shall not exceed 762 days for government floating rate notes/variable rate notes and will not exceed 397 days for other securities.

The Investment Manager will exercise reasonable care to limit exposure to not more than 25% of the LGIP's assets in a single industry sector, except that the Investment Manager may invest more than 25% in the financial services industry sector, which includes banks, broker-dealers, and finance companies. This higher limit is in recognition of the large outstanding value of money fund instruments issued by financial services firms. Government securities are not considered to be an industry.

The Investment Manager will exercise reasonable care to maintain at least 5% of the LGIP assets in securities accessible within one day and at least 20% of the LGIP assets in securities accessible within seven days. The Investment Manager may invest up to 10% of the LGIP assets in securities that are illiquid or of limited liquidity, as defined by the NRSRO that rates the LGIP.

In buying and selling portfolio securities for the LGIP, the Investment Manager will comply with the diversification, maturity and credit quality conditions imposed by Rule 2a-7 under the 1940 Act; with the requirements imposed by any NRSRO that rates the LGIP to ensure that it maintains a AAAM rating (or the equivalent); and with the investment limitations imposed by Section 215.47, Florida Statutes.

The Investment Manager generally will comply with the following diversification limitations that are additional to those set forth in Rule 2a-7. First, at least 50% of the LGIP assets will be invested in securities rated "A-1+" or those deemed to be of comparable credit quality thereto by the Investment Manager (i.e., so long as such deeming is consistent with the requirements of the NRSRO's AAAM (or equivalent) rating criteria), subject to Section 215.47(1)(j), Florida Statutes. The Investment Manager shall document each instance in which a security is deemed to be of comparable credit quality and its basis for such a determination. Second, exposure to any single non-governmental issuer will not exceed 5% and exposure to any single money market mutual fund will not exceed 10% of the LGIP assets.

VII. Portfolio Securities and Special Transactions

The Investment Manager will purchase only fixed income securities for the LGIP, and may engage in special transactions, for any purpose that is consistent with the LGIP's investment objective.

Fixed Income Securities are securities that pay interest, dividends or distributions at a specified rate. The rate may be a fixed percentage of the principal or adjusted periodically. In addition, the issuer of a short-term fixed income security must repay the principal amount of the security, normally within a specified time. The fixed income securities in which the LGIP may invest include corporate debt securities, bank instruments, asset backed securities, U.S. Treasury

securities, U.S. government agency securities, insurance contracts, municipal securities, foreign securities, mortgage backed securities, and shares of money market mutual funds. However, the LGIP is not permitted to buy such fixed income securities to the extent that they require the LGIP to be a qualified institutional buyer.

Special Transactions are transactions into which the LGIP may enter, including repurchase agreements and delayed delivery transactions.

For a more detailed description of the LGIP's portfolio securities and special transactions, please see "Additional Information Regarding the LGIP's Principal Securities" at Appendix A.

VIII. Risks Associated with the LGIP

An investment in the LGIP is subject to certain risks. Any investor in the LGIP should specifically consider, among other things, the following principal risks before making a decision to purchase shares of the LGIP.

Risk that the LGIP will not Maintain a Stable Net Asset Value

Although the Investment Manager attempts to manage the LGIP such that it maintains a stable NAV of \$1.00 per share, there is no guarantee that it will be able to do so. The LGIP is not registered under the 1940 Act or regulated by the SEC.

Interest Rate Risks

The prices of the fixed income securities in which the LGIP will invest rise and fall in response to changes in the interest rates paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall. However, market factors, such as demand for particular fixed income securities, may cause the price of certain fixed income securities to fall while the price of other securities rise or remain unchanged. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities.

Credit Risks

Credit risk is the possibility that an issuer of a fixed income security held by the LGIP will default on the security by failing to pay interest or principal when due. If an issuer defaults, the LGIP will lose money.

Liquidity Risks

Trading opportunities are more limited for fixed income securities that are not widely held. These features make it more difficult to sell or buy securities at a favorable price or time. Consequently, the LGIP may have to accept a lower price to sell a security, sell other securities to raise cash or give up an investment opportunity, any of which could have a negative effect on the LGIP's performance.

Concentration Risks

A substantial part of the LGIP may be comprised of securities issued by companies in the financial services industry or companies with similar characteristics; or securities credit enhanced by banks or companies with similar characteristics. As a result, the LGIP may be more susceptible to any economic, business, political or other developments that generally affect finance companies. Developments affecting companies in the financial services industry or companies with similar characteristics might include changes in interest rates, changes in the economic cycle affecting credit losses and regulatory changes.

Risks of Foreign Investing

Foreign securities pose additional risks because foreign economic or political conditions may be less favorable than those of the United States. Securities in foreign markets also may be subject to taxation policies that reduce returns for U.S. investors.

Call Risks

If a fixed income security is called, the LGIP may have to reinvest the proceeds in other fixed income securities with lower interest rates, higher credit risks, or other less favorable characteristics.

Prepayment Risks

Unlike traditional fixed income securities, which pay a fixed rate of interest until maturity (when the entire principal amount is due), payments on asset-backed securities include both interest and a partial payment of principal. Partial payment of principal may be comprised of scheduled principal payments as well as unscheduled payments from voluntary prepayment, refinancing, or foreclosure of the underlying loans. If the LGIP receives unscheduled prepayments, it may have to reinvest the proceeds in other fixed income securities with lower interest rates, higher credit risks or other less favorable characteristics.

Risks Associated with Amortized Cost Method of Valuation

The LGIP will use the amortized cost method to determine the value of its portfolio securities. Under this method, portfolio securities are valued at the acquisition cost as adjusted for amortization of premium or accumulation of discount rather than at current market value. Accordingly, neither the amount of daily income nor the NAV is affected by any unrealized appreciation or depreciation of the portfolio. In periods of declining interest rates, the indicated daily yield on shares computed by dividing the annualized daily income on the LGIP's portfolio by the NAV as computed above may tend to be higher than a similar computation made by using a method of valuation based on market prices and estimates. In periods of rising interest rates, the opposite may be true.

Throughout this section, it shall be understood that actions described as being taken by the LGIP refer to actions taken by the Investment Manager on behalf of the LGIP.

For additional information regarding the LGIP's principal securities and associated risks, please see Appendix A.

Stress Testing

To assist in managing the risks described above, the Investment Manager will regularly stress-test the LGIP to assess the portfolio's ability to meet levels of credit risk, shareholder redemptions and interest rate changes.

Client Concentration Risk Disclosure

The SBA shall post at least monthly on its website a disclosure of client concentration levels by type of client.

IX. Controls and Escalation Procedures

Section 218.409(2), Florida Statutes requires this Policy to document a system of internal controls designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the board or a professional money management firm. The controls include formal escalation reporting guidelines for all employees to address material impacts on the LGIP that require reporting and action.

The SBA has engaged BNY Mellon ("Custodian") to provide asset safekeeping, custody, fund accounting and performance measurement services to the LGIP. The Custodian will mark to market the portfolio holdings of the LGIP on a daily basis and will daily communicate both amortized cost price and mark to market price, so that the SBA and the Investment Manager can monitor the deviations between the amortized cost price and market price. By contractual agreement, the Investment Manager will reconcile accounting and performance measurement reports with the Custodian on a regular basis, under the supervision of the SBA.

The NRSRO that rates the LGIP will perform regular independent surveillance of the LGIP. The SBA and an independent investment consultant will regularly monitor the Investment Manager with respect to performance and organizational factors according to SBA manager monitoring policies.

The SBA and third parties used to materially implement the LGIP will maintain internal control, fraud and ethics policies and procedures designed to prevent the loss of public funds.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group to regularly review, document and formally escalate compliance exceptions and events that may have a material impact on the LGIP. Minutes of the Investment Oversight Group's meetings and a listing of meeting participants shall be timely posted on the LGIP website.

The Investment Oversight Group will meet and report monthly to the Executive Director, except upon the occurrence of a material event. The SBA and the Investment Manager have an affirmative duty to immediately disclose any material impact on the LGIP to the participants.

1. When the deviation between the market value and amortized cost of the LGIP exceeds 0.25%, according to pricing information provided by the Custodian, the

Investment Manager will establish a formal action plan. The Investment Oversight Group will review the formal action plan and prepare a recommendation for the Executive Director's consideration.

2. When the deviation between the market value and amortized cost of the LGIP exceeds 0.50%, according to pricing information provided by the Custodian, the Executive Director will promptly consider what action, if any, will be initiated. Where the Executive Director believes the extent of any deviation from the LGIP's amortized cost price per share may result in material dilution or other unfair results to investors or existing shareholders, he will cause the LGIP to take such action as he deems appropriate to eliminate or reduce to the extent reasonably practicable such dilution or unfair results.

3. The Investment Manager will perform daily compliance monitoring to ensure that investment practices comply with the requirements of this Policy, according to documented compliance procedures approved by the SBA. The Investment Manager will provide regular compliance reports and will communicate compliance exceptions within 24 hours of identification to the Investment Oversight Group. Additionally, the Investment Oversight Group will periodically conduct independent compliance reviews.

4. In the event that a security no longer meets the criteria for purchase due to default, event of insolvency, a credit rating downgrade or other material event ("Affected Security"), the Investment Manager must either dispose of the security within five business days or present a justification for the retention of the security to the Investment Oversight Group within three business days. If an Affected Security matures within 5 business days, no further action is required. An Affected Security may be held after five days only if the Executive Director has determined, based upon a recommendation from the Investment Manager and the Investment Oversight Group, that it would not be in the best interest of the LGIP to dispose of the security taking into account market conditions that may affect an orderly disposition.

The Executive Director's delegated authority as described in this section is intended to provide him with sufficient authority and operating flexibility to make professional investment decisions in response to changing market and economic conditions. Nonetheless, the Trustees will at least monthly review and approve management summaries of material impacts on the LGIP, any actions or escalations taken thereon, and carry out such duties and make such determinations as are otherwise necessary under applicable law, regulation or rule.

Pursuant to Florida law, the Auditor General will conduct an annual financial audit of the LGIP, which will include testing for compliance with this Policy.

X. Deposits and Withdrawals

Investors should refer to the separate LGIP Operating Procedures for detailed descriptions regarding how to make deposits in and withdrawals from the LGIP, including (1) any fees and limitations that may be imposed with respect thereto; and (2) reports provided to participants.

XI. Management Reporting

The Executive Director will be responsible for providing the formal periodic reports to the Trustees, legislative committees and other entities:

1. An annual report on the SBA and its investment portfolios, including that of the LGIP.
2. A monthly report on performance and investment actions taken.
3. Special reports pursuant to Chapter 218, Florida Statutes.

Appendix A

Additional Information Regarding LGIP's Principal Securities

Throughout this appendix it shall be understood that actions described as being taken by the LGIP refer to actions taken by the Investment Manager on behalf of the LGIP.

FIXED INCOME SECURITIES

Corporate Debt Securities

Corporate debt securities are fixed income securities issued by businesses. Notes, bonds, debentures and commercial paper are the most prevalent types of corporate debt securities. The LGIP also may purchase interests in bank loans to companies.

COMMERCIAL PAPER

Commercial paper is an issuer's obligation with a maturity of less than nine months. Companies typically issue commercial paper to pay for current expenditures. Most issuers constantly reissue their commercial paper and use the proceeds (or bank loans) to repay maturing paper. If the issuer cannot continue to obtain liquidity in this fashion, its commercial paper may default.

DEMAND INSTRUMENTS

Demand instruments are corporate debt securities that the issuer must repay upon demand. Other demand instruments require a third party, such as a dealer or bank, to repurchase the security for its face value upon demand. The LGIP treats demand instruments as short-term securities, even though their stated maturity may extend beyond one year.

Bank Instruments

Bank instruments are unsecured interest bearing deposits with banks. Bank instruments include, but are not limited to, bank accounts, time deposits, certificates of deposit and banker's acceptances. Yankee instruments are denominated in U.S. dollars and issued by U.S. branches of foreign banks. Eurodollar instruments are denominated in U.S. dollars and issued by non-U.S. branches of U.S. or foreign banks.

The LGIP will not invest in instruments of domestic and foreign banks and savings and loans unless they have capital, surplus, and undivided profits of over \$100,000,000, or if the principal amount of the instrument is insured by the Bank Insurance Fund or the Savings Association Insurance Fund which are administered by the Federal Deposit Insurance Corporation. These instruments may include Eurodollar Certificates of Deposit, Yankee Certificates of Deposit, and Euro-dollar Time Deposits.

Asset Backed Securities

Asset backed securities are payable from pools of obligations, most of which involve consumer or commercial debts. However, almost any type of fixed income assets (including other fixed

income securities) may be used to create an asset backed security. Asset backed securities may take the form of commercial paper, notes or pass-through certificates.

U.S. Treasury Securities

U.S. Treasury securities are direct obligations of the federal government of the United States. U.S. Treasury securities are generally regarded as having the lowest credit risks.

Agency Securities

Agency securities are issued or guaranteed by a federal agency or other government sponsored entity (GSE) acting under federal authority. Some GSE securities are supported by the full faith and credit of the United States. These include securities issued by the Government National Mortgage Association, Small Business Administration, Farm Credit System Financial Assistance Corporation, Farmer's Home Administration, Federal Financing Bank, General Services Administration, Department of Housing and Urban Development, Export-Import Bank, Overseas Private Investment Corporation, and Washington Metropolitan Area Transit Authority.

Other GSE securities receive support through federal subsidies, loans or other benefits. For example, the U.S. Treasury is authorized to purchase specified amounts of securities issued by (or otherwise make funds available to) the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, and Tennessee Valley Authority in support of such obligations.

A few GSE securities have no explicit financial support, but are regarded as having implied support because the federal government sponsors their activities. These include securities issued by the Farm Credit System, Financing Corporation, and Resolution Funding Corporation.

Investors regard agency securities as having low credit risks, but not as low as Treasury securities. The LGIP treats mortgage-backed securities guaranteed by a GSE as if issued or guaranteed by a federal agency. Although such a guarantee protects against credit risks, it does not reduce market risks.

Insurance Contracts

Insurance contracts include guaranteed investment contracts, funding agreements and annuities. The LGIP treats these contracts as fixed income securities.

Municipal Securities

Municipal securities are issued by states, counties, cities and other political subdivisions and authorities.

Foreign Securities

Foreign securities are U.S. dollar-denominated securities of issuers based outside the United States. The LGIP considers an issuer to be based outside the United States if:

- it is organized under the laws of, or has a principal office located in, another country;
- the principal trading market for its securities is in another country; or

- it (or its subsidiaries) derived in its most current fiscal year at least 50% of its total assets, capitalization, gross revenue or profit from goods produced, services performed or sales made in another country.

Mortgage Backed Securities

Mortgage backed securities represent interests in pools of mortgages. The mortgages that comprise a pool normally have similar interest rates, maturities and other terms. Mortgages may have fixed or adjustable interest rates. Interests in pools of adjustable rate mortgages are known as ARMs.

Zero Coupon Securities

Certain of the fixed income securities in which the LGIP invests are zero coupon securities. Zero coupon securities do not pay interest or principal until final maturity unlike debt securities that provide periodic payments of interest (referred to as a “coupon payment”). Investors buy zero coupon securities at a price below the amount payable at maturity. The difference between the purchase price and the amount paid at maturity represents interest on the zero coupon security. Investors must wait until maturity to receive interest and principal, which increases the interest rate and credit risks of a zero coupon security.

Callable Securities

Certain of the fixed income securities in which the LGIP invests are callable at the option of the issuer. Callable securities are subject to reinvestment risks.

144A Securities

The SBA has determined that the LGIP constitutes (i) an “accredited investor” as defined in Rule 501(a)(7) promulgated under the Securities Act of 1933, as amended (the “Securities Act”), as long as the LGIP has total assets in excess of \$5,000,000 and (ii) a “qualified purchaser” as defined in Section 2(a)(51)(A)(iv) of the 1940 Act, as long as the LGIP in the aggregate owns and invests on a discretionary basis not less than \$25,000,000 in investments, but does not constitute a “qualified institutional buyer” as defined in Rule 144A(a)(1) promulgated under the Securities Act. The LGIP is restricted from purchasing or acquiring securities or investments that would require the LGIP to represent in connection with such purchase or acquisition that it is a “qualified institutional buyer” as defined in Rule 144A(a)(1) promulgated under the Securities Act.

Money Market Mutual Funds

The LGIP may invest in shares of registered investment companies that are money market mutual funds, including those that are affiliated with the Investment Manager, as an efficient means of implementing its investment strategies and/or managing its uninvested cash. These other money market mutual funds are managed independently of the LGIP and incur additional fees and/or expenses that would, therefore, be borne indirectly by the LGIP in connection with such investment. However, the Investment Manager believes that the benefits and efficiencies of this approach should outweigh the potential additional fees and/or expenses. The Investment Manager must obtain prior written consent of the SBA to invest the LGIP in money market mutual funds that are “affiliated persons” of the Investment Manager.

SPECIAL TRANSACTIONS

The Investment Manager on behalf of the LGIP may engage in the following special transactions.

Repurchase Agreements

Repurchase agreements involve transactions in which the LGIP buys a security from a dealer or bank and agrees to sell the security back at a mutually agreed-upon time and price. The repurchase price exceeds the sale price, reflecting the LGIP's return on the transaction. This return is unrelated to the interest rate on the underlying security. The LGIP will enter into repurchase agreements only with banks and other recognized financial institutions, such as securities dealers, deemed creditworthy by the Investment Manager.

The LGIP's custodian or subcustodian will take possession of the securities subject to repurchase agreements. The Investment Manager or subcustodian will monitor the value of the underlying security each day to ensure that the value of the security always equals or exceeds the repurchase price.

Repurchase agreements are subject to credit risks.

Delayed Delivery Transactions

Delayed delivery transactions, including when-issued transactions, are arrangements in which the LGIP buys securities for a set price, with payment and delivery of the securities scheduled for a future time. During the period between purchase and settlement, no payment is made by the LGIP to the issuer and no interest accrues to the LGIP. The LGIP records the transaction when it agrees to buy the securities and reflects their value in determining the price of its units. Settlement dates may not be more than seven business days after entering into these transactions; nonetheless, the market values of the securities bought may vary from the purchase prices. Therefore, delayed delivery transactions create interest rate risks for the LGIP. Delayed delivery transactions also involve credit risks in the event of a counterparty default.

Asset Coverage

In order to secure its obligations in connection with derivative contracts or special transactions, the LGIP will either own the underlying assets, enter into an offsetting transaction or set aside readily marketable securities with a value that equals or exceeds the LGIP's obligations. Unless the LGIP has other readily marketable assets to set aside, it cannot trade assets used to secure such obligations without terminating a special transaction. This may cause the LGIP to miss favorable trading opportunities or to realize losses on special transactions.



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AS SECRETARY

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO**

MEMORANDUM

To: Ashbel C. Williams, Executive Director & CIO

From: Ron Poppell

Subject: Agenda Item for the November 17, 2009 Cabinet Meeting: Proposed
Amendments to Rule 19-11.006- Request Approval to File the Rule for Notice

Date: November 4, 2009

ACTION REQUESTED:

The staff of the State Board of Administration requests that the Trustees approve filing of the following amended rule for notice:

Rule 19-11.006 (Enrollment Procedures for New Hires)

Amended to adopt the revised EZ form, "EZ Retirement Plan Enrollment Form for Regular, Special Risk and Special Risk Administrative Support Class Employees," Form ELE-1-EZ; to specify what information is required to be completed on the EZ form; and to provide that a member may designate a beneficiary electronically. The revised form moves all instructions to the back of the form to make it easier to read and complete.

A rule development workshop was offered on October 12, 2009, but it was not held because it was not requested.

If the Trustees give permission to file the amended rule for notice, a rule hearing will be held on Monday, December 21, 2009. If the Trustees give permission to file for adoption at their meeting on January 12, 2009, the rule will be filed for adoption shortly thereafter.

Attachments

Proposed Amended Rule 19-11.006
Form ELE-1-EZ, "EZ Retirement Plan Enrollment Form for Regular, Special Risk and Special Risk Administrative Support Class Employees"

ATTACHMENT 6

19-11.006 Enrollment Procedures for New Hires.

(1) Purpose. No Change

(2) Definitions. No Change.

(3) General Enrollment Procedures. No change.

(4) Specific Enrollment Procedures.

(a) No Change.

(b) The SBA has designed the following forms for ease of use for employees in the several membership classes of the Florida Retirement System. As an alternative, an employee not wishing to use the forms may provide the information outlined in this Rule 19-11.006, F.A.C., for his membership class in a separate document. Employees may determine their membership class by inquiry of their human resources office at their agency. The forms available are: an EZ Retirement Plan Enrollment form which is only for regular, special risk, and special risk administrative support class employees; a General Retirement Plan Enrollment form for regular, special risk, and special risk administrative support class employees; an Elected Officers' Class Retirement Plan form; a Community College Optional Retirement Program Retirement Plan Choice form; a State University System ORP-Eligible Employee Retirement Plan form; a State Senior Management Service Employees Retirement Plan form; and a Local Senior Management Service Employees Retirement Plan form.

1. All enrollment forms can be obtained at the sources listed in paragraph (3)(b), above.

2. Only members of the regular, special risk, and special risk administrative support classes of employees may use the EZ form, "EZ Retirement Plan Enrollment Form for Regular, Special Risk and Special Risk Administrative Support Class Employees," Form ELE-1-EZ, rev. 01/10 ~~07/07~~, which is hereby adopted and incorporated by reference. If an employee chooses to use the EZ form, only limited information (i.e., name, plan choice, social security number and signature) is required, ~~and~~ ~~the~~ The FRS Select Moderate Balanced Fund

is the only initial investment option (although that investment option may be changed by the Member once the account is funded).~~and a~~No beneficiary identifying information is required on the EZ form. However, beneficiary designations must be made either on forms prescribed for that purpose or electronically by logging on to MyFRS.com, clicking on “manage benefits,” then clicking on “manage investments,” and then clicking on “personal info.” ~~or~~ If no beneficiary designation is made, the Plan funds will be distributed, at the Member’s death, in accordance with Florida law and Rule 19-11.002, F.A.C. Beneficiary designation forms may be obtained from the same sources listed in paragraph (3)(b), above.

(c) through (f) No Change.

(5) through (9) No Change.

Rulemaking Authority 121.4501(3)(c)4., (8)(a) FS. Law Implemented 121.051, 121.055, 121.35, 121.4501(2), (3), (4), (5), (6), (8), (15), 121.73, 121.74, 121.78, 215.44(8)(b), 1012.875(3) FS. History—New 10-21-04, Amended 3-9-06, 10-25-07, 12-8-08, 5-19-09, _____.



Florida Retirement System

EZ Retirement Plan Enrollment Form

For Regular, Special Risk, and Special Risk Administrative Support Class



Before completing this form, read the information on page 2.

RETIREMENT PLAN CHOICE - (You MUST complete this form and return it to the address noted below.)

Please print

Name: _____
(Last Name) (First Name) (Middle Initial)

Social Security Number: _____

I want to enroll in: (Choose only one by marking an X in the appropriate box.)

- ☐ **1. The FRS Pension Plan.** (Review page 2, Sections 1 and 3)
Designed for longer-term employees. It will pay you a guaranteed monthly retirement benefit based on a formula that includes your service and salary. **You qualify for a benefit after 6 years of service.**
- ☐ **2. The FRS Investment Plan.** (Review page 2, Sections 1, 2 and 3)
Designed for a more mobile workforce. Your benefit is based on the amount of money contributed to your account and its growth over time. **You qualify for a benefit after 1 year of service.**

(Note: A **Hybrid Option** is available if you have 5 years of previous Pension Plan service, and is designed to freeze your already accrued Pension Plan benefit and establish an Investment Plan account for all future employer contributions. If you are interested in this option, call the MyFRS Financial Guidance Line, Option 2 for additional information.)

SIGN HERE (Your form cannot be processed without your acknowledgement and signature.)

By signing this form, I acknowledge that I have read and understand the information on page 2 and certify all completed information above to be true and correct.

Signature

Date

Daytime Telephone Number

E-mail Address (Optional)

Employing Agency Name (Optional)

FAX OR MAIL YOUR COMPLETED FORM TO:

Fax: 1-888-310-5559
(Do **not** include a cover sheet and retain the original for your records)

Mail: FRS Plan Choice Administrator
P.O. Box 785027
Orlando, FL 32878-5027

(Do **not** mail this form to your employer or to the Division of Retirement and retain a copy for your records.)

CAUTION: Your form will not be processed if you submit a form that does not indicate your plan choice or does not have your signature or Social Security Number. You will be notified if your form is incomplete and was not processed. You must submit a new completed form in order for your plan choice to be processed. Please keep a copy for your records.

Your choice will become final at 4:00 p.m. (ET) on the day this form is received by the FRS Plan Choice Administrator. The form must be received on or before 4:00 p.m. on the last business day of the 5th month following your month of hire. If you later feel this retirement plan choice was made in error, you may be able to cancel it. Please call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2. Failure to notify us prior to the last business day of the month following your election month will void your right to cancel this election.

A confirmation statement will be mailed to your address of record once your completed form is received and processed. Please allow 2 to 3 weeks to receive it. Your address of record is submitted to the FRS by your employer. Make sure your employer is notified of any address changes.

MyFRS Financial Guidance Line 1-866-446-9377 (TRS 711) • MyFRS.com

IMPORTANT INFORMATION – Review Carefully

As a new employee covered by the Florida Retirement System (FRS), you have an opportunity to enroll in the FRS retirement plan of your choice. Your enrollment DEADLINE is 4:00 p.m. ET on the last business day of the 5th month following your month of hire. You must be actively employed earning salary and service credit when your form is received by the FRS Plan Choice Administrator. If it is subsequently determined that you were not eligible to make a plan choice, your election will be considered invalid and will be reversed. You can enroll online at MyFRS.com using the User ID and Password you create the first time you log on. You will need your original PIN when you log on the first time or if you want to enroll by calling the MyFRS Financial Guidance Line, Option 4. **If you do not actively enroll**, you will default into the FRS Pension Plan. **After you enroll**, you have a one-time future opportunity to switch from the FRS retirement plan you chose on this form to the other plan during your FRS career, and that there may be a cost for doing so. You **cannot** file a 2nd Election using this form. **Before you enroll**, use the **FREE** resources offered by the FRS to help you understand both retirement plans. These resources include:

- The toll-free MyFRS Financial Guidance Line: 1-866-446-9377, Option 2.
- The CHOICE SERVICE online benefits projection tool, available at MyFRS.com or through the MyFRS Financial Guidance Line, Option 2.

Section 1: Plan Choice

If you selected Option 1 (Page 1) (Elected the Pension Plan): You understand that you elected the FRS Pension Plan.

If you selected Option 2 (Page 1) (Elected the Investment Plan): You understand and acknowledge the following: Any accrued value you may have in the FRS Pension Plan will be transferred to your FRS Investment Plan account as your opening balance and is subject to the 6-year vesting requirement of the FRS Pension Plan. You understand that the initial transfer amount is an estimate and that your account will be reconciled within 60 days of that transfer using your actual FRS membership record pursuant to Florida law. You also direct that all future employer contributions will be deposited in your FRS Investment Plan account.

You are authorizing your Plan assets be invested in the **FRS Select Moderate Balanced Fund** as provided under Plan provisions, and understand that other investment funds are available to you. You understand that you can change your fund allocations at any time after your account is activated by logging onto MyFRS.com or by calling the toll-free MyFRS Financial Guidance Line, Option 4. You understand that the account will be accessible by the end of the month following the effective date of this election. You understand that you should review the Fund Profiles and the Investment Fund Summary at MyFRS.com before selecting any investment funds or filing this EZ Form. You understand that the FRS Investment Plan is not designed to facilitate short-term excessive fund trading. Foreign and global investment funds are subject to a minimum holding period of 7 calendar days following any non-exempt transfers into such funds and you may be subject to trading controls on the funds in the event that you trade excessively.

You understand that investment management fees will be deducted from your FRS Investment Plan account, that these fees may change in the future, and that funds may be added or terminated. You understand that if any of the funds you select in the FRS Investment Plan are terminated in the future, you will be able to move your assets into other investment funds prior to fund termination. If you do not move your assets in the terminated fund(s), the funds will automatically be moved into a replacement fund designated at that time. You understand that if you terminate employment and are vested in your account balance, you may be subject to a mandatory payout of your account if the balance is \$1,000 or less, or an account maintenance fee of \$6 per quarter if your account balance is more than \$1,000.

You understand that Sections 121.4501(8)(b)4 and 121.4501(15)(b) of Florida law incorporate the federal law concept of participant control, established by regulations of the U.S. Department of Labor under Section 404(c) of the Employee Retirement Income Security Act of 1974. If you exercise control over the assets in your Investment Plan account, pursuant to Section 404(c) regulations and all applicable laws governing the operation of the Investment Plan, no program fiduciary shall be liable for any loss to your account which results from your exercise of control.

You can find a description of your rights and responsibilities under the FRS Pension Plan and the FRS Investment Plan in the respective Summary Plan Descriptions, Florida Statutes, and Administrative Rules by calling the MyFRS Financial Guidance Line, Option 2, or visiting MyFRS.com.

Section 2: FRS INVESTMENT PLAN FUND SELECTIONS (Review this section if you select the FRS Investment Plan on Page 1)

You have 20 investment options to choose from. Please use the free MyFRS Financial Guidance Program resources to help you understand your investment fund choices. By using this EZ form, you are choosing to have your employer contributions (including any transfers from the Pension Plan) invested in the **FRS Select Moderate Balanced Fund**. This fund is a low-cost, moderate risk investment option that invests in a balanced mix of stock, bond, and money market funds. The Fund's mix of investments will change over time. You can change your investment fund selections after your account is activated by calling the MyFRS Financial Guidance Line, Option 4, or logging onto MyFRS.com. Transfer restrictions may apply.

Section 3: BENEFICIARY DESIGNATION

You can designate a beneficiary at any time. If you do not designate a beneficiary, your benefits (if any) will be distributed in the event of your death in accordance with s. 121.091(8) or s. 121.4501(20), Florida Statutes, as applicable. You can designate a beneficiary by completing a Beneficiary Designation Form (BEN-001 Pension Plan or IPBEN-1 Investment Plan). Both forms are available online at MyFRS.com or by calling the MyFRS Financial Guidance Line, Option 4.

State Board of Administration

Position Description

Position Number:	<u>00000001</u>	Human Resources Use Only Current Action: _____ Effective Date: _____ Last Revision Date: _____
Position Title:	<u>Executive Director & CIO</u>	
Department:	<u>100 - Executive Director</u>	
Current Incumbent:	<u>Williams Jr., Ashbel C</u>	
Wage Class:	<u>Executive</u>	
Salary Grade:	<u>023</u>	
Salary Range:	<u>\$250,000.00 - \$350,000.00</u>	
Hrs/Wk:		

Job Responsibilities:

Job Responsibilities Summary

The State Board of Administration (SBA) Trustees are the Governor as Chairman, the Chief Financial Officer as Treasurer, and the Attorney General as Secretary. The SBA has delegated to the Executive Director & CIO the authority and responsibility for all administrative, operational, back office, and investment management functions, in compliance with federal and state laws, administrative rules and policies of the SBA. The Executive Director & CIO responsibilities include the development of investment policies and the prudent investment of assets of the Florida Retirement System (FRS) Pension Plan (defined benefit), FRS Investment Plan (defined contribution), Lawton Chiles Endowment Fund (LCEF), Local Government Investment Pool, miscellaneous trust funds, Debt Service and other mandates and trusts. The Executive Director & CIO must discharge his/her fiduciary duties while adhering to the highest ethical, fiduciary, and professional standards.

**** Leadership Responsibilities ****

Maintain effective relationships with Trustees, members of the Investment Advisory Council, Participant Local Government Advisory Council, Audit Committee, legislators, clients, and other stakeholders.

Provide leadership to employees managing and directing the day-to-day operations of the SBA, including the administrative, procurement, personnel, budget and legislative liaison functions of the SBA.

Provide leadership to employees managing and directing the back office, accounting, corporate governance, and investment support functions of the SBA.

**** Investment Responsibilities ****

Provide leadership to employees managing and directing all aspects of the implementation and oversight of investment management functions to achieve risk and return objectives, including the strategic and tactical allocation of investment assets.

Provide leadership to employees developing specific individual investment portfolio objectives, policy guidelines and applying analytical models to measure risk tolerance and portfolio performance against appropriate benchmarks.

Provide leadership to employees maintaining diversified portfolios, and maximizing returns with respect to the broadly diversified market standards of individual asset classes, consistent with appropriate risk constraints.

Provide leadership to employees evaluating the appropriateness of the goals and objectives in light of actuarial studies and recommend changes to the Board when appropriate.

Review and approve investment strategies and annual investment work plans.

Provide leadership to employees monitoring investment performance and portfolio risk characteristics.

Oversee investment manager selection, retention, termination, and monitoring.

Consult with investment managers, investment consultants, industry experts, and peers.

Provide the Board with regular reports of investment activities.

State Board of Administration
Position Description

**** Enterprise Risk Management Responsibilities ****

Identify, monitor and control/mitigate key investment and operational risks.

Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.

Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.

Approve risk allocations and limits, including total fund and asset class risk budgets.

Job Requirements:

A bachelor's degree from an accredited college or university in finance, economics, accounting, or closely related field, 10 years of progressively complex investment related experience, including three years in senior management. Desirable academic qualifications include an MBA or CFA. Experience in the oversight of a multibillion dollar pension plan, preferably in the public sector, with experience in fiduciary responsibilities. Demonstrated senior executive leadership, policymaking experience, and familiarity with the securities and municipal finance industries are required.

1. Physical Demands: Primarily sedentary in nature with lifting of approximately 10 pounds with occasional lifting of small objects; sitting, standing, walking, talking, hearing, keyboarding.

2. General Requirements: Must be capable of executing all terms and conditions set forth in the SBA policies and procedures manual, including, but not limited to:

a. Works in a safety conscious manner, ensuring that safe work practices are used in order not to pose a risk to self or others in the workplace.

b. Complies with SBA rules, policies, and procedures which include local, state, and federal regulations.

c. Interacts in a tactful, diplomatic, and humanistic manner with supervisors, guests/visitors, and co-workers.

d. Maintains confidentiality of necessary information.

e. Performs any miscellaneous work assignments as may be required.

f. Maintains a dependable attendance record.

Supervisor's Position Number:	00000001	Supervisor's Title:	Executive Director & CIO
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Subordinate Position Number	Subordinate Title
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00000004	Chief Operating Officer
00000045	Sr Off-Ivst Prog & Governance
00000051	Sr Investment Policy Officer
00000062	General Counsel
00000098	Executive Assistant
00000150	Chief Operat Officer, FHCF
00000158	Sr DC Programs Officer
00000160	Dir of Communications
00000196	Chief of Internal Audit
00000215	Deputy Executive Dir
00000221	Inspector General
00000242	Sr. Officer of ERM

10-XXX Disclosure of the Use of Placement Agents

Current Update: TBD, 2009

Original Issuance: TBD, 2009

Purpose

This Policy sets forth the circumstances under which the State Board of Administration (SBA) shall require the disclosure of the use of Placement Agents in connection with SBA's investments in or through External Investment Managers. This Policy is intended to apply broadly to all of the types of investment partners with whom the SBA does business, including the general partners, managers, investment managers and sponsors of hedge funds, private equity funds, limited liability entities, and real estate funds, as well as investment managers (whether through a separate account or commingled trust) retained pursuant to a contract.

This Policy applies to all agreements with External Investment Managers that are entered into after the date this Policy is adopted. This Policy also applies to existing agreements with External Investment Managers if, after the date this Policy is adopted, the term of the agreement is extended, there is any increased commitment of funds by the SBA (excluding rebalancing and capital calls executed in the normal course of business) pursuant to the existing agreement as of the date of this Policy or there is an amendment to the substantive terms of an existing agreement, including the fees or compensation payable to the External Investment Manager.

Policy

It is the policy of the Executive Director & Chief Investment Officer (CIO) of the State Board of Administration (SBA) that:

All External Investment Managers must completely, accurately and timely disclose all Placement Agent relationships, and the SBA shall reserve the right to request information regarding compensation and fee arrangements between the External Investment Managers and such Placement Agents to the extent permissible under contractual terms between the External Investment Managers and Placement Agents.

Background and Implementation

This policy is being issued as an interim step in contemplation of the U.S. Securities and Exchange Commission (SEC) adopting more stringent measures regarding the use and compensation of Placement Agents. On July 22, 2009, SEC Commissioners voted unanimously to propose measures to curtail perceived abusive "pay to play" practices by investment advisors and Placement Agents. The proposed rule has undergone a 60 day

public comment period after publication in the Federal Register. However, a final rule has not been promulgated and an anticipated date for final rule issuance is uncertain. The SBA supports regulatory measures designed to protect the interest of beneficiaries and will revisit this policy after the adoption of a final rule by the SEC.

Disclosure Requirements

All External Investment Managers must provide the following information (the "Placement Agent Information Disclosure") to the SBA's Inspector General prior to contract execution (relating to both an initial and any subsequent additional investment) with the SBA:

- a) A statement whether the External Investment Manager, or any of its principals, employees, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any person (whether or not employed by the External Investment Manager) or entity to act as a Placement Agent in connection with any investment by the SBA, and if so, the name of the Placement Agent.
- b) A statement disclosing whether any Placement Agent has compensated or agreed to compensate, directly or indirectly, any third party (including a sub-contractor) to solicit an investment by the SBA or who is paid based upon an investment commitment by the SBA (Third Party Placement Agent).
- c) A resume for each officer, partner or principal of the Placement Agent and any Third Party Placement Agent, if applicable, soliciting the SBA in connection with any investment, detailing the person's education, professional designations, regulatory licenses and investment and work experience.
- d) A description of the services to be performed by the Placement Agent (including whether the nature of the services are either ministerial or influential) and a statement as to whether the Placement Agent is utilized by the External Investment Manager with all prospective clients or only with a subset of the External Investment Manager's prospective clients, and if the Placement Agent has retained a Third Party Placement Agent, a description of the actions taken by the Placement Agent to monitor and supervise the conduct of the Third Party Placement Agent in connection with a potential investment by the SBA.
- e) A statement confirming that the Placement Agent (including sub-contractors, if any) is registered with the SEC or the Financial Industry Regulatory Association or a similar regulatory body (which must be disclosed) in a country other than the United States.

Additionally, External Investment Managers must annually as of December 31 provide to the SBA's Inspector General an attestation regarding the accuracy of the Placement Agent Information Disclosure (including amendments) or an update of any changes to any of the information included in the Placement Agent Information Disclosure.

In cases where there is uncertainty whether a disclosure should be made pursuant to

this Policy, the Policy shall be interpreted to require disclosure.

Compensation and Fee Disclosures

The SBA shall reserve the right, as deemed necessary or appropriate, to inspect a description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include compensation to third parties, including sub-contractors, who are retained in order to solicit an investment from the SBA or who are paid based upon an investment commitment by the SBA.

This right of inspection shall exist to the extent the External Investment Manager is legally or contractually permitted to allow such inspection.

SBA Investment Staff Responsibilities

Asset class Senior Investment Officers (SIOs) shall provide External Investment Managers with a copy of this Policy at the time that due diligence in connection with a prospective investment or engagement begins.

SIOs shall confirm that the Placement Agent Information Disclosure has been received by the Inspector General and is in good form prior to the completion of due diligence and any recommendation to proceed with the engagement of the External Investment Manager or the decision to make any investment.

Registration Requirements

Placement Agents must be registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agency in a country other than the United States as a minimum condition of being allowed to work with the SBA in connection with an investment in or through an External Investment Manager. This minimum requirement would preclude Placement Agents, including sub-contractors, from representing External Investment Managers if they are not registered with the SEC, FINRA or any similar regulatory agency in a country other than the U.S.

Contractual Requirements

For new contracts and amendments to contracts existing as of the date of the Policy, the SBA shall require in the final written agreement (or amendment) between the SBA and the External Investment Manager the following: (1) the External Investment Manager shall be solely responsible for, and the SBA shall not pay (directly or indirectly), any fees, compensation or expenses for any Placement Agent used by the External Investment Manager; (2) the External Investment Manager shall represent and warrant that there is no misrepresentation, omission or inaccuracy in the Placement Agent Information Disclosure (including any amendments) or any attestation related to the Placement Agent Information Disclosure; (3) the External Manager shall covenant and agree annually as of December 31 to attest that the information included in the Placement

Agent Information Disclosure (including any amendments) continues to be accurate or otherwise to update such information to reflect any changes; and (4) the SBA shall have the right to inspect any and all agreements between the External Investment Manager and the Placement Agent as the SBA deems necessary or appropriate, but only to the extent the External Investment Manager is legally or contractually permitted to allow such inspection.

Violations

The Inspector General shall report material violations of this policy to Executive Director & CIO and Deputy Executive Director as soon as practical after discovery.

Compliance

The asset class SIOs and Inspector General are assigned primary responsibility for compliance with this policy. The asset class SIOs and Inspector General are responsible for instructing and counseling their staff on the requirements of this Policy and ensuring that departmental policies and guidelines conform to this Policy.

The Inspector General may develop additional procedures to implement this policy and shall maintain sufficient documentation to demonstrate compliance with this policy.

Compliance and Enterprise Risk Management may review and test compliance with this policy as deemed necessary.