

**MEETING OF THE STATE BOARD OF ADMINISTRATION**

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

**December 11, 2012**

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**AGENDA**

**ITEM 1. REQUEST APPROVAL OF THE MINUTES OF THE SEPTEMBER 18, 2012 AND OCTOBER 9, 2012 MEETINGS.**

**(See Attachments 1A and 1B)**

**ACTION REQUIRED**

**ITEM 2. REQUEST APPROVAL OF A FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$560,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION PUBLIC EDUCATION CAPITAL OUTLAY REFUNDING BONDS, 2013 SERIES (TO BE DETERMINED).**

**(See Attachment 2A)**

**ACTION REQUIRED**

**ITEM 3. REQUEST APPROVAL OF A FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$125,000,000 STATE OF FLORIDA, DEPARTMENT OF TRANSPORTATION TURNPIKE REVENUE REFUNDING BONDS, SERIES 2012 (TO BE DETERMINED).**

**(See Attachment 3A)**

**ACTION REQUIRED**

**ITEM 4. REQUEST APPROVAL OF A FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$15,600,000 STATE OF FLORIDA, BOARD OF GOVERNORS, FLORIDA ATLANTIC UNIVERSITY PARKING FACILITY REVENUE BONDS, SERIES 2012A AND APPROVAL OF A FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$10,500,000 STATE OF FLORIDA, BOARD OF GOVERNORS, FLORIDA ATLANTIC UNIVERSITY PARKING FACILITY REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED) .**

**(See Attachments 4A AND 4B)**

**ACTION REQUIRED**



- ITEM 5. REQUEST APPROVAL OF REVISED COMPREHENSIVE INVESTMENT PLANS FOR THE STANLEY G. TATE FLORIDA PREPAID COLLEGE PROGRAM AND THE FLORIDA 529 SAVINGS PLAN. THE REVISIONS WERE RECOMMENDED BY THE FLORIDA PREPAID COLLEGE BOARD'S INVESTMENT CONSULTANT, CALLAN ASSOCIATES, INC., AND APPROVED BY THE FLORIDA PREPAID COLLEGE BOARD AT THEIR MEETING ON SEPTEMBER 20, 2012.**

(See Attachments 5A through 5G)

**ACTION REQUIRED**

- ITEM 6. REQUEST APPROVAL OF SBA QUARTERLY REPORT REQUIRED BY THE PROTECTING FLORIDA'S INVESTMENTS ACT (PFIA).**

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

(See Attachment 6A)

**ACTION REQUIRED**

- ITEM 7. REQUEST APPROVAL OF A DRAFT LETTER TO THE JOINT LEGISLATIVE AUDITING COMMITTEE AFFIRMING THAT THE SBA TRUSTEES HAVE "REVIEWED AND APPROVED THE MONTHLY [FLORIDA PRIME AND FUND B MANAGEMENT SUMMARY] REPORTS AND ACTIONS TAKEN, IF ANY, TO ADDRESS ANY [MATERIAL] IMPACTS," AND "HAVE CONDUCTED A REVIEW OF THE [FUND B] TRUST FUND AND THAT THE TRUST FUND IS IN COMPLIANCE WITH THE REQUIREMENTS OF THIS SECTION." (SECTIONS 218.409(6)(a)1 AND 218.421(2)(a), F.S.).**

During the third quarter of 2012, there were no material impacts. Copies of the July, August, and September 2012 reports are attached.

(See Attachments 7A through 7D)

**ACTION REQUIRED**

- ITEM 8. QUARTERLY REPORTS PURSUANT TO SECTION 215.44 (2)(e), FLORIDA STATUTES**

- Executive Director & CIO Introductory Remarks and Standing Reports – *Ash Williams*
- Major Mandates Investment Performance Reports as of June 30, 2012 – *Mike Sebastian & Kristen Doyle – Hewitt EnnisKnupp*
  - Florida Retirement System Pension Plan (DB)
  - Florida Retirement System Investment Plan (DC)
  - Florida PRIME (Local Government Surplus Funds Trust Fund) and Fund B
  - Florida Hurricane Catastrophe Fund (FHCF)

(See Attachments 8A through 8H)

**INFORMATION/DISCUSSION ITEMS**

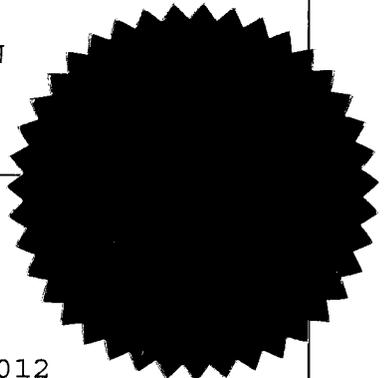


S T A T E   O F   F L O R I D A

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JOINT MEETING OF THE  
CABINET OF THE STATE OF FLORIDA  
AND THE  
STATE BOARD OF ADMINISTRATION

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DATE: September 18, 2012

LOCATION: Cabinet Meeting Room, LL-03  
The Capitol  
Tallahassee, Florida

TIME: Commenced at 10:10 a.m.  
Concluded at 10:46 a.m.

REPORTED BY: MARY ALLEN NEEL  
RPR, FPR

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

Representing the Florida Cabinet:

RICK SCOTT  
Governor

PAM BONDI  
Attorney General

JEFF ATWATER  
Chief Financial Officer

\* \* \*



I N D E X

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P R O C E E D I N G S

1  
2 GOVERNOR SCOTT: All right. Now I would like  
3 to recognize the executive director, Ash Williams,  
4 of the State Board of Administration. Good  
5 morning, Ash.

6 MR. WILLIAMS: Good morning, Governor and  
7 Trustees. How is everything?

8 A couple of things today. As usual, I'll  
9 start out with an update on where we are. I'm  
10 going to give you numbers calendar year-to-date,  
11 because the fiscal year just ended, so that's no  
12 longer data series in the current period.

13 Through last night's close, the FRS Trust Fund  
14 is up 12.36 percent calendar year-to-date. That's  
15 70 basis points ahead of target and leaves us with  
16 \$128.6 billion in value. So unless there are any  
17 questions on that, I'll go ahead and --

18 GOVERNOR SCOTT: Ash, when do we get the  
19 calculation of how far underfunded we are on the  
20 Pension Plan? Is that October?

21 MR. WILLIAMS: The group that sets the  
22 estimating parameters for how those calculations  
23 are done meets in October. We'll probably get the  
24 updated calcs, I would guess, subsequently,  
25 probably Decemberish.

1 GOVERNOR SCOTT: Oh, is it December?

2 MR. WILLIAMS: Yes, sir.

3 GOVERNOR SCOTT: Okay. Thank you.

4 MR. WILLIAMS: Item 1, request approval of the  
5 minutes of the June 26 quarterly meeting.

6 GOVERNOR SCOTT: Is there a motion to approve?

7 ATTORNEY GENERAL BONDI: So moved.

8 GOVERNOR SCOTT: Is there a second?

9 CFO ATWATER: Second.

10 GOVERNOR SCOTT: Moved and seconded. The item  
11 is approved without objection.

12 MR. WILLIAMS: Thank you. Item 2, request  
13 approval of a fiscal sufficiency of an amount not  
14 exceeding \$278 million State of Florida, full faith  
15 and credit, Department of Transportation  
16 right-of-way acquisition and bridge construction  
17 refunding bonds.

18 GOVERNOR SCOTT: All right. Is there a motion  
19 to approve? It's 2 and 3, Items 2 and 3; right?

20 CFO ATWATER: So moved.

21 GOVERNOR SCOTT: Is there a second?

22 ATTORNEY GENERAL BONDI: Second.

23 GOVERNOR SCOTT: Moved and seconded. Items 2  
24 and 3 are approved without objection.

25 MR. WILLIAMS: Thank you. Item 4, request

1 approval of a fiscal determination in connection  
2 with the issuance of an amount not exceeding  
3 \$2,750,000 Florida Housing Finance Corporation  
4 multifamily mortgage revenue bonds.

5 GOVERNOR SCOTT: Is there a motion to approve?

6 ATTORNEY GENERAL BONDI: So moved.

7 CFO ATWATER: Second.

8 GOVERNOR SCOTT: Moved and seconded. The item  
9 is approved without objection.

10 MR. WILLIAMS: Thank you. Item 5, approval of  
11 the SBA quarterly report required by the Protecting  
12 Florida's Investments Act.

13 GOVERNOR SCOTT: All right. Is there a motion  
14 to approve?

15 ATTORNEY GENERAL BONDI: So moved.

16 GOVERNOR SCOTT: Is there a second?

17 CFO ATWATER: Second.

18 GOVERNOR SCOTT: Moved and seconded. The item  
19 is approved without objection.

20 MR. WILLIAMS: Thank you. Item 6, request  
21 approval of a draft letter to the Joint Legislative  
22 Auditing Committee affirming that the SBA Trustees  
23 have reviewed and approved the monthly Florida  
24 PRIME and Fund B management summary reports and  
25 actions taken to address material impacts. There

1 have been no material impacts.

2 GOVERNOR SCOTT: Is there a motion to approve?

3 CFO ATWATER: So moved.

4 GOVERNOR SCOTT: Is there a second?

5 ATTORNEY GENERAL BONDI: Second.

6 GOVERNOR SCOTT: Moved and seconded. The Item  
7 is approved without objection.

8 MR. WILLIAMS: Thank you. For Item 7, this is  
9 the proposed rule for the reimbursement contract  
10 for the Cat Fund for 2013, not a controversial item  
11 at all, very much routine. But I did think this  
12 would be an opportunity to provide a little update  
13 and 2013-14 season preview for the Cat Fund, if  
14 that makes sense. So I did bring one slide, and  
15 there are a couple of points I wanted to make.

16 First of all, the Cat Fund under the glide  
17 path legislation passed in 2009 I think has  
18 continued to strengthen, as reflected by several  
19 things, and some of these improvements are a direct  
20 result of that legislation.

21 First of all, the temporary increased coverage  
22 limits, also known as TICL, have come down pretty  
23 significantly. That legislation did two things.  
24 It reduced the capacity of the TICL that would be  
25 available in the TICL layer of each year for a

1 series of years until it effectively goes away. It  
2 also increased the price of that coverage by a  
3 multiple of the actuarially indicated premium level  
4 each year in successive years, with the objective  
5 of eventually driving that coverage out of the Cat  
6 Fund and back into the private market.

7 It has worked, as reflected by the fact that  
8 in 2009, the TICL layer was some \$12 billion. Next  
9 year, it will be -- the available amount, not the  
10 amount we will have, the available amount will be  
11 2 billion, but it will at a price of six times the  
12 actuarially indicated premium.

13 So one would think that most insurance  
14 companies, primary insurers who would seek  
15 reinsurance would probably not elect to buy that  
16 coverage. They would go into the private re  
17 market, which is, I think, an appropriate  
18 direction.

19 So the amount of TICL out there is down very  
20 dramatically. Its price has also increased  
21 materially.

22 Secondly, the glide path legislation of 2009  
23 contained a provision known as the rapid cash  
24 build-up factor. And the way this worked was to  
25 say that in addition to the actuarially indicated

1 premium, the cash flows into the Cat Fund each year  
2 would be increased by an amount in year one of  
3 5 percent greater than the actuarially indicated  
4 premium, and that amount would increase by an  
5 additional 5 percent every year until it reached a  
6 level of 25 percent over and above the actuarially  
7 indicated premium. The notion here is to increase  
8 the cash position of the Cat Fund, thereby reducing  
9 reliance on debt market access subsequently.

10 So where are we with that? Next year the  
11 rapid cash build-up factor will hit a level, I  
12 believe, of 25 percent, and we currently have cash  
13 on hand of \$8.5 billion. Of course, we have again  
14 been fortunate this hurricane reason. We don't  
15 know whether that good luck holds true for the  
16 remainder of the season --

17 (Cabinet members "knocking on wood.")

18 MR. WILLIAMS: Thank you. Exactly.

19 But if it does, we would come into next season  
20 with the current 8.5 billion in cash plus an  
21 estimate premium somewhere on the order of a  
22 billion 3 for next year, which would put us at  
23 9.8 billion coming into next hurricane season,  
24 which I believe -- and Jack could correct me on  
25 this, but I think that's sufficient for at least a

1 1-in-20-year event, if not more, without any debt  
2 issuance at all.

3 Now, that then brings you to the ultimate  
4 mechanism for how the Cat Fund would meet its  
5 obligations if we had a major event that caused us  
6 to go through our cash resources, or potential  
7 sequential events, as we've seen in some prior  
8 seasons.

9 But basically, there would be two different  
10 forms of debt issuance available to us. One would  
11 be post-event, which is tax-exempt. And that debt  
12 is then serviced by assessments made on other lines  
13 of insurance. In the 18 years the Cat Fund has  
14 existed, there has only been a single hurricane  
15 season where losses were at a level that triggered  
16 post-event issuance. That was 2005. And we've got  
17 some outstanding bonds from that issuance  
18 currently.

19 The other option is pre-event financing, which  
20 one can do, as its name implies, prior to a loss  
21 experience. That sort of financing is taxable, not  
22 tax-exempt. And we're considering that currently.  
23 As you know, we've had discussions with all of your  
24 offices to potentially better position us for a  
25 1-in-100-year event.

1           The reason that a potential 1-in-100-year  
2           event and the reason we would talk about that now,  
3           notwithstanding this cash position, as we all  
4           learned in 2008, there can be events that are  
5           unexpected that effectively shut down liquidity in  
6           the global capital markets, which could make  
7           accessing the debt markets inopportune right when  
8           we needed it.

9           By the same taken, we've seen continual --  
10          continuing people in the sovereign credit markets,  
11          primarily in Europe -- we don't know quite how that  
12          will finish out. But here again, the thought was  
13          that it might make sense in a low rate environment  
14          to do some pre-event issuance, put a little more  
15          cash in the bank, and be that much stronger at such  
16          time as we may ever need to call upon it.

17          The other thing that goes without saying is,  
18          there will be continuing discussion of reforms, I  
19          believe, in the Legislature that could further  
20          reduce the liabilities of the Cat Fund, and if you  
21          can keep going down that path of constricting  
22          liabilities and increasing cash strength, then  
23          you're stronger and more prudent and on sounder  
24          footing all the way, and that's the direction we're  
25          hoping to go.

1 GOVERNOR SCOTT: Thank you.

2 MR. WILLIAMS: Thank you. So with that, we  
3 have Item 7, request approval and authority to file  
4 a notice of proposed rule for the reimbursement  
5 contract and to file that rule and incorporate the  
6 forms.

7 GOVERNOR SCOTT: Is there a motion to approve?

8 CFO ATWATER: So moved.

9 GOVERNOR SCOTT: Is there a second?

10 ATTORNEY GENERAL BONDI: Second.

11 GOVERNOR SCOTT: Moved and seconded. The item  
12 is approved without objection.

13 MR. WILLIAMS: Thank you. With that, why  
14 don't we go ahead and move into our quarterly SBA  
15 meeting. We have several things to do. We have a  
16 number of standing reports in from in our various  
17 advisory councils, Audit Committee, et cetera. And  
18 I would say at the onset just a couple of things.

19 First of all, on the most fundamental level,  
20 we continue to be pretty pleased with the way the  
21 investment performance is holding up relative to  
22 our performance targets. As you heard earlier, we  
23 continue to be ahead of benchmarks.

24 That said, it is certainly possible that one  
25 can beat a benchmark on a relative basis, but still

1 have a problem on an absolute basis. For example,  
2 if you look at short-term rates, they're extremely  
3 low. If you beat your target, you still have an  
4 extremely low return, which may or may not get you  
5 to where you want to be to address the liabilities  
6 that you're investing to address. But in terms of  
7 our investment discipline and the way the  
8 organization is functioning, I think everything is  
9 good there.

10 I would say also that several of the  
11 compliance and control mechanisms that we've put in  
12 place in recent years are maturing nicely and  
13 functioning very effectively. You will see the  
14 report from Eric Nelson, our chief risk and  
15 compliance officer, in the tabs under Tab 8, and  
16 you will note a couple of things.

17 First of all, his standard dashboard is in  
18 place that basically shows all the normal checks  
19 for compliance have been accomplished and are  
20 positive.

21 Secondly, you will note that his team has done  
22 a self-assessment, and from that, we have validated  
23 the perception of primary risks across all of our  
24 professional staff. And in turn, from those, we  
25 have built a strategic plan looking forward several

1 years to ensure that we appropriately address those  
2 risks.

3 Likewise, on the compliance and control side,  
4 you will remember we added a new inspector general  
5 earlier this year, and Ken Chambers has done a  
6 great job in that role. We've had several little  
7 things that have popped up that Ken has done a  
8 terrific job of managing, and he's a great resource  
9 for us, and we're glad to have him aboard. He's  
10 fulfilling a very constructive function.

11 We have a couple of things on the horizon in  
12 the big picture that you're well aware of. The FRS  
13 litigation, of course, oral arguments were heard on  
14 that recently, and we're all watching that to see  
15 where that goes.

16 I also wanted to note on the subject of  
17 corporate governance, as we have gone global in our  
18 equity portfolio, our corporate governance team led  
19 by Mike McCauley has taken on a tremendous effort  
20 in voting proxies globally and has done, I want to  
21 say, more than 7,000 issues voted. I'm going to  
22 say roughly 77 percent, I think is the number, of  
23 those proxies, we have voted with management.

24 There have been a few places where we've  
25 chosen to part ways. You've read about a few of

1           those. And generally what we do is uphold the  
2           economic interest of our stakeholders. We're held  
3           to a high level of transparency and accountability,  
4           and we'll do the same for companies in which we are  
5           owners on behalf of our beneficiaries.

6           So unless there are any questions on those  
7           points, why don't we go ahead and launch into some  
8           of our reports. We had the usual very thorough  
9           meeting of the Investment Advisory Council  
10          yesterday. I thank you again for the quality of  
11          the appointees you've provided us there. And we  
12          have Mr. David Grain, the chairman of that Advisory  
13          Council, here, who can give you have a report on  
14          yesterday's proceedings if you're ready for that.

15                 GOVERNOR SCOTT: Thank you. Good morning.

16                 MR. GRAIN: Good morning. Governor Scott,  
17          Attorney General Bondi, CFO Atwater, and  
18          Commissioner Putnam, thanks for giving me the  
19          opportunity to address you today. I'm pleased to  
20          provide you with an update on the activities of the  
21          Investment Advisory Council. Since my last report,  
22          two meetings have been held by the IAC, including a  
23          telephonic meeting on August 16th and an in-person  
24          meeting yesterday, September 17th.

25                 During the telephonic meeting, I presented a

1 summary of responses received to the compensation  
2 consultant Request for Qualifications which was  
3 issued in early July. I also presented the  
4 recommendation of the compensation consultant  
5 review team. That review team consisted of two SBA  
6 staff members, the COO and CFO, Kathy Whitehead,  
7 and the deputy executive director of the SBA, Kevin  
8 SigRist, and myself.

9 After a presentation by the finalist, the  
10 recommendation of the Mercer Consulting Group was  
11 unanimously accepted subject to a few  
12 administrative matters which were subsequently  
13 satisfied.

14 During yesterday's in-person meeting of the  
15 IAC, the council received overview comments from  
16 Executive Director Ash Williams outlining the  
17 progress of the SBA's activities, which you just  
18 heard. In addition, the representatives of our  
19 compensation consultant, Mercer, presented a  
20 progress to date, as well as a proposed road ahead  
21 based on interviews and focus groups comprised of  
22 various members of the SBA staff and individual  
23 interviews with members of the IAC.

24 They will continue their work, which will  
25 include several position-by-position market

1           analyses. And we expect a presentation of their  
2           final report at our December IAC meeting. It's my  
3           hope to be in a position to provide a  
4           recommendation to the Trustees on a compensation  
5           plan for the SBA staff following the December IAC  
6           meeting.

7           During yesterday's meeting, we also were  
8           provided with a detailed performance review of each  
9           of the major mandates of the SBA by our consultant,  
10          Hewitt EnnisKnupp, and they're with us today and  
11          will present the same to you shortly.

12          The focus of yesterday's meeting also included  
13          a detailed review of our real estate portfolio and  
14          the real estate marketplace. In terms of the  
15          marketplace, we received a synopsis of the  
16          performance by strategy and by global geographic  
17          region, and our real estate portfolio continues to  
18          perform well.

19          A consistent theme between the segments of the  
20          strategic asset class, which is shared by the real  
21          estate asset class, is a correlation between  
22          smaller funds and niche managers and historical  
23          outperformance relative to larger funds. It was  
24          therefore proposed and unanimously accepted that  
25          the IAC will instruct the SBA staff to explore

1 methods of systematically identifying smaller  
2 managers for selection in our strategic category.

3 Finally, at yesterday's meeting, an audience  
4 was present, although there were no comments or  
5 questions from the public.

6 This concludes my report. Do you have any  
7 questions?

8 CFO ATWATER: No thanks.

9 MR. GRAIN: Thank you.

10 GOVERNOR SCOTT: Thank very much.

11 MR. WILLIAMS: Thank you. Why don't we then  
12 move forward to the Audit Committee, which again is  
13 hitting on all cylinders, meeting with regularity  
14 and doing a terrific job. The chairman, Mr. Rolf  
15 Engmann, is with us this morning.

16 GOVERNOR SCOTT: Good morning.

17 MR. ENGMANN: Good morning. Thank you for  
18 better weather this time. Last time there was a  
19 tropical storm. I drove up this morning, and I-10  
20 is still open.

21 The first matter of business is, we have spent  
22 quite a bit of time with Ash and with the  
23 management team bringing more current the  
24 qualifications and what it means to be a member of  
25 the Audit Committee, so we've put in the package

1 refinements and changes to the original charter,  
2 which includes the qualifications that have been  
3 vetted out. So I ask the Trustees, if you would,  
4 to put a motion together to accept the revisions to  
5 the charter, which also include the qualifications  
6 of the Audit Committee.

7 GOVERNOR SCOTT: Is there a motion to approve?

8 ATTORNEY GENERAL BONDI: So moved.

9 CFO ATWATER: Second.

10 MR. ENGMANN: Thank you so much.

11 We've had pretty busy meetings the last two  
12 times. This is the time of year, both in our June  
13 and August meeting, when we go through plans, both  
14 the external audit plans and the internal audit  
15 plans, so we've spent a lot of time looking at the  
16 entity involving risk associated with any potential  
17 changes in the alternative investments. And I'm  
18 pleased to say that both the internal audit and the  
19 external audit plans, namely, Ernst & Young, have  
20 brought in quite a bit more resources, and they've  
21 done a lot more research relative to the unique  
22 nature of the alternative investments, plus the  
23 continued risks that we have inherently in private  
24 equity, et cetera, et cetera. So the Audit  
25 Committee approved both plans, both the internal

1           audit plan and the external audit plan.

2           In addition, as we went through and updated  
3           our charter for the Audit Committee, we did the  
4           same for the internal audit department, and we  
5           followed the Institute of Internal Auditors'  
6           professional standards for that, so they're synched  
7           up with our new responsibilities as well.

8           The internal auditors have spent a lot of time  
9           in auditing financial reporting. Financial  
10          reporting is a key element of COSO, which is the  
11          international standard for enterprise risk  
12          management for financial reporting. So Florida and  
13          her staff have built in and worked very carefully  
14          with Kathy to make sure that the entire financial  
15          reporting process is in synch with all the other  
16          practices going on in the operations of the SBA.

17          In our follow-up process, we talk about A and  
18          B items. A items are the ones that come as a  
19          result of an internal audit. And I'm pleased to  
20          say that those items have fallen by a net of three  
21          items to 30. That means that all the new stuff  
22          that came in and the old stuff that came off,  
23          actually, for the first time in a long time, we  
24          have a net reduction in things that we're still  
25          following up on.

1           Of note, there are five items there that are  
2           being worked on. There's no problems with them,  
3           but they're considered of high risk, and they're  
4           primarily in the real estate area. Nothing to be  
5           worried about, but we are following them very  
6           closely, since real estate has become a greater  
7           emphasis.

8           The Class B items are things done by  
9           consultants and external parties that internal  
10          audit doesn't necessarily go through and reaudit or  
11          attest to their work, but we've incorporated a  
12          practice that internal audit goes into each of the  
13          areas of the SBA. Knowing these recommendations,  
14          Florida and her staff will go through and make sure  
15          that they've been incorporated. And to the extent  
16          they are a strength in the system of internal  
17          controls, they're duly noted, and they're  
18          incorporated to make sure that we do audit them or  
19          we put some reliance on there.

20          So as a result of that, we actually had 73 of  
21          the 100-plus items that had been accumulated over  
22          the last two or three years that we basically had  
23          moved off an open item and put them into "they're  
24          done." They're pretty much either incorporated,  
25          we've validated them, or in fact, the operations of

1 the company have endorsed the recommendations. So  
2 we're down to 34 open items that came from  
3 consultants.

4 And of those 34, 19 of them are Crowe Horwath  
5 report items. They're all in the future. In other  
6 words, there were deadlines established last  
7 October by the internal staff, primarily the  
8 compliance staff that is doing most of the  
9 follow-up work.

10 So everything is operating just right on  
11 target. There are some extensions that we've been  
12 made aware of, but they're mainly consistent with  
13 systems that are not up to speed yet. So we're  
14 very pleased as a committee that both management  
15 and Eric are doing a great job following up on the  
16 Crowe Horwath reports, and they're being embedded  
17 into the systems that operate within the SBA.

18 In addition, the compliance and internal risk  
19 management -- excuse me, enterprise risk management  
20 teams, for the first time, they've gone through and  
21 done a self-assessment of their compliance  
22 programs. This has been a recommendation not only  
23 from Deloitte, but from Crowe Horwath.

24 So they've gone through, and they used the  
25 best practices they could get their hands on too.

1           And it's a work in progress, but having had it  
2           presented at our last meeting, it's a long step  
3           away that basically institutionalizes a lot of the  
4           strength behind the compliance program that Eric  
5           has put in place, so we're very pleased with that.

6           And finally, Eric and his staff through the  
7           ERM process, they've become involved on the front  
8           end with the strategic plan. That's one of the  
9           best practices you can have in a risk management  
10          practice, that instead of worrying about what  
11          doesn't work in the future, you basically involve  
12          all the strategic ideas and the directions you're  
13          going to, and they basically weigh in on the  
14          strategic risk or the risk of execution. So we're  
15          pleased to see that they incorporated ERM into the  
16          strategic planning process, and that will yield  
17          even better results later on.

18          So that's my report. Any questions?

19          GOVERNOR SCOTT: Have you got anything?

20          CFO ATWATER: No.

21          GOVERNOR SCOTT: Thank you very much.

22          MR. ENGMANN: Thank you.

23          MR. WILLIAMS: Thank you. For the Participant  
24          Local Government Advisory Council, which met very  
25          recently down in Tampa, Chairman Dan Wolfson was

1 not able to be with us today. His report is in the  
2 book, and I would suffice it to say things are  
3 going well there as well.

4 One of the things we've adopted in the past  
5 couple of meetings for the PLGAC is, we've included  
6 a special presentation on the Pool B assets, which  
7 are progressing well. I think we've now refunded  
8 back to the original investors approximately  
9 88 percent of the value of those assets, and we  
10 continue to push money out at the rate of 4, 5, 6  
11 million dollars a month, depending on what comes  
12 in.

13 I also wanted to point out that, while we have  
14 not called him up to speak, we do have to our IG  
15 present, our general counsel, our chief risk and  
16 compliance officer -- their reports are all here.  
17 If you have any questions for any of them that you  
18 would like to ask directly, please don't hesitate.

19 Beyond that, unless there are any other  
20 questions on the reports, I would simply add that  
21 we thought that perhaps at the IAC meeting in  
22 December, we might review the overall format that  
23 we're using for these meetings.

24 Governor, when you came into office, and the  
25 other Trustees, one of the directions we received

1 that I thought was good was, why don't we base our  
2 quarterly meeting format on what the fiduciary  
3 council tells us are the right areas for you as  
4 fiduciaries to be aware of, and do that thoroughly,  
5 but efficiently, and that's what we've striven to  
6 do. I think we're hitting a pretty good rhythm  
7 here, but we want to make sure that's your  
8 perception as well, and change as needed.

9 So unless there are any other questions or  
10 comments, why don't we go over to Mr. Mike  
11 Sebastian of Hewitt EnnisKnupp and get an update on  
12 his progress in moving to Florida and look at the  
13 performance of the major mandates.

14 GOVERNOR SCOTT: You know how you need to  
15 start, right, Mike? It starts with the house.

16 MR. SEBASTIAN: I wish I could report some  
17 progress on moving to Florida. I can only talk  
18 about successful investments here in Florida.

19 GOVERNOR SCOTT: You're young. You're going  
20 to get here.

21 MR. SEBASTIAN: Thank you for having me this  
22 morning. I'll have a brief presentation on the  
23 performance of the various mandates managed by the  
24 SBA for the periods ending June 30th.

25 And by way of general summary, performance

1 continues to be excellent on a relative basis.  
2 Each one of the mandates managed by the SBA  
3 outperformed their benchmark defined by its  
4 investment strategy for every period or  
5 approximated the benchmark return for every period  
6 reported in our report today.

7 And I'll begin by covering in more detail the  
8 Pension Plan for periods ranging up to 15 years and  
9 even longer in a moment. This is \$122.7 billion as  
10 of June 30th.

11 And we show investment performance in two  
12 different ways. The actual performance is shown in  
13 yellow, and we show the performance benchmark  
14 results in blue. That represents the Pension  
15 Plan's investment strategy, so the asset classes in  
16 which it invests weighted by the proportions in  
17 which they've investing, and then in green, the  
18 absolute nominal target rate of return, which is  
19 the CPI rate of inflation plus 5 percent.

20 Over every period shown here, the Pension Plan  
21 has outperformed its performance benchmark by, in  
22 some cases, relatively significant margins. And  
23 that represents good implementation performance,  
24 both in choice of individual investments within the  
25 asset categories and performance of the outside and

1 internal investment managers that are chosen to  
2 manage those investments.

3 So as I'll talk about a little bit later, it's  
4 very important for the long-term results of the  
5 plan to have value added in this way relative to  
6 the performance benchmark.

7 Performance relative to the absolute nominal  
8 target rate of return, again, inflation plus  
9 5 percent, and that's shown in green, that is the  
10 long-term rate of return target, which is roughly  
11 equivalent to what is needed for the plan to be  
12 financially stable in the long term. And that is a  
13 long-term comparison over shorter periods of time,  
14 even long shorter periods of time.

15 Depending on the results of the public stock  
16 markets in particular, the fund can be better or  
17 worse than that, but we expect it to outperform  
18 over the long periods. Performance relative to  
19 that comparison has been mixed, positive over the  
20 three-year period and trailing it over other  
21 periods shown here. Over the longer time periods,  
22 the 20- and 25-year periods shown here, the fund  
23 has earned a return in excess of that target, which  
24 is a positive.

25 GOVERNOR SCOTT: So based on what Treasuries

1 are, the expectation is that we're going to have  
2 low inflation; right?

3 MR. SEBASTIAN: That's right.

4 GOVERNOR SCOTT: So that should be -- we're  
5 underfunded now, but if we were 100 percent funded,  
6 we still would expect to hit a 7.75 percent return;  
7 right?

8 MR. SEBASTIAN: That's right.

9 GOVERNOR SCOTT: Okay.

10 MR. SEBASTIAN: The exhibit here shows two  
11 things: One, a comparison of the plan relative to  
12 a peer group, and it's kind of instructive for a  
13 discussion of investment strategy. What's shown  
14 here on the left is the FRS Total Fund, so  
15 essentially the investment strategy as it stands  
16 now, the actual asset allocation; and on the right,  
17 the TUCS Top Ten -- that's Trust Universe  
18 Comparison System -- analysis of the biggest ten  
19 defined benefit pension plans, both public and  
20 corporate, but mostly public given that size,  
21 \$1.1 trillion in total assets, median fund size  
22 about 109 billion, so smaller than the FRS, but  
23 still a reasonably comparable group.

24 So it's instructive to see how the investment  
25 strategy of the SBA differs from a large group of

1 peers. There's more global equity in the Pension  
2 Plan portfolio, slightly less alternative  
3 investments, and about the same allocation to fixed  
4 income, so about 25 percent both for FRS and for  
5 the top ten group.

6 We see the inverse of that 25 percent. The  
7 75 percent is the allocation to risky assets or  
8 return-seeking assets, and we see that as sort of a  
9 measure of the overall growth orientation or  
10 riskiness of the portfolio. And so we would say  
11 that the FRS Total Fund is about the same as this  
12 large group of peers in terms of its risk taking.

13 Where it differs a little bit is in the way it  
14 takes risks. To the extent there's a lower  
15 allocation now in alternative investments, there's  
16 more of an emphasis of equity markets in the FRS's  
17 investments than peers'. And some argue that  
18 alternative investments have a better risk-return  
19 tradeoff and a better ability to diversify.

20 The FRS is shifting in that direction. There  
21 has been discussion in this room over the past few  
22 years, and that continues apace as we move toward  
23 the expanded authority policy with larger  
24 allocations to strategic investments, and to an  
25 extent, private equity and real estate. And we

1 believe that's a best practice, taking less risk in  
2 the public equity markets and more risk with  
3 alternative investments that have a better  
4 risk-return tradeoff.

5 Performance relative to this group is shown  
6 here over periods of a quarter up to ten years.  
7 Performance relative to this group that has been  
8 challenging, largely because of asset allocation  
9 differences. Again, the lower than peers weight to  
10 alternative investments has made it more difficult  
11 to match or exceed the median top ten performance.

12 A couple of factors of note in discussing  
13 this, though. One is that these are results gross  
14 of fees, because that's the way the data is  
15 available. Were it net of fees, FRS's gap would be  
16 narrowed somewhat, because SBA is a low-cost  
17 provider of these investment services, lower than  
18 peers.

19 And also, I just wanted to note the value  
20 added returns over these various periods of the  
21 actual portfolio relative to the investment  
22 strategy. You know, institutional investors a lot  
23 of times get some grief for not doing well relative  
24 to their benchmarks, and I just wanted to note how  
25 well the SBA has done relative to its benchmarks

1 here:

2 Over the one-year period, value added, which  
3 we saw mathematically on an earlier chart,  
4 0.8 percent; three years, 1.3 percent; five years,  
5 0.4 percent; and ten years, 0.3. Those numbers  
6 aren't shown on this chart. I'm just thinking  
7 about the gap in difference that's driven by asset  
8 allocation and investment strategy and how much of  
9 it is closed or even, you know, almost completely  
10 closed by value-added performance, by good  
11 implementation, so I think that's worth noting.

12 Unless there are questions about the DB plan,  
13 I'll move on to DC. The Investment Plan, about  
14 \$7.1 billion. We show two performance comparisons.  
15 On the top, the Investment Plan's actual  
16 performance relative to the total plan aggregate  
17 benchmark, so this is each investment option's  
18 individual benchmark rolled up to the top.

19 It's really a measure of implementation  
20 success, how well the investment options have done  
21 relative to their investment strategies, how well  
22 have they been picked, essentially. And over the  
23 one-year period, slightly below the benchmark,  
24 really approximating it. For the three-year and  
25 five-year periods, the plan continues to outperform

1 the aggregate benchmark by .5 and .6 percent  
2 respectively. So here as well as in the DB plan,  
3 good implementation choices.

4 The bottom chart, I'll caution you, this is  
5 somewhat dated data, because sometimes the data  
6 just isn't available quickly, but it's through  
7 12/31/2010. This is a comparison of the Investment  
8 Plan, the DC plan's returns relative to some peers.  
9 These performance comparisons are never perfect.  
10 This one has 152 plans in it, total assets of  
11 900 billion or so, and an average size of about  
12 6 billion, so smaller than your DC plan, but a  
13 reasonable comparison.

14 Average returns have been greater for the  
15 Investment Plan than the U.S. median, and value  
16 added has been greater too. So that's really a  
17 measure of how well participants have chosen their  
18 investment options. In this case, relative to  
19 peers at least, they've done well.

20 GOVERNOR SCOTT: They might have a different  
21 time horizon too; is that true?

22 MR. SEBASTIAN: The individual participants?  
23 They might, depending on the average --

24 GOVERNOR SCOTT: I guess probably not, right,  
25 because they would be -- they might not have been

1           around as long. Their time horizons should be  
2           longer.

3                     Well, I guess not, because it depends on how  
4           long they've been with the State.

5                     MR. SEBASTIAN: Yes, it depends on the average  
6           age of the participant.

7                     Moving quickly ahead to the expense ratio of  
8           the Investment Plan, these are investment costs  
9           only, but these are shown relative to that peer DC  
10          group again, so 22 basis points versus 24 for  
11          peers. So again, a low-cost provider in terms of  
12          investment expenses, which is a positive.

13                    And the same is true across categories, so  
14          these are across equity, bond, money market, and  
15          balanced fund categories. In each case, the DC  
16          plan's fees are lower than the average mutual fund  
17          fees as measured by Morningstar. So as long as  
18          investment results are positive, which they have  
19          been, we see minimizing investment costs to be very  
20          important and a positive.

21                    GOVERNOR SCOTT: That's great.

22                    MR. SEBASTIAN: The plan is growing, as shown  
23          here by assets, ending at about 7.1 billion, but a  
24          relatively steady increase over the past ten or so  
25          fiscal years. And the same is true of membership.

1 I will move to the Cat Fund. The Cat Fund is  
2 managed to a short-term mandate, so the performance  
3 benchmark is combination of three-month Treasury  
4 bills and a money market fund index. Performance  
5 of the actual fund relative to that benchmark has  
6 been trailing by a moderate amount over five years,  
7 but other than that, positive over the quarter,  
8 one-, three-, and ten-year periods, so investment  
9 performance has been a positive. It has been an  
10 additive. And the total size of that fund, the  
11 operating fund, is about \$7.2 billion.

12 The 2007 A Fund, so a pre-event taxable note,  
13 performance relative to a similar benchmark has  
14 been positive over all periods.

15 The Lawton Chiles Endowment Fund, right now  
16 about \$776 million in assets, largely passively  
17 managed relative to market benchmarks, some active  
18 investments in the foreign equity component. And  
19 those have allowed it to either match in the  
20 shorter term or outperform over the longer periods  
21 shown here, so good investment performance.

22 And then lastly, Florida PRIME, \$6.7 billion  
23 in assets right now, measured against S&P, AAA, and  
24 AA government investment pool yield, so essentially  
25 relative to a large group of peers, and performance

1 has been positive over all periods shown.

2 And that concludes my prepared remarks.

3 GOVERNOR SCOTT: Thank you very much.

4 MR. SEBASTIAN: Thank you.

5 MR. WILLIAMS: Thank you. So we have been  
6 through basically everything that we need to cover.  
7 Unless we have anything else that anyone would like  
8 to cover, I think we're good. Thank you very much.

9 GOVERNOR SCOTT: Does anyone have any  
10 questions?

11 All right. Thank you very much, Ash. This  
12 concludes our Cabinet meeting. Our next meeting  
13 will be October 9 at 9:00 a.m. in Tallahassee. We  
14 are adjourned. Thank you.

15 (Proceedings concluded at 10:46 a.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter translated under my supervision; and the foregoing pages numbered 1 through 35 are a true and correct record of the aforesaid proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor relative or employee of such attorney or counsel, or financially interested in the foregoing action.

DATED THIS 24th day of October, 2012.



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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:

OFFICE OF FINANCIAL REGULATION  
DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES  
STATE BOARD OF ADMINISTRATION

The above agencies came to be heard before  
THE FLORIDA CABINET, Honorable Governor Scott  
presiding, in the Cabinet Meeting Room, LL-03,  
The Capitol, Tallahassee, Florida, on Tuesday,  
October 9, 2012, commencing at 9:00 a.m.

Reported by:  
CAROLYN L. RANKINE  
Register Professional Reporter  
Notary Public

ACCURATE STENOTYPE REPORTERS, INC.  
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1 GOVERNOR SCOTT: All right. Now, I'd like  
2 to recognize Executive Director Ash Williams of  
3 the State Board of Administration. Good  
4 morning, Ash.

5 EXECUTIVE DIRECTOR WILLIAMS: Good  
6 morning, Governor, Trustees. First this  
7 morning an update on where we are on the fund  
8 as of Friday evening's close, the Florida  
9 Retirement System Trust Fund contained a \$128  
10 billion; performance calendar year to date,  
11 12.4 percent, that's 102 basis points ahead of  
12 target.

13 Item 1 for this morning request approval  
14 of the minutes of August 7, 2012 meeting.

15 GOVERNOR SCOTT: Is there a motion to  
16 approve?

17 CFO ATWATER: So moved.

18 GOVERNOR SCOTT: Is there a second?

19 ATTORNEY GENERAL BONDI: Second.

20 GOVERNOR SCOTT: Moved and seconded, the  
21 item is approved without objection.

22 EXECUTIVE DIRECTOR WILLIAMS: Thank you.  
23 Item 2 Requests approval of and authority to  
24 file an emergency rule for the Florida  
25 Hurricane Catastrophe Fund. This would provide

1 an optional date change for new participants  
2 for the 2012-13 contract year and would address  
3 a potential unintended consequence that could  
4 otherwise create a burden for companies taking  
5 policies out of Citizens.

6 GOVERNOR SCOTT: Okay. Is there a motion  
7 to approve?

8 ATTORNEY GENERAL BONDI: So moved.

9 GOVERNOR SCOTT: Is there a second?

10 CFO ATWATER: Second.

11 GOVERNOR SCOTT: Moved and seconded, the  
12 item is approved without objection.

13 EXECUTIVE DIRECTOR WILLIAMS: Thank you.

14 GOVERNOR SCOTT: Thank you, Ash. Thanks  
15 everybody for coming. This concludes our  
16 Cabinet meeting. Our next meeting will be  
17 October 23rd at 9:00 a.m. in Tallahassee.  
18 We're adjourned.

19 (Cabinet meeting concluded at 9:44 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 28, 2012



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**APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$560,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION PUBLIC EDUCATION CAPITAL OUTLAY REFUNDING BONDS, 2013 SERIES (TO BE DETERMINED):**

The Division of Bond Finance of the State Board of Administration (the "Division"), on behalf of the State Board of Education, has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding \$560,000,000 Public Education Capital Outlay Refunding Bonds, 2013 Series (to be determined) (the "Bonds") for the purpose of refunding all or a portion of the outstanding 2001 Series I and 2003 Series A Public Education Capital Outlay Bonds, and to pay certain costs of issuance; provided, however, that none of the said Bonds shall be issued in excess of the amount which can be issued in full compliance with the State Bond Act and other applicable provisions of law, and pursuant to Section 9(a)(2), Article XII of the Constitution of Florida, as amended. The Bonds will be issued in one or more series pursuant to an authorizing resolution adopted by the State Board of Education on July 21, 1992, and the Fifty-fourth Supplemental Authorizing Resolution and a sale resolution adopted by the State Board of Education on November 6, 2012.

The State Board of Education has heretofore issued Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds, Series 1985 through 2012 Series D. The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$540,000,000 Public Education Capital Outlay Refunding Bonds, 2009 Series (to be determined) (the "2009 Series Refunding Bonds") at its September 15, 2009, meeting, of which \$239,225,000 remains unissued. The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$580,000,000 Public Education Capital Outlay Refunding Bonds, 2012 Series (to be determined) (the "2012 Series Refunding Bonds") at its January 18, 2012, meeting, of which \$104,905,000 remains unissued. The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$630,000,000 Public Education Capital Outlay Refunding Bonds, 2012 Series (to be determined) (the "2012 Series Refunding Bonds-Second Issuance") at its June 26, 2012, meeting, of which \$98,205,000 remains unissued. The Division of Bond Finance of the State Board of Administration has requested the State Board of Administration to rescind its approval of fiscal sufficiency with respect to the unissued portion of the 2012 Series Refunding Bonds-Second Issuance. The proposed Bonds shall be junior, inferior, and subordinate to the outstanding and unpaid Public Education Capital Outlay Bonds Series 1985, as to lien on and source and security for payment from the Gross Receipts Taxes. The proposed Bonds shall be issued on a parity as to lien on and source and security for payment from the Gross Receipts Taxes with the outstanding and unpaid Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds, 1996 Series B through 2012 Series D, the remaining portion of the 2009 Series Refunding Bonds and the remaining portion of the 2012 Series Refunding Bonds when and if issued.

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  
\$560,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF  
EDUCATION PUBLIC EDUCATION CAPITAL OUTLAY REFUNDING BONDS,  
2013 SERIES (TO BE DETERMINED)**

**WHEREAS**, the State Board of Education of Florida proposes to issue an amount not exceeding \$560,000,000 Public Education Capital Outlay Refunding Bonds, 2013 Series (to be determined) (the "Bonds") for the purpose of refunding all or a portion of the outstanding 2001 Series I and 2003 Series A Public Education Capital Outlay Bonds, and to pay certain costs of issuance; provided, however, that none of the said Bonds shall be issued in excess of the amount which can be issued in full compliance with the State Bond Act and other applicable provisions of law, and pursuant to Section 9(a)(2), Article XII of the Constitution of Florida, as amended; and,

**WHEREAS**, the Bonds will be issued in one or more series pursuant to an authorizing resolution adopted by the State Board of Education on July 21, 1992, and the Fifty-fourth Supplemental Authorizing Resolution and a sale resolution adopted by the State Board of Education on November 6, 2012; and,

**WHEREAS**, the proposed Bonds shall be secured by a lien upon the Gross Receipts Taxes which are required to be deposited in the Public Education Capital Outlay and Debt Service Trust Fund administered by the State Board of Education of Florida (the "Gross Receipts Taxes"), and the Bonds are additionally secured by a pledge of the full faith and credit of the State of Florida; and,

**WHEREAS**, the State Board of Education has heretofore issued Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds, Series 1985 through 2012 Series D; and,

**WHEREAS**, the State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$540,000,000 Public Education Capital Outlay Refunding Bonds, 2009 Series (to be determined) (the "2009 Series Refunding Bonds") at its September 15, 2009, meeting, of which \$239,225,000 remains unissued; and,

**WHEREAS**, the State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$580,000,000 Public Education Capital Outlay Refunding Bonds, 2012 Series (to be determined) (the "2012 Series Refunding Bonds") at its January 18, 2012, meeting, of which \$104,905,000 remains unissued; and,

**WHEREAS**, the State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$630,000,000 Public Education Capital Outlay Refunding Bonds, 2012 Series (to be determined) (the "2012 Series Refunding Bonds-Second Issuance") at its June 26, 2012, meeting, of which \$98,205,000 remains unissued; and,

**WHEREAS**, the Division of Bond Finance of the State Board of Administration has requested the State Board of Administration to rescind its approval of fiscal sufficiency with respect to the \$98,205,000 remaining portion of the 2012 Series Refunding Bonds-Second Issuance; and

**WHEREAS**, the proposed Bonds shall be junior, inferior, and subordinate to the outstanding and unpaid Public Education Capital Outlay Bonds, Series 1985, as to lien on and source and security for payment from the Gross Receipts Taxes; and,

**WHEREAS**, the proposed Bonds shall be issued on a parity as to lien on and source and security for payment from the Gross Receipts Taxes with the outstanding and unpaid Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds, 1996 Series B through 2012 Series D, the remaining portion of the 2009 Series Refunding Bonds and the remaining portion of the 2012 Series Refunding Bonds when and if issued; and,

**WHEREAS**, the Division of Bond Finance 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 as described in 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, that the proposal of the State Board of Education of Florida to issue an amount not exceeding \$560,000,000 Public Education Capital Outlay Refunding Bonds, 2013 Series (to be determined), is hereby approved as to fiscal sufficiency. In addition, the approval of fiscal sufficiency with respect to the unissued portion of the \$630,000,000 Public Education Capital Outlay Refunding Bonds, 2012 Series (to be determined) approved on June 26, 2012 is hereby rescinded.

**ADOPTED** December 11, 2012



**J. BEN WATKINS III**  
DIRECTOR

STATE OF FLORIDA

**DIVISION OF BOND FINANCE**  
OF THE STATE BOARD OF ADMINISTRATION

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(Address mail to P.O. Box; deliveries to street address)

**TELEPHONE: (850) 488-4782  
TELECOPIER: (850) 413-1315**

**RICK SCOTT**  
GOVERNOR  
AS CHAIRMAN

**PAM BONDI**  
ATTORNEY GENERAL

**JEFF ATWATER**  
CHIEF FINANCIAL OFFICER

**ADAM H. PUTNAM**  
COMMISSIONER OF AGRICULTURE

November 21, 2012

Mr. Ashbel C. Williams  
Executive Director  
State Board of Administration  
Post Office Box 13300  
Tallahassee, Florida 32317-3300

RE: Not Exceeding \$560,000,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2013 Series (to be determined)

Dear Mr. Williams:

In compliance with Section 215.73, Florida Statutes, the Division of Bond Finance requests State Board of Administration approval as to fiscal sufficiency for the above referenced bond issue. We request fiscal sufficiency approval at your board meeting of December 11, 2012.

The bonds will be payable from gross receipts taxes and are additionally secured by the full faith and credit of the State of Florida. The bonds will be junior and subordinate to the previously issued State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds Series 1985 and on a parity with the previously issued 1996 Series B through 2012 Series D Bonds; the remaining \$239,225,000 2009 Series (to be determined) refunding bonds approved for fiscal sufficiency on September 15, 2009, when and if issued; and the remaining \$104,905,000 2012 Series (to be determined) refunding bonds approved for fiscal sufficiency January 18, 2012, when and if issued. The remaining \$98,205,000 2012 Series (to be determined) refunding bonds approved for fiscal sufficiency June 26, 2012 should be rescinded.

The proposed bonds will be issued to refund all or a portion of the outstanding 2001 Series I, and 2003 Series A Public Education Capital Outlay Bonds and to pay costs associated with the issuance and sale of the proposed bonds. The bonds will only be issued if there is a savings.

Enclosed for your review are the following:

Enclosure 1: An estimated coverage table based upon the average annual gross receipts taxes collected during the most recent 24 months. Coverage is based on existing program debt service, but does not include the potential savings from the proposed \$560,000,000 refunding bonds, the previously approved remaining \$104,905,000 2012 Series refunding bonds, or the previously approved remaining \$239,225,000 2009 Series refunding bonds;

November 21, 2012

Page Two

- Enclosure 2: An estimated savings schedule for the proposed refunding bonds;
- Enclosure 3: A letter from the Office of Economic and Demographic Research showing the most recent 24 months historical collections of the gross receipts taxes. This information was used in the preparation of the coverage table provided as Enclosure 1; and
- Enclosure 4: The gross receipts tax estimates from the July 2012 Revenue Estimating Conference.
- Enclosure 5: The Fifty-fourth Supplemental Authorizing Resolution adopted by the State Board of Education on November 6, 2012, authorizing the issuance of not to exceed \$560,000,000 Refunding Bonds; and
- Enclosure 6: The sale resolution adopted by the State Board of Education on November 6, 2012.

The bonds will be issued in one or more series pursuant to an authorizing resolution adopted by the State Board of Education on July 21, 1992, and the Fifty-fourth Supplemental Authorizing Resolution and a sale resolution adopted by the State Board of Education on November 6, 2012.

A draft of the fiscal sufficiency resolution should be sent to Donna Biggins and Kimberly Barrett of this office for review. Should you have any questions, please contact myself, Donna Biggins or Kimberly Barrett at 488-4782. Your consideration in this matter is appreciated.

Very truly yours,



J. Ben Watkins III  
Director

JBW:kb

Enclosures

cc: Anthony Doheny  
Robert Copeland

**State of Florida, Full Faith and Credit  
State Board of Education Public Education Capital Outlay Bonds**

**Estimated Coverage Table**

<b>Fiscal Year</b>	<b>Gross Receipts Taxes<sup>1</sup></b>	<b>Series 1985<sup>2</sup></b>	<b>1996 Series B Through 2012 Series D<sup>2</sup></b>	<b>Total Outstanding Issues</b>	<b>Subsidy<sup>3</sup></b>	<b>Total Net Debt Service</b>	<b>Estimated Coverage<sup>4</sup></b>		
2013	\$1,040,461,231	\$9,941,288	\$949,651,008	\$959,592,295	(12,676,457)	\$946,915,838	1.0988		
2014	1,040,461,231	-	934,703,042	934,703,042	(12,676,457)	922,026,585	1.1285		
2015	1,040,461,231	-	914,418,192	914,418,192	(12,676,457)	901,741,735	1.1538		
2016	1,040,461,231	-	914,418,067	914,418,067	(12,629,522)	901,788,545	1.1538		
2017	1,040,461,231	-	915,604,469	915,604,469	(12,576,780)	903,027,689	1.1522		
2018	1,040,461,231	-	891,998,979	891,998,979	(12,516,566)	879,482,413	1.1830		
2019	1,040,461,231	-	904,790,260	904,790,260	(12,372,708)	892,417,552	1.1659		
2020	1,040,461,231	-	898,737,131	898,737,131	(12,108,670)	886,628,461	1.1735		
2021	1,040,461,231	-	920,657,489	920,657,489	(11,752,118)	908,905,370	1.1447		
2022	1,040,461,231	-	928,205,658	928,205,658	(11,375,236)	916,830,421	1.1348		
2023	1,040,461,231	-	898,220,976	898,220,976	(10,975,697)	887,245,279	1.1727		
2024	1,040,461,231	-	802,475,956	802,475,956	(10,550,950)	791,925,006	1.3138		
2025	1,040,461,231	-	742,101,509	742,101,509	(10,103,673)	731,997,836	1.4214		
2026	1,040,461,231	-	593,952,130	593,952,130	(9,623,568)	584,328,562	1.7806		
2027	1,040,461,231	-	563,068,409	563,068,409	(9,120,732)	553,947,676	1.8783		
2028	1,040,461,231	-	533,086,316	533,086,316	(8,586,631)	524,499,686	1.9837		
2029	1,040,461,231	-	502,233,924	502,233,924	(8,027,736)	494,206,188	2.1053		
2030	1,040,461,231	-	477,317,371	477,317,371	(7,441,255)	469,876,117	2.2143		
2031	1,040,461,231	-	453,963,824	453,963,824	(6,825,999)	447,137,824	2.3269		
2032	1,040,461,231	-	433,189,115	433,189,115	(6,179,159)	427,009,956	2.4366		
2033	1,040,461,231	-	389,038,643	389,038,643	(5,507,864)	383,530,778	2.7128		
2034	1,040,461,231	-	348,950,156	348,950,156	(4,811,301)	344,138,855	3.0234		
2035	1,040,461,231	-	322,548,301	322,548,301	(4,088,353)	318,459,949	3.2672		
2036	1,040,461,231	-	282,630,174	282,630,174	(3,338,210)	279,291,964	3.7254		
2037	1,040,461,231	-	235,995,141	235,995,141	(2,550,034)	233,445,108	4.4570		
2038	1,040,461,231	-	147,027,781	147,027,781	(1,731,643)	145,296,139	7.1610		
2039	1,040,461,231	-	84,008,124	84,008,124	(882,111)	83,126,013	12.5167		
2040	1,040,461,231	-	38,563,450	38,563,450		38,563,450	26.9805		
2041	1,040,461,231	-	4,641,000	4,641,000		4,641,000	224.1890		
	\$	9,941,288	17,026,196,593	\$	17,036,137,881	\$	(233,705,886)	\$	16,802,431,995

(1) Pursuant to Section 215.61(3), Florida Statutes, debt service cannot exceed 90% of the average annual revenue collected for the tax periods during the 24 months immediately preceding the most recent collection date. The amount shown is the twelve-month average collections for the appropriate tax periods. Source: Office of Economic & Demographic Research.

(2) The Public Education Capital Outlay Bonds, Series 1985 (the "Prior Lien Obligations") are secured by a first lien upon the gross receipts taxes. All subsequently issued bonds and the bonds which have not yet been issued, have a parity lien on the gross receipts taxes which is junior and subordinate to that of the Prior Lien Obligations.

(3) Federal subsidy payments for Build America Bonds 2006 Series G, 2007 Series G, 2008 Series D and 2009 Series F.

(4) Estimated Coverage based on Total Net Debt Service.



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

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**TO:** Ash Williams  
**FROM:** Robert Copeland  
**SUBJECT:** Fiscal Sufficiency  
**DATE:** November 28, 2012



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**APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$125,000,000 STATE OF FLORIDA, DEPARTMENT OF TRANSPORTATION TURNPIKE REVENUE REFUNDING BONDS, SERIES 2012 (TO BE DETERMINED):**

The Division of Bond Finance of the State Board of Administration (the "Division"), on behalf of the State of Florida Department of Transportation, has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding \$125,000,000 State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2012 (to be determined) (the "Bonds") for the purpose of refunding all or a portion of the outstanding Series 2003C Bonds. The Bonds will be issued pursuant to the Original Resolution adopted on October 25, 1988, as amended and restated on May 17, 2005, and the Thirty-third Supplemental Resolution anticipated to be adopted by the Governor and Cabinet on December 11, 2012.

The Division, on behalf of the Department of Transportation, has heretofore issued Turnpike Revenue and Revenue Refunding Bonds, Series 1998A through 2011A (the "Outstanding Bonds"). The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$120,000,000 Turnpike Revenue Bonds, Series 2012 (to be determined) (The "2012 Bonds") at its September 18, 2012, meeting. The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$85,000,000 Turnpike Revenue Refunding Bonds, Series 2012 (to be determined) (The "2012 Refunding Bonds") at its September 18, 2012, meeting. The Bonds shall be issued on a parity as to source and security for payment with the Outstanding Bonds, and when and if issued, the 2012 Bonds and the 2012 Refunding Bonds. The Bonds shall not be secured by a pledge of the full faith and credit or the taxing power of the State of Florida or any political subdivision thereof.

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 \$125,000,000 STATE OF FLORIDA, DEPARTMENT OF  
TRANSPORTATION TURNPIKE REVENUE REFUNDING BONDS,  
SERIES 2012 (TO BE DETERMINED)**

**WHEREAS**, the Division of Bond Finance of the State Board of Administration (the "Division") proposes to issue an amount not exceeding \$125,000,000 State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2012 (to be determined) (the "Bonds"), on behalf of the State of Florida Department of Transportation, for the purpose of refunding all or a portion of the outstanding Series 2003C Bonds; and,

**WHEREAS**, the Bonds will be issued pursuant to the Original Resolution adopted on October 25, 1988, as amended and restated on May 17, 2005, and the Thirty-third Supplemental Resolution anticipated to be adopted by the Governor and Cabinet on December 11, 2012, authorizing the issuance and sale of the Bonds (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 bond issue as required by Section 215.73, Florida Statutes; and,

**WHEREAS**, the Division, on behalf of the Department of Transportation has heretofore issued Turnpike Revenue and Revenue Refunding Bonds, Series 1998A through 2011A (the "Outstanding Bonds"); and,

**WHEREAS**, the State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$120,000,000 Turnpike Revenue Bonds, Series 2012 (to be determined) (The "2012 Bonds") at its September 18, 2012, meeting; and,

**WHEREAS**, the State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$85,000,000 Turnpike Revenue Refunding Bonds, Series 2012 (to be determined) (The "2012 Refunding Bonds") at its September 18, 2012, meeting; and,

**WHEREAS**, the proposed Bonds shall be issued on a parity as to source and security for payment with the Outstanding Bonds, and when and if issued, the 2012 Bonds and the 2012 Refunding Bonds; and,

**WHEREAS**, the proposed Bonds shall be secured by a first lien upon Net Revenues of the Turnpike System, which consists of all tolls, revenues, rates, fees, charges, receipts, rents or other income derived from, or in connection with, the operation of the Florida Turnpike, less any necessary contribution to fund the Cost of Maintenance and Cost of Operation after taking into account other sources of funds available to fund the Cost of Maintenance and Cost of Operation; and,

**WHEREAS**, the Florida Department of Transportation has covenanted to pay the Cost of Maintenance and Cost of Operation of the Turnpike System from moneys in the State Transportation Trust Fund; and,

**WHEREAS**, tolls are required to be fixed, and adjusted if necessary, so that gross revenues shall be sufficient to pay at least (i) 100% of Operation and Maintenance costs; (ii) 120% of the Annual Debt Service Requirement; and (iii) 100% of all other payments required by the Resolution; 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 estimate of toll revenues available indicates that sufficient moneys can be pledged to exceed the debt service requirements of the proposed issue and that in no State fiscal year will the moneys pledged for the debt service requirement of the proposed issue 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 \$125,000,000 State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2012 (to be determined) for the uses and purposes hereinabove set forth, is hereby approved as to fiscal sufficiency.

**ADOPTED** December 11, 2012



**J. BEN WATKINS III**  
DIRECTOR

STATE OF FLORIDA

**DIVISION OF BOND FINANCE**  
OF THE STATE BOARD OF ADMINISTRATION

HERMITAGE CENTRE, SUITE 200  
1801 HERMITAGE BOULEVARD  
TALLAHASSEE, FLORIDA 32308

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AS TREASURER

**ADAM H. PUTNAM**  
COMMISSIONER OF AGRICULTURE

November 21, 2012

Mr. Ashbel C. Williams  
Executive Director  
State Board of Administration  
Post Office Box 13300  
Tallahassee, Florida 32317-3300

RE: Not Exceeding \$125,000,000 State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2012 (to be determined)

Dear Mr. Williams:

In compliance with Section 215.73, Florida Statutes, the Division of Bond Finance requests State Board of Administration approval as to fiscal sufficiency for the above referenced bond issue. We request such approval at your board meeting of December 11, 2012.

The bonds will be payable from the net revenues of the turnpike system on a parity with the outstanding Series 1998A through 2011A Bonds, the \$120,000,000 Series 2012 (to be determined) Bonds approved for fiscal sufficiency on September 18, 2012, and the \$85,000,000 Series 2012 Series (to be determined) Bonds approved for fiscal sufficiency on September 18, 2012. The bonds will be issued for the purpose of refunding the outstanding Series 2003C Bonds. The proposed refunding bonds will only be issued if there is a savings.

The bonds will be issued in one or more series pursuant to the Original Resolution adopted on October 25, 1988, as amended and restated on May 17, 2005, and the Thirty-third Supplemental Turnpike Revenue Bond Resolution anticipated to be adopted by the Governor and Cabinet on December 11, 2012.

The following documents are enclosed for your consideration:

Enclosure 1: An estimated coverage table for the program, including the proposed \$120,000,000 Turnpike Bonds, without considering the potential savings from the proposed \$125,000,000 refunding bonds or the proposed \$85,000,000 refunding bonds;

November 21, 2012

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Enclosure 2: An estimated debt service and savings schedule from a recent sizing of the proposed refunding bonds; and

Enclosure 3: A draft copy of the Thirty-third Supplemental Resolution anticipated to be adopted by the Governor and Cabinet on December 11, 2012.

A draft of the fiscal sufficiency resolution should be sent to Donna Biggins and Kimberly Barrett of this office for review. Should you have any questions, please contact either myself or Kimberly Barrett at 488-4782. Your consideration in this matter is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Ben Watkins III". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

J. Ben Watkins III  
Director

JBWkb

Enclosures

cc: Robert Copeland  
Janie Knight  
Anthony Doheny

**NOT EXCEEDING \$120,000,000  
STATE OF FLORIDA  
DEPARTMENT OF TRANSPORTATION  
TURNPIKE REVENUE BONDS, SERIES 2012 (to be determined)**

**ESTIMATED COVERAGE TABLE -- Tax-Exempt Issue**

FISCAL YEAR ENDING JUNE 30	HISTORICAL/PROJECTED PLEDGED REVENUES <sup>1</sup>				ESTIMATED DEBT SERVICE <sup>2</sup>			TOTAL DEBT SERVICE	LESS FEDERAL SUBSIDY <sup>3</sup>	NET DEBT SERVICE	NET DEBT SERVICE COVERAGE
	TURNPIKE SYSTEM REVENUES	OPERATIONS & MAINTENANCE EXPENSES <sup>2</sup>	NET REVENUE	OUTSTANDING DEBT SERVICE <sup>3</sup>	PRINCIPAL	INTEREST	TOTAL				
Historical											
2007	\$681,615,000	\$175,386,000	\$506,229,000	\$168,454,130	-	-	-	\$168,454,130	-	\$168,454,130	3.01 x
2008	650,743,000	184,218,000	466,525,000	194,387,007	-	-	-	194,387,007	-	194,387,007	2.40 x
2009	604,897,000	190,603,000	414,294,000	203,145,004	-	-	-	203,145,004	-	203,145,004	2.04 x
2010	611,596,000	172,422,000	439,174,000	224,220,717	-	-	-	224,220,717	(\$5,811,097)	218,409,620	2.01 x
2011	611,946,000	180,060,000	431,886,000	243,061,034	-	-	-	243,061,034	(\$9,433,001)	237,118,033	1.82 x
Projected											
2012	\$615,980,864	\$174,500,000	\$441,480,864	\$249,182,170	-	-	-	\$249,182,170	(\$5,943,001)	\$243,239,169	1.82 x
2013	704,923,000	184,614,937	520,308,063	249,519,184	\$1,045,000	\$4,453,452	\$5,498,452	255,017,637	(\$9,433,001)	249,074,636	2.09 x
2014	726,622,000	186,908,236	539,713,764	249,236,284	1,630,000	6,619,975	8,249,975	257,486,259	(\$9,433,001)	251,543,258	2.15 x
2015	738,106,000	190,111,302	547,994,698	247,138,972	1,725,000	6,526,250	8,251,250	255,390,222	(\$9,433,001)	249,447,221	2.20 x
2016	755,257,000	189,121,679	566,135,321	247,218,934	1,825,000	6,427,063	8,252,063	255,470,997	(\$9,433,001)	249,527,996	2.27 x
2017	779,340,000	183,714,074	595,625,926	247,280,584	1,930,000	6,221,125	8,252,125	255,532,709	(\$9,433,001)	249,589,708	2.39 x
2018	809,105,000	188,423,539	620,681,461	248,449,684	2,040,000	6,211,150	8,251,150	256,700,834	(\$9,433,001)	250,757,833	2.48 x
2019	836,737,000	195,152,718	641,584,282	247,407,034	2,155,000	6,093,850	8,248,850	255,655,884	(\$9,433,001)	249,712,883	2.57 x
2020	866,809,000	198,756,880	668,052,120	229,087,847	2,280,000	5,969,938	8,249,938	237,337,784	(\$9,433,001)	231,394,783	2.89 x
2021	898,762,000	204,149,292	694,612,708	229,087,290	2,410,000	5,838,838	8,248,838	237,336,127	(\$9,433,001)	231,546,350	3.00 x
2022	932,404,000	209,253,024	723,150,976	203,566,103	2,500,000	5,700,263	8,250,263	211,816,365	(\$6,016,322)	206,214,733	3.51 x
2023	932,404,000	209,253,024	723,150,976	194,111,691	2,695,000	5,533,638	8,248,638	202,360,328	(\$5,405,966)	196,954,362	3.67 x
2024	932,404,000	209,253,024	723,150,976	195,077,533	2,850,000	5,398,675	8,248,675	203,326,208	(\$5,202,456)	198,123,752	3.65 x
2025	932,404,000	209,253,024	723,150,976	195,366,012	3,015,000	5,234,800	8,249,800	203,615,812	(\$4,990,887)	198,624,926	3.64 x
2026	932,404,000	209,253,024	723,150,976	170,201,391	3,190,000	5,061,438	8,251,438	178,452,829	(\$4,770,829)	173,682,000	4.16 x
2027	932,404,000	209,253,024	723,150,976	169,944,855	3,375,000	4,878,013	8,253,013	178,197,868	(\$4,517,478)	173,680,390	4.16 x
2028	932,404,000	209,253,024	723,150,976	140,491,010	3,565,000	4,683,950	8,248,950	148,739,960	(\$4,252,941)	144,487,019	5.00 x
2029	932,404,000	209,253,024	723,150,976	133,148,693	3,770,000	4,478,963	8,248,963	141,397,655	(\$3,976,623)	137,421,032	5.26 x
2030	932,404,000	209,253,024	723,150,976	125,387,833	3,990,000	4,262,188	8,252,188	133,640,020	(\$3,688,167)	129,951,853	5.56 x
2031	932,404,000	209,253,024	723,150,976	122,392,678	4,220,000	4,032,763	8,252,763	130,645,440	(\$3,386,859)	127,258,581	5.68 x
2032	932,404,000	209,253,024	723,150,976	122,070,095	4,460,000	3,790,113	8,250,113	130,320,208	(\$3,072,342)	127,247,866	5.68 x
2033	932,404,000	209,253,024	723,150,976	121,747,920	4,715,000	3,533,663	8,248,663	129,996,583	(\$2,743,902)	127,252,681	5.68 x
2034	932,404,000	209,253,024	723,150,976	108,549,640	4,990,000	3,262,550	8,252,550	116,802,190	(\$2,400,944)	114,401,246	6.32 x
2035	932,404,000	209,253,024	723,150,976	90,735,490	5,275,000	2,975,625	8,250,625	98,986,115	(\$2,042,754)	96,943,361	7.46 x
2036	932,404,000	209,253,024	723,150,976	90,364,595	5,800,000	2,672,313	8,252,313	98,616,908	(\$1,668,737)	96,948,171	7.46 x
2037	932,404,000	209,253,024	723,150,976	56,253,390	5,900,000	2,351,463	8,251,463	64,504,853	(\$1,278,179)	63,226,674	11.44 x
2038	932,404,000	209,253,024	723,150,976	43,303,435	6,240,000	2,012,213	8,252,213	51,555,648	(\$870,366)	50,685,282	14.27 x
2039	932,404,000	209,253,024	723,150,976	42,793,103	6,600,000	1,653,413	8,253,413	51,006,515	(\$444,584)	50,601,931	14.29 x
2040	932,404,000	209,253,024	723,150,976	22,955,500	6,975,000	1,273,913	8,248,913	31,204,413		31,204,413	23.17 x
2041	932,404,000	209,253,024	723,150,976	6,777,750	7,380,000	872,850	8,252,850	15,030,600		15,030,600	48.11 x
2042	932,404,000	209,253,024	723,150,976	-	7,800,000	448,500	8,248,500	8,248,500		8,248,500	87.67 x
				4,798,846,699	\$116,175,000	128,593,939.95	244,768,939.95	\$ 5,043,615,639	(\$119,592,433)		

<sup>1</sup> Historical and projected revenues through fiscal year 2022 provided by the Turnpike's traffic and revenue consultant. Historical and projected expenses through fiscal year 2022 provided by the Turnpike Finance Office. For fiscal years 2023 and thereafter, revenue and O&M expense projections have been held constant. However, no representation is made that the amounts shown in any fiscal year will be collected.

<sup>2</sup> The operations and maintenance expenses are paid by the Department of Transportation under an operations agreement and then reimbursed by the Turnpike after debt service. The operations agreement is enforceable by bondholders.

<sup>3</sup> Includes debt service for Turnpike Revenue Bonds Series 1998A through 2011A. Excludes debt service for the 2003C Bonds which were refunded by the 2011A Bonds and will be called on 7/1/13.

<sup>4</sup> Federal subsidy payments on Build America Bonds Series 2009B

<sup>5</sup> Federal subsidy payments on Build America Bonds Series 2009B



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

---

**TO:** Ash Williams  
**FROM:** Robert Copeland  
**SUBJECT:** Fiscal Sufficiency  
**DATE:** November 28, 2012



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**APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$15,600,000 STATE OF FLORIDA, BOARD OF GOVERNORS, FLORIDA ATLANTIC UNIVERSITY PARKING FACILITY REVENUE BONDS, SERIES 2012A:**

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 \$15,600,000 State of Florida, Board of Governors, Florida Atlantic University Parking Facility Revenue Bonds, Series 2012A (the "Bonds"), for the purpose of providing funds for the construction of a parking facility on the Boca Raton campus of Florida Atlantic University, funding a reserve account, if necessary, and paying certain 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 August 28, 2001, as amended on June 12, 2002, and the Second Supplemental Resolution which is anticipated to be adopted on December 11, 2012 (collectively referred to herein as the "Resolution"). The Division has heretofore issued Florida Atlantic University Parking Facility Revenue Bonds, Series 2001 and 2002 (the "Outstanding Bonds"). The Division has submitted for approval as to fiscal sufficiency a proposal to issue not exceeding \$10,500,000 State of Florida, Board of Governors, Florida Atlantic University Parking Facility Revenue Refunding Bonds, Series (to be determined) (The "Proposed Refunding Bonds") for approval at the December 11, 2012, meeting of the State Board of Administration. 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 and in all other respects, with the Outstanding Bonds, and when and if approved and issued, the Proposed Refunding 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 \$15,600,000 STATE OF FLORIDA, BOARD OF GOVERNORS,  
FLORIDA ATLANTIC UNIVERSITY PARKING FACILITY REVENUE BONDS,  
SERIES 2012A**

**WHEREAS**, the Division of Bond Finance of the State Board of Administration (the "Division") proposes to issue an amount not exceeding \$15,600,000 State of Florida, Board of Governors, Florida Atlantic University Parking Facility Revenue Bonds, Series 2012A (the "Bonds"), for the purpose of providing funds for the construction of a parking facility on the Boca Raton campus of Florida Atlantic University, funding a reserve account, if necessary, and paying certain 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 are being issued pursuant to the Original Resolution adopted by the Governor and Cabinet on August 28, 2001, as amended on June 12, 2002, and the Second Supplemental Resolution which is anticipated to be adopted on December 11, 2012 (collectively referred to herein as the "Resolution"); and,

**WHEREAS**, the Division has heretofore issued State of Florida, Florida Board of Education, Florida Atlantic University Parking Facility Revenue Bonds, Series 2001 and 2002 (the "Outstanding Bonds"); and,

**WHEREAS**, the Division has submitted for approval as to fiscal sufficiency a proposal to issue not exceeding \$10,500,000 State of Florida, Board of Governors, Florida Atlantic University Parking Facility Revenue Refunding Bonds, Series (to be determined) (the "Proposed Refunding Bonds") for approval at the December 11, 2012, meeting of the State Board of Administration; and,

**WHEREAS**, the Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment with the Outstanding Bonds, and when and if approved and issued, the Proposed Refunding Bonds; and,

**WHEREAS**, the principal of and interest due on the Bonds shall be paid solely out of revenues and other amounts pledged therefor ("Pledged Revenues"), 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**, Florida Atlantic University 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 \$15,600,000 State of Florida, Board of Governors, Florida Atlantic University Parking Facility Revenue Bonds, Series 2012A for the uses and purposes hereinabove set forth, is hereby approved as to fiscal sufficiency.

**ADOPTED December 11, 2012**



**J. BEN WATKINS III**  
DIRECTOR

STATE OF FLORIDA

**DIVISION OF BOND FINANCE**  
OF THE STATE BOARD OF ADMINISTRATION

HERMITAGE CENTRE, SUITE 200  
1801 HERMITAGE BOULEVARD  
TALLAHASSEE, FLORIDA 32308

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**RICK SCOTT**  
GOVERNOR  
AS CHAIRMAN

**PAM BONDI**  
ATTORNEY GENERAL

**JEFF ATWATER**  
CHIEF FINANCIAL OFFICER

**ADAM H. PUTNAM**  
COMMISSIONER OF AGRICULTURE

November 20, 2012

Mr. Ashbel C. Williams  
Executive Director & CIO  
State Board of Administration  
Post Office Box 13300  
Tallahassee, Florida 32317-3300

RE: Not Exceeding \$15,600,000 State of Florida, Board of Governors, Florida Atlantic University Parking Facility Revenue Bonds, Series 2012A

Dear Mr. Williams:

In compliance with Section 215.73, Florida Statutes, the Division of Bond Finance requests State Board of Administration approval as to fiscal sufficiency for the above referenced bond issue. We request such approval at your board meeting of December 11, 2012.

The proposed bonds will be secured by the revenues of the parking system after deducting operating expenses. Parking system revenues are derived primarily from a mandatory per semester student transportation access fee and parking decal revenues. The proposed bonds will be on a parity with the outstanding State of Florida, Florida Board of Education, Florida Atlantic University, Parking Facility Revenue Bonds, Series 2001 and 2002 and the not exceeding \$10,500,000 refunding bonds also anticipated to be approved for fiscal sufficiency on December 11, 2012, when and if issued.

The proposed bonds will be issued to finance the construction of a parking garage on the Boca Raton campus of the University; to fund a reserve account, if necessary; and to pay costs associated with the issuance and sale of the proposed bonds.

Enclosed for your review are the following:

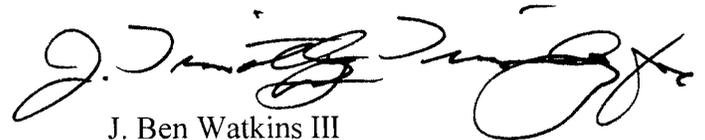
- Enclosure 1: an estimated coverage table for the program, including the proposed \$15,600,000 bonds, but without considering the potential savings from the proposed \$10,500,000 refunding bonds;
- Enclosure 2: an estimated debt service for the proposed bonds; and

Mr. Williams  
November 20, 2012  
Page Two

The bonds will be issued pursuant to the Original Resolution adopted by the Governor and Cabinet on August 28, 2001, as amended on June 12, 2002, and the Second Supplemental Resolution which is anticipated to be adopted by the Governor and cabinet on December 11, 2012. The Original Resolution and the June 12, 2002 amending resolution have been previously provided with prior fiscal sufficiency requests. A draft copy of the Second Supplemental Resolution will be provided to you when available.

A draft of the fiscal sufficiency resolution should be sent to Toni Egan and Kim James of this office for review. Should you have any questions, please contact either myself, Toni Egan or Kim James at 488-4782. Your consideration of this matter is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Ben Watkins III", written in a cursive style.

J. Ben Watkins III  
Director

JBW:kj

Enclosures

cc: Anthony Doheny  
Robert Copeland

**STATE OF FLORIDA BOARD OF GOVERNORS  
FLORIDA ATLANTIC UNIVERSITY  
HOUSING FACILITY REVENUE BONDS  
FISCAL SUFFICIENCY REQUEST FOR NOT EXCEEDING \$15,600,000  
ESTIMATED DEBT SERVICE COVERAGE**

Year Ending June 30	Gross Revenues	Operating Expenses	Pledged Revenue	Outstanding Debt Service	Estimated Debt Service for Proposed Bonds			Total Estimated Debt Service	Debt Service Coverage <sup>2</sup>
					Principal	Interest	Total		
<i>Historical<sup>1</sup></i>									
2008	\$5,488,784	\$2,259,293	\$3,229,491	\$1,257,906					2.57x
2009	5,094,929	1,918,142	3,176,787	1,261,516					2.52x
2010	5,708,124	2,233,142	3,474,982	1,257,955					2.76x
2011	5,996,342	3,271,686	2,724,656	1,262,900					2.16x
2012	6,962,481	3,486,441	3,476,040	1,261,150					2.76x
<i>Projected</i>									
2013	\$7,075,817	\$3,257,616	\$3,818,201	\$1,262,420	\$0	\$448,500	\$448,500	\$1,710,920	2.23x
2014	7,217,333	3,460,345	3,756,988	1,261,266	475,000	897,000	1,372,000	2,633,266	1.43x
2015	7,361,680	3,564,155	3,797,525	1,262,466	500,000	869,688	1,369,688	2,632,154	1.44x
2016	7,508,913	3,671,080	3,837,833	1,260,935	530,000	840,938	1,370,938	2,631,873	1.46x
2017	7,659,092	3,781,212	3,877,880	1,262,263	560,000	810,463	1,370,463	2,632,725	1.47x
2018	7,659,092	3,781,212	3,877,880	1,260,838	595,000	778,263	1,373,263	2,634,100	1.47x
2019	7,659,092	3,781,212	3,877,880	1,261,571	625,000	744,050	1,369,050	2,630,621	1.47x
2020	7,659,092	3,781,212	3,877,880	1,264,799	665,000	708,113	1,373,113	2,637,911	1.47x
2021	7,659,092	3,781,212	3,877,880	1,260,265	700,000	669,875	1,369,875	2,630,140	1.47x
2022	7,659,092	3,781,212	3,877,880	652,988	740,000	629,625	1,369,625	2,022,613	1.92x
2023	7,659,092	3,781,212	3,877,880	652,188	785,000	587,075	1,372,075	2,024,263	1.92x
2024	7,659,092	3,781,212	3,877,880		830,000	541,938	1,371,938	1,371,938	2.83x
2025	7,659,092	3,781,212	3,877,880		875,000	494,213	1,369,213	1,369,213	2.83x
2026	7,659,092	3,781,212	3,877,880		930,000	443,900	1,373,900	1,373,900	2.82x
2027	7,659,092	3,781,212	3,877,880		980,000	390,425	1,370,425	1,370,425	2.83x
2028	7,659,092	3,781,212	3,877,880		1,035,000	334,075	1,369,075	1,369,075	2.83x
2029	7,659,092	3,781,212	3,877,880		1,095,000	274,563	1,369,563	1,369,563	2.83x
2030	7,659,092	3,781,212	3,877,880		1,160,000	211,600	1,371,600	1,371,600	2.83x
2031	7,659,092	3,781,212	3,877,880		1,225,000	144,900	1,369,900	1,369,900	2.83x
2032	7,659,092	3,781,212	3,877,880		1,295,000	74,463	1,369,463	1,369,463	2.83x
					15,600,000	10,893,663	26,493,663	39,155,660	

<sup>1</sup> Actual Revenues and Expenses provided by the University for fiscal years 2008 through 2012. Projections provided by the University for Fiscal Years 2013 through 2017, assuming 2% annual revenue growth and 3% annual increases in expenses. Projections for Fiscal Year 2017 and thereafter are held constant; however, no representation is made that the amounts shown will be collected.

<sup>2</sup> Coverage of Pledged Revenues is determined by dividing Pledged Revenues by Total Estimated Debt Service.



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

---

**TO:** Ash Williams  
**FROM:** Robert Copeland  
**SUBJECT:** Fiscal Sufficiency  
**DATE:** November 28, 2012



---

**APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$10,500,000 STATE OF FLORIDA, BOARD OF GOVERNORS, FLORIDA ATLANTIC UNIVERSITY PARKING FACILITY REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED):**

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 \$10,500,000 State of Florida, Board of Governors, Florida Atlantic University Parking Facility Revenue Refunding Bonds, Series (to be determined) (the "Bonds"), for the purpose of refunding all or a portion of outstanding Series 2001 and 2002 Bonds.

The Bonds will be issued pursuant to the Original Resolution adopted by the Governor and Cabinet on August 28, 2001, as amended on June 12, 2002, and the Third Supplemental Resolution which is anticipated to be adopted on December 11, 2012 (collectively referred to herein as the "Resolution"). The Division has heretofore issued Florida Atlantic University Parking Facility Revenue Bonds, Series 2001 and 2002 (the "Outstanding Bonds"). The Division has submitted for approval as to fiscal sufficiency a proposal to issue not exceeding \$15,600,000 State of Florida, Board of Governors, Florida Atlantic University Parking Facility Revenue Bonds, Series 2012A (The "2012A Bonds") for approval at the December 11, 2012, meeting of the State Board of Administration. 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 and in all other respects, with the Outstanding Bonds, and when and if approved and issued, the 2012A 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 \$10,500,000 STATE OF FLORIDA, BOARD OF GOVERNORS,  
FLORIDA ATLANTIC UNIVERSITY PARKING FACILITY  
REVENUE REFUNDING 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 \$10,500,000 State of Florida, Board of Governors, Florida Atlantic University Parking Facility Revenue Refunding Bonds, Series (to be determined) (the "Bonds"), for the purpose of refunding all or a portion of outstanding Series 2001 and 2002 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 are being issued pursuant to the Original Resolution adopted by the Governor and Cabinet on August 28, 2001, as amended on June 12, 2002, and the Third Supplemental Resolution which is anticipated to be adopted on December 11, 2012 (collectively referred to herein as the "Resolution"); and,

**WHEREAS**, the Division has heretofore issued State of Florida, Florida Board of Education, Florida Atlantic University Parking Facility Revenue Bonds, Series 2001 and 2002 (the "Outstanding Bonds"); and,

**WHEREAS**, the Division has submitted for approval as to fiscal sufficiency a proposal to issue not exceeding \$15,600,000 State of Florida, Board of Governors, Florida Atlantic University Parking Facility Revenue Bonds, Series 2012A (The "2012A Bonds") for approval at the December 11, 2012, meeting of the State Board of Administration; and,

**WHEREAS**, the Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment with the Outstanding Bonds, and when and if approved and issued, the 2012A Bonds; and,

**WHEREAS**, the principal of and interest due on the Bonds shall be paid solely out of revenues and other amounts pledged therefor ("Pledged Revenues"), 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**, Florida Atlantic University 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 \$10,500,000 State of Florida, Board of Governors, Florida Atlantic University Parking Facility Revenue Refunding Bonds, Series (to be determined) for the uses and purposes hereinabove set forth, is hereby approved as to fiscal sufficiency.

**ADOPTED December 11, 2012**



**J. BEN WATKINS III**  
DIRECTOR

STATE OF FLORIDA

**DIVISION OF BOND FINANCE**  
OF THE STATE BOARD OF ADMINISTRATION

**HERMITAGE CENTRE, SUITE 200**  
**1801 HERMITAGE BOULEVARD**  
**TALLAHASSEE, FLORIDA 32308**

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**RICK SCOTT**  
GOVERNOR  
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**PAM BONDI**  
ATTORNEY GENERAL

**JEFF ATWATER**  
CHIEF FINANCIAL OFFICER

**ADAM H. PUTNAM**  
COMMISSIONER OF AGRICULTURE

November 20, 2012

Mr. Ashbel C. Williams  
Executive Director & CIO  
State Board of Administration  
Post Office Box 13300  
Tallahassee, Florida 32317-3300

RE: Not Exceeding \$10,500,000 State of Florida, Board of Governors, Florida Atlantic University Parking Facility Revenue Refunding Bonds, Series (to be determined)

Dear Mr. Williams:

In compliance with Section 215.73, Florida Statutes, the Division of Bond Finance requests State Board of Administration approval as to fiscal sufficiency for the above referenced bond issue. We request such approval at your board meeting of December 11, 2012.

The proposed bonds will be secured by the revenues of the parking system after deducting operating expenses. Parking system revenues are derived primarily from a mandatory per semester student transportation access fee and parking decal revenues. The proposed bonds will be on a parity with the outstanding State of Florida, Florida Board of Education, Florida Atlantic University, Parking Facility Revenue Bonds, Series 2001 and 2002 and the not exceeding \$15,600,000 Parking Facility Revenue Bonds also anticipated to be approved for fiscal sufficiency on December 11, 2012, when and if issued.

The proposed bonds are being issued to refund all or a portion of the outstanding Series 2001 Bonds and Series 2002 Bonds and will only be issued if there is a debt service savings derived from the transaction.

Enclosed for your review are the following:

- Enclosure 1: an estimated coverage table for the program, without considering the potential savings from the proposed refunding bonds, and including the proposed \$15,600,000 bonds; and
- Enclosure 2: an estimated debt service and savings schedule from a recent sizing of the proposed bonds.

Mr. Williams  
November 20, 2012  
Page Two

The bonds will be issued pursuant to the Original Resolution adopted by the Governor and Cabinet on August 28, 2001, as amended on June 12, 2002, and the Third Supplemental Resolution which is anticipated to be adopted by the Governor and cabinet on December 11, 2012. The Original Resolution and the June 12, 2002 amending resolution have been previously provided with prior fiscal sufficiency requests. A draft copy of the Third Supplemental Resolution will be provided to you when available.

A draft of the fiscal sufficiency resolution should be sent to Toni Egan and Kim James of this office for review. Should you have any questions, please contact either myself, Toni Egan or Kim James at 488-4782. Your consideration of this matter is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Ben Watkins III", written in a cursive style.

J. Ben Watkins III  
Director

JBW:kj

Enclosures

cc: Anthony Doheny  
Robert Copeland

**STATE OF FLORIDA BOARD OF GOVERNORS  
FLORIDA ATLANTIC UNIVERSITY  
HOUSING FACILITY REVENUE BONDS  
FISCAL SUFFICIENCY REQUEST FOR NOT EXCEEDING \$15,600,000  
ESTIMATED DEBT SERVICE COVERAGE**

Year Ending June 30	Gross Revenues	Operating Expenses	Pledged Revenue	Outstanding Debt Service	Estimated Debt Service for Proposed Bonds		Total Estimated Debt Service <sup>2</sup>	Debt Service Coverage <sup>2</sup>
					Principal	Interest		
2008	\$5,488,784	\$2,259,293	\$3,229,491	\$1,257,906				2.57x
2009	5,094,929	1,918,142	3,176,787	1,261,516				2.52x
2010	5,708,124	2,233,142	3,474,982	1,257,955				2.76x
2011	5,996,342	3,271,686	2,724,656	1,262,900				2.16x
2012	6,962,481	3,486,441	3,476,040	1,261,150				2.76x
<i>Projected</i>								
2013	\$7,075,817	\$3,257,616	\$3,818,201	\$1,262,420	\$0	\$448,500	\$1,710,920	2.23x
2014	7,217,333	3,460,345	3,756,988	1,261,266	475,000	897,000	2,633,266	1.43x
2015	7,361,680	3,564,155	3,797,525	1,262,466	500,000	869,688	2,632,154	1.44x
2016	7,508,913	3,671,080	3,837,833	1,260,935	530,000	840,938	2,631,873	1.46x
2017	7,659,092	3,781,212	3,877,880	1,262,263	560,000	810,463	2,632,725	1.47x
2018	7,659,092	3,781,212	3,877,880	1,260,838	595,000	778,263	2,634,100	1.47x
2019	7,659,092	3,781,212	3,877,880	1,261,571	625,000	744,050	2,630,621	1.47x
2020	7,659,092	3,781,212	3,877,880	1,264,799	665,000	708,113	2,637,911	1.47x
2021	7,659,092	3,781,212	3,877,880	1,260,265	700,000	669,875	2,630,140	1.47x
2022	7,659,092	3,781,212	3,877,880	652,988	740,000	629,625	2,022,613	1.92x
2023	7,659,092	3,781,212	3,877,880	652,188	785,000	587,075	2,024,263	1.92x
2024	7,659,092	3,781,212	3,877,880		830,000	541,938	1,371,938	2.83x
2025	7,659,092	3,781,212	3,877,880		875,000	494,213	1,369,213	2.83x
2026	7,659,092	3,781,212	3,877,880		930,000	443,900	1,373,900	2.82x
2027	7,659,092	3,781,212	3,877,880		980,000	390,425	1,370,425	2.83x
2028	7,659,092	3,781,212	3,877,880		1,035,000	334,075	1,369,075	2.83x
2029	7,659,092	3,781,212	3,877,880		1,095,000	274,563	1,369,563	2.83x
2030	7,659,092	3,781,212	3,877,880		1,160,000	211,600	1,371,600	2.83x
2031	7,659,092	3,781,212	3,877,880		1,225,000	144,900	1,369,900	2.83x
2032	7,659,092	3,781,212	3,877,880		1,295,000	74,463	1,369,463	2.83x
					15,600,000	10,893,663	26,493,663	

<sup>1</sup> Actual Revenues and Expenses provided by the University for fiscal years 2008 through 2012. Projections provided by the University for Fiscal Years 2013 through 2017, assuming 2% annual revenue growth and 3% annual increases in expenses. Projections for Fiscal Year 2017 and thereafter are held constant; however, no representation is made that the amounts shown will be collected.

<sup>2</sup> Coverage of Pledged Revenues is determined by dividing Pledged Revenues by Total Estimated Debt Service.





STATE BOARD OF ADMINISTRATION  
OF FLORIDA

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

## MEMORANDUM

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**To:** Ash Williams

**CC:** Kevin Thompson, William Thompson

**From:** John Benton

**Date:** November 20, 2012

**Re:** Review of Changes to the Florida Prepaid and the Florida 529 Savings Comprehensive Investment Plans

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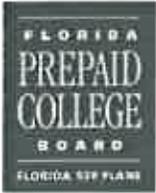
Consistent with s. 1009.973, Florida Statutes, SBA staff have reviewed the proposed changes to the Comprehensive Investment Plans for the Stanley G. Tate Prepaid College Program ("College Prepaid Program") and the Florida 529 Savings Program ("Florida 529 Program"). The changes to the Comprehensive Investment Plans ("CIP") were recommended by Callan Associates and approved by the Florida Prepaid Board earlier this year.

Based on our understanding of the Florida Prepaid Board's goals and risk tolerance for the College Prepaid Program, we believe the proposed changes are appropriate and will enhance the likelihood of meeting the three policy goals stated in the CIP:

1. Safety in the program's ability to meet forecasted actuarial liabilities is one of two primary investment objectives. This objective is pursued through utilization of a bond strategy with a duration and pattern of cash flows mirroring the Program's liabilities, broad diversification within asset classes, conservative credit quality guidelines and disciplined oversight of the investment program.
2. Liquidity in paying actual Program obligations as they come due is the second of the two primary investment objectives. This objective is pursued through prudent planning regarding maturities, income and program receipts.
3. Maximizing investment returns is a secondary objective. This objective is pursued through investment of actuarial surplus in diversified equity investments and a mix of passive and risk-oriented active management strategies.

The purpose of the Florida 529 Program is to provide a medium through which families and individuals may save for qualified educational expenses. Based upon our understanding of the Florida 529 Program, we believe the proposed changes to the CIP are appropriate and will enhance the ability of families and individuals to save for college expenses by offering an appropriate number of fund options that span the risk and return spectrum.

Please let me know if you have further questions.



**Florida Prepaid College Board**

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Duane L. Ottenstroer  
Chairman  
Investor

**MEMORANDUM**

Thomas H. Ruggie  
Vice Chairman  
Ruggie Wealth Management

To: Ash Williams

Frank T. Brogan  
Chancellor  
Board of Governors

From: Kevin Thompson 

Date: November 21, 2012

Randy Hanna  
Chancellor  
Division of Florida Colleges

Re: Revised Comprehensive Investment Plans for the  
Stanley G. Tate Florida Prepaid College Program and the  
Florida College Savings Program

Philip E. Marshall  
Advantage Capital Partners

Liana R. O'Drobinak  
Bay Consulting Partners LLC

Kevin Thompson  
Executive Director

The purpose of this memorandum is to provide your office with the revised Comprehensive Investment Plans (CIPs) for the Stanley G. Tate Florida Prepaid College Program and the Florida College Savings Program, as approved by the Florida Prepaid College Board at its meeting on September 20, 2012. As previously discussed, the CIPs were revised as recommended by the Board's Investment Consultant, Callan Associates, Inc.

As provided in section 1009.973, Florida Statutes, the investment plans established by the Board require the approval of the State Board of Administration. Following your review, we are requesting the revised CIPs be placed on the agenda for approval at the State Board of Administration meeting scheduled for December 11, 2012.

Enclosed are copies of the revised CIPs, a summary of the major policy changes for the CIPs, and red-lined copies, so that you can track the changes from the current CIPs.

Please contact me if you have any questions regarding this request.

Enclosures

**The Stanley G. Tate Florida Prepaid College Program**

Stanley G. Tate was instrumental in the early development of the Florida Prepaid College Board and served tirelessly as Chairman of the Board during the program's first 18 years, from 1987 to 2005. In recognition of Mr. Tate's service, Governor Jeb Bush signed into law House Bill 263 renaming the program after Mr. Tate.



**SUMMARY OF PROPOSED CHANGES TO THE  
STANLEY G. TATE FLORIDA PREPAID COLLEGE PROGRAM  
COMPREHENSIVE INVESTMENT PLAN**

At its meeting on September 20, 2012, the Prepaid College Board approved changes to the Stanley G. Tate Florida Prepaid College Program's Comprehensive Investment Plan (CIP), as recommended by Callan Associates, Inc., the Board's Investment Consultant. All of the changes are reflected on the "tracking copy," which displays a strike-thru for deletions and highlight for additions.

The major policy changes are highlighted throughout the CIP and are summarized below:

**PAGE 5** – Amends the maximum investment in securities of any issuer to the greater of 5% of the portfolio or 2% greater than the security's benchmark weight.

**PAGE 12** – Amends the maximum allocation to corporate debt, asset-backed securities and mortgage-backed securities in aggregate from 40% to 50% of fixed income portfolios. Adds ability for Board to set maximum and minimum allocations for each of these security types.

**PAGES 14, 16, and 19-24** – Amends tracking error for each active equity portfolio from a fixed number of basis points to a relative ranking below the highest quartile of managers for that investment style. Also reduces the time period of evaluation from a rolling five-year to a rolling three-year time period.

**PAGE 17** – Amends the large cap core guidelines to permit the manager to invest in companies being added to the index before they are in the index to minimize tracking error and/or reduce trading costs.



**Florida Prepaid College Board**  
**Comprehensive Investment Plan**  
*for the*  
**Stanley G. Tate Florida Prepaid College Program**  
**August 26, 2010**  
**December 11, 2012**

**AUTHORITY**

All investments made under this plan are made under the authority granted the Florida Prepaid College Board under Section 1009.973, Florida Statutes. All funds managed by the Board are funds of the State of Florida.

**PURPOSE**

The Stanley G. Tate Florida Prepaid College Program (the Program) is a program created pursuant to Section 1009.98 of the Florida Statutes to provide a medium through which the cost of a state postsecondary education may be paid in advance of enrollment at a rate lower than the projected corresponding cost at the time of actual enrollment. The Program is administered by the Florida Prepaid College Board (the Board), which was created pursuant to Section 1009.97 of the Florida Statutes.

The policy goals of this Comprehensive Investment Plan (CIP) are established as follows in the priority listed. These goals are:

1. Safety
2. Liquidity
3. Yield

The sole purpose of the investment program is to meet the forecasted actuarial liability projections. In pursuing the objective of meeting the forecasted liabilities, the primary policy goal is the safety in the Program's ability to meet the forecasted liabilities. The goals of safety must be met by the limitation of risk through portfolio allocation based on liability requirements, diversification within asset classes, credit quality guidelines and investment operating procedures.

A second and equally important portfolio objective is giving adequate consideration to the liquidity requirements necessitated by the Program obligations. Consideration will be given to investment maturities, investment income and funds receipts in calculating funds required for liquidity purposes.

After meeting safety and liquidity requirements, the goals of maximizing investment return will be met. Strategies will be employed to achieve the highest possible net returns within policy guidelines.

The investment strategy is designed to enable the Board to meet actuarially determined Program liabilities, calculated by an independent actuarial consultant firm, and approved by the Board, at the time of funding. By definition, responsibility for financing any divergence of actual liabilities from actuarial assumptions that may result in Program funding deficits belongs to the Legislature. The sole purpose of the Board's CIP is to outline the strategies to be employed to meet forecast actuarial liability projections, and to establish the guidelines under which each investment manager will operate.

## **ORGANIZATION**

The Board retains ultimate responsibility for the development, execution and control of the CIP. The Board may delegate responsibility for the administration of the CIP to a Committee of the Board or a person duly chosen by the Board. This Committee or person shall ensure that Board policies are strictly followed and that investment procedures, which protect the financial assets of the Program, are in place and properly followed. The Committee will employ the services of a professional consultant to advise it in the pursuit of the investment objectives.

## **INVESTMENT MANAGEMENT**

The Board will hire duly qualified investment managers to carry out the day-to-day investment responsibilities outlined in the CIP. Investment managers (product providers) will have investment discretion as to security selection subject to the guidelines and limitations expressed in the CIP and any manager-specific guidelines agreed upon between the Board and manager.

## **REPORTING**

The Executive Director will cause detailed quarterly reports and monthly flash reports of the investment portfolio structure and performance to be prepared for review by the Board.

To ensure that the Executive Director and the Board have the necessary information to discharge their oversight responsibility, the quarterly reports will include the following:

### **1. Performance Measurement and Attribution**

Performance measurement of the Prepaid College Trust Fund (the Fund) shall be reported each quarter for the most recent completed quarter, fiscal year-to-date, most recent twelve-month period and cumulatively from inception showing returns on the assets compared to returns on the customized benchmark index, which approximates the Program's liability requirements. Returns will be reported on a time-weighted basis.

- The performance of the total Fund will be compared against a benchmark comprised of market portfolios representing the underlying investment strategies and weighted in accordance with the Program's asset allocation policy.
- Performance of each asset class will be shown along with an analysis of each manager's contribution to the performance of the asset class.
- Performance of each investment manager and an attribution analysis of that manager's performance will be shown in comparison to benchmarks appropriate to their investment strategy.
  - Fixed Income attribution will include such factors as the effects of changes in interest rates, and sector and quality decisions.
  - Equity attribution will include such factors as sector and industry weights, beta, company size, yield and growth in earnings.

- The performance of each equity manager will also be evaluated relative to a universe of its peers managing similar portfolios and following a similar investment style.
- Returns for each manager and the overall Fund will also be evaluated on a risk-adjusted basis.
  - For individual managers, the risk measurement will be expressed relative to appropriate benchmarks.
  - For each asset class and the overall Fund, the risk measurement will take into consideration any deviation from asset allocation policy and the impact on the funded status of the Program’s liabilities.

## 2. Compliance and Monitoring

- Asset allocation of the Fund and diversification within each asset class will be reported to ensure allocation guidelines are met.
- Projection of sources and uses of funds will be reported to ensure liquidity requirements are met.
- Investment asset holdings will be reported and monitored monthly to ensure investment only in authorized vehicles.
- Each manager will certify *monthly* that their portfolio is in compliance with the terms of this CIP and their specific investment mandate. Any exceptions to policy will be noted and a statement provided indicating the steps to be taken to bring the portfolio back into compliance with the policy.
- Each manager will be monitored based upon the performance objectives outlined in this CIP.
- Each manager shall immediately disclose to the Board in writing any instance which a member of the investment manager’s Board of Directors, an officer of the investment management firm, or a member of the portfolio management staff is also a member of the Board of Directors, an officer of, or a significant shareholder of 5% or more in stocks of a company in which they propose to invest Board funds. In addition, the Board’s investment consultant and the trustee/custodian shall annually certify that no conflicts of interest exist with respect to the services they provide to the Program and shall annually provide the Board with a copy of the firm’s policy governing conflicts of interest. The requirements of this paragraph do not apply with respect to the common stock of the manager responsible for investment of the large capitalization core domestic equity portfolio (or the common stock of the manager's holding company) when the manager's common stock (or that of its holding company) is included in the S&P 500; provided that, prior to the initial purchase of the manager’s common stock (or that of its holding company), the manager notifies the Board in writing that the manager's common stock (or that of its holding company) is included or has been included, in the S&P 500.

## **AUTHORIZED INVESTMENT VEHICLES**

Funds managed by the Board may be placed in the following accounts or investments:

1. Deposit accounts and certificates of deposit in banks.
2. Obligations of the United States Treasury, including Treasury Inflation Protection (TIPs) bonds.
3. Obligations of agencies of the United States Government (not restricted to full-faith and credit obligations).
4. Commercial paper of prime quality of the highest letter and numerical rating established by a nationally recognized rating service.
5. Bankers' acceptances that are accepted by a member bank of the Federal Reserve System.
6. Corporate debt obligations preferred stock, mortgage-backed securities, and asset-backed securities, provided the obligations meet the minimum credit criteria set forth elsewhere in this CIP.
7. Build America Bonds (BABs), limited to General Obligation and Essential Services bonds, provided that each individual issue is rated A3/A- or better.
8. Institutional investment products including fixed annuities, variable annuities and guaranteed insurance contracts that are obligations of United States insurance companies.
9. Common stocks traded on domestic exchanges, including over-the-counter markets and recognized third and fourth markets.
10. Common stocks of foreign-domiciled companies traded on non-U.S. exchanges including over-the-counter markets.
11. Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government.
12. Commingled investment funds and institutional mutual funds.
13. American Depositary Receipts, 144(a) securities (with and without registration rights), and Yankee bonds (excluding sovereign bonds).
14. Exchange Traded Funds (ETF's) traded on domestic exchanges, so long as consistent with the investment mandate, and guidelines.
15. Mortgage TBAs ("To Be Announced") securities. These securities require an equivalent amount of cash equivalents set aside for future settlement of the forward agreement.
16. Derivatives: In general, the following uses of derivatives are approved for portfolio management purposes, although specific written permission must be granted to each manager on a case-by-case basis in formal written account guidelines.

- Substitute for physical
- Duration management
- Risk control
- Foreign currency hedging

Before a derivative security or derivative strategy is used by an investment manager, one or more of the following benefits must be demonstrated to the Board:

- Increased liquidity.
- Stabilized and enhance portfolio returns.
- Lower transaction costs, including market impact costs.
- Reduction in the time required to change the mix of the portfolio.

Before any such derivative strategy is used by an Investment Manager, written permission for such use must be obtained from the Executive Director of the Prepaid Board.

Investment managers must keep in mind at all times the Board's preference for safety and liquidity.

## **PROHIBITED INVESTMENT VEHICLES AND GENERAL INVESTMENT RESTRICTIONS**

1. Short selling of securities is prohibited.
2. Maximum investment in the securities of any issuer, except U.S. Treasury, Agency, Agency Mortgage-Backed Securities, or repurchase agreements collateralized by U.S. Treasury or Agency securities, is the greater of 5% of the market value of the total Fund, or 2% greater than the appropriate benchmark weight.
3. Debt obligations and preferred stock may not be rated less than Baa3 by Moody's, BBB- by Standard & Poor's or Fitch at the time of purchase. Split-rated bonds will be governed by the Barclays Capital Index Inclusion Rules across the three rating agencies. Debt obligations with Expected Ratings are permissible unless the Actual Rating causes the security to be out of compliance with the above guideline.
4. The following derivative strategies and derivative instruments are considered inappropriate and therefore not permitted for use in the managing of assets for the Florida Prepaid College Program.
  - Derivatives use for speculative purposes.
  - Derivatives that leverage the account.
  - Commodity options, swaps or other derivatives based on commodities.

## **ASSET ALLOCATION POLICY**

The Fund shall maintain an asset allocation such to maximize the probability of meeting the Program's liabilities over the long term. An asset / liability study shall be conducted once every five years, and more often if warranted by a material change in the underlying liabilities or the investment environment. Taking into consideration the results of the asset liability study and the recommendations

of the Program's consultants, the Board will adopt an asset allocation which properly reflects its attitude towards the balancing of risk and return. The Board at this time has adopted an asset allocation policy which limits the amount of equities to fifteen percent (15%) of the market value of the total Fund, or the most current actuarial reserve balance as determined by the Board's actuary, whichever is less. The Fund's principal objective in asset allocation is that of asset/liability matching. An immunized fixed income strategy emphasizing zero coupon U.S. Treasury issues is the dominant investment strategy employed to meet these goals. Other fixed income investments may be used in limited amounts to seek incremental yield. Actuarial reserve assets may be invested in other asset classes as directed by the Board.

The benchmarks for monitoring investment performance of the total Fund and asset class level shall be:

<u>Asset Category</u>	<u>Allocation</u>	<u>Range</u>	<u>Corresponding Index</u>
Total Fund			A policy-weighted blend of the Customized Equity and Immunized Fixed Income Benchmarks
Equities	Actuarial Reserve	0 – 15%	80% Russell 3000 and 20% MSCI EAFE
Immunized Fixed Income	Up to 100%	85 – 100%	Customized Benchmark
Cash	0%	0 – 5%	90-day US Gov't T-bills

The Customized Fixed Income Benchmark will be reconstituted annually using the June 30 liability profile as determined by the Program's actuary. The duration of the benchmark and the pattern of its cash flows will mirror that of the Program's liabilities. The benchmark is comprised of United States Treasury Strip securities, Barclays Capital Corporate Index, and Barclays Capital Fixed-Rate Mortgage-Backed Securities Index, and other Authorized Investment Vehicles as defined in the CIP.

At no time shall the allocation to the fixed income segment of the Fund be less than at a fully funded status net of projected payments from participants. That is, the fixed income segment shall always be greater than or equal to the total Fund value or actuarial liability minus projected cash flows from the participants, whichever is less.

The total equity segment of the Fund, and each of its components shall be constructed using one or more investment manager or products such that in the aggregate the equity component is capitalization and style neutral to its corresponding Customized Equity index.

<u>Equity Segments</u>	<u>Targeted Weight</u>	<u>Allowable Range</u>
Growth Portfolio	20.00%	0.00% - 25.00%
Value Portfolio	20.00%	0.00% - 25.00%
Index Portfolio	20.00%	0.00% - 75.00%
Mid Cap Portfolio	10.00%	5.00% - 15.00%
Small Cap Portfolio	10.00%	5.00% - 15.00%
International Portfolio	20.00%	15.00% - 25.00%

Based on the market values of the total Fund as of June 30th as determined by the Board's actuary and after approval by the Board, the allocation of fixed income and equity will be rebalanced no later than September 30th of each year, in order to have the equity component equal fifteen percent (15%) of the total Fund, or the actuarial reserve balance, whichever is less.

In the fixed income segment and subject to Board direction, the allocation to the managers will be rebalanced so that in aggregate the segment is consistent with the customized benchmark.

In the equity segment and in the absence of strong evidence supporting a deviation from these baseline allocations, and subject to Board direction, the allocations to each style and market capitalization of management will be rebalanced in a manner designed to minimize portfolio impact, including transaction costs.

In order to accommodate asset value fluctuations due to short-term economic or market conditions, the asset allocation of the equity segment can vary among asset categories within the ranges noted above. At a minimum, the Board will review the asset allocation and the equity segment targets on a quarterly basis and will make a determination as to whether to rebalance at that time.

In developing this asset allocation policy, the total Fund has been designed to be fully invested, and thus no portion of the Fund has been targeted for cash. However, managers may raise cash balances in accordance with their individual investment guidelines. In the course of operations the Board may deem it appropriate to maintain a cash balance outside of the managers' portfolios in order to meet the Program's liquidity and allocation needs.

## **MANAGER SELECTION AND EVALUATION**

The Board has elected to employ multiple investment managers with complementary investment skills and/or styles. As part of this multi-manager structure, managers are hired for their expected contribution to the overall portfolio performance over the various market cycles based on their style, stated strategy, and asset mix. Therefore, the Board shall evaluate manager performance over a sufficient time horizon, and in the context of the prevailing market environment, in order to properly assess each manager's contribution to the overall portfolio. In general, a three or more year period of time will be used to evaluate a manager's success or failure at attaining agreed-upon goals. On an interim basis, portfolio risk and investment performance will be monitored continually to ensure that the management of Program assets remains consistent with the style and objective for which the manager was retained.

At a minimum, investment manager reviews will include a quarterly quantitative performance review conducted by the consultant. Specific evaluation criteria are stated in the investment guidelines that have been individually prepared for each manager pursuant to their specific role in the Program's multi-manager strategy. As necessary, the evaluation may also include an annual site visit to review each portfolio manager's operations. This portion of the evaluation will be conducted by a member of the Board or the Investment Committee, as may be designated either by the Board or the Investment Committee.

## **IMPLEMENTATION**

All money invested for the Plan by their Investment Managers after the adoption of this Investment Policy Statement shall conform to this Statement.

The following guidelines have been established: (1) to ensure that the manager continually adheres to all regulations administered by any regulatory authority charged with oversight responsibility; (2) to limit the Fund's exposure to unintended risk; (3) to ensure that the manager maintains the style of management for which they were retained; and (4) to provide objective, reasonable criteria to the manager of the Board's expectations. The following eight parts contain the investment guidelines and policies for each segment of the Program funds:

**PART I**  
**PASSIVE FIXED INCOME**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The Board has chosen to employ a multi-manager fixed income investment strategy. In order to reduce the relative volatility of the actively managed portfolios and control overall investment management costs, an allocation to passive fixed income management is maintained. The objective of this component of the portfolio is to replicate the returns of the Customized Benchmark which consists of U.S. Treasury Strips, BC Corporate Index, and BC Fixed-Rate Mortgage-Backed Index.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, excluding any cash equivalents used to settle Mortgage TBA securities.

**PASSIVE FIXED INCOME GUIDELINES**

1. The portfolio will be managed in a manner that protects the Program's funded status relative to changes in its projected liabilities due to changes in interest rates. Therefore, the primary focus of the portfolio shall be on limiting actuarial reserve volatility.
2. The guidelines permit, within the framework and limitations of the broader CIP, all securities eligible for inclusion in the indices which comprise the Customized Benchmark.
3. The total duration of the portfolio shall not differ from the total duration of the benchmark by more than +/- one-quarter of one year.
4. The individual number of holdings in the portfolio shall be sufficient enough to minimize the near-term tracking error relative to the Customized Benchmark.
5. Sector allocations shall be made consistent with the sector weights within the Customized Benchmark.
6. Any cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

**RESTRICTED INVESTMENTS**

The use of futures, options and swaps will be permitted subject to the restrictions imposed by "AUTHORIZED INVESTMENT VEHICLES" Paragraph 16.

No commingled or mutual funds may be used to achieve desired diversification or replication of benchmark sector returns.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Customized Benchmark over any three or more year period of time, taking into consideration the following:

- The manager's performance is expected to meet the Customized Benchmark.
- Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error to the Customized Benchmark of less than 5 basis points.

**PART II**  
**ACTIVE FIXED INCOME**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

Fixed income managers will be retained as part of a multi-manager investment strategy. Their function within this strategy is to manage an enhanced immunized fixed-income portfolio.

The enhanced immunization style of management shall mean that the manager shall immunize the liabilities of the Program by structuring the assets in such a way that the value of the Program's assets increase (decreases) in conjunction with increases (decreases) with the value of the liabilities due to the changes in interest rates. The manager shall be permitted to attempt to add value to the portfolio relative to the liabilities through modest duration and yield management and through active sector and security selection, to the extent permitted by this policy.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times. However, cash holdings may represent an integral part of the manager's desired portfolio structure. Therefore, for purposes of this constraint cash will be defined as securities with a duration of less than three months and manager shall be allowed a maximum cash position of not more than five percent.

**ENHANCED IMMUNIZATION GUIDELINES**

1. The portfolio will be managed in a manner that protects the Program's funded status relative to changes in its projected liabilities due to changes in interest rates. Therefore, the primary focus of the portfolio shall be on limiting actuarial reserve volatility.
2. The total duration of the portfolio shall not differ from the total duration of the benchmark by more than +/- three-quarters of one year.
3. Investments in fixed income instruments can be made in sectors and securities as authorized in the CIP.
4. Sector allocations shall be made so that the portfolio is well diversified such that it meets its liability requirements.
5. The maximum investment for any issue, except U.S. Treasury, Agency, and Agency Mortgage-Backed Securities, is 2% of the market value of the manager's portfolio.
6. The maximum investment in Build America Bonds (BABs) is limited to 2% of the market value of the manager's portfolio.
7. The maximum investment in 144(a) bonds without Registration Rights is limited to 3% of the market value of the manager's portfolio.

8. Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.
9. The use of futures, options and swaps will be permitted subject to the restrictions imposed by “AUTHORIZED INVESTMENT VEHICLES” Paragraph 16.
- ~~10. A maximum allocation of 20% of the market value of the manager’s portfolio to mortgage-backed securities and asset backed securities is permitted.~~
- ~~11. A maximum allocation of 20% of the market value of the manager’s portfolio to corporate debt securities is permitted.~~
10. A maximum allocation of 50% of the market value of the manager’s portfolio to corporate debt, asset-backed securities and mortgage-backed securities is permitted. On a periodic basis, the Board may set a maximum and minimum allocation each to corporate debt, asset-backed securities and mortgage-backed securities.

## **RESTRICTED INVESTMENTS**

Use of margin is prohibited except as may be required in the use of futures, options and swaps as permitted in subparagraph 9 of this section.

Other than futures, options and swaps, the use of derivative securities that have not been specifically approved by the Board in written form is prohibited.

Convertible securities shall not be considered for investment.

No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the customized benchmark over any three or more year period of time, taking into consideration the following:

- The active manager’s performance, net of fees, is expected to exceed the customized benchmark.
- The effectiveness of the manager's duration, sector and security allocations will be reviewed to determine if the manager has demonstrated, on a total return basis, the ability to add value above the benchmark.

**PART III**  
**LARGE CAP GROWTH EQUITY**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The Board hopes to achieve its goal of reducing total portfolio volatility while enhancing total return through diversification of the equity asset class using multiple styles of management. Large cap growth equity manager(s) will be retained as part of a multi-manager investment strategy. Their function within this strategy is to manage an equity only portfolio utilizing an active large cap growth style of investment. For purposes of this CIP, growth is a style that seeks to purchase stocks of companies, which offer the best combination of strong earnings growth and valuation. This allocation will be represented in the policy benchmark by the Russell 1000 Growth Index. The manager is expected to add value over a passively managed benchmark over a three to five year time frame.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of only five percent. Asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein:

**EQUITY INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to five percent of the portfolio in initial public offerings that have been spun off by a company for which there is an adequate history and that has at least \$1 billion in market capitalization. Further, the parent must have been previously listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX) or have been traded on the National Association of Securities Dealer's Automated Quotation system (NASDAQ) or other recognized domestic exchange. If, through spin-offs or other activities of the companies held, the portfolio exceeds five percent of holdings with less than three years operating history, the manager will bring the portfolio into compliance within a six-month period.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the Russell 1000 Growth Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.

~~3. Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error of less than six hundred basis points relative to the Russell 1000 Growth Index over any rolling five year time period. Until such time that the portfolio has sufficient historical results, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be used to determine portfolio compliance.~~

3.4. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States or in other, recognized domestic markets.

4.5. Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

## **RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.
2. Use of options, futures, primes, swaps or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Russell 1000 Growth Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the Russell 1000 Growth Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the Russell 1000 Growth Index is expected to rank below the highest quartile of managers in the Large Cap Growth peer group over rolling three year periods.

**PART IV**  
**LARGE CAP VALUE EQUITY**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The Board hopes to achieve its goal of reducing total portfolio volatility while enhancing total return through diversification of the equity asset class. Large cap value manager(s) will be retained as part of a multi-manager investment strategy. Their function within this strategy is to manage an equity only portfolio utilizing an active large cap value style of investment. For purposes of this CIP, value is a style that seeks to purchase stocks in companies generally exhibiting lower price/earnings, lower price/book and higher dividend yield than the average large cap equity. This allocation will be represented in the policy benchmark by the Russell 1000 Value Index. The manager is expected to add value over a passively managed benchmark over a three to five year time frame

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of only five percent. During periods of market over-valuation, the manager may have difficulty in identifying solid companies that could be purchased within their value style of management. Therefore, asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein:

**EQUITY INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to five percent of the portfolio in initial public offerings that have been spun off by a company for which there is an adequate history and that has at least \$1 billion in market capitalization. Further, the parent must have been previously listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX) or have been traded on the National Association of Securities Dealer's Automated Quotation system (NASDAQ), or in other, recognized domestic markets. If, through spin-offs or other activities of the companies held, the portfolio exceeds five percent of holdings with less than three years operating history, the manager will bring the portfolio into compliance within a six-month period.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the Russell 1000 Value Index of not less than .80 over any rolling, five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.

~~3. Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error of less than five hundred basis points relative to the Russell 1000 Value Index over any rolling five year time period. Until such time that the portfolio has sufficient historical results, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be used to determine portfolio compliance.~~

3.4. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States.

### **CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

### **RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.
2. Use of options, futures, primes, swaps or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

### **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Russell 1000 Value Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the Russell 1000 Value Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the Russell 1000 Value Index is expected to rank below the highest quartile of managers in the Large Cap Value peer group over rolling three year time periods.

**PART V  
LARGE CAP CORE  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The Board hopes to achieve its goal of reducing total portfolio volatility while enhancing total return through diversification of the equity asset class. An allocation to a passive core equity strategy is one component of this strategy. The objective for this component of the portfolio is to replicate the returns of the S&P 500.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times.

**EQUITY INVESTMENT GUIDELINES**

1. The Manager shall be permitted to invest in any securities which are a part of the S&P 500 without regard for the constraint within this policy prohibiting or restricting the ownership of companies with less than a 3 year publicly available operating history. If the Manager's common stock (or the common stock of the Manager's holding company) is included in the S&P 500, the Manager is permitted to purchase, retain and sell the Manager's common stock (or the common stock of the manager's holding company), consistent with the other requirements, guidelines, restrictions and performance objectives applicable to this portfolio under this Part IV and the reporting requirements imposed on Managers.
2. The Manager shall be permitted to invest in any securities which are a part of the S&P 500 without regard for the preference within this policy for investments to be made in United States based corporations. There shall be no limit on the percent of the portfolio held in American Depository Receipts, provided those same companies are included in the S&P 500 as American Depository Receipts.
3. The use of futures as a substitute for physical investing, or to facilitate cash flows shall be permitted for this portfolio, provided the manager receives prior written approval from the Board. In order to obtain such approval, the manager must submit a written request to the Board, quantifying the net advantages that will accrue to the portfolio.
4. The Manager may temporarily invest in companies outside of the index in the case of additions or deletions, with the goal of minimizing tracking error and/or reducing trading costs.

**CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

## **RESTRICTED INVESTMENTS**

1. The use of futures will be permitted subject to the restrictions imposed by Paragraph 16 (entitled "Derivatives") in the "Authorized Investment Vehicles" section.
2. Use of margin is prohibited except as may be required in the use of futures.
3. Convertible securities shall not be allowed for investment purposes.
4. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the S & P 500, over any three to five year period, taking into consideration the following:

- The manager's performance, net of fees, is expected to meet the S&P 500 Index.
- The beta of the portfolio over any three-year rolling time period and calculated using monthly data shall not be less than .98 nor greater than 1.02.
- Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set fourth in these guidelines, the manager shall maintain an annualized tracking error to the S&P 500, net of fees, of less than 25 basis points.

Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.

**PART VI  
MID CAP EQUITY  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The Board hopes to achieve its goal of reducing total portfolio volatility while enhancing total return through diversification of the equity asset class using multiple styles of management. Mid cap equity manager(s) will be retained as part of a multi-manager investment strategy. Their function within this strategy is to manage an equity only portfolio utilizing an active mid cap style of investment. For purposes of this CIP, this style seeks access to the mid-cap segment of the US equity universe. This allocation will be represented in the policy benchmark by the S&P MidCap 400 Index which represents the performance of mid-sized companies. The manager is expected to add value over a passively managed benchmark over a three to five year time frame.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of only five percent. Asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein:

**EQUITY INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to ten percent of the portfolio in initial public offerings of companies that have at least two years of audited financial statements and have been profitable (from continuing operations) for at least one of the last two years.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the S&P MidCap 400 Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
- ~~3. Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error of no less than four hundred basis points and no more than one thousand basis points relative to the S&P MidCap 400 Index over any rolling five year time period. Until such time that the portfolio has sufficient historical results, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be used to determine portfolio compliance.~~

- 3.4. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States or in other, recognized domestic markets.

### **CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

### **RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.
2. Use of options, futures, or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

### **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the S&P MidCap 400 Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the S&P MidCap 400 Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the S&P MidCap 400 Index is expected to rank below the highest quartile of managers in the MidCap Broad peer group over rolling three year time periods.

**PART VII  
SMALL CAP EQUITY  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The Board hopes to achieve its goal of reducing total portfolio volatility while enhancing total return through diversification of the equity asset class using multiple styles of management. Small cap equity manager(s) will be retained as part of a multi-manager investment strategy. Their function within this strategy is to manage an equity only portfolio utilizing an active small cap style of investment. For purposes of this CIP, this style seeks access to the small-cap segment of the US equity universe. This allocation will be represented in the policy benchmark by the Russell 2000 Index which includes the smallest 2000 securities in the Russell 3000 index. The manager is expected to add value over a passively managed benchmark over a three to five year time frame.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of only five percent. Asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein:

**EQUITY INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to ten percent of the portfolio in initial public offerings of companies that have at least two years of audited financial statements and have been profitable (from continuing operations) for at least one of the last two years.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the Russell 2000 Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
- ~~3. Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error of no less than four hundred basis points and no more than one thousand basis points relative to the Russell 2000 Index over any rolling five year time period. Until such time that the portfolio has sufficient historical results, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be used to determine portfolio compliance.~~

- 3.4. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States or in other, recognized domestic markets.

### **CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

### **RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.
2. Use of options, futures, primes, swaps or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

### **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Russell 2000 Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the Russell 2000 Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the Russell 2000 Index is expected to rank below the highest quartile of managers in the Small Cap peer group over rolling three year time periods.

**PART VIII**  
**INTERNATIONAL EQUITY**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The Board hopes to achieve its goal of reducing total portfolio volatility while enhancing total return through diversification of the equity asset class using multiple styles of management. International equity manager(s) will be retained as part of a multi-manager investment strategy. Their function within this strategy is to manage an equity only portfolio utilizing an active international equity style of investment. For purposes of this CIP, this strategy seeks access to companies that are domiciled outside of the US equity market. This allocation will be represented in the policy benchmark by the MSCI EAFE (i.e., Europe, Australasia, Far East) Index which is designed to measure the equity market performance of developed markets, excluding the US and Canada. The manager is expected to add value over a passively managed benchmark over a three to five year time frame.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of only five percent. Asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein:

**EQUITY INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to five percent of the portfolio in initial public offerings that have been spun off by a company for which there is adequate history of audited financial statements. If, through spin-offs or other activities of the companies held, the portfolio exceeds five percent of holdings with less than three years operating history, the manager will bring the portfolio into compliance within a six-month period.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the MSCI EAFE Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
- ~~3. Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error of less than one thousand basis points relative to the MSCI EAFE Index over any rolling five year time period. Until such time that the portfolio has sufficient historical results, the manager's~~

~~reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be used to determine portfolio compliance.~~

- 3.4. Equity investments shall be made only in securities domiciled outside of the United States. Country classification of a security will be based upon the country of domicile, not based on the country in which the security is listed or traded.

## **CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

## **RESTRICTED INVESTMENTS**

1. The use of currency futures and currency forwards will be permitted subject to the restrictions imposed by Paragraph 16 (entitled “Derivatives”) in the “Authorized Investment Vehicles” section.
2. Use of options, futures, forwards or any other types of derivative securities that are not used for currency hedging purposes are prohibited.
3. Use of margin is prohibited except as may be required in the use of currency futures or forwards.
4. US-domiciled companies.
5. Any country or market outside of the MSCI EAFE Index.
6. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the MSCI EAFE Index, over any three or more year period of time, taking into consideration the following:

- The manager’s performance, net of fees, is expected to exceed the MSCI EAFE Index, taking into consideration the degree of risk.
- The manager’s performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager’s tracking error relative to the MSCI EAFE Index is expected to rank below the highest quartile of managers in the International Equity peer group over rolling three year time periods.

**Florida Prepaid College Board**  
**Comprehensive Investment Plan**  
*for the*  
**Stanley G. Tate Florida Prepaid College Program**  
**December 11, 2012**

**AUTHORITY**

All investments made under this plan are made under the authority granted the Florida Prepaid College Board under Section 1009.973, Florida Statutes. All funds managed by the Board are funds of the State of Florida.

**PURPOSE**

The Stanley G. Tate Florida Prepaid College Program (the Program) is a program created pursuant to Section 1009.98 of the Florida Statutes to provide a medium through which the cost of a state postsecondary education may be paid in advance of enrollment at a rate lower than the projected corresponding cost at the time of actual enrollment. The Program is administered by the Florida Prepaid College Board (the Board), which was created pursuant to Section 1009.97 of the Florida Statutes.

The policy goals of this Comprehensive Investment Plan (CIP) are established as follows in the priority listed. These goals are:

1. Safety
2. Liquidity
3. Yield

The sole purpose of the investment program is to meet the forecasted actuarial liability projections. In pursuing the objective of meeting the forecasted liabilities, the primary policy goal is the safety in the Program's ability to meet the forecasted liabilities. The goals of safety must be met by the limitation of risk through portfolio allocation based on liability requirements, diversification within asset classes, credit quality guidelines and investment operating procedures.

A second and equally important portfolio objective is giving adequate consideration to the liquidity requirements necessitated by the Program obligations. Consideration will be given to investment maturities, investment income and funds receipts in calculating funds required for liquidity purposes.

After meeting safety and liquidity requirements, the goals of maximizing investment return will be met. Strategies will be employed to achieve the highest possible net returns within policy guidelines.

The investment strategy is designed to enable the Board to meet actuarially determined Program liabilities, calculated by an independent actuarial consultant firm, and approved by the Board, at the time of funding. By definition, responsibility for financing any divergence of actual liabilities from actuarial assumptions that may result in Program funding deficits belongs to the Legislature. The sole purpose of the Board's CIP is to outline the strategies to be employed to meet forecast actuarial liability projections, and to establish the guidelines under which each investment manager will operate.

## **ORGANIZATION**

The Board retains ultimate responsibility for the development, execution and control of the CIP. The Board may delegate responsibility for the administration of the CIP to a Committee of the Board or a person duly chosen by the Board. This Committee or person shall ensure that Board policies are strictly followed and that investment procedures, which protect the financial assets of the Program, are in place and properly followed. The Committee will employ the services of a professional consultant to advise it in the pursuit of the investment objectives.

## **INVESTMENT MANAGEMENT**

The Board will hire duly qualified investment managers to carry out the day-to-day investment responsibilities outlined in the CIP. Investment managers (product providers) will have investment discretion as to security selection subject to the guidelines and limitations expressed in the CIP and any manager-specific guidelines agreed upon between the Board and manager.

## **REPORTING**

The Executive Director will cause detailed quarterly reports and monthly flash reports of the investment portfolio structure and performance to be prepared for review by the Board.

To ensure that the Executive Director and the Board have the necessary information to discharge their oversight responsibility, the quarterly reports will include the following:

### **1. Performance Measurement and Attribution**

Performance measurement of the Prepaid College Trust Fund (the Fund) shall be reported each quarter for the most recent completed quarter, fiscal year-to-date, most recent twelve-month period and cumulatively from inception showing returns on the assets compared to returns on the customized benchmark index, which approximates the Program's liability requirements. Returns will be reported on a time-weighted basis.

- The performance of the total Fund will be compared against a benchmark comprised of market portfolios representing the underlying investment strategies and weighted in accordance with the Program's asset allocation policy.
- Performance of each asset class will be shown along with an analysis of each manager's contribution to the performance of the asset class.
- Performance of each investment manager and an attribution analysis of that manager's performance will be shown in comparison to benchmarks appropriate to their investment strategy.
  - Fixed Income attribution will include such factors as the effects of changes in interest rates, and sector and quality decisions.
  - Equity attribution will include such factors as sector and industry weights, beta, company size, yield and growth in earnings.

- The performance of each equity manager will also be evaluated relative to a universe of its peers managing similar portfolios and following a similar investment style.
- Returns for each manager and the overall Fund will also be evaluated on a risk-adjusted basis.
  - For individual managers, the risk measurement will be expressed relative to appropriate benchmarks.
  - For each asset class and the overall Fund, the risk measurement will take into consideration any deviation from asset allocation policy and the impact on the funded status of the Program's liabilities.

## 2. Compliance and Monitoring

- Asset allocation of the Fund and diversification within each asset class will be reported to ensure allocation guidelines are met.
- Projection of sources and uses of funds will be reported to ensure liquidity requirements are met.
- Investment asset holdings will be reported and monitored monthly to ensure investment only in authorized vehicles.
- Each manager will certify *monthly* that their portfolio is in compliance with the terms of this CIP and their specific investment mandate. Any exceptions to policy will be noted and a statement provided indicating the steps to be taken to bring the portfolio back into compliance with the policy.
- Each manager will be monitored based upon the performance objectives outlined in this CIP.
- Each manager shall immediately disclose to the Board in writing any instance which a member of the investment manager's Board of Directors, an officer of the investment management firm, or a member of the portfolio management staff is also a member of the Board of Directors, an officer of, or a significant shareholder of 5% or more in stocks of a company in which they propose to invest Board funds. In addition, the Board's investment consultant and the trustee/custodian shall annually certify that no conflicts of interest exist with respect to the services they provide to the Program and shall annually provide the Board with a copy of the firm's policy governing conflicts of interest. The requirements of this paragraph do not apply with respect to the common stock of the manager responsible for investment of the large capitalization core domestic equity portfolio (or the common stock of the manager's holding company) when the manager's common stock (or that of its holding company) is included in the S&P 500; provided that, prior to the initial purchase of the manager's common stock (or that of its holding company), the manager notifies the Board in writing that the manager's common stock (or that of its holding company) is included or has been included, in the S&P 500.

## **AUTHORIZED INVESTMENT VEHICLES**

Funds managed by the Board may be placed in the following accounts or investments:

1. Deposit accounts and certificates of deposit in banks.
2. Obligations of the United States Treasury, including Treasury Inflation Protection (TIPs) bonds.
3. Obligations of agencies of the United States Government (not restricted to full-faith and credit obligations).
4. Commercial paper of prime quality of the highest letter and numerical rating established by a nationally recognized rating service.
5. Bankers' acceptances that are accepted by a member bank of the Federal Reserve System.
6. Corporate debt obligations preferred stock, mortgage-backed securities, and asset-backed securities, provided the obligations meet the minimum credit criteria set forth elsewhere in this CIP.
7. Build America Bonds (BABs), limited to General Obligation and Essential Services bonds, provided that each individual issue is rated A3/A- or better.
8. Institutional investment products including fixed annuities, variable annuities and guaranteed insurance contracts that are obligations of United States insurance companies.
9. Common stocks traded on domestic exchanges, including over-the-counter markets and recognized third and fourth markets.
10. Common stocks of foreign-domiciled companies traded on non-U.S. exchanges including over-the-counter markets.
11. Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government.
12. Commingled investment funds and institutional mutual funds.
13. American Depositary Receipts, 144(a) securities (with and without registration rights), and Yankee bonds (excluding sovereign bonds).
14. Exchange Traded Funds (ETF's) traded on domestic exchanges, so long as consistent with the investment mandate, and guidelines.
15. Mortgage TBAs ("To Be Announced") securities. These securities require an equivalent amount of cash equivalents set aside for future settlement of the forward agreement.
16. Derivatives: In general, the following uses of derivatives are approved for portfolio management purposes, although specific written permission must be granted to each manager on a case-by-case basis in formal written account guidelines.

- Substitute for physical
- Duration management
- Risk control
- Foreign currency hedging

Before a derivative security or derivative strategy is used by an investment manager, one or more of the following benefits must be demonstrated to the Board:

- Increased liquidity.
- Stabilized and enhance portfolio returns.
- Lower transaction costs, including market impact costs.
- Reduction in the time required to change the mix of the portfolio.

Before any such derivative strategy is used by an Investment Manager, written permission for such use must be obtained from the Executive Director of the Prepaid Board.

Investment managers must keep in mind at all times the Board's preference for safety and liquidity.

## **PROHIBITED INVESTMENT VEHICLES AND GENERAL INVESTMENT RESTRICTIONS**

1. Short selling of securities is prohibited.
2. Maximum investment in the securities of any issuer, except U.S. Treasury, Agency, Agency Mortgage-Backed Securities, or repurchase agreements collateralized by U.S. Treasury or Agency securities, is the greater of 5% of the market value of the total Fund, or 2% greater than the appropriate benchmark weight.
3. Debt obligations and preferred stock may not be rated less than Baa3 by Moody's, BBB- by Standard & Poor's or Fitch at the time of purchase. Split-rated bonds will be governed by the Barclays Capital Index Inclusion Rules across the three rating agencies. Debt obligations with Expected Ratings are permissible unless the Actual Rating causes the security to be out of compliance with the above guideline.
4. The following derivative strategies and derivative instruments are considered inappropriate and therefore not permitted for use in the managing of assets for the Florida Prepaid College Program.
  - Derivatives use for speculative purposes.
  - Derivatives that leverage the account.
  - Commodity options, swaps or other derivatives based on commodities.

## **ASSET ALLOCATION POLICY**

The Fund shall maintain an asset allocation such to maximize the probability of meeting the Program's liabilities over the long term. An asset / liability study shall be conducted once every five years, and more often if warranted by a material change in the underlying liabilities or the investment environment. Taking into consideration the results of the asset liability study and the recommendations

of the Program's consultants, the Board will adopt an asset allocation which properly reflects its attitude towards the balancing of risk and return. The Board at this time has adopted an asset allocation policy which limits the amount of equities to fifteen percent (15%) of the market value of the total Fund, or the most current actuarial reserve balance as determined by the Board's actuary, whichever is less. The Fund's principal objective in asset allocation is that of asset/liability matching. An immunized fixed income strategy emphasizing zero coupon U.S. Treasury issues is the dominant investment strategy employed to meet these goals. Other fixed income investments may be used in limited amounts to seek incremental yield. Actuarial reserve assets may be invested in other asset classes as directed by the Board.

The benchmarks for monitoring investment performance of the total Fund and asset class level shall be:

<u>Asset Category</u>	<u>Allocation</u>	<u>Range</u>	<u>Corresponding Index</u>
Total Fund			A policy-weighted blend of the Customized Equity and Immunized Fixed Income Benchmarks
Equities	Actuarial Reserve	0 – 15%	80% Russell 3000 and 20% MSCI EAFE
Immunized Fixed Income	Up to 100%	85 – 100%	Customized Benchmark
Cash	0%	0 – 5%	90-day US Gov't T-bills

The Customized Fixed Income Benchmark will be reconstituted annually using the June 30 liability profile as determined by the Program's actuary. The duration of the benchmark and the pattern of its cash flows will mirror that of the Program's liabilities. The benchmark is comprised of United States Treasury Strip securities, Barclays Capital Corporate Index, and Barclays Capital Fixed-Rate Mortgage-Backed Securities Index, and other Authorized Investment Vehicles as defined in the CIP.

At no time shall the allocation to the fixed income segment of the Fund be less than at a fully funded status net of projected payments from participants. That is, the fixed income segment shall always be greater than or equal to the total Fund value or actuarial liability minus projected cash flows from the participants, whichever is less.

The total equity segment of the Fund, and each of its components shall be constructed using one or more investment manager or products such that in the aggregate the equity component is capitalization and style neutral to its corresponding Customized Equity index.

<u>Equity Segments</u>	<u>Targeted Weight</u>	<u>Allowable Range</u>
Growth Portfolio	20.00%	0.00% - 25.00%
Value Portfolio	20.00%	0.00% - 25.00%
Index Portfolio	20.00%	0.00% - 75.00%
Mid Cap Portfolio	10.00%	5.00% - 15.00%
Small Cap Portfolio	10.00%	5.00% - 15.00%
International Portfolio	20.00%	15.00% - 25.00%

Based on the market values of the total Fund as of June 30th as determined by the Board's actuary and after approval by the Board, the allocation of fixed income and equity will be rebalanced no later than September 30th of each year, in order to have the equity component equal fifteen percent (15%) of the total Fund, or the actuarial reserve balance, whichever is less.

In the fixed income segment and subject to Board direction, the allocation to the managers will be rebalanced so that in aggregate the segment is consistent with the customized benchmark.

In the equity segment and in the absence of strong evidence supporting a deviation from these baseline allocations, and subject to Board direction, the allocations to each style and market capitalization of management will be rebalanced in a manner designed to minimize portfolio impact, including transaction costs.

In order to accommodate asset value fluctuations due to short-term economic or market conditions, the asset allocation of the equity segment can vary among asset categories within the ranges noted above. At a minimum, the Board will review the asset allocation and the equity segment targets on a quarterly basis and will make a determination as to whether to rebalance at that time.

In developing this asset allocation policy, the total Fund has been designed to be fully invested, and thus no portion of the Fund has been targeted for cash. However, managers may raise cash balances in accordance with their individual investment guidelines. In the course of operations the Board may deem it appropriate to maintain a cash balance outside of the managers' portfolios in order to meet the Program's liquidity and allocation needs.

## **MANAGER SELECTION AND EVALUATION**

The Board has elected to employ multiple investment managers with complementary investment skills and/or styles. As part of this multi-manager structure, managers are hired for their expected contribution to the overall portfolio performance over the various market cycles based on their style, stated strategy, and asset mix. Therefore, the Board shall evaluate manager performance over a sufficient time horizon, and in the context of the prevailing market environment, in order to properly assess each manager's contribution to the overall portfolio. In general, a three or more year period of time will be used to evaluate a manager's success or failure at attaining agreed-upon goals. On an interim basis, portfolio risk and investment performance will be monitored continually to ensure that the management of Program assets remains consistent with the style and objective for which the manager was retained.

At a minimum, investment manager reviews will include a quarterly quantitative performance review conducted by the consultant. Specific evaluation criteria are stated in the investment guidelines that have been individually prepared for each manager pursuant to their specific role in the Program's multi-manager strategy. As necessary, the evaluation may also include an annual site visit to review each portfolio manager's operations. This portion of the evaluation will be conducted by a member of the Board or the Investment Committee, as may be designated either by the Board or the Investment Committee.

## **IMPLEMENTATION**

All money invested for the Plan by their Investment Managers after the adoption of this Investment Policy Statement shall conform to this Statement.

The following guidelines have been established: (1) to ensure that the manager continually adheres to all regulations administered by any regulatory authority charged with oversight responsibility; (2) to limit the Fund's exposure to unintended risk; (3) to ensure that the manager maintains the style of management for which they were retained; and (4) to provide objective, reasonable criteria to the manager of the Board's expectations. The following eight parts contain the investment guidelines and policies for each segment of the Program funds:

**PART I**  
**PASSIVE FIXED INCOME**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The Board has chosen to employ a multi-manager fixed income investment strategy. In order to reduce the relative volatility of the actively managed portfolios and control overall investment management costs, an allocation to passive fixed income management is maintained. The objective of this component of the portfolio is to replicate the returns of the Customized Benchmark which consists of U.S. Treasury Strips, BC Corporate Index, and BC Fixed-Rate Mortgage-Backed Index.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, excluding any cash equivalents used to settle Mortgage TBA securities.

**PASSIVE FIXED INCOME GUIDELINES**

1. The portfolio will be managed in a manner that protects the Program's funded status relative to changes in its projected liabilities due to changes in interest rates. Therefore, the primary focus of the portfolio shall be on limiting actuarial reserve volatility.
2. The guidelines permit, within the framework and limitations of the broader CIP, all securities eligible for inclusion in the indices which comprise the Customized Benchmark.
3. The total duration of the portfolio shall not differ from the total duration of the benchmark by more than +/- one-quarter of one year.
4. The individual number of holdings in the portfolio shall be sufficient enough to minimize the near-term tracking error relative to the Customized Benchmark.
5. Sector allocations shall be made consistent with the sector weights within the Customized Benchmark.
6. Any cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

**RESTRICTED INVESTMENTS**

The use of futures, options and swaps will be permitted subject to the restrictions imposed by "AUTHORIZED INVESTMENT VEHICLES" Paragraph 16.

No commingled or mutual funds may be used to achieve desired diversification or replication of benchmark sector returns.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Customized Benchmark over any three or more year period of time, taking into consideration the following:

- The manager's performance is expected to meet the Customized Benchmark.
- Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error to the Customized Benchmark of less than 5 basis points.

**PART II**  
**ACTIVE FIXED INCOME**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

Fixed income managers will be retained as part of a multi-manager investment strategy. Their function within this strategy is to manage an enhanced immunized fixed-income portfolio.

The enhanced immunization style of management shall mean that the manager shall immunize the liabilities of the Program by structuring the assets in such a way that the value of the Program's assets increase (decreases) in conjunction with increases (decreases) with the value of the liabilities due to the changes in interest rates. The manager shall be permitted to attempt to add value to the portfolio relative to the liabilities through modest duration and yield management and through active sector and security selection, to the extent permitted by this policy.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times. However, cash holdings may represent an integral part of the manager's desired portfolio structure. Therefore, for purposes of this constraint cash will be defined as securities with a duration of less than three months and manager shall be allowed a maximum cash position of not more than five percent.

**ENHANCED IMMUNIZATION GUIDELINES**

1. The portfolio will be managed in a manner that protects the Program's funded status relative to changes in its projected liabilities due to changes in interest rates. Therefore, the primary focus of the portfolio shall be on limiting actuarial reserve volatility.
2. The total duration of the portfolio shall not differ from the total duration of the benchmark by more than +/- three-quarters of one year.
3. Investments in fixed income instruments can be made in sectors and securities as authorized in the CIP.
4. Sector allocations shall be made so that the portfolio is well diversified such that it meets its liability requirements.
5. The maximum investment for any issue, except U.S. Treasury, Agency, and Agency Mortgage-Backed Securities, is 2% of the market value of the manager's portfolio.
6. The maximum investment in Build America Bonds (BABs) is limited to 2% of the market value of the manager's portfolio.
7. The maximum investment in 144(a) bonds without Registration Rights is limited to 3% of the market value of the manager's portfolio.

8. Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.
9. The use of futures, options and swaps will be permitted subject to the restrictions imposed by “AUTHORIZED INVESTMENT VEHICLES” Paragraph 16.
10. A maximum allocation of 50% of the market value of the manager’s portfolio to corporate debt, asset-backed securities and mortgage-backed securities is permitted. On a periodic basis, the Board may set a maximum and minimum allocation each to corporate debt, asset-backed securities and mortgage-backed securities.

### **RESTRICTED INVESTMENTS**

Use of margin is prohibited except as may be required in the use of futures, options and swaps as permitted in subparagraph 9 of this section.

Other than futures, options and swaps, the use of derivative securities that have not been specifically approved by the Board in written form is prohibited.

Convertible securities shall not be considered for investment.

No commingled or mutual funds may be used to achieve desired diversification.

### **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the customized benchmark over any three or more year period of time, taking into consideration the following:

- The active manager’s performance, net of fees, is expected to exceed the customized benchmark.
- The effectiveness of the manager's duration, sector and security allocations will be reviewed to determine if the manager has demonstrated, on a total return basis, the ability to add value above the benchmark.

**PART III**  
**LARGE CAP GROWTH EQUITY**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The Board hopes to achieve its goal of reducing total portfolio volatility while enhancing total return through diversification of the equity asset class using multiple styles of management. Large cap growth equity manager(s) will be retained as part of a multi-manager investment strategy. Their function within this strategy is to manage an equity only portfolio utilizing an active large cap growth style of investment. For purposes of this CIP, growth is a style that seeks to purchase stocks of companies, which offer the best combination of strong earnings growth and valuation. This allocation will be represented in the policy benchmark by the Russell 1000 Growth Index. The manager is expected to add value over a passively managed benchmark over a three to five year time frame.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of only five percent. Asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein:

**EQUITY INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to five percent of the portfolio in initial public offerings that have been spun off by a company for which there is an adequate history and that has at least \$1 billion in market capitalization. Further, the parent must have been previously listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX) or have been traded on the National Association of Securities Dealer's Automated Quotation system (NASDAQ) or other recognized domestic exchange. If, through spin-offs or other activities of the companies held, the portfolio exceeds five percent of holdings with less than three years operating history, the manager will bring the portfolio into compliance within a six-month period.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the Russell 1000 Growth Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.

3. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States or in other, recognized domestic markets.
4. Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

### **RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.
2. Use of options, futures, primes, scores or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

### **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Russell 1000 Growth Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the Russell 1000 Growth Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the Russell 1000 Growth Index is expected to rank below the highest quartile of managers in the Large Cap Growth peer group over rolling three year time periods.

**PART IV**  
**LARGE CAP VALUE EQUITY**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The Board hopes to achieve its goal of reducing total portfolio volatility while enhancing total return through diversification of the equity asset class. Large cap value manager(s) will be retained as part of a multi-manager investment strategy. Their function within this strategy is to manage an equity only portfolio utilizing an active large cap value style of investment. For purposes of this CIP, value is a style that seeks to purchase stocks in companies generally exhibiting lower price/earnings, lower price/book and higher dividend yield than the average large cap equity. This allocation will be represented in the policy benchmark by the Russell 1000 Value Index. The manager is expected to add value over a passively managed benchmark over a three to five year time frame

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of only five percent. During periods of market over-valuation, the manager may have difficulty in identifying solid companies that could be purchased within their value style of management. Therefore, asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein:

**EQUITY INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to five percent of the portfolio in initial public offerings that have been spun off by a company for which there is an adequate history and that has at least \$1 billion in market capitalization. Further, the parent must have been previously listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX) or have been traded on the National Association of Securities Dealer's Automated Quotation system (NASDAQ), or in other, recognized domestic markets. If, through spin-offs or other activities of the companies held, the portfolio exceeds five percent of holdings with less than three years operating history, the manager will bring the portfolio into compliance within a six-month period.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the Russell 1000 Value Index of not less than .80 over any rolling, five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.

3. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States.

### **CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

### **RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.
2. Use of options, futures, primes, swaps or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

### **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Russell 1000 Value Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the Russell 1000 Value Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the Russell 1000 Value Index is expected to rank below the highest quartile of managers in the Large Cap Value peer group over rolling three year time periods.

**PART V  
LARGE CAP CORE  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The Board hopes to achieve its goal of reducing total portfolio volatility while enhancing total return through diversification of the equity asset class. An allocation to a passive core equity strategy is one component of this strategy. The objective for this component of the portfolio is to replicate the returns of the S&P 500.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times.

**EQUITY INVESTMENT GUIDELINES**

1. The Manager shall be permitted to invest in any securities which are a part of the S&P 500 without regard for the constraint within this policy prohibiting or restricting the ownership of companies with less than a 3 year publicly available operating history. If the Manager's common stock (or the common stock of the Manager's holding company) is included in the S&P 500, the Manager is permitted to purchase, retain and sell the Manager's common stock (or the common stock of the manager's holding company), consistent with the other requirements, guidelines, restrictions and performance objectives applicable to this portfolio under this Part IV and the reporting requirements imposed on Managers.
2. The Manager shall be permitted to invest in any securities which are a part of the S&P 500 without regard for the preference within this policy for investments to be made in United States based corporations. There shall be no limit on the percent of the portfolio held in American Depository Receipts, provided those same companies are included in the S&P 500 as American Depository Receipts.
3. The use of futures as a substitute for physical investing, or to facilitate cash flows shall be permitted for this portfolio, provided the manager receives prior written approval from the Board. In order to obtain such approval, the manager must submit a written request to the Board, quantifying the net advantages that will accrue to the portfolio.
4. The Manager may temporarily invest in companies outside of the index in the case of additions or deletions, with the goal of minimizing tracking error and/or reducing trading costs.

**CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

## **RESTRICTED INVESTMENTS**

1. The use of futures will be permitted subject to the restrictions imposed by Paragraph 16 (entitled "Derivatives") in the "Authorized Investment Vehicles" section.
2. Use of margin is prohibited except as may be required in the use of futures.
3. Convertible securities shall not be allowed for investment purposes.
4. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the S & P 500, over any three to five year period, taking into consideration the following:

- The manager's performance, net of fees, is expected to meet the S&P 500 Index.
- The beta of the portfolio over any three-year rolling time period and calculated using monthly data shall not be less than .98 nor greater than 1.02.
- Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error to the S&P 500, net of fees, of less than 25 basis points.

Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.

**PART VI  
MID CAP EQUITY  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The Board hopes to achieve its goal of reducing total portfolio volatility while enhancing total return through diversification of the equity asset class using multiple styles of management. Mid cap equity manager(s) will be retained as part of a multi-manager investment strategy. Their function within this strategy is to manage an equity only portfolio utilizing an active mid cap style of investment. For purposes of this CIP, this style seeks access to the mid-cap segment of the US equity universe. This allocation will be represented in the policy benchmark by the S&P MidCap 400 Index which represents the performance of mid-sized companies. The manager is expected to add value over a passively managed benchmark over a three to five year time frame.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of only five percent. Asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein:

**EQUITY INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to ten percent of the portfolio in initial public offerings of companies that have at least two years of audited financial statements and have been profitable (from continuing operations) for at least one of the last two years.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the S&P MidCap 400 Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
3. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States or in other, recognized domestic markets.

**CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

## **RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.
2. Use of options, futures, or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the S&P MidCap 400 Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the S&P MidCap 400 Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the S&P MidCap 400 Index is expected to rank below the highest quartile of managers in the MidCap Broad peer group over rolling three year time periods.

**PART VII  
SMALL CAP EQUITY  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The Board hopes to achieve its goal of reducing total portfolio volatility while enhancing total return through diversification of the equity asset class using multiple styles of management. Small cap equity manager(s) will be retained as part of a multi-manager investment strategy. Their function within this strategy is to manage an equity only portfolio utilizing an active small cap style of investment. For purposes of this CIP, this style seeks access to the small-cap segment of the US equity universe. This allocation will be represented in the policy benchmark by the Russell 2000 Index which includes the smallest 2000 securities in the Russell 3000 index. The manager is expected to add value over a passively managed benchmark over a three to five year time frame.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of only five percent. Asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein:

**EQUITY INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to ten percent of the portfolio in initial public offerings of companies that have at least two years of audited financial statements and have been profitable (from continuing operations) for at least one of the last two years.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the Russell 2000 Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
3. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States or in other, recognized domestic markets.

**CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

## **RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.
2. Use of options, futures, primes, swaps or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Russell 2000 Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the Russell 2000 Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the Russell 2000 Index is expected to rank below the highest quartile of managers in the Small Cap peer group over rolling three year time periods.

**PART VIII**  
**INTERNATIONAL EQUITY**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The Board hopes to achieve its goal of reducing total portfolio volatility while enhancing total return through diversification of the equity asset class using multiple styles of management. International equity manager(s) will be retained as part of a multi-manager investment strategy. Their function within this strategy is to manage an equity only portfolio utilizing an active international equity style of investment. For purposes of this CIP, this strategy seeks access to companies that are domiciled outside of the US equity market. This allocation will be represented in the policy benchmark by the MSCI EAFE (i.e., Europe, Australasia, Far East) Index which is designed to measure the equity market performance of developed markets, excluding the US and Canada. The manager is expected to add value over a passively managed benchmark over a three to five year time frame.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of only five percent. Asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein:

**EQUITY INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to five percent of the portfolio in initial public offerings that have been spun off by a company for which there is adequate history of audited financial statements. If, through spin-offs or other activities of the companies held, the portfolio exceeds five percent of holdings with less than three years operating history, the manager will bring the portfolio into compliance within a six-month period.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the MSCI EAFE Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
3. Equity investments shall be made only in securities domiciled outside of the United States. Country classification of a security will be based upon the country of domicile, not based on the country in which the security is listed or traded.

## **CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

## **RESTRICTED INVESTMENTS**

1. The use of currency futures and currency forwards will be permitted subject to the restrictions imposed by Paragraph 16 (entitled “Derivatives”) in the “Authorized Investment Vehicles” section.
2. Use of options, futures, forwards or any other types of derivative securities that are not used for currency hedging purposes are prohibited.
3. Use of margin is prohibited except as may be required in the use of currency futures or forwards.
4. US-domiciled companies.
5. Any country or market outside of the MSCI EAFE Index.
6. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the MSCI EAFE Index, over any three or more year period of time, taking into consideration the following:

- The manager’s performance, net of fees, is expected to exceed the MSCI EAFE Index, taking into consideration the degree of risk.
- The manager’s performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager’s tracking error relative to the MSCI EAFE Index is expected to rank below the highest quartile of managers in the International Equity peer group over rolling three year time periods.

## **SUMMARY OF PROPOSED CHANGES TO THE FLORIDA COLLEGE SAVINGS PROGRAM COMPREHENSIVE INVESTMENT PLAN**

At its meeting on September 20, 2012, the Prepaid College Board approved changes to the Florida College Savings Program's Comprehensive Investment Plan (CIP), as recommended by Callan Associates, Inc., the Board's Investment Consultant. All of the changes are reflected on the "tracking copy," which displays a strike-thru for deletions and highlight for additions.

The major policy changes are highlighted throughout the CIP and are summarized below:

**PAGES 2, 3 AND 10-21** – Amends the Investment Options to reflect the addition of six stand-alone equity portfolios as options for Program participants:

- Large Cap Growth Portfolio
- Large Cap Value Portfolio
- Large Cap Core (S&P 500 Index) Portfolio
- Mid Cap Portfolio
- Small Cap Portfolio
- International Equity Portfolio

**PAGES 2, 8 AND 32** – Amends the Equity Option to reflect a revised equity allocation:

- 20% Large Cap Growth Portfolio
- 20% Large Cap Value Portfolio
- 20% Large Cap Core (S&P 500 Index) Portfolio
- 10% Mid Cap Portfolio
- 10% Small Cap Portfolio
- 20% International Equity Portfolio

**PAGE 6** – Amends the maximum investment in securities of any issuer to the greater of 5% of the portfolio or 2% greater than the security's benchmark weight.

**PAGES 11, 13, and 19** – Amends tracking error for each active equity portfolio from a fixed number of basis points to a relative ranking below the highest quartile of managers for that investment style. Also reduces the time period of evaluation from a rolling five-year to a rolling three-year time period.

**PAGE 14** – Amends the large cap core guidelines to permit the manager to invest in companies being added to the index before they are in the index to minimize tracking error and/or reduce trading costs.

**Florida Prepaid College Board  
Comprehensive Investment Plan  
*for the*  
Florida College Savings Program  
**December 7, 2006**  
**December 11, 2012****

**AUTHORITY**

All investments made under this plan are made under the authority granted the Florida Prepaid College Board (“Board”) under 1009.973, Florida Statutes. All funds managed by the Board are funds of the State of Florida.

**PURPOSE**

The Florida College Savings Program (“Savings Program” or “Program”) is a program created to provide a medium through which families and individuals may save for qualified educational expenses, including tuition, local fees, and dormitory expenses that are covered under the Florida Prepaid College Program (“Prepaid Program”). The Savings Program is intended to complement **be an alternative to** the Prepaid Program, though participants in the Savings Program do have the option to enroll a qualified beneficiary in the Savings Program, the Prepaid Program, or both. The Program is administered by the Florida Prepaid College Board which was created pursuant to Section 1009.981 of the Florida Statutes.

**BOARD RESPONSIBILITIES**

The Board has the authority and the responsibility to control and manage the investment offerings under the Savings Program, and to formulate and oversee investment policies for that purpose.

Other specific responsibilities of the Board under this Comprehensive Investment Plan (“CIP”) include:

- Delegating specific administrative and operational responsibilities dealing with the investment of Program assets to the Executive Director or his/her staff.
- Establishing and periodically reviewing the appropriateness of the range of options offered to participants in the Program.
- Approving changes to this CIP.
- Monitoring compliance with this CIP.
- Appointing and terminating investment managers and other service providers to the Program.
- Reviewing periodically the performance of the investment managers.

## INVESTMENT OPTIONS

The number and range of investment options offered to Program participants will be reviewed by the Board at least annually. The decision to offer additional options will take into account the growth of the Program, industry trends, administrative feasibility, diversification and costs associated with adding options. Permitted investment vehicles for any of the investment options include, but are not limited to separately managed account, a pooled or commingled account, or a mutual fund.

~~At the outset,~~ The Board has elected to provide Program participants the following investment options:

Option 1 – a large cap growth investment fund designed to provide exposure to large capitalization domestic growth stocks.

Option 2 – a large cap value investment fund designed to provide exposure to large capitalization domestic value stocks.

Option 3 – a large cap investment fund designed to provide exposure to large capitalization domestic stocks by tracking the returns of the S&P 500 as closely as possible.

Option 4 – a mid cap investment fund designed to provide exposure to middle capitalization domestic stocks.

Option 5 – a small cap investment fund designed to provide exposure to small capitalization domestic stocks.

Option 6 – an international investment fund designed to provide exposure to international stocks in developed international markets.

Option 7~~1~~ – a fixed income investment fund designed to mirror the broad domestic bond market.

Option 8 – a money market investment fund designed to provide exposure to very liquid short-term fixed income instruments.

Option 9~~2~~ – an US equity investment fund consisting of a large capitalization segment with a thirty twenty percent allocations to a domestic large capitalization growth equity (Option 1) portfolio, thirty twenty percent to a domestic large capitalization value equity portfolio (Option 2), and thirty twenty percent to a U.S. large capitalization market index portfolio (Option 3), ten percent to a domestic mid cap portfolio (Option 4), ten percent to a domestic and a small capitalization portfolio (Option 5) and segment consisting of ten percent allocation to a small capitalization twenty percent to an international equity portfolio (Option 6). Option 9~~2~~ will be rebalanced to these target weights on a periodic basis, according to the parameters outlined in the rebalancing section of this CIP.

Option ~~103~~ – a balanced investment option which will consist of a 50/50 mix of **fixed income (Options ~~7~~)<sup>1</sup>** and **equity (Option ~~9~~)<sup>2</sup>**. Option ~~103~~ will be rebalanced to the targeted asset mix on a periodic basis, according to the parameters outlined in the rebalancing section of this CIP.

Option ~~114~~ – a combination of **fixed income (Option ~~7~~)<sup>1</sup>** and **equity (Option ~~9~~)<sup>2</sup>** based on the age of the beneficiary or the number of years remaining before the beneficiary plans to enroll in college. The chart below describes the targeted asset allocations based on the participant’s age or years to enrollment.

Option ~~114~~: Allocation Between **fixed income (Option ~~7~~)<sup>1</sup>** and **equity (Option ~~9~~)<sup>2</sup>**

<u>Aged-Based Option</u>	<u>Years to Enrollment</u>	<u>Asset Allocation</u>	
		<u>Option <del>7</del><sup>1</sup></u>	<u>Option <del>9</del><sup>2</sup></u>
Age 0 – 4	14 or more years	0%	100%
Age 5 – 8	10 – 13 years	25%	75%
Age 9 – 12	6 – 9 years	50%	50%
Age 13 – 15	3 – 5 years	75%	25%
Age 16 & above	0 – 2 years	100%	0%

~~Option 5 – a money market or cash equivalent fund to accommodate those purchasers who seek absolute stability with minimum risk of principal.~~

## REPORTING

The Executive Director will cause monthly flash reports and detailed quarterly reports of the investment performance of each investment option to be prepared for review by the Board.

To ensure that the Executive Director and the Board have the necessary information to discharge their oversight responsibility, the quarterly reports will include the following:

Investment results for each investment option will be reported each quarter for the most recent completed quarter, calendar year-to-date, most recent twelve month period and cumulatively from inception showing returns relative to appropriate market benchmarks. Returns will be reported on a time weighted basis. At a minimum, the report will contain the following items:

### 1. Performance Measurement and Attribution

- Performance of each investment option relative to its stated benchmark will be reported.
- The performance of each underlying sub-portfolio will be reported relative to its stated benchmark.
- An attribution analysis of each investment option and sub-portfolio will be provided.
  - Fixed income attribution will include effects of changes in interest rates, sector and quality decisions and reinvestment rate.

- Equity attribution will include such factors as sector and industry weights, beta, company size, yield and growth in earnings.
  - The attribution analysis will also account for any deviations in asset class or style weights from the targeted portfolio weights.
- Returns for each manager will also be evaluated on a risk-adjusted basis.

## 2. Compliance and Monitoring

- The allocation of each investment option will be reported to ensure allocation guidelines are met.
- Asset holdings will be reported to ensure investments are being made only in authorized securities and investment vehicles.
- Each manager will certify *monthly* that their portfolio is in compliance with the terms of this CIP and their specific investment mandate, as well as any applicable prospectus and Statement of Additional Information. Any exceptions to policy will be noted and a statement provided indicating the steps to be taken to bring the portfolio back into compliance with the policy.
- Each manager will be monitored based upon the performance objectives as outlined in this Comprehensive Investment Plan.
- For each investment option which is implemented using a mutual fund, the manager will submit to the Board for approval on any proposed changes to the Prospectus or the Statement of Additional Information in advance of making the changes.
- Each manager shall immediately disclose to the Board in writing any instance which a member of the investment manager's Board of Directors, an officer of the investment management firm, or a member of the portfolio management staff is also a member of the Board of Directors, an officer of, or a significant shareholder of 5% or more in stocks of a company in which they propose to invest Board funds. In addition, the Board's investment consultant and the trustee/custodian shall annually certify that no conflicts of interest exist with respect to the services they provide to the Program and shall annually provide the Board with a copy of the firm's policy governing conflicts of interest. The requirements of this paragraph do not apply with respect to the common stock of the manager responsible for investment of the large capitalization core domestic equity portfolio (or the common stock of the manager's holding company) when the manager's common stock (or that of its holding company) is included in the S&P 500; provided that, prior to the initial purchase of the manager's common stock (or that of its holding company), the manager notifies the Board in writing that the manager's common stock (or that of its holding company) is included or has been included, in the S&P 500.

## **AUTHORIZED INVESTMENT VEHICLES**

Funds managed by the Florida Prepaid College Board may be placed in the following accounts or investments:

1. Deposit accounts and certificates of deposit in banks.
2. Obligations of United States Treasury.
3. Obligations of agencies of the United States Government (not restricted to full faith and credit obligations).
4. Commercial paper of prime quality of the highest letter and numerical rating established by a nationally recognized rating service.
5. Bankers' acceptances that are accepted by a member bank of the Federal Reserve System.
6. Corporate debt obligations preferred stock, mortgage and asset-backed securities, provided the obligations meet the minimum credit criteria set forth elsewhere in this CIP.
7. Institutional investment products including fixed annuities, variable annuities and guaranteed insurance contracts that are obligations of United States insurance companies.
8. Common stocks traded on domestic exchanges, including over-the-counter markets and recognized third and fourth markets.
9. Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government.
10. Commingled investment funds and mutual funds.
11. American Depositary Receipts, 144(a) securities (with registration rights), and Yankee bonds (excluding sovereign bonds).
12. Exchange Traded Funds (ETF's), traded on domestic exchanges, so long as consistent with the investment mandate, and guidelines.
13. Derivatives: In general, the following uses of derivatives are approved for portfolio management purposes, although specific written permission must be granted to each manager on a case-by-case basis in formal written account guidelines.
  - Substitute for physical
  - Duration management
  - Risk control

Before a derivative security or derivative strategy is used by an investment manager, one or more of the following benefits must be demonstrated to the Board:

- Increased liquidity.
- Stabilized and enhance portfolio returns.
- Lower transaction costs, including market impact costs.
- Reduction in the time required to change the mix of the portfolio.

Before any such derivative strategy is used by an Investment Manager, written permission for such use must be obtained from the Executive Director of the Prepaid Board. However, in recognition of the balances that may exist in the early stages of the Savings Program, the use of derivatives to meet the objectives of diversification will be permissive during the first twelve months of the launch of the Savings Program. The use of derivatives after the first twelve-month period will be reevaluated at that time.

Investment managers must keep in mind at all times the Board's preference for safety and liquidity.

## **PROHIBITED INVESTMENT VEHICLES AND GENERAL INVESTMENT RESTRICTIONS**

1. Assets may not be invested in the securities of any foreign-domiciled entities, except to the extent those securities are registered in the United States and traded on one of the domestic exchanges or markets, and otherwise meet the limitations of this comprehensive investment plan, **with the exception of the international equity manager.**
2. Short selling of securities is prohibited
3. Maximum investment in the securities of any issuer, except U.S. Treasury or Agency or repurchase agreements collateralized by U.S. Treasury or Agency securities, is **the greater of 5% of the market value of the fund, or 2% greater than the appropriate benchmark weight.** ~~In recognition of the start-up phase of the Program, the 5% restriction referenced in this paragraph is waived until the market value of the investment mandate for the individual manager reaches \$10,000,000 or until December 31, 2004, whichever occurs first.~~
4. Debt obligations and preferred stock may not be rated less than BAA/BBB. Rating from each service must meet or exceed the required rating. (As established by two nationally recognized rating services.)
5. The following derivative strategies and derivative instruments are considered inappropriate and therefore not permitted for use in the managing of assets for the Florida ~~Prepaid~~ College **Savings** Program:
  - Derivatives use for speculative purposes.
  - Derivatives that leverage the account (except as described in the section on leverage).

- Commodity options, swaps or other derivatives based on commodities.

## **INVESTMENT MANAGER SELECTION AND EVALUATION**

Appropriate selection criteria will be used in the process of selecting investment managers/funds. Though not exhaustive, below is a list of considerations:

- Impact on asset class diversification. The characteristics of the potential investment option(s) relative to the characteristics of the existing options will be evaluated to determine the impact on participants' ability to diversify within a risk/reward spectrum.
- Adherence to designated style.
- Reasonable and competitive expense levels.
- Investment performance characteristics. Funds will have a record of performing well compared to peer groups and relevant published market indices. A minimum of a three year performance history is desirable for the assessment of manager skill.

The performance of each investment option will be evaluated in the context of its role in the array of options offered to Program participants. The Board shall evaluate investment performance over a sufficient time horizon, and in the context of the prevailing market environment, in order to properly assess the investment manager's success or failure. In general, a three to five-year time horizon will be used to evaluate a manager's attainment of agreed-upon goals. On an interim basis, portfolio risk and investment performance will be monitored continually to ensure that the management of Program assets remains consistent with the style and objective for each investment option.

At a minimum, investment manager reviews will include a quarterly quantitative performance review conducted by the Program's consultant. Specific evaluation criteria are stated in the investment guidelines that have been individually prepared for each investment option pursuant to its specific role in the Program. As necessary, the evaluation may also include an annual site visit to review each portfolio manager's operations. This portion of the evaluation may be conducted by a member of the Board, the Investment Committee, or Board Staff, as may be designated either by the Board or the Investment Committee.

## **REBALANCING**

In order to maintain the level of risk the Board has established for each respective option, the asset class allocation within Option 29 and Option 103 will be monitored monthly and rebalanced to the specified target when the allowable ranges are exceeded. The portfolio should be brought back into compliance within five business days. The following ranges will apply:

<u>Option 92</u>	<u>Targeted Weight</u>	<u>Allowable Range</u>
Growth Portfolio	30.00% 20.00%	27.00% - 33.00% 23.00%
Value Portfolio	30.00% 20.00%	27.00% - 33.00% 23.00%
Index Portfolio	30.00% 20.00%	27.00% - 33.00% 23.00%
Mid Cap Portfolio	10.00%	8.00% - 12.00%
Small Cap Portfolio	10.00%	8.00% - 12.00%
International Equity Portfolio	20.00%	17.00% - 23.00%

<u>Option 103</u>	<u>Targeted Weight</u>	<u>Allowable Range</u>
Large Capitalization Equity Portfolio (Option 29)	50%	48 - 52%
Fixed Income Portfolio (Option 74)	50%	48 - 52%

In addition, portfolio balances within Option 114 will require rebalancing both with respect to the equity / fixed income mix within each age bracket and with respect to the targeted mix as a beneficiary moves from one age bracket to the next.

The following ranges will apply to each of the age brackets within Option 114:

<u>Age Bracket</u>	<u>Years to Enrollment</u>	<u>Targeted Equity Allocation</u>	<u>Allowable Equity Range</u>	<u>Targeted Fixed Income Allocation</u>	<u>Allowable Fixed Income Range</u>
0 - 4 years	14 or more years	100%	98 - 100%	0%	0 - 2%
5 - 8 years	10 - 13 years	75%	73 - 77%	25%	23 - 27%
9 - 12 years	6 - 9 years	50%	48 - 52%	50%	48 - 52%
13 - 15 Years	3 - 5 years	25%	23 - 27%	75 %	73 - 77 %
Age 16 & above	0 - 2 years	0%	0 - 2%	100%	98 - 100%

Beneficiary account balances shall be moved to the next age bracket on the day following their birthdate during which they reach age 5, 9, 13 and 16. Accounts established based on the year's to enrollment option will move to the next age bracket on the day following the beneficiaries birthdate when their projected enrollment year is 13, 9, 5 and 2 years from enrollment in college.

## **IMPLEMENTATION**

All assets invested for the Program by the Investment Manager(s) after the adoption of this CIP shall conform to this Statement.

The following portfolio-specific guidelines have been established to:

1. Ensure that the managers continually adhere to all regulations administered by any regulatory authority charged with oversight responsibility
2. Limit the Program's exposure to unintended risks
3. Ensure that each investment option adheres to its specific objectives

4. Communicate objective, reasonable criteria of the Board's expectations to the managers.

The following sections contain the investment guidelines and policies for each option of the Florida College Savings Program:

**OPTION 1**  
**LARGE CAP GROWTH PORTFOLIO**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the Large Cap Growth Portfolio is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in equity investments

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of not more than five percent.

**INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to five percent of the portfolio in initial public offerings that have been spun off by a company for which there is an adequate history and that has at least \$1 billion in market capitalization. Further, the parent must have been previously listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX) or have been traded on the National Association of Securities Dealer's Automated Quotation system (NASDAQ) or other recognized domestic exchange. If, through spin-offs or other activities of the companies held, the portfolio exceeds five percent of holdings with less than three years operating history, the manager will bring the portfolio into compliance within a six-month period.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the Russell 1000 Growth Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be in compliance with the Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
3. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States or in other, recognized domestic markets.
4. Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the Comprehensive Investment Plan (CIP).

## **RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.
2. Use of options, futures, primes, swaps or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Russell 1000 Growth Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the Russell 1000 Growth Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the Russell 1000 Growth Index is expected to rank below the highest quartile of managers in the Large Cap Growth peer group over rolling three year time periods.

**OPTION 2**  
**LARGE CAP VALUE PORTFOLIO**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the Large Cap Value Portfolio is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in equity investments

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of not more than five percent.

**INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to five percent of the portfolio in initial public offerings that have been spun off by a company for which there is an adequate history and that has at least \$1 billion in market capitalization. Further, the parent must have been previously listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX) or have been traded on the National Association of Securities Dealer's Automated Quotation system (NASDAQ), or in other, recognized domestic markets. If, through spin-offs or other- activities of the companies held, the portfolio exceeds five percent of holdings with less than three years operating history, the manager will bring the portfolio into compliance within a six-month period.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the Russell 1000 Value Index of not less than .80 over any rolling, five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be in compliance with the Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
3. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States.

## **CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the Comprehensive Investment Plan (CIP).

## **RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.
2. Use of options, futures, primes, swaps or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Russell 1000 Value Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the Russell 1000 Value Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the Russell 1000 Value Index is expected to rank below the highest quartile of managers in the Large Cap Value peer group over rolling three year time periods.

**OPTION 3**  
**LARGE CAP CORE PORTFOLIO**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the Large Cap Core Portfolio is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in equity investments

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of not more than five percent.

**INVESTMENT GUIDELINES**

1. The Manager shall be permitted to invest in any securities which are a part of the S&P 500, without regard for the constraint within this policy prohibiting or restricting the ownership of companies with less than a 3 year publicly available operating history. If the Manager's common stock (or the common stock of the Manager's holding company) is included in the S&P 500, the Manager is permitted to purchase, retain and sell the Manager's common stock (or the common stock of the manager's holding company), consistent with the other requirements, guidelines, restrictions and performance objectives applicable to this portfolio and the reporting requirements imposed on Managers.
2. The Manager shall be permitted to invest in any securities which are a part of the S&P 500, without regard for the preference within this policy for investments to be made in United States based corporations. There shall be no limit on the percent of the portfolio held in American Depository Receipts, provided those same companies are included in the S&P 500 as American Depository Receipts.
3. The use of futures as a substitute for physical investing, or to facilitate cash flows shall be permitted for this portfolio, provided the manager receives prior written approval from the Board. In order to obtain such approval, the manager must submit a written request to the Board, quantifying the net advantages that will accrue to the portfolio.
4. The Manager may temporarily invest in companies outside of the index in the case of additions or deletions, with the goal of minimizing tracking error and/or reducing trading costs.

## **CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the Comprehensive Investment Plan (CIP).

## **RESTRICTED INVESTMENTS**

1. The use of futures will be permitted subject to the restrictions imposed by Paragraph 13 (entitled "Derivatives") in the "Authorized Investment Vehicles" section.
2. Use of margin is prohibited except as may be required in the use of futures.
3. Convertible securities shall not be allowed for investment purposes.
4. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the S&P 500, over any three to five year period, taking into consideration the following:

- The manager's performance, net of fees, is expected to meet the S&P 500 Index.
- The beta of the portfolio over any two year rolling time period and calculated using monthly data shall not be less than .98 nor greater than 1.02.
- Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error to the S&P 500, net of fees, of less than 25 basis points.
- Until such time that the portfolio has sufficient historical results, the manager's reported monthly historical performance data, which shall be in compliance with the Global Investment Performance Standards (GIPS), shall be used to determine portfolio compliance.

**OPTION 4**  
**MID CAP PORTFOLIO**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the Mid Cap Portfolio is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in equity investments

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of not more than five percent.

**INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to ten percent of the portfolio in initial public offerings of companies that have at least two years of audited financial statements and have been profitable (from continuing operations) for at least one of the last two years.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the S&P MidCap 400 Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with the Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
3. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States or in other, recognized domestic markets.

**CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

**RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.
2. Use of options, futures, or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

### **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the S&P MidCap 400 Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the S&P MidCap 400 Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the S&P MidCap 400 Index is expected to rank below the highest quartile of managers in the MidCap Broad peer group over rolling three year time periods.

**OPTION 5**  
**SMALL CAP PORTFOLIO**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the Small Cap Portfolio is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in equity investments

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of not more than five percent.

**INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to ten percent of the portfolio in initial public offerings of companies that have at least two years of audited financial statements and have been profitable (from continuing operations) for at least one of the last two years.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the Russell 2000 Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be in compliance with the Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
3. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States or in other, recognized domestic markets.

**CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the Comprehensive Investment Plan (CIP).

**RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.

2. Use of options, futures, primes, swaps or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

### **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Russell 2000 Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the Russell 2000 Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the Russell 2000 Index is expected to rank below the highest quartile of managers in the Small Cap peer group over rolling three year time periods.

**OPTION 6**  
**INTERNATIONAL EQUITY PORTFOLIO**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the International Equity Portfolio is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in equity investments

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of not more than five percent.

**INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to five percent of the portfolio in initial public offerings that have been spun off by a company for which there is adequate history of audited financial statements. If, through spin-offs or other activities of the companies held, the portfolio exceeds five percent of holdings with less than three years operating history, the manager will bring the portfolio into compliance within a six-month period.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the MSCI EAFE Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with the Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
3. Equity investments shall be made only in securities domiciled outside of the United States. Country classification of a security will be based upon the country of domicile, not based on the country in which the security is listed or traded.

**CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

## **RESTRICTED INVESTMENTS**

1. The use of currency futures and currency forwards will be permitted subject to the restrictions imposed by Paragraph 136 (entitled “Derivatives”) in the “Authorized Investment Vehicles” section.
2. Use of options, futures, forwards or any other types of derivative securities that are not used for currency hedging purposes are prohibited.
3. Use of margin is prohibited except as may be required in the use of currency futures or forwards.
4. US-domiciled companies.
5. Any country or market outside of the MSCI EAFE Index.
6. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the MSCI EAFE Index, over any three or more year period of time, taking into consideration the following:

- The manager’s performance, net of fees, is expected to exceed the MSCI EAFE Index, taking into consideration the degree of risk.
- The manager’s performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager’s tracking error relative to the MSCI EAFE Index is expected to rank below the highest quartile of managers in the International Equity peer group over rolling three year time periods.

**PART I- OPTION 7A  
FIXED-INCOME  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the fixed income option is to provide participants with a low risk, low volatility option for saving for college expenses. It is expected that this option will be used by those participants with a short horizon to matriculation or with little appetite for short term investment volatility.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times. However, cash holdings may represent an integral part of the manager's desired portfolio structure. Therefore, for purposes of this constraint, cash will be defined as securities with a duration of less than three months and the manager shall be allowed a maximum cash position of not more than five percent.

**INVESTMENT GUIDELINES**

- Fixed income investments will be made only in dollar-denominated securities traded in domestic markets.
- The portfolio shall maintain a coefficient of determination ( $R^2$ ) to the ~~Lehman~~ Barclays Capital Aggregate Index of not less than .90 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be in compliance with the Association of Global Investment Management and Research Performance Presentation Standards (GIPS), shall be utilized in determining portfolio compliance.

**RESTRICTED INVESTMENTS**

Use of margin is prohibited except as may be required in the use of futures, options and swaps.

Other than futures, options and swaps, the use of derivative securities that have not been specifically approved by the Board is prohibited.

Convertible securities shall not be considered for investment.

**PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the ~~Lehman~~ Barclays Capital Aggregate Index over any three to five year period, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the ~~Lehman~~ Barclays Capital Aggregate Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The effectiveness of the manager's duration, sector and security allocations will be reviewed to determine if the manager has demonstrated, on a total return basis, the ability to add value above the Index.

**PART II — OPTION 2  
EQUITY OPTIONS  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the equity option is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in equity investments. The equity option will be diversified across investment styles and market capitalization. The equity option will consist of a large capitalization segment with thirty percent allocated to a domestic growth portfolio, thirty percent to a domestic value portfolio, and thirty percent to a U.S. market index fund and a small capitalization segment consisting of ten percent allocation to a small capitalization fund.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of not more than five percent. Allocations to the three underlying portfolios will be rebalanced periodically according to the rebalancing guidelines specified elsewhere in this CIP.

**PERFORMANCE OBJECTIVES**

The performance of Option 2 will be evaluated with respect to the underlying style-specific portfolios and in the aggregate, based upon the weighted average of the benchmarks in Option 2.

**LARGE-CAP GROWTH:**

**EQUITY INVESTMENT GUIDELINES**

The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to five percent of the portfolio in initial public offerings that have been spun off by a company for which there is an adequate history and that has at least \$1 billion in market capitalization. Further, the parent must have been previously listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX) or have been traded on the National Association of Securities Dealer's Automated Quotation system (NASDAQ) or other recognized domestic exchange. If, through spin-offs or other activities of the companies held, the portfolio exceeds five percent of holdings with less than three years operating history, the manager will bring the portfolio into compliance within a six-month period.

The coefficient of determination ( $R^2$ ) measures the percentage of total market related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the Russell 1000 Growth Index of not less than .80 over any rolling five year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be in compliance with the Association of Investment Management and Research Performance Presentation Standards, shall be utilized in determining portfolio compliance.

Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error of less than six hundred basis points relative to the Russell 1000 Growth Index over any rolling five year time period. Until such time that the portfolio has sufficient historical results, the manager's reported monthly historical performance data, which shall be in compliance with the Association of Investment Management and Research Performance Presentation Standards, shall be used to determine portfolio compliance.

Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States or in other, recognized domestic markets.

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the Comprehensive Investment Plan (CIP).

## **RESTRICTED INVESTMENTS**

Use of margin is prohibited.

Use of options, futures, primes, swaps or any other type of derivative securities is prohibited.

Convertible securities shall not be considered for investment.

No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Russell 1000 Growth Index, over any three or more year period of time, taking into consideration the following:

The manager's performance, net of fees, is expected to exceed the Russell 1000 Growth Index, taking into consideration the degree of risk.

The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.

The manager should generate a positive alpha calculated in accordance to the Jensen methodology.

## **~~LARGE CAP VALUE EQUITY:~~**

### **~~EQUITY INVESTMENT GUIDELINES~~**

~~The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to five percent of the portfolio in initial public offerings that have been spun off by a company for which there is an adequate history and that has at least \$1 billion in market capitalization. Further, the parent must have been previously listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX) or have been traded on the National Association of Securities Dealer's Automated Quotation system (NASDAQ), or in other, recognized domestic markets. If, through spin-offs or other activities of the companies held, the portfolio exceeds five percent of holdings with less than three years operating history, the manager will bring the portfolio into compliance within a six-month period.~~

~~The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the Russell 1000 Value Index of not less than .80 over any rolling, five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be in compliance with the Association of Investment Management and Research Performance Presentation Standards, shall be utilized in determining portfolio compliance.~~

~~Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set fourth in these guidelines, the manager shall maintain an annualized tracking error of less than five hundred basis points relative to the Russell 1000 Value Index over any rolling five year time period. Until such time that the portfolio has sufficient historical results, the manager's reported monthly historical performance data, which shall be in compliance with the Association of Investment Management and Research Performance Presentation Standards, shall be used to determine portfolio compliance.~~

~~4. — Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States.~~

### **~~CASH AND SHORT TERM INVESTMENT GUIDELINES~~**

~~Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the Comprehensive Investment Plan (CIP).~~

### **~~RESTRICTED INVESTMENTS~~**

~~Use of margin is prohibited.~~

~~Use of options, futures, primes, swaps or any other type of derivative securities is prohibited.~~

~~Convertible securities shall not be considered for investment.~~

~~No commingled or mutual funds may be used to achieve desired diversification.~~

### **PERFORMANCE OBJECTIVES**

~~Manager performance shall be reviewed relative to the Russell 1000 Value Index, over any three or more year period of time, taking into consideration the following:~~

~~The manager's performance, net of fees, is expected to exceed the Russell 1000 Value Index, taking into consideration the degree of risk.~~

~~The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.~~

~~The manager should generate a positive alpha calculated in accordance to the Jensen methodology.~~

### **LARGE CAP CORE:**

### **EQUITY INVESTMENT GUIDELINES**

~~The Manager shall be permitted to invest in any securities which are a part of the S&P 500, without regard for the constraint within this policy prohibiting or restricting the ownership of of companies with less than a 3 year publicly available operating history. If the Manager's common stock (or the common stock of the Manager's holding company) is included in the S&P 500, the Manager is permitted to purchase, retain and sell the Manager's common stock (or the common stock of the manager's holding company), consistent with the other requirements, guidelines, restrictions and performance objectives applicable to this portfolio and the reporting requirements imposed on Managers.~~

~~The Manager shall be permitted to invest in any securities which are a part of the S&P 500, without regard for the preference within this policy for investments to be made in United States based corporations. There shall be no limit on the percent of the portfolio held in American Depository Receipts, provided those same companies are included in the S&P 500 as American Depository Receipts.~~

~~The use of futures as a substitute for physical investing, or to facilitate cash flows shall be permitted for this portfolio, provided the manager receives prior written approval from the Board. In order to obtain such approval, the manager must submit a written request to the Board, quantifying the net advantages that will accrue to the portfolio.~~

### **CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the Comprehensive Investment Plan (CIP).

## **RESTRICTED INVESTMENTS**

The use of futures will be permitted subject to the restrictions imposed by Paragraph 13 (entitled "Derivatives") in the "Authorized Investment Vehicles" section.

Use of margin is prohibited except as may be required in the use of futures.

Convertible securities shall not be allowed for investment purposes.

No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the S & P 500, over any three to five year period, taking into consideration the following:

The manager's performance, net of fees, is expected to meet the S&P 500 Index.

The beta of the portfolio over any two year rolling time period and calculated using monthly data shall not be less than .98 nor greater than 1.02.

Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error to the S&P 500, net of fees, of less than 25 basis points

Until such time that the portfolio has sufficient historical results, the manager's reported monthly historical performance data, which shall be in compliance with the Association of Investment Management and Research Performance Presentation Standards, shall be used to determine portfolio compliance.

## **SMALL CAP PORTFOLIO**

### **EQUITY INVESTMENT GUIDELINES**

The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to ten percent of the portfolio in initial public offerings of companies that have at least two years of audited financial statements and have been profitable (from continuing operations) for at least one of the last two years.

The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the Russell 2000 Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be in compliance with the Association of Investment Management and Research Performance Presentation Standards, shall be utilized in determining portfolio compliance.

Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error of no less than four hundred basis points and no more than one thousand basis points relative to the Russell 2000 Index over any rolling five-year time period. Until such time that the portfolio has sufficient historical results, the manager's reported monthly historical performance data, which shall be in compliance with the Association of Investment Management and Research Performance Presentation Standards, shall be used to determine portfolio compliance.

Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States or in other, recognized domestic markets.

#### **~~CASH AND SHORT TERM INVESTMENT GUIDELINES~~**

~~Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the Comprehensive Investment Plan (CIP).~~

#### **~~RESTRICTED INVESTMENTS~~**

~~Use of margin is prohibited.~~

~~Use of options, futures, primes, swaps or any other type of derivative securities is prohibited.~~

~~Convertible securities shall not be considered for investment.~~

~~No commingled or mutual funds may be used to achieve desired diversification.~~

#### **~~PERFORMANCE OBJECTIVES~~**

~~Manager performance shall be reviewed relative to the Russell 2000 Index, over any three or more year period of time, taking into consideration the following:~~

~~The manager's performance, net of fees, is expected to exceed the Russell 2000 Index, taking into consideration the degree of risk.~~

The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.

The manager should generate a positive alpha calculated in accordance to the Jensen methodology.

■

**OPTION 8**  
**MONEY MARKET OPTION**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The Money Market option seeks high current income consistent with liquidity, interest income and capital preservation. The Fund will be actively managed and will primarily invest in high quality, liquid, short-term instruments to control credit risk and interest rate sensitivity.

**ASSET ALLOCATION**

The assets of each participant's account will be invested in Option 8 in accordance with the guidelines described under the "Investment Options" section of this CIP.

**INVESTMENT GUIDELINES**

The Money Market Option may invest in highly liquid money market instruments and fixed income securities with maturities not to exceed two years. The average portfolio maturity is not to exceed 6 months, notwithstanding the objective of preservation of capital. The minimum rating criteria for securities to be purchased in this paper are A1/P1 or an equivalent rating by two nationally recognized rating services.

**PERFORMANCE OBJECTIVES**

The performance of the money market fund shall be reviewed against a composite 91 Day Treasury Bills index and a universe of other money market funds.

**OPTION 9  
EQUITY OPTION  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the equity option is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in diversified equity investments. Participants invest in a pre-packaged equity option diversified across investment styles and market capitalization.

**ASSET ALLOCATION**

Option 9 will be a diversified allocation of twenty percent allocated to a domestic large capitalization growth portfolio (Option 1), twenty percent to a domestic large capitalization value portfolio (Option 2), twenty percent to a U.S. large capitalization index portfolio (Option 3), ten percent to a mid-capitalization portfolio (Option 4), ten percent allocated to a small capitalization portfolio (Option 5) and twenty percent allocated to an international equity portfolio (Option 6).

Allocations to the underlying equity portfolios will be rebalanced periodically according to the rebalancing guidelines specified the rebalancing section of this CIP.

**INVESTMENT GUIDELINES**

The investment guidelines under Options 1 through 6, above, will apply to each respective portion of Option 9.

**PERFORMANCE OBJECTIVES**

The performance objectives specified in Options 1 through 6, above, will apply to each respective portion of Option 9.

~~PART III~~ **OPTION 103**  
**BALANCED OPTION**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the balanced investment option is to provide participants with an opportunity to generate long term growth of capital, but with less short-term volatility than the all-equity investment option.

**ASSET ALLOCATION**

Option 103 will be a blend of fixed income (Option 7) 1 and equity (Option 9) 2 and is expected to be fully invested at all times, relying on the manager's ability to generate return through interest rate anticipation and security selection, not through the timing of market movements. Allocations to the underlying fixed income and equity portfolios will be rebalanced periodically according to the rebalancing guidelines specified the rebalancing section of this CIP.

**INVESTMENT GUIDELINES**

The investment guidelines under Options 7 1 and 9 2, above, will apply to each respective portion of Option 103.

**PERFORMANCE OBJECTIVES**

The performance objectives specified in Options 7 1 and 9 2, above, will apply to each respective portion of Option 103.

**PART IV – OPTION 114  
AGE-RATED  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The age-rated investment option is intended to provide Program participants with an asset allocation profile that links the amount of volatility in the portfolio directly to the investment horizon of the participant. As the participant approaches the date at which account balances will be used for college expenses, a lower tolerance for risk is assumed and the equity component of the portfolio is reduced accordingly.

**ASSET ALLOCATION**

The assets of each participant’s account will be invested in fixed income (Option 7)<sup>1</sup> and equity (Option 9)<sup>2</sup> in accordance with the guidelines described under the “Investment Options” section of this CIP. The Board may periodically request an audit to ensure that participant balances are managed in accordance with these guidelines.

**INVESTMENT GUIDELINES**

The investment guidelines specified in Options 7<sup>1</sup> and 9<sup>2</sup> above will apply to each account balance maintained under Option 114.

**PERFORMANCE OBJECTIVES**

The performance objectives specified in Options 7<sup>1</sup> and 9<sup>2</sup>, above, will apply to each account balance maintained under Option 114.

**PART V – OPTION 5  
MONEY MARKET OPTION  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The Money Market option seeks high current income consistent with liquidity, interest income and capital preservation. The Fund will be actively managed and will primarily invest in high quality, liquid, short-term instruments to control credit risk and interest rate sensitivity.

**ASSET ALLOCATION**

The assets of each participant's account will be invested in Option 5 in accordance with the guidelines described under the "Investment Options" section of this CIP.

**INVESTMENT GUIDELINES**

The Money Market Option may invest in highly liquid money market instruments and fixed income securities with maturities not to exceed two years. The average portfolio maturity is not to exceed 6 months, notwithstanding the objective of preservation of capital. The minimum rating criteria for securities to be purchased in this paper are A1/P1 or an equivalent rating by two nationally recognized rating services.

**PERFORMANCE OBJECTIVES**

The performance of the money market fund shall be reviewed against a composite 91 Day Treasury Bills index and a universe of other money market funds.



**Florida Prepaid College Board  
Comprehensive Investment Plan  
*for the*  
Florida College Savings Program  
December 11, 2012**

**AUTHORITY**

All investments made under this plan are made under the authority granted the Florida Prepaid College Board (“Board”) under 1009.973, Florida Statutes. All funds managed by the Board are funds of the State of Florida.

**PURPOSE**

The Florida College Savings Program (“Savings Program” or “Program”) is a program created to provide a medium through which families and individuals may save for qualified educational expenses. The Savings Program is intended to be an alternative to the Prepaid Program, though participants in the Savings Program do have the option to enroll a qualified beneficiary in the Savings Program, the Prepaid Program, or both. The Program is administered by the Florida Prepaid College Board which was created pursuant to Section 1009.981 of the Florida Statutes.

**BOARD RESPONSIBILITIES**

The Board has the authority and the responsibility to control and manage the investment offerings under the Savings Program, and to formulate and oversee investment policies for that purpose.

Other specific responsibilities of the Board under this Comprehensive Investment Plan (“CIP”) include:

- Delegating specific administrative and operational responsibilities dealing with the investment of Program assets to the Executive Director or his/her staff.
- Establishing and periodically reviewing the appropriateness of the range of options offered to participants in the Program.
- Approving changes to this CIP.
- Monitoring compliance with this CIP.
- Appointing and terminating investment managers and other service providers to the Program.
- Reviewing periodically the performance of the investment managers.

## INVESTMENT OPTIONS

The number and range of investment options offered to Program participants will be reviewed by the Board at least annually. The decision to offer additional options will take into account the growth of the Program, industry trends, administrative feasibility, diversification and costs associated with adding options. Permitted investment vehicles for any of the investment options include, but are not limited to separately managed account, a pooled or commingled account, or a mutual fund.

The Board has elected to provide Program participants the following investment options:

Option 1 – a large cap growth investment fund designed to provide exposure to large capitalization domestic growth stocks.

Option 2 – a large cap value investment fund designed to provide exposure to large capitalization domestic value stocks.

Option 3 – a large cap investment fund designed to provide exposure to large capitalization domestic stocks by tracking the returns of the S&P 500 as closely as possible.

Option 4 – a mid cap investment fund designed to provide exposure to middle capitalization domestic stocks.

Option 5 – a small cap investment fund designed to provide exposure to small capitalization domestic stocks.

Option 6 – an international investment fund designed to provide exposure to international stocks in developed international markets.

Option 7 – a fixed income investment fund designed to mirror the broad domestic bond market.

Option 8 – a money market investment fund designed to provide exposure to very liquid short-term fixed income instruments.

Option 9 – an equity investment fund with a twenty percent allocation to domestic large capitalization growth equity (Option 1), twenty percent to a domestic large capitalization value equity portfolio (Option 2), and twenty percent to a U.S. large capitalization index portfolio (Option 3), ten percent to a domestic mid cap portfolio (Option 4), ten percent to a domestic small capitalization portfolio (Option 5) and twenty percent to an international equity portfolio (Option 6). Option 9 will be rebalanced to these target weights on a periodic basis, according to the parameters outlined in the rebalancing section of this CIP.

Option 10 – a balanced investment option which will consist of a 50/50 mix of fixed income (Option 7) and equity (Option 9). Option 10 will be rebalanced to the targeted asset mix on a periodic basis, according to the parameters outlined in the rebalancing section of this CIP.

Option 11 – a combination of fixed income (Option 7) and equity (Option 9) based on the age of the beneficiary or the number of years remaining before the beneficiary plans to enroll in college. The chart below describes the targeted asset allocations based on the participant’s age or years to enrollment.

Option 11: Allocation Between fixed income (Option 7) and equity (Option 9).

<u>Aged-Based Option</u>	<u>Years to Enrollment</u>	<u>Asset Allocation</u>	
		<u>Option 7</u>	<u>Option 9</u>
Age 0 – 4	14 or more years	0%	100%
Age 5 – 8	10 – 13 years	25%	75%
Age 9 – 12	6 – 9 years	50%	50%
Age 13 – 15	3 – 5 years	75%	25%
Age 16 & above	0 – 2 years	100%	0%

## **REPORTING**

The Executive Director will cause monthly flash reports and detailed quarterly reports of the investment performance of each investment option to be prepared for review by the Board.

To ensure that the Executive Director and the Board have the necessary information to discharge their oversight responsibility, the quarterly reports will include the following:

Investment results for each investment option will be reported each quarter for the most recent completed quarter, calendar year-to-date, most recent twelve month period and cumulatively from inception showing returns relative to appropriate market benchmarks. Returns will be reported on a time weighted basis. At a minimum, the report will contain the following items:

### 1. Performance Measurement and Attribution

- Performance of each investment option relative to its stated benchmark will be reported.
- The performance of each underlying sub-portfolio will be reported relative to its stated benchmark.
- An attribution analysis of each investment option and sub-portfolio will be provided.
  - Fixed income attribution will include effects of changes in interest rates, sector and quality decisions and reinvestment rate.
  - Equity attribution will include such factors as sector and industry weights, beta, company size, yield and growth in earnings.
  - The attribution analysis will also account for any deviations in asset class or style weights from the targeted portfolio weights.
- Returns for each manager will also be evaluated on a risk-adjusted basis.

## 2. Compliance and Monitoring

- The allocation of each investment option will be reported to ensure allocation guidelines are met.
- Asset holdings will be reported to ensure investments are being made only in authorized securities and investment vehicles.
- Each manager will certify *monthly* that their portfolio is in compliance with the terms of this CIP and their specific investment mandate, as well as any applicable prospectus and Statement of Additional Information. Any exceptions to policy will be noted and a statement provided indicating the steps to be taken to bring the portfolio back into compliance with the policy.
- Each manager will be monitored based upon the performance objectives as outlined in this Comprehensive Investment Plan.
- For each investment option which is implemented using a mutual fund, the manager will submit to the Board for approval on any proposed changes to the Prospectus or the Statement of Additional Information in advance of making the changes.
- Each manager shall immediately disclose to the Board in writing any instance which a member of the investment manager's Board of Directors, an officer of the investment management firm, or a member of the portfolio management staff is also a member of the Board of Directors, an officer of, or a significant shareholder of 5% or more in stocks of a company in which they propose to invest Board funds. In addition, the Board's investment consultant and the trustee/custodian shall annually certify that no conflicts of interest exist with respect to the services they provide to the Program and shall annually provide the Board with a copy of the firm's policy governing conflicts of interest. The requirements of this paragraph do not apply with respect to the common stock of the manager responsible for investment of the large capitalization core domestic equity portfolio (or the common stock of the manager's holding company) when the manager's common stock (or that of its holding company) is included in the S&P 500; provided that, prior to the initial purchase of the manager's common stock (or that of its holding company), the manager notifies the Board in writing that the manager's common stock (or that of its holding company) is included or has been included, in the S&P 500.

### **AUTHORIZED INVESTMENT VEHICLES**

Funds managed by the Florida Prepaid College Board may be placed in the following accounts or investments:

1. Deposit accounts and certificates of deposit in banks.

2. Obligations of United States Treasury.
3. Obligations of agencies of the United States Government (not restricted to full faith and credit obligations).
4. Commercial paper of prime quality of the highest letter and numerical rating established by a nationally recognized rating service.
5. Bankers' acceptances that are accepted by a member bank of the Federal Reserve System.
6. Corporate debt obligations preferred stock, mortgage and asset-backed securities, provided the obligations meet the minimum credit criteria set forth elsewhere in this CIP.
7. Institutional investment products including fixed annuities, variable annuities and guaranteed insurance contracts that are obligations of United States insurance companies.
8. Common stocks traded on domestic exchanges, including over-the-counter markets and recognized third and fourth markets.
9. Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government.
10. Commingled investment funds and mutual funds.
11. American Depositary Receipts, 144(a) securities (with registration rights), and Yankee bonds (excluding sovereign bonds).
12. Exchange Traded Funds (ETF's), traded on domestic exchanges, so long as consistent with the investment mandate, and guidelines.
13. Derivatives: In general, the following uses of derivatives are approved for portfolio management purposes, although specific written permission must be granted to each manager on a case-by-case basis in formal written account guidelines.
  - Substitute for physical
  - Duration management
  - Risk control

Before a derivative security or derivative strategy is used by an investment manager, one or more of the following benefits must be demonstrated to the Board:

- Increased liquidity.
- Stabilized and enhance portfolio returns.
- Lower transaction costs, including market impact costs.
- Reduction in the time required to change the mix of the portfolio.

Before any such derivative strategy is used by an Investment Manager, written permission for such use must be obtained from the Executive Director of the Prepaid Board. However, in recognition of the balances that may exist in the early stages of the Savings Program, the use of derivatives to meet the objectives of diversification will be permissive during the first twelve months of the launch of the Savings Program. The use of derivatives after the first twelve-month period will be reevaluated at that time.

Investment managers must keep in mind at all times the Board's preference for safety and liquidity.

### **PROHIBITED INVESTMENT VEHICLES AND GENERAL INVESTMENT RESTRICTIONS**

1. Assets may not be invested in the securities of any foreign-domiciled entities, except to the extent those securities are registered in the United States and traded on one of the domestic exchanges or markets, and otherwise meet the limitations of this comprehensive investment plan, with the exception of the international equity manager.
2. Short selling of securities is prohibited
3. Maximum investment in the securities of any issuer, except U.S. Treasury or Agency or repurchase agreements collateralized by U.S. Treasury or Agency securities, is the greater of 5% of the market value of the fund, or 2% greater than the appropriate benchmark weight.
4. Debt obligations and preferred stock may not be rated less than BAA/BBB. Rating from each service must meet or exceed the required rating. (As established by two nationally recognized rating services.)
5. The following derivative strategies and derivative instruments are considered inappropriate and therefore not permitted for use in the managing of assets for the Florida College Savings Program:
  - Derivatives use for speculative purposes.
  - Derivatives that leverage the account (except as described in the section on leverage).
  - Commodity options, swaps or other derivatives based on commodities.

### **INVESTMENT MANAGER SELECTION AND EVALUATION**

Appropriate selection criteria will be used in the process of selecting investment managers/funds. Though not exhaustive, below is a list of considerations:

- Impact on asset class diversification. The characteristics of the potential investment option(s) relative to the characteristics of the existing options will be evaluated to determine the impact on participants' ability to diversify within a risk/reward spectrum.
- Adherence to designated style.
- Reasonable and competitive expense levels.
- Investment performance characteristics. Funds will have a record of performing well compared to peer groups and relevant published market indices. A minimum of a three year performance history is desirable for the assessment of manager skill.

The performance of each investment option will be evaluated in the context of its role in the array of options offered to Program participants. The Board shall evaluate investment performance over a sufficient time horizon, and in the context of the prevailing market environment, in order to properly assess the investment manager's success or failure. In general, a three to five-year time horizon will be used to evaluate a manager's attainment of agreed-upon goals. On an interim basis, portfolio risk and investment performance will be monitored continually to ensure that the management of Program assets remains consistent with the style and objective for each investment option.

At a minimum, investment manager reviews will include a quarterly quantitative performance review conducted by the Program's consultant. Specific evaluation criteria are stated in the investment guidelines that have been individually prepared for each investment option pursuant to its specific role in the Program. As necessary, the evaluation may also include an annual site visit to review each portfolio manager's operations. This portion of the evaluation may be conducted by a member of the Board, the Investment Committee, or Board Staff, as may be designated either by the Board or the Investment Committee.

## **REBALANCING**

In order to maintain the level of risk the Board has established for each respective option, the asset class allocation within Option 9 and Option 10 will be monitored monthly and rebalanced to the specified target when the allowable ranges are exceeded. The portfolio should be brought back into compliance within five business days. The following ranges will apply:

<u>Option 9</u>	<u>Targeted Weight</u>	<u>Allowable Range</u>
Growth Portfolio	20.00%	17.00% - 23.00%
Value Portfolio	20.00%	17.00% - 23.00%
Index Portfolio	20.00%	17.00% - 23.00%
Mid Cap Portfolio	10.00%	8.00% - 12.00%
Small Cap Portfolio	10.00%	8.00% - 12.00%
International Equity Portfolio	20.00%	17.00% - 23.00%

<u>Option 10</u>	<u>Targeted Weight</u>	<u>Allowable Range</u>
Equity Portfolio (Option 9)	50%	48 – 52%
Fixed Income Portfolio (Option 7)	50%	48 – 52%

In addition, portfolio balances within Option 11 will require rebalancing both with respect to the equity / fixed income mix within each age bracket and with respect to the targeted mix as a beneficiary moves from one age bracket to the next.

The following ranges will apply to each of the age brackets within Option 11:

<u>Age Bracket</u>	<u>Years to Enrollment</u>	<u>Targeted Equity Allocation</u>	<u>Allowable Equity Range</u>	<u>Targeted Fixed Income Allocation</u>	<u>Allowable Fixed Income Range</u>
0 – 4 years	14 or more years	100%	98 - 100%	0%	0 – 2%
5 – 8 years	10 – 13 years	75%	73 – 77%	25%	23 – 27%
9 – 12 years	6 – 9 years	50%	48 – 52%	50%	48 – 52%
13 – 15 Years	3 – 5 years	25%	23 – 27%	75 %	73 – 77 %
Age 16 & above	0 – 2 years	0%	0 – 2%	100%	98 - 100%

Beneficiary account balances shall be moved to the next age bracket on the day following their birthdate during which they reach age 5, 9, 13 and 16. Accounts established based on the year's to enrollment option will move to the next age bracket on the day following the beneficiaries birthdate when their projected enrollment year is 13, 9, 5 and 2 years from enrollment in college.

## **IMPLEMENTATION**

All assets invested for the Program by the Investment Manager(s) after the adoption of this CIP shall conform to this Statement.

The following portfolio-specific guidelines have been established to:

1. Ensure that the managers continually adhere to all regulations administered by any regulatory authority charged with oversight responsibility
2. Limit the Program's exposure to unintended risks
3. Ensure that each investment option adheres to its specific objectives
4. Communicate objective, reasonable criteria of the Board's expectations to the managers.

The following sections contain the investment guidelines and policies for each option of the Florida College Savings Program:

**OPTION 1  
LARGE CAP GROWTH PORTFOLIO  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the Large Cap Growth Portfolio is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in equity investments

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of not more than five percent.

**INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to five percent of the portfolio in initial public offerings that have been spun off by a company for which there is an adequate history and that has at least \$1 billion in market capitalization. Further, the parent must have been previously listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX) or have been traded on the National Association of Securities Dealer's Automated Quotation system (NASDAQ) or other recognized domestic exchange. If, through spin-offs or other activities of the companies held, the portfolio exceeds five percent of holdings with less than three years operating history, the manager will bring the portfolio into compliance within a six-month period.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the Russell 1000 Growth Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be in compliance with the Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
3. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States or in other, recognized domestic markets.
4. Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the Comprehensive Investment Plan (CIP).

## **RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.
2. Use of options, futures, primes, swaps or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Russell 1000 Growth Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the Russell 1000 Growth Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the Russell 1000 Growth Index is expected to rank below the highest quartile of managers in the Large Cap Growth peer group over rolling three year time periods.

**OPTION 2**  
**LARGE CAP VALUE PORTFOLIO**  
**INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the Large Cap Value Portfolio is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in equity investments

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of not more than five percent.

**INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to five percent of the portfolio in initial public offerings that have been spun off by a company for which there is an adequate history and that has at least \$1 billion in market capitalization. Further, the parent must have been previously listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX) or have been traded on the National Association of Securities Dealer's Automated Quotation system (NASDAQ), or in other, recognized domestic markets. If, through spin-offs or other- activities of the companies held, the portfolio exceeds five percent of holdings with less than three years operating history, the manager will bring the portfolio into compliance within a six-month period.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the Russell 1000 Value Index of not less than .80 over any rolling, five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be in compliance with the Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
3. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States.

## **CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the Comprehensive Investment Plan (CIP).

## **RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.
2. Use of options, futures, primes, swaps or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Russell 1000 Value Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the Russell 1000 Value Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the Russell 1000 Value Index is expected to rank below the highest quartile of managers in the Large Cap Value peer group over rolling three year time periods.

**OPTION 3  
LARGE CAP CORE PORTFOLIO  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the Large Cap Core Portfolio is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in equity investments

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of not more than five percent.

**INVESTMENT GUIDELINES**

1. The Manager shall be permitted to invest in any securities which are a part of the S&P 500, without regard for the constraint within this policy prohibiting or restricting the ownership of companies with less than a 3 year publicly available operating history. If the Manager's common stock (or the common stock of the Manager's holding company) is included in the S&P 500, the Manager is permitted to purchase, retain and sell the Manager's common stock (or the common stock of the manager's holding company), consistent with the other requirements, guidelines, restrictions and performance objectives applicable to this portfolio and the reporting requirements imposed on Managers.
2. The Manager shall be permitted to invest in any securities which are a part of the S&P 500, without regard for the preference within this policy for investments to be made in United States based corporations. There shall be no limit on the percent of the portfolio held in American Depository Receipts, provided those same companies are included in the S&P 500 as American Depository Receipts.
3. The use of futures as a substitute for physical investing, or to facilitate cash flows shall be permitted for this portfolio, provided the manager receives prior written approval from the Board. In order to obtain such approval, the manager must submit a written request to the Board, quantifying the net advantages that will accrue to the portfolio.
4. The Manager may temporarily invest in companies outside of the index in the case of additions or deletions, with the goal of minimizing tracking error and/or reducing trading costs.

## **CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the Comprehensive Investment Plan (CIP).

## **RESTRICTED INVESTMENTS**

1. The use of futures will be permitted subject to the restrictions imposed by Paragraph 13 (entitled “Derivatives”) in the “Authorized Investment Vehicles” section.
2. Use of margin is prohibited except as may be required in the use of futures.
3. Convertible securities shall not be allowed for investment purposes.
4. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the S&P 500, over any three to five year period, taking into consideration the following:

- The manager’s performance, net of fees, is expected to meet the S&P 500 Index.
- The beta of the portfolio over any two year rolling time period and calculated using monthly data shall not be less than .98 nor greater than 1.02.
- Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error to the S&P 500, net of fees, of less than 25 basis points.
- Until such time that the portfolio has sufficient historical results, the manager's reported monthly historical performance data, which shall be in compliance with the Global Investment Performance Standards (GIPS), shall be used to determine portfolio compliance.

**OPTION 4  
MID CAP PORTFOLIO  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the Mid Cap Portfolio is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in equity investments

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of not more than five percent.

**INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to ten percent of the portfolio in initial public offerings of companies that have at least two years of audited financial statements and have been profitable (from continuing operations) for at least one of the last two years.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the S&P MidCap 400 Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with the Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
3. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States or in other, recognized domestic markets.

**CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

## **RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.
2. Use of options, futures, or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the S&P MidCap 400 Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the S&P MidCap 400 Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the S&P MidCap 400 Index is expected to rank below the highest quartile of managers in the MidCap Broad peer group over rolling three year time periods.

**OPTION 5  
SMALL CAP PORTFOLIO  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the Small Cap Portfolio is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in equity investments

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of not more than five percent.

**INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to ten percent of the portfolio in initial public offerings of companies that have at least two years of audited financial statements and have been profitable (from continuing operations) for at least one of the last two years.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the Russell 2000 Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be in compliance with the Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
3. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States or in other, recognized domestic markets.

**CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the Comprehensive Investment Plan (CIP).

**RESTRICTED INVESTMENTS**

1. Use of margin is prohibited.

2. Use of options, futures, primes, swaps or any other type of derivative securities is prohibited.
3. Convertible securities shall not be considered for investment.
4. No commingled or mutual funds may be used to achieve desired diversification.

#### **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Russell 2000 Index, over any three or more year period of time, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the Russell 2000 Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager's tracking error relative to the Russell 2000 Index is expected to rank below the highest quartile of managers in the Small Cap peer group over rolling three year time periods.

**OPTION 6  
INTERNATIONAL EQUITY PORTFOLIO  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the International Equity Portfolio is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in equity investments

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of not more than five percent.

**INVESTMENT GUIDELINES**

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to five percent of the portfolio in initial public offerings that have been spun off by a company for which there is adequate history of audited financial statements. If, through spin-offs or other activities of the companies held, the portfolio exceeds five percent of holdings with less than three years operating history, the manager will bring the portfolio into compliance within a six-month period.
2. The coefficient of determination ( $R^2$ ) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the MSCI EAFE Index of not less than .80 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be calculated in a manner consistent with the Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.
3. Equity investments shall be made only in securities domiciled outside of the United States. Country classification of a security will be based upon the country of domicile, not based on the country in which the security is listed or traded.

**CASH AND SHORT TERM INVESTMENT GUIDELINES**

Cash and cash equivalent investments shall be made in liquid Authorized Investment Vehicles as defined in the CIP.

## **RESTRICTED INVESTMENTS**

1. The use of currency futures and currency forwards will be permitted subject to the restrictions imposed by Paragraph 13 (entitled “Derivatives”) in the “Authorized Investment Vehicles” section.
2. Use of options, futures, forwards or any other types of derivative securities that are not used for currency hedging purposes are prohibited.
3. Use of margin is prohibited except as may be required in the use of currency futures or forwards.
4. US-domiciled companies.
5. Any country or market outside of the MSCI EAFE Index.
6. No commingled or mutual funds may be used to achieve desired diversification.

## **PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the MSCI EAFE Index, over any three or more year period of time, taking into consideration the following:

- The manager’s performance, net of fees, is expected to exceed the MSCI EAFE Index, taking into consideration the degree of risk.
- The manager’s performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The manager should generate a positive alpha calculated in accordance to the Jensen methodology.
- The manager’s tracking error relative to the MSCI EAFE Index is expected to rank below the highest quartile of managers in the International Equity peer group over rolling three year time periods.

**OPTION 7  
FIXED-INCOME  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the fixed income option is to provide participants with a low risk, low volatility option for saving for college expenses. It is expected that this option will be used by those participants with a short horizon to matriculation or with little appetite for short term investment volatility.

**ASSET ALLOCATION**

The portfolio is expected to be fully invested at all times. However, cash holdings may represent an integral part of the manager's desired portfolio structure. Therefore, for purposes of this constraint, cash will be defined as securities with a duration of less than three months and the manager shall be allowed a maximum cash position of not more than five percent.

**INVESTMENT GUIDELINES**

- Fixed income investments will be made only in dollar-denominated securities traded in domestic markets.
- The portfolio shall maintain a coefficient of determination ( $R^2$ ) to the Barclays Capital Aggregate Index of not less than .90 over any rolling five-year time horizon calculated using monthly data. Until such time as the portfolio has sufficient historical data, the manager's reported monthly historical performance data, which shall be in compliance with the Global Investment Performance Standards (GIPS), shall be utilized in determining portfolio compliance.

**RESTRICTED INVESTMENTS**

Use of margin is prohibited except as may be required in the use of futures, options and swaps.

Other than futures, options and swaps, the use of derivative securities that have not been specifically approved by the Board is prohibited.

Convertible securities shall not be considered for investment.

**PERFORMANCE OBJECTIVES**

Manager performance shall be reviewed relative to the Barclays Capital Aggregate Index over any three to five year period, taking into consideration the following:

- The manager's performance, net of fees, is expected to exceed the Barclays Capital Aggregate Index, taking into consideration the degree of risk.
- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.
- The effectiveness of the manager's duration, sector and security allocations will be reviewed to determine if the manager has demonstrated, on a total return basis, the ability to add value above the Index.

**OPTION 8  
MONEY MARKET OPTION  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The Money Market option seeks high current income consistent with liquidity, interest income and capital preservation. The Fund will be actively managed and will primarily invest in high quality, liquid, short-term instruments to control credit risk and interest rate sensitivity.

**ASSET ALLOCATION**

The assets of each participant's account will be invested in Option 8 in accordance with the guidelines described under the "Investment Options" section of this CIP.

**INVESTMENT GUIDELINES**

The Money Market Option may invest in highly liquid money market instruments and fixed income securities with maturities not to exceed two years. The average portfolio maturity is not to exceed 6 months, not withstanding the objective of preservation of capital. The minimum rating criteria for securities to be purchased in this paper are A1/P1 or an equivalent rating by two nationally recognized rating services.

**PERFORMANCE OBJECTIVES**

The performance of the money market fund shall be reviewed against a composite 91 Day Treasury Bills index and a universe of other money market funds.

**OPTION 9  
EQUITY OPTION  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the equity option is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in diversified equity investments. Participants invest in a pre-packaged equity option diversified across investment styles and market capitalization.

**ASSET ALLOCATION**

Option 9 will be a diversified allocation of twenty percent allocated to a domestic large capitalization growth portfolio (Option 1), twenty percent to a domestic large capitalization value portfolio (Option 2), twenty percent to a U.S. large capitalization index portfolio (Option 3), ten percent to a mid-capitalization portfolio (Option 4), ten percent allocated to a small capitalization portfolio (Option 5) and twenty percent allocated to an international equity portfolio (Option 6).

Allocations to the underlying equity portfolios will be rebalanced periodically according to the rebalancing guidelines specified the rebalancing section of this CIP.

**INVESTMENT GUIDELINES**

The investment guidelines under Options 1 through 6, above, will apply to each respective portion of Option 9.

**PERFORMANCE OBJECTIVES**

The performance objectives specified in Options 1 through 6, above, will apply to each respective portion of Option 9.

**OPTION 10  
BALANCED OPTION  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The objective of the balanced investment option is to provide participants with an opportunity to generate long term growth of capital, but with less short-term volatility than the all-equity investment option.

**ASSET ALLOCATION**

Option 10 will be a blend of fixed income (Option 7) and equity (Option 9) and is expected to be fully invested at all times, relying on the manager's ability to generate return through interest rate anticipation and security selection, not through the timing of market movements. Allocations to the underlying fixed income and equity portfolios will be rebalanced periodically according to the rebalancing guidelines specified the rebalancing section of this CIP.

**INVESTMENT GUIDELINES**

The investment guidelines under Options 7 and 9, above, will apply to each respective portion of Option 10.

**PERFORMANCE OBJECTIVES**

The performance objectives specified in Options 7 and 9, above, will apply to each respective portion of Option 10.

**OPTION 11  
AGE-RATED  
INVESTMENT GUIDELINES**

**OBJECTIVE**

The age-rated investment option is intended to provide Program participants with an asset allocation profile that links the amount of volatility in the portfolio directly to the investment horizon of the participant. As the participant approaches the date at which account balances will be used for college expenses, a lower tolerance for risk is assumed and the equity component of the portfolio is reduced accordingly.

**ASSET ALLOCATION**

The assets of each participant's account will be invested in fixed income (Option 7) and equity (Option 9) in accordance with the guidelines described under the "Investment Options" section of this CIP. The Board may periodically request an audit to ensure that participant balances are managed in accordance with these guidelines.

**INVESTMENT GUIDELINES**

The investment guidelines specified in Options 7 and 9, above, will apply to each account balance maintained under Option 11.

**PERFORMANCE OBJECTIVES**

The performance objectives specified in Options 7 and 9, above, will apply to each account balance maintained under Option 11.

# Protecting Florida's Investments Act (PFIA)

Quarterly Report – December 11, 2012



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### ***About the State Board of Administration***

The statutory mandate of the State Board of Administration (SBA) is to invest, manage and safeguard assets of the Florida Retirement System (FRS) Trust Fund and a variety of other funds for state and local governments. FRS Trustees are dedicated to ensuring that the SBA invests assets and discharges its duties in accordance with Florida law, guided by strict policies and a code of ethics to ensure integrity, prudent risk management and top-tier performance. The SBA is an investment fiduciary under law, and subject to the stringent fiduciary duties and standards of care defined by the Employee Retirement Income Security Act of 1974 (ERISA), as incorporated into Florida law. The SBA has three Trustees: the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary.

As of September 30, 2012, the net asset value of total funds under SBA management was approximately \$156.6 billion. The FRS Pension Plan provides defined pension benefits to 1.1 million beneficiaries and retirees. The strong long-term performance of the FRS Pension Plan, the fourth-largest public pension fund in the nation, reflects our commitment to responsible fiscal management.

The SBA’s mission is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary, and professional standards.

We encourage you to review additional information about the SBA and FRS on our website at [www.sbafla.com](http://www.sbafla.com).

## **Introduction**

On June 8, 2007, the Protecting Florida's Investments Act ("PFIA") was signed into law. The PFIA requires the State Board of Administration ("SBA"), acting on behalf of the Florida Retirement System Trust Fund (the "FRSTF"), to assemble and publish a list of "Scrutinized Companies" that have prohibited business operations in Sudan and Iran. Once placed on the list of Scrutinized Companies, the SBA and its investment managers are prohibited from acquiring those companies' securities and are required to divest those securities if the companies do not cease the prohibited activities or take certain compensating actions. The implementation of the PFIA by the SBA will not affect any FRSTF investments in U.S. companies. The PFIA will solely affect foreign companies with certain business operations in Sudan and Iran involving the petroleum or energy sector, oil or mineral extraction, power production or military support activities. This quarterly report is developed pursuant to Section 215.473 (4), Florida Statutes.

### **Primary Requirements of the PFIA**

The PFIA created new reporting, engagement, and investment requirements for the SBA, including:

1. Quarterly reporting to the Board of Trustees of every equity security in which the SBA has invested for the quarter, along with its industry category. This report is posted on the SBA website.
2. Quarterly presentation to the Trustees of a "Scrutinized Companies" list for both Sudan and Iran for their approval. Scrutinized Company lists are available on the SBA's website, along with information on the FRSTF direct and indirect holdings of Scrutinized Companies.
3. Written notice to external investment managers of all PFIA requirements. Letters request that the managers of actively managed commingled vehicles (i.e., those with FRSTF and other clients' assets) consider removing Scrutinized Companies from the product or create a similar actively managed product that excludes such companies. Similar written requests must be provided to relevant investment managers within the defined contribution plan.
4. Written notice to any company with inactive business operations in Sudan or Iran, informing the company of the PFIA and encouraging it to continue to refrain from reinitiating active business operations. Such correspondence continues semiannually.
5. Written notice to any Scrutinized Company with active business operations, informing the company of its Scrutinized Company status and that it may become subject to divestment. The written notice must inform the company of the opportunity to clarify its Sudan-related or Iran-related activities and encourage the company, within 90 days, to cease its scrutinized business operations or convert such operations to inactive status.
6. A prohibition on further investment on behalf of the FRSTF in any Scrutinized Company once the Sudan and Iran scrutinized lists have been approved by the Trustees. All publicly traded securities of Scrutinized Companies must be divested within 12 months after the company's initial (and continued) appearance on the Scrutinized Companies list. Divestment does not apply to indirect holdings in actively managed commingled investment funds—i.e., where the SBA is not the sole investor in the fund. Private equity funds are considered to be actively managed.
7. Reporting to each member of the Board of Trustees, President of the Senate, and the Speaker of the House of Representatives of Scrutinized Company lists within 30 days of creation, and public disclosure of each list.
8. Quarterly reporting of the following to each member of the Board of Trustees, the President of the Senate, the Speaker of the House of Representatives, the United States Presidential Special Envoy to Sudan, and the United States Presidential Special Envoy to Iran. The report is made publicly available and posted to the SBA's website.

- a. A summary of correspondence with engaged companies;
  - b. A listing of all investments sold, redeemed, divested, or withdrawn;
  - c. A listing of all prohibited investments;
  - d. A description of any progress related to external managers offering PFIA compliant funds; and
  - e. A list of all publicly traded securities held directly by the state.
9. Adoption and incorporation into the FRSTF Investment Policy Statement (IPS) of SBA actions taken in accordance with the PFIA. Changes to the IPS are reviewed by the Investment Advisory Council (IAC) and approved by the Trustees.
10. Relevant Sudan or Iran portions of the PFIA are discontinued if the Congress or President of the United States passes legislation, executive order, or other written certification that:
- a. Darfur genocide has been halted for at least 12 months;
  - b. Sanctions imposed against the Government of Sudan are revoked;
  - c. Government of Sudan honors its commitments to cease attacks on civilians, demobilize and demilitarize the Janjaweed and associated militias, grant free and unfettered access for deliveries of humanitarian assistance, and allow for the safe and voluntary return of refugees and internally displaced persons;
  - d. Government of Iran has ceased to acquire weapons of mass destruction and support international terrorism;
  - e. Sanctions imposed against the government of Iran are revoked; or
  - f. Mandatory divestment of the type provided for by the PFIA interferes with the conduct of U.S. foreign policy.
11. Cessation of divestment and/or reinvestment into previously divested companies may occur if the value of all FRSTF assets under management decreases by 50 basis points (0.5%) or more as a result of divestment. If cessation of divestment is triggered, the SBA is required to provide a written report to each member of the Board of Trustees, the President of the Senate, and the Speaker of the House of Representatives prior to initial reinvestment. Such condition is required to be updated semiannually.
12. In 2009, the Florida Legislature approved a bill requiring the SBA to identify and offer, by March 1, 2010, at least one terror-free investment product for the FRS Investment Plan. The product must allocate its funds among securities not subject to divestiture, as provided in section 215.473, Florida Statutes.

### ***Definition of a Scrutinized Company***

The following is a brief review of the criteria on which the active business operations of companies must be judged, in accordance with subsection (1)(t) of Section 215.473, F.S.

#### ***Sudan:***

1. Have a material business relationship with the government of Sudan or a government-created project involving oil related, mineral extraction, or power generation activities, or
2. Have a material business relationship involving the supply of military equipment, or
3. Impart minimal benefit to disadvantaged citizens that are typically located in the geographic periphery of Sudan, or
4. Have been complicit in the genocidal campaign in Darfur.

#### ***Iran:***

1. Have a material business relationship with the government of Iran or a government-created project involving oil related or mineral extraction activities, or
2. Have made material investments with the effect of significantly enhancing Iran's petroleum sector.

Affiliates of companies with scrutinized business operations are also subject to the requirements of the PFIA. An affiliated company is generally defined as any other company that either directly or indirectly controls, is controlled by or is under common control with the company conducting scrutinized active business operations. Control generally means the power to exercise a controlling influence over the management or policies of a company. As well, many companies have parent-subsidary relationships whereby a parent company may own several other companies. In such cases, the SBA has included any known parent and/or subsidiaries which can be clearly linked to a company with scrutinized active business operations. The SBA has used a 50 percent ownership threshold in determining whether or not companies are affiliated, examining parent company-subsidary ownership on a pro rata basis.

The SBA views companies which have explicit plans and activities related to discontinuation of active business operations as meeting the PFIA definition of substantial action. For all identified companies, the SBA will request information detailing what a company has actually done, if anything, to discontinue its active business operations or if it has pursued humanitarian efforts (applicable to Sudan only).

### ***SBA Scrutinized Companies Identification Methodology***

The SBA has developed two lists (the Sudan List and the Iran List) of Scrutinized Companies with active business operations. The lists are developed by principally relying on the research and findings of our "External Research Providers". Below is a brief description of our External Research Providers, which are maintained to provide input from multiple sources.

1. **Conflict Risk Network (CRN).** CRN is a network of institutional investors, financial service providers and related stakeholders and is a project of the Genocide Intervention Network / Save Darfur Coalition (GI-NET/SDC), a non-profit organization that works to prevent and stop genocide and mass atrocities. In support of GI-NET/SDC's overall mission, CRN acts as an intermediary between the business and investment communities, engaging companies operating in GINET/SDC's Areas of Concern, including Sudan. CRN was formerly known as the Sudan Divestment Task Force (SDTF).
2. **MSCI ESG Research (MSCI).** MSCI combined, through acquisition, the resources of the RiskMetrics Group (Institutional Shareholder Services) and KLD Research & Analytics (KLD). MSCI delivers proxy voting and corporate governance analysis to institutional investors. Through its ESG Research unit, MSCI offers screening services with specific and unique components of state law pertaining to investments in sanctioned countries, including Sudan and Iran.
3. **IW Financial (IWF).** IWF is a provider of environmental, social, and governance research and consulting. IWF partners with Conflict Securities Advisory Group (CSAG) to provide clients with detailed information on the business ties of publicly traded companies in Sudan and Iran.
4. **Jantzi-Sustainalytics, Inc. (Jantzi).** Jantzi provides environmental, social and governance research and analysis, sustainability benchmarks, and investment services, and is the result of the merger between Jantzi Research, Inc. and Sustainalytics in 2009. Jantzi's company database, "Sustainalytics Global Platform," covers business operations in both Iran and Sudan.

Staff members within the Investment Programs & Governance unit, as well as other senior investment staff, review the assessments of the External Research Providers and other publicly available information. The SBA has utilized the following sources to evaluate over 400 companies and affiliates with reported links to Sudan or Iran:

Company disclosures:

- SEC filings (DEF 14A Proxy Statements, 10-K & 20-F Annual Reports, etc.)
- Investor Relations/company websites
- Industry publications and analyst research

Investment/Finance Organizations:

- Industry Analysts
- Index Providers (e.g., Russell)
- Other Institutional Investors/Private Investors

U.S Government Agencies:

- U.S. Department of State
- U.S. Treasury, Office of Foreign Asset Control (OFAC)
- U.S. Government Accountability Office (GAO)
- SEC Office of Global Security (EDGAR)
- Dept. of Energy, Energy Information Administration (EIA)
- Congressional Research Service (CRS), Library of Congress

Non-Governmental Organizations (NGOs):

- American Enterprise Institute (AEI)
- Amnesty International
- Yale University (Allard K. Lowenstein International Human Rights Project)
- Human Rights Watch

Other Sources:

- SBA External Investment Managers
- U.S. Federal Sanctions Laws covering State Sponsors of Terror
- Any other publicly available information.

Using the previous information sources, the SBA has developed two separate categorizations of a company's involvement in Sudan and/or Iran.

1. **“Scrutinized”** — Information provided by several External Research Providers indicates that a company meets the classification of a Scrutinized Company as defined by the PFIA as set forth in Section 215.473 (1)(t)1., 2., or 3. [Sudan] or Section 215.473 (4)(t)1. [Iran]. Upon SBA review, no other information sources clearly contradict the conclusions of the External Research Providers.
2. **“Continued Examination”** — At least one External Research Provider indicates that a company meets the classification of a Scrutinized Company as defined by the PFIA as set forth in Section 215.473, (1)(t)1., 2., or 3. [Sudan] or Section 215.473, (4)(t)1. [Iran]. In other words, the External Research Providers do not agree on the status of a company and the SBA is unable to definitively categorize the company's activities as scrutinized without further research to resolve the differences. For companies classified as “Continued Examination” the SBA will begin an engagement process to clarify each firm's current business relationships.

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### ***Key Changes Since the Previous PFIA Quarterly Report***

#### **Sudan**

Companies *added* to the Sudan Scrutinized List this quarter:

- **China National Petroleum Corporation (CNPC)**
  - State-owned enterprise, but with publicly traded bonds. Scrutinized activity in Sudan.

Companies *removed* from the Sudan Scrutinized List this quarter:

- **Dongfeng Motor Group Co Ltd**
- **KMCOB Capital Bhd** – Removed in conjunction with affiliate, Scomi Engineering Bhd
- **Scomi Engineering Bhd** – Research providers no longer link Scomi to Sudan
- **Scomi Group Bhd** – Removed in conjunction with affiliate, Scomi Engineering Bhd

Companies *added* to the Sudan Continued Examination List this quarter:

- **Dongfeng Motor Group Co Ltd**
- **KMCOB Capital Bhd**
- **Scomi Engineering Bhd**
- **Scomi Group Bhd**
- **Statesman Resources Ltd**

Companies *removed* from the Sudan Continued Examination List this quarter:

- **Total SA**

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#### **Iran**

Companies *added* to the Iran Scrutinized List this quarter:

- **China National Petroleum Corporation (CNPC)**
  - State-owned enterprise, but with publicly traded bonds. Scrutinized activity in Iran.

Companies *removed* from the Iran Scrutinized List this quarter:

- **Kingdream PLC**
  - No longer listed as involved in Iran by external research providers. However, Kingdream remains a Prohibited Investment due to Sudan involvement.

Companies *added* to the Iran Continued Examination List this quarter:

- **none**

Companies *removed* from the Iran Continued Examination List this quarter:

- **Clontarf Energy Plc (fka Persian Gold PLC)**

**Recent Iran developments:** Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 mandates additional disclosure requirements, effective February 6, 2013, for US-registered issuers concerning certain Iran-related activities. If an SEC-registered issuer knowingly engages in activities described in Section 5 of the Iran Sanctions Act of 1996, the issuer is required to report the nature of the activity, related gross revenues and net profits, and any intentions to continue the activity.

**Table 1: Scrutinized Companies with Activities in Sudan**  
**New companies on the list are shaded and in bold.**

Company	Country of Incorporation	Date of Initial Scrutinized Classification
AREF Energy Holdings Co	Kuwait	July 28, 2009
AviChina Industry & Technology Company Limited	China	September 19, 2007
Chennai Petroleum Corp Ltd	India	September 19, 2007
<b>China National Petroleum Corporation (CNPC)</b>	<b>China</b>	<b>December 11, 2012</b>
China Petroleum & Chemical Corp (CPC) Sinopec	China	September 19, 2007
CNPC General Capital Ltd	China	June 26, 2012
CNPC Golden Autumn	China	September 18, 2012
CNPC HK Overseas Capital Ltd	China	June 16, 2011
Daqing Huake Group Co Ltd	China	March 25, 2008
Egypt Kuwait Holding Co. SAE	Kuwait	January 13, 2009
Electricity Generating Public Co	Thailand	September 19, 2007
Gas District Cooling (Putrajaya) Sdn Bhd	Malaysia	April 14, 2009
Groupe ONA (ONA SA)	Morocco	November 9, 2010
Harbin Electric Co. Ltd. (fka: Harbin Power Equipment)	China	September 19, 2007
Indian Oil Corp Ltd (IOCL)	India	September 19, 2007
Jiangxi Hongdu Aviation (aka Hongdu Aviation)	China	September 19, 2007
Jinan Diesel Engine Co. Ltd	China	July 28, 2009
Kingdream PLC	China	April 14, 2009
KLCC Property Holdings Bhd	Malaysia	April 14, 2009
Kunlun Energy Company Ltd (fka: CNPC Hong Kong Limited)	Hong Kong	September 19, 2007
Kuwait Finance House	Kuwait	April 14, 2009
Lanka IOC Ltd	India	September 19, 2007
LS Industrial Systems	South Korea	September 20, 2011
Managem SA	Morocco	November 9, 2010
Mangalore Refinery & Petrochemicals Ltd	India	September 19, 2007
Midciti Resources Sdn Bhd	Malaysia	September 19, 2007
MISC Bhd	Malaysia	September 19, 2007
MISC Capital Ltd	Malaysia	April 14, 2009
Oil India Ltd.	India	September 18, 2012
Oil & Natural Gas Corp (ONGC)	India	September 19, 2007
PetroChina	China	September 19, 2007
Petroleum Nasional (Petronas)	Malaysia	September 19, 2007
Petronas Capital Limited	Malaysia	September 19, 2007
Petronas Chemicals Bhd	Malaysia	June 16, 2011
Petronas Dagangan Bhd	Malaysia	September 19, 2007
Petronas Gas Berhad	Malaysia	September 19, 2007
Petronas Global Sukuk	Malaysia	September 18, 2012

<b>Company</b>	<b>Country of Incorporation</b>	<b>Date of Initial Scrutinized Classification</b>
Ranhill Bhd	Malaysia	September 16, 2008
Ranhill Power Sdn Bhd	Malaysia	September 20, 2011
Ranhill Powertron Sdn	Malaysia	April 14, 2009
Sinopec Finance	China	April 14, 2009
Sinopec Group Overseas Development 2012 Ltd	China	June 26, 2012
Sinopec Kantons Holdings Ltd	Bermuda	September 19, 2007
Sinopec Shanghai Petrochemical	China	September 19, 2007
Sinopec Yizheng Chemical Fibre	China	March 25, 2008
Societe Metallurgique D’imiter	Morocco	November 9, 2010
<b># of Sudan Scrutinized Companies</b>	<b>46</b>	

Companies removed from the Sudan Scrutinized List during the quarter.

<b>Removed Company</b>	<b>Country of Incorporation</b>
<i>Dongfeng Motor Group Co Ltd</i>	<i>China</i>
<i>KMCOB Capital Bhd</i>	<i>Malaysia</i>
<i>Scomi Engineering Bhd</i>	<i>Malaysia</i>
<i>Scomi Group Bhd</i>	<i>Malaysia</i>

**Table 2: Continued Examination Companies with Activities in Sudan***New companies on the list are shaded and in bold.*

Company	Country of Incorporation
Alstom	France
Alstom Projects India	India
AREF Investment Group	Kuwait
ASEC Company for Mining S.A.E.	Egypt
Bharat Heavy Electricals, Ltd	India
Bollore Group	France
China Gezhouba Group Company Ltd	China
China North Industries Group Corp (CNGC/Norinco)	China
<b>Dongfeng Motor Group Co Ltd</b>	<b>China</b>
Dongan Motor (aka Harbin Dongan Auto Engine)	China
Drake & Scull International PJSC	United Arab Emirates
EI Sewedy Cables Holding Company	Egypt
GAZ Group	Russia
Glencore International AG	Switzerland
Hafei Aviation Industry Co Ltd	China
Infotel Broadband Services Ltd	India
JX Holdings Inc.	Japan
Kencana Petroleum Berhad	Malaysia
KEPCO Plant Service & Engineering Co Ltd	South Korea
<b>KMCOB Capital Bhd</b>	<b>Malaysia</b>
Korea Electric Power (KEPCO)	South Korea
Mercator Lines Limited (Mercator Lines Singapore)	India
Muhibbah Engineering Bhd	Malaysia
Nam Fatt	Malaysia
Nippo Corporation	Japan
Nippon Oil Finance	Japan
PetroFac	United Kingdom
PT Pertamina Persero	Indonesia
PTT Public Company Ltd	Thailand
Reliance Industries Ltd	India
<b>Scomi Engineering Bhd</b>	<b>Malaysia</b>
<b>Scomi Group Bhd</b>	<b>Malaysia</b>
Seadrill Ltd	Bermuda
Sinohydro	China
<b>Statesman Resources Ltd</b>	<b>Canada</b>
Sudan Telecommunications (Sudatel)	Sudan

<b>Company</b>	<b>Country of Incorporation</b>
Wartsila Oyj	Finland
Wuhan Boiler Company	China
<b># of Companies</b>	<b>38</b>

Companies removed from the Sudan Continued Examination List during the quarter.

<b><i>Removed Company</i></b>	<b><i>Country of Incorporation</i></b>
<b><i>Total SA</i></b>	<b><i>France</i></b>

**Table 3: Scrutinized Companies with Activities in the Iran Petroleum Energy Sector**

New companies on the list are shaded and in bold.

<b>Company</b>	<b>Country of Incorporation</b>	<b>Date of Initial Scrutinized Classification</b>
<b>China National Petroleum Corporation (CNPC)</b>	<b>China</b>	<b>December 11, 2012</b>
China Petroleum & Chemical Corp (CPCC) Sinopec	China	September 19, 2007
China Oilfield Services Ltd.	China	June 16, 2011
CNOOC Ltd.	China	June 16, 2011
CNPC HK Overseas Capital Ltd.	China	June 16, 2011
Daelim Industrial Co Ltd	South Korea	June 16, 2011
Gas District Cooling (Putrajaya) Sdn Bhd	Malaysia	April 14, 2009
Gazprom	Russia	September 19, 2007
Gazprom Neft	Russia	September 16, 2008
Indian Oil Corp Ltd (IOCL)	India	September 19, 2007
Kunlun Energy Company Ltd. (fka: CNPC Hong Kong Limited)	Hong Kong	September 19, 2007
KLCC Property Holdings Bhd	Malaysia	April 14, 2009
Maire Technimont	Italy	December 6, 2011
Midciti Resources Sdn Bhd	Malaysia	September 19, 2007
MISC Bhd	Malaysia	September 19, 2007
MISC Capital Ltd.	Malaysia	April 14, 2009
Mosenergo	Russia	September 16, 2008
Oil & Natural Gas Corp (ONGC)	India	September 19, 2007
PetroChina	China	September 19, 2007
Petroleum Nasional (Petronas)	Malaysia	September 19, 2007
Petronas Capital Limited	Malaysia	September 19, 2007
Petronas Chemicals Bhd	Malaysia	June 16, 2011
Petronas Dagangan Bhd	Malaysia	September 19, 2007
Petronas Gas Berhad	Malaysia	September 19, 2007
Shanghai Zhenhua Heavy Industry Co. Ltd.	China	September 18, 2012
Sinopec Finance	China	April 14, 2009
Sinopec Kantons Holdings Ltd.	Bermuda	September 19, 2007
Sinopec Shanghai Petrochemical	China	September 19, 2007
Sinopec Yizheng Chemical Fibre	China	March 25, 2008
<b># of Iran Scrutinized Companies</b>	<b>29</b>	

Companies **removed** from the Iran Scrutinized List during the quarter.

<b>Removed Company</b>	<b>Country of Incorporation</b>
<b>Kingdream PLC</b>	<b>China</b>

**Table 4: Continued Examination Companies with Petroleum Energy Activities in Iran**  
*No companies were added to the list this quarter.*

<b>Company</b>	<b>Country of Incorporation</b>
Aker Solutions ASA (fka Aker Kvaerner ASA)	Norway
China Communications Construction Co	China
China Nonferrous Metal Industry's Foreign Engineering and Construction	China
GAIL (India) Limited, aka GAIL Ltd.	India
GS Engineering & Construction Corp.	South Korea
GS Holdings	South Korea
Hyundai Engineering & Construction Co.	South Korea
Hyundai Heavy Industries	South Korea
INA-Industrija Nafta DD	Croatia
Liquefied Natural Gas LNG	Australia
Lukoil OAO	Russia
Oil India Ltd.	India
Petrofac Ltd.	United Kingdom
Petronet LNG Ltd.	India
PetroVietnam Drilling and Well Services Joint Stock Co.	Vietnam
Repsol YPF	Spain
Saipem SpA	Italy
Sasol Ltd.	South Africa
Technip	France
<b># of Companies</b>	<b>19</b>

Companies **removed** from the Iran Continued Examination List during the quarter.

<b>Removed Company</b>	<b>Country of Incorporation</b>
<b>Clontarf Energy Plc (fka Persian Gold PLC)</b>	<b>United Kingdom</b>

**Table 5: Correspondence & Engagement Efforts with Scrutinized Companies**

In accordance with Section 215.473(3)(a), F.S., the SBA began to engage companies on the September 19, 2007, Scrutinized Company lists. The SBA sent letters to each Scrutinized Company that was owned and held as of September 19, 2007, per the requirements of the law.

The SBA also sent written communication to other scrutinized firms since the initial company engagement effort in September 2007. Each letter encouraged the company to cease any active business operations within 90 days or convert such operations to inactive status to avoid qualifying for divestment by the SBA. In addition, the SBA sent a second letter to scrutinized companies on January 25, 2008, again requesting companies to provide all information necessary to avoid divestment.

On September 30, 2008, the SBA sent a follow-up letter to all Scrutinized Companies. Although, these companies are no longer held by the SBA, the September 30, 2008, letter was intended to once again provide notice of the requirements of the PFIA. Since our original correspondence, several companies on the scrutinized list have replied with valuable information. Each company's response and classification status is summarized below. Any company that responded to the SBA's written correspondence is highlighted in blue text.

Company	Company Responsive to SBA Communications	Status
ABB	Yes; January 29, 2009	Removed from Sudan Scrutinized List
Alstom	Yes; October 1, 2007 and October 25, 2011	Moved to Sudan Continued Examination List
Bharat Heavy Electricals Limited	Yes; October 4, 2007	Sudan Scrutinized Classification Continues
Bow Valley Energy	Yes; October 22, 2008	Removed from Iran Scrutinized List
Chennai Petroleum Corporation Limited	Yes; October 16, 2008	Sudan Scrutinized Classification Continues
China Petroleum & Chemical Corp (Sinopec)	No	Iran & Sudan Scrutinized Classification Continues
CNOOC Ltd	Yes; October 28, 2008	Iran Scrutinized Classification Continues
Dongfeng Motor Group Co. Ltd.	No	Sudan Scrutinized Classification Continues
Electricity Generating PCL	No	Sudan Scrutinized Classification Continues
ENI	Yes; February 13, 2008 and May 13, 2011	Removed from Iran Scrutinized and CE Lists
GAIL (India) Limited, aka GAIL Ltd.	Yes; October 5, 2010	Moved to Iran Continued Examination List
Gazprom	Yes; November 1, 2007	Iran Scrutinized Classification Continues
Harbin Electric Co. (fka Harbin Power Equipment)	No	Sudan Scrutinized Classification Continues
Indian Oil Corp Ltd (IOCL)	No	Iran & Sudan Scrutinized Classification Continues
Inpex Corp.	Yes; October 15, 2007 and July 11, 2011	Removed Iran Scrutinized List
Kencana Petroleum	Yes; October 31, 2008	Moved to Sudan Continued Examination List
Korea Electric Power (and subsidiaries, KEPCO Plant/Korea Plant)	Yes; December 27, 2011	Removed from Sudan Scrutinized List
Kunlun Energy Company Ltd. (fka: CNPC Hong Kong Limited)	Yes; October 5, 2007 and May 24, 2008	Iran & Sudan Scrutinized Classification Continues
Lukoil OAO	Yes; October 8, 2007	Moved to Iran Continued Examination List
Lundin Petroleum AB	Yes; October 17, 2008	Removed from Sudan Scrutinized List
Lundin International SA	No	Removed from Sudan Scrutinized List
MISC Bhd	No	Iran & Sudan Scrutinized Classification Continues
Norsk Hydro	Yes; November 30, 2007	Removed from Iran Scrutinized List

Company	Company Responsive to SBA Communications	Status
OMV AG	Yes; November 6, 2007 and April 14, 2010	Removed from Iran Continued Examination List
PetroChina	Yes; December 22, 2008	Iran & Sudan Scrutinized Classification Continues
Petroleo Brasileiro (Petrobras)	Yes; January 13, 2010	Removed from Iran Scrutinized List
Ranhill Bhd	Yes; October 22, 2008	Sudan Scrutinized Classification Continues
Repsol YPF	Yes; October 15, 2007	Iran Scrutinized Classification Continues
Royal Dutch Shell PLC	Yes; October 5, 2007; January 27, 2011; April 13, 2011	Removed from Iran Scrutinized and CE Lists
Sinopec Kantons Holdings Ltd.	No	Iran & Sudan Scrutinized Classification Continues
Sinopec Shanghai Petrochemical Company	No	Sudan Scrutinized Classification Continues
Snam Rete Gas	Yes; October 9, 2008	Removed from Iran Scrutinized Classification
Statoil ASA (fka: StatoilHydro)	Yes; February 4, 2008; January 24, 2011; June 16, 2011	Removed from Iran Continued Examination List
Total Capital	Yes; January 26, 2011 and April 25, 2011	Removed from Iran Scrutinized List
Total SA	Yes; October 12, 2007; October 29, 2010; April 25, 2011	Removed from Iran Scrutinized and CE Lists
Wärtsilä Oyj	Yes; December 4, 2007	Moved to Sudan Continued Examination List

**Table 6: Correspondence & Engagement Efforts with Continued Examination Companies**

In addition to Scrutinized Companies, the SBA engaged companies on our initial September 19, 2007, Continued Examination company lists. The SBA also sent written communication to firms added to the Continued Examination list since the initial company engagement effort in September 2007. Such companies were asked to provide information to the SBA in order to assist us in determining the extent of their activities, if any, in Sudan and Iran. The SBA sent a follow-up letter to all companies on September 30, 2008. Each company's response and classification is summarized below. Any company that responded to the SBA's written correspondence is highlighted in blue text.

Company	Company Responsive to SBA Communications	Continued Examination Status
Actividades de Construccion y Servicios S.A.(ACS)	No	Removed from Iran List
Aggreko PLC	Yes; January 28, 2008	Removed from Iran List
Air Liquide	Yes; November 30, 2007 January 28, 2008	Removed from Iran List
Aker Solutions ASA (fka Aker Kvaerner ASA)	No	Iran CE Classification Continues
AREF Investment Group	No	Removed from Sudan List
Areva SA	Yes; October 27, 2008 December 29, 2009	Removed from Sudan List
Bauer Aktiengesellschaft	Yes; March 13, 2008	Removed from Sudan List
BG Group	Yes; November 23, 2007	Removed from Iran List
Bharat Electronics Limited	No	Removed from Sudan CE List
Bollore Group	No	Sudan CE Classification Continues
Costain Group PLC	Yes; November 5, 2007	Removed from Iran List
Daelim Industrial Co Ltd	No	Moved to Iran Scrutinized List
Engineers India Ltd.	Yes; October 16, 2008; September 9, 2010	Removed from Iran CE List
Essar Oil	Yes; January 9, 2009	Removed from Iran List
Finmeccanica SpA	No	Removed from Sudan List
Glencore International AG	Yes; September 20, 2010	Sudan CE Classification Continues
GVA Consultants	Yes; September 26, 2007 September 30, 2010	Removed from Iran CE List
ICSA India Limited	No	Removed from Sudan List
Itochu Corp	Yes; May 9, 2008	Removed from Iran List
JGC Corp	Yes; October 1, 2007	Removed from Iran List
La Mancha Resources	Yes; October 21, 2008	Removed from Sudan List
Linde AG	Yes; November 14, 2007	Removed from Iran List
Liquefied Natural Gas LNG	No	Iran CE Classification Continues
Mitsubishi Heavy Industries Ltd.	Yes; October 26, 2007	Removed from Iran List
Mitsui & Co.	Yes; October 17, 2007	Removed from Iran List
Mitsui Engineering & Shipbuilding	Yes; November 21, 2007 December 18, 2007	Removed from Iran and Sudan Lists
MMC Bhd	No	Sudan CE Classification Continues
Nam Fatt	No	Sudan CE Classification Continues
PT Citra Tubindo Tbk.	Yes; September 27, 2010	Removed from Iran CE List

Company	Company Responsive to SBA Communications	Continued Examination Status
PTT Public Company Limited	Yes; October 1, 2010	Sudan CE Classification Continues
Saipem	Yes; December 12, 2007	Removed from Iran List
Samsung Engineering Co. Ltd.	No	Removed from Iran CE List
Samsung Heavy Industries Co. Ltd.	No	Removed from Iran List
Sasol Ltd.	Yes; May 25, 2010 September 29, 2010	Iran CE Classification Continues
Seadrill Management AS	Yes; September 20, 2010	Sudan CE Classification Continues
Siam Cement Group (SCG)	Yes; September 24, 2010	Iran CE Classification Continues
Siemens AG	Yes; October 22, 2009 October 8, 2010	Removed from Iran CE List
Schlumberger Limited NV	Yes; October 19, 2007	Removed from Iran and Sudan Lists
Siam Cement PCL	Yes; October 21, 2008	Iran CE Classification Continues
SNC - Lavalin Group Inc.	Yes; September 25, 2007	Removed from Iran List
Sudan Telecommunications (Sudatel)	No	Sudan CE Classification Continues
Technip	Yes; April 30, 2010 and November 30, 2010	Iran CE Classification Continues
The Weir Group PLC	Yes; November 16, 2007	Removed from Iran and Sudan Lists
Total SA	Yes; October 12, 2007	Sudan CE Classification Continues
Trevi-Finanziaria Industriale S.p.A.	Yes; September 17, 2010	Removed from Iran CE List
Weatherford International, Ltd.	No	Removed from Sudan List
Welspun Corp. Limited (fka Welspun-Gujarat Stahl Rohen Ltd.)	Yes; September 24, 2010	Iran CE Classification Continues

### **Key Dates for PFIA Activities**

**June 8, 2007** — Legislation's effective date, upon becoming a law.

**August 6, 2007** — SBA letter to state agencies requesting data on all publicly traded securities held directly by the State.

**August 20, 2007** — First of two letters to investment managers providing written notice of PFIA enactment and amendment to Schedule B of investment management contracts.

**September 19, 2007** — SBA assembles initial Scrutinized Companies lists for Sudan and Iran.

**September 20, 2007** — SBA engages companies classified as either Scrutinized or needing Continued Examination through written correspondence, subsequent conference calls and additional communication. SBA disclosed the Scrutinized Companies lists on its website, including reporting of all equities held by the State.

**September 21, 2007** — Second of two letters to investment managers providing Scrutinized Companies lists.

**October 16, 2007** — SBA formally submits the Scrutinized Companies lists to the Legislature and the United States Special Envoy to Sudan, and continues to do so every quarter.

**November 30, 2007** — SBA sends notification via email to any owned scrutinized company that has not responded to initial written correspondence. Similar notification was sent to each company classified as needing continued examination.

**January 25, 2008** — SBA sends additional notice of divestment and request for information to all Scrutinized Companies, with emphasis to companies that have been unresponsive to the SBA's prior request for the necessary information.

**July 1, 2008** — In March 2008, the SBA developed a policy approach directing all affected managers to sell their remaining PFIA related holdings no later than July 1, 2008, approximately three months earlier than the statutory deadline of September 18, 2008.

**September 18, 2008** — Statutory deadline for the SBA to complete divestment of *initial* Scrutinized Companies (i.e., within 12 months of their initial appearance on the September 19, 2007 list), if they do not stop scrutinized active business operations.

**March 1, 2010**— Deadline for the SBA to identify and offer at least one terror-free investment product for the FRS Investment Plan (Defined Contribution).

**Quarterly Reporting**—SBA provides quarterly updates to the Scrutinized Companies lists for Sudan and Iran, including a summary of engagement activities. PFIA quarterly reports have been issued on the following dates:

**September 19, 2007**  
**December 18, 2007**  
**March 25, 2008**  
**June 10, 2008**  
**September 16, 2008**  
**January 13, 2009**  
**April 14, 2009**  
**July 28, 2009**  
**October 27, 2009**  
**January 26, 2010**  
**April 27, 2010**

**July 29, 2010**  
**November 9, 2010**  
**February 22, 2011**  
**June 16, 2011**  
**September 20, 2011**  
**December 6, 2011**  
**March 20, 2012**  
**June 26, 2012**  
**September 18, 2012**  
**December 11, 2012**

### Summary of Investments Sold, Redeemed, Divested or Withdrawn

In accordance with the PFIA, the SBA must divest all holdings of any scrutinized companies within 12 months of their original appearance on the prohibited securities list. External managers are contractually responsible for administering investments in accordance with restrictions set forth by the SBA, including the prohibited securities list of the PFIA. Historical divestment transaction data is contained in prior PFIA Quarterly Reports. The table below presents the cumulative market capitalization of scrutinized companies divested by the SBA since the PFIA's inception:

Royal Dutch Shell**	\$215,784,700.79
Total SA**	\$214,536,015.45
Petroleo Brasileiro SA (Petrobras) **	\$206,135,264.10
ENI**	\$141,403,034.78
CNOOC Ltd	\$131,737,735.86
Gazprom (a.k.a. OAO Gazprom)	\$71,275,453.14
Alstom**	\$65,897,698.67
Repsol YPF**	\$53,420,179.87
Statoil ASA** (fka: StatoilHydro)	\$46,792,677.58
China Petroleum and Chemical Corp (CPCC) Sinopec	\$38,455,440.48
PetroChina	\$25,723,158.75
Inpex Corp.**	\$24,835,110.63
MISC Bhd	\$16,448,397.44
Snam Rete Gas**	\$9,596,905.78
Lukoil OAO**	\$9,487,631.46
OMV AG **	\$8,601,977.98
Shell International Finance**	\$8,599,813.40
Wärtsilä Oyj**	\$1,797,871.96
Daelim Industrial Co Ltd	\$1,566,926.73
Petrofac Ltd **	\$1,496,881.43
The Weir Group PLC **	\$1,322,666.62
Petrobras International Finance**	\$1,148,750.00
Lundin Petroleum AB **	\$1,133,120.04
Oil & Natural Gas Corporation (ONGC)	\$945,363.83
Petrobras Energia (Participaciones) **	\$298,632.08
Dongfeng Motor Group**	\$158,623.49
Electricity Generating Public Company	\$121,321.38
Gazprom Neft	\$37,892.73
** denotes companies no longer on the Prohibited Company list.	<b>\$1,298,759,246.45</b>

In accordance with the PFIA, the SBA will report on the performance implications of PFIA-related divestitures and restrictions. Generally, the impact of PFIA legislation on performance is measured as the opportunity cost of not being able to hold prohibited securities, measured by comparing the monthly return of the standard foreign equity benchmark (i.e., the MSCI ACWI ex-US) to a custom foreign equity benchmark based upon PFIA divestiture requirements. The difference in returns between the standard benchmark and custom benchmark represents the opportunity cost to the SBA of not being able to invest in (or hold) prohibited companies. The percent return difference is then applied to the average monthly balance of foreign equity investments to determine a dollar impact. Monthly dollar impacts, whether positive or negative, are added together through time and then compared to the total value of the FRS Pension Plan to determine the percentage or basis point impact of PFIA legislation.

**Table 7: List of Prohibited Investments (Scrutinized Companies)***New companies on the list are shaded and in bold.*

Company	Scrutinized Country	Country of Incorporation	Initial Appearance on Scrutinized List	Full Divestment
AREF Energy Holdings Co.	Sudan	Kuwait	July 28, 2009	Yes
AviChina Industry & Technology Company Limited	Sudan	China	September 19, 2007	Yes
Chennai Petroleum Corp Ltd	Sudan	India	September 19, 2007	Yes
<b>China National Petroleum Corporation (CNPC)</b>	<b>Sudan &amp; Iran</b>	<b>China</b>	<b>December 11, 2012</b>	<b>Yes</b>
China Oilfield Services Ltd	Iran	China	June 16, 2011	Yes
China Petroleum & Chemical Corp (CPCC) Sinopec	Sudan & Iran	China	September 19, 2007	Yes
CNOOC Ltd	Iran	China	June 16, 2011	Yes
CNPC General Capital Ltd	Sudan	China	June 26, 2012	Yes
CNPC Golden Autumn	Sudan	China	September 18, 2012	Yes
CNPC HK Overseas Capital Ltd	Sudan & Iran	China	June 16, 2011	Yes
Daelim Industrial Co Ltd	Iran	South Korea	June 16, 2011	Yes
Daqing Huake Group Co Ltd	Sudan	China	March 25, 2008	Yes
Egypt Kuwait Holding Co. SAE	Sudan	Kuwait	January 13, 2009	Yes
Electricity Generating Public Co	Sudan	Thailand	September 19, 2007	Yes
Gas District Cooling (Putrajaya) Sdn Bhd	Sudan & Iran	Malaysia	April 14, 2009	Yes
Gazprom	Iran	Russia	September 19, 2007	Yes
Gazprom Neft	Iran	Russia	September 16, 2008	Yes
Groupe ONA (ONA SA)	Sudan	Morocco	November 9, 2010	Yes
Harbin Electric Co. Ltd. (fka: Harbin Power Equipment)	Sudan	China	September 19, 2007	Yes
Indian Oil Corp Ltd (IOCL)	Sudan & Iran	India	September 19, 2007	Yes
Jiangxi Hongdu Aviation (aka Hongdu Aviation)	Sudan	China	September 19, 2007	Yes
Jinan Diesel Engine	Sudan	China	July 28, 2009	Yes
Kingdream PLC	Sudan	China	April 14, 2009	Yes
KLCC Property Holdings Bhd	Sudan & Iran	Malaysia	April 14, 2009	Yes
Kunlun Energy Company Ltd. (fka: CNPC Hong Kong)	Sudan & Iran	Hong Kong	September 19, 2007	Yes
Kuwait Finance House	Sudan	Kuwait	April 14, 2009	Yes
Lanka IOC Ltd	Sudan	India	September 19, 2007	Yes
LS Industrial Systems	Sudan	South Korea	September 20, 2011	Yes
Managem SA	Sudan	Morocco	November 9, 2010	Yes
Mangalore Refinery & Petrochemicals Ltd	Sudan	India	September 19, 2007	Yes
Maire Tecnimont	Iran	Italy	December 6, 2011	Yes
Midciti Resources Sdn Bhd	Sudan	Malaysia	September 19, 2007	Yes
MISC Bhd	Sudan & Iran	Malaysia	September 19, 2007	Yes
MISC Capital Ltd.	Sudan & Iran	Malaysia	April 14, 2009	Yes
Mosenergo	Iran	Russia	September 16, 2008	Yes
Oil India Ltd.	Sudan	India	September 18, 2012	Yes
Oil & Natural Gas Corp (ONGC)	Sudan & Iran	India	September 19, 2007	Yes
PetroChina	Sudan & Iran	China	September 19, 2007	Yes
Petroleum Nasional (Petronas)	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Capital Limited	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Chemicals Bhd	Sudan & Iran	Malaysia	June 16, 2011	Yes

<b>Company</b>	<b>Scrutinized Country</b>	<b>Country of Incorporation</b>	<b>Initial Appearance on Scrutinized List</b>	<b>Full Divestment</b>
Petronas Dagangan Bhd	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Gas Berhad	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Global Sukuk	Sudan	Malaysia	September 18, 2012	Yes
Ranhill Bhd	Sudan	Malaysia	September 16, 2008	Yes
Ranhill Power Sdn Bhd	Sudan	Malaysia	September 20, 2011	Yes
Ranhill Powertron Sdn	Sudan	Malaysia	April 14, 2009	Yes
Shanghai Zhenhua Heavy Industry Co. Ltd.	Iran	China	September 18, 2012	Yes
Sinopec Finance	Sudan & Iran	China	April 14, 2009	Yes
Sinopec Group Overseas Development 2012 Ltd	Sudan	China	June 26, 2012	Yes
Sinopec Kantons Holdings Ltd	Sudan & Iran	Bermuda	September 19, 2007	Yes
Sinopec Shanghai Petrochemical	Sudan & Iran	China	September 19, 2007	Yes
Sinopec Yizheng Chemical Fibre	Sudan & Iran	China	March 25, 2008	Yes
Societe Metallurgique D'imiter	Sudan	Morocco	November 9, 2010	Yes
<b># of Prohibited Investments</b>	<b>54</b>	<b>-</b>	<b>-</b>	

Companies removed from the Prohibited Investments List this quarter.

<b>Removed Company</b>	<b>Country of Incorporation</b>
<b><i>Dongfeng Motor Group Co Ltd</i></b>	<b><i>China</i></b>
<b><i>KMCOB Capital Bhd</i></b>	<b><i>Malaysia</i></b>
<b><i>Scomi Engineering Bhd</i></b>	<b><i>Malaysia</i></b>
<b><i>Scomi Group Bhd</i></b>	<b><i>Malaysia</i></b>

***Table 8: SBA Holdings in Prohibited Investments Subject to Divestment***

As of October 31, 2012, the SBA did not hold shares of any company on the Prohibited Investments List in accounts subject to the PFIA divestiture requirements.

### ***Summary of Progress, SBA Investment Manager Engagement Efforts***

On August 20, 2007, the SBA sent letters to 66 external investment managers notifying them of the Act and informing them of new contract language that would enforce their cooperation with the requirements of the new law.

On September 19, 2007, the SBA sent letters to all affected managers outlining the list of prohibited securities for any future purchases. The letter described the SBA's engagement process with companies on the list, which affords companies a 90-day period in which to comply with the conditions of the law or clarify their activities. The letter directed these managers to cease purchase of securities on the list and to await the direction of the SBA for any divestment necessary in the event engagement fails, with a deadline for divestment under the law of September 18, 2008.

On September 19, 2007, the SBA sent letters to actively-managed, indirectly held funds holding scrutinized securities, including managers of the defined contribution program, asking the funds to review the list of scrutinized securities and consider eliminating such holdings from the portfolio or create a similar fund, devoid of such holdings, per the requirements of the law.

Each quarter, the SBA sends written and electronic notification to all affected managers about the list of prohibited companies.

The SBA has received responses noting our concerns in writing and by phone from several of the contacted managers.

### ***Listing of All Publicly Traded Securities (Including Equity Investments)***

Due to the large number of individual securities and the volume of information, this list has been electronically posted to the SBA's website and is updated quarterly. A list of all publicly traded securities owned by the State of Florida can be found within the [PFIA information section](#) of the SBA's website. Please observe the electronic report's notes page for important clarifying explanations of included data.

For more information, please contact:

State Board of Administration of Florida (SBA)  
Investment Programs & Governance  
1801 Hermitage Blvd., Suite 100  
Tallahassee, FL 32308  
[www.sbafla.com](http://www.sbafla.com)

or send an email to:

[pfia@sbafla.com](mailto:pfia@sbafla.com)





STATE BOARD OF ADMINISTRATION  
OF FLORIDA

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

POST OFFICE BOX 13300  
32317-3300

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

December 11, 2012

Honorable Joseph Abruzzo  
Alternating Chair  
Joint Legislative Auditing Committee  
220 Senate Office Bldg.  
404 S. Monroe Street  
Tallahassee, Florida 32399

Honorable Lake Ray  
Alternating Chair  
Joint Legislative Auditing Committee  
317 The Capitol  
402 S. Monroe Street  
Tallahassee, Florida 32399

Dear Senator Abruzzo and Representative Ray:

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

Please be advised that the Trustees have reviewed the attached reports and authorized me to convey their action to you. During the period July 1 through September 30, 2012, there were no material impacts on the trust funds in question and, therefore, no associated actions or escalations.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Ashbel C. Williams".

Ashbel C. Williams  
Executive Director & CIO

ACW/db  
Attachments

cc: Honorable Rob Bradley  
Honorable Alan Hays  
Honorable Jeremy Ring  
Honorable Wilton Simpson  
Honorable Daphne Campbell  
Honorable Gayle Harrell  
Honorable Daniel Raulerson  
Honorable Ray Rodrigues  
Honorable Cynthia Stafford  
Ms. Kathy Dubose, Director





# Monthly Summary Report for July 2012

Including Fund B

**State Board of Administration**

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

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

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

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

**INTRODUCTION**

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

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

This report, which covers the period from July 1, 2012 through July 31, 2012, has been prepared by the SBA with input from Federated Investment Counseling (“Federated”), investment advisor for Florida PRIME and Apollo Global Management (formerly known as Stone Tower Debt Advisors LLC), the collateral manager for Fund B, in a format intended to comply with the statute.

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

**DISCLOSURE OF MATERIAL IMPACTS**

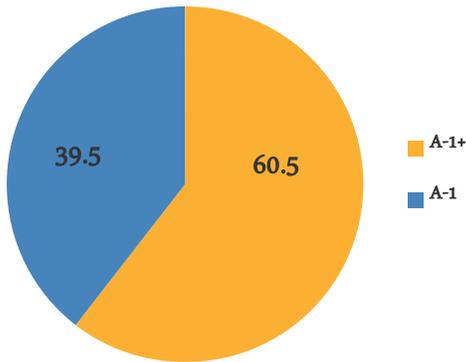
There were no developments during July 2012 that had a material impact on the liquidity or operation of Florida PRIME.

**PORTFOLIO COMPOSITION  
JULY 31, 2012**

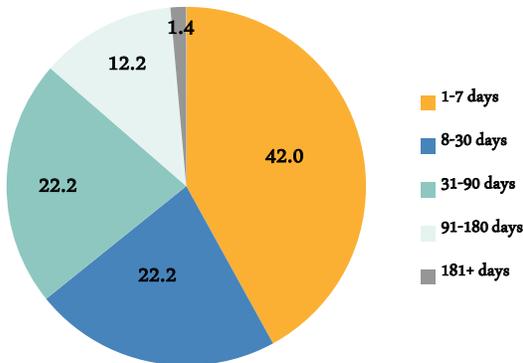
**Florida PRIME Assets**

\$ 6,610,541,393

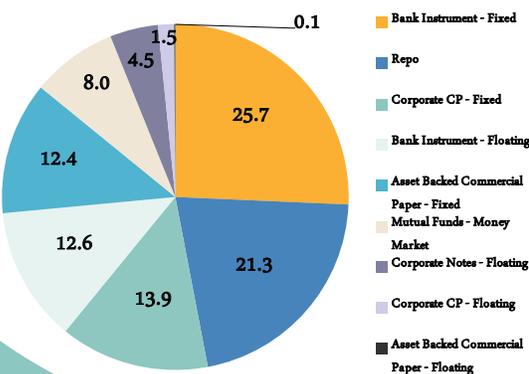
**Credit Quality Composition (%)**



**Effective Maturity Schedule (%)**



**Portfolio Composition (%)**



**PORTFOLIO MANAGER COMMENTARY**

**JULY 2012 MARKET CONDITIONS**

The Federal Reserve’s June announcement of an extension of “Operation Twist,” under which the Fed purchases longer-term Treasury securities with the proceeds from the sale of short-term Treasuries, was probably the most benign choice for additional stimulus after coming under intense pressure as a result of sluggish domestic economic growth and continued concerns over Europe. Federal Reserve Chairman, Ben Bernanke, continues to indicate that while the Fed remains in watchful waiting mode, it is prepared to act to provide more accommodation but has not determined which steps to take.

Bernanke identified asset purchases and communications as the primary tools under consideration. The current Operation Twist focuses on Treasury securities of less than three years. The Fed could expand that to include longer-dated Treasuries, mortgage-backed securities, or agencies. From their discussions, they seem most interested in mortgages. This might not cause many problems for the money market world. We could see the bizarre effect of an easing that would actually help stabilize rates, if not push them up a few basis points. It would take idle supply sitting on the Fed’s balance sheet and put it into the markets for use—maybe not by money funds directly, but in the case of mortgages, as collateral for repo.

The Fed could also initiate a full Quantitative Easing III and resume purchasing securities. This option might be a possibility, but it would be a distant second.

A third option is lowering or eliminating the Interest Rate on Excess Reserves (IOER) from its current 25 basis-points level. The seemingly reluctant mention of IOER was a bit of a relief, as speculation had mounted in the past several days that the Fed might go there. The speculation was prompted by the recent action taken by the European Central Bank (ECB) to lower its deposit rate from 25 basis points to zero, which was accompanied by a reduction in its lending rate from 1.0% to 0.75%. It seems the ECB’s current zero-rate environment is not working out in the way that they had hoped, pushing this option to an unlikely third.

There are concerns about European credit markets slowing down since they are a major trade partner. But the slowdown on the European continent has already happened. It is one of the

JULY 31, 2012

**Top Holdings (%) and Average Maturity**

1. Royal Bank of Canada, Montreal	5.2%
2. ING Groep N.V.	5.0%
3. Deutsche Bank AG	5.0%
4. Bank of Montreal	4.5%
5. Sumitomo Mitsui Financial Group, Inc.	4.5%
6. Bank of America Corp.	4.3%
7. Federated Prime Obligations Fund	4.1%
8. Canadian Imperial Bank of Commerce	4.1%
9. General Electric Capital Corp.	3.9%
10. Windmill Funding Corp.	3.9%

**Average Effective Maturity (WAM)**

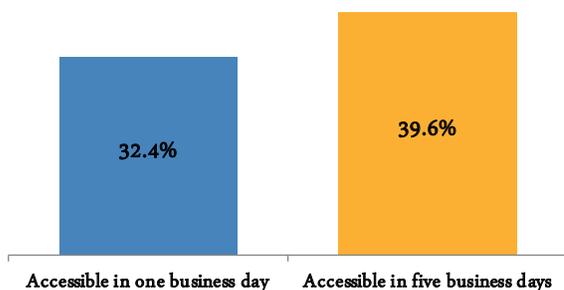
35.2 Days

**Weighted Average Life (Spread WAM)**

54.7 Days

Percentages based on total value of investments

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



Effective July 1, 2012, the reporting of the daily rate and 30 day rate on the PRIME website is compliant with the SEC yield methodology, to be consistent with the present reporting of the 7 day yield.

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

reasons the U.S. pace has slowed. While there is headline risk concerning the potential for Europe’s economic problems to bleed into our markets, from a money markets perspective, we do not see that happening yet. They do not have much supply—European rates are at such low levels, if not negative, that few are buying there. However, Europe does have the potential to impact demand. Buyers who are turned off by euro investments could swap those investments for dollar-based investments. If they are in our markets trying to buy our securities—and there is a finite supply—obviously rates would go down, as demand could outstrip supply. We have not seen that play out yet, but we are keeping a watchful eye on Europe.

**PORTFOLIO INVESTMENT STRATEGY**

As of the end of July 2012, Florida PRIME pool assets remained static at \$6.6 billion, as generally expected during the summer season. During July, the gross yield for Florida PRIME crept up one basis point. The London interbank offered rates (LIBOR) declined slightly across the yield curve for the month, despite noise in the markets over the euro zone crisis. This was largely due to European Central Bank assurances they would do everything they could to stabilize the European banking system. One-month LIBOR was up one basis point for the month to 0.24%, three-month was down two basis points to 0.44%, six-month was down one basis point to 0.72%, and one-year LIBOR was down two basis points to 1.05%. The weighted average maturity of the pool declined by 4 days to 35 days, and the weighted average life was also down from 58 days at June month-end to 55 days at the end of July. The shorter maturities reflected shorter purchases as well as additions to floating rate positions.

Management purchases during July focused on 60- and 90-day certificates of deposit and some longer-dated variable rate bank instruments. In addition, management bought some commercial paper and asset-backed commercial paper in the 30-day to six-month range. Bank instruments declined 4%, to make up 25% of the pool. Exposure to variable rate instruments was steady at 17%. Commercial paper instruments inched up 1% to make up 26% of the pool. The pool’s repurchase agreement position was up 2% to 21%.

## CASH FLOWS

Summary of Cash Flows	
July 2012	Florida PRIME
Opening Balance (7/1/12)	\$ 6,752,444,139
Participant Deposits	721,264,562
Transfers from Fund B	5,450,000
Gross Earnings	1,921,968
Participant Withdrawals	(870,372,563)
Fees	(166,714)
Closing Balance (7/31/12)	\$ 6,610,541,393
Net Change over Month	(141,902,746)

Valuations based on amortized cost

As shown in the table above, Florida PRIME experienced a net outflow of \$141.9 million during July 2012.

This change in value consisted of positive flows of \$721.3 million in participant deposits, \$5.5 million in transfers from Fund B and \$1.9 million in earnings. Negative flows consisted of \$870.4 million in participant withdrawals and about \$167,000 in fees.

Overall, the fund ended the month with a closing balance of \$6.61 billion.

## FLORIDA PRIME DETAILED FEE DISCLOSURE

July 2012	Amount	Basis Point Equivalent*
SBA Client Service, Account Mgt. & Fiduciary Oversight Fee	\$ 56,640.68	\$ 1.02
Federated Investment Management Fee	94,473.74	1.70
BNY Mellon Custodial Fee	116.67	0.00
Bank of America Transfer Agent Fee	5,611.78	0.10
S&P Rating Maintenance Fee	3,303.28	0.06
Audit/External Review Fees	6,567.43	0.12
<b>Total Fees</b>	<b>\$ 166,713.58</b>	<b>2.99</b>

\*The basis point equivalent is an annualized rate based on the dollar amount of fees charged for the month times 12, divided by an average of the fund's beginning and ending total value (amortized cost) for the month which was \$6,681,492,766.

## SBA FEE INCREASE EFFECTIVE JULY 1, 2012

The current charges related to the SBA's Administrative & Oversight Fee has been raised to 1.0 basis point, an increase of 0.4 basis points. This fee change is being made to adequately cover costs related to operating Florida PRIME. No other Florida PRIME fees are affected by this change, and Florida PRIME's cost structure remains the lowest of any cash management vehicle available in the State of Florida.

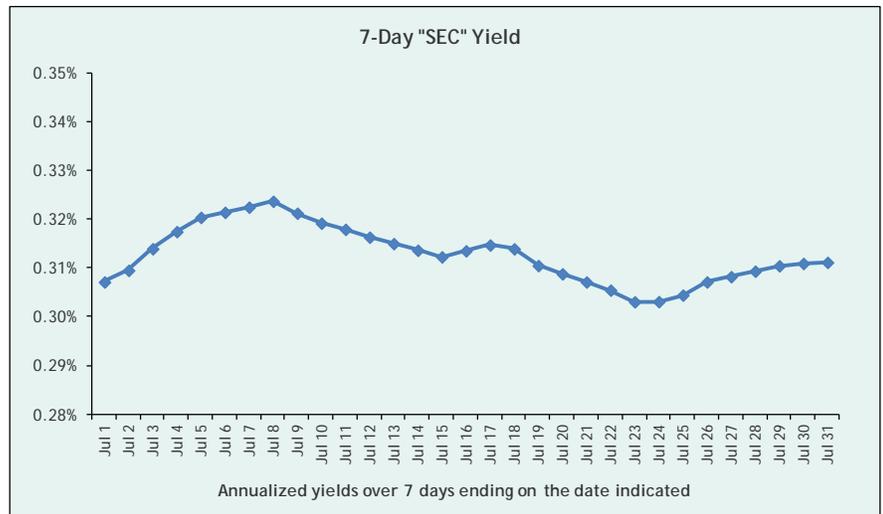
**FUND PERFORMANCE  
THROUGH JULY 31, 2012**

**Florida PRIME Participant Performance Data**

	Net Participant Yield <sup>1</sup>	Net-of-Fee Benchmark <sup>2</sup>	Above (Below) Benchmark
1 mo	0.31%	0.10%	0.21%
3 mos	0.31%	0.10%	0.21%
12 mos	0.29%	0.09%	0.20%
3 yrs	0.28%	0.14%	0.14%
5 yrs	1.14%	1.07%	0.07%
10 yrs	2.10%	1.89%	0.21%
Since 1.96	3.30%	3.08%	0.22%

Net asset value at month end: \$6,611.0 m

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



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

**NOTES TO PERFORMANCE TABLE**

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

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

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

**NOTES TO CHART**

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

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

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

**ABOUT ANNUALIZED YIELDS**

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

For example, ignoring the effects of compounding,

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

**INVENTORY OF HOLDINGS  
JULY 31, 2012**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Alpine Securitization Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		09/18/12		100,000,000	0.35	\$ 99,953,722	\$ 99,967,610	\$ 13,888
Australia & New Zealand Banking Group, Melbourne, Jan 04, 2013	VARIABLE RATE COMMERCIAL PAPER - 4-2	0.42	01/04/13	08/07/12	100,000,000	0.43	100,000,000	99,932,700	(67,300)
Bank of America N.A. BNOTE	BANK NOTE	0.47	09/05/12		150,000,000	0.48	150,000,000	150,019,455	19,455
Bank of America N.A. BNOTE	BANK NOTE	0.47	09/05/12		50,000,000	0.48	50,000,000	50,006,485	6,485
Bank of America N.A. BNOTE	BANK NOTE	0.47	09/07/12		50,000,000	0.48	50,000,000	50,006,845	6,845
Bank of America N.A. Triparty Repo Overnight Fixed	REPO TRIPARTY OVERNIGHT FIXED	0.19	08/01/12		920,000,000	0.19	920,000,000	920,000,000	0
Bank of Montreal, Mar 04, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.43	03/04/13	08/07/12	50,000,000	0.43	50,000,000	50,038,050	38,050
Bank of Montreal, Sep 14, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.40	09/14/12	08/14/12	250,000,000	0.40	250,000,000	250,010,250	10,250
Bank of Nova Scotia, Toronto, May 09, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.40	05/09/13	08/09/12	50,000,000	0.40	50,000,000	49,950,250	(49,750)
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.36	10/18/12		20,000,000	0.37	20,000,000	20,000,400	400
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.36	10/22/12		50,000,000	0.37	50,000,000	50,001,100	1,100
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.35	10/26/12		100,000,000	0.36	100,000,000	100,000,000	0
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.35	08/27/12		50,000,000	0.36	50,000,000	50,005,995	5,995
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.36	09/06/12		30,000,000	0.37	30,000,000	30,004,002	4,002
Barclays Bank PLC CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.33	10/30/12		40,000,000	0.34	40,000,000	40,011,200	11,200

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)**  
**JULY 31, 2012**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
							\$	\$	\$
Barton Capital LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		08/02/12		18,200,000	0.51	18,199,494	18,199,798	304
Canadian Imperial Bank of Commerce, Nov 26, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.34	11/26/12	08/24/12	275,000,000	0.34	275,000,000	275,042,350	42,350
Credit Agricole North America, Inc. CP	COMMERCIAL PAPER		08/27/12		195,000,000	0.41	194,941,500	194,950,821	9,321
Denver, CO City & County School District No. 01, Series 2011 A-3, Dec 15, 2037	VARIABLE RATE DEMAND NOTE	0.17	12/15/37	08/01/12	12,000,000	0.17	12,000,000	12,000,000	0
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.38	11/05/12		95,000,000	0.39	95,000,000	95,000,000	0
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.38	11/08/12		35,000,000	0.39	35,000,000	35,000,000	0
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.44	08/17/12		50,000,000	0.45	50,000,000	50,005,660	5,660
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.44	10/15/12		51,500,000	0.45	51,500,000	51,506,510	6,510
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.43	08/01/12		100,000,000	0.44	100,000,000	100,000,640	640
Deutsche Bank Securities, Inc. REP3P	REPO TRIPARTY OVERNIGHT FIXED	0.19	08/01/12		500,000,000	0.19	500,000,000	500,000,000	0
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND	0.01	08/01/12		5,629,617	0.01	5,629,617	5,629,617	0
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		08/01/12		75,000,000	0.51	74,998,958	74,999,648	689
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		01/02/13		105,000,000	0.46	104,796,563	104,793,402	(3,161)
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		02/04/13		70,000,000	0.42	69,850,919	69,850,920	0
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		08/10/12		72,100,000	0.24	72,095,193	72,096,518	1,324

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)  
JULY 31, 2012**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
							\$	\$	\$
Fairway Finance Co. LLC, Jan 11, 2013	VARIABLE RATE COMMERCIAL PAPER- ABS-4(2)	0.29	01/11/13	08/13/12	10,000,000	0.29	10,000,000	9,998,700	(1,300)
Federated Prime Cash Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.18	08/01/12	08/01/12	251,289,894	0.18	251,289,894	251,289,894	0
Federated Prime Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.17	08/01/12	08/01/12	276,644,785	0.16	276,644,785	276,644,785	0
General Electric Capital Corp. CP	COMMERCIAL PAPER		10/04/12		100,000,000	0.36	99,936,806	99,975,990	39,184
General Electric Capital Corp. CP	COMMERCIAL PAPER		11/19/12		50,000,000	0.36	49,946,042	49,963,770	17,728
General Electric Capital Corp., Note, 3.500%, 08/13/2012	CORPORATE BOND	3.50	08/13/12		50,000,000	0.56	50,051,895	50,044,500	(7,395)
General Electric Capital Corp., Series GMTN, 5.250%, 10/19/2012	CORPORATE BOND	5.25	10/19/12		500,000	0.41	505,281	505,172	(110)
General Electric Capital Corp., Series GMTN, 5.250%, 10/19/2012	CORPORATE BOND	5.25	10/19/12		4,913,000	0.81	4,960,412	4,963,815	3,403
General Electric Capital Corp., Sr. Unsecd. Note, 2.800%, 01/08/2013	CORPORATE BOND	2.80	01/08/13		24,410,000	0.51	24,654,129	24,669,039	14,910
General Electric Capital Corp., Sr. Unsecd. Note, 2.800%, 01/08/2013	CORPORATE BOND	2.80	01/08/13		20,281,000	0.56	20,479,017	20,496,222	17,204
General Electric Capital, Sr. Unsecd. Note, Series EMTN, 4.25%, 1/31/2013	EURO MEDIUM TERM NOTE	4.25	01/31/13		7,307,000	0.92	7,428,074	7,433,703	5,630
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		08/28/12		115,000,000	0.36	114,968,247	114,978,886	10,639
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		09/04/12		50,000,000	0.38	49,982,014	49,987,505	5,491
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		09/12/12		105,000,000	0.38	104,953,596	104,964,510	10,914
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		10/04/12		60,000,000	0.38	59,959,917	59,962,842	2,925

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)**  
**JULY 31, 2012**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
							\$	\$	\$
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		10/04/12		4,000,000	0.38	3,997,292	3,997,523	231
J.P. Morgan Chase & Co., 5.375%, 10/01/2012	CORPORATE BOND	5.38	10/01/12		23,520,000	0.43	23,716,506	23,708,184	(8,323)
Market Street Funding LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		08/29/12		30,000,000	0.23	29,994,442	29,995,167	725
Michigan State Hospital Finance Authority, (Henry Ford Health System, MI), (Series 2007), 11/15/2042	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.16	11/15/42	08/01/12	53,900,000	0.16	53,900,000	53,900,000	0
Mizuho Corporate Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.34	08/08/12		50,000,000	0.35	50,000,000	50,001,555	1,555
Mullenix-St. Charles Properties, L.P., Times Centre Apartments Project Series 2004, Jan 01, 2028	VARIABLE RATE DEMAND NOTE	0.23	01/01/28	08/02/12	13,500,000	0.23	13,500,000	13,500,000	0
National Australia Bank Ltd., Melbourne CDEUR	CERTIFICATE OF DEPOSIT - EURO	0.38	11/19/12		100,000,000	0.38	100,001,539	100,041,540	40,001
Reno, NV Capital Improvement Revenue Bonds, (Series 2005A), 06/01/2032	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.23	06/01/32	08/02/12	35,235,000	0.23	35,235,000	35,235,000	0
Royal Bank of Canada, Montreal CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.50	09/26/12		80,000,000	0.51	80,000,000	80,050,608	50,608
Royal Bank of Canada, Montreal CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.55	11/07/12		100,000,000	0.56	100,000,000	100,112,550	112,550
Royal Bank of Canada, Montreal, Dec 21, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.54	12/21/12	09/21/12	100,000,000	0.55	100,000,000	100,010,100	10,100
Royal Bank of Canada, Montreal, Feb 06, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.54	02/06/13	08/07/12	50,000,000	0.54	50,000,000	50,040,550	40,550
Royal Bank of Canada, Montreal, May 22, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.49	05/22/13	08/22/12	18,000,000	0.49	18,000,000	17,945,564	(54,436)
Societe Generale, Paris CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.51	08/02/12		100,000,000	0.52	100,000,000	100,001,550	1,550
Societe Generale, Paris CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.51	08/02/12		100,000,000	0.52	100,000,000	100,001,550	1,550

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)**  
**JULY 31, 2012**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
							\$	\$	\$
St. Andrew United Methodist Church, Series 2004, Jul 01, 2029	VARIABLE RATE DEMAND NOTE	0.18	07/01/29	08/02/12	9,310,000	0.18	9,310,000	9,310,000	0
Starbird Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		08/07/12		75,000,000	0.46	74,993,438	74,997,083	3,645
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.35	09/10/12		300,000,000	0.36	300,000,000	300,037,530	37,530
Svenska Handelsbanken, Stockholm, Oct 16, 2012	VARIABLE MEDIUM TERM NOTE	0.57	10/16/12	08/17/12	45,000,000	0.52	45,000,000	44,999,730	(270)
Toronto Dominion Bank, Jul 26, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.45	07/26/13	10/26/12	50,000,000	0.45	50,000,000	49,985,650	(14,350)
Toyota Motor Credit Corp. CP	COMMERCIAL PAPER		11/13/12		50,000,000	0.41	49,941,667	49,964,270	22,603
U.S. Treasury Note 1.75% 4/15/2013	US TREASURY NOTE	1.75	04/15/13		15,000,000	0.25	15,158,425	15,165,825	7,400
Westpac Banking Corp. Ltd., Sydney CP	COMMERCIAL PAPER		12/27/12		100,000,000	0.41	99,834,444	99,831,130	(3,314)
Westpac Banking Corp. Ltd., Sydney CP	COMMERCIAL PAPER		01/03/13		100,000,000	0.41	99,826,667	99,817,130	(9,537)
Windmill Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		08/06/12		56,800,000	0.45	56,795,835	56,798,393	2,558
Windmill Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		08/16/12		49,400,000	0.45	49,390,340	49,395,544	5,205
Windmill Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		08/24/12		150,000,000	0.44	149,957,000	149,977,305	20,305
Windmill Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		08/28/12		24,000,000	0.40	23,992,720	23,995,594	2,874
					<b><u>6,677,440,296</u></b>		<b><u>\$6,677,271,388</u></b>	<b><u>\$6,677,726,181</u></b>	<b><u>\$454,792</u></b>

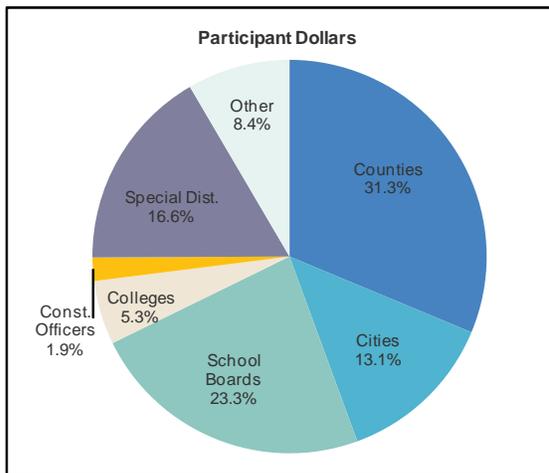
**Notes:** The data included in this report is unaudited. Amounts above are the value of investments. Income accruals, payables and uninvested cash are not included. Amortizations/accretions are reported with a one-day lag in the above valuations.

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

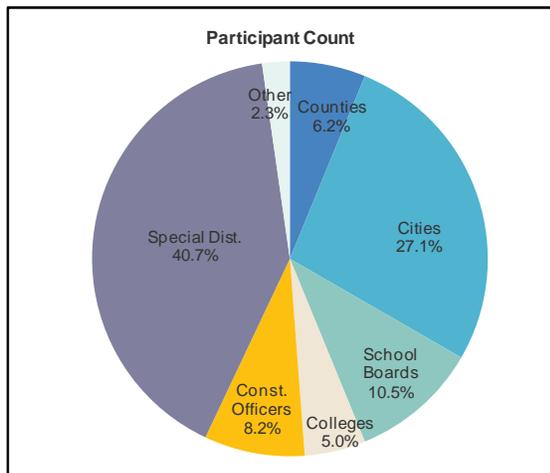
<sup>2</sup> Amortized cost is calculated using a straight line method.

### PARTICIPANT CONCENTRATION DATA - JULY 31, 2012

Participant Balance	Share of Total Fund	Share of Participant Count	Participant Balance	Share of Total Fund	Share of Participant Count
<b>All Participants</b>	<b>100.0%</b>	<b>100.0%</b>	<b>Colleges &amp; Universities</b>	<b>5.3%</b>	<b>5.0%</b>
Top 10	39.9%	1.2%	Top 10	4.7%	1.2%
\$100 million or more	59.5%	2.4%	\$100 million or more	2.1%	0.1%
\$10 million up to \$100 million	31.0%	8.9%	\$10 million up to \$100 million	2.4%	0.8%
\$1 million up to \$10 million	8.6%	18.7%	\$1 million up to \$10 million	0.8%	1.4%
Under \$1 million	0.9%	69.9%	Under \$1 million	0.01%	2.6%
<b>Counties</b>	<b>31.3%</b>	<b>6.2%</b>	<b>Constitutional Officers</b>	<b>1.9%</b>	<b>8.2%</b>
Top 10	27.2%	1.2%	Top 10	1.0%	1.2%
\$100 million or more	24.9%	1.0%	\$100 million or more	0.0%	0.0%
\$10 million up to \$100 million	5.5%	1.2%	\$10 million up to \$100 million	0.9%	0.4%
\$1 million up to \$10 million	0.8%	1.2%	\$1 million up to \$10 million	0.9%	1.9%
Under \$1 million	0.0%	2.9%	Under \$1 million	0.1%	5.9%
<b>Municipalities</b>	<b>13.1%</b>	<b>27.1%</b>	<b>Special Districts</b>	<b>16.6%</b>	<b>40.7%</b>
Top 10	8.0%	1.2%	Top 10	11.4%	1.2%
\$100 million or more	1.5%	0.1%	\$100 million or more	7.2%	0.5%
\$10 million up to \$100 million	8.9%	2.3%	\$10 million up to \$100 million	7.1%	2.0%
\$1 million up to \$10 million	2.4%	5.8%	\$1 million up to \$10 million	2.0%	4.8%
Under \$1 million	0.3%	18.9%	Under \$1 million	0.4%	33.4%
<b>School Boards</b>	<b>23.3%</b>	<b>10.5%</b>	<b>Other</b>	<b>8.4%</b>	<b>2.3%</b>
Top 10	20.3%	1.2%	Top 10	8.3%	1.2%
\$100 million or more	17.9%	0.5%	\$100 million or more	5.9%	0.2%
\$10 million up to \$100 million	4.0%	1.7%	\$10 million up to \$100 million	2.2%	0.6%
\$1 million up to \$10 million	1.4%	3.0%	\$1 million up to \$10 million	0.3%	0.6%
Under \$1 million	0.1%	5.4%	Under \$1 million	0.0%	0.8%



Total Fund Value: \$6,610,541,393



Total Participant Count: 841

## INVESTMENT POLICY COMPLIANCE - JULY 2012

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

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

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

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

**TRADING ACTIVITY FOR JULY 2012**

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Buys</b>					\$	\$	\$	\$
BANK OF TOKYO-MITSUCDYAN	10/18/12	07/18/12	07/18/12	20,000,000	20,000,000	-	20,000,000	-
BANK OF TOKYO-MITSUCDYAN	10/22/12	07/20/12	07/20/12	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	10/26/12	07/26/12	07/26/12	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	10/26/12	07/26/12	07/26/12	50,000,000	50,000,000	-	50,000,000	-
BARCLAYS BANK PLCCDYAN	10/30/12	07/26/12	07/26/12	40,000,000	40,000,000	-	40,000,000	-
BARTON CAPITAL LLC PABS4-	08/02/12	07/02/12	07/02/12	18,200,000	18,192,164	-	18,192,164	-
CREDIT AGRICOLE NORCP	08/27/12	07/25/12	07/25/12	50,000,000	49,981,667	-	49,981,667	-
CREDIT AGRICOLE NORCP	08/27/12	07/25/12	07/25/12	50,000,000	49,981,667	-	49,981,667	-
CREDIT AGRICOLE NORCP	08/27/12	07/25/12	07/25/12	50,000,000	49,981,667	-	49,981,667	-
CREDIT AGRICOLE NORCP	08/27/12	07/25/12	07/25/12	45,000,000	44,983,500	-	44,983,500	-
DENVER PUBLIC SCHOOLS	12/15/37	07/10/12	07/10/12	12,000,000	12,000,000	1,417	12,001,417	-
DEUTSCHE BANK AGCDYAN	11/05/12	07/30/12	07/30/12	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK AGCDYAN	11/05/12	07/30/12	07/30/12	45,000,000	45,000,000	-	45,000,000	-
DEUTSCHE BANK AGCDYAN	11/08/12	07/31/12	07/31/12	35,000,000	35,000,000	-	35,000,000	-
DEUTSCHE BANK AGCDYAN	10/15/12	07/11/12	07/11/12	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK AGCDYAN	10/15/12	07/11/12	07/11/12	1,500,000	1,500,000	-	1,500,000	-
FCAR OWNER TRUST, ACPABS3	01/02/13	07/02/12	07/02/12	5,000,000	4,988,500	-	4,988,500	-
FCAR OWNER TRUST, ACPABS3	01/02/13	07/02/12	07/02/12	50,000,000	49,885,000	-	49,885,000	-
FCAR OWNER TRUST, ACPABS3	01/02/13	07/02/12	07/02/12	50,000,000	49,885,000	-	49,885,000	-
FCAR OWNER TRUST, ACPABS3	02/04/13	07/31/12	08/01/12	50,000,000	49,893,514	-	49,893,514	-
FCAR OWNER TRUST, ACPABS3	02/04/13	07/31/12	08/01/12	20,000,000	19,957,406	-	19,957,406	-
FAIRWAY FINANCE LLC	01/11/13	07/11/12	07/11/12	10,000,000	10,000,000	-	10,000,000	-
ING (U.S.) FUNDING CP	10/04/12	07/03/12	07/03/12	10,000,000	9,990,442	-	9,990,442	-
ING (U.S.) FUNDING CP	10/04/12	07/03/12	07/03/12	50,000,000	49,952,209	-	49,952,209	-
ING (U.S.) FUNDING CP	10/04/12	07/03/12	07/03/12	4,000,000	3,996,125	-	3,996,125	-
STARBIRD FUNDING COCPABS4	08/07/12	07/06/12	07/06/12	25,000,000	24,990,000	-	24,990,000	-
STARBIRD FUNDING COCPABS4	08/07/12	07/06/12	07/06/12	50,000,000	49,980,000	-	49,980,000	-
TORONTO-DOMINION BANK/NY	07/26/13	07/24/12	07/26/12	50,000,000	50,000,000	-	50,000,000	-
WINDMILL FUNDING COCPABS4	08/06/12	07/02/12	07/02/12	6,800,000	6,797,091	-	6,797,091	-
WINDMILL FUNDING COCPABS4	08/06/12	07/02/12	07/02/12	50,000,000	49,978,611	-	49,978,611	-

TRADING ACTIVITY FOR JULY 2012 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<i>Buys (continued)</i>					\$	\$	\$	\$
WINDMILL FUNDING COCPABS4	08/16/12	07/13/12	07/13/12	49,400,000	49,379,471	-	49,379,471	-
WINDMILL FUNDING COCPABS4	08/24/12	07/20/12	07/20/12	50,000,000	49,979,097	-	49,979,097	-
WINDMILL FUNDING COCPABS4	08/24/12	07/20/12	07/20/12	50,000,000	49,979,097	-	49,979,097	-
WINDMILL FUNDING COCPABS4	08/24/12	07/20/12	07/20/12	50,000,000	49,979,097	-	49,979,097	-
WINDMILL FUNDING COCPABS4	08/28/12	07/24/12	07/24/12	24,000,000	23,990,900	-	23,990,900	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/03/12	07/03/12	4,233,191	4,233,191	-	4,233,191	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/05/12	07/05/12	3,522,265	3,522,265	-	3,522,265	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/09/12	07/09/12	1,771,852	1,771,852	-	1,771,852	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/10/12	07/10/12	111,871,927	111,871,927	-	111,871,927	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/12/12	07/12/12	3,565,242	3,565,242	-	3,565,242	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/17/12	07/17/12	2,364,596	2,364,596	-	2,364,596	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/19/12	07/19/12	265,342	265,342	-	265,342	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/23/12	07/23/12	3,062,106	3,062,106	-	3,062,106	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/25/12	07/25/12	976,786	976,786	-	976,786	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/26/12	07/26/12	285,681	285,681	-	285,681	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/27/12	07/27/12	6,795,980	6,795,980	-	6,795,980	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/31/12	07/31/12	3,355,731	3,355,731	-	3,355,731	-
FEDERATED PRIME CASH OBLIGATIONS	10/01/40	07/01/12	07/01/12	36,313	36,313	-	36,313	-
FEDERATED PRIME OBLIGATIONS FUND	10/01/40	07/01/12	07/01/12	38,239	38,239	-	38,239	-
DEUTSCHE BANK	07/03/12	07/02/12	07/02/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/03/12	07/02/12	07/02/12	689,000,000	689,000,000	-	689,000,000	-
DEUTSCHE BANK	07/05/12	07/03/12	07/03/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/05/12	07/03/12	07/03/12	595,000,000	595,000,000	-	595,000,000	-
DEUTSCHE BANK	07/06/12	07/05/12	07/05/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/06/12	07/05/12	07/05/12	900,000,000	900,000,000	-	900,000,000	-
DEUTSCHE BANK	07/09/12	07/06/12	07/06/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/09/12	07/06/12	07/06/12	975,000,000	975,000,000	-	975,000,000	-
DEUTSCHE BANK	07/10/12	07/09/12	07/09/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/10/12	07/09/12	07/09/12	1,020,000,000	1,020,000,000	-	1,020,000,000	-
DEUTSCHE BANK	07/11/12	07/10/12	07/10/12	500,000,000	500,000,000	-	500,000,000	-

TRADING ACTIVITY FOR JULY 2012 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<i>Buys (continued)</i>					\$	\$	\$	\$
BANK OF AMERICA TRIPARTY	07/11/12	07/10/12	07/10/12	950,000,000	950,000,000	-	950,000,000	-
BANK OF AMERICA TRIPARTY	07/12/12	07/11/12	07/11/12	990,000,000	990,000,000	-	990,000,000	-
DEUTSCHE BANK	07/12/12	07/11/12	07/11/12	500,000,000	500,000,000	-	500,000,000	-
DEUTSCHE BANK	07/13/12	07/12/12	07/12/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/13/12	07/12/12	07/12/12	1,045,000,000	1,045,000,000	-	1,045,000,000	-
DEUTSCHE BANK	07/16/12	07/13/12	07/13/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/16/12	07/13/12	07/13/12	1,030,000,000	1,030,000,000	-	1,030,000,000	-
DEUTSCHE BANK	07/17/12	07/16/12	07/16/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/17/12	07/16/12	07/16/12	1,040,000,000	1,040,000,000	-	1,040,000,000	-
DEUTSCHE BANK	07/18/12	07/17/12	07/17/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/18/12	07/17/12	07/17/12	1,060,000,000	1,060,000,000	-	1,060,000,000	-
DEUTSCHE BANK	07/19/12	07/18/12	07/18/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/19/12	07/18/12	07/18/12	1,015,000,000	1,015,000,000	-	1,015,000,000	-
DEUTSCHE BANK	07/20/12	07/19/12	07/19/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/20/12	07/19/12	07/19/12	995,000,000	995,000,000	-	995,000,000	-
DEUTSCHE BANK	07/23/12	07/20/12	07/20/12	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	07/23/12	07/20/12	07/20/12	860,000,000	860,000,000	-	860,000,000	-
DEUTSCHE BANK	07/24/12	07/23/12	07/23/12	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	07/24/12	07/23/12	07/23/12	1,125,000,000	1,125,000,000	-	1,125,000,000	-
DEUTSCHE BANK	07/25/12	07/24/12	07/24/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/25/12	07/24/12	07/24/12	1,005,000,000	1,005,000,000	-	1,005,000,000	-
DEUTSCHE BANK	07/26/12	07/25/12	07/25/12	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	07/26/12	07/25/12	07/25/12	880,000,000	880,000,000	-	880,000,000	-
DEUTSCHE BANK	07/27/12	07/26/12	07/26/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/27/12	07/26/12	07/26/12	940,000,000	940,000,000	-	940,000,000	-
DEUTSCHE BANK	07/30/12	07/27/12	07/27/12	450,000,000	450,000,000	-	450,000,000	-
BANK OF AMERICA TRIPARTY	07/30/12	07/27/12	07/27/12	1,005,000,000	1,005,000,000	-	1,005,000,000	-
DEUTSCHE BANK	07/31/12	07/30/12	07/30/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/31/12	07/30/12	07/30/12	990,000,000	990,000,000	-	990,000,000	-
DEUTSCHE BANK	08/01/12	07/31/12	07/31/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/01/12	07/31/12	07/31/12	920,000,000	920,000,000	-	920,000,000	-
<b>Total Buys</b>				<b>32,092,045,250</b>	<b>\$32,091,367,472</b>	<b>\$1,417</b>	<b>\$32,091,368,889</b>	-

**TRADING ACTIVITY FOR JULY 2012 (CONTINUED)**

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Maturities</b>					\$	\$	\$	\$
ALPINE SECURITIZATICPABS4	07/12/12	07/12/12	07/12/12	100,000,000	100,000,000	-	100,000,000	-
ATLANTIC ASSET SECUCPABS4	07/19/12	07/19/12	07/19/12	15,000,000	15,000,000	-	15,000,000	-
BANK OF TOKYO-MTSUCDYAN	07/05/12	07/05/12	07/05/12	200,000,000	200,000,000	-	200,000,000	-
BARCLAYS BANK PLCCDYAN	07/09/12	07/09/12	07/09/12	59,000,000	59,000,000	-	59,000,000	-
MIZUHO CORPORATE BACDEUR	07/25/12	07/25/12	07/25/12	75,000,000	75,000,000	-	75,000,000	-
CREDIT AGRICOLE NORCP	07/25/12	07/25/12	07/25/12	200,000,000	200,000,000	-	200,000,000	-
CREDIT SUISSE/NEW YORK NY	07/02/12	07/02/12	07/02/12	10,000,000	10,000,000	-	10,000,000	-
CREDIT SUISSE, ZURICDYAN	07/05/12	07/05/12	07/05/12	101,000,000	101,000,000	-	101,000,000	-
DEUTSCHE BANK AGCDYAN	07/30/12	07/30/12	07/30/12	135,000,000	135,000,000	-	135,000,000	-
DEUTSCHE BANK AGCDYAN	07/02/12	07/02/12	07/02/12	60,000,000	60,000,000	-	60,000,000	-
FAIRWAY FINANCE LLC	07/11/12	07/11/12	07/11/12	20,000,000	20,000,000	-	20,000,000	-
GENERAL ELECTRIC CA CP	07/23/12	07/23/12	07/23/12	24,100,000	24,100,000	-	24,100,000	-
GENERAL ELECTRIC CAPITAL CORP	07/27/12	07/27/12	07/27/12	12,100,000	12,100,000	-	12,100,000	-
STARBIRD FUNDING COCPABS4	07/06/12	07/06/12	07/06/12	75,000,000	75,000,000	-	75,000,000	-
WESTPAC BANKING CORP/NY	07/17/12	07/17/12	07/17/12	25,000,000	25,000,000	-	25,000,000	-
WESTPAC BANKING CORP/NY	07/13/12	07/13/12	07/13/12	25,000,000	25,000,000	-	25,000,000	-
WINDMILL FUNDING COCPABS4	07/02/12	07/02/12	07/02/12	53,200,000	53,200,000	-	53,200,000	-
WINDMILL FUNDING COCPABS4	07/09/12	07/09/12	07/09/12	50,000,000	50,000,000	-	50,000,000	-
WINDMILL FUNDING COCPABS4	07/20/12	07/20/12	07/20/12	175,000,000	175,000,000	-	175,000,000	-
WINDMILL FUNDING COCPABS4	07/27/12	07/27/12	07/27/12	52,000,000	52,000,000	-	52,000,000	-
DEUTSCHE BANK	07/02/12	07/02/12	07/02/12	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	07/02/12	07/02/12	07/02/12	900,000,000	900,000,000	-	900,000,000	-
DEUTSCHE BANK	07/03/12	07/03/12	07/03/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/03/12	07/03/12	07/03/12	689,000,000	689,000,000	-	689,000,000	-
DEUTSCHE BANK	07/05/12	07/05/12	07/05/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/05/12	07/05/12	07/05/12	595,000,000	595,000,000	-	595,000,000	-
DEUTSCHE BANK	07/06/12	07/06/12	07/06/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/06/12	07/06/12	07/06/12	900,000,000	900,000,000	-	900,000,000	-
DEUTSCHE BANK	07/09/12	07/09/12	07/09/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/09/12	07/09/12	07/09/12	975,000,000	975,000,000	-	975,000,000	-

**TRADING ACTIVITY FOR JULY 2012 (CONTINUED)**

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<i>Maturities (continued)</i>					\$	\$	\$	\$
DEUTSCHE BANK	07/10/12	07/10/12	07/10/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/10/12	07/10/12	07/10/12	1,020,000,000	1,020,000,000	-	1,020,000,000	-
DEUTSCHE BANK	07/11/12	07/11/12	07/11/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/11/12	07/11/12	07/11/12	950,000,000	950,000,000	-	950,000,000	-
BANK OF AMERICA TRIPARTY	07/12/12	07/12/12	07/12/12	990,000,000	990,000,000	-	990,000,000	-
DEUTSCHE BANK	07/12/12	07/12/12	07/12/12	500,000,000	500,000,000	-	500,000,000	-
DEUTSCHE BANK	07/13/12	07/13/12	07/13/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/13/12	07/13/12	07/13/12	1,045,000,000	1,045,000,000	-	1,045,000,000	-
DEUTSCHE BANK	07/16/12	07/16/12	07/16/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/16/12	07/16/12	07/16/12	1,030,000,000	1,030,000,000	-	1,030,000,000	-
DEUTSCHE BANK	07/17/12	07/17/12	07/17/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/17/12	07/17/12	07/17/12	1,040,000,000	1,040,000,000	-	1,040,000,000	-
DEUTSCHE BANK	07/18/12	07/18/12	07/18/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/18/12	07/18/12	07/18/12	1,060,000,000	1,060,000,000	-	1,060,000,000	-
DEUTSCHE BANK	07/19/12	07/19/12	07/19/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/19/12	07/19/12	07/19/12	1,015,000,000	1,015,000,000	-	1,015,000,000	-
DEUTSCHE BANK	07/20/12	07/20/12	07/20/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/20/12	07/20/12	07/20/12	995,000,000	995,000,000	-	995,000,000	-
DEUTSCHE BANK	07/23/12	07/23/12	07/23/12	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	07/23/12	07/23/12	07/23/12	860,000,000	860,000,000	-	860,000,000	-
DEUTSCHE BANK	07/24/12	07/24/12	07/24/12	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	07/24/12	07/24/12	07/24/12	1,125,000,000	1,125,000,000	-	1,125,000,000	-
DEUTSCHE BANK	07/25/12	07/25/12	07/25/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/25/12	07/25/12	07/25/12	1,005,000,000	1,005,000,000	-	1,005,000,000	-
DEUTSCHE BANK	07/26/12	07/26/12	07/26/12	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	07/26/12	07/26/12	07/26/12	880,000,000	880,000,000	-	880,000,000	-
DEUTSCHE BANK	07/27/12	07/27/12	07/27/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/27/12	07/27/12	07/27/12	940,000,000	940,000,000	-	940,000,000	-
DEUTSCHE BANK	07/30/12	07/30/12	07/30/12	450,000,000	450,000,000	-	450,000,000	-
BANK OF AMERICA TRIPARTY	07/30/12	07/30/12	07/30/12	1,005,000,000	1,005,000,000	-	1,005,000,000	-
DEUTSCHE BANK	07/31/12	07/31/12	07/31/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	07/31/12	07/31/12	07/31/12	990,000,000	990,000,000	-	990,000,000	-
<b>Total Maturities</b>				<b>32,025,400,000</b>	<b>\$32,025,400,000</b>	\$0	<b>\$32,025,400,000</b>	-

**TRADING ACTIVITY FOR JULY 2012 (CONTINUED)**

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Sells</b>					\$	\$	\$	\$
ST ANDREW UNITED METHODIST CHURCH	07/01/29	07/12/12	07/12/12	165,000	165,000	8	165,008	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/02/12	07/02/12	248,039	248,039	-	248,039	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/02/12	07/02/12	154,930	154,930	-	154,930	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/02/12	07/02/12	105,509	105,509	-	105,509	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/02/12	07/02/12	737,860	737,860	-	737,860	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/06/12	07/06/12	4,233,191	4,233,191	-	4,233,191	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/06/12	07/06/12	2,599,177	2,599,177	-	2,599,177	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/11/12	07/11/12	747,460	747,460	-	747,460	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/11/12	07/11/12	111,871,927	111,871,927	-	111,871,927	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/13/12	07/13/12	787,072	787,072	-	787,072	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/16/12	07/16/12	213,994	213,994	-	213,994	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/16/12	07/16/12	1,946,837	1,946,837	-	1,946,837	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/18/12	07/18/12	194,799	194,799	-	194,799	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/18/12	07/18/12	1,173,808	1,173,808	-	1,173,808	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/20/12	07/20/12	630,560	630,560	-	630,560	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/20/12	07/20/12	2,364,596	2,364,596	-	2,364,596	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/24/12	07/24/12	75,019	75,019	-	75,019	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/24/12	07/24/12	1,341,982	1,341,982	-	1,341,982	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/30/12	07/30/12	228,365	228,365	-	228,365	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/30/12	07/30/12	1,720,124	1,720,124	-	1,720,124	-
DREYFUS GOVT CASH MGMT FUND	10/01/12	07/30/12	07/30/12	6,795,980	6,795,980	-	6,795,980	-
<b>Total Sells</b>				<b><u>138,336,229</u></b>	<b><u>\$138,336,229</u></b>	<b><u>\$8</u></b>	<b><u>\$138,336,237</u></b>	-

# FUND B

## FUND B FACTS

### INVESTMENT OBJECTIVE

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

### COMPOSITION

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

### DISTRIBUTIONS

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

### ACCOUNTING

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

### STATUS OF INVESTMENTS

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

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

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

## COMMENTARY ON PORTFOLIO MANAGEMENT

All cash from paydowns on securities in Fund B are invested in AAAM-rated money market funds pending monthly distribution to participant accounts in Florida PRIME. This month, \$5.5 million in liquid assets were transferred from Fund B to Florida PRIME, consisting of principal paydowns and income from the securities in the Fund.

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

## LEGAL ISSUE

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

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

## DISCLOSURE OF MATERIAL IMPACTS

There were no developments during July 2012 that had a material impact on the liquidity or operation of Fund B.

# FUND B

## FUND B DISTRIBUTIONS

### RETURN OF FUND B PRINCIPAL

The first table below details the SBA's progress in returning principal to investors in Fund B. Through the end of July 2012, investors cumulatively received distributions from Fund B totaling \$1.74 billion or 86.4 of their original balances.

The securities remaining in Fund B are legacy items from the four issuers whose financial circumstances gave rise to the November 2007 run (as well as overnight instruments temporarily holding fund earnings). As of July 31, 2012, their remaining amortized cost was \$478.5 million, or

75.7% more than remaining participant positions in Fund B. Conversely, the current estimated liquidation (market) value of these securities is pegged at \$234.1 million or 85.96% of remaining participant positions.

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

### FUND B DISTRIBUTIONS TO PARTICIPANTS

	Distributions to Participants	Cumulative Distributions	Participant Principal	Proportion of Original Principal Returned
12/05/07	\$	\$	\$ 2,009,451,941	0.0%
CY 2008	\$ 1,421,900,000	\$ 1,421,900,000	\$ 587,551,941	70.8%
CY 2009	\$ 89,100,000	\$ 1,511,000,000	\$ 498,451,941	75.2%
CY 2010	\$ 135,100,000	\$ 1,646,100,000	\$ 363,351,941	81.9%
CY 2011	\$ 57,425,000	\$ 1,703,525,000	\$ 305,926,941	84.8%
01/09/12	\$ 4,325,000	\$ 1,707,850,000	\$ 301,601,941	85.0%
02/07/12	\$ 3,200,000	\$ 1,711,050,000	\$ 298,401,941	85.2%
03/06/12	\$ 3,925,000	\$ 1,714,975,000	\$ 294,476,941	85.3%
04/05/12	\$ 4,400,000	\$ 1,719,375,000	\$ 290,076,941	85.6%
05/04/12	\$ 5,275,000	\$ 1,724,650,000	\$ 284,801,941	85.8%
06/05/12	\$ 7,050,000	\$ 1,731,700,000	\$ 277,751,941	86.2%
07/04/12	\$ 5,450,000	\$ 1,737,150,000	\$ 272,301,941	86.4%

### FUND B MONTHLY DISTRIBUTION DETAIL

July 2012 Distribution Detail Including Receipts by Source For the period 6/6/12 - 7/5/12	Fund B	
	Participant Allocation	Expense Allocation
Beginning Balance	\$ -	\$ 17,973.53
Receipts:		
Florida East	\$ 912,359.19	
Florida West	\$ 1,561,240.01	
Florida Funding I	\$ 597,248.54	
Florida Funding II	\$ 2,366,740.56	
Overnight Investments	\$ 14.27	
Total Receipts	\$ 5,437,602.57	
Distributions:		
Allocation to/from Expense Reserve	\$ 12,397.43	\$ (12,397.43)
Expenses Paid		\$ (1,258.48)
Participant Distribution	\$ (5,450,000.00)	
Ending Balance	\$ -	\$ 4,317.62

# FUND B

## INVENTORY OF HOLDINGS - AS OF JULY 31, 2012

Security Name	Type	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND		4,520,579	0.00	\$ 4,520,579	\$ 4,520,579	\$ -
Florida East Funding LLC	VARIABLE RATE TERM NOTE	07/28/12	77,011,101	0.60	\$ 77,011,101	\$ 54,137,457	\$ (22,873,644)
Florida West Funding LLC	VARIABLE RATE TERM NOTE	07/28/12	180,344,630	0.60	\$ 180,344,630	\$ 97,063,202	\$ (83,281,428)
Florida Funding I LLC	VARIABLE RATE TERM NOTE	07/29/12	121,117,332	0.45	\$ 121,117,332	\$ 26,070,755	\$ (95,046,577)
Florida Funding II LLC	VARIABLE RATE COMMERCIAL PAPER	07/29/12	95,540,218	0.72	\$ 95,532,599	\$ 52,286,317	\$ (43,246,283)
<b>Total Value of Investments</b>			<b><u>478,533,860</u></b>		<b><u>\$478,526,242</u></b>	<b><u>\$234,078,311</u></b>	<b><u>(\$244,447,931)</u></b>

### Notes:

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

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

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

The collateral manager, Apollo Global Management, is the source for data shown above other than market value. See note 1.

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

# FUND B

## COMPLIANCE AND TRADING ACTIVITY

### COMPLIANCE WITH INVESTMENT POLICY - JULY 2012

Investment Policy Statement Compliance is conducted on Fund B by SBA Risk Management and Compliance and reported on a monthly basis to the Investment Oversight Group. Portfolio activity is reviewed to ensure that transactions and holdings are in compliance with guideline requirements and with those stipulated in the respective Investment Management Agreements with Apollo Global Management, the collateral manager for the four special purpose entities held in Fund B (Florida East Funding LLC, Florida West Funding LLC, Florida Funding I LLC, and Florida Funding II LLC). Since the principal holdings in the fund are the notes issued by these special purpose entities, and no deposits or withdrawals are permitted by participants, transactions are typically limited to 1) the receipt cash flows from the underlying note collateral, 2) the investment of these cash flows in AAAm money market funds, and 3) periodic distributions to participants. Apollo Global Management can also sell, exchange, or restructure the notes, consistent with the objective of maximizing the present value of cash flows from the collateral. For the month of July 2012, Fund B was in compliance with its Investment Policy Statement.

### TRADING ACTIVITY - JULY 2012

Security Description	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Buys</b>				\$	\$	\$	\$
DREYFUS GOVERNMENT CASH MANAGEMENT	07/03/12	07/03/12	14	14	0	14	0
DREYFUS GOVERNMENT CASH MANAGEMENT	07/30/12	07/30/12	4,471,758	4,471,758	0	4,471,758	0
DREYFUS GOVERNMENT CASH MANAGEMENT	07/31/12	07/31/12	45,644	45,644	0	45,644	0
<b>Total Buys</b>			<b><u>4,517,416</u></b>	<b><u>4,517,416</u></b>	<b><u>0</u></b>	<b><u>4,517,416</u></b>	<b><u>0</u></b>
<b>Sells</b>							
FLORIDA FUNDING I LLC	07/30/12	07/30/12	501,785	501,785	0	501,785	0
FLORIDA EAST FUNDING LLC	07/30/12	07/30/12	808,383	808,383	0	808,383	0
FLORIDA WEST FUNDING LLC	07/30/12	07/30/12	1,469,216	1,469,216	0	1,469,216	0
FLORIDA FUNDING II	07/30/12	07/30/12	1,434,275	1,434,275	0	1,434,275	114
DREYFUS GOVERNMENT CASH MANAGEMENT	07/02/12	07/02/12	58	58	0	58	0
DREYFUS GOVERNMENT CASH MANAGEMENT	07/05/12	07/05/12	12,412	12,412	0	12,412	0
DREYFUS GOVERNMENT CASH MANAGEMENT	07/05/12	07/05/12	5,437,588	5,437,588	0	5,437,588	0
DREYFUS GOVERNMENT CASH MANAGEMENT	07/17/12	07/17/12	1,140	1,140	0	1,140	0
<b>Total Sells</b>			<b><u>9,664,858</u></b>	<b><u>\$9,664,858</u></b>	<b><u>\$0</u></b>	<b><u>\$9,664,858</u></b>	<b><u>\$114</u></b>

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

## Our Mission

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



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



# Monthly Summary Report for August 2012

Including Fund B

**State Board of Administration**

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

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

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

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

**INTRODUCTION**

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

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

This report, which covers the period from August 1, 2012 through August 31, 2012, has been prepared by the SBA with input from Federated Investment Counseling (“Federated”), investment advisor for Florida PRIME and Apollo Global Management (formerly known as Stone Tower Debt Advisors LLC), the collateral manager for Fund B, in a format intended to comply with the statute.

During the reporting period, Florida PRIME and Fund B were in material compliance with investment policy. Please see the additional explanation concerning a recent compliance exception on Page 14 of this report. Details are available in the PRIME policy compliance table and the Fund B compliance narrative in the body of this report. This report also includes details on market conditions; fees; fund holdings, transactions and performance; and client composition.

**DISCLOSURE OF MATERIAL IMPACTS**

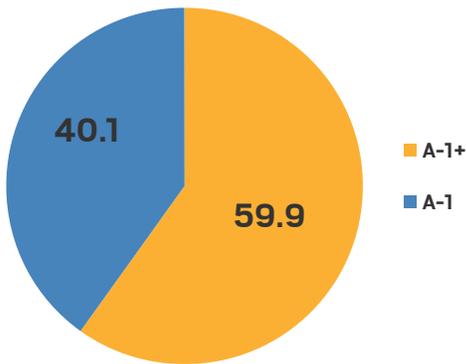
There were no developments during August 2012 that had a material impact on the liquidity or operation of Florida PRIME.

**PORTFOLIO COMPOSITION  
AUGUST 31, 2012**

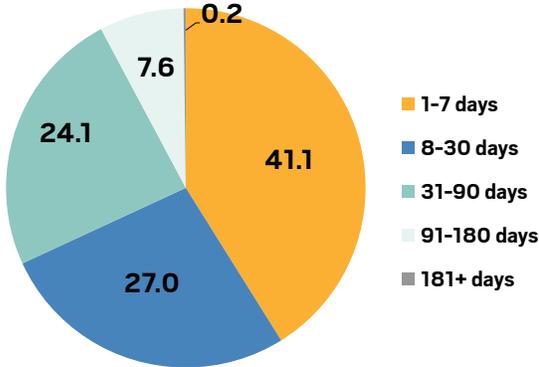
**Florida PRIME Assets**

\$ 6,620,127,659

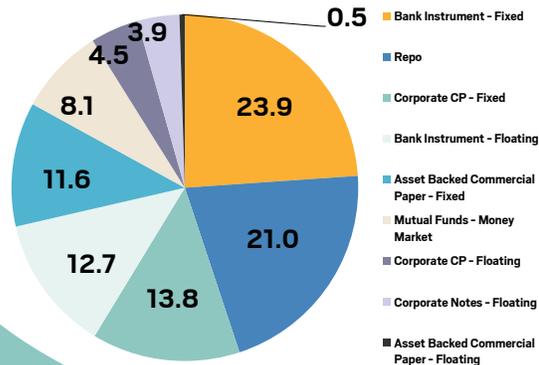
**Credit Quality Composition (%)**



**Effective Maturity Schedule (%)**



**Portfolio Composition (%)**



**PORTFOLIO MANAGER COMMENTARY**

**AUGUST 2012 MARKET CONDITIONS**

Treasury and repo rates have held fairly firm throughout the month, as we have had good supply in both markets. We have seen the overnight repo market holding in the mid-to-high teens, and Treasuries have been providing relatively decent returns in the three- to six-month area of the cash-yield curve. Commercial paper has remained steady. Despite concerns, corporate earnings for the second quarter came in flat to mildly positive, staying out of negative territory, as might have been feared when the second quarter took a downturn.

London Interbank Offered Rates (LIBOR) continued to drift slightly lower this past month. Some of the credit spreads in the global arena, particularly the European banks, have gotten thinner, as markets come to accept the idea that these banks have adequate financial backing and liquidity. Also, we see some market apathy. The European/Greek sovereign-debt crisis has been on the front page for so many months, with each week bringing new predictions that the end is upon us. The world has not imploded, and markets have come to grips with European risk and had time to make preparations for a European meltdown, if that was to happen. Attention in Europe is focused on whether German Chancellor Angela Merkel will support European Central Bank (ECB) President Mario Draghi's efforts to stabilize markets through a boost in the ECB's bond-buying capacity. While Merkel is likely, in the end, to fall in line, there is still no clear indication of what conditions Germany might insist upon as a price for its support.

In its most recent statement, the Federal Reserve's Federal Open Market Committee (FOMC) announced a new round of easing measures focusing on mortgages. The FOMC acknowledged that economic activity has continued to expand at a moderate pace in recent months, but noted growth in the labor market has been slow, and unemployment remains a concern, warranting an open-ended approach to the problem.

The FOMC plans to purchase an additional \$40 billion per month in agency mortgage-backed securities in an attempt to hold down longer-term rates and keep the promising real estate market, one of the brighter spots of late in the subpar recovery, on an upward path. The Fed will also continue its "Operation Twist" program, first announced in June, under which the Fed purchases longer-term Treasury securities with the proceeds from the sale of short-term

AUGUST 31, 2012

**Top Holdings (%) and Average Maturity**

1. Royal Bank of Canada, Montreal	5.2%
2. Bank of America Corp.	4.9%
3. Bank of Montreal	4.6%
4. Sumitomo Mitsui Financial Group, Inc.	4.5%
5. J.P. Morgan Chase & Co.	4.2%
6. Federated Prime Obligations Fund	4.2%
7. Deutsche Bank AG	4.2%
8. Mitsubishi UFJ Financial Group, Inc.	4.1%
9. Canadian Imperial Bank of Commerce	4.1%
10. Federated Prime Cash Obligations Fund	3.8%

**Average Effective Maturity (WAM)**

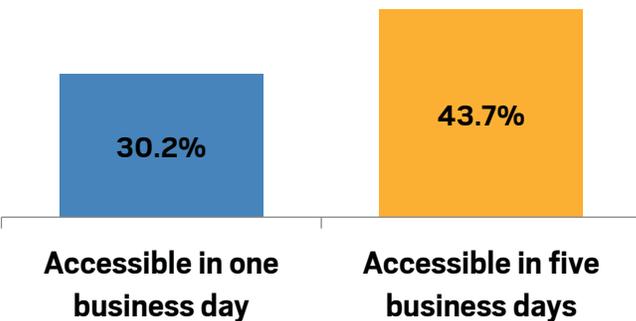
30.2 Days

**Weighted Average Life (Spread WAM)**

52.2 Days

Percentages based on total value of investments

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



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

Treasuries, and will continue reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities. The Fed announcement also noted that exceptionally low federal funds rate levels, currently mired in the 0% to 0.25% range, are likely to be warranted for an extended period, at least through mid-2015.

**PORTFOLIO INVESTMENT STRATEGY**

As of the end of August 2012, Florida PRIME pool assets were down slightly to \$6.6 billion, as generally expected during the summer season. During August, the gross yield for Florida PRIME declined by one basis point due to pressure on the London interbank offered rates (LIBOR) curve, which was down approximately two basis points for each maturity across the board. One-month LIBOR closed the month at 0.23%, three-month at 0.42%, six-month at 0.71%, and one-year LIBOR was down to 1.03% at the end of the month. The weighted average maturity of the pool declined by 5 days to 30 days, and the weighted average life was also down from 55 days at July month-end to 52 days at the end of August.

Management purchases during August focused on short-term asset back commercial paper in the 30- to 60-day range. In addition, management continued to see value in longer dated floating rate bank paper. As a result, exposure to variable rate instruments was up 3% to make up 22% percent of the portfolio. Bank instruments declined 1%, to make up 24% of the pool. Commercial paper instruments were down by 1% to make up 25% of the pool. The pool's repurchase agreement position was steady at 21% and investment in money market funds was 8%.

## CASH FLOWS

Summary of Cash Flows	
August 2012	Florida PRIME
Opening Balance (8/1/12)	\$ 6,610,541,393
Participant Deposits	1,062,178,090
Transfers from Fund B	4,500,000
Gross Earnings	1,844,777
Participant Withdrawals	(1,058,772,575)
Fees	(164,026)
Closing Balance (8/31/12)	<u>\$ 6,620,127,659</u>
Net Change over Month	9,586,266

Valuations based on amortized cost

As shown in the table above, Florida PRIME experienced a net inflow of \$9.6 million during August 2012.

This change in value consisted of positive flows of \$1.06 billion in participant deposits, \$4.5 million in transfers from Fund B and \$1.8 million in earnings. Negative flows consisted of \$1.06 billion in participant withdrawals and about \$164,000 in fees.

Overall, the fund ended the month with a closing balance of \$6.62 billion.

## FLORIDA PRIME DETAILED FEE DISCLOSURE

August 2012	Amount	Basis Point Equivalent*
SBA Client Service, Account Mgt. & Fiduciary Oversight Fee	\$ 56,332.77	\$ 1.02
Federated Investment Management Fee	93,572.01	1.70
BNY Mellon Custodial Fee	116.67	0.00
Bank of America Transfer Agent Fee	5,233.75	0.09
S&P Rating Maintenance Fee	3,303.28	0.06
Audit/External Review Fees	<u>5,467.43</u>	<u>0.10</u>
<b>Total Fees</b>	<b>\$ 164,025.91</b>	<b>2.98</b>

\*The basis point equivalent is an annualized rate based on the dollar amount of fees charged for the month times 12, divided by an average of the fund's beginning and ending total value (amortized cost) for the month which was \$6,615,334,526.

## Florida PRIME Education Center

A NEW TRAINING PORTAL WITHIN THE FLORIDA PRIME WEBSITE IS NOW AVAILABLE THAT ALLOWS POOL INVESTORS TO ENROLL IN HUNDREDS OF ONLINE COURSES AT SIGNIFICANTLY DISCOUNTED PRICES COVERING ACCOUNTING, AUDITING, FINANCIAL AND INVESTMENT TOPICS. MANY OF THE COURSES OFFER CPE AND CEU CREDIT.



The screenshot shows the Florida PRIME Education Center website. The header includes the logo and the tagline "Investing In Your FUTURE Through Education." Below the header, there are sections for "Educational Opportunities Two Programs..." with buttons for "INTUITION 'KNOW-HOW'" and "BISKCPEasy 'ON-DEMAND'", "Quick Links" for "Elosha ES&MB", "ScottsLia", and "Student", and "Intuition Courses" with buttons for "INTUITION COURSE CATALOG" and "INTUITION CEB COURSES". A central banner features a man and the text "Your Resource For Online LEARNING". To the right, there are two registration process diagrams: "Intuition 'Know-How' Registration Process" and "BISKCPEasy 'On-Demand' Registration Process", each with four steps and "READ MORE" buttons. The footer includes the URL "https://www.sbafla.com/prime" and a page number "5".

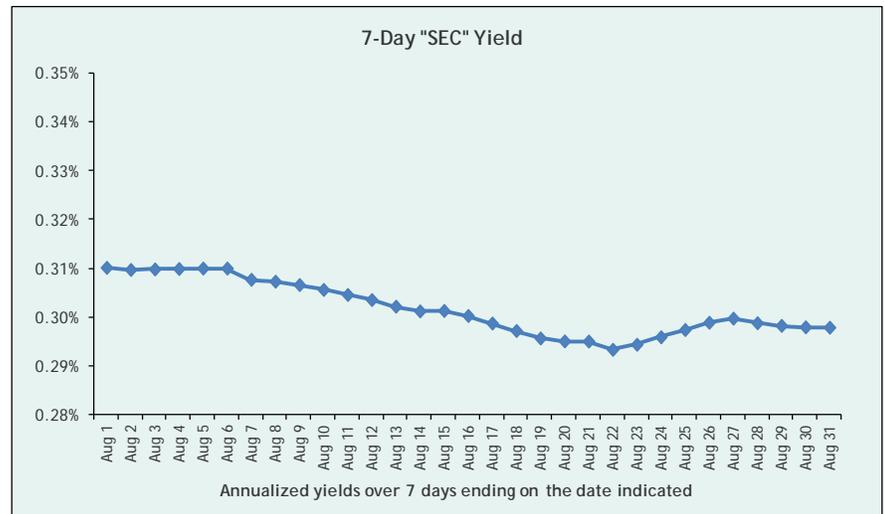
**FUND PERFORMANCE  
THROUGH AUGUST 31, 2012**

**Florida PRIME Participant Performance Data**

	Net Participant Yield <sup>1</sup>	Net-of-Fee Benchmark <sup>2</sup>	Above (Below) Benchmark
1 mo	0.30%	0.10%	0.20%
3 mos	0.31%	0.10%	0.21%
12 mos	0.30%	0.09%	0.21%
3 yrs	0.28%	0.13%	0.14%
5 yrs	1.05%	0.98%	0.07%
10 yrs	2.09%	1.88%	0.21%
Since 1.96	3.29%	3.07%	0.22%

Net asset value at month end: \$6,620.6 m

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



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

**NOTES TO PERFORMANCE TABLE**

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

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

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

**NOTES TO CHART**

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

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

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

**ABOUT ANNUALIZED YIELDS**

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

For example, ignoring the effects of compounding,

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

**INVENTORY OF HOLDINGS  
AUGUST 31, 2012**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Alpine Securitization Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		09/18/12		100,000,000	0.35	\$ 99,983,000	\$ 99,990,000	\$ 7,000
Atlantic Asset Securitization LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		10/04/12		19,400,000	0.41	19,392,671	19,396,244	3,573
Australia & New Zealand Banking Group, Melbourne, Mar 04, 2013	VARIABLE RATE COMMERCIAL PAPER - 4-2	0.41	03/04/13	09/04/12	100,000,000	0.42	100,000,000	99,935,500	(64,500)
Bank of America N.A. BNOTE	BANK NOTE	0.47	09/05/12		150,000,000	0.48	150,000,000	150,004,575	4,575
Bank of America N.A. BNOTE	BANK NOTE	0.47	09/05/12		50,000,000	0.48	50,000,000	50,001,525	1,525
Bank of America N.A. BNOTE	BANK NOTE	0.47	09/07/12		50,000,000	0.48	50,000,000	50,002,135	2,135
Bank of America N.A. BNOTE	BANK NOTE	0.44	11/19/12		40,000,000	0.45	40,000,000	39,999,996	(4)
Bank of America N.A. Triparty Repo Overnight Fixed	REPO TRIPARTY OVERNIGHT FIXED	0.20	09/04/12		895,000,000	0.20	895,000,000	895,000,000	0
Bank of Montreal, Mar 04, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.41	03/04/13	09/04/12	50,000,000	0.43	50,000,000	50,007,450	7,450
Bank of Montreal, Sep 14, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.39	09/14/12	09/14/12	250,000,000	0.40	250,000,000	250,013,000	13,000
Bank of Nova Scotia, Toronto, May 09, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.39	05/09/13	09/10/12	50,000,000	0.40	50,000,000	49,976,350	(23,650)
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.34	11/30/12		75,000,000	0.35	75,000,000	74,999,993	(8)
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.36	10/18/12		20,000,000	0.37	20,000,000	20,003,730	3,730
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.36	10/22/12		50,000,000	0.37	50,000,000	50,010,100	10,100
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.35	10/26/12		100,000,000	0.36	100,000,000	100,020,200	20,200
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.36	09/06/12		30,000,000	0.37	30,000,000	30,000,849	849
Barclays Bank PLC CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.33	10/30/12		40,000,000	0.34	40,000,000	40,007,992	7,992

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)**  
**AUGUST 31, 2012**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
							\$	\$	\$
Barclays Bank PLC CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.35	11/13/12		20,200,000	0.36	20,200,000	20,200,412	412
Barton Capital LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		09/17/12		20,000,000	0.39	19,996,411	19,998,112	1,701
Barton Capital LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		09/24/12		6,207,000	0.37	6,205,510	6,206,173	662
Barton Capital LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		09/28/12		2,000,000	0.37	1,999,440	1,999,689	249
Canadian Imperial Bank of Commerce, Feb 25, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.33	02/25/13	09/24/12	275,000,000	0.33	275,000,000	275,032,450	32,450
Credit Agricole North America, Inc. CP	COMMERCIAL PAPER		10/01/12		195,000,000	0.44	194,927,796	194,941,013	13,217
Denver, CO City & County School District No. 01, Series 2011 A-3, Dec 15, 2037	VARIABLE RATE DEMAND NOTE	0.17	12/15/37	09/05/12	12,000,000	0.17	12,000,000	12,000,000	0
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.38	11/05/12		95,000,000	0.39	95,000,000	95,013,908	13,908
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.38	11/08/12		35,000,000	0.39	35,000,000	35,005,359	5,359
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.35	11/09/12		95,000,000	0.36	95,000,000	95,009,215	9,215
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.44	10/15/12		51,500,000	0.45	51,500,000	51,514,152	14,152
Deutsche Bank Securities, Inc. REP3P	REPO TRIPARTY OVERNIGHT FIXED	0.21	09/04/12		500,000,000	0.21	500,000,000	500,000,000	0
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND	0.01	09/04/12		7,852,980	0.01	7,852,980	7,852,980	0
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		01/02/13		105,000,000	0.46	104,837,250	104,875,953	38,703
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		02/04/13		70,000,000	0.42	69,874,836	69,864,459	(10,377)
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		10/09/12		8,800,000	0.24	8,797,712	8,798,075	363
Fairway Finance Co. LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		10/10/12		4,200,000	0.19	4,199,113	4,199,006	(107)

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)  
AUGUST 31, 2012**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
							\$	\$	\$
Fairway Finance Co. LLC, Jan 11, 2013	VARIABLE RATE COMMERCIAL PAPER- ABS-4(2)	0.28	01/11/13	09/11/12	10,000,000	0.28	10,000,000	9,999,680	(320)
Fairway Finance Co. LLC, Mar 06, 2013	VARIABLE RATE COMMERCIAL PAPER- ABS-4(2)	0.27	03/06/13	10/09/12	23,500,000	0.27	23,500,000	23,497,650	(2,350)
Federated Prime Cash Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.17	09/04/12	09/04/12	251,326,589	0.16	251,326,589	251,326,589	0
Federated Prime Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.14	09/04/12	09/04/12	276,683,265	0.16	276,683,265	276,683,265	0
General Electric Capital Corp. CP	COMMERCIAL PAPER		10/04/12		100,000,000	0.36	99,966,944	99,992,630	25,686
General Electric Capital Corp. CP	COMMERCIAL PAPER		11/19/12		50,000,000	0.36	49,961,111	49,981,445	20,334
General Electric Capital Corp., Series GMTN, 5.250%, 10/19/2012	CORPORATE BOND	5.25	10/19/12		10,000,000	0.26	10,066,500	10,057,260	(9,240)
General Electric Capital Corp., Series GMTN, 5.250%, 10/19/2012	CORPORATE BOND	5.25	10/19/12		500,000	0.41	503,235	502,863	(372)
General Electric Capital Corp., Series GMTN, 5.250%, 10/19/2012	CORPORATE BOND	5.25	10/19/12		4,913,000	0.81	4,942,040	4,941,132	(908)
General Electric Capital Corp., Sr. Unsecd. Note, 2.800%, 01/08/2013	CORPORATE BOND	2.80	01/08/13		24,410,000	0.51	24,607,123	24,612,359	5,236
General Electric Capital Corp., Sr. Unsecd. Note, 2.800%, 01/08/2013	CORPORATE BOND	2.80	01/08/13		20,281,000	0.56	20,440,890	20,449,129	8,240
General Electric Capital, Sr. Unsecd. Note, Series EMTN, 4.25%, 1/31/2013	EURO MEDIUM TERM NOTE	4.25	01/31/13		7,307,000	0.92	7,407,675	7,410,789	3,113
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		09/04/12		50,000,000	0.38	49,997,944	49,999,055	1,111
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		09/12/12		105,000,000	0.38	104,987,050	104,993,385	6,335
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		10/04/12		60,000,000	0.38	59,979,033	59,985,948	6,915
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		10/04/12		4,000,000	0.38	3,998,583	3,999,063	480
J.P. Morgan Chase & Co., 5.375%, 10/01/2012	CORPORATE BOND	5.38	10/01/12		23,520,000	0.43	23,618,253	23,603,308	(14,945)

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)**  
**AUGUST 31, 2012**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
							\$	\$	\$
J.P. Morgan Chase & Co., Feb 28, 2013	VARIABLE RATE COMMERCIAL PAPER	0.38	02/28/13	09/28/12	200,000,000	0.39	200,000,000	200,000,000	0
Michigan State Hospital Finance Authority, (Henry Ford Health System, MI), (Series 2007), 11/15/2042	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.16	11/15/42	09/05/12	53,900,000	0.17	53,900,000	53,900,000	0
Mullenix-St. Charles Properties, L.P., Times Centre Apartments Project Series 2004, Jan 01, 2028	VARIABLE RATE DEMAND NOTE	0.23	01/01/28	09/06/12	13,500,000	0.23	13,500,000	13,500,000	0
National Australia Bank Ltd., Melbourne CDEUR	CERTIFICATE OF DEPOSIT - EURO	0.38	11/19/12		100,000,000	0.38	100,001,109	100,047,720	46,611
Reno, NV Capital Improvement Revenue Bonds, (Series 2005A), 06/01/2032	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.18	06/01/32	09/06/12	35,235,000	0.20	35,235,000	35,235,000	0
Royal Bank of Canada, Montreal CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.50	09/26/12		80,000,000	0.51	80,000,000	80,023,080	23,080
Royal Bank of Canada, Montreal CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.55	11/07/12		100,000,000	0.56	100,000,000	100,081,100	81,100
Royal Bank of Canada, Montreal, Dec 21, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.54	12/21/12	09/21/12	100,000,000	0.55	100,000,000	100,009,100	9,100
Royal Bank of Canada, Montreal, Feb 06, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.51	02/06/13	11/06/12	50,000,000	0.52	50,000,000	50,030,800	30,800
Royal Bank of Canada, Montreal, May 22, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.48	05/22/13	09/24/12	18,000,000	0.48	18,000,000	17,945,564	(54,436)
Salisbury Receivables Company LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		11/27/12		23,000,000	0.31	22,983,133	22,982,942	(192)
Sheffield Receivables Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		11/07/12		100,000,000	0.32	99,941,444	99,951,640	10,196
Societe Generale North America, Inc. CP	COMMERCIAL PAPER		09/06/12		100,000,000	0.41	99,993,333	99,995,000	1,667
Societe Generale, Paris CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.40	09/06/12		95,000,000	0.41	95,000,000	95,002,689	2,689
St. Andrew United Methodist Church, Series 2004, Jul 01, 2029	VARIABLE RATE DEMAND NOTE	0.18	07/01/29	09/06/12	9,310,000	0.18	9,310,000	9,310,000	0
Starbird Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		09/11/12		75,000,000	0.46	74,989,688	74,994,960	5,273
Starbird Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		09/24/12		47,000,000	0.37	46,988,720	46,993,105	4,385

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)**  
**AUGUST 31, 2012**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
							\$	\$	\$
Starbird Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		10/03/12		33,400,000	0.37	33,388,978	33,393,143	4,165
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.35	09/10/12		300,000,000	0.36	300,000,000	300,013,320	13,320
Svenska Handelsbanken, Stockholm, Oct 16, 2012	VARIABLE MEDIUM TERM NOTE	0.53	10/16/12	10/16/12	45,000,000	0.49	45,000,000	45,000,450	450
Toronto Dominion Bank, Jul 26, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.45	07/26/13	10/26/12	50,000,000	0.45	50,000,000	50,028,600	28,600
Toyota Motor Credit Corp. CP	COMMERCIAL PAPER		11/13/12		50,000,000	0.41	49,958,889	49,982,220	23,331
U.S. Treasury Note 1.75% 4/15/2013	US TREASURY NOTE	1.75	04/15/13		15,000,000	0.25	15,139,390	15,144,720	5,330
Westpac Banking Corp. Ltd., Sydney CP4-2	COMMERCIAL PAPER - 4-2		12/27/12		100,000,000	0.41	99,868,889	99,919,040	50,151
Westpac Banking Corp. Ltd., Sydney CP4-2	COMMERCIAL PAPER - 4-2		01/03/13		100,000,000	0.41	99,861,111	99,909,140	48,029
Windmill Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		09/17/12		30,700,000	0.34	30,695,216	30,697,001	1,785
Windmill Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		09/27/12		123,000,000	0.28	122,974,170	122,978,512	4,342
					<b><u>6,640,645,834</u></b>		<b><u>\$6,640,482,027</u></b>	<b><u>\$6,640,984,988</u></b>	<b><u>\$502,961</u></b>

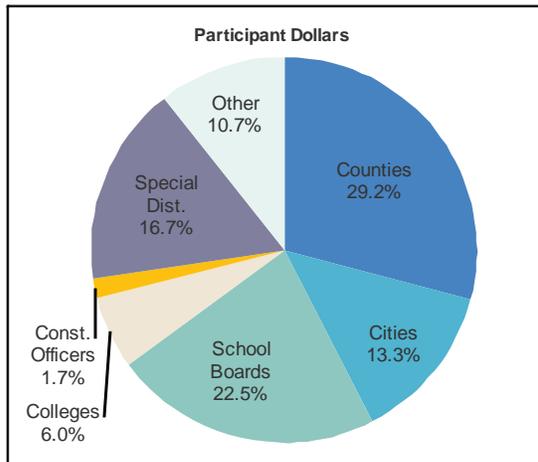
**Notes:** The data included in this report is unaudited. Amounts above are the value of investments. Income accruals, payables and uninvested cash are not included. Amortizations/accretions are reported with a one-day lag in the above valuations.

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

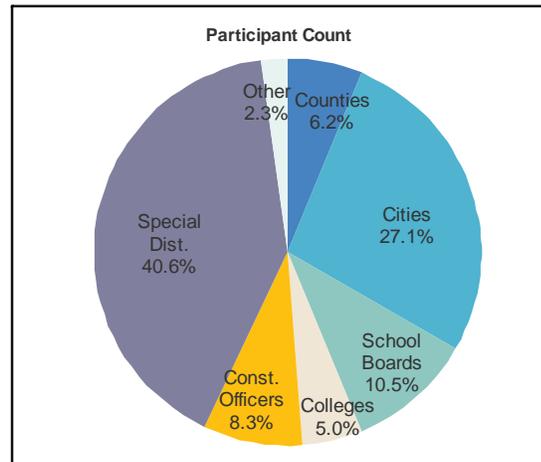
<sup>2</sup> Amortized cost is calculated using a straight line method.

**PARTICIPANT CONCENTRATION DATA - AUGUST 31, 2012**

Participant Balance	Share of Total Fund	Share of Participant Count	Participant Balance	Share of Total Fund	Share of Participant Count
<b>All Participants</b>	<b>100.0%</b>	<b>100.0%</b>	<b>Colleges &amp; Universities</b>	<b>6.0%</b>	<b>5.0%</b>
Top 10	39.3%	1.2%	Top 10	5.4%	1.2%
\$100 million or more	58.9%	2.4%	\$100 million or more	2.6%	0.1%
\$10 million up to \$100 million	31.9%	9.0%	\$10 million up to \$100 million	2.6%	0.8%
\$1 million up to \$10 million	8.4%	18.5%	\$1 million up to \$10 million	0.9%	1.3%
Under \$1 million	0.8%	70.0%	Under \$1 million	0.02%	2.7%
<b>Counties</b>	<b>29.2%</b>	<b>6.2%</b>	<b>Constitutional Officers</b>	<b>1.7%</b>	<b>8.3%</b>
Top 10	25.3%	1.2%	Top 10	0.9%	1.2%
\$100 million or more	21.9%	0.8%	\$100 million or more	0.0%	0.0%
\$10 million up to \$100 million	6.6%	1.4%	\$10 million up to \$100 million	0.8%	0.4%
\$1 million up to \$10 million	0.7%	1.1%	\$1 million up to \$10 million	0.9%	1.8%
Under \$1 million	0.0%	2.9%	Under \$1 million	0.1%	6.2%
<b>Municipalities</b>	<b>13.3%</b>	<b>27.1%</b>	<b>Special Districts</b>	<b>16.7%</b>	<b>40.6%</b>
Top 10	8.0%	1.2%	Top 10	11.6%	1.2%
\$100 million or more	1.6%	0.1%	\$100 million or more	7.3%	0.5%
\$10 million up to \$100 million	9.0%	2.3%	\$10 million up to \$100 million	7.1%	2.0%
\$1 million up to \$10 million	2.4%	6.0%	\$1 million up to \$10 million	1.9%	4.8%
Under \$1 million	0.3%	18.7%	Under \$1 million	0.4%	33.3%
<b>School Boards</b>	<b>22.5%</b>	<b>10.5%</b>	<b>Other</b>	<b>10.7%</b>	<b>2.3%</b>
Top 10	19.5%	1.2%	Top 10	10.4%	1.2%
\$100 million or more	17.2%	0.5%	\$100 million or more	8.2%	0.4%
\$10 million up to \$100 million	3.8%	1.5%	\$10 million up to \$100 million	2.1%	0.6%
\$1 million up to \$10 million	1.4%	3.0%	\$1 million up to \$10 million	0.3%	0.6%
Under \$1 million	0.1%	5.5%	Under \$1 million	0.0%	0.7%



Total Fund Value: \$6,620,127,659



Total Participant Count: 840

**INVESTMENT POLICY COMPLIANCE - AUGUST 2012**

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

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

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

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

### TRADING ACTIVITY FOR AUGUST 2012

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Buys</b>					\$	\$	\$	\$
ATLANTIC ASSET SECURITIZATION LLC	10/04/12	08/30/12	08/30/12	19,400,000	19,392,456	-	19,392,456	-
BANK OF AMERICA N,ABNOTE	11/19/12	08/21/12	08/21/12	40,000,000	40,000,000	-	40,000,000	-
BANK OF TOKYO-MITSUCDYAN	11/30/12	08/22/12	08/22/12	25,000,000	25,000,000	-	25,000,000	-
BANK OF TOKYO-MITSUCDYAN	11/30/12	08/22/12	08/22/12	50,000,000	50,000,000	-	50,000,000	-
BARCLAYS BANK PLCCDYAN	11/13/12	08/09/12	08/09/12	20,200,000	20,200,000	-	20,200,000	-
BARTON CAPITAL LLCCPABS4-	08/15/12	08/08/12	08/08/12	1,000,000	999,955	-	999,955	-
BARTON CAPITAL LLCCPABS4-	09/17/12	08/13/12	08/13/12	20,000,000	19,992,611	-	19,992,611	-
BARTON CAPITAL LLC	09/24/12	08/30/12	08/30/12	6,207,000	6,205,448	-	6,205,448	-
BARTON CAPITAL LLC	09/28/12	08/29/12	08/29/12	2,000,000	1,999,400	-	1,999,400	-
CREDIT AGRICOLE NORTH AMERICA INC	10/01/12	08/27/12	08/27/12	50,000,000	49,979,097	-	49,979,097	-
CREDIT AGRICOLE NORTH AMERICA INC	10/01/12	08/27/12	08/27/12	50,000,000	49,979,097	-	49,979,097	-
CREDIT AGRICOLE NORTH AMERICA INC	10/01/12	08/27/12	08/27/12	50,000,000	49,979,097	-	49,979,097	-
CREDIT AGRICOLE NORTH AMERICA INC	10/01/12	08/27/12	08/27/12	45,000,000	44,981,188	-	44,981,188	-
DEUTSCHE BANK AGCDYAN	11/09/12	08/01/12	08/02/12	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK AGCDYAN	11/09/12	08/01/12	08/02/12	45,000,000	45,000,000	-	45,000,000	-
FCAR OWNER TRUST, ACPABS3	10/09/12	08/10/12	08/10/12	8,800,000	8,796,480	-	8,796,480	-
FAIRWAY FINANCE CO,CPABS4	10/10/12	08/08/12	08/08/12	4,200,000	4,198,604	-	4,198,604	-
FAIRWAY FINANCE CO LLC	03/06/13	08/30/12	09/06/12	23,500,000	23,500,000	-	23,500,000	-
GENERAL ELECTRIC CAPITAL CORP	10/19/12	08/29/12	08/31/12	10,000,000	10,066,500	192,500	10,259,000	-
JPMORGAN CHASE & CO	02/28/13	08/29/12	08/29/12	200,000,000	200,000,000	-	200,000,000	-
SALISBURY RECEIVABLES COMPANY LLC	11/27/12	08/30/12	08/30/12	23,000,000	22,982,942	-	22,982,942	-
SHEFFIELD RECEIVABLECPABS4	11/07/12	08/06/12	08/06/12	50,000,000	49,959,959	-	49,959,959	-
SHEFFIELD RECEIVABLECPABS4	11/07/12	08/06/12	08/06/12	50,000,000	49,959,959	-	49,959,959	-
SOCIETE GENERALE NOCP	09/06/12	08/02/12	08/02/12	50,000,000	49,980,556	-	49,980,556	-
SOCIETE GENERALE NOCP	09/06/12	08/02/12	08/02/12	50,000,000	49,980,556	-	49,980,556	-
SOCIETE GENERALE, PCDYAN	09/06/12	08/02/12	08/02/12	50,000,000	50,000,000	-	50,000,000	-
SOCIETE GENERALE, PCDYAN	09/06/12	08/02/12	08/02/12	45,000,000	45,000,000	-	45,000,000	-
STARBIRD FUNDING COCPABS4	09/11/12	08/07/12	08/07/12	50,000,000	49,978,125	-	49,978,125	-
STARBIRD FUNDING COCPABS4	09/11/12	08/07/12	08/07/12	25,000,000	24,989,063	-	24,989,063	-
STARBIRD FUNDING COCPABS4	09/24/12	08/20/12	08/20/12	47,000,000	46,983,550	-	46,983,550	-
STARBIRD FUNDING CORP CP ABS	10/03/12	08/29/12	08/29/12	33,400,000	33,388,310	-	33,388,310	-
WINDMILL FUNDING COCPABS4	08/17/12	08/16/12	08/16/12	50,000,000	49,999,722	-	49,999,722	-
WINDMILL FUNDING COCPABS4	08/17/12	08/16/12	08/16/12	50,000,000	49,999,722	-	49,999,722	-
WINDMILL FUNDING COCPABS4	08/22/12	08/21/12	08/21/12	24,000,000	23,999,880	-	23,999,880	-

#### Compliance Exception—Svenska Handelsbanken \$45 Million Variable Medium Term Note (MTN) 0.53%

Even though this compliance exception was not material, the SBA wants to maintain full transparency and meet the highest standards for participant disclosure.

The Svenska Handelsbanken medium term note was a 144A issuance available for sale only to Qualified Institutional Buyers (“QIBs”), not to accredited investors such as Florida PRIME. The security’s non-applicability for accredited investors was not properly discerned by Federated Investors at the time of purchase. The ineligible security came to Federated’s attention on 9/11/12, and they notified the SBA’s Fixed Income Investment Oversight Group (IOG) within 24 hours, pursuant to compliance procedure, and put additional plans in place to mitigate the risk of purchasing any ineligible 144A securities in the future.

The IOG held an ad hoc meeting on 9/12/12 to evaluate the compliance exception. The compliance exception came to Federated’s attention via an inquiry from the Auditor General’s Office. The Auditor General conducts an annual financial audit of the investments made by Florida PRIME, as part of a multi-layer oversight program governing Florida PRIME. Since Florida PRIME is not allowed to own a 144A security that can only be sold to QIB’s, the IOG recommended on September 12, 2012

**TRADING ACTIVITY FOR AUGUST 2012 (CONTINUED)**

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<i>Buys (continued)</i>								
WINDMILL FUNDING COCPABS4	08/22/12	08/21/12	08/21/12	50,000,000	\$ 49,999,750	\$ -	\$ 49,999,750	\$ -
WINDMILL FUNDING COCPABS4	08/22/12	08/21/12	08/21/12	50,000,000	49,999,750	-	49,999,750	-
WINDMILL FUNDING COCPABS4	08/23/12	08/22/12	08/22/12	24,000,000	23,999,880	-	23,999,880	-
WINDMILL FUNDING COCPABS4	08/23/12	08/22/12	08/22/12	50,000,000	49,999,750	-	49,999,750	-
WINDMILL FUNDING COCPABS4	08/23/12	08/22/12	08/22/12	50,000,000	49,999,750	-	49,999,750	-
WINDMILL FUNDING COCPABS4	08/28/12	08/27/12	08/27/12	50,000,000	49,999,736	-	49,999,736	-
WINDMILL FUNDING COCPABS4	08/28/12	08/27/12	08/27/12	10,000,000	9,999,947	-	9,999,947	-
WINDMILL FUNDING COCPABS4	08/28/12	08/27/12	08/27/12	50,000,000	49,999,736	-	49,999,736	-
WINDMILL FUNDING COCPABS4	09/17/12	08/13/12	08/13/12	30,700,000	30,690,151	-	30,690,151	-
WINDMILL FUNDING COCPABS4	09/27/12	08/23/12	08/23/12	23,000,000	22,993,739	-	22,993,739	-
WINDMILL FUNDING COCPABS4	09/27/12	08/23/12	08/23/12	50,000,000	49,986,389	-	49,986,389	-
WINDMILL FUNDING COCPABS4	09/27/12	08/23/12	08/23/12	50,000,000	49,986,389	-	49,986,389	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/03/12	08/03/12	4,593,218	4,593,218	-	4,593,218	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/06/12	08/06/12	2,664,278	2,664,278	-	2,664,278	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/08/12	08/08/12	16,030,276	16,030,276	-	16,030,276	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/14/12	08/14/12	3,255,731	3,255,731	-	3,255,731	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/16/12	08/16/12	1,492,974	1,492,974	-	1,492,974	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/20/12	08/20/12	131,875	131,875	-	131,875	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/22/12	08/22/12	4,340,612	4,340,612	-	4,340,612	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/27/12	08/27/12	1,298,376	1,298,376	-	1,298,376	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/28/12	08/28/12	2,853,002	2,853,002	-	2,853,002	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/30/12	08/30/12	2,888,568	2,888,568	-	2,888,568	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/31/12	08/31/12	3,899,095	3,899,095	-	3,899,095	-
FEDERATED PRIME CASH OBLIGATIONS FUND	10/01/40	08/01/12	08/01/12	36,696	36,696	-	36,696	-
FEDERATED PRIME OBLIGATIONS FUND	10/01/40	08/01/12	08/01/12	38,480	38,480	-	38,480	-
DEUTSCHE BANK	08/02/12	08/01/12	08/01/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/02/12	08/01/12	08/01/12	1,010,000,000	1,010,000,000	-	1,010,000,000	-
DEUTSCHE BANK	08/03/12	08/02/12	08/02/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/03/12	08/02/12	08/02/12	925,000,000	925,000,000	-	925,000,000	-
DEUTSCHE BANK	08/06/12	08/03/12	08/03/12	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	08/06/12	08/03/12	08/03/12	995,000,000	995,000,000	-	995,000,000	-
DEUTSCHE BANK	08/07/12	08/06/12	08/06/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/07/12	08/06/12	08/06/12	860,000,000	860,000,000	-	860,000,000	-
DEUTSCHE BANK	08/08/12	08/07/12	08/07/12	500,000,000	500,000,000	-	500,000,000	-

that the Svenska security be sold, as it did not meet the requirements of an eligible portfolio holding. Although the Svenska investment met all of the required credit and maturity parameters required by the Florida PRIME investment policy statement, because it was only available for sale to QIBs, it was not an eligible investment. Minutes from the 9/12/12 ad hoc IOG meeting are posted on the Florida PRIME website.

On September 13, 2012, the SBA Executive Director & CIO provided written approval to the Chair of the IOG concurring with the recommendation to direct Federated Investors to sell the ineligible security. Later the same day, the Chair of the SBA's IOG notified Federated Investors that he had obtained written approval from the SBA Executive Director & CIO authorizing the sale of the Svenska security "promptly and prudently" consistent with the recommendation of the IOG.

The Svenska Handelsbanken medium term note was sold by Federated Investors on the morning of September 14, 2012, with a small, realized gain of \$7,900.

TRADING ACTIVITY FOR AUGUST 2012 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<i>Buys (continued)</i>					\$	\$	\$	\$
BANK OF AMERICA TRIPARTY	08/08/12	08/07/12	08/07/12	860,000,000	860,000,000	-	860,000,000	-
DEUTSCHE BANK	08/09/12	08/08/12	08/08/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/09/12	08/08/12	08/08/12	900,000,000	900,000,000	-	900,000,000	-
DEUTSCHE BANK	08/10/12	08/09/12	08/09/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/10/12	08/09/12	08/09/12	1,090,000,000	1,090,000,000	-	1,090,000,000	-
DEUTSCHE BANK	08/13/12	08/10/12	08/10/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/13/12	08/10/12	08/10/12	1,190,000,000	1,190,000,000	-	1,190,000,000	-
DEUTSCHE BANK	08/14/12	08/13/12	08/13/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/14/12	08/13/12	08/13/12	1,175,000,000	1,175,000,000	-	1,175,000,000	-
DEUTSCHE BANK	08/15/12	08/14/12	08/14/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/15/12	08/14/12	08/14/12	1,050,000,000	1,050,000,000	-	1,050,000,000	-
DEUTSCHE BANK	08/16/12	08/15/12	08/15/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/16/12	08/15/12	08/15/12	1,040,000,000	1,040,000,000	-	1,040,000,000	-
DEUTSCHE BANK	08/17/12	08/16/12	08/16/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/17/12	08/16/12	08/16/12	965,000,000	965,000,000	-	965,000,000	-
DEUTSCHE BANK	08/20/12	08/17/12	08/17/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/20/12	08/17/12	08/17/12	1,130,000,000	1,130,000,000	-	1,130,000,000	-
DEUTSCHE BANK	08/21/12	08/20/12	08/20/12	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	08/21/12	08/20/12	08/20/12	925,000,000	925,000,000	-	925,000,000	-
DEUTSCHE BANK	08/22/12	08/21/12	08/21/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/22/12	08/21/12	08/21/12	865,000,000	865,000,000	-	865,000,000	-
DEUTSCHE BANK	08/23/12	08/22/12	08/22/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/23/12	08/22/12	08/22/12	760,000,000	760,000,000	-	760,000,000	-
DEUTSCHE BANK	08/24/12	08/23/12	08/23/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/24/12	08/23/12	08/23/12	735,000,000	735,000,000	-	735,000,000	-
DEUTSCHE BANK	08/27/12	08/24/12	08/24/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/27/12	08/24/12	08/24/12	980,000,000	980,000,000	-	980,000,000	-
DEUTSCHE BANK	08/28/12	08/27/12	08/27/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/28/12	08/27/12	08/27/12	950,000,000	950,000,000	-	950,000,000	-
DEUTSCHE BANK	08/29/12	08/28/12	08/28/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/29/12	08/28/12	08/28/12	1,220,000,000	1,220,000,000	-	1,220,000,000	-
DEUTSCHE BANK	08/30/12	08/29/12	08/29/12	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	08/30/12	08/29/12	08/29/12	825,000,000	825,000,000	-	825,000,000	-
DEUTSCHE BANK	08/31/12	08/30/12	08/30/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/31/12	08/30/12	08/30/12	940,000,000	940,000,000	-	940,000,000	-
DEUTSCHE BANK	09/04/12	08/31/12	08/31/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/04/12	08/31/12	08/31/12	895,000,000	895,000,000	-	895,000,000	-
<b>Total Buys</b>				<b>35,833,930,179</b>	<b>\$35,833,650,420</b>	<b>\$192,500</b>	<b>\$35,833,842,920</b>	-

TRADING ACTIVITY FOR AUGUST 2012 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Maturities</b>					\$	\$	\$	\$
BANK OF TOKYO-MITSUCDYAN	08/27/12	08/27/12	08/27/12	50,000,000	50,000,000	-	50,000,000	-
BARTON CAPITAL LLCCPABS4-	08/02/12	08/02/12	08/02/12	18,200,000	18,200,000	-	18,200,000	-
BARTON CAPITAL LLCCPABS4-	08/15/12	08/15/12	08/15/12	1,000,000	1,000,000	-	1,000,000	-
CREDIT AGRICOLE NORCP	08/27/12	08/27/12	08/27/12	195,000,000	195,000,000	-	195,000,000	-
DEUTSCHE BANK AGCDYAN	08/17/12	08/17/12	08/17/12	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK AGCDYAN	08/01/12	08/01/12	08/01/12	100,000,000	100,000,000	-	100,000,000	-
FCAR OWNER TRUST ACPABS3	08/01/12	08/01/12	08/01/12	75,000,000	75,000,000	-	75,000,000	-
FCAR OWNER TRUST, ACPABS3	08/10/12	08/10/12	08/10/12	72,100,000	72,100,000	-	72,100,000	-
GENERAL ELECTRIC CAPITAL CORP	08/13/12	08/13/12	08/13/12	50,000,000	50,000,000	-	50,000,000	-
ING (U.S.) FUNDING CP	08/28/12	08/28/12	08/28/12	115,000,000	115,000,000	-	115,000,000	-
MARKET STREET FUNDICPABS4	08/29/12	08/29/12	08/29/12	30,000,000	30,000,000	-	30,000,000	-
MIZUHO CORPORATE BACDYAN	08/08/12	08/08/12	08/08/12	50,000,000	50,000,000	-	50,000,000	-
SOCIETE GENERALE, PCDYAN	08/02/12	08/02/12	08/02/12	100,000,000	100,000,000	-	100,000,000	-
SOCIETE GENERALE, PCDYAN	08/02/12	08/02/12	08/02/12	100,000,000	100,000,000	-	100,000,000	-
STARBIRD FUNDING COCPABS4	08/07/12	08/07/12	08/07/12	75,000,000	75,000,000	-	75,000,000	-
WINDMILL FUNDING COCPABS4	08/06/12	08/06/12	08/06/12	56,800,000	56,800,000	-	56,800,000	-
WINDMILL FUNDING COCPABS4	08/16/12	08/16/12	08/16/12	49,400,000	49,400,000	-	49,400,000	-
WINDMILL FUNDING COCPABS4	08/17/12	08/17/12	08/17/12	100,000,000	100,000,000	-	100,000,000	-
WINDMILL FUNDING COCPABS4	08/22/12	08/22/12	08/22/12	124,000,000	124,000,000	-	124,000,000	-
WINDMILL FUNDING COCPABS4	08/23/12	08/23/12	08/23/12	124,000,000	124,000,000	-	124,000,000	-
WINDMILL FUNDING COCPABS4	08/24/12	08/24/12	08/24/12	150,000,000	150,000,000	-	150,000,000	-
WINDMILL FUNDING COCPABS4	08/28/12	08/28/12	08/28/12	134,000,000	134,000,000	-	134,000,000	-
DEUTSCHE BANK	08/01/12	08/01/12	08/01/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/01/12	08/01/12	08/01/12	920,000,000	920,000,000	-	920,000,000	-
DEUTSCHE BANK	08/02/12	08/02/12	08/02/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/02/12	08/02/12	08/02/12	1,010,000,000	1,010,000,000	-	1,010,000,000	-
DEUTSCHE BANK	08/03/12	08/03/12	08/03/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/03/12	08/03/12	08/03/12	925,000,000	925,000,000	-	925,000,000	-
DEUTSCHE BANK	08/06/12	08/06/12	08/06/12	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	08/06/12	08/06/12	08/06/12	995,000,000	995,000,000	-	995,000,000	-
DEUTSCHE BANK	08/07/12	08/07/12	08/07/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/07/12	08/07/12	08/07/12	860,000,000	860,000,000	-	860,000,000	-
DEUTSCHE BANK	08/08/12	08/08/12	08/08/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/08/12	08/08/12	08/08/12	860,000,000	860,000,000	-	860,000,000	-

**TRADING ACTIVITY FOR AUGUST 2012 (CONTINUED)**

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<i>Maturities (continued)</i>					\$	\$	\$	\$
DEUTSCHE BANK	08/09/12	08/09/12	08/09/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/09/12	08/09/12	08/09/12	900,000,000	900,000,000	-	900,000,000	-
DEUTSCHE BANK	08/10/12	08/10/12	08/10/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/10/12	08/10/12	08/10/12	1,090,000,000	1,090,000,000	-	1,090,000,000	-
DEUTSCHE BANK	08/13/12	08/13/12	08/13/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/13/12	08/13/12	08/13/12	1,190,000,000	1,190,000,000	-	1,190,000,000	-
DEUTSCHE BANK	08/14/12	08/14/12	08/14/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/14/12	08/14/12	08/14/12	1,175,000,000	1,175,000,000	-	1,175,000,000	-
DEUTSCHE BANK	08/15/12	08/15/12	08/15/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/15/12	08/15/12	08/15/12	1,050,000,000	1,050,000,000	-	1,050,000,000	-
DEUTSCHE BANK	08/16/12	08/16/12	08/16/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/16/12	08/16/12	08/16/12	1,040,000,000	1,040,000,000	-	1,040,000,000	-
DEUTSCHE BANK	08/17/12	08/17/12	08/17/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/17/12	08/17/12	08/17/12	965,000,000	965,000,000	-	965,000,000	-
DEUTSCHE BANK	08/20/12	08/20/12	08/20/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/20/12	08/20/12	08/20/12	1,130,000,000	1,130,000,000	-	1,130,000,000	-
DEUTSCHE BANK	08/21/12	08/21/12	08/21/12	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	08/21/12	08/21/12	08/21/12	925,000,000	925,000,000	-	925,000,000	-
DEUTSCHE BANK	08/22/12	08/22/12	08/22/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/22/12	08/22/12	08/22/12	865,000,000	865,000,000	-	865,000,000	-
DEUTSCHE BANK	08/23/12	08/23/12	08/23/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/23/12	08/23/12	08/23/12	760,000,000	760,000,000	-	760,000,000	-
DEUTSCHE BANK	08/24/12	08/24/12	08/24/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/24/12	08/24/12	08/24/12	735,000,000	735,000,000	-	735,000,000	-
DEUTSCHE BANK	08/27/12	08/27/12	08/27/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/27/12	08/27/12	08/27/12	980,000,000	980,000,000	-	980,000,000	-
DEUTSCHE BANK	08/28/12	08/28/12	08/28/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/28/12	08/28/12	08/28/12	950,000,000	950,000,000	-	950,000,000	-
DEUTSCHE BANK	08/29/12	08/29/12	08/29/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/29/12	08/29/12	08/29/12	1,220,000,000	1,220,000,000	-	1,220,000,000	-
DEUTSCHE BANK	08/30/12	08/30/12	08/30/12	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	08/30/12	08/30/12	08/30/12	825,000,000	825,000,000	-	825,000,000	-
DEUTSCHE BANK	08/31/12	08/31/12	08/31/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	08/31/12	08/31/12	08/31/12	940,000,000	940,000,000	-	940,000,000	-
<b>Total Maturities</b>				<b>35,829,500,000</b>	<b>\$35,829,500,000</b>	-	<b>\$35,829,500,000</b>	-

TRADING ACTIVITY FOR AUGUST 2012 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Sells</b>					\$	\$	\$	\$
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/01/12	08/01/12	175,627	175,627	-	175,627	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/01/12	08/01/12	125,855	125,855	-	125,855	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/01/12	08/01/12	2,145,288	2,145,288	-	2,145,288	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/02/12	08/02/12	444,596	444,596	-	444,596	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/02/12	08/02/12	1,198,803	1,198,803	-	1,198,803	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/07/12	08/07/12	265,342	265,342	-	265,342	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/07/12	08/07/12	976,786	976,786	-	976,786	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/07/12	08/07/12	285,681	285,681	-	285,681	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/07/12	08/07/12	11,640	11,640	-	11,640	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/07/12	08/07/12	4,593,218	4,593,218	-	4,593,218	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/07/12	08/07/12	2,664,278	2,664,278	-	2,664,278	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/09/12	08/09/12	12,751,856	12,751,856	-	12,751,856	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/10/12	08/10/12	1,071,434	1,071,434	-	1,071,434	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/13/12	08/13/12	929,288	929,288	-	929,288	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/15/12	08/15/12	562,307	562,307	-	562,307	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/17/12	08/17/12	111,006	111,006	-	111,006	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/21/12	08/21/12	604,385	604,385	-	604,385	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/21/12	08/21/12	2,796,648	2,796,648	-	2,796,648	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/23/12	08/23/12	459,083	459,083	-	459,083	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/23/12	08/23/12	1,648,442	1,648,442	-	1,648,442	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/24/12	08/24/12	1,492,974	1,492,974	-	1,492,974	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/24/12	08/24/12	1,125,478	1,125,478	-	1,125,478	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/29/12	08/29/12	131,875	131,875	-	131,875	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/29/12	08/29/12	1,566,692	1,566,692	-	1,566,692	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/29/12	08/29/12	1,298,376	1,298,376	-	1,298,376	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	08/29/12	08/29/12	1,787,684	1,787,684	-	1,787,684	-
<b>Total Sells</b>				<b>41,224,642</b>	<b>\$41,224,642</b>	-	<b>\$41,224,642</b>	-

# FUND B

## FUND B FACTS

### INVESTMENT OBJECTIVE

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

### COMPOSITION

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

### DISTRIBUTIONS

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

### ACCOUNTING

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

### STATUS OF INVESTMENTS

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

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

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

## COMMENTARY ON PORTFOLIO MANAGEMENT

All cash from paydowns on securities in Fund B are invested in AAAM-rated money market funds pending monthly distribution to participant accounts in Florida PRIME. This month, \$4.5 million in liquid assets were transferred from Fund B to Florida PRIME, consisting of principal paydowns and income from the securities in the Fund.

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

## LEGAL ISSUE

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

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

## DISCLOSURE OF MATERIAL IMPACTS

There were no developments during August 2012 that had a material impact on the liquidity or operation of Fund B.

# FUND B

## FUND B DISTRIBUTIONS

### RETURN OF FUND B PRINCIPAL

The first table below details the SBA's progress in returning principal to investors in Fund B. Through the end of August 2012, investors cumulatively received distributions from Fund B totaling \$1.74 billion or 86.7% of their original balances.

The securities remaining in Fund B are legacy items from the four issuers whose financial circumstances gave rise to the November 2007 run (as well as overnight instruments temporarily holding fund earnings). As of August 31, 2012, their remaining amortized cost was \$474.2 million,

or 77.1% more than remaining participant positions in Fund B. Conversely, the current estimated liquidation (market) value of these securities is pegged at \$242.4 million or 90.5% of remaining participant positions.

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

### FUND B DISTRIBUTIONS TO PARTICIPANTS

	Distributions to Participants	Cumulative Distributions	Participant Principal	Proportion of Original Principal Returned
12/05/07	\$	\$	\$ 2,009,451,941	0.0%
CY 2008	\$ 1,421,900,000	\$ 1,421,900,000	\$ 587,551,941	70.8%
CY 2009	\$ 89,100,000	\$ 1,511,000,000	\$ 498,451,941	75.2%
CY 2010	\$ 135,100,000	\$ 1,646,100,000	\$ 363,351,941	81.9%
CY 2011	\$ 57,425,000	\$ 1,703,525,000	\$ 305,926,941	84.8%
01/09/12	\$ 4,325,000	\$ 1,707,850,000	\$ 301,601,941	85.0%
02/07/12	\$ 3,200,000	\$ 1,711,050,000	\$ 298,401,941	85.2%
03/06/12	\$ 3,925,000	\$ 1,714,975,000	\$ 294,476,941	85.3%
04/05/12	\$ 4,400,000	\$ 1,719,375,000	\$ 290,076,941	85.6%
05/04/12	\$ 5,275,000	\$ 1,724,650,000	\$ 284,801,941	85.8%
06/05/12	\$ 7,050,000	\$ 1,731,700,000	\$ 277,751,941	86.2%
07/04/12	\$ 5,450,000	\$ 1,737,150,000	\$ 272,301,941	86.4%
08/06/12	\$ 4,500,000	\$ 1,741,650,000	\$ 267,801,941	86.7%

### FUND B MONTHLY DISTRIBUTION DETAIL

August 2012 Distribution Detail Including Receipts by Source For the period 7/6/12 - 8/6/12	Fund B	
	Participant Allocation	Expense Allocation
Beginning Balance	\$ -	\$ 4,317.62
Receipts:		
Florida East	\$ 849,558.23	
Florida West	\$ 1,565,416.15	
Florida Funding I	\$ 550,003.59	
Florida Funding II	\$ 1,552,424.33	
Overnight Investments	\$ 8.38	
Total Receipts	\$ 4,517,410.68	
Distributions:		
Allocation to/from Expense Reserve	\$ (17,410.68)	\$ 17,410.68
Expenses Paid		\$ (1,198.68)
Participant Distribution	\$ (4,500,000.00)	
Ending Balance	\$ -	\$ 20,529.62

# FUND B

## INVENTORY OF HOLDINGS - AS OF AUGUST 31, 2012

Security Name	Type	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND		5,177,934	0.00	\$ 5,177,934	\$ 5,177,934	\$ -
Florida East Funding LLC	VARIABLE RATE TERM NOTE	08/28/12	76,232,947	0.58	\$ 76,232,947	\$ 56,365,646	\$ (19,867,301)
Florida West Funding LLC	VARIABLE RATE TERM NOTE	08/28/12	179,093,981	0.58	\$ 179,093,981	\$ 102,415,797	\$ (76,678,183)
Florida Funding I LLC	VARIABLE RATE TERM NOTE	08/29/12	120,646,108	0.33	\$ 120,646,108	\$ 26,941,607	\$ (93,704,501)
Florida Funding II LLC	VARIABLE RATE COMMERCIAL PAPER	08/29/12	93,089,642	0.46	\$ 93,082,219	\$ 51,503,732	\$ (41,578,487)
<b>Total Value of Investments</b>			<b><u>474,240,612</u></b>		<b><u>\$474,233,189</u></b>	<b><u>\$242,404,716</u></b>	<b><u>(\$231,828,472)</u></b>

### Notes:

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

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

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

The collateral manager, Apollo Global Management, is the source for data shown above other than market value. See note 1.

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

# FUND B

## COMPLIANCE AND TRADING ACTIVITY

### COMPLIANCE WITH INVESTMENT POLICY - AUGUST 2012

Investment Policy Statement Compliance is conducted on Fund B by SBA Risk Management and Compliance and reported on a monthly basis to the Investment Oversight Group. Portfolio activity is reviewed to ensure that transactions and holdings are in compliance with guideline requirements and with those stipulated in the respective Investment Management Agreements with Apollo Global Management, the collateral manager for the four special purpose entities held in Fund B (Florida East Funding LLC, Florida West Funding LLC, Florida Funding I LLC, and Florida Funding II LLC). Since the principal holdings in the fund are the notes issued by these special purpose entities, and no deposits or withdrawals are permitted by participants, transactions are typically limited to 1) the receipt cash flows from the underlying note collateral, 2) the investment of these cash flows in AAAM money market funds, and 3) periodic distributions to participants. Apollo Global Management can also sell, exchange, or restructure the notes, consistent with the objective of maximizing the present value of cash flows from the collateral. For the month of August 2012, Fund B was in compliance with its Investment Policy Statement.

### TRADING ACTIVITY - AUGUST 2012

Security Description	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Buys</b>							
DREYFUS GOVERNMENT CASH MANAGEMENT	08/02/12	08/02/12	8	8	0	8	0
DREYFUS GOVERNMENT CASH MANAGEMENT	08/30/12	08/30/12	5,159,387	5,159,387	0	5,159,387	0
<b>Total Buys</b>			<b><u>5,159,395</u></b>	<b><u>5,159,395</u></b>	<b><u>\$0</u></b>	<b><u>\$5,159,395</u></b>	<b><u>\$0</u></b>
<b>Sells</b>							
FLORIDA FUNDING I LLC	08/30/12	08/30/12	471,224	471,224	0	471,224	0
FLORIDA EAST FUNDING LLC	08/30/12	08/30/12	778,154	778,154	0	778,154	0
FLORIDA WEST FUNDING LLC	08/30/12	08/30/12	1,250,649	1,250,649	0	1,250,649	0
FLORIDA FUNDING II	08/30/12	08/30/12	2,450,576	2,450,576	0	2,450,576	195
DREYFUS GOVERNMENT CASH MANAGEMENT	08/01/12	08/01/12	58	58	0	58	0
DREYFUS GOVERNMENT CASH MANAGEMENT	08/06/12	08/06/12	3,105	3,105	0	3,105	0
DREYFUS GOVERNMENT CASH MANAGEMENT	08/06/12	08/06/12	4,471,758	4,471,758	0	4,471,758	0
DREYFUS GOVERNMENT CASH MANAGEMENT	08/06/12	08/06/12	25,137	25,137	0	25,137	0
DREYFUS GOVERNMENT CASH MANAGEMENT	08/17/12	08/17/12	1,983	1,983	0	1,983	0
<b>Total Sells</b>			<b><u>9,452,644</u></b>	<b><u>\$9,452,644</u></b>	<b><u>\$0</u></b>	<b><u>\$9,452,644</u></b>	<b><u>\$195</u></b>

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

## Our Mission

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



STATE BOARD OF ADMINISTRATION  
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# Monthly Summary Report for September 2012

Including Fund B

**State Board of Administration**

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

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

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

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

**INTRODUCTION**

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

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

This report, which covers the period from September 1, 2012 through September 30, 2012, has been prepared by the SBA with input from Federated Investment Counseling (“Federated”), investment advisor for Florida PRIME and Apollo Global Management (formerly known as Stone Tower Debt Advisors LLC), the collateral manager for Fund B, in a format intended to comply with the statute.

During the reporting period, Florida PRIME and Fund B were in material compliance with investment policy. Please see the additional explanation concerning a recent compliance exception on Page 14 of this report. Details are available in the PRIME policy compliance table and the Fund B compliance narrative in the body of this report. This report also includes details on market conditions; fees; fund holdings, transactions and performance; and client composition.

**DISCLOSURE OF MATERIAL IMPACTS**

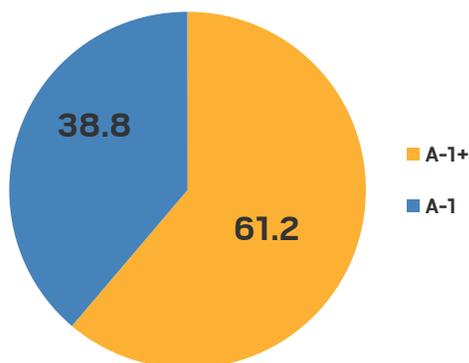
There were no developments during September 2012 that had a material impact on the liquidity or operation of Florida PRIME.

**PORTFOLIO COMPOSITION  
SEPTEMBER 30, 2012**

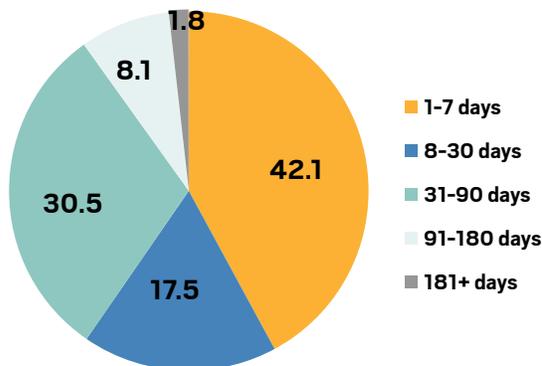
**Florida PRIME Assets**

\$ 6,368,613,753

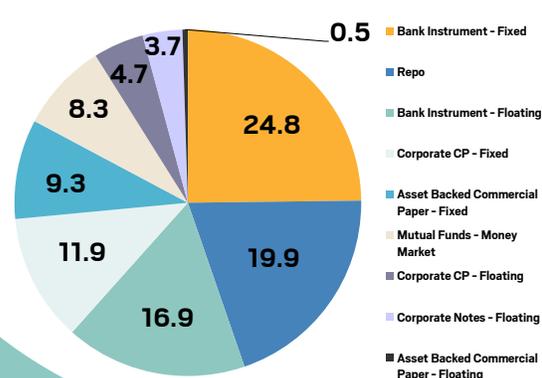
**Credit Quality Composition (%)**



**Effective Maturity Schedule (%)**



**Portfolio Composition (%)**



**PORTFOLIO MANAGER COMMENTARY**

**SEPTEMBER 2012 MARKET CONDITIONS**

The big news last month was the Federal Reserve's Federal Open Market Committee announcement of a new round of easing measures, focusing on mortgages, and a commitment to continue easing indefinitely. The market reaction, at least in the money market world, has been better than expected. Despite the announcement, there has been no real drop-off in either supply or in overnight or term rates. Repo rates are still in the high teens or low 20's, and there is an ample amount of supply in both mortgages and Treasuries.

This does not mean we will not see repercussions. Neither event has taken place yet. We do expect to see a general reduction in supply and lower rates, especially in the overnight marketplace, probably beginning this month. The Fed is planning \$40 billion per month in additional purchases of mortgages, a course change that has to leave a significant wake.

Another positive is on the municipal side. The rates on both daily and weekly variable rate demand notes (VRDNs)—short-term debt instruments that reset on a daily and weekly basis—have been slowly inching upward. We were predicting this to happen. The strong showing by VRDNs is especially notable, coming in an environment in which overnight rates in the taxable market are doing well themselves.

Overseas, Standard & Poor's potentially cast some light on the wide gap between borrowing rates in the eurozone. It said late in the month that the Swiss National Bank, in an effort to protect its currency against the euro, has been buying approximately 50 percent of the bonds issued by the stronger "core" European countries of Germany, France, Finland, the Netherlands and Austria, amounting to roughly 80 billion euro worth of bonds in the first seven months of 2012 alone. If true, that could be a contributing factor in the discrepancy between the low rates for those stronger core countries and the higher borrowing costs for less-stable European countries such as Spain and Italy. Switzerland's central bank denied the rating agency's charge, saying that S&P failed to take into account its sizable deposits outside of the core zone.

SEPTEMBER 30, 2012

**Top Holdings (%) and Average Maturity**

1. Royal Bank of Canada, Montreal	5.2%
2. Bank of America Corp.	5.1%
3. Mitsubishi UFJ Financial Group, Inc.	5.1%
4. Sumitomo Mitsui Financial Group, Inc.	5.0%
5. J.P. Morgan Chase & Co.	4.4%
6. Federated Prime Obligations Fund	4.3%
7. Deutsche Bank AG	4.3%
8. Canadian Imperial Bank of Commerce	4.3%
9. Bank of Montreal	4.0%
10. Federated Prime Cash Obligations Fund	3.9%

**Average Effective Maturity (WAM)**

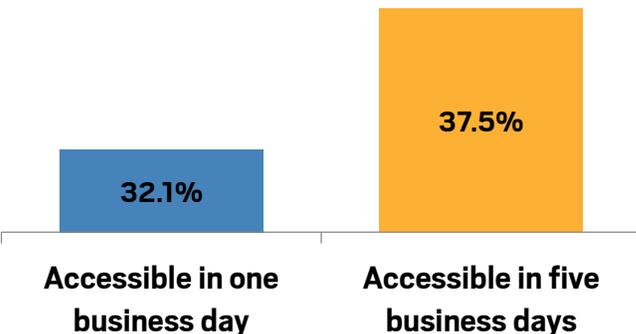
39.3 Days

**Weighted Average Life (Spread WAM)**

83.6 Days

Percentages based on total value of investments

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



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

**PORTFOLIO INVESTMENT STRATEGY**

As of the end of September 2012, Florida PRIME pool assets were down \$252 million to \$6.4 billion, due to normal seasonal outflows.

During September, the gross yield for Florida PRIME declined by one basis point reflecting what has been happening in the London interbank offered rates (LIBOR) market, which was off throughout the month, shifting the entire yield curve. One-month LIBOR closed the month down two basis points to 0.21%, and three-month, six-month and one-year LIBOR were each off six basis points, to 0.36%, 0.64%, 0.97%, respectively, at the end of the month.

The weighted average maturity of the pool was up by 9 days to 39 days, and the weighted average life was out to 84 days from 52 days at the end of August, due to management purchases of long-term floating-rate bank paper in the nine- to twelve-month area, which changed the composition of the portfolio. Other management purchases during September were concentrated in the banking sector, with some purchases of fixed-rate paper in the 30- to 90-day area.

Overall, exposure to variable rate instruments was up 4% to make up 24% of the portfolio. Bank instruments were up 1% to make up 25% of the pool. Fixed-rate commercial paper instruments were down by 4% to make up 21% of the pool. The pool's repurchase agreement position was down by 1% to 20% and investment in money market funds remained at 8%.

**CASH FLOWS**
**Summary of Cash Flows**

September 2012	Florida PRIME	
Opening Balance (9/1/12)	\$	6,620,127,659
Participant Deposits		903,164,547
Transfers from Fund B		5,150,000
Gross Earnings		1,860,808
Participant Withdrawals		(1,161,532,614)
Fees		(156,647)
Closing Balance (9/30/12)	\$	<u>6,368,613,753</u>
Net Change over Month		(251,513,906)

Valuations based on amortized cost

As shown in the table above, Florida PRIME experienced a net outflow of \$251.5 million during September 2012.

This change in value consisted of positive flows of \$903.2 million in participant deposits, \$5.2 million in transfers from Fund B and \$1.9 million in earnings. Negative flows consisted of \$1.16 billion in participant withdrawals and about \$157,000 in fees.

Overall, the fund ended the month with a closing balance of \$6.39 billion.

**FLORIDA PRIME DETAILED FEE DISCLOSURE**

September 2012	Amount	Basis Point Equivalent*
SBA Client Service, Account Mgt. & Fiduciary Oversight Fee	\$ 53,567.31	\$ 0.99
Federated Investment Management Fee	88,921.15	1.64
BNY Mellon Custodial Fee	116.67	0.00
Bank of America Transfer Agent Fee	5,554.48	0.10
S&P Rating Maintenance Fee	3,196.72	0.06
Audit/External Review Fees	<u>5,291.06</u>	<u>0.10</u>
<b>Total Fees</b>	<b>\$ 156,647.39</b>	<b>2.89</b>

\*The basis point equivalent is an annualized rate based on the dollar amount of fees charged for the month times 12, divided by an average of the fund's beginning and ending total value (amortized cost) for the month which was \$6,494,370,706.

## CHECK IT OUT!

# THE SBA STUDY ON FLORIDA PRIME AND AD-VALOREM REVENUE IS AVAILABLE

SEE THE LINK BELOW OR VISIT THE PRIME WEBSITE FOR MORE INFORMATION - [WWW.SBAFLA.COM/PRIME](http://WWW.SBAFLA.COM/PRIME)

<https://www.sbafla.com/prime/portals/8/News/FloridaPRIMEandTaxableValueSBA2012.pdf>

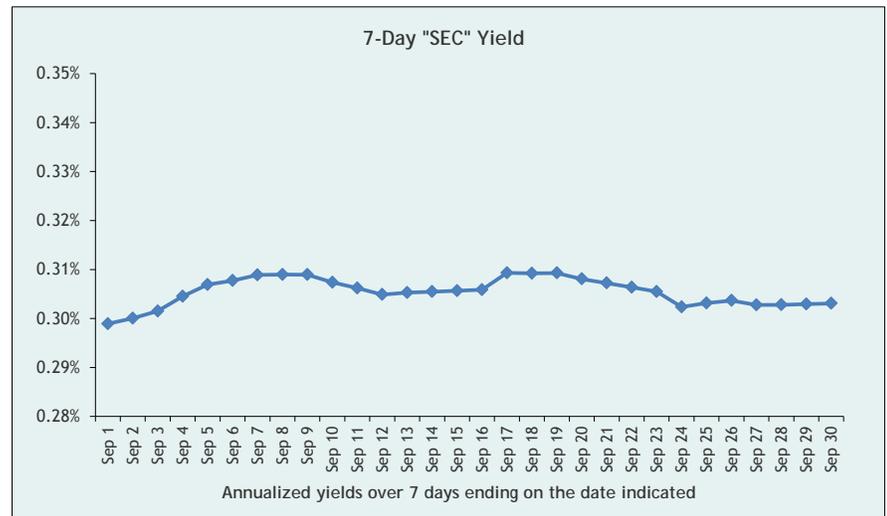
**FUND PERFORMANCE  
THROUGH SEPTEMBER 30, 2012**

**Florida PRIME Participant Performance Data**

	Net Participant Yield <sup>1</sup>	Net-of-Fee Benchmark <sup>2</sup>	Above (Below) Benchmark
1 mo	0.32%	0.10%	0.22%
3 mos	0.31%	0.10%	0.21%
12 mos	0.30%	0.09%	0.21%
3 yrs	0.28%	0.13%	0.15%
5 yrs	0.96%	0.90%	0.06%
10 yrs	2.07%	1.86%	0.21%
Since 1.96	3.27%	3.05%	0.22%

Net asset value at month end: \$6,368.8 m

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



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

**NOTES TO PERFORMANCE TABLE**

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

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

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

**NOTES TO CHART**

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

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

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

**ABOUT ANNUALIZED YIELDS**

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

For example, ignoring the effects of compounding,

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

**INVENTORY OF HOLDINGS  
SEPTEMBER 30, 2012**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Atlantic Asset Securitization LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		10/04/12		19,400,000	0.41	\$ 19,398,707	\$ 19,399,451	\$ 744
Australia & New Zealand Banking Group, Melbourne, Mar 04, 2013	VARIABLE RATE COMMERCIAL PAPER - 4-2	0.41	03/04/13	10/04/12	100,000,000	0.41	100,000,000	99,997,900	(2,100)
Bank of America N.A. BNOTE	BANK NOTE	0.44	11/19/12		40,000,000	0.45	40,000,000	40,006,920	6,920
Bank of America N.A. BNOTE	BANK NOTE	0.42	12/14/12		50,000,000	0.43	50,000,000	50,002,125	2,125
Bank of America N.A. Triparty Repo Overnight Fixed	REPO TRIPARTY OVERNIGHT FIXED	0.22	10/01/12		865,000,000	0.22	865,000,000	865,000,000	0
Bank of America, N.A. BNOTE	BANK NOTE	0.42	12/10/12		200,000,000	0.43	200,000,000	200,007,600	7,600
Bank of Montreal CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.38	10/15/13		100,000,000	0.39	100,000,000	99,704,850	(295,150)
Bank of Montreal, Mar 04, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.41	03/04/13	10/04/12	50,000,000	0.42	50,000,000	50,006,300	6,300
Bank of Montreal, Sep 16, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.41	09/16/13	12/17/12	100,000,000	0.41	100,000,000	100,000,000	0
Bank of Nova Scotia, Toronto, May 09, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.38	05/09/13	10/09/12	50,000,000	0.38	50,000,000	50,015,200	15,200
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.34	11/30/12		75,000,000	0.35	75,000,000	75,017,048	17,048
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.33	12/12/12		50,000,000	0.34	50,000,000	50,007,280	7,280
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.30	01/25/13		30,000,000	0.31	30,000,000	29,999,010	(990)
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.36	10/18/12		20,000,000	0.37	20,000,000	20,001,998	1,998
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.36	10/22/12		50,000,000	0.37	50,000,000	50,005,995	5,995
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.35	10/26/12		100,000,000	0.36	100,000,000	100,013,210	13,210

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)**  
**SEPTEMBER 30, 2012**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
							\$	\$	\$
Barclays Bank PLC CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.33	10/30/12		40,000,000	0.34	40,000,000	40,006,752	6,752
Barclays Bank PLC CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.35	11/13/12		20,200,000	0.36	20,200,000	20,203,868	3,868
Canadian Imperial Bank of Commerce, Mar 25, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.31	03/25/13	10/24/12	275,000,000	0.31	275,000,000	275,056,925	56,925
Credit Agricole North America, Inc. CP	COMMERCIAL PAPER		10/01/12		195,000,000	0.44	194,993,012	194,995,613	2,600
Denver, CO City & County School District No. 01, Series 2011 A-3, Dec 15, 2037	VARIABLE RATE DEMAND NOTE	0.17	12/15/37	10/03/12	12,000,000	0.17	12,000,000	12,000,000	0
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.38	11/05/12		95,000,000	0.39	95,000,000	95,021,043	21,043
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.38	11/08/12		35,000,000	0.39	35,000,000	35,008,365	8,365
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.35	11/09/12		95,000,000	0.36	95,000,000	95,019,931	19,931
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.44	10/15/12		51,500,000	0.45	51,500,000	51,507,292	7,292
Deutsche Bank Securities, Inc. REP3P	REPO TRIPARTY OVERNIGHT FIXED	0.25	10/01/12		400,000,000	0.25	400,000,000	400,000,000	0
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND	0.01	10/01/12		2,753,129	0.01	2,753,129	2,753,129	0
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		01/02/13		105,000,000	0.46	104,874,000	104,921,597	47,597
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		02/04/13		70,000,000	0.42	69,897,158	69,912,206	15,048
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		03/20/13		66,000,000	0.41	65,873,133	65,852,200	(20,934)
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		10/09/12		8,800,000	0.24	8,799,355	8,799,570	215
Fairway Finance Co. LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		10/10/12		4,200,000	0.19	4,199,734	4,199,762	28

See notes at end of table.



**INVENTORY OF HOLDINGS (CONTINUED)  
SEPTEMBER 30, 2012**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
							\$	\$	\$
Fairway Finance Co. LLC, Jan 11, 2013	VARIABLE RATE COMMERCIAL PAPER- ABS-4(2)	0.27	01/11/13	10/11/12	10,000,000	0.27	10,000,000	9,999,810	(190)
Fairway Finance Co. LLC, Mar 06, 2013	VARIABLE RATE COMMERCIAL PAPER- ABS-4(2)	0.27	03/06/13	10/09/12	23,500,000	0.27	23,500,000	23,498,026	(1,974)
Federated Prime Cash Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.16	10/01/12	10/01/12	251,361,528	0.15	251,361,528	251,361,528	0
Federated Prime Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.15	10/01/12	10/01/12	276,718,432	0.14	276,718,432	276,718,432	0
General Electric Capital Corp. CP	COMMERCIAL PAPER		10/04/12		100,000,000	0.36	99,994,167	99,998,500	4,333
General Electric Capital Corp. CP	COMMERCIAL PAPER		11/19/12		50,000,000	0.36	49,974,722	49,992,415	17,693
General Electric Capital Corp., Series GMTN, 5.250%, 10/19/2012	CORPORATE BOND	5.25	10/19/12		10,000,000	0.26	10,028,500	10,022,120	(6,380)
General Electric Capital Corp., Series GMTN, 5.250%, 10/19/2012	CORPORATE BOND	5.25	10/19/12		500,000	0.41	501,386	501,106	(280)
General Electric Capital Corp., Series GMTN, 5.250%, 10/19/2012	CORPORATE BOND	5.25	10/19/12		4,913,000	0.81	4,925,446	4,923,868	(1,578)
General Electric Capital Corp., Sr. Unsecd. Note, 2.800%, 01/08/2013	CORPORATE BOND	2.80	01/08/13		24,410,000	0.51	24,564,666	24,564,686	21
General Electric Capital Corp., Sr. Unsecd. Note, 2.800%, 01/08/2013	CORPORATE BOND	2.80	01/08/13		20,281,000	0.56	20,406,452	20,409,521	3,069
General Electric Capital, Sr. Unsecd. Note, Series EMTN, 4.25%, 1/31/2013	EURO MEDIUM TERM NOTE	4.25	01/31/13		7,307,000	0.92	7,389,251	7,394,684	5,433
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		10/04/12		60,000,000	0.38	59,996,300	59,998,398	2,098
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		10/04/12		4,000,000	0.38	3,999,750	3,999,893	143
J.P. Morgan Chase & Co., 5.375%, 10/01/2012	CORPORATE BOND	5.38	10/01/12		23,520,000	0.43	23,529,508	23,520,000	(9,508)
J.P. Morgan Chase & Co., Feb 28, 2013	VARIABLE RATE COMMERCIAL PAPER	0.37	02/28/13	10/29/12	200,000,000	0.37	200,000,000	200,000,000	0

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)  
SEPTEMBER 30, 2012**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
							\$	\$	\$
Michigan State Hospital Finance Authority, (Henry Ford Health System, MI), (Series 2007), 11/15/2042	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.19	11/15/42	10/03/12	53,900,000	0.19	53,900,000	53,900,000	0
Mullenix-St. Charles Properties, L.P., Times Centre Apartments Project Series 2004, Jan 01, 2028	VARIABLE RATE DEMAND NOTE	0.23	01/01/28	10/04/12	13,500,000	0.23	13,500,000	13,500,000	0
National Australia Bank Ltd., Melbourne CDEUR	CERTIFICATE OF DEPOSIT - EURO	0.38	11/19/12		100,000,000	0.38	100,000,721	100,038,250	37,529
New York City, NY, (Fiscal 2012 Series G-6), 04/01/2042	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.13	04/01/42	10/01/12	17,550,000	0.20	17,550,000	17,550,000	0
Reno, NV Capital Improvement Revenue Bonds, (Series 2005A), 06/01/2032	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.20	06/01/32	10/04/12	35,235,000	0.20	35,235,000	35,235,000	0
Royal Bank of Canada, Montreal, Dec 21, 2012	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.45	12/21/12	12/21/12	100,000,000	0.45	100,000,000	100,008,900	8,900
Royal Bank of Canada, Montreal, Feb 06, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.51	02/06/13	11/06/12	50,000,000	0.52	50,000,000	50,020,900	20,900
Royal Bank of Canada, Montreal, May 22, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.46	05/22/13	10/22/12	18,000,000	0.46	18,000,000	17,945,564	(54,436)
Royal Bank of Canada, Montreal, Oct 04, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.46	10/04/13	10/04/12	160,000,000	0.46	160,000,000	159,979,040	(20,960)
Salisbury Receivables Company LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		11/27/12		23,000,000	0.31	22,988,500	22,990,416	1,916
Sheffield Receivables Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		11/07/12		100,000,000	0.32	99,965,556	99,977,780	12,224
Societe Generale North America, Inc. CP	COMMERCIAL PAPER		10/11/12		100,000,000	0.37	99,987,000	99,989,980	2,980
Societe Generale, Paris CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.36	10/12/12		90,000,000	0.37	90,000,000	90,005,247	5,247
St. Andrew United Methodist Church, Series 2004, Jul 01, 2029	VARIABLE RATE DEMAND NOTE	0.18	07/01/29	10/04/12	9,310,000	0.18	9,310,000	9,310,000	0
Starbird Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		10/03/12		33,400,000	0.37	33,398,330	33,399,118	788
Starbird Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		10/15/12		66,000,000	0.36	65,989,092	65,993,987	4,896

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)**  
**SEPTEMBER 30, 2012**

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
							\$	\$	\$
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.32	12/04/12		30,000,000	0.33	30,000,000	30,001,671	1,671
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.31	12/10/12		200,000,000	0.32	200,000,000	200,008,080	8,080
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.30	01/25/13		50,000,000	0.31	50,000,000	49,998,350	(1,650)
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.30	01/25/13		40,000,000	0.31	40,000,000	40,000,000	0
Toronto Dominion Bank, Jul 26, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.45	07/26/13	10/26/12	50,000,000	0.45	50,000,000	50,043,400	43,400
Toronto Dominion Bank, Sep 13, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.40	09/13/13	12/13/12	125,000,000	0.40	125,000,000	124,983,500	(16,500)
Toyota Motor Credit Corp. CP	COMMERCIAL PAPER		11/13/12		50,000,000	0.41	49,974,444	49,992,270	17,826
U.S. Treasury Note 1.75% 4/15/2013	US TREASURY NOTE	1.75	04/15/13		15,000,000	0.25	15,122,196	15,127,740	5,544
Wells Fargo Bank, N.A., Oct 18, 2013	VARIABLE RATE BANK NOTE	0.43	10/18/13	10/22/12	100,000,000	0.43	100,000,000	99,982,900	(17,100)
Westpac Banking Corp. Ltd., Sydney CP4-2	COMMERCIAL PAPER - 4-2		12/27/12		100,000,000	0.41	99,900,000	99,960,000	60,000
Westpac Banking Corp. Ltd., Sydney CP4-2	COMMERCIAL PAPER - 4-2		01/03/13		100,000,000	0.41	99,892,222	99,954,460	62,238
Windmill Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		10/15/12		82,000,000	0.26	81,989,932	81,992,645	2,712
Windmill Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		11/01/12		13,200,000	0.25	13,196,883	13,197,071	188
					<b><u>6,366,459,090</u></b>		<b><u>\$6,366,278,214</u></b>	<b><u>\$6,366,432,395</u></b>	<b><u>\$154,181</u></b>

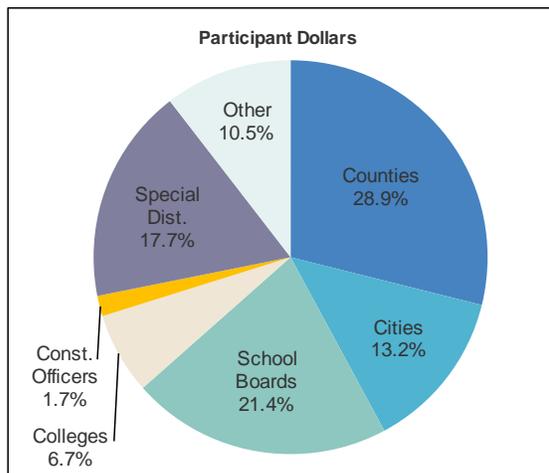
**Notes:** The data included in this report is unaudited. Amounts above are the value of investments. Income accruals, payables and uninvested cash are not included. Amortizations/accretions are reported with a one-day lag in the above valuations.

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

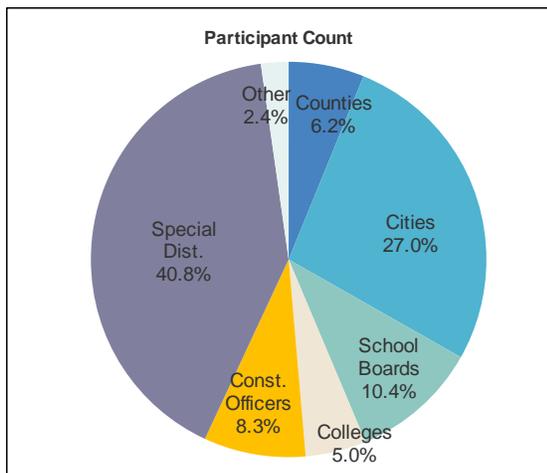
<sup>2</sup> Amortized cost is calculated using a straight line method.

### PARTICIPANT CONCENTRATION DATA - SEPTEMBER 30, 2012

Participant Balance	Share of Total Fund	Share of Participant Count	Participant Balance	Share of Total Fund	Share of Participant Count
<b>All Participants</b>	<b>100.0%</b>	<b>100.0%</b>	<b>Colleges &amp; Universities</b>	<b>6.7%</b>	<b>5.0%</b>
Top 10	38.3%	1.2%	Top 10	6.1%	1.2%
\$100 million or more	53.1%	2.0%	\$100 million or more	2.8%	0.1%
\$10 million up to \$100 million	37.7%	9.4%	\$10 million up to \$100 million	3.3%	1.1%
\$1 million up to \$10 million	8.3%	17.9%	\$1 million up to \$10 million	0.6%	1.2%
Under \$1 million	0.9%	70.6%	Under \$1 million	0.01%	2.6%
<b>Counties</b>	<b>28.9%</b>	<b>6.2%</b>	<b>Constitutional Officers</b>	<b>1.7%</b>	<b>8.3%</b>
Top 10	24.8%	1.2%	Top 10	1.1%	1.2%
\$100 million or more	20.0%	0.7%	\$100 million or more	0.0%	0.0%
\$10 million up to \$100 million	8.4%	1.7%	\$10 million up to \$100 million	0.8%	0.4%
\$1 million up to \$10 million	0.5%	0.9%	\$1 million up to \$10 million	0.8%	1.5%
Under \$1 million	0.0%	2.8%	Under \$1 million	0.1%	6.4%
<b>Municipalities</b>	<b>13.2%</b>	<b>27.0%</b>	<b>Special Districts</b>	<b>17.7%</b>	<b>40.8%</b>
Top 10	7.9%	1.2%	Top 10	12.6%	1.2%
\$100 million or more	0.0%	0.0%	\$100 million or more	7.8%	0.5%
\$10 million up to \$100 million	10.5%	2.4%	\$10 million up to \$100 million	7.3%	1.8%
\$1 million up to \$10 million	2.4%	5.6%	\$1 million up to \$10 million	2.2%	5.0%
Under \$1 million	0.3%	19.1%	Under \$1 million	0.4%	33.5%
<b>School Boards</b>	<b>21.4%</b>	<b>10.4%</b>	<b>Other</b>	<b>10.5%</b>	<b>2.4%</b>
Top 10	18.3%	1.2%	Top 10	10.3%	1.2%
\$100 million or more	15.8%	0.5%	\$100 million or more	6.6%	0.2%
\$10 million up to \$100 million	4.0%	1.5%	\$10 million up to \$100 million	3.4%	0.6%
\$1 million up to \$10 million	1.5%	3.1%	\$1 million up to \$10 million	0.4%	0.6%
Under \$1 million	0.1%	5.3%	Under \$1 million	0.0%	0.8%



Total Fund Value: \$6,368,613,753



Total Participant Count: 844

## FLORIDA PRIME COMPLIANCE WITH INVESTMENT POLICY - SEPTEMBER 2012

As investment manager, Federated monitors compliance daily on Florida PRIME to ensure that investment practices comply with the requirements of the Investment Policy Statement (IPS). Federated provides a monthly compliance report to the SBA and is required to notify the Investment Oversight Group (IOG) of compliance exceptions within 24 hours of identification. The IOG meets monthly and on an ad hoc basis to review compliance exceptions, to document responses to exceptions, and to formally escalate recommendations for approval by the Executive Director & CIO. The IOG also reviews the Federated compliance report each month, as well as the results of independent compliance testing conducted by SBA Risk Management and Compliance. Minutes from the IOG meetings are posted to the Florida PRIME website.

In addition to the compliance testing performed by Federated, the SBA conducts independent testing on Florida PRIME using a risk-based approach. Under this approach, each IPS parameter is ranked as "High" or "Low" with respect to the level of risk associated with a potential guideline breach. IPS parameters with risk rankings of "High" are subject to independent verification by SBA Risk Management and Compliance. These rankings, along with the frequency for testing, are reviewed and approved by the IOG on an annual basis or more often if market conditions dictate. Additionally, any parameter reported in "Fail" status on the Federated compliance report, regardless of risk ranking, is also independently verified and escalated accordingly. The results of independent testing are currently reported monthly to the IOG.

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

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

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

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

TRADING ACTIVITY FOR SEPTEMBER 2012

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Buys</b>					\$	\$	\$	\$
BANK OF AMERICA N.A.	12/10/12	09/05/12	09/05/12	50,000,000	50,000,000	-	50,000,000	-
BANK OF AMERICA N.A.	12/10/12	09/05/12	09/05/12	50,000,000	50,000,000	-	50,000,000	-
BANK OF AMERICA N.A.	12/10/12	09/05/12	09/05/12	50,000,000	50,000,000	-	50,000,000	-
BANK OF AMERICA N.A.	12/10/12	09/05/12	09/05/12	50,000,000	50,000,000	-	50,000,000	-
BANK OF AMERICA N.A.	12/14/12	09/07/12	09/07/12	50,000,000	50,000,000	-	50,000,000	-
BANK OF MONTREAL	09/16/13	09/14/12	09/14/12	50,000,000	50,000,000	-	50,000,000	-
BANK OF MONTREAL	09/16/13	09/14/12	09/14/12	50,000,000	50,000,000	-	50,000,000	-
BANK OF MONTREAL (CCDYAN	10/15/13	09/13/12	09/14/12	50,000,000	50,000,000	-	50,000,000	-
BANK OF MONTREAL (CCDYAN	10/15/13	09/13/12	09/14/12	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO MITSUBISHI LTD	12/12/12	09/06/12	09/06/12	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	01/25/13	09/27/12	09/27/12	30,000,000	30,000,000	-	30,000,000	-
FCAR OWNER TRUST, ACPABS3	03/20/13	09/21/12	09/21/12	50,000,000	49,900,000	-	49,900,000	-
FCAR OWNER TRUST, ACPABS3	03/20/13	09/21/12	09/21/12	16,000,000	15,968,000	-	15,968,000	-
CITY OF NEW YORK NY	04/01/42	09/28/12	09/28/12	17,550,000	17,550,000	1,793	17,551,793	-
ROYAL BANK OF CANADA MONTREAL	10/04/13	09/06/12	09/10/12	50,000,000	50,000,000	-	50,000,000	-
ROYAL BANK OF CANADA MONTREAL	10/04/13	09/06/12	09/10/12	50,000,000	50,000,000	-	50,000,000	-
ROYAL BANK OF CANADA MONTREAL	10/04/13	09/06/12	09/10/12	50,000,000	50,000,000	-	50,000,000	-
ROYAL BANK OF CANADA MONTREAL	10/04/13	09/06/12	09/10/12	10,000,000	10,000,000	-	10,000,000	-
SOCIETE GENERALE NORTH AMERICA INC	10/11/12	09/06/12	09/06/12	50,000,000	49,982,500	-	49,982,500	-
SOCIETE GENERALE NORTH AMERICA INC	10/11/12	09/06/12	09/06/12	50,000,000	49,982,500	-	49,982,500	-
SOCIETE GENERALE PARIS	10/12/12	09/07/12	09/07/12	40,000,000	40,000,000	-	40,000,000	-
SOCIETE GENERALE PARIS	10/12/12	09/07/12	09/07/12	50,000,000	50,000,000	-	50,000,000	-
STARBIRD FUNDING CORP	10/15/12	09/11/12	09/11/12	50,000,000	49,983,472	-	49,983,472	-
STARBIRD FUNDING CORP	10/15/12	09/11/12	09/11/12	16,000,000	15,994,711	-	15,994,711	-
SUMITOMO MITSUI BANKING CORP	12/04/12	09/04/12	09/04/12	30,000,000	30,000,000	-	30,000,000	-
SUMITOMO MITSUI BANKING CORP	12/10/12	09/10/12	09/10/12	50,000,000	50,000,000	-	50,000,000	-
SUMITOMO MITSUI BANKING CORP	12/10/12	09/10/12	09/10/12	50,000,000	50,000,000	-	50,000,000	-
SUMITOMO MITSUI BANKING CORP	12/10/12	09/10/12	09/10/12	50,000,000	50,000,000	-	50,000,000	-
SUMITOMO MITSUI BANKING CORP	12/10/12	09/10/12	09/10/12	50,000,000	50,000,000	-	50,000,000	-

**Compliance Exception—Svenska Handelsbanken \$45 Million Variable Medium Term Note (MTN) 0.53%**

Even though this compliance exception was not material, the SBA wants to maintain full transparency and meet the highest standards for participant disclosure.

The Svenska Handelsbanken medium term note was a 144A issuance available for sale only to Qualified Institutional Buyers (“QIBs”), not to accredited investors such as Florida PRIME. The security’s non-applicability for accredited investors was not properly discerned by Federated Investors at the time of purchase. The ineligible security came to Federated’s attention on 9/11/12, and they notified the SBA’s Fixed Income Investment Oversight Group (IOG) within 24 hours, pursuant to compliance procedure, and put additional plans in place to mitigate the risk of purchasing any ineligible 144A securities in the future.

The IOG held an ad hoc meeting on 9/12/12 to evaluate the compliance exception. The compliance exception came to Federated’s attention via an inquiry from the Auditor General’s Office. The Auditor General conducts an annual financial audit of the investments made by Florida PRIME, as part of a multi-layer oversight program governing Florida PRIME. Since Florida PRIME is not allowed to own a 144A security that can only be sold to QIB’s, the IOG recommended on September 12, 2012

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**TRADING ACTIVITY FOR SEPTEMBER 2012 (CONTINUED)**

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<i>Buys (continued)</i>								
SUMITOMO MITSUI BANCDYAN	01/25/13	09/27/12	09/27/12	50,000,000	\$ 50,000,000	\$ -	\$ 50,000,000	\$ -
SUMITOMO MITSUI BANCDYAN	01/25/13	09/28/12	09/28/12	40,000,000	40,000,000	-	40,000,000	-
TORONTO-DOMINION BANK/NY	09/13/13	09/11/12	09/13/12	50,000,000	50,000,000	-	50,000,000	-
TORONTO-DOMINION BANK/NY	09/13/13	09/11/12	09/13/12	50,000,000	50,000,000	-	50,000,000	-
TORONTO-DOMINION BANK/NY	09/13/13	09/11/12	09/13/12	25,000,000	25,000,000	-	25,000,000	-
WELLS FARGO BANK NA	10/20/18	09/17/12	09/20/12	50,000,000	50,000,000	-	50,000,000	-
WELLS FARGO BANK NA	10/20/18	09/17/12	09/20/12	50,000,000	50,000,000	-	50,000,000	-
WINDMILL FUNDING CORP	09/07/12	09/06/12	09/06/12	50,000,000	49,999,667	-	49,999,667	-
WINDMILL FUNDING CORP	09/07/12	09/06/12	09/06/12	50,000,000	49,999,667	-	49,999,667	-
WINDMILL FUNDING CORP	10/15/12	09/10/12	09/10/12	50,000,000	49,987,361	-	49,987,361	-
WINDMILL FUNDING CORP	10/15/12	09/10/12	09/10/12	32,000,000	31,991,911	-	31,991,911	-
WINDMILL FUNDING COCPABS4	11/01/12	09/27/12	09/27/12	13,200,000	13,196,792	-	13,196,792	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/06/12	09/06/12	3,012,558	3,012,558	-	3,012,558	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/10/12	09/10/12	9,178,777	9,178,777	-	9,178,777	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/13/12	09/13/12	920,622	920,622	-	920,622	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/17/12	09/17/12	5,102,320	5,102,320	-	5,102,320	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/19/12	09/19/12	2,135,794	2,135,794	-	2,135,794	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/24/12	09/24/12	374,498	374,498	-	374,498	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/26/12	09/26/12	20,965,114	20,965,114	-	20,965,114	-
FEDERATED PRIME CASH OBLIGATIONS FUND	10/01/40	09/01/12	09/01/12	34,939	34,939	-	34,939	-
FEDERATED PRIME OBLIGATIONS FUND	10/01/40	09/01/12	09/01/12	35,168	35,168	-	35,168	-
DEUTSCHE BANK	09/05/12	09/04/12	09/04/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/05/12	09/04/12	09/04/12	940,000,000	940,000,000	-	940,000,000	-
DEUTSCHE BANK	09/06/12	09/05/12	09/05/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/06/12	09/05/12	09/05/12	890,000,000	890,000,000	-	890,000,000	-
DEUTSCHE BANK	09/07/12	09/06/12	09/06/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/07/12	09/06/12	09/06/12	800,000,000	800,000,000	-	800,000,000	-
DEUTSCHE BANK	09/10/12	09/07/12	09/07/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/10/12	09/07/12	09/07/12	817,000,000	817,000,000	-	817,000,000	-

that the Svenska security be sold, as it did not meet the requirements of an eligible portfolio holding. Although the Svenska investment met all of the required credit and maturity parameters required by the Florida PRIME investment policy statement, because it was only available for sale to QIBs, it was not an eligible investment. Minutes from the 9/12/12 ad hoc IOG meeting are posted on the Florida PRIME website.

On September 13, 2012, the SBA Executive Director & CIO provided written approval to the Chair of the IOG concurring with the recommendation to direct Federated Investors to sell the ineligible security. Later the same day, the Chair of the SBA's IOG notified Federated Investors that he had obtained written approval from the SBA Executive Director & CIO authorizing the sale of the Svenska security "promptly and prudently" consistent with the recommendation of the IOG.

The Svenska Handelsbanken medium term note was sold by Federated Investors on the morning of September 14, 2012, with a small, realized gain of \$7,900.

TRADING ACTIVITY FOR SEPTEMBER 2012 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<i>Buys (continued)</i>					\$	\$	\$	\$
DEUTSCHE BANK	09/11/12	09/10/12	09/10/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/11/12	09/10/12	09/10/12	890,000,000	890,000,000	-	890,000,000	-
DEUTSCHE BANK	09/12/12	09/11/12	09/11/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/12/12	09/11/12	09/11/12	865,000,000	865,000,000	-	865,000,000	-
DEUTSCHE BANK	09/13/12	09/12/12	09/12/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/13/12	09/12/12	09/12/12	960,000,000	960,000,000	-	960,000,000	-
DEUTSCHE BANK	09/14/12	09/13/12	09/13/12	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	09/14/12	09/13/12	09/13/12	850,000,000	850,000,000	-	850,000,000	-
DEUTSCHE BANK	09/17/12	09/14/12	09/14/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/17/12	09/14/12	09/14/12	922,000,000	922,000,000	-	922,000,000	-
DEUTSCHE BANK	09/18/12	09/17/12	09/17/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/18/12	09/17/12	09/17/12	895,000,000	895,000,000	-	895,000,000	-
DEUTSCHE BANK	09/19/12	09/18/12	09/18/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/19/12	09/18/12	09/18/12	1,020,000,000	1,020,000,000	-	1,020,000,000	-
DEUTSCHE BANK	09/20/12	09/19/12	09/19/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/20/12	09/19/12	09/19/12	1,030,000,000	1,030,000,000	-	1,030,000,000	-
DEUTSCHE BANK	09/21/12	09/20/12	09/20/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/21/12	09/20/12	09/20/12	895,000,000	895,000,000	-	895,000,000	-
DEUTSCHE BANK	09/24/12	09/21/12	09/21/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/24/12	09/21/12	09/21/12	890,000,000	890,000,000	-	890,000,000	-
DEUTSCHE BANK	09/25/12	09/24/12	09/24/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/25/12	09/24/12	09/24/12	1,000,000,000	1,000,000,000	-	1,000,000,000	-
DEUTSCHE BANK	09/26/12	09/25/12	09/25/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/26/12	09/25/12	09/25/12	955,000,000	955,000,000	-	955,000,000	-
DEUTSCHE BANK	09/27/12	09/26/12	09/26/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/27/12	09/26/12	09/26/12	982,000,000	982,000,000	-	982,000,000	-
DEUTSCHE BANK	09/28/12	09/27/12	09/27/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/28/12	09/27/12	09/27/12	970,000,000	970,000,000	-	970,000,000	-
DEUTSCHE BANK	10/01/12	09/28/12	09/28/12	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	10/01/12	09/28/12	09/28/12	865,000,000	865,000,000	-	865,000,000	-
<b>Total Buys</b>				<b>28,547,509,791</b>	<b>\$28,547,296,371</b>	<b>\$1,793</b>	<b>\$28,547,298,165</b>	-

TRADING ACTIVITY FOR SEPTEMBER 2012 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Maturities</b>					\$	\$	\$	\$
ALPINE SECURITIZATCPABS4	09/18/12	09/18/12	09/18/12	100,000,000	100,000,000	-	100,000,000	-
BANK OF AMERICA N,ABNOTE	09/05/12	09/05/12	09/05/12	150,000,000	150,000,000	-	150,000,000	-
BANK OF AMERICA N,ABNOTE	09/05/12	09/05/12	09/05/12	50,000,000	50,000,000	-	50,000,000	-
BANK OF AMERICA N,ABNOTE	09/07/12	09/07/12	09/07/12	50,000,000	50,000,000	-	50,000,000	-
BANK OF MONTREAL/CHICAGO IL	09/14/12	09/14/12	09/14/12	250,000,000	250,000,000	-	250,000,000	-
BANK OF TOKYO-MITSUCDYAN	09/06/12	09/06/12	09/06/12	30,000,000	30,000,000	-	30,000,000	-
BARTON CAPITAL LLCCPABS4-	09/17/12	09/17/12	09/17/12	20,000,000	20,000,000	-	20,000,000	-
BARTON CAPITAL LLC	09/24/12	09/24/12	09/24/12	6,207,000	6,207,000	-	6,207,000	-
BARTON CAPITAL LLC	09/28/12	09/28/12	09/28/12	2,000,000	2,000,000	-	2,000,000	-
ING (U.S.) FUNDING CP	09/04/12	09/04/12	09/04/12	50,000,000	50,000,000	-	50,000,000	-
ING (U.S.) FUNDING CP	09/12/12	09/12/12	09/12/12	105,000,000	105,000,000	-	105,000,000	-
SOCIETE GENERALE NOCP	09/06/12	09/06/12	09/06/12	100,000,000	100,000,000	-	100,000,000	-
SOCIETE GENERALE, PCDYAN	09/06/12	09/06/12	09/06/12	95,000,000	95,000,000	-	95,000,000	-
STARBIRD FUNDING COCPABS4	09/11/12	09/11/12	09/11/12	75,000,000	75,000,000	-	75,000,000	-
STARBIRD FUNDING COCPABS4	09/24/12	09/24/12	09/24/12	47,000,000	47,000,000	-	47,000,000	-
SUMITOMO MITSUI BANCDYAN	09/10/12	09/10/12	09/10/12	300,000,000	300,000,000	-	300,000,000	-
WINDMILL FUNDING CORP	09/07/12	09/07/12	09/07/12	100,000,000	100,000,000	-	100,000,000	-
WINDMILL FUNDING COCPABS4	09/17/12	09/17/12	09/17/12	30,700,000	30,700,000	-	30,700,000	-
WINDMILL FUNDING COCPABS4	09/27/12	09/27/12	09/27/12	123,000,000	123,000,000	-	123,000,000	-
DEUTSCHE BANK	09/04/12	09/04/12	09/04/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/04/12	09/04/12	09/04/12	895,000,000	895,000,000	-	895,000,000	-
DEUTSCHE BANK	09/05/12	09/05/12	09/05/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/05/12	09/05/12	09/05/12	940,000,000	940,000,000	-	940,000,000	-
DEUTSCHE BANK	09/06/12	09/06/12	09/06/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/06/12	09/06/12	09/06/12	890,000,000	890,000,000	-	890,000,000	-
DEUTSCHE BANK	09/07/12	09/07/12	09/07/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/07/12	09/07/12	09/07/12	800,000,000	800,000,000	-	800,000,000	-
DEUTSCHE BANK	09/10/12	09/10/12	09/10/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/10/12	09/10/12	09/10/12	817,000,000	817,000,000	-	817,000,000	-

**TRADING ACTIVITY FOR SEPTEMBER 2012 (CONTINUED)**

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Maturities (continued)</b>					\$	\$	\$	\$
DEUTSCHE BANK	09/11/12	09/11/12	09/11/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/11/12	09/11/12	09/11/12	890,000,000	890,000,000	-	890,000,000	-
DEUTSCHE BANK	09/12/12	09/12/12	09/12/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/12/12	09/12/12	09/12/12	865,000,000	865,000,000	-	865,000,000	-
DEUTSCHE BANK	09/13/12	09/13/12	09/13/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/13/12	09/13/12	09/13/12	960,000,000	960,000,000	-	960,000,000	-
DEUTSCHE BANK	09/14/12	09/14/12	09/14/12	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	09/14/12	09/14/12	09/14/12	850,000,000	850,000,000	-	850,000,000	-
DEUTSCHE BANK	09/17/12	09/17/12	09/17/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/17/12	09/17/12	09/17/12	922,000,000	922,000,000	-	922,000,000	-
DEUTSCHE BANK	09/18/12	09/18/12	09/18/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/18/12	09/18/12	09/18/12	895,000,000	895,000,000	-	895,000,000	-
DEUTSCHE BANK	09/19/12	09/19/12	09/19/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/19/12	09/19/12	09/19/12	1,020,000,000	1,020,000,000	-	1,020,000,000	-
DEUTSCHE BANK	09/20/12	09/20/12	09/20/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/20/12	09/20/12	09/20/12	1,030,000,000	1,030,000,000	-	1,030,000,000	-
DEUTSCHE BANK	09/21/12	09/21/12	09/21/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/21/12	09/21/12	09/21/12	895,000,000	895,000,000	-	895,000,000	-
DEUTSCHE BANK	09/24/12	09/24/12	09/24/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/24/12	09/24/12	09/24/12	890,000,000	890,000,000	-	890,000,000	-
DEUTSCHE BANK	09/25/12	09/25/12	09/25/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/25/12	09/25/12	09/25/12	1,000,000,000	1,000,000,000	-	1,000,000,000	-
DEUTSCHE BANK	09/26/12	09/26/12	09/26/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/26/12	09/26/12	09/26/12	955,000,000	955,000,000	-	955,000,000	-
DEUTSCHE BANK	09/27/12	09/27/12	09/27/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/27/12	09/27/12	09/27/12	982,000,000	982,000,000	-	982,000,000	-
DEUTSCHE BANK	09/28/12	09/28/12	09/28/12	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	09/28/12	09/28/12	09/28/12	970,000,000	970,000,000	-	970,000,000	-
<b>Total Maturities</b>				<b>28,549,907,000</b>	<b>\$28,549,907,000</b>	-	<b>\$28,549,907,000</b>	-



TRADING ACTIVITY FOR SEPTEMBER 2012 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Sells</b>					\$	\$	\$	\$
ROYAL BANK OF CANADCDYAN	09/26/12	09/05/12	09/10/12	30,000,000	30,004,523	145,417	30,149,939	4,523
ROYAL BANK OF CANADCDYAN	09/26/12	09/05/12	09/10/12	50,000,000	50,007,538	242,361	50,249,899	7,538
ROYAL BANK OF CANADA/NEW YORK NY	11/07/12	09/05/12	09/10/12	50,000,000	50,028,110	235,278	50,263,387	28,110
ROYAL BANK OF CANADA/NEW YORK NY	11/07/12	09/05/12	09/10/12	50,000,000	50,028,110	235,278	50,263,387	28,110
SVENSKA HANDELSBANKEN AB	10/16/12	09/14/12	09/14/12	45,000,000	45,007,908	18,708	45,026,615	7,908
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/04/12	09/04/12	1,065,318	1,065,318	-	1,065,318	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/04/12	09/04/12	1,864,678	1,864,678	-	1,864,678	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/05/12	09/05/12	205,607	205,607	-	205,607	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/07/12	09/07/12	818,283	818,283	-	818,283	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/07/12	09/07/12	3,899,095	3,899,095	-	3,899,095	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/07/12	09/07/12	3,012,558	3,012,558	-	3,012,558	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/11/12	09/11/12	3,986,551	3,986,551	-	3,986,551	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/12/12	09/12/12	3,180,643	3,180,643	-	3,180,643	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/14/12	09/14/12	2,011,583	2,011,583	-	2,011,583	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/14/12	09/14/12	144,589	144,589	-	144,589	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/18/12	09/18/12	993,784	993,784	-	993,784	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/20/12	09/20/12	290,154	290,154	-	290,154	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/21/12	09/21/12	3,161,980	3,161,980	-	3,161,980	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/25/12	09/25/12	485,878	485,878	-	485,878	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/25/12	09/25/12	946,557	946,557	-	946,557	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/25/12	09/25/12	2,135,794	2,135,794	-	2,135,794	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/25/12	09/25/12	374,498	374,498	-	374,498	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/27/12	09/27/12	17,293,221	17,293,221	-	17,293,221	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	09/28/12	09/28/12	918,764	918,764	-	918,764	-
<b>Total Sells</b>				<b>271,789,535</b>	<b>271,865,722</b>	<b>877,041</b>	<b>272,742,763</b>	<b>76,187</b>

# FUND B

## FUND B FACTS

### INVESTMENT OBJECTIVE

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

### COMPOSITION

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

### DISTRIBUTIONS

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

### ACCOUNTING

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

### STATUS OF INVESTMENTS

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

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

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

## COMMENTARY ON PORTFOLIO MANAGEMENT

All cash from paydowns on securities in Fund B are invested in AAAM-rated money market funds pending monthly distribution to participant accounts in Florida PRIME. This month, \$5.15 million in liquid assets were transferred from Fund B to Florida PRIME, consisting of principal paydowns and income from the securities in the Fund.

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

## LEGAL ISSUE

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

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

## DISCLOSURE OF MATERIAL IMPACTS

There were no developments during September 2012 that had a material impact on the liquidity or operation of Fund B.

# FUND B

## FUND B DISTRIBUTIONS

### RETURN OF FUND B PRINCIPAL

The first table below details the SBA's progress in returning principal to investors in Fund B. Through the end of September 2012, investors cumulatively received distributions from Fund B totaling \$1.75 billion or 86.9% of their original balances.

The securities remaining in Fund B are legacy items from the four issuers whose financial circumstances gave rise to the November 2007 run (as well as overnight instruments temporarily holding fund earnings). As of September 30, 2012, their remaining amortized cost was \$469.3 million,

or 78.7% more than remaining participant positions in Fund B. Conversely, the current estimated liquidation (market) value of these securities is pegged at \$249.2 million or 94.9% of remaining participant positions.

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

### FUND B DISTRIBUTIONS TO PARTICIPANTS

	Distributions to Participants	Cumulative Distributions	Participant Principal	Proportion of Original Principal Returned
12/05/07	\$	\$	\$ 2,009,451,941	0.0%
CY 2008	\$ 1,421,900,000	\$ 1,421,900,000	\$ 587,551,941	70.8%
CY 2009	\$ 89,100,000	\$ 1,511,000,000	\$ 498,451,941	75.2%
CY 2010	\$ 135,100,000	\$ 1,646,100,000	\$ 363,351,941	81.9%
CY 2011	\$ 57,425,000	\$ 1,703,525,000	\$ 305,926,941	84.8%
01/09/12	\$ 4,325,000	\$ 1,707,850,000	\$ 301,601,941	85.0%
02/07/12	\$ 3,200,000	\$ 1,711,050,000	\$ 298,401,941	85.2%
03/06/12	\$ 3,925,000	\$ 1,714,975,000	\$ 294,476,941	85.3%
04/05/12	\$ 4,400,000	\$ 1,719,375,000	\$ 290,076,941	85.6%
05/04/12	\$ 5,275,000	\$ 1,724,650,000	\$ 284,801,941	85.8%
06/05/12	\$ 7,050,000	\$ 1,731,700,000	\$ 277,751,941	86.2%
07/04/12	\$ 5,450,000	\$ 1,737,150,000	\$ 272,301,941	86.4%
08/06/12	\$ 4,500,000	\$ 1,741,650,000	\$ 267,801,941	86.7%
09/07/12	\$ 5,150,000	\$ 1,746,800,000	\$ 262,651,941	86.9%

### FUND B MONTHLY DISTRIBUTION DETAIL

September 2012 Distribution Detail Including Receipts by Source For the period 8/7/12 - 9/7/12	Fund B	
	Participant Allocation	Expense Allocation
Beginning Balance	\$ -	\$ 20,529.62
Receipts:		
Florida East	\$ 817,624.81	
Florida West	\$ 1,343,081.57	
Florida Funding I	\$ 507,159.75	
Florida Funding II	\$ 2,491,520.90	
Overnight Investments	\$ 9.15	
Total Receipts	\$ 5,159,396.18	
Distributions:		
Allocation to/from Expense Reserve	\$ (9,396.18)	\$ 9,396.18
Expenses Paid		\$ (2,041.09)
Participant Distribution	\$ (5,150,000.00)	
Ending Balance	\$ -	\$ 27,884.71

# FUND B

## INVENTORY OF HOLDINGS - AS OF SEPTEMBER 30, 2012

Security Name	Type	Rate Reset	Par	Current Yield	Amort Cost <sup>2</sup>	Mkt Value <sup>1</sup>	Unrealized Gain (Loss)
Cash <sup>3</sup>	CASH				\$ (1,977,825)	\$ (1,977,825)	\$ -
Dreyfus Government Cash Management Fund	OVERNIGHT MUTUAL FUND		9,433,644	0.00	\$ 9,433,644	\$ 9,433,644	\$ -
Florida East Funding LLC	VARIABLE RATE TERM NOTE	09/26/12	74,805,614	0.57	\$ 74,805,614	\$ 57,915,446	\$ (16,890,168)
Florida West Funding LLC	VARIABLE RATE TERM NOTE	09/26/12	176,167,452	0.57	\$ 176,167,452	\$ 105,895,161	\$ (70,272,291)
Florida Funding I LLC	VARIABLE RATE TERM NOTE	09/27/12	120,190,210	0.42	\$ 120,190,210	\$ 28,940,578	\$ (91,249,632)
Florida Funding II LLC	VARIABLE RATE COMMERCIAL PAPER	09/27/12	90,676,673	0.58	\$ 90,669,443	\$ 49,023,107	\$ (41,646,335)
<b>Total Value of Investments</b>			<b><u>471,273,593</u></b>		<b><u>\$469,288,538</u></b>	<b><u>\$249,230,111</u></b>	<b><u>(\$220,058,427)</u></b>

### Notes:

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

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

<sup>3</sup> The negative cash balance at the end of September was the result of a transaction in the underlying collateral in Florida Funding II. There was a call on a piece of underlying collateral at the end of September that was included in the distribution of funds on September 28. DTC recalled the funds from the transaction on September 28, after the distribution to holders of the Florida Funding II note. This resulted in a call-back of funds from holders of the Florida Funding II note. This call-back was back dated to September 28 and Fund B cash was made whole on October 3, 2012.

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

The collateral manager, Apollo Global Management, is the source for data shown above other than market value. See note 1.

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

# FUND B

## COMPLIANCE AND TRADING ACTIVITY

### COMPLIANCE WITH INVESTMENT POLICY - SEPTEMBER 2012

Investment Policy Statement Compliance is conducted on Fund B by SBA Risk Management and Compliance and reported on a monthly basis to the Investment Oversight Group. Portfolio activity is reviewed to ensure that transactions and holdings are in compliance with guideline requirements and with those stipulated in the respective Investment Management Agreements with Apollo Global Management, the collateral manager for the four special purpose entities held in Fund B (Florida East Funding LLC, Florida West Funding LLC, Florida Funding I LLC, and Florida Funding II LLC). Since the principal holdings in the fund are the notes issued by these special purpose entities, and no deposits or withdrawals are permitted by participants, transactions are typically limited to 1) the receipt cash flows from the underlying note collateral, 2) the investment of these cash flows in AAAM money market funds, and 3) periodic distributions to participants. Apollo Global Management can also sell, exchange, or restructure the notes, consistent with the objective of maximizing the present value of cash flows from the collateral. For the month of September 2012, Fund B was in compliance with its Investment Policy Statement.

### TRADING ACTIVITY - SEPTEMBER 2012

Security Description	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Buys</b>				\$	\$	\$	\$
DREYFUS GOVERNMENT CASH MANAGEMENT	09/05/12	09/05/12	9	9	0	9	0
DREYFUS GOVERNMENT CASH MANAGEMENT	09/28/12	09/28/12	9,407,812	9,407,812	0	9,407,812	0
<b>Total Buys</b>			<b><u>9,407,822</u></b>	<b><u>9,407,822</u></b>	<b><u>\$0</u></b>	<b><u>\$9,407,822</u></b>	<b><u>\$0</u></b>
<b>Sells</b>							
FLORIDA FUNDING I LLC	09/28/12	09/28/12	455,898	455,898	0	455,898	0
FLORIDA EAST FUNDING LLC	09/28/12	09/28/12	1,427,333	1,427,333	0	1,427,333	0
FLORIDA WEST FUNDING LLC	09/28/12	09/28/12	2,926,529	2,926,529	0	2,926,529	0
FLORIDA FUNDING II	09/28/12	09/28/12	2,412,969	2,412,969	0	2,412,969	192
DREYFUS GOVERNMENT CASH MANAGEMENT	09/04/12	09/04/12	58	58	0	58	0
DREYFUS GOVERNMENT CASH MANAGEMENT	09/07/12	09/07/12	5,150,000	5,150,000	0	5,150,000	0
DREYFUS GOVERNMENT CASH MANAGEMENT	09/19/12	09/19/12	2,053	2,053	0	2,053	0
<b>Total Sells</b>			<b><u>12,374,840</u></b>	<b><u>\$12,374,840</u></b>	<b><u>\$0</u></b>	<b><u>\$12,374,840</u></b>	<b><u>\$192</u></b>

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

## Our Mission

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



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**MINUTES**  
**INVESTMENT ADVISORY COUNCIL**  
**September 17, 2012**

A meeting of the Investment Advisory Council (IAC) was held on Monday, September 17, 2012, in the Hermitage Room of the State Board of Administration of Florida (SBA), Tallahassee, Florida.

Members Present:     David Grain, Chair  
                           Martin Garcia, Vice Chair  
                           Chuck Cobb  
                           Les Daniels (Telephonically)  
                           Rob Gidel  
                           Will Harrell  
                           Chuck Newman  
                           Michael Price  
                           Gary Wendt

**WELCOME/CALL TO ORDER/APPROVAL OF MINUTES**

Mr. David Grain called the meeting to order at 1:00 P.M. and requested a motion to approve the minutes of the June 25, 2012, Joint PLGAC/IAC meeting, the June 25, 2012 IAC meeting, and the August 16, 2012 IAC conference call meeting. Mr. Newman made the motion to approve the minutes; seconded by Mr. Gidel; approved without objection.

**OPENING REMARKS/REPORTS**

Mr. Williams thanked everyone for participating and provided a brief update on performance and observations on current market conditions. Chief Risk and Compliance Officer function is fully established, staffed and running, in addition to the Inspector General functions. An update on the FRS three percent litigation was provided as well as an overview of the Corporate Governance functions. Remarks then focused on the management training program the SBA is providing.

Questions concerning proxy function were asked and answered, and there was a commitment from the SBA to provide a full presentation on the governance program at a future meeting.

**COMPENSATION STUDY**

Ms. Jan Olson, Mr. Josh Wilson, and Mr. Jon Mason, from Mercer's Human Capital Consulting practice, provided an overview of the compensation study, including an explanation of the mandate provided to them by the IAC and activities accomplished and in process to date. Ms. Olson reported that Mercer had conducted interviews and/or focus groups with IAC members and SBA staff, drafted materials describing the desired relationship between the SBA and its employees, and drafted proposed guiding principles for the compensation program. Mercer requested feedback on the proposed competitive labor markets and proposed compensation program guiding principles. Competitive labor markets were described as areas in which the SBA competes for talent, both geographically and industry-wise, and they often differ by organizational level and function. After

## **Investment Advisory Council Meeting – Minutes**

**September 17, 2012**

**Page 2**

discussion that included the impact of compensation program design on organizational culture, the proposed labor markets and compensation program guiding principles were accepted as presented in the materials.

Mercer representatives then sought feedback from the IAC regarding the project plan, focusing on the upcoming second phase of the project, preparing the competitive pay analysis, which includes identifying benchmark jobs, matching jobs to survey data, collecting competitive labor market data, and comparing employee compensation levels to market data. The third phase of the project, development of a compensation framework, will include developing a salary structure and recommendations around incentive plans.

Mercer and SBA staff responded to IAC comments and questions concerning the comprehensive scope of the study and the role of the IAC, particularly with regard to its desired direct involvement in aspects of executive compensation. Mercer clarified that references in the project plan to the SBA's involvement was a broad reference that included the IAC. Mr. Grain, Chairman of the IAC, provided further explanation of the possible levels of IAC involvement in the current and future studies. IAC members requested that the SBA provide them with additional information about the current organizational structure and compensation governance, historical compensation studies and actions, and the SBA's budgeting process.

Mercer closed its remarks, restating its understanding of the IAC's desire to have greater oversight of executive compensation programs, and described possible roles that could range from general oversight to a role more similar to that of a public board compensation committee. Mercer was asked to provide information regarding practices followed by other public pension funds.

### **MAJOR MANDATE PERFORMANCE REVIEWS**

Mr. Mike Sebastian and Ms. Katie Rizzo, Hewitt EnnisKnupp, presented the quarterly report through June 30, 2012 on major mandates managed by the SBA. Remarks began with a brief market update and its impact on the major mandates managed by the SBA. There were questions and discussion surrounding recent market declines and the impact on overall performance, in addition to discussion regarding liquidity needs, rebalancing and terminology. Presentation then moved to investment strategy and comparisons to other pension plans, including differences between corporate and public plans. Background on target allocations was provided, highlighting the decision to reduce risk in the global equity markets and reducing the overall risk reliance on public equity markets, shifting to more risk within alternative investments. Questions about the peer group origin were made and what is the appropriate point in time to shift to an international comparison. Concern from Hewitt EnnisKnupp over data quality on an international level was shared. Concerns over shorter term performance versus the FRS's assumed rate of return were voiced and a question of whether the IAC should delve deeper into the matter. Hewitt EnnisKnupp responded that they did not believe the FRS assumed rate of return is too optimistic based on their forward-looking view of the capital markets, and that the prior ten years have been a difficult period for all plans. Discussion then turned to Florida's actuarially assumed rate of return and the process by which it is set, and how the current asset allocation of the FRS was discussed and set. Discussion among IAC members ensued.

Presentation then turned to the FRS Investment Plan, performance versus benchmark and comparisons to other similar sized plans. Data, trends of member investment elections, and manager costs were also provided. Questions from the IAC were posed and answered. Questions and discussions returned to the Pension Plan and net distributions before proceeding on to the next topic.

**Investment Advisory Council Meeting – Minutes**

**September 17, 2012**

**Page 3**

Mr. Sebastian then presented performance numbers of the Hurricane Catastrophe Fund. Questions from the IAC regarding the source of money for the fund were asked and answered. The presentation then focused on the Lawton Chiles Endowment Fund, including special non-program disbursement scheduled in 2013, cash flows, and performance. Comments concluded with a brief overview of Florida PRIME.

**REAL ESTATE PROGRAM REVIEW**

Messrs. Terry Ahern, Richard Brown, and Jack Koch, The Townsend Group, presented the real estate program overview for the second quarter of 2012, including an overview of the global real estate markets. Questions from the IAC were posed and answered.

The presentation then provided an overview of the SBA’s Real Estate program including performance for the various investment types. IAC members posed questions which were discussed and answered. Questions from the IAC concerning fund size, investments, co-investments, and investment flexibility were posed and answered.

**AUDIENCE COMMENTS/2012 MEETINGS/CLOSING REMARKS/ADJOURN**

Mr. Grain provided a summary of themes from various meetings and made a motion “to ask staff to explore, either through a request for qualifications or other exploration process, how we would conduct a smaller, more targeted, potentially co-investment program that can be either internally or externally managed.” The motion was seconded and passed on a voice vote. Prior to adjournment, a question from the IAC was posed on securities lending, which was discussed and answered. A commitment from the SBA to present detailed information was made.

Mr. Grain closed the meeting after receiving no comments from the audience. The meeting ended at 3:55 P.M.



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David Grain, Chair

November 30, 2012

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Date

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





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AS SECRETARY  
ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO**

## **MEMORANDUM**

**To:** Board of Trustees  
**From:** Daniel Wolfson, Chairman  
Participant Local Government Advisory Council (PLGAC)  
**Date:** November 28, 2012  
**Subject:** Quarterly Update – Florida PRIME

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The Participant Local Government Advisory Council (the "Council") last met on September 6, 2012 and is scheduled to meet again on November 29, 2012. Over the prior quarter, the Council continued to oversee the operations and investment management of Florida PRIME and Fund B, reviewing several issues as well as the current market environment for Fund B securities.

### **CASH FLOWS / PERFORMANCE**

- Over the quarter ending September 30, 2012, participant deposits totaled \$2.7 billion; participant withdrawals totaled \$3.1 billion, for a net decrease of approximately \$383.8 million.
- During the 3<sup>rd</sup> quarter, Florida PRIME delivered an aggregate \$5.6 million in investment earnings.
- Performance of Florida PRIME has been strong over short and long-term time periods. For the period ending September 30, 2012, Florida PRIME generated excess returns (performance above the pool's benchmark) of approximately 21 basis points (0.21 percent, annualized) over the last three months, and 21 basis points (0.21 percent) over the last 12 months.

### **POOL CHARACTERISTICS**

- As of September 30, 2012, the total market value of Florida PRIME was \$6.4 billion.
- As of September 30, 2012, the investment pool had a 7 Day SEC Yield equal to 0.30 percent, a Weighted Average Maturity (WAM) equal to 39.0 days, and a Weighted Average Life (WAL or Spread WAM) equal to 84 days.

### **FUND B**

- Fund B continues to pay principal and interest, with cumulative distributions to participants of \$1.75 billion through the September 2012 monthly distribution, and remaining principal owed to participants equal to \$262.7 million.
- As of September 30, 2012, 86.9 percent of the original principal in Fund B has been returned to participants.
- Due to an improving U.S. residential housing market, the fundamentals of non-agency residential mortgage-backed-securities (RMBS) held within Fund B continued to strengthen throughout the quarter, raising the underlying value of collateral assets.





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EXECUTIVE DIRECTOR & CIO

Date: November 21, 2012  
To: Board of Trustees  
From: Rodolfo Engmann, Audit Committee Chair *RAE*  
Subject: Quarterly Audit Committee Report

---

The State Board of Administration (SBA) Audit Committee met on November 13, 2012. Following were the results of that meeting:

I. External Audit

A. We discussed the results of the following audits:

1. Ernst & Young's financial statement audits of the following:
  - a. Florida Retirement System Trust Fund
  - b. Florida Retirement System Investment Plan Trust Fund
  - c. SBA's two joint venture entities with December 31, 2011 year-end
  - d. SBA's four wholly-owned companies with June 30, 2012 year-end.
2. KPMG's financial statement audits of the following:
  - a. Florida Hurricane Catastrophe Fund and its component unit Florida Hurricane Catastrophe Fund Finance Corporation
  - b. MS Inland, another joint venture entity of the SBA.

- B. We also reviewed the related audited financial statements, reports on agreed upon procedures, tax compliance, internal control over financial reporting, and compliance with debt agreements. All of the audited financial statements received an unqualified or clean opinion. The agreed upon procedures did not disclose major findings.

There were no significant findings in any of the above work, except for the identified deficiency in the internal control related to the non-routine activity review of inputs into the debt fair value model involving an interest rate swap. As a result of this deficiency, an adjustment was necessary to the financial statements of MS NHP Fund, LLC, which required a restatement of the retained earnings as of December 31, 2010.

II. SBA Internal Audit

A. We reviewed the following Office of Internal Audit (OIA) reports:

1. Accounting Reconciliations Operational Audit
2. Private Equity Operational Audit
3. Fiscal Year 2012-13 First Quarter Follow-up Audit which included prior recommendations from three reports:
  - a. OIA Financial Reporting Process,

- b. OIA Real Estate Fourth Follow-up Audit, and
- c. OIA Operational Audit of the Office of the Defined Contributions Program

B. We also received a progress report from the Chief Audit Executive (CAE) related to the OIA Annual Audit Plan for the fiscal year 2012-2013, the 41 engagements that are currently in progress, the external auditors' reports reviewed by the OIA before the reports were finalized, status of Categories A and B recommendations, and OIA implementation of an electronic workpaper system.

C. Open Recommendations

The tables below summarize the progress made on open recommendations as of November 2, 2012. Additional details related to open recommendations are presented in Appendices 1, 2, and 3.

**CATEGORY "A" RECOMMENDATIONS**

	As of 8/31/2012	Changes from 8/31 to 11/2	As of 11/2/2012
Total Number of Recommendations	398	17	415
Closed Recommendations	(368)	(18)	(386)
<b>Open Recommendations</b>	<b>30</b>	<b>(1)</b>	<b>29</b>

**CATEGORY "B" RECOMMENDATIONS**

	As of 8/31/2012	Changes from 8/31 to 11/2	As of 11/2/2012
Total Number of Recommendations	143	0	143
Closed Recommendations	(109)	0	(109)
<b>Open Recommendations</b>	<b>34</b>	<b>0</b>	<b>34</b>

**Breakdown of Category "B" Open Recommendations:**

	As of 8/31/2012	Changes from 8/31 to 11/2	As of 11/2/2012
Not yet implemented	21	(3)	18
Partially implemented and the remainder is in progress	5	0	5
Implemented, per SBA Management	8	3	11
<b>Open Recommendations</b>	<b>34</b>	<b>0</b>	<b>34</b>

Category "A" refers to recommendations made either by internal or external auditors. OIA monitors and performs follow-up procedures on these recommendations in accordance with the

*IIA Standard 2500.A1.*<sup>1</sup> In certain cases, follow-up procedures are performed by external auditors.

Category “B” refers to recommendations made by consultants resulting from an assessment of a program or activity such as governance, risk management, compliance, ethics, disaster recovery preparedness program, etc. The OIA monitors the disposition of these recommendations in accordance with the *IIA Standard 2500.C1*<sup>2</sup>. Please note that the *IIA Standard* does **not** require the CAE to establish a follow-up process for consulting engagements, but the OIA does take into account the disposition of these recommendations when performing a risk assessment for purposes of establishing the nature, timing, and scope of audit engagements involving the affected areas.

Of the 34 open items in Category “B”, 18 are reported as not yet implemented (NYI) and five are partially implemented. Sixteen (16) of the 18 NYI recommendations came from the work conducted by Crowe Horwath and their follow-up of governance work conducted by Deloitte. These items will be part of a distinct follow up progress activity by the Chief Risk & Compliance Officer (CRCO), discussed below. The other two NYI recommendations pertain to work done by BDA Global in 2010. The SBA engaged BDA Global to conduct a review to determine if its Continuity of Operations Program provides reasonable assurance that the SBA has the ability to timely recover from a major disruption or disaster and continue critical business functions as defined by the goals of the program. The five recommendations that are reported as partially implemented refer to the governance work done by Deloitte in 2009.

### III. Enterprise Risk Management and Compliance

#### A. Compliance Activities

As part of the continuous compliance program, no material exceptions were found. The CRCO notified the Audit Committee of a compliance exception that occurred in Florida PRIME regarding a 144(a) security that was eligible for purchase by a Qualified Institutional Buyer only, and not eligible to be held by an accredited investor such as Florida PRIME. The SBA’s Investment Oversight Group met and determined that the best course of action was to liquidate the investment, and subsequently directed Federated to do so. The investment was sold for a small gain and disclosures were made to Florida PRIME participants in both the August and September newsletters to ensure full transparency. Federated has represented they have made enhancements to their automated compliance system to ensure this type of compliance exception does not recur.

#### B. Progress on the implementation of Crowe Horwath’s recommendations

As previously disclosed the CRCO has extended five 12/31/12 implementation dates to 6/30/13 in order to provide a more integrated solution to Crowe Horwath’s

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<sup>1</sup> *Standard 2500.A1- The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.*

<sup>2</sup> *Standard 2500.C1-The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.*

recommendations. All of the remaining recommendations progressed as originally planned, with implementation by 12/31/12 or 3/31/13.

- C. Risk Management Plan – Fiscal year 2012-2013  
CRCO presented the 2012-2103 ERM plan that disclosed the SBA's ERM Framework, Risk Assessment Scale Definitions, ERM Risk Ownership Grid Residual Risk Summaries, Risk Profile Heat Maps and Risk Mitigation Initiatives. Furthermore ERM participated in the Strategic Risk Assessment of the SBA's Strategic Plan for Fiscal Years 2013-2015, producing a monitoring plan that helps ensure that the four SBA Strategic Goals are being addressed for each of the ten Strategic Objectives.

#### IV. Other Audit Committee Initiatives

- A. OIA and Enterprise Risk Management (ERM) Collaboration  
At the Committee's request, OIA and ERM developed a plan to increase their risk assessment collaboration. To the extent practicable and allowed by the audit standards, OIA and RMC will work closely to share results of risk assessments, review risk management issues and concerns, assess risk responses, and ensure relevant risk information is communicated to relevant parties. The SBA Policy 10-005, Enterprise Risk Management, was updated on October 1, 2012 to institutionalize the committed coordination of risk assessments between OIA and ERM.
- B. Coordination of Audit Plans with the State of Florida Auditor General  
The Committee discussed and agreed to invite the State of Florida Auditor General or his representatives to discuss ways to coordinate audit plans to avoid duplication of efforts and achieve better audit coverage of the SBA. The Committee will hold a special meeting on December 11, 2012 and has invited the State of Florida Auditor General or his representatives to attend.
- C. SBA 2013 Training Objectives  
The Committee has always been an advocate of a rigorous continuing education program for the SBA employees because of the complexity of the SBA's business. In the November 13, 2012 meeting of the Committee, the SBA presented the 2013 training goals and strategies for the fiscal year 2012-13.

**APPENDIX 1**  
**STATUS OF CATEGORY "A" RECOMMENDATIONS**  
 As of November 2, 2012

**1. OPEN RECOMMENDATIONS BY YEAR & RISK RATING**

Year	Risk Rating				Total	%
	High	Medium	Low	Total		
2007	1	0	0	1	1	3.5%
2011	1	3	5	9	9	31.0%
2012	9	5	5	19	19	65.5%
	11	8	10	29	29	100%
	38%	28%	34%			

**2. DETAILS OF OPEN RECOMMENDATIONS**

Report Title	Report Date	Risk Rating				Total	Status				%		
		High	Medium	Low	Total		NYI	PIRP	OTV	Total			
Disaster Recovery Plan	7/31/2007	1			1	1				1			3.5%
EY SBA Network Security Assessment	9/27/2011		1	1	2			2		2			6.9%
EY SBA Security Assessments	9/29/2011	1	2	4	7			7		7			24.1%
EY SBA Security - Follow-up	5/2/2012	2	2	1	5			5		5			17.2%
Office of Defined Contribution Programs	6/15/2012	2			2				2	2			6.9%
Accounting Reconciliations Operational Audit	9/14/2012			2	2						2		6.9%
Private Equity Operational Audit	10/25/2012	5	3	2	10			2		2	8		34.5%
		11	8	10	29	11	2	16	29	29			100%

**Category A** - Recommendations were made by either by internal or external auditors. The Office of Internal Audit (OIA) monitors and performs follow-up procedures on these recommendations in accordance with the IIA Standard 2500. A.1

**NYI** - Not Yet Implemented

**PIRP** - Partially Implemented and the Remainder is in Progress

**OTV** - OIA to Verify

**APPENDIX 2**  
**STATUS OF CATEGORY "B" RECOMMENDATIONS**  
 As of November 2, 2012

**1. OPEN RECOMMENDATIONS BY YEAR & RISK RATING**

Year	Risk Rating				Total	%
	High	Medium	Low	Total		
2009	2	3	2	7	20.5%	
2010	2	0	0	2	5.9%	
2011	2	18	5	25	73.6%	
	6	21	7	34	100%	
	18%	62%	20%			

**2. DETAILS OF OPEN RECOMMENDATIONS**

Report Title	Report Date	Risk Rating				Total	Status			%
		High	Medium	Low	Total		NYI	PIRP	IMP	
Deloitte & Touche Phase I	1/15/2009	1	3	2	6		4	2	6	17.6%
Deloitte & Touche Phase II	6/16/2009	1			1		1		1	2.9%
BDA Global - Disaster Recovery	8/23/2010	2			2	2			2	5.9%
Crowe Horwath - Compliance Review	10/21/2011	2	18	5	25	16		9	25	73.6%
		6	21	7	34	18	5	11	34	100%

- Category B** - Recommendations were made by the non-investment consultants and cover areas related to risk management, internal controls, compliance, ethics, special investigations, etc. The OIA monitors the disposition of these recommendations in accordance with the IIA Standard 2500.C1.
- The Office of Internal Audit does not perform any follow-up procedures on the Category B recommendations.
- NYI** - Not Yet Implemented
- PIRP** - Partially Implemented and the Remainder is in Progress
- IMP** - Implemented, as represented by SBA management

**APPENDIX 3**  
**STATUS OF ALL RECOMMENDATIONS (CATEGORIES A & B COMBINED)**  
 As of November 2, 2012

**1. OPEN RECOMMENDATIONS BY YEAR & RISK RATING**

Year	Risk Rating				Total	%
	High	Medium	Low	Total		
2007	1	0	0	1	1	1.6%
2009	2	3	2	7	7	11.1%
2010	2	0	0	2	2	3.2%
2011	3	21	10	34	34	53.9%
2012	9	5	5	19	19	30.2%
	17	29	17	63	63	100%
	27%	46%	27%			

**2. DETAILS OF OPEN RECOMMENDATIONS**

Report Title	Report Date	Risk Rating				Status					
		High	Medium	Low	Total	NYI	PIRP	OTV	IMP	Total	
Disaster Recovery Plan	7/31/2007	1			1	1				1	1.6%
Deloitte & Touche Phase I	1/15/2009	1	3	2	6		4		2	6	9.5%
Deloitte & Touche Phase II	6/16/2009	1			1		1			1	1.6%
BDA Global - Disaster Recovery	8/23/2010	2			2	2				2	3.2%
EY SBA Network Security Assessment	9/27/2011		1	1	2			2		2	3.2%
EY SBA Security Assessments	9/29/2011	1	2	4	7			7		7	11.1%
Crowe Horwath - Compliance Review	10/21/2011	2	18	5	25				9	25	39.6%
EY SBA Security - Follow-up	5/2/2012	2	2	1	5			5		5	7.9%
Office of Defined Contribution Programs	6/15/2012	2			2		2			2	3.2%
Accounting Reconciliations Operational Audit	9/14/2012			2	2	2				2	3.2%
Private Equity Operational Audit	10/25/2012	5	3	2	10			2		10	15.9%
		17	29	17	63	29	7	16	11	63	100.0%

**NYI** - Not Yet Implemented  
**PIRP** - Partially Implemented and the Remainder is in Progress  
**OTV** - OIA to Verify  
**IMP** - Implemented, as represented by SBA management





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AS SECRETARY**  
**ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO**

## MEMORANDUM

**To:** Ash Williams  
**From:** Michael McCauley  
**Date:** November 28, 2012  
**Subject:** Board of Trustees Meeting – Standing Report / Investment Programs & Governance

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### CORPORATE GOVERNANCE & PROXY VOTING OVERSIGHT GROUP

The SBA's Corporate Governance & Proxy Voting Oversight Group (Proxy Committee) met last on September 27, 2012 and is scheduled to meet next on December 17, 2012. The Proxy Committee continues to discuss ongoing governance issues including the volume and trends for recent proxy votes, governance factors within global equity markets, regulatory developments and company research tied to the Protecting Florida's Investments Act (PFIA).

### 2012 VOTING SUMMARY REPORT

On October 29, 2012, SBA staff published a Proxy Voting Summary Report covering the 2012 fiscal year voting activities, major corporate governance issues, and long-term market trends.

### GLOBAL EQUITY PROXY VOTING

During the trailing 12 months ending September 30, 2012, the SBA executed 9,409 votes on public company proxies covering 84,826 individual voting items, including director elections, audit firm ratifications, executive compensation plans, mergers, acquisitions, and other management and shareowner proposals. The SBA voted "for" 77 percent of all executed proxy votes. The table below provides major statistics on the SBA's proxy voting activities through the last 12 months ending September 30, 2012:

<b>Votes in Favor of Directors</b> 80.4% (FY2012=77.0%)	<b>Votes with Management</b> 80.8% (FY2012=78.2%)
<b>Votes in Favor of Auditors</b> 91.9% (FY2012=91.3%)	<b>Total Ballot Items Voted</b> 84,826 (FY2012=84,881)
<b>Votes in Favor of All Governance Proposals</b> 64.3% (FY2012=66.7%)	<b>Total Proxies Voted</b> 9,409 (FY2012=9,420)

During the prior quarter ending September 30, 2012, the SBA cast proxy votes in 58 countries, with the top 4 countries comprised of the United States (243 votes), India (173), the United Kingdom (109), and Hong Kong (93).

### ADVISORY VOTE ON EXECUTIVE COMPENSATION (SAY-ON-PAY)

As of June 30, 2012, 53 U.S. companies had failed to win majority shareowner support for their executive compensation plans. Of those companies, five had also failed their say-on-pay votes in 2011: Cooper Industries PLC, Hercules Offshore Inc., Kilroy Realty Corp., Nabors Industries Ltd., and Tutor Perini Corp. SBA staff is communicating with these companies in order to gain a better understanding of each board's response to the negative vote and to learn what changes are planned to reform existing compensation practices.

Based on MSCI Institutional Shareholder Services' (ISS) Executive Compensation database, "the median value of total CEO compensation for S&P 500 companies had decreased 4.8 percent in fiscal 2009 amid the global economic crisis, but the 20 percent jump to \$10.6 million in fiscal 2010 more than made up for the compensation forgone during 2008 and 2009. By contrast, in fiscal 2011, the median value of total CEO compensation packages at S&P 500 companies decreased to \$9.9 million, or by 6.6 percent year-over-year."<sup>1</sup>

#### **REGULATORY DEVELOPMENTS & OTHER COMMENTARY**

On August 10, 2012, SBA staff submitted a comment letter to the Securities and Futures Commission (SFC) of Hong Kong providing input on the Consultation Paper on the Regulation of Sponsors. The SBA's comments largely supported the previous submission made to the SFC by the Asian Corporate Governance Association (ACGA), covering recommendations on a code of conduct, coordinated listing rules, and improved investor disclosure.

On September 25, 2012, the New York Stock Exchange (NYSE) and the Nasdaq Stock Market proposed rule changes to comply with the Dodd-Frank Act requirements for compensation committee members and compensation advisers. Under the final rules adopted in June 2012 by the Securities and Exchange Commission (SEC), U.S. national stock exchanges are prohibited from listing any company that does not have an independent compensation committee. The rules also require compensation committees to select independent advisers and disclose conflict-of-interest for compensation consultants. The SBA previously submitted a comment letter to the SEC regarding these listing standards in May of 2011. The conflict-of-interest disclosure requirement is effective for meetings at which directors are to be elected occurring on or after January 1, 2013.

#### **2013 GLOBAL ENGAGEMENT WORK PLAN**

SBA staff has begun to work on several engagement initiatives aimed at improving the corporate governance practices of approximately a dozen global corporations. Global firms were identified among the SBA's largest 150 global equity holdings, screened by absolute and industry-relative total stock return (TSR) performance as well as corporate governance attributes. Companies with poor TSR performance and corporate governance were identified for active engagement. SBA staff has been in contact with a number of global shareowner associations and institutional investors regarding these companies. The SBA's key governance concerns include the following (not necessarily in order of importance): 1) classified boards (annual elections); 2) proxy access (ability to nominate directors); 3) majority voting (>50% election standard); 4) one-share/one-vote (dual class shares, etc.); 5) executive compensation (pay for performance, long-term incentive plan design, etc.); 6) procedural (voting by poll, financial disclosures, etc.); 7) minority shareowner rights (director elections, state-owned enterprises, etc.).

The SBA has also partnered with the Harvard Law School's Shareholder Rights Project (SRP) to submit shareowner proposals at several U.S. companies during the 2013 proxy season. The shareowner proposals urge a repeal of the companies' classified board structures and a transition to annual director elections. Annual board election procedures are increasingly viewed as a global best practice to provide for more effective board accountability. When combined with majority voting election procedures, the two governance factors underscore legitimate director elections. The following six S&P 500 and Fortune 500 companies have received SBA shareowner proposals for consideration at their 2013 annual meetings: Huntsman Corporation, Manpower Inc., NCR Corporation, Netflix, Inc., NII Holdings, Inc., and SPX Corporation. The SBA and the SRP have begun to communicate with each company in an effort to advocate for the adoption of annual election procedures.

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<sup>1</sup> *2012 Proxy Season Review – United States*, MSCI Institutional Shareholder Services, published August 16, 2012.



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ATTORNEY GENERAL  
AS SECRETARY  
ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO

## MEMORANDUM

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**To:** Ashbel C. Williams, Executive Director & CIO  
**From:** Maureen M. Hazen, General Counsel *Maureen M. Hazen*  
**Date:** November 20, 2012  
**Subject:** Office of General Counsel: Standing Report to Trustees  
For Period August 29, 2012 – November 16, 2012

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### SBA Agreements.

During the period covered by this report, the General Counsel's Office drafted, reviewed and negotiated: (i) 31 new agreements – including 4 private equity investments, 2 real estate investments, 4 strategic investments and one Global Equity investment management agreement; (ii) 79 contract amendments, addenda or renewals; and (iii) 2 contract terminations.

### SBA Litigation.

(a) Passive. As of November 16, 2012, the SBA was a putative, passive member of the class in 626 securities class actions. From August 1, 2012 through October 31, 2012<sup>1</sup>, the SBA collected recoveries in the amount of \$640,451.01 as a passive member in 19 securities class actions.

(b) Active. (i) Abu Dhabi Commercial Bank v. Morgan Stanley & Co. (Cheyne Litigation). During the period covered by this report, the Court held a case status conference and scheduled the trial to begin on May 6, 2013.

(ii) In re Tribune Litigation. On January 24, 2012, the SBA was served a complaint (along with other defendants) now pending in the U.S. Bankruptcy Court, Southern District of New York by the Official Committee of Unsecured Creditors of the Tribune Company alleging damages for fraudulent conveyance and requesting the return of proceeds received by all defendant investors in a leveraged buy-out of the Tribune Company (which subsequently declared bankruptcy). The SBA received approximately \$11 million in connection with this leveraged buy-out. Pursuant to the Court master scheduling order, the Court has stayed all answer and motion filing deadlines pending resolution of similar issues in the parallel class case.

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<sup>1</sup> As of the date of this report, recoveries made in November, 2012 were not yet available.

(iii) *In re Lyondell Litigation*. On January 17, 2012, the SBA was served a complaint (along with other defendants) filed in the U.S. Bankruptcy Court, Southern District of New York alleging damages for fraudulent conveyance and seeking the return of proceeds received by all defendant investors that tendered stock in a leveraged merger of Lyondell Chemical Company (which subsequently declared bankruptcy). The SBA received approximately \$32 million in connection with stock tendered in the leveraged merger. On March 12, 2012, the SBA filed a Joinder to existing Motions to Dismiss. The Court has yet to rule on the Motions.

(iv) *Williams v. Scott (FRS Contribution Litigation)*. On June 20, 2011, various plaintiffs filed a complaint against the Trustees and the Secretary of DMS challenging the constitutionality of Senate Bill 2100 (the legislation mandating the deduction of 3% of employees' salaries for contribution into the Florida Retirement System). On March 6, 2012, the trial court ruled the law unconstitutional as to its application to employees who were members of the FRS prior to July 1, 2011. The Appellants appealed the ruling to the First District Court of Appeal, which certified the case as presenting issues of great public importance. The Florida Supreme Court accepted jurisdiction. The Court heard oral argument on September 7, 2012 but, as of the date of this report, has yet to issue a ruling.

(c) *FRS Investment Plan*. During the period from August 29, 2012 through November 16, 2012, the General Counsel's Office monitored and/or managed the following cases for the Florida Retirement System Investment Plan (the "Investment Plan"). The SBA issued five (5) Final Orders, received notice of filing of six (6) new cases, and continued to litigate twelve (12) cases that were pending during the periods covered by previous reports, including defending four (4) appellate cases.

#### **Other Matters.**

(a) *Public Records Requests*. During the period covered by this report, the General Counsel's Office received 26 new public records requests and provided responses to 22 requests. As of the date of this report, the General Counsel's Office continues to work on 12 open requests.

(b) *SBA Rules*. (i) On September 14, 2012, the IRS issued a determination letter (that had been requested almost four years previously), indicating that the Investment Plan continues to meet the qualification requirements of IRC Section 401(a), notwithstanding that amendments have been made to the Investment Plan since its inception. The determination letter, however, is subject to the adoption, by December 13, 2012, of amendments to Rules 19-11.001(19) and 19-11.003(4), Florida Administrative Code, that would clarify certain information pertaining to rollovers. On October 23, 2012, the Trustees approved the filing of a Notice of Proposed Rule to amend these rules (as well as Rules 19-11.002, 19-11.005, 19-11.006, 19-11.007, 19-11.011 and 19-11.012, F.A.C to provide for minor technical amendments) and to authorize the filing of these rules for adoption if no member of the public timely requested a rule hearing. The SBA offered a rule hearing on Thursday, November 15, 2012, but it was not held because it was not requested. The Joint Administrative Procedures Committee has approved the filing of the rules for adoption. SBA staff contemplate that the rules will be filed for adoption on November 26, 2012, which is in advance of the December 13, 2012 deadline provided for in the I.R.S. determination letter.

(ii) During the period covered by this report, SBA staff continued to work on the amendments to rules in Rule Chapters 19-3, 19-4 and 19-5 to update provisions, delete unnecessary rules and consolidate information as reported to the Legislature in the SBA's 2012-2013 Annual Regulatory Plan.



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ATTORNEY GENERAL  
AS SECRETARY  
ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO

**MEMORANDUM**

DATE: November 21, 2012  
TO: Board of Trustees  
FROM: Ken Chambers, Inspector General  
SUBJECT: Quarterly Report on SBA Inspector General Activities

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

Ethics and Training

- Mandatory ethics training and certification of compliance are required for all SBA employees on an annual basis. The training covers gifts, conflicts of interest, financial disclosure, outside employment, lobbyist/principal restrictions, honorarium related events, etc. The Inspector General participated in a review of the ethics policy and corresponding training course to determine if any changes/revisions were warranted. While no substantial changes were made to the policy, several minor revisions were made to the gift and outside employment portions of the policy, as well as the on-line training course.
- During the period August 31, 2012 to November 20, 2012, one instance was reported to the Inspector General concerning non-compliance with the SBA gift policy. The violation was unintentional and self-reported by the employee, and the provider was reimbursed for the gift in accordance with the policy.

Investment Protection Principles Compliance

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

promoting independence, transparency and regulatory compliance, and adherence to the highest standards of ethics and professionalism. On an annual basis, written certification is required from equity and fixed income investment managers, broker-dealers, and investment consultants.

As previously reported, all of the equity and fixed income investment managers completed and returned their IPP certification forms for the 2011 reporting period. An analysis of the 2011 certifications indicated full compliance with the IPP's by most of the equity and fixed income managers. For the others, explanations were provided supporting that the managers are in compliance with the spirit of the IPP's.

Certification forms for broker-dealers have been disseminated to the applicable firms. All of the equity broker-dealers have completed and returned their IPP certification forms, and no non-compliance issues were noted. All but two of the fixed income broker-dealers have completed and returned their IPP forms.

#### Investment Advisory Council Disclosures

As required by Chapter 215.444, Florida Statutes, all current IAC members have completed the annual Conflict Disclosure Statement. Additionally, all nine IAC members have completed the fiduciary training program as stipulated in Chapter 215.444.

#### SBA Fraud Hotline

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

To date, no reports or tips have been received by the Hotline for 2012.

#### Internal Investigations

During the period August 31, 2012 to November 20, 2012, one internal investigation was completed by the Inspector General. The investigation concerned non-compliance with SBA's outside employment policy by an employee. While the investigation concluded the policy was not violated, a recommendation was made (and subsequently enacted) to revise the policy to address the reporting responsibilities of new employees who were already engaged in some type of outside employment activity at the time of their hire date. Additionally, because of an issue with the employee's pre-employment background check, it was recommended that the Human Resources Office develop a more formal procedure for the review and documentation of an applicant's criminal history report information.

cc: Ash Williams



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ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO

MEMORANDUM

DATE: November 26, 2012  
TO: Ash Williams  
FROM: Eric Nelson  
SUBJECT: Trustee Update – December 2012

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Attached is Risk Management and Compliance’s quarterly summarized compliance report as of September 30, 2012 for transmission to the Trustees, Investment Advisory Council and Audit Committee. Where possible, compliance data being reported is current information as of the date of this memorandum.

Additionally, the following is a brief status report of Risk Management and Compliance activities and initiatives completed or in progress during the period 9/1/12 through 11/26/12:

- Progress continues on the BarraOne total fund risk model implementation. Monthly data reconciliation and report delivery is occurring on schedule and in accordance with the contract. Risk Management and asset class staff are currently reviewing September risk reports and October data processing is underway. The transition from the MSCI implementation team to Managed Services is pending final review of custom report templates. MSCI/Barra will be in our offices December 5<sup>th</sup> to discuss report interpretation and best practices.
- In response to a request from the Chair of the SBA’s Audit Committee, representatives from Risk Management and Compliance and the Office of Internal Audit met to discuss approaches to enhancing collaboration between the groups for risk assessment purposes. The two groups identified areas for enhancements, developed a plan, and took certain implementation actions. The high-level collaboration plan is summarized in Executive Director Policy 10-005 “*Enterprise Risk Management*”, which was revised effective October 1, 2012 to incorporate the following requirements:

*“RMC shall collaborate with the SBA’s Office of Internal Audit (OIA) to ensure implementation and maintenance of an effective and robust enterprise risk management program. RMC will work closely with OIA to conduct joint risk assessments to the extent practical, share results of risk management activities,*

*evaluate and incorporate results of OIA audits and reviews, solicit feedback from OIA on risk issues, and meet routinely with OIA to review risk management issues and concerns. RMC will proactively coordinate with OIA to ensure significant risks are identified and assessed, risk responses align with SBA risk appetite, and relevant risk information is captured and communicated to management in a timely manner.”*

- Risk Management staff worked with COO/CFO staff and the Deputy Executive Director to identify areas for improvement in the SBA’s business continuity plan. Work is ongoing to review business recovery time objectives and identify all related information systems and electronic data associated with high priority processes. This work is associated with SBA strategic objective #12-07 “Enhance disaster recovery and business continuity capabilities.”
- Conducted numerous interviews in conjunction with the Inspector General of staff and line management to identify potential areas for improvement as part of strategic objective #SO12-04 “Evaluate efficiency of key processes and allocation of resources across departments and business functions”. Summarized findings were presented to the Risk and Compliance Committee at their meeting on November 14<sup>th</sup> for consideration and evaluation. Several processes were identified to begin work on immediately and project groups will be formed in the near future.
- Met with Will Harrell as part of new IAC member orientation to describe the SBA’s enterprise risk management and compliance functions.
- Risk Management staff has been actively involved in the liquidity management project associated with strategic objective #12-03 “Identify and evaluate various liquidity management alternatives in light of economic/market conditions, funding levels, benefits, demographics, and evolving FRS Pension Plan liquidity needs.” We are in fact finding/information gathering mode and several firms have made presentations to SBA staff regarding their liquidity management / overlay products.
- The SBA’s Risk Management Plan for Fiscal Year 2012/13 was finalized and presented to the Audit Committee on November 13, 2012 and the Risk and Compliance Committee on November 14, 2012. The core of the plan is an aggregate initiatives list, which details strategic objective support projects as well as business unit level initiatives - all documented and linked to the ERM framework.
- During the period, Risk Management and Compliance received affirmation from SBA management that nine (9) Crowe Horwath and two (2) Deloitte “Category B” recommendations were completed and should be considered closed.
- Risk Management staff has been actively engaged in documenting the system of internal controls to mitigate risks across the organization. Efforts have focused on identifying both preventative and detective controls and key risk indicators for monitoring and reporting.

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# SBA Risk Management and Compliance

Compliance Report for Quarter Ended September 30, 2012



A. STATUTORY / REGULATORY COMPLIANCE		STATUS
1	Chapter 215.47, F.S. - Investments	All investments statutorily permitted
2	Chapter 215.44, F.S. - Audited Financial Statements (2010-180)	All investments within statutory limits Completed as of 11/5/12 - Presented to Audit Committee on 11/13/12
3	Quarterly Report to Joint Legislative Auditing Committee on Florida PRIME and Fund B	Monthly Florida PRIME reports for quarter ending 6/30/12 reviewed and approved by SBA Trustees and sent to the JLAC on 9/18/12
4	Protecting Florida's Investment Act Compliance (Iran/Sudan)	No violations reported - latest quarterly report approved by Trustees on 9/18/12
5	SEC Form 13F - Institutional investment managers that have discretion over \$100 million in Section 13(f) securities	All securities reported to the SEC
6	SEC Form 13H - Large Trader Registration	No changes to report for the quarter
7	CFTC Form 40 - Statement of Reporting Trader	No reporting required for the quarter
8	Basket Clause Securities	No proposed plans for such investments were reported to the IAC as of October 1, 2012
B. INVESTMENT POLICY STATEMENTS APPROVED BY TRUSTEES		STATUS
1	FRS Pension Plan	Asset allocation within specified ranges Performance measured to approved benchmarks
2	FRS Investment Plan	Education requirements in compliance Investment Plan Administrator and Bundled Provider requirements in compliance Performance measured to approved benchmarks
3	Lawton Chiles Endowment Fund	Asset allocation within specified ranges Performance measured to approved benchmarks
4	Florida PRIME	Portfolio securities and transactions in compliance with Investment Policy Statement - one compliance exception addressed and subsequently reported to Florida PRIME participants in September 2012 Federated conducted monthly stress tests - results reported to the Investment Oversight Group on 11/20/12 Daily NAV and other high risk ranked parameters independently verified and in compliance Received all new account disclosure statements
5	Fund B Surplus Fund	Securities and transactions independently reviewed and all principal and interest payments distributed to participants net of fees
C. ETHICS / CONFLICTS OF INTEREST		STATUS
1	Insider Trading Policy	No compliance violations reported
2	Personal Investment Activity Policy	All personal investment holdings reports received for new employees No personal trading violations detected for the quarter
3	Conflict of Interest Certification - SBA Employees participating in selection process for external investment manager or private market investments	All certifications executed
4	Semi-Annual Statement of Compliance - External Investment Managers (Public)	All managers reported compliance with Investment Management Agreements as of 6/30/12
5	Annual Statement of Compliance - Private Equity	65 of 66 certifications received as of 11/09/12
6	Annual Statement of Compliance - Strategic Investments	41 of 42 certifications received as of 10/18/12

# SBA Risk Management and Compliance

Compliance Report for Quarter Ended September 30, 2012



D. GOVERNANCE AND POLICY OVERSIGHT		STATUS
1	Governance and Oversight Group Meetings	Senior Investment Group did not meet in July 2012 and the Valuation Oversight Group did not meet during the quarter; however, the Valuation Oversight Group July meeting was moved up to June
2	Investment Portfolio Guidelines Compliance (# of portfolios) FRS: Global Equity and REIT Portfolios (70) Fixed Income & High Yield Portfolios (21) Private Market Asset Classes (10) Other Non-FRS mandates / Trust Funds (30)	No material compliance violations through 9/30/12 No material compliance violations through 9/30/12 No material compliance violations as of 6/30/12 (one quarter lag) No material compliance violations through 9/30/12
3	External Investment Manager and Private Market Investment Acquisition	Acquisition checklists completed for all new managers and funds Placement Agent disclosures received and reviewed on all new investments and amended contracts with economic impact
4	External Investment Manager and Private and Public Market Investment Retention and Termination	One Public Market External Investment Manager terminated during the quarter due to performance
5	Internal Trading Policy	Four exceptions reported to the Fixed Income Investment Oversight Group during the quarter - all exceptions addressed
6	Derivative Instruments Usage	Verified usage permitted by policy Reviewed counterparty risk exposures - within historically normal ranges
7	Leverage Usage	Reviewed direct-owned real estate loan-to-value exposures as of 6/30/12 - within investment portfolio guidelines
8	Trading Counterparty Management	Approved trading counterparty list updated as of 10/1/12 Approved authorized trader list updated as of 10/26/12 Annual Trading Authorization letters sent and current for FY 2012-13 Asset class trading volumes within monitoring standards Global Equity quarterly trade cost analysis performed and reviewed on 8/28/12
9	Rebalancing and Liquidity Assessments	All funds currently within policy operating ranges
10	Risk Budget	Aggregate active investment risks (sources, levels and trends) reviewed by Senior Investment Group as of 8/29/12
11	New Investment Vehicles and Programs	No new investment vehicles approved during the quarter
12	Securities Lending	No material compliance violations
13	Investment Valuation	All direct-owned real estate properties externally appraised within last 12 months (unless newly acquired or in the process of being sold) Public Market Securities: 100.0% (valued as of 9/30/12) Real Estate: 99.3% (valued as of 06/30/12 or later) Private Equity: 99.9% (valued as of 06/30/12 or later) Strategic Investments: 93.4% (valued as of 06/30/12 or later)
14	Private Market Allocation Policies	Real Estate: within intra-asset class allocation ranges Private Equity: certain categories outside intra-asset class operating ranges - DED notified Strategic Investments: certain categories outside intra-asset class operating ranges - DED notified
15	Performance Measurement	All calculations performed in compliance with policy
16	Procurement	3 ITN's in progress, no new ITN's during the quarter



State Board of Administration of Florida

Major Mandate Review  
Third Quarter 2012

**Hewitt** ennisknupp

*An Aon Company*

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1. Executive Summary
2. Pension Plan Review
3. Investment Plan Review
4. CAT Fund Review
5. Lawton Chiles Endowment Fund Review
6. Florida PRIME and Fund B Review

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# Executive Summary

Third Quarter 2012

**Hewitt** ennisknupp

*An Aon Company*

## Executive Summary

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- The major mandates outperformed their respective benchmarks over all longer time periods through September 30, 2012, with the exception of the CAT Operating Fund, which modestly trailed its benchmark over the trailing five-year period.
- The Pension Plan approximated its Performance Benchmark over the trailing one-year, as strong Global Equity and Fixed Income performance offset a negative Tactical Asset Allocation effect during the period.
- The Pension Plan ranked in the top percentile over the trailing one-year period and ranked in the top quartile over the trailing ten-year period in the TUCS Top Ten Defined Benefit Plan universe, and over the trailing three- and five-year periods, the Pension Plan performed roughly in line with the median plan's performance in the complete TUCS Defined Benefit Plan universe.
- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark during the third quarter and over all trailing periods, suggesting strong relative performance of the underlying fund options in which participants are invested.
- The Lawton Chiles Endowment Fund outperformed its benchmark over all trailing periods, primarily due to strong domestic and foreign equity performance.
- Absolute yields on the CAT Fund and Florida PRIME remain muted during this period of low interest rates, though both mandates continue to outperform their respective benchmarks over both short and long time periods, an exception being the CAT Operating Fund which slightly trailed its benchmark over the trailing five-year period.

State Board of Administration of Florida  
Florida Retirement System

Pension Plan Review  
Third Quarter 2012

**Hewitt** ennisknupp

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## Executive Summary

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- The Fund assets total \$126.9 billion as of September 30, 2012, which represents a \$4.1 billion increase since last quarter.
- The Pension Plan, when measured against the Performance Benchmark, outperformed over the trailing three-, five-, and ten-year periods and matched performance over the one-year period.
- Relative to the Absolute Nominal Target Rate of Return, the Pension Plan underperformed over the five- and fifteen-year periods, but outperformed over the trailing one-, three-, ten-, twenty-, and twenty five-year time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
  - Public market asset class investments do not significantly deviate from their broad market based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
  - Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type, and investment strategy.
  - Asset allocation is monitored on a daily basis to ensure the actual asset allocation of the Pension Plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Hewitt EnnisKnupp and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

## FRS Pension Plan Change in Market Value Periods Ending 9/30/2012

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Summary of Cash Flows		
	Third Quarter	Fiscal YTD*
<b>Beginning Market Value</b>	\$122,745,973,551	\$122,745,973,551
<b>+/- Net Contributions/(Withdrawals)</b>	(\$1,761,125,829)	(\$1,761,125,829)
<b>Investment Earnings</b>	\$5,905,601,116	\$5,905,601,116
<b>= Ending Market Value</b>	\$126,890,448,838	\$126,890,448,838
<b>Net Change</b>	\$4,144,475,287	\$4,144,475,287

\*Period July 2012 – September 2012

# Asset Allocation as of 9/30/2012

## Total Fund Assets = \$126.9 Billion

Total Fund

As of September 30, 2012

\$126,890.4 Million and 100.0% of Fund

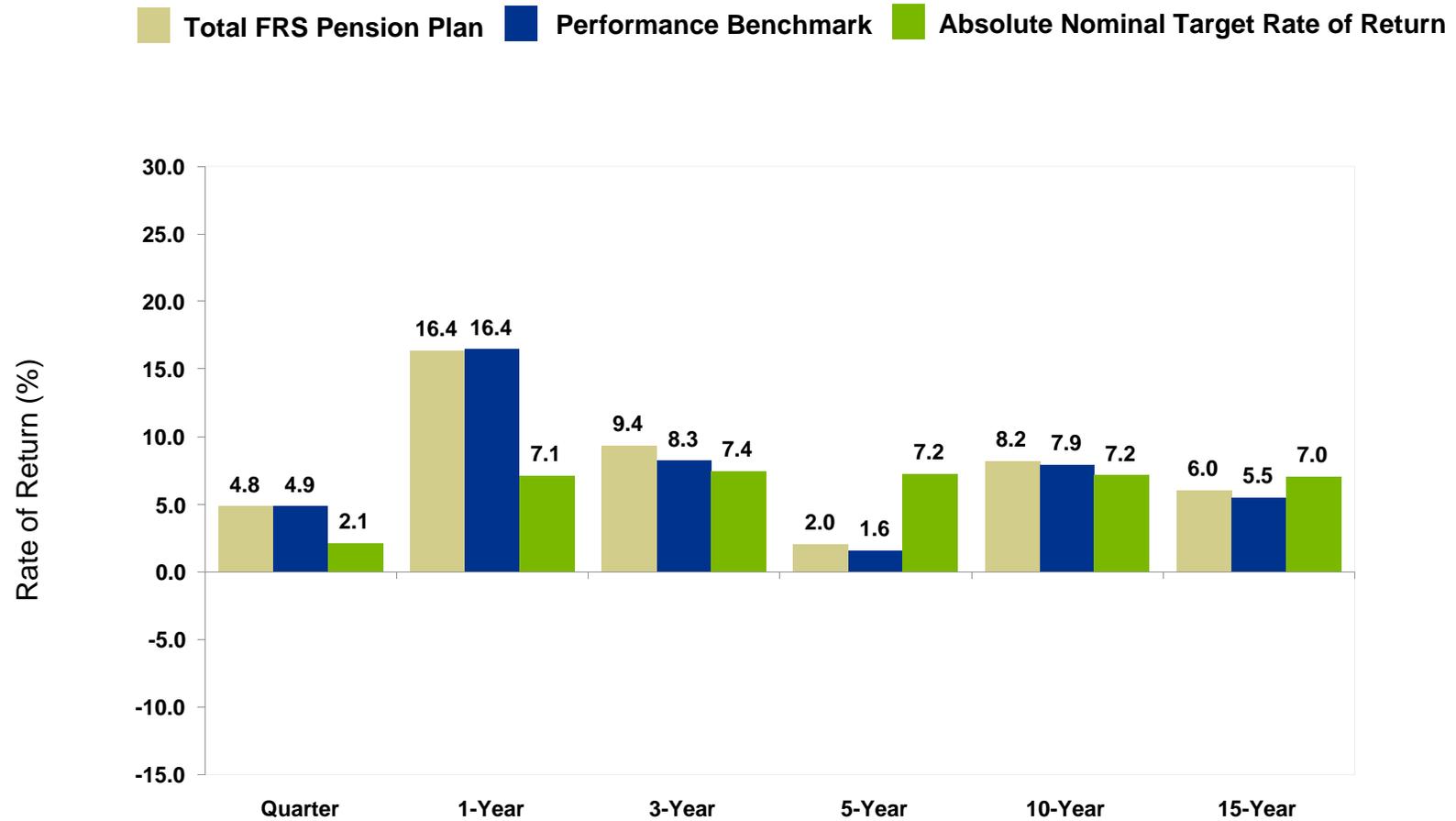
### Asset Allocation

Actual vs. Target



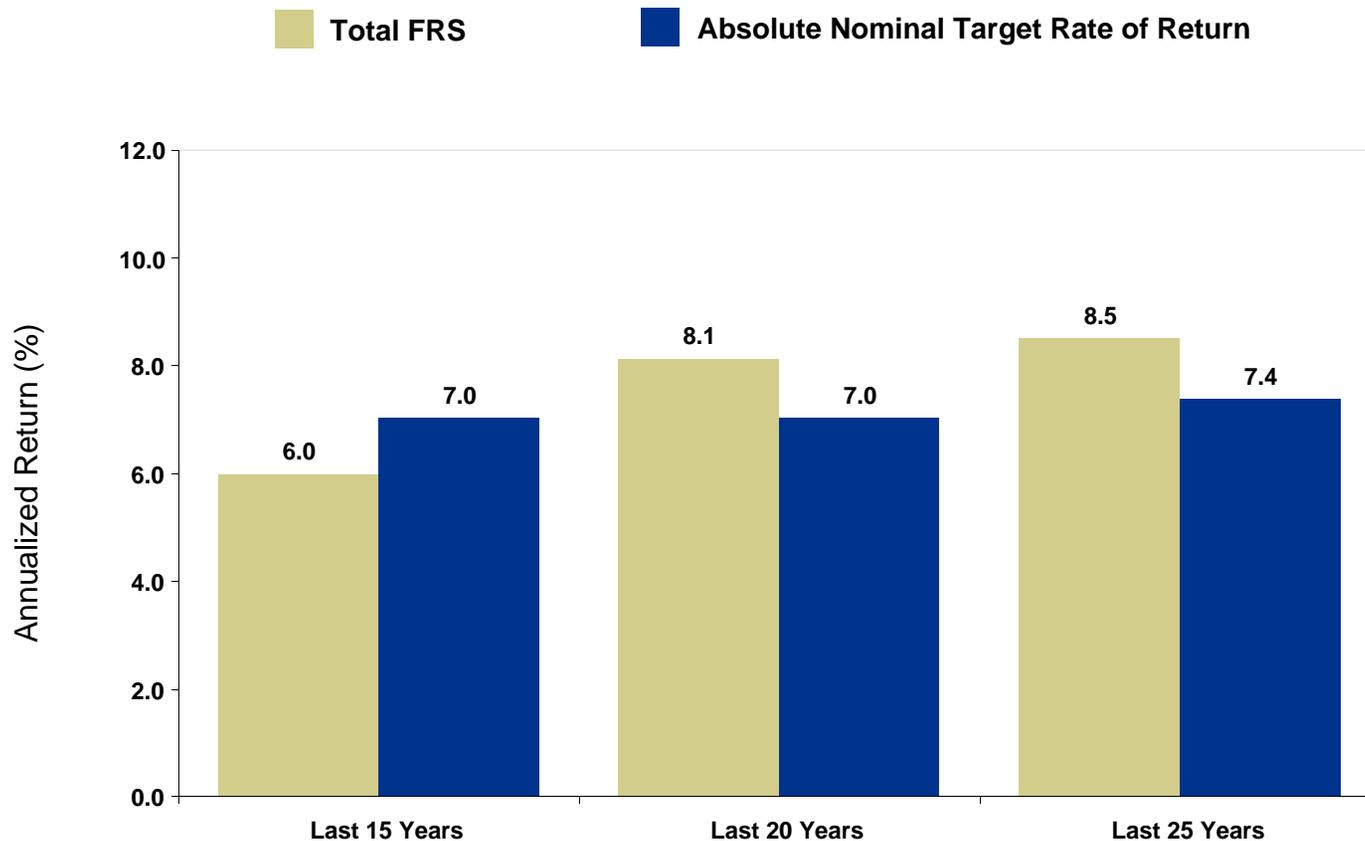
# FRS Pension Plan Investment Results

## Periods Ending 9/30/2012



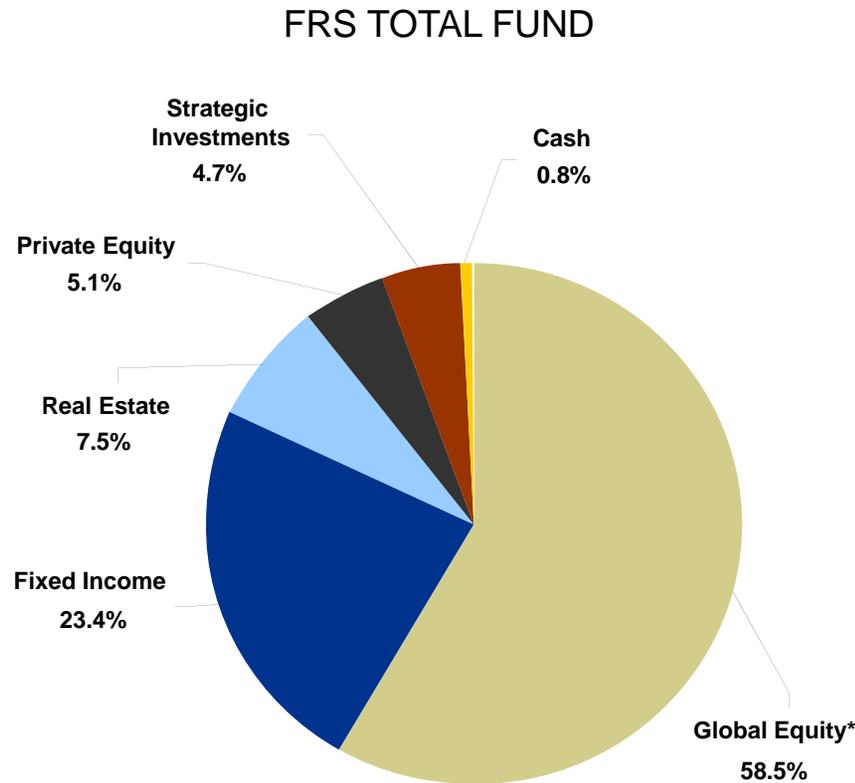
# FRS Pension Plan Investment Results Periods Ending 9/30/2012

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

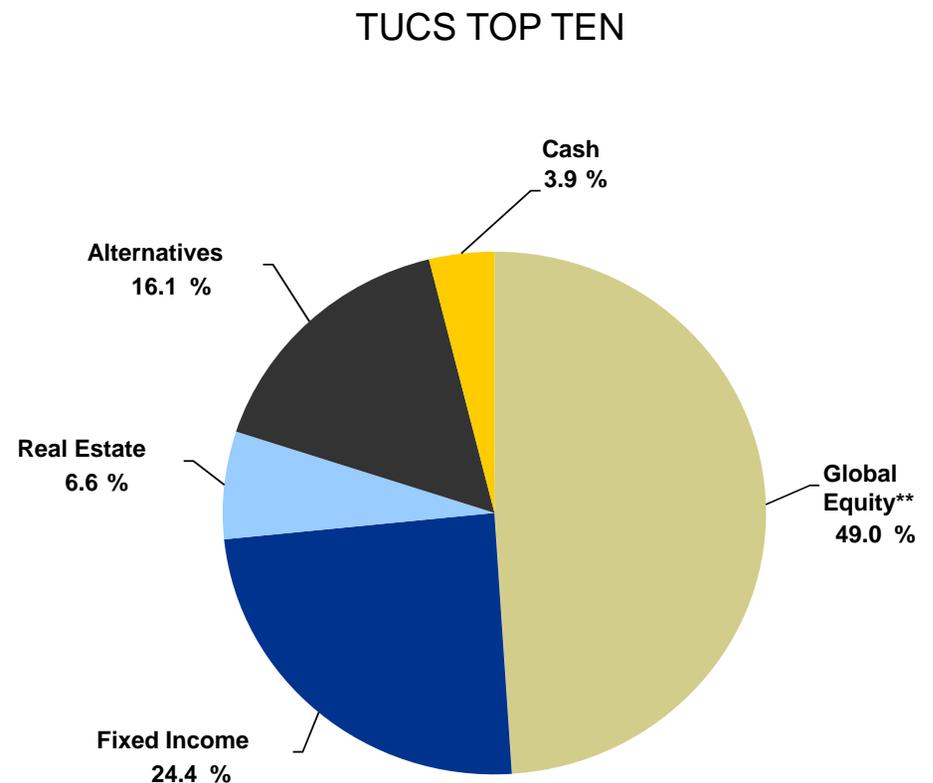


# Comparison of Asset Allocation As of 9/30/2012

## FRS Pension Plan vs. Top Ten Defined Benefit Plans



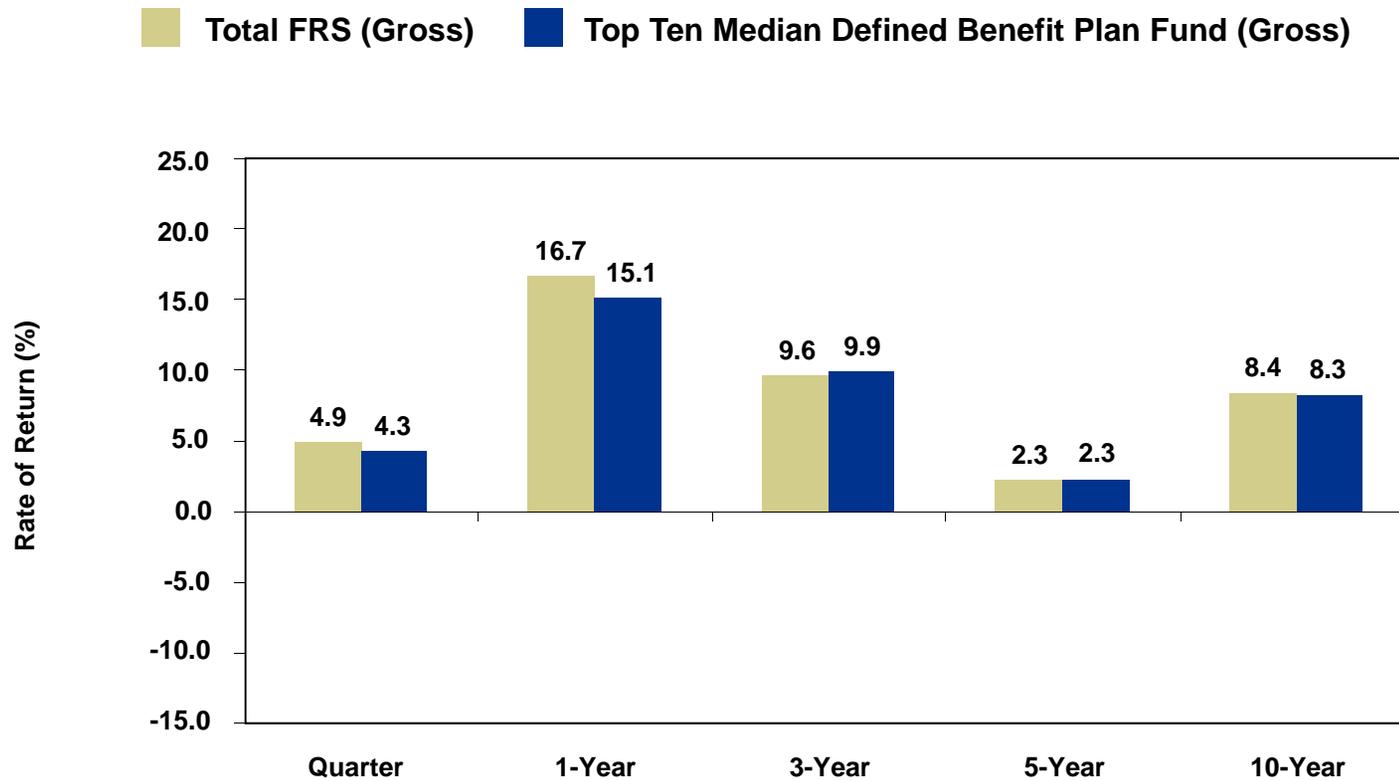
\*Global Equity Allocation: 26.6% Domestic Equities; 28.9% Foreign Equities; 2.9% Global Equities. Percentages are of the Total FRS Fund.



\*\*Global Equity Allocation: 28.5% Domestic Equities; 20.4% Foreign Equities.

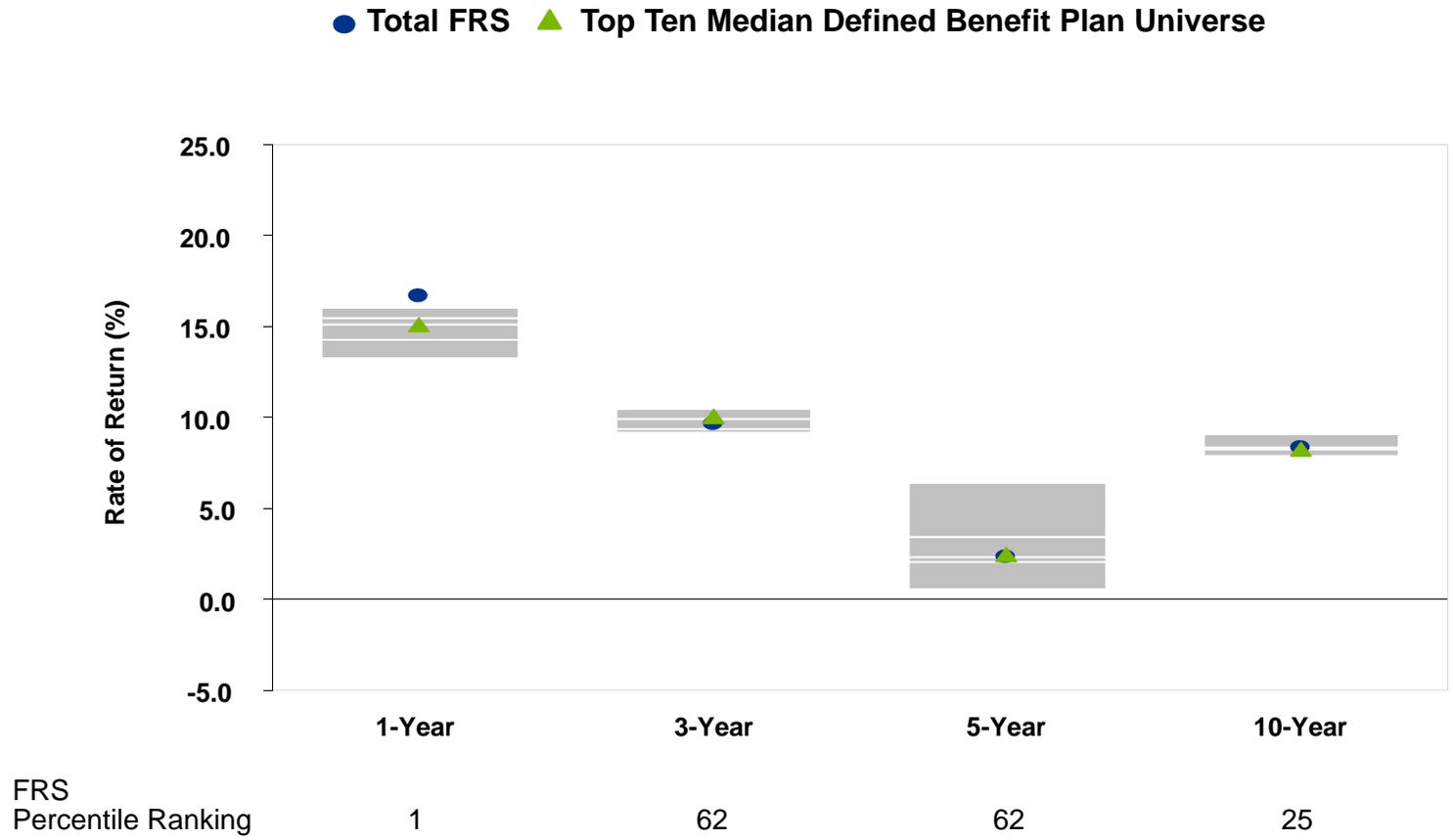
Note: The TUCS Top Ten Universe includes \$1.1 trillion in total assets. The median fund size was \$112.4 billion and the average fund size was \$110.5 billion.

# FRS Results Relative to TUCS Top Ten Defined Benefit Plans Periods Ending 9/30/2012



Note: The TUCS Top Ten Universe includes \$1.1 trillion in total assets. The median fund size was \$112.4 billion and the average fund size was \$110.5 billion.

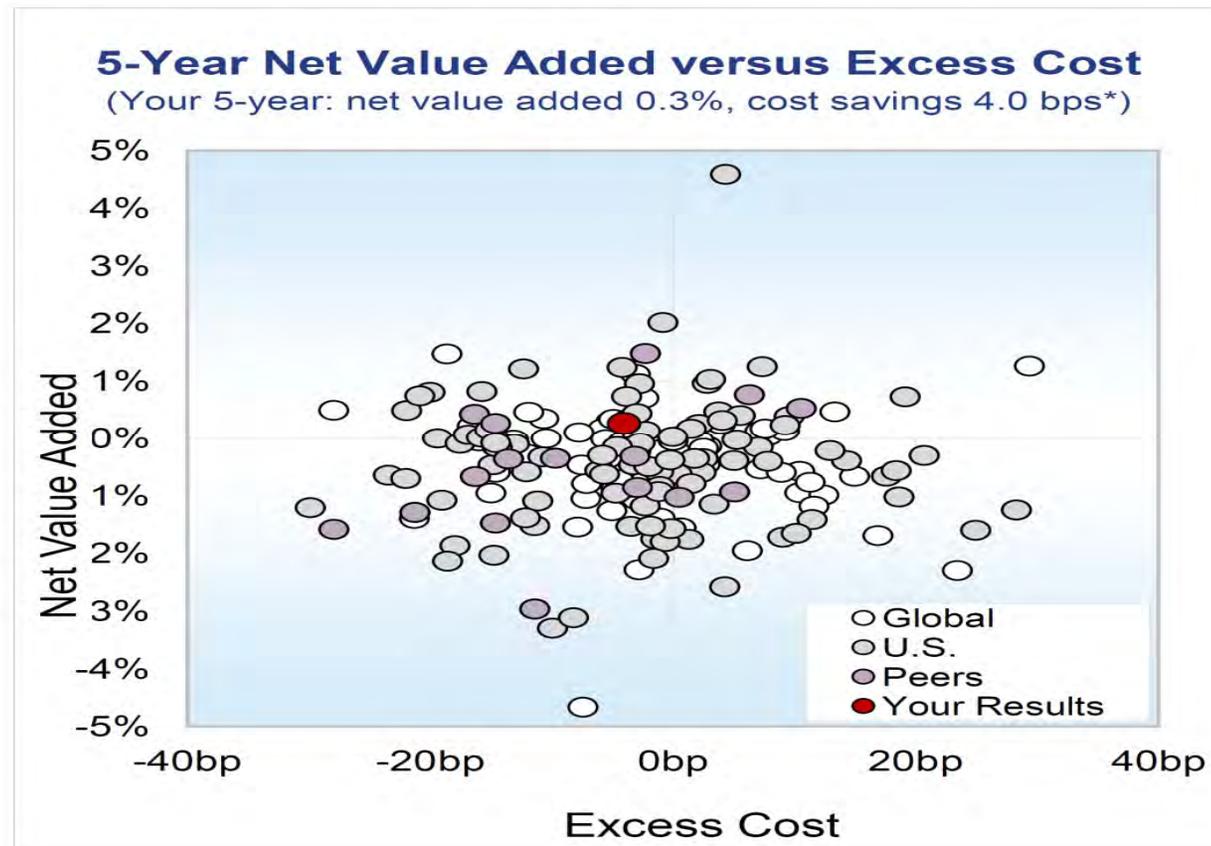
# Top Ten Defined Benefit Plans FRS Universe Comparison (TUCS) Periods Ending 9/30/2012



Note: The TUCS Top Ten Universe includes \$1.1 trillion in total assets. The median fund size was \$112.4 billion and the average fund size was \$110.5 billion.

# Cost Effectiveness

## Period Ending 12/31/11



\* Your 5-year cost savings 4.0 basis points is the average of your cost savings for the past 5 years.

State Board of Administration of Florida  
Florida Retirement System

Investment Plan Review  
Third Quarter 2012

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## Executive Summary

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- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark over the one, three- and five-year periods. This suggests strong relative performance of the underlying fund options in which participants are investing.
- The Investment Plan Expense Ratio for the FRS Investment Plan is lower, on average, when compared to a defined contribution peer group and is significantly lower than the average corporate and public defined benefit plan.
- Management fees are lower than the median as represented by Morningstar's mutual fund universe for every investment category.
- The FRS Investment Plan offers an appropriate number of fund options that span the risk and return spectrum.
- The Investment Policy Statement is revisited periodically to ensure the structure and guidelines of the FRS Investment Plan are appropriate, taking into consideration the FRS Investment Plan's goals and objectives.

## Total Investment Plan Returns

### Periods Ending 9/30/2012

	One-Year	Three-Year	Five-Year
<b>FRS Investment Plan</b>	<b>14.7%</b>	<b>7.7%</b>	<b>1.8%</b>
<i>Total Plan Aggregate Benchmark*</i>	14.0	7.3	1.3
<i>FRS Investment Plan vs. Total Plan Aggregate Benchmark</i>	0.7	0.4	0.5

### Periods Ending 12/31/2011

	Five-Year Average Return	Five-Year Net Value Added
<b>FRS Investment Plan</b>	<b>1.75%</b>	<b>0.69%</b>
<i>U.S. Median**</i>	1.78	0.12
<i>FRS Investment Plan vs. U.S. Median</i>	-0.03	0.57

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

\*\*Based on the CEM 2011 Survey that included 166 U.S. defined contribution plans with aggregate assets totaling \$1,017 billion. The median DC plan in the universe has \$2.5 billion in assets and the average DC plan has \$6.1 billion in assets.

## FRS Investment Plan Costs

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<b>FRS Investment Plan Expense Ratio*</b>	<b>0.22%</b>
<b>Peer DC Plan Expense Ratio*</b>	<b>0.24%</b>

\* Source: CEM Benchmarking 2011 Report – Custom Peer Group for FSBA of 19 DC plans including corporate and public plans with assets between \$2.0 - \$12.6 billion.

## FRS Investment Plan Costs (cont.)

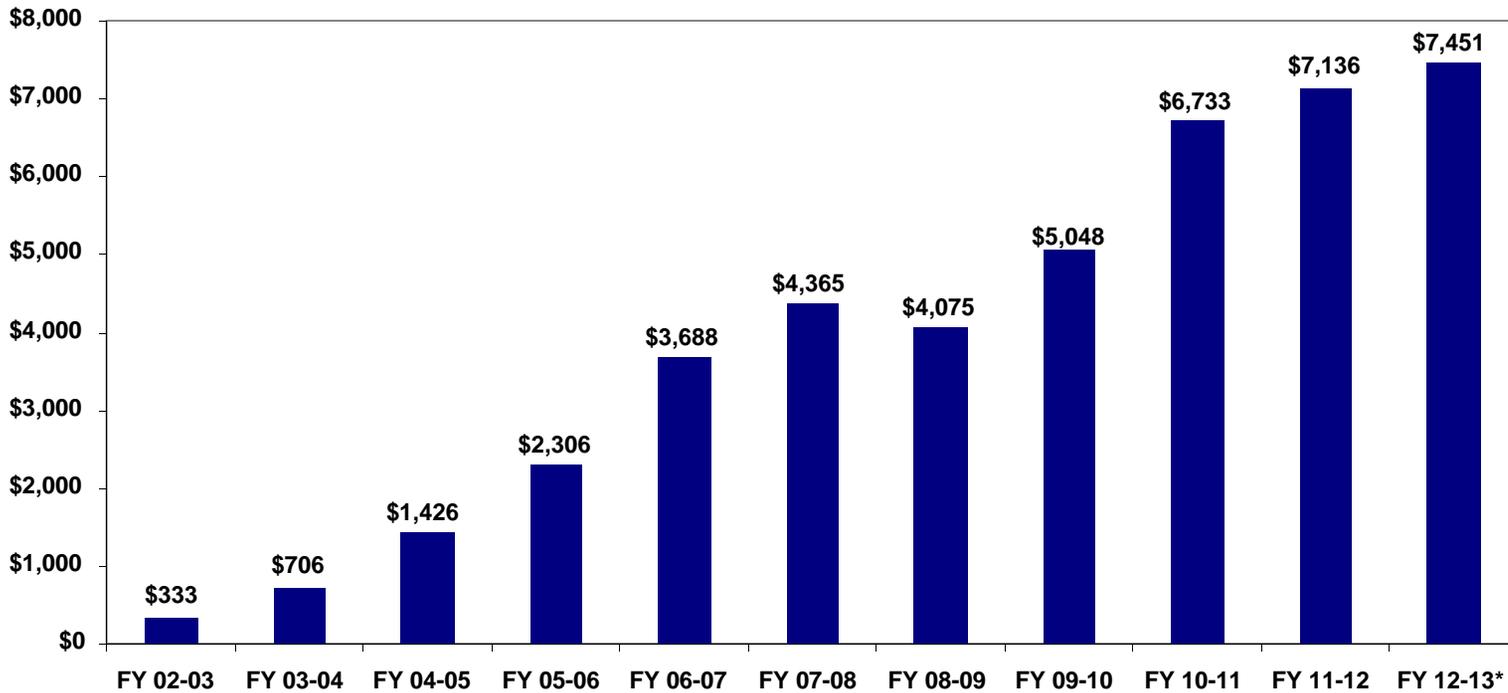
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Investment Category	Investment Plan Fee*	Average Mutual Fund Fee**
Large Cap Equity Fund	0.24%	0.85%
Mid Cap Equity Fund	0.51%	0.98%
Small Cap Equity Fund	0.89%	1.06%
International Equity Fund	0.38%	1.03%
Diversified Bond Fund	0.27%	0.55%
Balanced Fund	0.05%	0.90%
Money Market	0.06%	0.24%

\*Average Fee if Multiple Products in Category as of 9/30/2012.

\*\*Source: Morningstar as of 9/30/2012.

# Investment Plan Fiscal Year End Assets Under Management

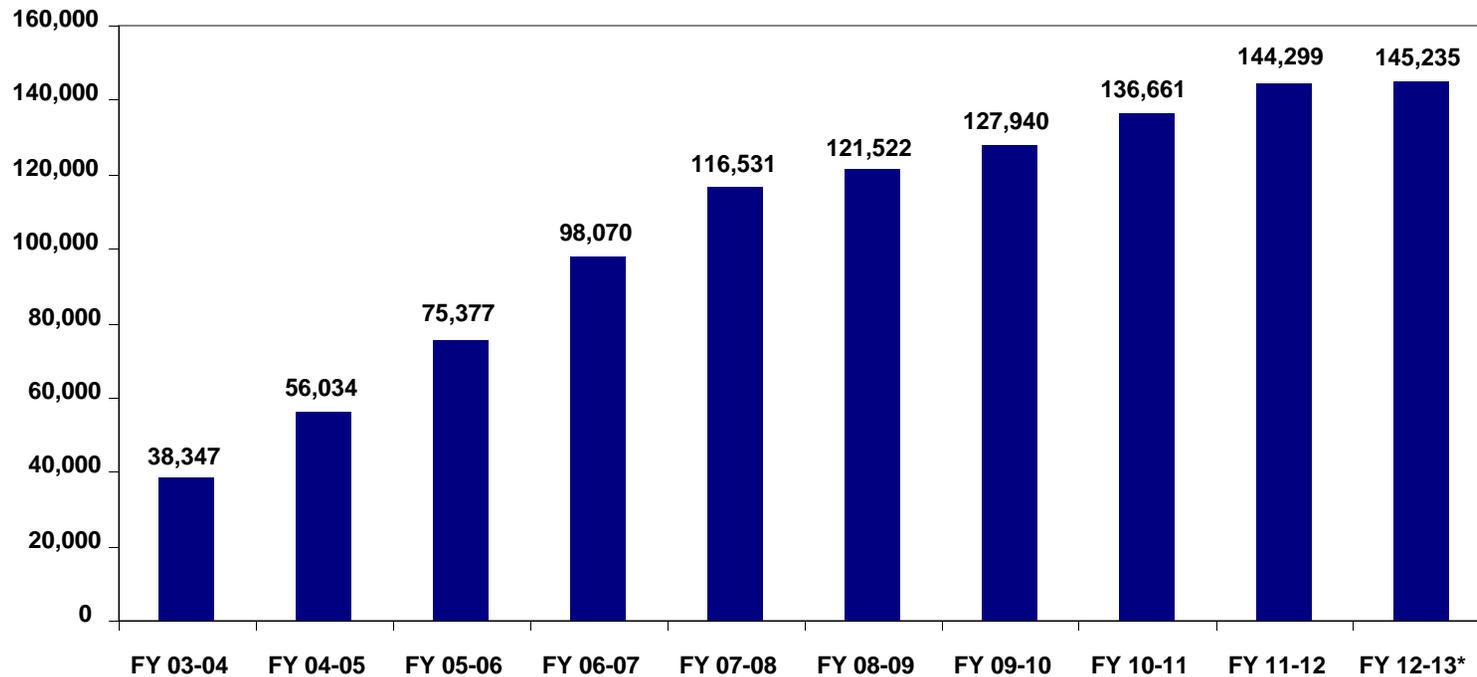


\*Period Ending 9/30/2012

Source: Investment Plan Administrator

## Investment Plan Membership

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**\*Period Ending 9/30/2012**

Source: Investment Plan Administrator

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State Board of Administration of Florida  
CAT Fund Review

Third Quarter 2012

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## Florida Hurricane Catastrophe Fund Background

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- The 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 State Board of Administration of Florida (SBA) manages five FHCF accounts, the CAT Fund (Operating Fund), the CAT 2006 A Fund (Post-Event Tax-Exempt Revenue Bonds), the CAT 2007 A Fund (Pre-Event Floating Rate Taxable Notes), the CAT 2008 A Fund (Post-Event Tax-Exempt Revenue Bonds), and the CAT 2010 A Fund (Post-Event Tax-Exempt Revenue Bonds).
- Both the CAT Fund (Operating Fund) and the CAT 2007 A Fund are internally managed portfolios benchmarked to a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Net Index.
- The CAT 2006 A Fund, the CAT 2008 A Fund and the CAT 2010 A Fund are invested in State and Local Government Series (SLGS) securities.
- As of September 30, 2012, the total value of all FHCF accounts was \$12.1 billion.

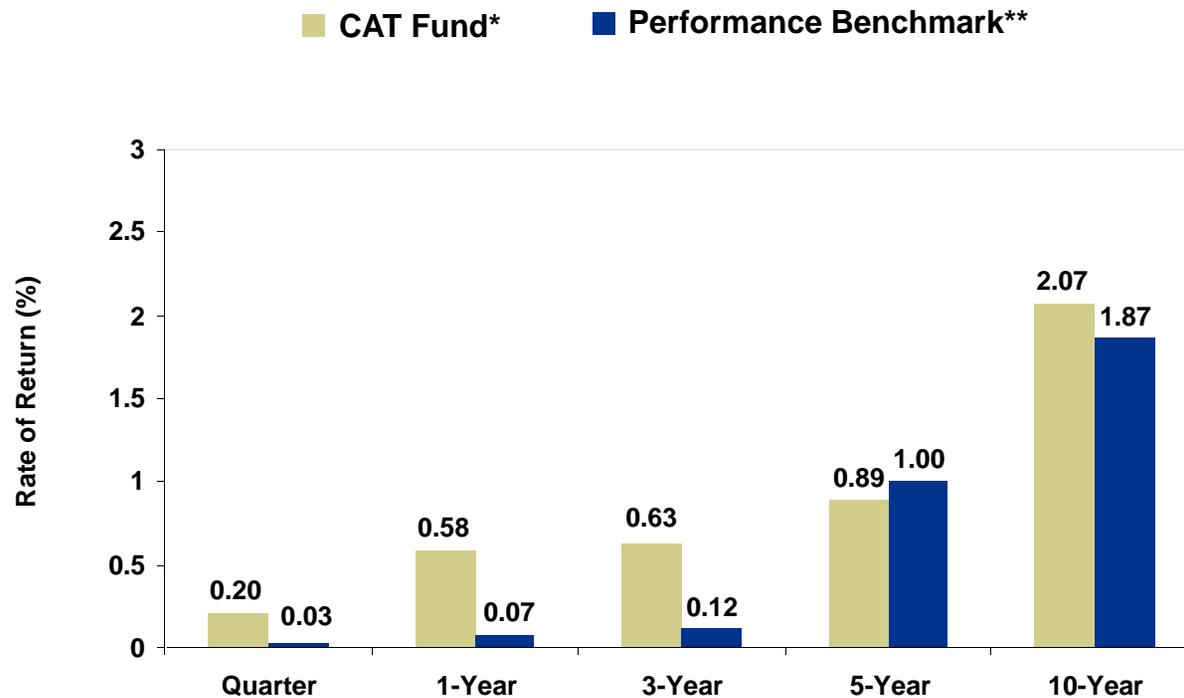
## Executive Summary

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- Performance of the CAT Fund on both an absolute and relative basis has been strong over short- and long-term time periods. The CAT Fund did underperform over the five-year period mostly due to poor performance during the 2008 credit crisis.
- The CAT Fund is adequately diversified across issuers within the short-term bond market.
- The Investment Policy Statement appropriately constrains the CAT Fund to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Adequate liquidity exists to address the cash flow obligations of the CAT Fund.
- The Investment Policy Statement is revisited periodically to ensure the structure and guidelines of the CAT Fund are appropriate, taking into consideration the CAT Fund's goals and objectives.

# CAT Fund Investment Results

## Periods Ending 9/30/2012



\* 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. From March 2008 to December 2009, it was the Merrill Lynch 1-Month LIBOR. From January 2010 to June 2010, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Gross Index. Effective July 2010, it is a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Net Index.

## CAT Fund Characteristics

### Period Ending 9/30/2012

<b>Effective Maturity Schedule</b>	
O/N* - 14 Days	28.8%
15 - 30 Days	6.1%
31 - 60 Days	7.6%
61 - 90 Days	5.1%
91 - 120 Days	7.3%
121 - 150 Days	5.7%
151 - 180 Days	4.9%
181 - 210 Days	6.7%
211 - 240 Days	3.5%
241 - 270 Days	1.8%
271 - 300 Days	3.5%
301 - 365 Days	6.6%
366 - 732 Days	5.9%
733 - 1,098 Days	5.5%
1,099 - 1,875 Days	1.1%
<b>Total % of Portfolio:</b>	<b>100.0%</b>

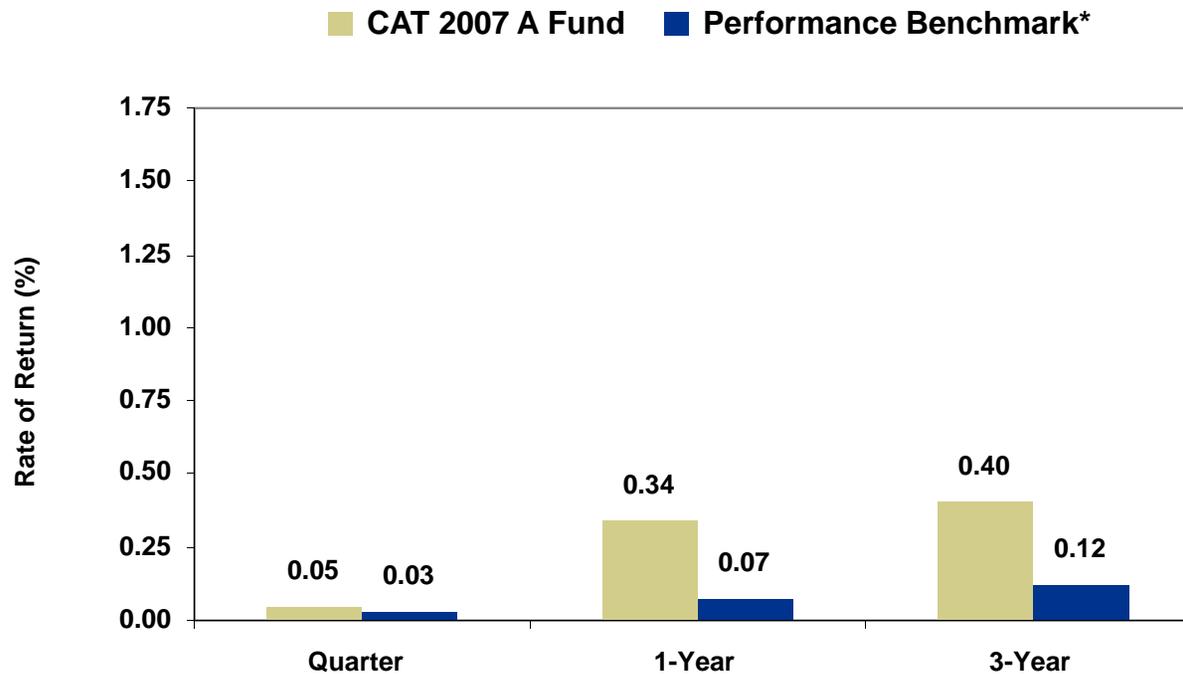
<b>S &amp; P Credit Quality Composition</b>	
AAA	50.6%
AA	10.6%
A	37.7%
BBB	0.0%
Non-Investment Grade	1.1%
<b>Total % of Portfolio:</b>	<b>100.0%</b>

\*O/N stands for overnight.

# CAT 2007 A Fund Investment Results

## Periods Ending 9/30/2012

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\*Performance Benchmark: The CAT 2007 A Fund was benchmarked to the Merrill Lynch 1-Month LIBOR from March 2008 to December 2009. From January 2010 to June 2010, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Gross Index. Effective July 2010, it is a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Net Index.

## CAT 2007 A Fund Characteristics

### Period Ending 9/30/2012

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<b>Effective Maturity Schedule</b>	
O/N* - 14 Days	24.2%
15 - 30 Days	10.4%
31 - 60 Days	12.7%
61 - 90 Days	38.1%
91 - 120 Days	5.4%
121 - 150 Days	0.0%
151 - 180 Days	0.0%
181 - 210 Days	0.0%
211 - 240 Days	0.9%
241 - 270 Days	0.0%
271 - 300 Days	0.0%
301 - 365 Days	5.7%
366 - 732 Days	2.7%
733 - 1,098 Days	0.0%
1,099 - 1,875 Days	0.0%
<b>Total % of Portfolio:</b>	<b>100.0%</b>

<b>S &amp; P Credit Quality Composition</b>	
AAA	52.9%
AA	13.5%
A	33.6%
BBB	0.0%
Non-Investment Grade	0.0%
<b>Total % of Portfolio:</b>	<b>100.0%</b>

\*O/N stands for overnight.

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State Board of Administration of Florida  
Lawton Chiles Endowment Fund Review

Third Quarter 2012

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## Executive Summary

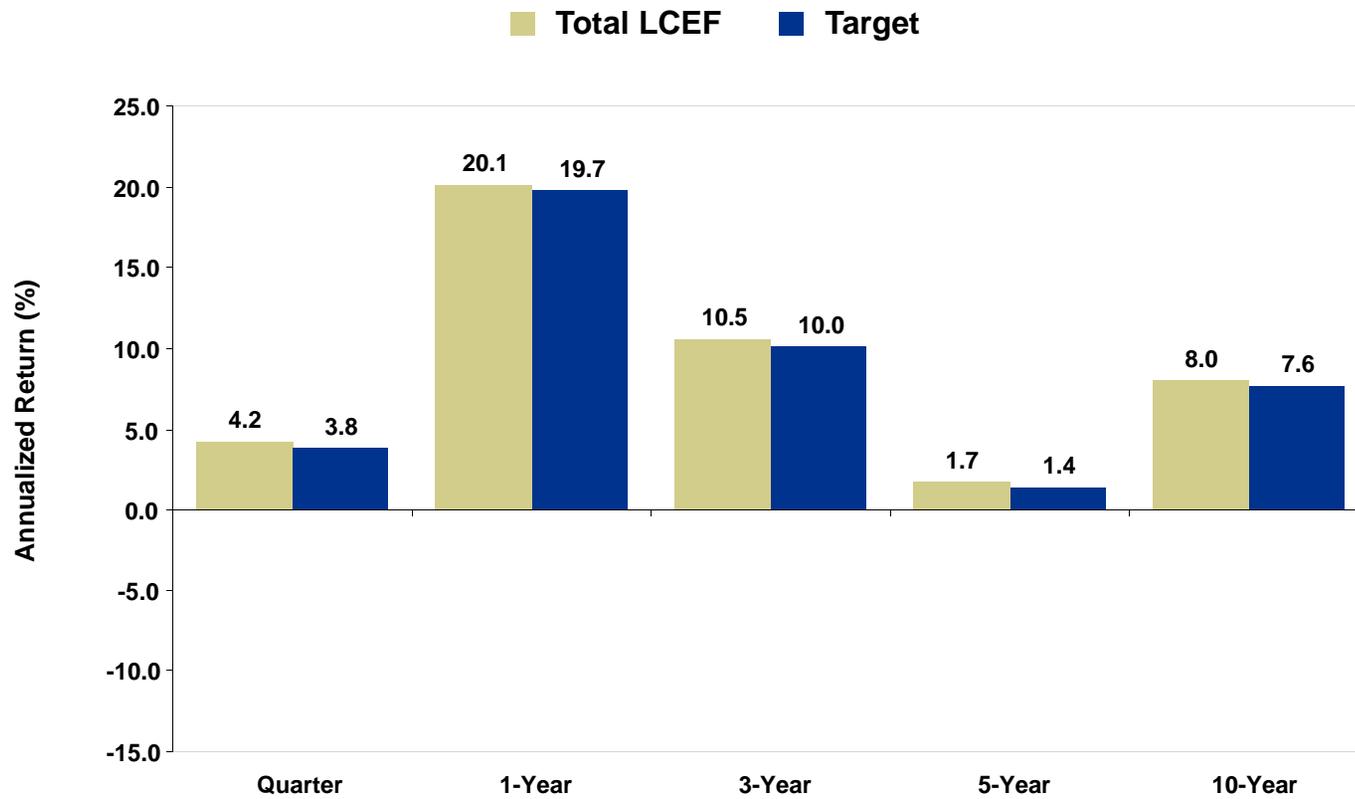
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- Established in July 1999, the Lawton Chiles Endowment Fund (LCEF) was created to provide a source of funding for child health and welfare programs, elder programs, and research related to tobacco use.
  - The investment objective is to preserve the real value of the net contributed principal and provide annual cash flows for appropriation.
  - The Endowment’s investments are diversified across various asset classes including global equity, fixed income, inflation-indexed bonds (TIPS), and cash.
- The Endowment assets totaled \$808.9 million as of September 30, 2012.
- The Endowment’s return outperformed that of its Target over the trailing one-, three-, five-, and ten-year time periods.

# LCEF Investment Results

## Periods Ending 9/30/2012

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State Board of Administration of Florida  
Florida PRIME and Fund B Review

Third Quarter 2012

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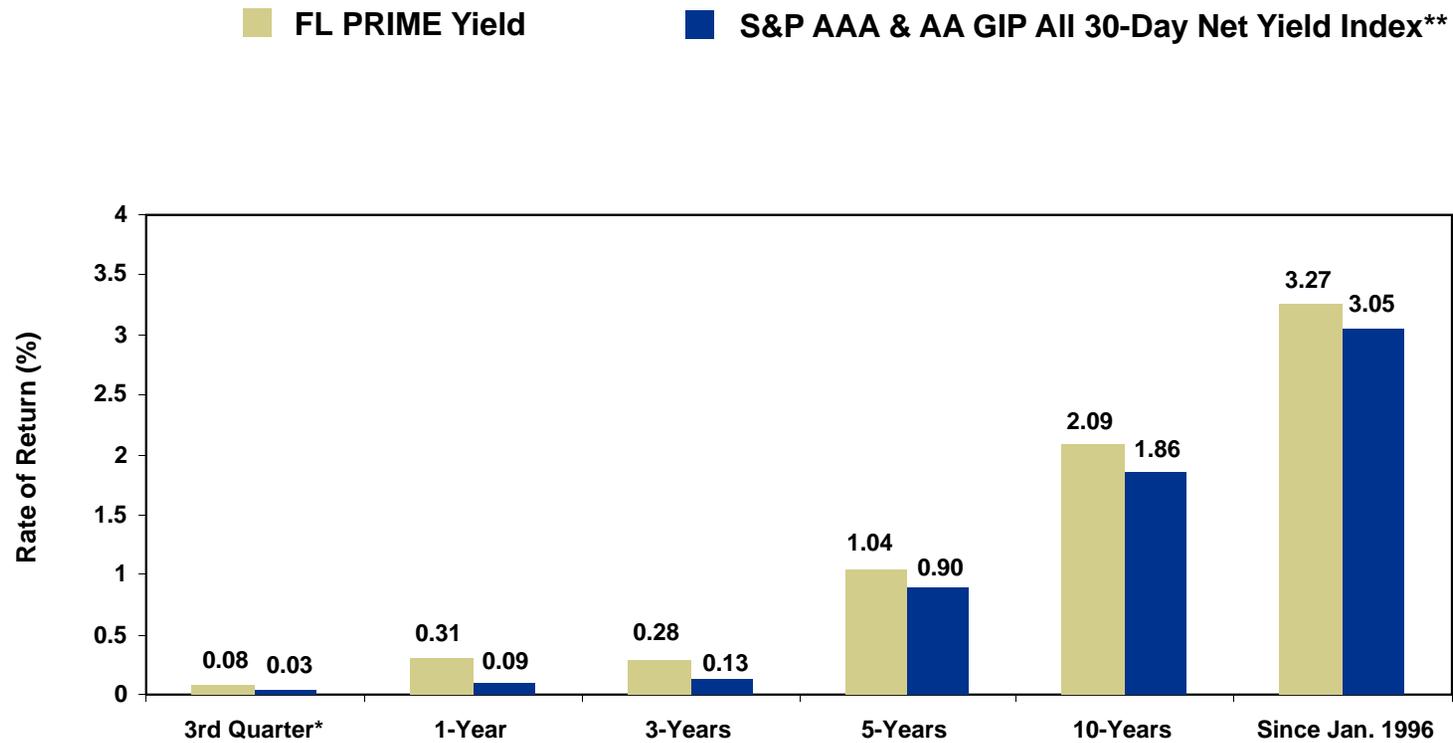
## Executive Summary

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- The purpose of Florida PRIME is safety, liquidity, and competitive returns with minimal risk for participants.
- The Investment Policy Statement appropriately constrains Florida PRIME to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Florida PRIME is adequately diversified across issuers within the short-term bond market and adequate liquidity exists to address the cash flow obligations of Florida PRIME.
- Performance of Florida PRIME on both an absolute and relative basis has been strong over short- and long-term time periods.
- As of September 30, 2012, the total market value of Florida PRIME was \$6.37 billion.
- Hewitt EnnisKnupp, in conjunction with SBA staff, compiles an annual best practices report that includes a full review of the Investment Policy Statement, operational items, and investment structure for Florida PRIME.

# Florida PRIME Investment Results

## Periods Ending 9/30/2012



\*Returns less than one year are not annualized.

\*\*S&P AAA & AA GIP All 30-Day Net Yield Index for all time periods shown.

## Florida PRIME Characteristics Quarter Ending 9/30/2012

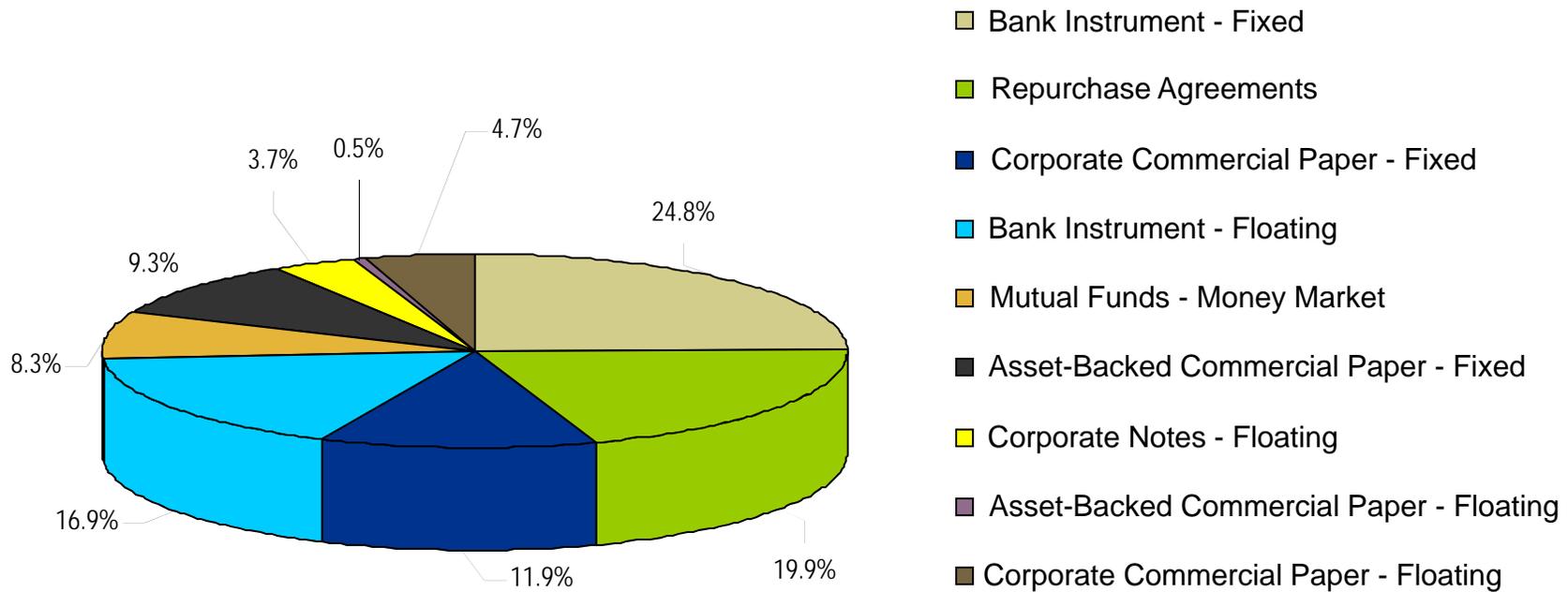
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<b>Cash Flows as of 9/30/2012</b>	<b>Third Quarter</b>	<b>Fiscal YTD*</b>
Opening Balance	\$6,752,444,139	\$6,752,444,139
Participant Deposits	\$2,686,607,199	\$ 2,686,607,199
Transfers from Fund B	\$15,100,000	\$15,100,000
Gross Earnings	\$5,627,553	\$5,627,553
Participant Withdrawals	(\$3,090,677,752)	(\$3,090,677,752)
Fees	(\$487,387)	(\$487,387)
Closing Balance (9/30/2012)	\$6,368,613,753	\$6,368,613,753
<b>Change</b>	<b>(\$383,830,386)</b>	<b>(\$383,830,386)</b>

\*Period July 2012 – September 2012

# Florida PRIME Characteristics Quarter Ending 9/30/2012

Portfolio Composition



## Florida PRIME Characteristics Period Ending 9/30/2012

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<b>Effective Maturity Schedule</b>	
1-7 days	42.1%
8-30 days	17.5
31-90 days	30.5
91-180 days	8.1
181+ days	1.8
<b>Total % of Portfolio:</b>	<b>100.0%</b>

<b>S &amp; P Credit Quality Composition</b>	
A-1+	61.2%
A-1	38.8
<b>Total % of Portfolio:</b>	<b>100.0%</b>

## Fund B Change in Market Value Period Ending 9/30/2012

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Cash Flows as of 9/30/2012	Third Quarter	Fiscal YTD*
Opening Balance	\$231,848,908	\$231,848,908
Participant Distributions	(\$15,100,000)	(\$15,100,000)
Expenses Paid	(\$4,498)	(\$4,498)
Price Change	\$32,485,701	\$32,485,701
Closing Balance	\$249,230,111	\$249,230,111
<b>Change</b>	<b>\$17,381,203</b>	<b>\$17,381,203</b>

\*Period July 2012 – September 2012

- As of September 2012, 86.9% of the original principal in Fund B has been returned to participants.

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## State Board of Administration of Florida

Major Mandate Review  
Third Quarter 2012

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  - Major Mandate Review
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5. Lawton Chiles Endowment Fund Review
6. Florida PRIME and Fund B Review
7. Appendix
  - Pension Plan Performance Report
  - Investment Plan Performance Report
  - Lawton Chiles Endowment Fund Performance Report

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## Executive Summary

Third Quarter 2012



## Executive Summary

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- The major mandates outperformed their respective benchmarks over all longer time periods through September 30, 2012, with the exception of the CAT Operating Fund, which modestly trailed its benchmark over the trailing five-year period.
- The Pension Plan approximated its Performance Benchmark over the trailing one-year, as strong Global Equity and Fixed Income performance offset a negative Tactical Asset Allocation effect during the period.
- The Pension Plan ranked in the top percentile over the trailing one-year period and ranked in the top quartile over the trailing ten-year period in the TUCS Top Ten Defined Benefit Plan universe, and over the trailing three- and five-year periods, the Pension Plan performed roughly in line with the median plan's performance in the complete TUCS Defined Benefit Plan universe.
- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark during the third quarter and over all trailing periods, suggesting strong relative performance of the underlying fund options in which participants are invested.
- The Lawton Chiles Endowment Fund outperformed its benchmark over all trailing periods, primarily due to strong domestic and foreign equity performance.
- Absolute yields on the CAT Fund and Florida PRIME remain muted during this period of low interest rates, though both mandates continue to outperform their respective benchmarks over both short and long time periods, an exception being the CAT Operating Fund which slightly trailed its benchmark over the trailing five-year period.

# Market Update

Third Quarter 2012



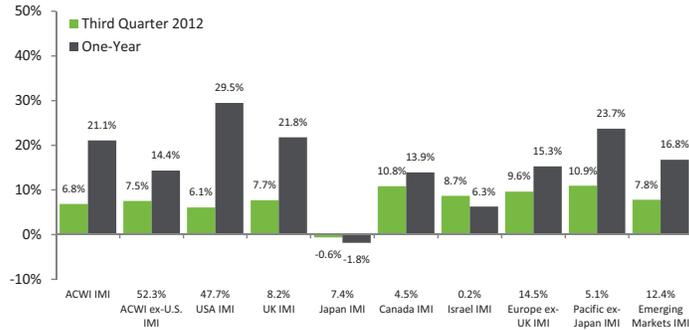
## Market Highlights

Returns of the Major Capital Markets						
	Third Quarter	Year-to-Date	Periods Ending 09/30/2012			
			1-Year	3-Year	5-Year	10-Year
<b>Domestic Stock Indices</b>						
Dow Jones U.S. Total Stock Market Index	6.2%	16.2%	30.2%	13.4%	1.5%	8.7%
Russell 3000 Index	6.2%	16.1%	30.2%	13.3%	1.3%	8.5%
S&P 500 Index	6.4%	16.4%	30.2%	13.2%	1.1%	8.0%
Russell 2000 Index	5.3%	14.2%	31.9%	13.0%	2.2%	10.2%
<b>Global Stock Indices</b>						
MSCI All Country World IMI Index	6.8%	13.0%	21.1%	7.6%	-1.7%	9.0%
MSCI All Country World ex-U.S. IMI Index	7.5%	10.7%	14.4%	3.5%	-3.8%	10.2%
MSCI EAFE Index	6.9%	10.1%	13.8%	2.1%	-5.2%	8.2%
MSCI Emerging Markets Index	7.7%	12.0%	16.9%	5.6%	-1.3%	17.0%
<b>Domestic/Foreign Bond Indices</b>						
Barclays Aggregate Bond Index	1.6%	4.0%	5.2%	6.2%	6.5%	5.3%
Barclays Long Gov't Index	0.3%	4.5%	6.4%	11.9%	10.9%	7.7%
Barclays Long Credit Index	5.2%	11.3%	14.9%	12.7%	10.6%	8.6%
Barclays Long Gov't/Credit Index	3.1%	8.3%	11.1%	12.5%	10.9%	8.1%
SSB Non-U.S. WGBI Index	4.0%	4.0%	3.5%	4.0%	6.6%	7.3%

- U.S. economic growth and job growth picked up during the third quarter.
- European economic data improved after a weak second quarter.
- QE3 was announced in mid-September. The U.S. Federal Reserve's plan is to purchase \$40 billion of mortgage-backed securities per month on an open-ended basis.
- The European Central Bank (ECB) decided to keep Eurozone interest rates at low levels. In September, ECB president, Mario Draghi, announced a plan for direct intervention in Eurozone bond markets in an attempt to contain the ongoing debt crisis.
- Non-U.S. equities outperformed U.S. equities during the third quarter. The strongest performing segment was the Emerging Markets area.
- The 10-year U.S. Treasury yield was broadly flat during the third quarter; however, on an intra-quarter basis, the yield was volatile. The yield reached a low of 1.39% and a high of 1.88% during the quarter.
- In aggregate, commodities produced positive returns during the quarter. The main drivers were a resurgence in risk appetite and the ongoing U.S. drought, which elevated grain prices.

## Global Equity Markets

GLOBAL MSCI IMI INDEX RETURNS  
AS OF 09/30/2012



Source: MSCI

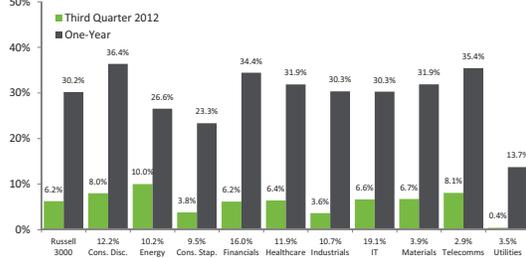
- Positive economic data coupled with QE3 and a calming of the Eurozone debt crisis spurred a resurgence in risk appetite during the third quarter.
- Most equity markets around the world posted positive returns during the quarter. The best-performing market was Pacific ex-Japan, and the worst-performing market was Japan.

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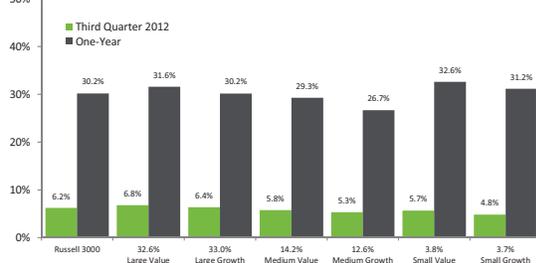
## U.S. Equity Markets

RUSSELL GICS SECTOR RETURNS  
AS OF 09/30/2012



Source: Russell Indexes

RUSSELL STYLE RETURNS  
AS OF 09/30/2012



Source: Russell Indexes

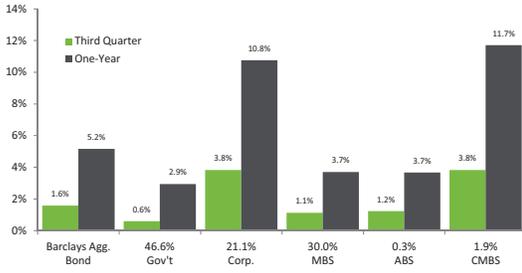
- Generally positive U.S. economic data and the launch of QE3 led to positive momentum in the domestic equity market during the quarter.
- The Russell 3000 Index rose 6.2% during the quarter and returned 30.2% during the one-year period.
- The Consumer Discretionary, Energy, and Telecommunications sectors were the best-performing sectors during the third quarter, posting returns of 8.0%, 10.0%, and 8.1%, respectively. The Industrials and Utilities sectors were the worst-performing areas, producing returns of 3.6% and 0.4%, respectively, during the third quarter.
- Large cap outperformed small cap and mid cap during the third quarter. Value modestly outperformed growth across all segments of the market during the quarter.

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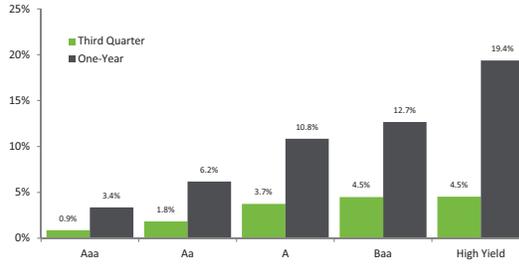
## U.S. Fixed Income Markets

BARCLAYS AGGREGATE RETURNS BY SECTOR AS OF 09/30/2012



Source: Barclays Live

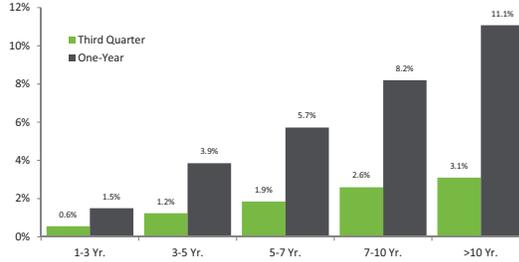
BARCLAYS AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS AS OF 09/30/2012



Source: Barclays Live

- The Barclays Aggregate returned 1.6% in the third quarter.
- Corporate bonds and commercial mortgage-backed securities were the strongest performing sectors, each returning 3.8% over the course of the third quarter.
- In the investment grade area, lower quality bonds outperformed higher quality bonds. This held true for the quarter and the preceding one-year period.
- High yield bonds outperformed investment grade bonds. High yield benefited from massive inflows of capital as investors searched for yield.
- Long duration bonds outperformed intermediate and short duration bonds.

BARCLAYS AGGREGATE RETURNS BY MATURITY AS OF 09/30/2012



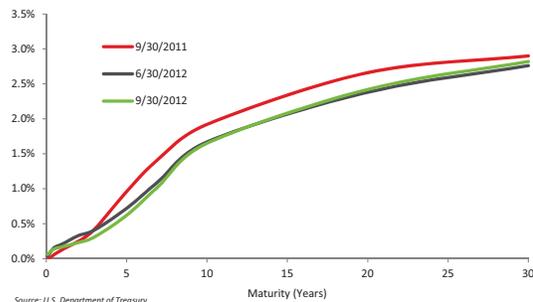
Source: Barclays Live

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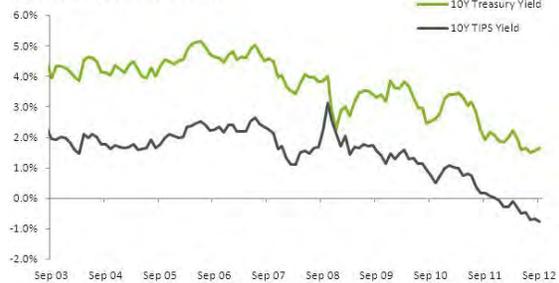
## U.S. Fixed Income Markets

U.S. TREASURY YIELD CURVE



Source: U.S. Department of Treasury

U.S. 10-YEAR TREASURY AND TIPS YIELDS



Source: U.S. Department of Treasury

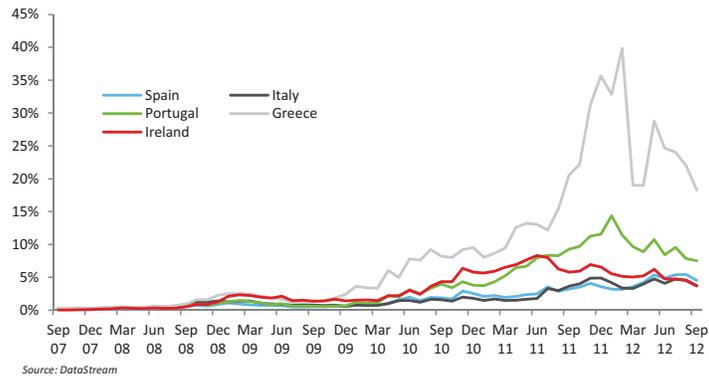
- The Treasury yield curve steepened slightly during the quarter. The intermediate (1 to 10 years) segment of the yield curve fell, while the long end of the yield curve rose slightly.
- While the 10-year U.S. Treasury yield ended the quarter near its starting point, the yield was volatile on an intra-quarter basis. The yield reached a low of 1.39% and a high of 1.88% during the quarter.
- 10-year TIPS yields continued their push further into negative territory. The 10-year real yield fell to -0.77% as of quarter-end.

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## European Fixed Income Markets

EUROZONE PERIPHERAL BOND SPREADS  
(10-YEAR SPREADS OVER GERMAN BUNDS)



- Spain was one of the key focal points of the Eurozone debt crisis during the quarter as speculation was rife that it would ask for a European bailout. This led to the spread between 10-year yields on Spanish debt and German Bunds reaching a record high of approximately 640 bps on July 24, 2012. With reassurances from the Spanish government, announcements from the ECB, and the recently announced Draghi Plan, Spanish-German yield spreads have fallen, albeit with significant volatility. The yield spread ended the quarter at 456 bps.
- 10-year yield spreads over German Bunds decreased for the rest of the Eurozone periphery as well.

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## Major Mandate Investment Results Periods Ending 9/30/2012

	Year-to-Date	Trailing One-Year	Trailing Three-Year	Trailing Five-Year	Trailing Ten-Year
FRS Pension Plan	11.4%	16.4%	9.4%	2.0%	8.2%
<i>Performance Benchmark*</i>	10.4%	16.4%	8.3%	1.6%	7.9%
FRS Investment Plan	9.0%	14.7%	7.7%	1.8%	7.2%
<i>Total Plan Aggregate Benchmark**</i>	8.4%	14.0%	7.3%	1.3%	6.8%
CAT Operating Fund	0.5%	0.6%	0.6%	0.9%	2.1%
<i>Performance Benchmark***</i>	0.1%	0.1%	0.1%	1.0%	1.9%
CAT 2007A Fund	0.2%	0.3%	0.4%	1.3%	--
<i>Performance Benchmark***</i>	0.1%	0.1%	0.1%	1.0%	--
Lawton Chiles Endowment	11.4%	20.1%	10.5%	1.7%	8.0%
<i>Performance Benchmark****</i>	10.9%	19.7%	10.0%	1.4%	7.6%
Florida PRIME	0.2%	0.3%	0.3%	1.0%	2.1%
<i>S&amp;P AAA &amp; AA GIP All 30-Day Net Yield Index</i>	0.1%	0.1%	0.1%	0.9%	1.9%

\* A combination of the Global Equity Target, the Barclays Aggregate Bond Index, the Private Equity Target, the Real Estate Investments Target, the Strategic Investments Target, and the iMoneyNet First Tier Institutional Money Market Fund Net Index.

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

\*\*\* A 50/50 blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Net Index.

\*\*\*\* A combination of the custom Global Equity Target, the Barclays Aggregate Bond Index, the Barclays U.S. TIPS Index and the S&P U.S. AAA & AA Rated GIP 30-Day Net Yield Index.

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# State Board of Administration of Florida Florida Retirement System

Pension Plan Review  
Third Quarter 2012



## Executive Summary

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- The Fund assets total \$126.9 billion as of September 30, 2012, which represents a \$4.1 billion increase since last quarter.
- The Pension Plan, when measured against the Performance Benchmark, outperformed over the trailing three-, five-, and ten-year periods and matched performance over the one-year period.
- Relative to the Absolute Nominal Target Rate of Return, the Pension Plan underperformed over the five- and fifteen-year periods, but outperformed over the trailing one-, three-, ten-, twenty-, and twenty five-year time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
  - Public market asset class investments do not significantly deviate from their broad market based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
  - Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type, and investment strategy.
  - Asset allocation is monitored on a daily basis to ensure the actual asset allocation of the Pension Plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Hewitt EnnisKnupp and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

## FRS Pension Plan Change in Market Value Periods Ending 9/30/2012

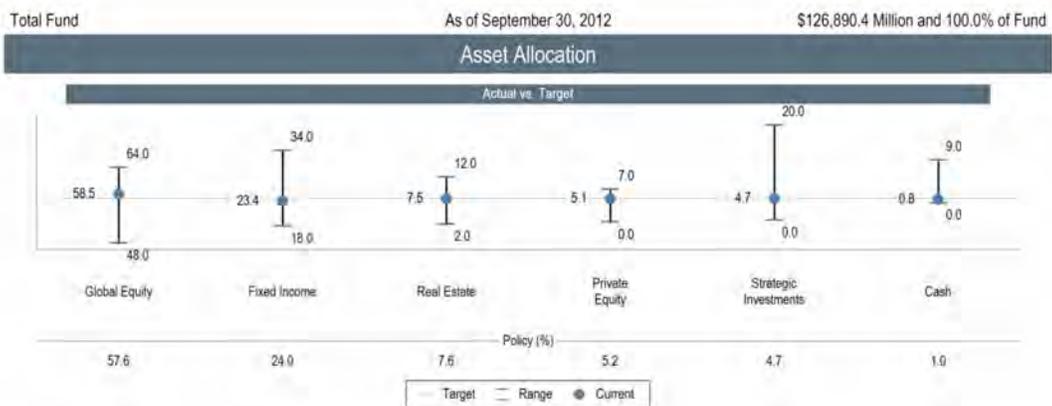
Summary of Cash Flows		
	Third Quarter	Fiscal YTD*
<b>Beginning Market Value</b>	\$122,745,973,551	\$122,745,973,551
<b>+/- Net Contributions/(Withdrawals)</b>	(\$1,761,125,829)	(\$1,761,125,829)
<b>Investment Earnings</b>	\$5,905,601,116	\$5,905,601,116
<b>= Ending Market Value</b>	\$126,890,448,838	\$126,890,448,838
<b>Net Change</b>	\$4,144,475,287	\$4,144,475,287

\*Period July 2012 – September 2012

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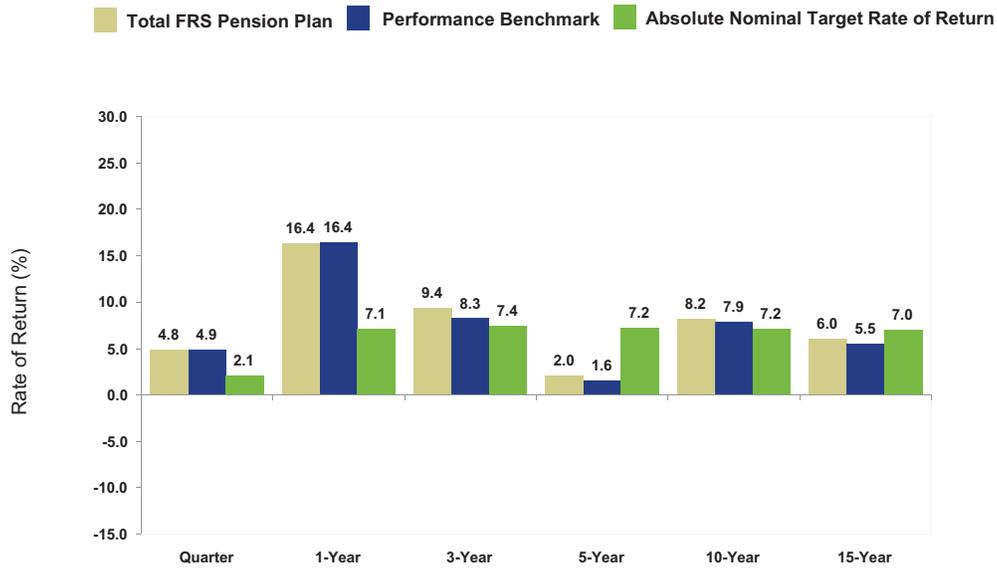
## Asset Allocation as of 9/30/2012 Total Fund Assets = \$126.9 Billion



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## FRS Pension Plan Investment Results Periods Ending 9/30/2012

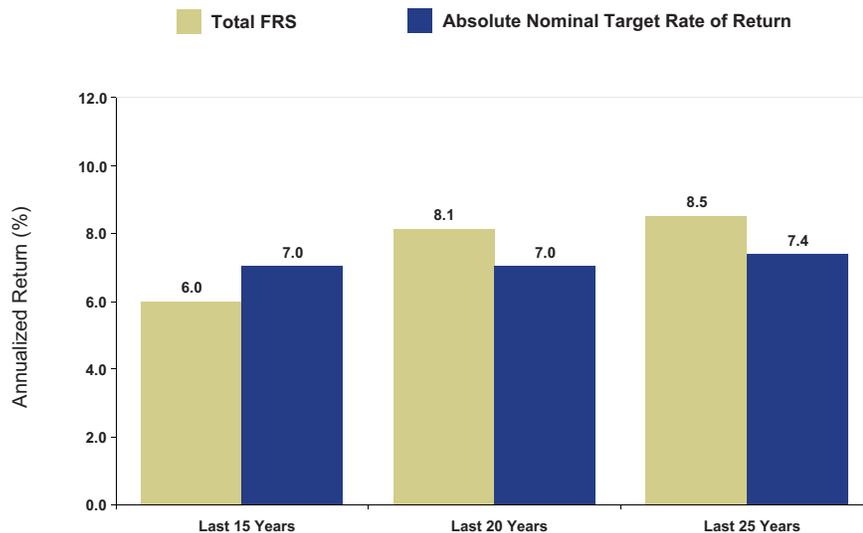


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## FRS Pension Plan Investment Results Periods Ending 9/30/2012

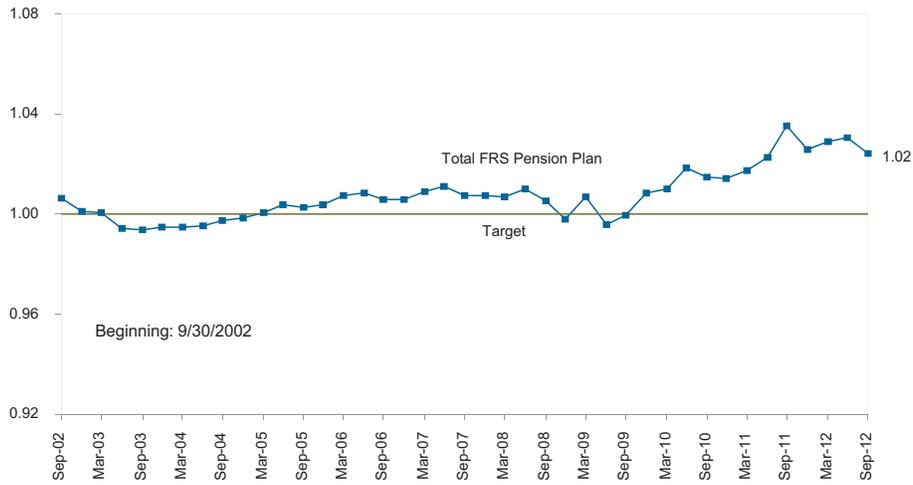
### Long-Term FRS Pension Plan Performance Results vs. SBA's Long-Term Investment Objective



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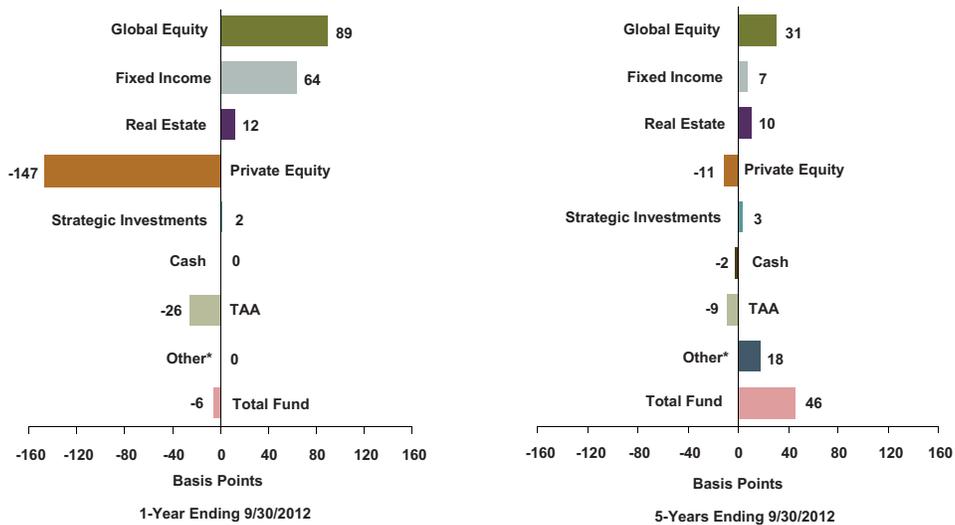
## Total FRS Pension Plan Cumulative Relative Performance 10 Years Ending 9/30/2012



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## Total FRS Pension Plan Attribution Analysis



\*Other includes legacy accounts, securities lending, and unexplained differences due to methodology.

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# FRS Pension Plan Investment Results - Trailing Period Periods Ending 9/30/2012

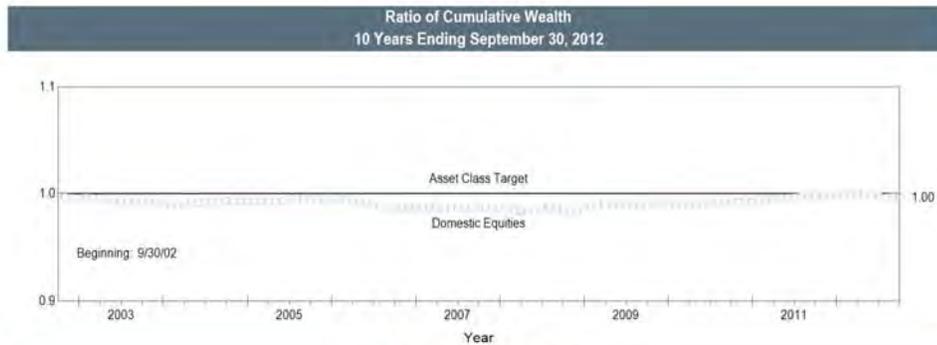
Total Fund As of September 30, 2012 \$126,890.4 Million and 100.0% of Fund  
Trailing Period Performance

	Market Value (\$)	% of Portfolio	Policy %	Ending September 30, 2012															
				2012 Q3 (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank				
<b>Total Fund</b>	<b>126,890,448,838</b>	<b>100.0</b>	<b>100.0</b>	<b>4.8</b>	<b>36</b>	<b>11.4</b>	<b>22</b>	<b>16.4</b>	<b>42</b>	<b>9.4</b>	<b>43</b>	<b>2.0</b>	<b>47</b>	<b>8.2</b>	<b>25</b>				
Performance Benchmark				4.9	35	10.4	50	16.4	41	8.3	83	1.6	59	7.9	39				
Absolute Nominal Target Rate of Return				2.1	99	6.4	95	7.1	99	7.4	92	7.2	1	7.2	69				
<b>Global Equity</b>	<b>74,170,289,302</b>	<b>58.5</b>	<b>57.6</b>	<b>7.0</b>	<b>--</b>	<b>14.3</b>	<b>--</b>	<b>22.8</b>	<b>--</b>	<b>9.2</b>	<b>--</b>	<b>-0.5</b>	<b>--</b>	<b>8.4</b>	<b>--</b>				
Asset Class Target				6.9	--	13.1	--	21.2	--	8.0	--	-1.4	--	8.1	--				
<b>Domestic Equities</b>	<b>33,765,288,976</b>	<b>26.6</b>	<b>--</b>	<b>6.2</b>	<b>44</b>	<b>16.0</b>	<b>28</b>	<b>30.1</b>	<b>27</b>	<b>13.6</b>	<b>19</b>	<b>1.5</b>	<b>28</b>	<b>8.5</b>	<b>27</b>				
Asset Class Target				6.2	43	16.1	27	30.2	25	13.3	26	1.3	41	8.5	26				
<b>Foreign Equities</b>	<b>36,710,011,231</b>	<b>28.9</b>	<b>--</b>	<b>7.7</b>	<b>25</b>	<b>12.7</b>	<b>22</b>	<b>16.8</b>	<b>27</b>	<b>5.5</b>	<b>8</b>	<b>-2.2</b>	<b>6</b>	<b>10.8</b>	<b>15</b>				
Asset Class Target				7.6	36	10.8	73	14.3	88	3.5	66	-3.9	51	10.0	31				
<b>Global Equities</b>	<b>3,694,988,888</b>	<b>2.9</b>	<b>--</b>	<b>6.6</b>	<b>--</b>	<b>13.5</b>	<b>--</b>	<b>22.1</b>	<b>--</b>	<b>7.2</b>	<b>--</b>	<b>-2.1</b>	<b>--</b>	<b>--</b>	<b>--</b>				
Benchmark				6.7	--	13.1	--	21.4	--	7.7	--	-1.8	--	--	--				
<b>Fixed Income</b>	<b>29,730,213,389</b>	<b>23.4</b>	<b>24.0</b>	<b>2.1</b>	<b>77</b>	<b>5.8</b>	<b>60</b>	<b>7.3</b>	<b>61</b>	<b>8.0</b>	<b>48</b>	<b>7.0</b>	<b>42</b>	<b>6.0</b>	<b>51</b>				
Asset Class Target				1.6	94	4.0	89	5.2	89	6.2	91	6.5	60	5.5	58				
<b>Private Equity</b>	<b>6,439,206,803</b>	<b>5.1</b>	<b>5.2</b>	<b>-0.6</b>	<b>--</b>	<b>8.9</b>	<b>--</b>	<b>3.4</b>	<b>--</b>	<b>13.7</b>	<b>--</b>	<b>3.4</b>	<b>--</b>	<b>6.9</b>	<b>--</b>				
Asset Class Target				4.9	--	16.9	--	33.2	--	16.3	--	5.0	--	12.4	--				
Secondary Target*				0.0	--	10.4	--	5.9	--	16.1	--	5.2	--	13.3	--				
<b>Real Estate</b>	<b>9,509,446,845</b>	<b>7.5</b>	<b>7.6</b>	<b>2.6</b>	<b>10</b>	<b>11.0</b>	<b>1</b>	<b>14.9</b>	<b>1</b>	<b>9.7</b>	<b>58</b>	<b>0.7</b>	<b>18</b>	<b>8.2</b>	<b>48</b>				
Asset Class Target				2.6	11	9.1	16	13.2	1	8.9	71	-0.6	62	4.2	99				
<b>Strategic Investments</b>	<b>6,018,158,629</b>	<b>4.7</b>	<b>4.7</b>	<b>3.1</b>	<b>--</b>	<b>11.0</b>	<b>--</b>	<b>8.9</b>	<b>--</b>	<b>11.5</b>	<b>--</b>	<b>-0.9</b>	<b>--</b>	<b>--</b>	<b>--</b>				
Short-Term Target				2.1	--	6.4	--	8.9	--	5.8	--	-2.0	--	--	--				
<b>Cash</b>	<b>1,023,133,871</b>	<b>0.8</b>	<b>1.0</b>	<b>0.1</b>	<b>--</b>	<b>0.2</b>	<b>--</b>	<b>0.3</b>	<b>--</b>	<b>0.5</b>	<b>--</b>	<b>-0.7</b>	<b>--</b>	<b>1.2</b>	<b>--</b>				
iMoneyNet First Tier Institutional Money				0.0	--	0.1	--	0.1	--	0.1	--	1.0	--	2.0	--				
Market Funds Net Index																			

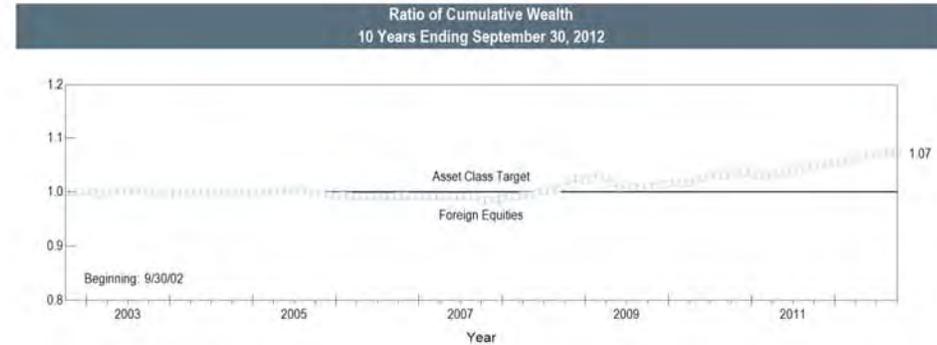
\* The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index.

## Ratio of Cumulative Wealth As of 9/30/2012

### Domestic Equities



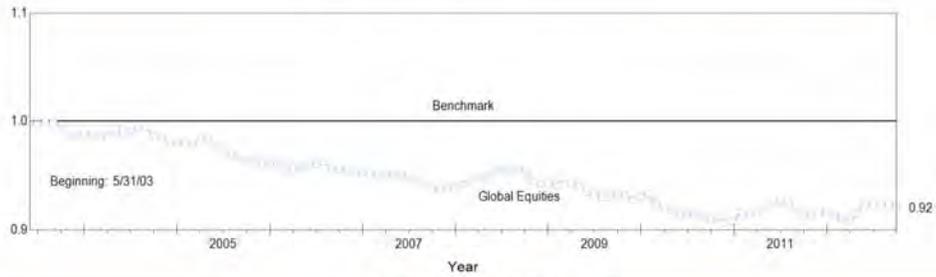
### Foreign Equities



## Ratio of Cumulative Wealth As of 9/30/2012

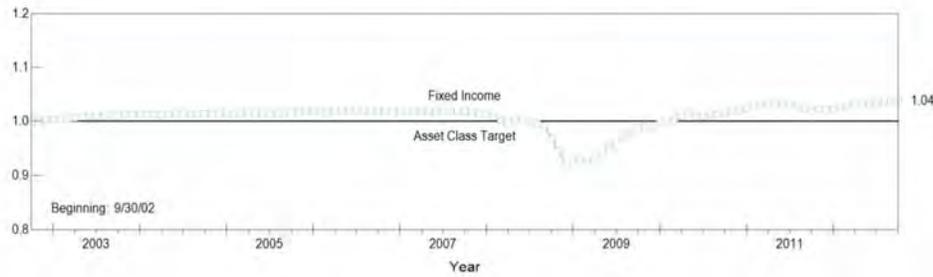
**Global  
Equities**

**Ratio of Cumulative Wealth  
9 Years 4 Months Ending September 30, 2012**



**Fixed  
Income**

**Ratio of Cumulative Wealth  
10 Years Ending September 30, 2012**



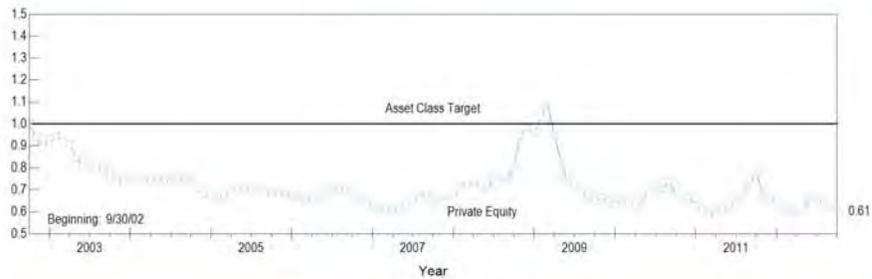
25

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## Ratio of Cumulative Wealth As of 9/30/2012

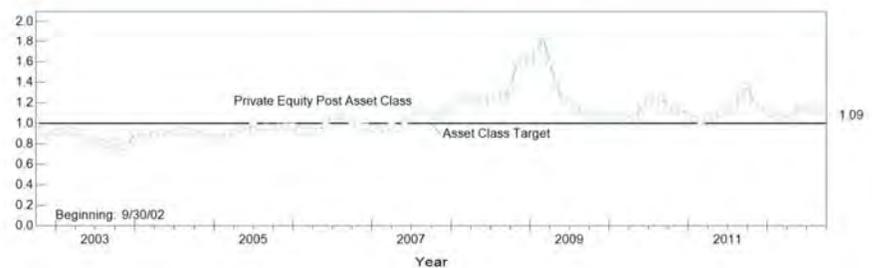
**Private  
Equity**

**Ratio of Cumulative Wealth  
10 Years Ending September 30, 2012**



**Private Equity  
Post Asset  
Class**

**Ratio of Cumulative Wealth  
10 Years Ending September 30, 2012**

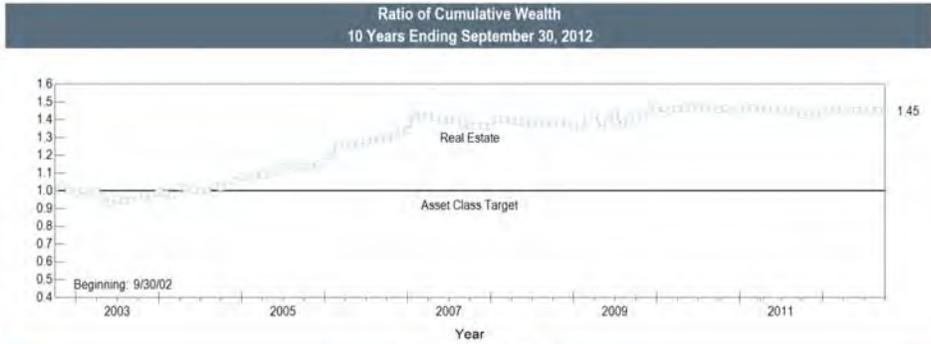


26

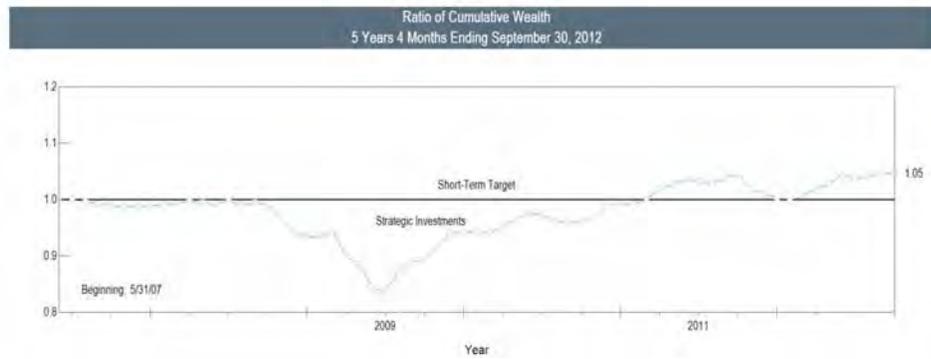
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## Ratio of Cumulative Wealth As of 9/30/2012

Real Estate



Strategic Investments

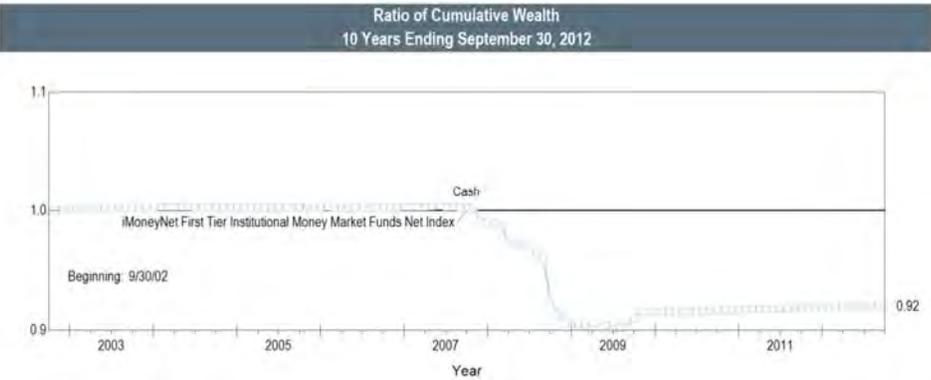


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## Ratio of Cumulative Wealth As of 9/30/2012

Cash

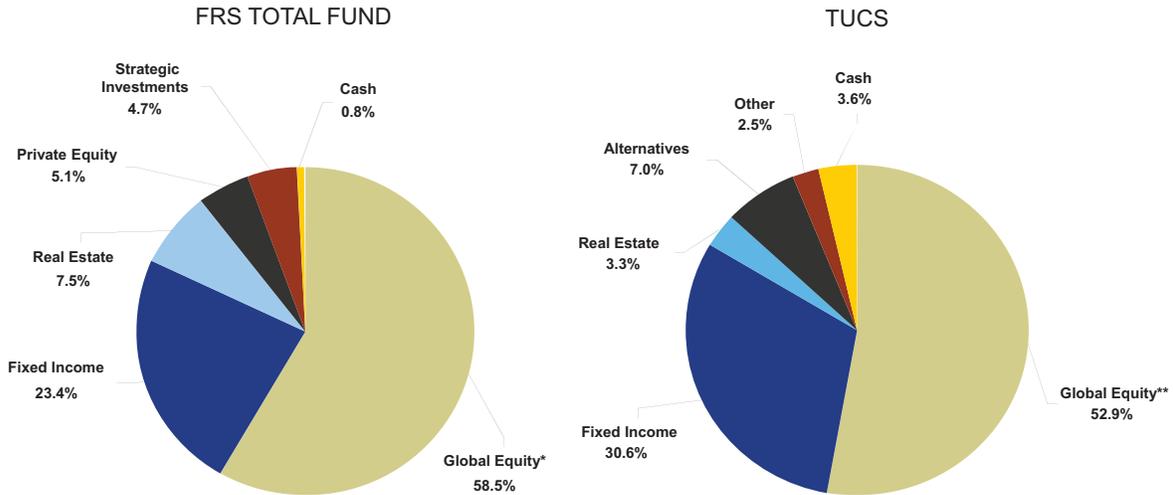


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## Comparison of Asset Allocation As of 9/30/2012

### FRS Pension Plan vs. Median Defined Benefit Plans



\*Global Equity Allocation: 26.6% Domestic Equities; 28.9% Foreign Equities; 2.9% Global Equities. Percentages are of the Total FRS Fund.

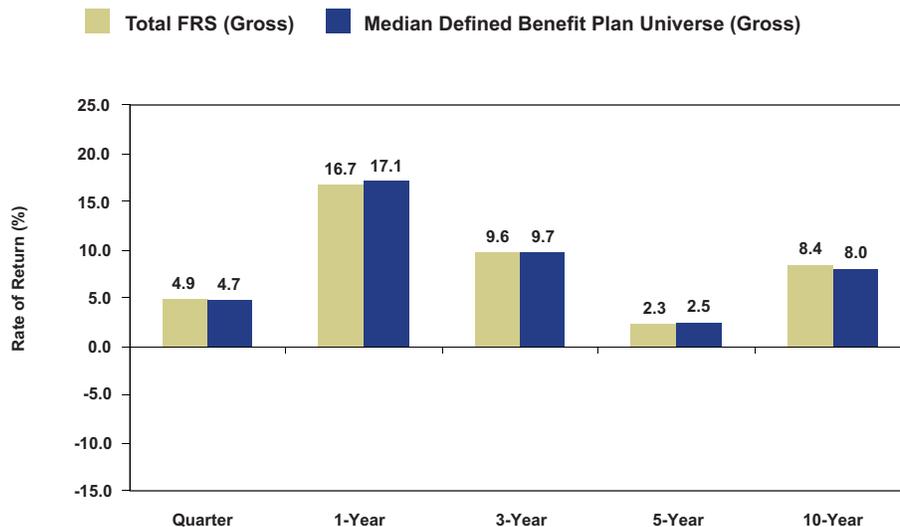
\*\*Global Equity Allocation: 39.3% Domestic Equities; 13.6% Foreign Equities.

Note: The TUCS Universe is comprised of 258 defined benefit plan sponsors with \$2.2 trillion in total assets. The median fund size was \$1.1 billion and the average fund size was \$8.7 billion.

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## FRS Results Relative to TUCS Universe Periods Ending 9/30/2012

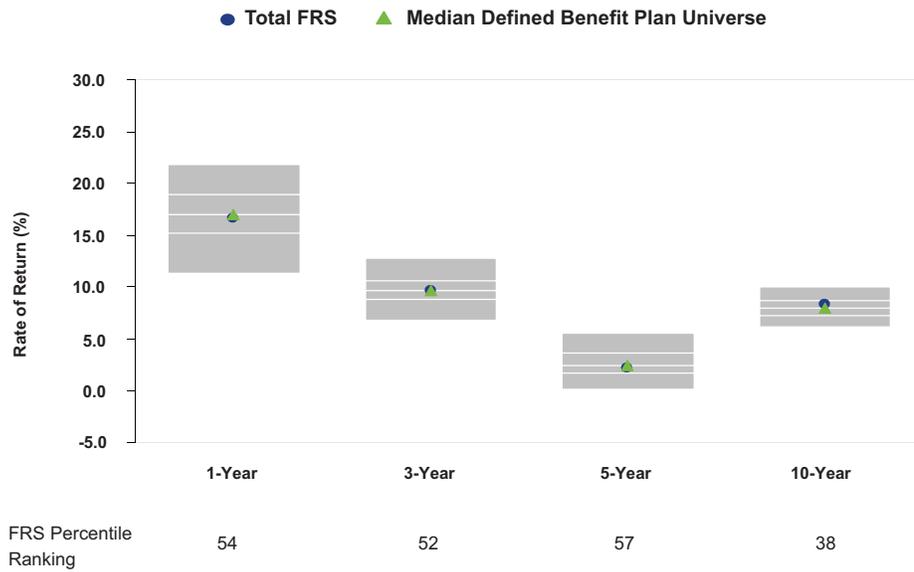


Note: The TUCS Universe is comprised of 258 defined benefit plan sponsors with \$2.2 trillion in total assets. The median fund size was \$1.1 billion and the average fund size was \$8.7 billion.

30

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## Total FRS Universe Comparison (TUCS) Periods Ending 9/30/2012



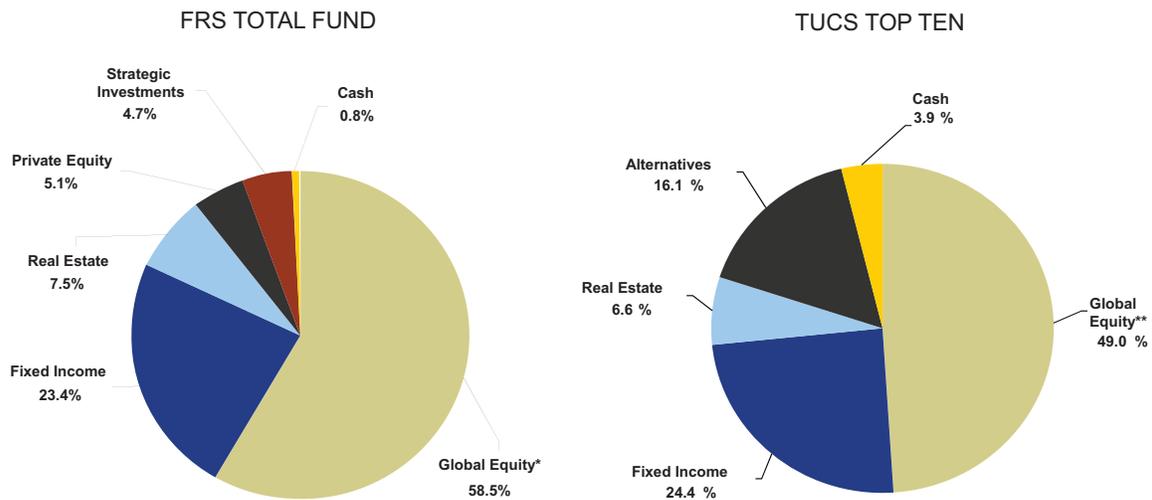
Note: The TUCS Universe is comprised of 258 defined benefit plan sponsors with \$2.2 trillion in total assets. The median fund size was \$1.1 billion and the average fund size was \$8.7 billion.

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## Comparison of Asset Allocation As of 9/30/2012

### FRS Pension Plan vs. Top Ten Defined Benefit Plans



\*Global Equity Allocation: 26.6% Domestic Equities; 28.9% Foreign Equities; 2.9% Global Equities. Percentages are of the Total FRS Fund.

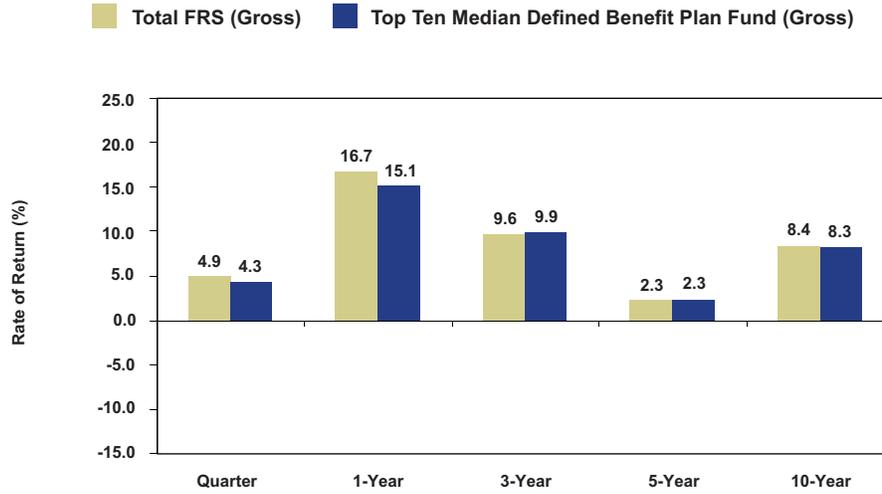
\*\*Global Equity Allocation: 28.5% Domestic Equities; 20.4% Foreign Equities.

Note: The TUCS Top Ten Universe includes \$1.1 trillion in total assets. The median fund size was \$112.4 billion and the average fund size was \$110.5 billion.

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## FRS Results Relative to TUCS Top Ten Defined Benefit Plans Periods Ending 9/30/2012

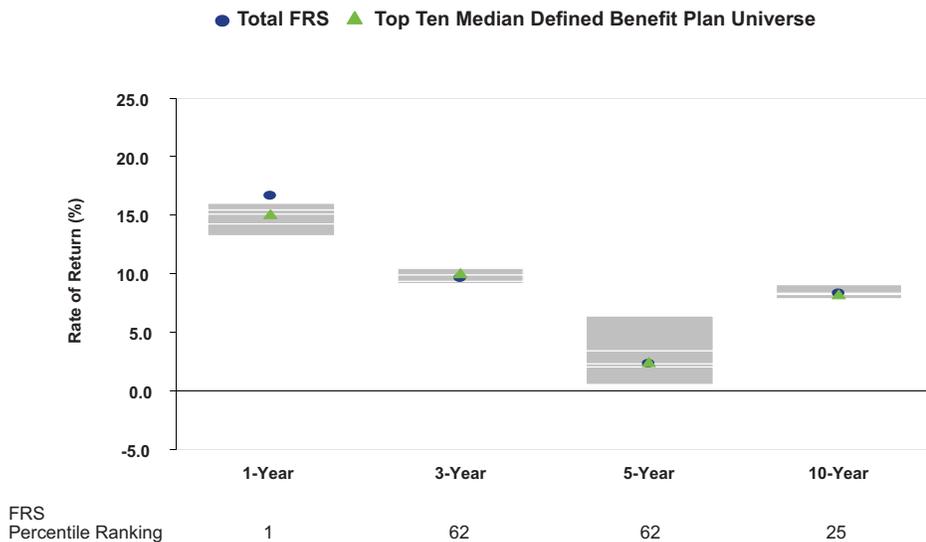


Note: The TUCS Top Ten Universe includes \$1.1 trillion in total assets. The median fund size was \$112.4 billion and the average fund size was \$110.5 billion.

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## Top Ten Defined Benefit Plans FRS Universe Comparison (TUCS) Periods Ending 9/30/2012



Note: The TUCS Top Ten Universe includes \$1.1 trillion in total assets. The median fund size was \$112.4 billion and the average fund size was \$110.5 billion.

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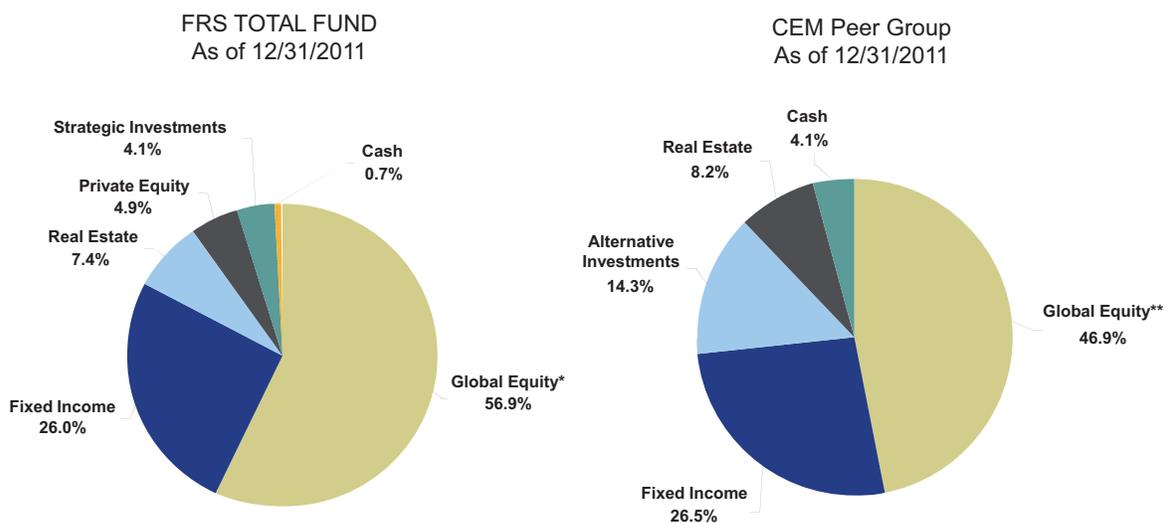
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## Cost Effectiveness Measurement (CEM)

- CEM Benchmarking Inc. is a global information company that provides data on operations of defined benefit and defined contribution pension plans.
- They conduct annual surveys on pension funds related to performance, cost, benchmarking and governance practices.
- CEM constructs custom peer groups for each client. The most valuable comparisons of cost performance are to custom peer groups because size impacts cost. Data is available on an annual basis. Peer groups are commonly constructed by plan type.
- CEM studies have shown that plan type (public and corporate funds) does not account for systematic differences in performance. CEM peer groups are constructed based on the size of the plan, not the plan type.
- CEM Peer Group for FRS:
  - 17 public and corporate pension funds
  - \$1.236 trillion in total assets
  - Average fund size of \$72.7 billion
  - Fund size ranges from \$21.7 billion to \$224.5 billion

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## FRS Asset Allocation



\*Global Equity Allocation: 25.5% Domestic Equities; 28.7% Foreign Equities; 2.8% Global Equities. Percentages are of the Total FRS Fund.

\*\*Global Equity Allocation: 27.96% Domestic Equities; 18.97% Foreign Equities.

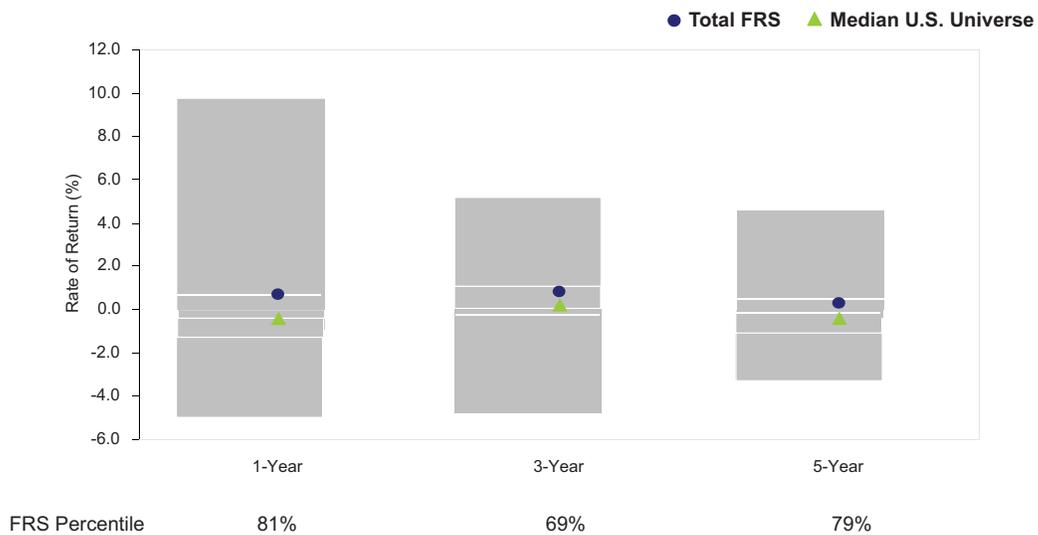
36

## Net-of-Fee Total Return Comparison to the U.S. Universe (CEM) Periods Ending 12/31/11



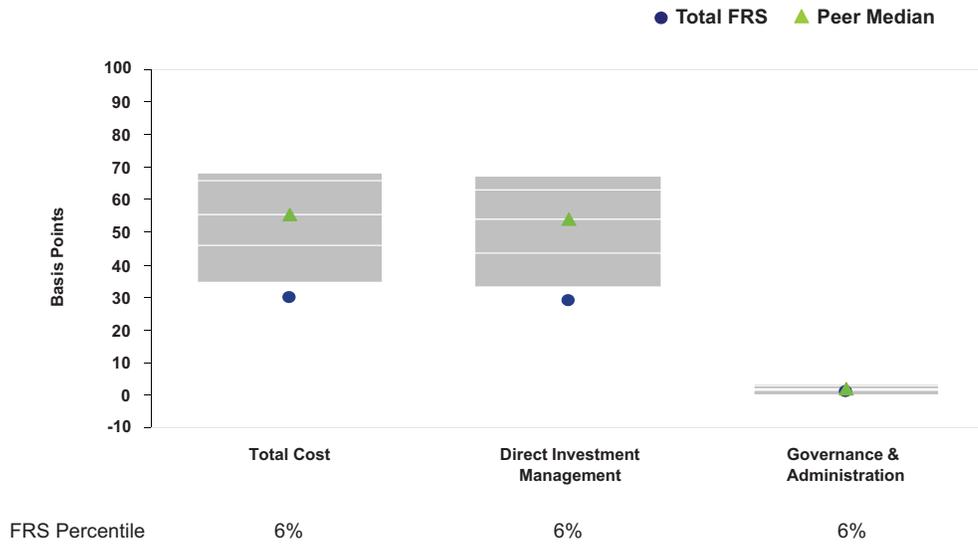
37

## Value Added Comparison to the U.S. Universe (CEM) Periods Ending 12/31/11



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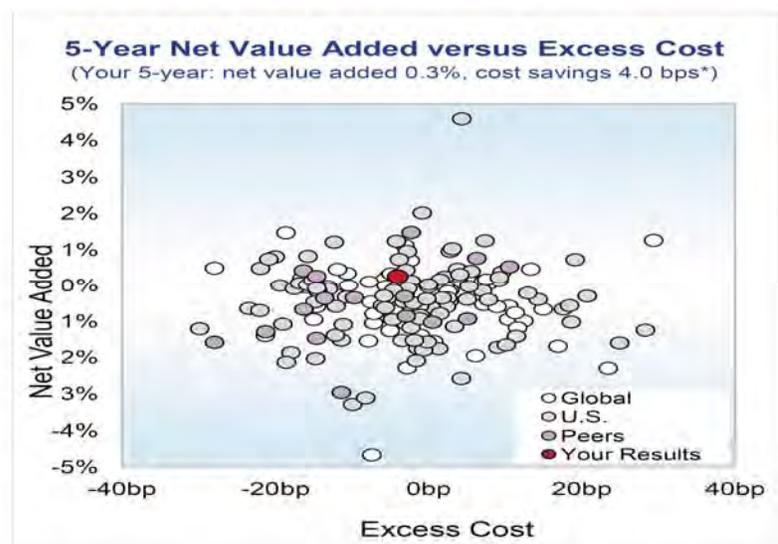
## CEM Cost Comparisons Calendar Year 2011



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## Cost Effectiveness Period Ending 12/31/11



\* Your 5-year cost savings 4.0 basis points is the average of your cost savings for the past 5 years.

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# State Board of Administration of Florida Florida Retirement System

Investment Plan Review  
Third Quarter 2012



## Executive Summary

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- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark over the one, three- and five-year periods. This suggests strong relative performance of the underlying fund options in which participants are investing.
- The Investment Plan Expense Ratio for the FRS Investment Plan is lower, on average, when compared to a defined contribution peer group and is significantly lower than the average corporate and public defined benefit plan.
- Management fees are lower than the median as represented by Morningstar's mutual fund universe for every investment category.
- The FRS Investment Plan offers an appropriate number of fund options that span the risk and return spectrum.
- The Investment Policy Statement is revisited periodically to ensure the structure and guidelines of the FRS Investment Plan are appropriate, taking into consideration the FRS Investment Plan's goals and objectives.

## Total Investment Plan Returns

### Periods Ending 9/30/2012

	One-Year	Three-Year	Five-Year
<b>FRS Investment Plan</b>	<b>14.7%</b>	<b>7.7%</b>	<b>1.8%</b>
<i>Total Plan Aggregate Benchmark*</i>	14.0	7.3	1.3
<i>FRS Investment Plan vs. Total Plan Aggregate Benchmark</i>	0.7	0.4	0.5

### Periods Ending 12/31/2011

	Five-Year Average Return	Five-Year Net Value Added
<b>FRS Investment Plan</b>	<b>1.75%</b>	<b>0.69%</b>
<i>U.S. Median**</i>	1.78	0.12
<i>FRS Investment Plan vs. U.S. Median</i>	-0.03	0.57

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

\*\*Based on the CEM 2011 Survey that included 166 U.S. defined contribution plans with aggregate assets totaling \$1,017 billion. The median DC plan in the universe has \$2.5 billion in assets and the average DC plan has \$6.1 billion in assets.

## Investment Plan Change in Market Value Periods Ending 9/30/2012

### Summary of Cash Flows\*

	Third Quarter	Fiscal YTD**
<b>Beginning Market Value</b>	\$7,135,940,169	\$7,135,940,169
<b>+/- Net Contributions/(Withdrawals)</b>	\$36,965,287	\$36,965,287
<b>Investment Earnings</b>	\$277,782,431	\$277,782,431
<b>= Ending Market Value</b>	\$7,450,687,887	\$7,450,687,887
<b>Net Change</b>	\$314,747,718	\$314,747,718

\* Based on figures provided by the Investment Plan Administrator as of report time.

\*\* Period July 2012- September 2012

## FRS Investment Plan Results - Trailing Period Periods Ending 9/30/2012

FRS Investment Plan As of September 30, 2012 \$7,450.7 Million and 100.0% of Fund

### Trailing Period Performance

	Market Value (\$)	% of Portfolio	Ending September 30, 2012									
			2012 Q3 (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank
<b>FRS Investment Plan</b>	<b>7,450,687,887</b>	<b>100.0</b>	<b>3.9</b>	<b>--</b>	<b>9.0</b>	<b>--</b>	<b>14.7</b>	<b>--</b>	<b>7.7</b>	<b>--</b>	<b>1.8</b>	<b>--</b>
<i>Total Plan Aggregate Benchmark</i>			3.7	--	8.4	--	14.0	--	7.3	--	1.3	--
<b>Balanced Funds</b>	<b>3,230,483,731</b>	<b>43.4</b>	<b>3.8</b>	<b>--</b>	<b>8.1</b>	<b>--</b>	<b>12.7</b>	<b>--</b>	<b>7.0</b>	<b>--</b>	<b>1.3</b>	<b>--</b>
FRS Select Conservative Balanced Fund	703,344,719	9.4	2.0	--	4.4	--	6.2	--	5.0	--	3.3	--
<i>Conservative Balanced Fund Target Benchmark</i>			1.8	--	4.1	--	6.0	--	4.8	--	2.9	--
FRS Select Moderate Balanced Fund	1,945,089,328	26.1	4.1	--	8.8	--	13.7	--	7.4	--	1.4	--
<i>Moderate Balanced Fund Target Benchmark</i>			4.0	--	8.5	--	13.4	--	7.2	--	0.9	--
FRS Select Aggressive Balanced Fund	581,049,684	7.8	5.1	--	10.6	--	17.4	--	7.9	--	-0.4	--
<i>Aggressive Balanced Fund Target Benchmark</i>			5.0	--	10.6	--	17.5	--	7.9	--	-0.5	--
<b>Cash</b>	<b>929,350,702</b>	<b>12.5</b>	<b>0.1</b>	<b>1</b>	<b>0.2</b>	<b>1</b>	<b>0.3</b>	<b>1</b>	<b>0.2</b>	<b>1</b>	<b>0.9</b>	<b>24</b>
FRS Select Yield Plus Money Market Active Fund	929,350,702	12.5	0.1	1	0.2	1	0.3	1	0.2	1	0.9	24
<i>MoneyMkt 1st Tier Institutional Net Index</i>			0.0	30	0.1	26	0.1	26	0.1	17	1.0	7
<b>TIPS</b>	<b>357,606,362</b>	<b>4.8</b>	<b>2.2</b>	<b>--</b>	<b>6.4</b>	<b>--</b>	<b>9.1</b>	<b>--</b>	<b>9.4</b>	<b>--</b>	<b>8.1</b>	<b>--</b>
FRS Select TIPS Fund	357,606,362	4.8	2.2	37	6.4	18	9.1	19	9.4	11	8.1	27
<i>Barclays Capital US TIPS</i>			2.1	46	6.2	24	9.1	19	9.3	22	7.9	30
<b>Fixed Income</b>	<b>729,142,989</b>	<b>9.8</b>	<b>2.1</b>	<b>71</b>	<b>5.4</b>	<b>70</b>	<b>7.0</b>	<b>67</b>	<b>6.9</b>	<b>65</b>	<b>7.1</b>	<b>43</b>
FRS Select U.S. Bond Enhanced Index Fund	164,732,917	2.2	1.7	95	4.2	99	5.3	98	6.4	97	6.9	78
<i>Barclays Aggregate Bond Index</i>			1.6	96	4.0	99	5.2	99	6.2	97	6.5	83
Pyramis Intermediate Duration Pool Fund	78,005,055	1.0	1.9	79	4.5	83	5.5	84	6.1	86	5.9	76
<i>Barclays Int Aggregate</i>			1.4	96	3.4	96	4.3	97	5.3	94	6.0	75
FRS Select High Yield Fund	157,239,495	2.1	3.8	88	9.9	87	16.3	88	--	--	--	--
<i>Barclays Capital U.S. High Yield -Ba-2% Issuer Cap</i>			4.4	47	11.2	63	17.6	67	--	--	--	--
PIMCO Total Return Fund	329,165,522	4.4	3.1	27	9.0	12	11.4	12	7.5	47	8.6	6
<i>Barclays Aggregate Bond Index</i>			1.6	89	4.0	88	5.2	87	6.2	82	6.5	61

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## FRS Investment Plan Results - Trailing Period Periods Ending 9/30/2012

FRS Investment Plan As of September 30, 2012 \$7,450.7 Million and 100.0% of Fund

### Trailing Period Performance

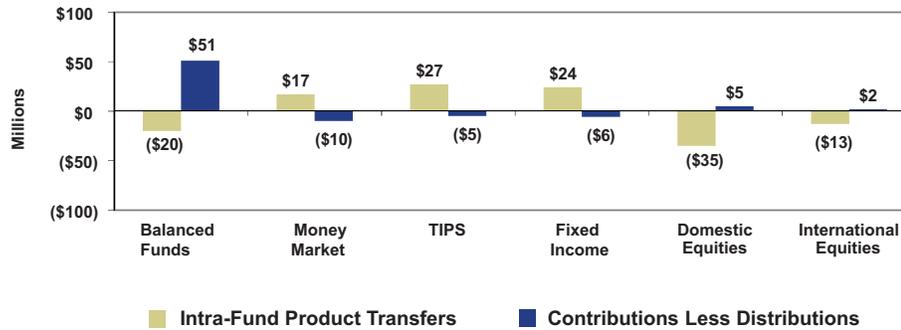
	Market Value (\$)	% of Portfolio	Ending September 30, 2012									
			2012 Q3 (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank
<b>Domestic Equity</b>	<b>1,720,589,286</b>	<b>23.1</b>	<b>6.2</b>	<b>45</b>	<b>16.0</b>	<b>29</b>	<b>30.5</b>	<b>27</b>	<b>14.1</b>	<b>13</b>	<b>2.3</b>	<b>25</b>
FRS Select U.S. Stock Market Index Fund	276,324,854	3.7	6.3	46	16.2	35	30.3	21	13.4	15	1.4	24
<i>Russell 3000 Index</i>			6.2	52	16.1	38	30.2	23	13.3	17	1.3	26
FRS Select U.S. Large Value Stock Fund	205,211,647	2.8	6.2	53	14.2	53	28.8	48	12.1	25	-0.2	51
<i>Russell 1000 Value Index</i>			5.5	38	15.7	20	30.9	15	11.8	29	-0.9	60
QMA Mid Cap Quantitative Core Fund	280,053,917	3.8	6.3	20	15.1	22	32.2	11	16.4	8	4.1	15
<i>S&amp;P 400 MidCap</i>			5.4	43	13.8	40	28.5	33	14.3	20	3.8	19
FRS Select U.S. Large Growth Stock Active Fund	102,571,260	1.4	5.9	62	17.4	35	26.8	53	13.7	27	3.7	12
<i>Russell 1000 Growth Index</i>			6.1	53	16.8	44	29.2	37	14.7	14	3.2	22
Pioneer Fund	132,192,135	1.8	5.1	83	10.1	92	22.7	87	9.9	74	-0.8	78
<i>S&amp;P 500 Index</i>			6.4	37	16.4	24	30.2	23	13.2	18	1.1	34
Fidelity Growth Company Fund	335,703,408	4.5	7.4	18	21.7	4	31.1	19	16.8	4	4.7	8
<i>Russell 3000 Growth Index</i>			6.0	57	16.6	48	29.3	36	14.7	14	3.2	22
American Beacon Small Cap Value Fund	122,936,358	1.7	5.4	38	11.8	53	32.3	29	12.5	40	2.7	54
<i>Russell 2000 Value Index</i>			5.7	34	14.4	27	32.6	27	11.7	61	1.3	84
T. Rowe Price Small Cap Stock Fund	242,253,258	3.3	5.0	55	16.0	23	35.5	11	17.2	15	5.9	4
<i>Russell 2000 Index</i>			5.3	44	14.2	44	31.9	33	13.0	68	2.2	57
Fidelity Low Priced Stock Fund	23,340,450	0.3	6.8	17	15.0	20	25.9	63	13.6	32	3.9	8
<i>Russell 2500 Value Index</i>			5.8	39	14.5	30	32.2	14	13.1	41	2.2	41
<b>International/Global Equity</b>	<b>483,514,816</b>	<b>6.5</b>	<b>7.2</b>	<b>39</b>	<b>11.8</b>	<b>43</b>	<b>16.5</b>	<b>48</b>	<b>4.1</b>	<b>40</b>	<b>-2.8</b>	<b>28</b>
FRS Select Foreign Stock Index Fund	135,687,852	1.8	7.4	37	10.2	68	14.2	74	2.9	55	-4.5	48
<i>MSCI World ex USA</i>			7.3	39	9.9	73	13.8	79	2.5	61	-4.8	51
American Funds New Perspective Fund	185,679,010	2.5	6.5	48	16.2	12	23.6	25	8.6	34	0.9	17
<i>MSCI World Index</i>			6.7	41	13.0	44	21.6	42	7.5	56	-2.1	58
American Funds Euro-Pacific Growth Fund	162,147,954	2.2	7.3	27	13.2	23	16.5	29	3.7	37	-1.9	9
<i>MSCI All Country World ex-U.S. Index</i>			7.5	23	10.9	51	15.0	66	3.1	44	-4.5	42

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## FRS Investment Plan Member Cash Flow by Product Type

Period July 2012 – September 2012



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## FRS Investment Plan Costs

<b>FRS Investment Plan Expense Ratio*</b>	<b>0.22%</b>
<b>Peer DC Plan Expense Ratio*</b>	<b>0.24%</b>

\* Source: CEM Benchmarking 2011 Report – Custom Peer Group for FSBA of 19 DC plans including corporate and public plans with assets between \$2.0 - \$12.6 billion.

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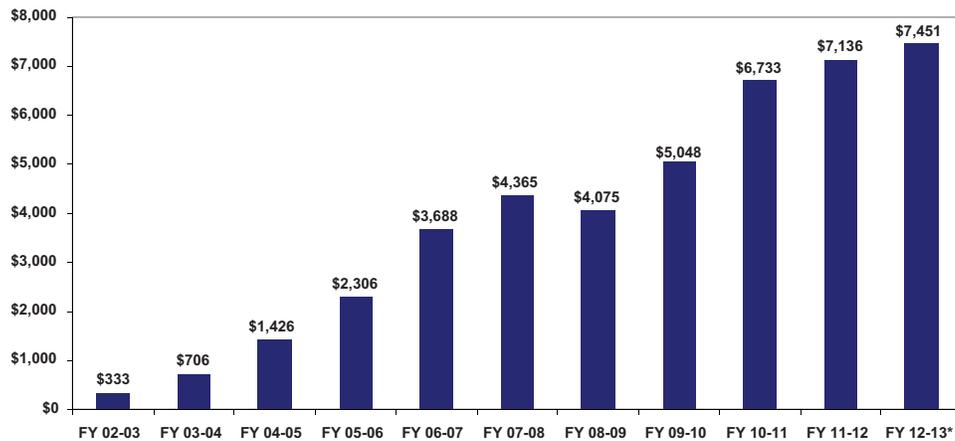
## FRS Investment Plan Costs (cont.)

Investment Category	Investment Plan Fee*	Average Mutual Fund Fee**
Large Cap Equity Fund	0.24%	0.85%
Mid Cap Equity Fund	0.51%	0.98%
Small Cap Equity Fund	0.89%	1.06%
International Equity Fund	0.38%	1.03%
Diversified Bond Fund	0.27%	0.55%
Balanced Fund	0.05%	0.90%
Money Market	0.06%	0.24%

\*Average Fee if Multiple Products in Category as of 9/30/2012.

\*\*Source: Morningstar as of 9/30/2012.

## Investment Plan Fiscal Year End Assets Under Management

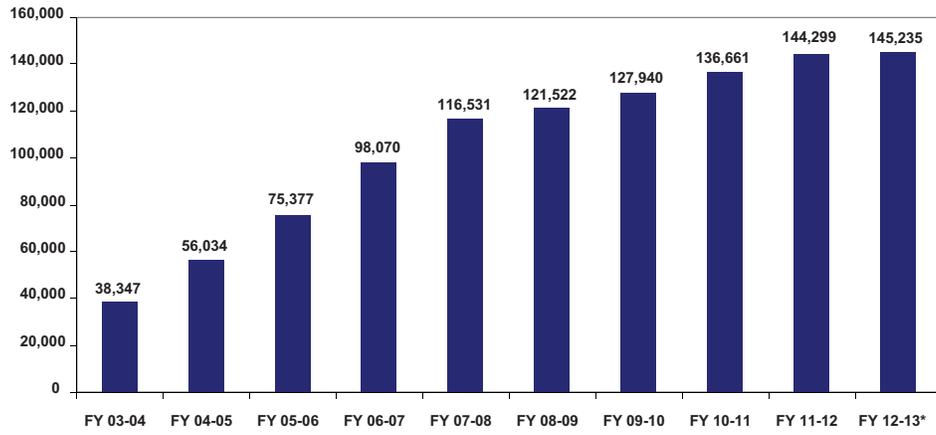


\*Period Ending 9/30/2012

Source: Investment Plan Administrator

## Investment Plan Membership

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\*Period Ending 9/30/2012

Source: Investment Plan Administrator

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# State Board of Administration of Florida CAT Fund Review

Third Quarter 2012



## Florida Hurricane Catastrophe Fund Background

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- The 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 State Board of Administration of Florida (SBA) manages five FHCF accounts, the CAT Fund (Operating Fund), the CAT 2006 A Fund (Post-Event Tax-Exempt Revenue Bonds), the CAT 2007 A Fund (Pre-Event Floating Rate Taxable Notes), the CAT 2008 A Fund (Post-Event Tax-Exempt Revenue Bonds), and the CAT 2010 A Fund (Post-Event Tax-Exempt Revenue Bonds).
- Both the CAT Fund (Operating Fund) and the CAT 2007 A Fund are internally managed portfolios benchmarked to a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Net Index.
- The CAT 2006 A Fund, the CAT 2008 A Fund and the CAT 2010 A Fund are invested in State and Local Government Series (SLGS) securities.
- As of September 30, 2012, the total value of all FHCF accounts was \$12.1 billion.

## Executive Summary

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- Performance of the CAT Fund on both an absolute and relative basis has been strong over short- and long-term time periods. The CAT Fund did underperform over the five-year period mostly due to poor performance during the 2008 credit crisis.
- The CAT Fund is adequately diversified across issuers within the short-term bond market.
- The Investment Policy Statement appropriately constrains the CAT Fund to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Adequate liquidity exists to address the cash flow obligations of the CAT Fund.
- The Investment Policy Statement is revisited periodically to ensure the structure and guidelines of the CAT Fund are appropriate, taking into consideration the CAT Fund's goals and objectives.

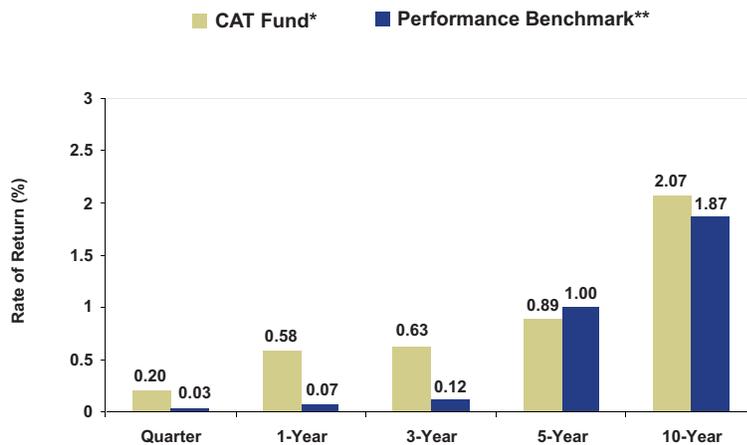
## CAT Fund Change in Market Value Periods Ending 9/30/2012

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Summary of Cash Flows		
	Third Quarter	Fiscal YTD*
<b>Beginning Market Value</b>	\$7,193,669,869	\$7,193,669,869
<b>+/- Net Contributions/(Withdrawals)</b>	\$334,164,910	\$334,164,910
<b>Investment Earnings</b>	\$81,433,242	\$81,443,242
<b>= Ending Market Value</b>	\$7,609,268,021	\$7,609,268,021
<b>Net Change</b>	\$415,598,152	\$415,598,152

\*Period July 2012 – September 2012

## CAT Fund Investment Results Periods Ending 9/30/2012



\* 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. From March 2008 to December 2009, it was the Merrill Lynch 1-Month LIBOR. From January 2010 to June 2010, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Gross Index. Effective July 2010, it is a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Net Index.

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## CAT Fund Characteristics Period Ending 9/30/2012

Effective Maturity Schedule	
O/N* - 14 Days	28.8%
15 - 30 Days	6.1%
31 - 60 Days	7.6%
61 - 90 Days	5.1%
91 - 120 Days	7.3%
121 - 150 Days	5.7%
151 - 180 Days	4.9%
181 - 210 Days	6.7%
211 - 240 Days	3.5%
241 - 270 Days	1.8%
271 - 300 Days	3.5%
301 - 365 Days	6.6%
366 - 732 Days	5.9%
733 - 1,098 Days	5.5%
1,099 - 1,875 Days	1.1%
<b>Total % of Portfolio:</b>	<b>100.0%</b>

S & P Credit Quality Composition	
AAA	50.6%
AA	10.6%
A	37.7%
BBB	0.0%
Non-Investment Grade	1.1%
<b>Total % of Portfolio:</b>	<b>100.0%</b>

\*O/N stands for overnight.

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## CAT 2007 A Fund Change in Market Value Periods Ending 9/30/2012

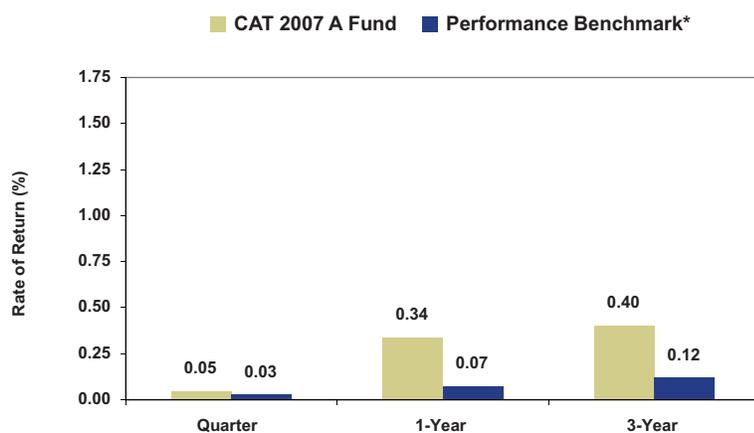
Summary of Cash Flows		
	Third Quarter	Fiscal YTD*
Beginning Market Value	\$3,516,231,797	\$3,516,231,797
+/- Net Contributions/(Withdrawals)	--	--
Investment Earnings	\$1,774,023	\$1,774,023
= Ending Market Value	\$3,518,005,820	\$3,518,005,820
Net Change	\$1,774,023	\$1,774,023

\*Period July 2012 – September 2012

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## CAT 2007 A Fund Investment Results Periods Ending 9/30/2012



\*Performance Benchmark: The CAT 2007 A Fund was benchmarked to the Merrill Lynch 1-Month LIBOR from March 2008 to December 2009. From January 2010 to June 2010, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Gross Index. Effective July 2010, it is a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Net Index.

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**CAT 2007 A Fund Characteristics**  
**Period Ending 9/30/2012**

<b>Effective Maturity Schedule</b>	
O/N* - 14 Days	24.2%
15 - 30 Days	10.4%
31 - 60 Days	12.7%
61 - 90 Days	38.1%
91 - 120 Days	5.4%
121 - 150 Days	0.0%
151 - 180 Days	0.0%
181 - 210 Days	0.0%
211 - 240 Days	0.9%
241 - 270 Days	0.0%
271 - 300 Days	0.0%
301 - 365 Days	5.7%
366 - 732 Days	2.7%
733 - 1,098 Days	0.0%
1,099 - 1,875 Days	0.0%
<b>Total % of Portfolio:</b>	<b>100.0%</b>

<b>S &amp; P Credit Quality Composition</b>	
AAA	52.9%
AA	13.5%
A	33.6%
BBB	0.0%
Non-Investment Grade	0.0%
<b>Total % of Portfolio:</b>	<b>100.0%</b>

\*O/N stands for overnight.

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# State Board of Administration of Florida Lawton Chiles Endowment Fund Review

Third Quarter 2012



## Executive Summary

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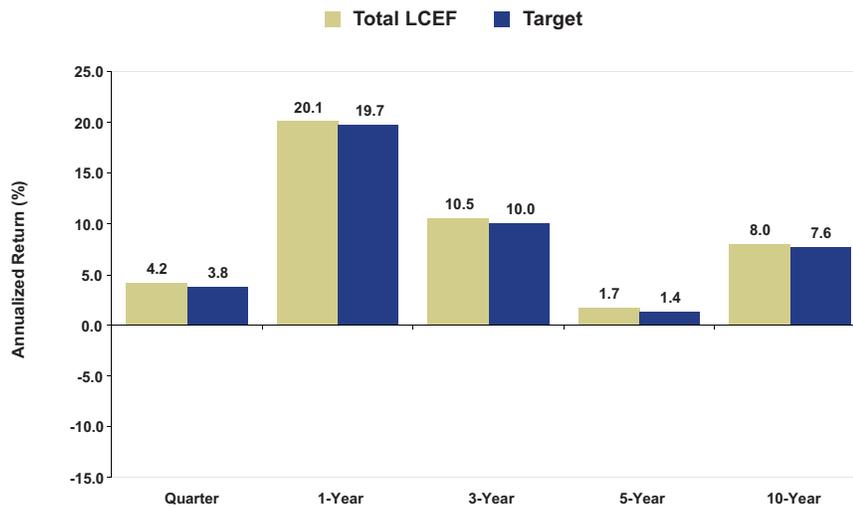
- Established in July 1999, the Lawton Chiles Endowment Fund (LCEF) was created to provide a source of funding for child health and welfare programs, elder programs, and research related to tobacco use.
  - The investment objective is to preserve the real value of the net contributed principal and provide annual cash flows for appropriation.
  - The Endowment's investments are diversified across various asset classes including global equity, fixed income, inflation-indexed bonds (TIPS), and cash.
- The Endowment assets totaled \$808.9 million as of September 30, 2012.
- The Endowment's return outperformed that of its Target over the trailing one-, three-, five-, and ten-year time periods.

## LCEF Change in Market Value Periods Ending 9/30/2012

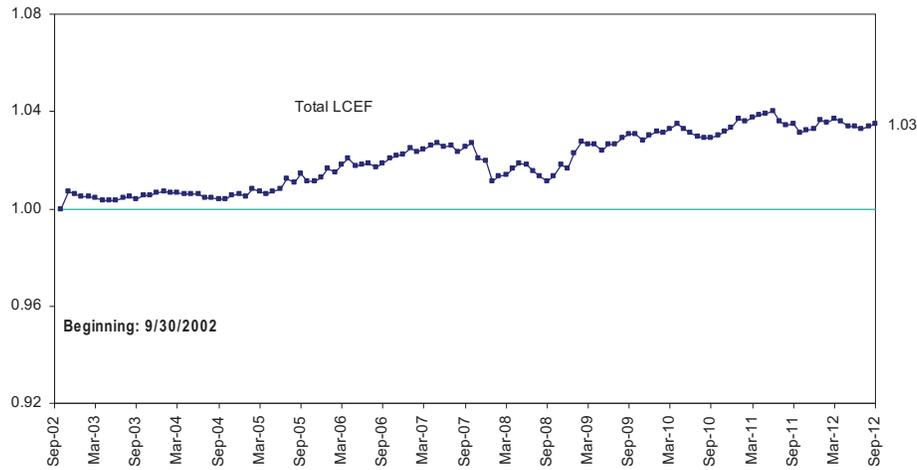
Summary of Cash Flows		
	Third Quarter	Fiscal YTD*
Beginning Market Value	\$776,130,661	\$776,130,661
+/- Net Contributions/(Withdrawals)	--	--
Investment Earnings	\$32,796,527	\$32,796,527
= Ending Market Value	\$808,927,188	\$808,927,188
Net Change	\$32,796,527	\$32,796,527

\*Period July 2012 – September 2012

## LCEF Investment Results Periods Ending 9/30/2012

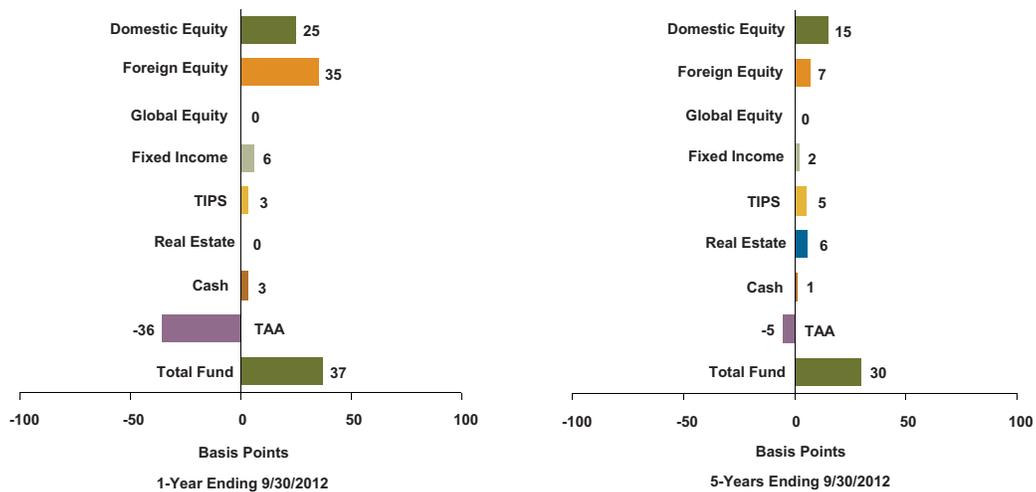


## LCEF Cumulative Relative Performance 10 Years Ending 9/30/2012



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## LCEF Attribution Analysis



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# State Board of Administration of Florida Florida PRIME and Fund B Review

Third Quarter 2012

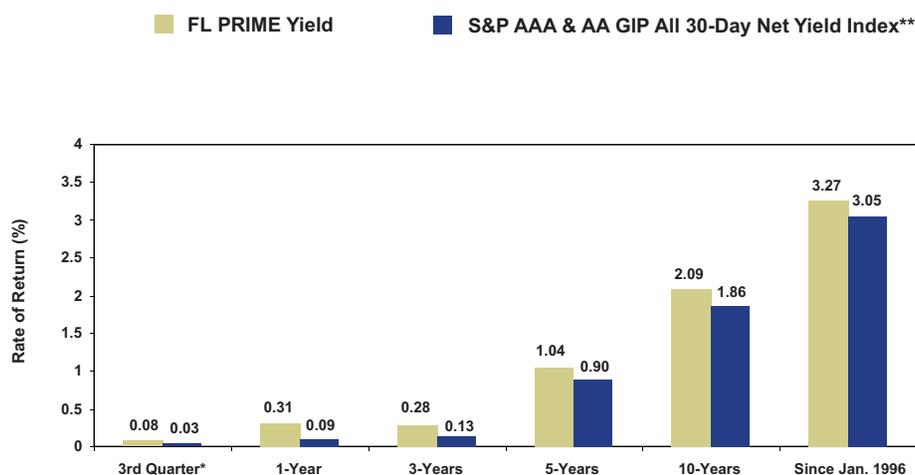


## Executive Summary

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- The purpose of Florida PRIME is safety, liquidity, and competitive returns with minimal risk for participants.
- The Investment Policy Statement appropriately constrains Florida PRIME to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Florida PRIME is adequately diversified across issuers within the short-term bond market and adequate liquidity exists to address the cash flow obligations of Florida PRIME.
- Performance of Florida PRIME on both an absolute and relative basis has been strong over short- and long-term time periods.
- As of September 30, 2012, the total market value of Florida PRIME was \$6.37 billion.
- Hewitt EnnisKnupp, in conjunction with SBA staff, compiles an annual best practices report that includes a full review of the Investment Policy Statement, operational items, and investment structure for Florida PRIME.

## Florida PRIME Investment Results Periods Ending 9/30/2012



\*Returns less than one year are not annualized.

\*\*S&P AAA & AA GIP All 30-Day Net Yield Index for all time periods shown.

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## Florida PRIME Characteristics Quarter Ending 9/30/2012

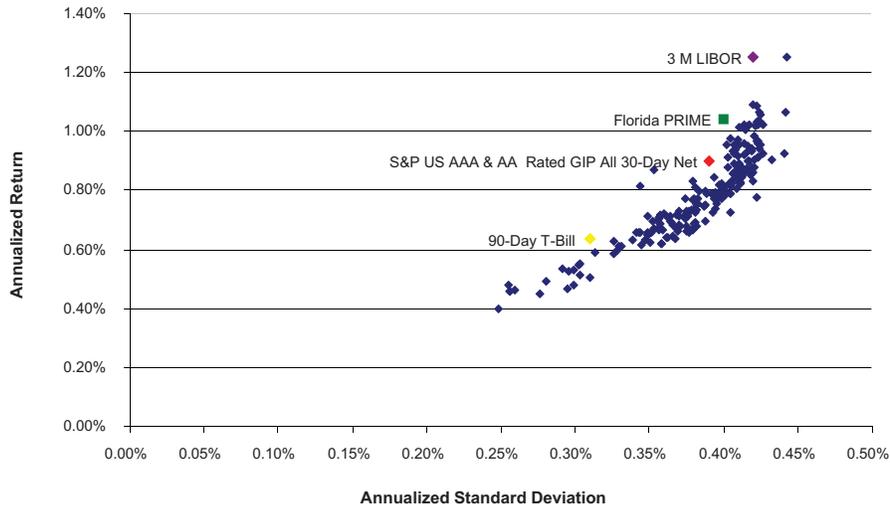
Cash Flows as of 9/30/2012	Third Quarter	Fiscal YTD*
Opening Balance	\$6,752,444,139	\$6,752,444,139
Participant Deposits	\$2,686,607,199	\$ 2,686,607,199
Transfers from Fund B	\$15,100,000	\$15,100,000
Gross Earnings	\$5,627,553	\$5,627,553
Participant Withdrawals	(\$3,090,677,752)	(\$3,090,677,752)
Fees	(\$487,387)	(\$487,387)
Closing Balance (9/30/2012)	\$6,368,613,753	\$6,368,613,753
<b>Change</b>	<b>(\$383,830,386)</b>	<b>(\$383,830,386)</b>

\*Period July 2012 – September 2012

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## Florida PRIME Risk vs. Return 5 Years Ending 9/30/2012

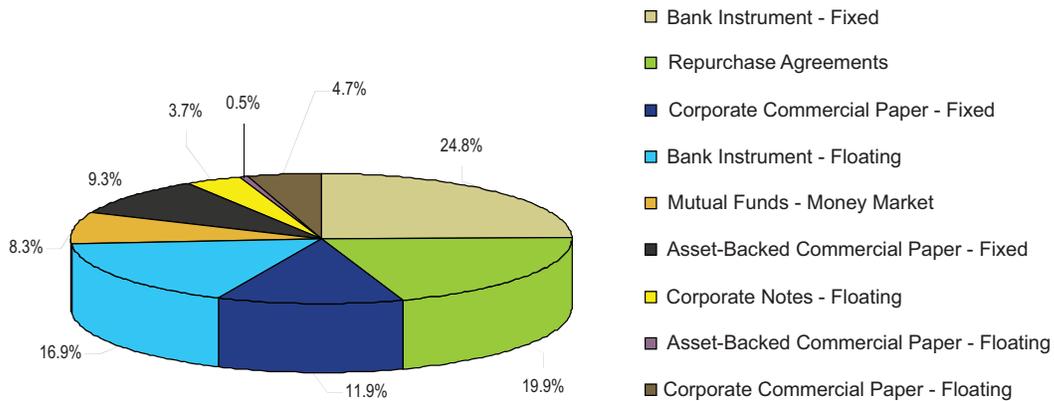


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## Florida PRIME Characteristics Quarter Ending 9/30/2012

### Portfolio Composition



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## Florida PRIME Characteristics Period Ending 9/30/2012

Effective Maturity Schedule	
1-7 days	42.1%
8-30 days	17.5
31-90 days	30.5
91-180 days	8.1
181+ days	1.8
<b>Total % of Portfolio:</b>	<b>100.0%</b>

S & P Credit Quality Composition	
A-1+	61.2%
A-1	38.8
<b>Total % of Portfolio:</b>	<b>100.0%</b>

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## Fund B Change in Market Value Period Ending 9/30/2012

Cash Flows as of 9/30/2012	Third Quarter	Fiscal YTD*
Opening Balance	\$231,848,908	\$231,848,908
Participant Distributions	(\$15,100,000)	(\$15,100,000)
Expenses Paid	(\$4,498)	(\$4,498)
Price Change	\$32,485,701	\$32,485,701
Closing Balance	\$249,230,111	\$249,230,111
<b>Change</b>	<b>(\$17,381,203)</b>	<b>(\$17,381,203)</b>

\*Period July 2012 – September 2012

- As of September 2012, 86.9% of the original principal in Fund B has been returned to participants.

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**State Board of Administration of Florida**

**FRS Pension Plan**

Third Quarter 2012

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# Market Environment

Third Quarter 2012

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## Market Highlights

### Returns of the Major Capital Markets

	Third Quarter	Year-to-Date	Periods Ending 09/30/2012			
			1-Year	3-Year	5-Year	10-Year
<b>Domestic Stock Indices</b>						
Dow Jones U.S. Total Stock Market Index	6.2%	16.2%	30.2%	13.4%	1.5%	8.7%
Russell 3000 Index	6.2%	16.1%	30.2%	13.3%	1.3%	8.5%
S&P 500 Index	6.4%	16.4%	30.2%	13.2%	1.1%	8.0%
Russell 2000 Index	5.3%	14.2%	31.9%	13.0%	2.2%	10.2%
<b>Global Stock Indices</b>						
MSCI All Country World IMI Index	6.8%	13.0%	21.1%	7.6%	-1.7%	9.0%
MSCI All Country World ex-U.S. IMI Index	7.5%	10.7%	14.4%	3.5%	-3.8%	10.2%
MSCI EAFE Index	6.9%	10.1%	13.8%	2.1%	-5.2%	8.2%
MSCI Emerging Markets Index	7.7%	12.0%	16.9%	5.6%	-1.3%	17.0%
<b>Domestic/Foreign Bond Indices</b>						
Barclays Aggregate Bond Index	1.6%	4.0%	5.2%	6.2%	6.5%	5.3%
Barclays Long Gov't Index	0.3%	4.5%	6.4%	11.9%	10.9%	7.7%
Barclays Long Credit Index	5.2%	11.3%	14.9%	12.7%	10.6%	8.6%
Barclays Long Gov't/Credit Index	3.1%	8.3%	11.1%	12.5%	10.9%	8.1%
SSB Non-U.S. WGBI Index	4.0%	4.0%	3.5%	4.0%	6.6%	7.3%

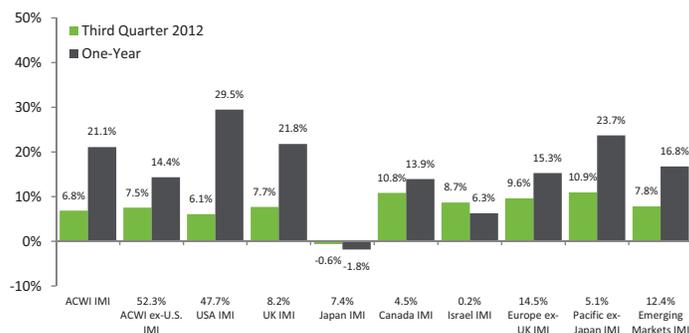
- U.S. economic growth and job growth picked up during the third quarter.
- European economic data improved after a weak second quarter.
- QE3 was announced in mid-September. The U.S. Federal Reserve's plan is to purchase \$40 billion of mortgage-backed securities per month on an open-ended basis.
- The European Central Bank (ECB) decided to keep Eurozone interest rates at low levels. In September, ECB president Mario Draghi announced a plan for direct intervention in Eurozone bond markets in an attempt to contain the ongoing debt crisis.
- Non-U.S. equities outperformed U.S. equities during the third quarter. The strongest performing segment was the Emerging Markets area.
- The 10-year U.S. Treasury yield was broadly flat during the third quarter; however, on an intra-quarter basis, the yield was volatile. The yield reached a low of 1.39% and a high of 1.88% during the quarter.
- In aggregate, commodities produced positive returns during the quarter. The main drivers were a resurgence in risk appetite and the ongoing U.S. drought, which elevated grain prices.

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## Global Equity Markets

GLOBAL MSCI IMI INDEX RETURNS AS OF 09/30/2012



Source: MSCI

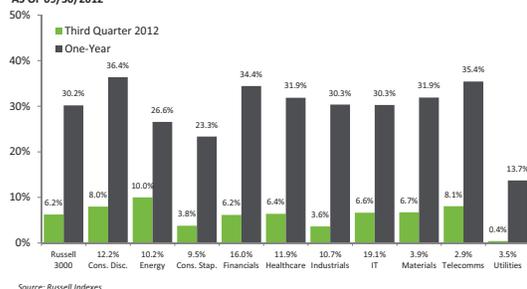
- Positive economic data coupled with QE3 and a calming of the Eurozone debt crisis spurred a resurgence in risk appetite during the third quarter.
- Most equity markets around the world posted positive returns during the quarter. The best-performing market was Pacific ex-Japan, and the worst-performing market was Japan.

4

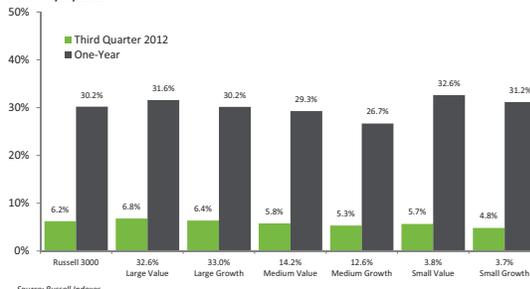
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## U.S. Equity Markets

RUSSELL GICS SECTOR RETURNS  
AS OF 09/30/2012



RUSSELL STYLE RETURNS  
AS OF 09/30/2012



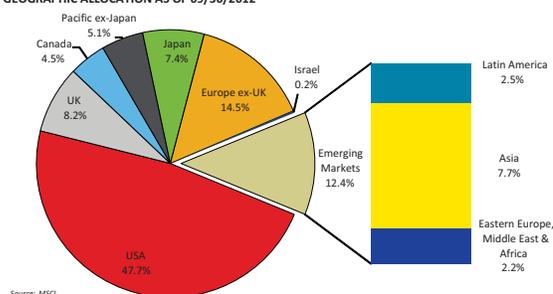
- Generally positive U.S. economic data and the launch of QE3 led to positive momentum in the domestic equity market during the quarter.
- The Russell 3000 rose 6.2% during the quarter and returned 30.2% during the one-year period.
- The Consumer Discretionary, Energy, and Telecommunications sectors were the best-performing sectors during the third quarter, posting returns of 8.0%, 10.0%, and 8.1%, respectively. The Industrials and Utilities sectors were the worst-performing areas, producing returns of 3.6% and 0.4%, respectively, during the third quarter.
- Large cap outperformed small cap and mid cap during the third quarter. Value modestly outperformed growth across all segments of the market during the quarter.

5

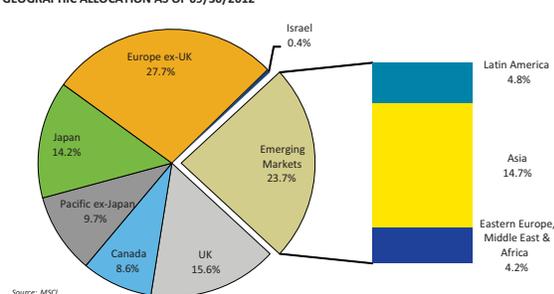
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## Global Equity Markets

MSCI ALL COUNTRY WORLD IMI INDEX  
GEOGRAPHIC ALLOCATION AS OF 09/30/2012



MSCI ALL COUNTRY WORLD EX U.S. IMI INDEX  
GEOGRAPHIC ALLOCATION AS OF 09/30/2012



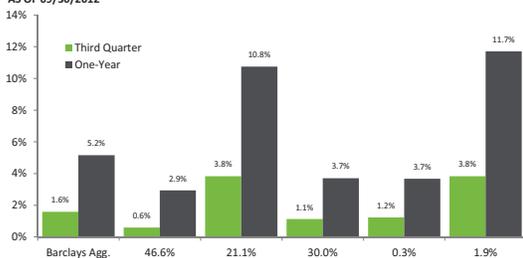
- The two exhibits on this slide illustrate the percent each country/region represents of the global equity market as measured by the MSCI All Country World IMI Index and the MSCI All Country World ex-U.S. IMI Index.

6

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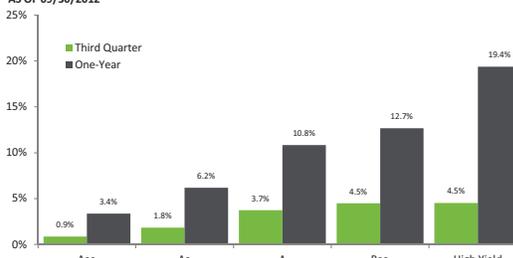
## U.S. Fixed Income Markets

BARCLAYS AGGREGATE RETURNS BY SECTOR AS OF 09/30/2012



Source: Barclays Live

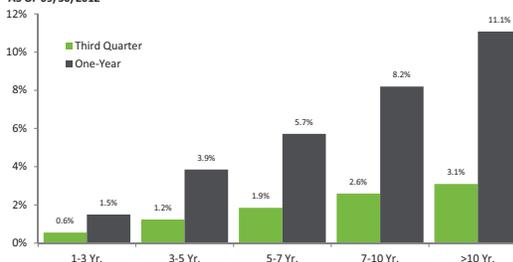
BARCLAYS AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS AS OF 09/30/2012



Source: Barclays Live

- The Barclays Aggregate returned 1.6% in the third quarter.
- Corporate bonds and commercial mortgage-backed securities were the strongest performing sectors, each returning 3.8% over the course of the third quarter.
- In the investment grade area, lower quality bonds outperformed higher quality bonds. This held true for the quarter and the preceding one-year period.
- High yield bonds outperformed investment grade bonds. High yield benefited from massive inflows of capital as investors searched for yield.
- Long duration bonds outperformed intermediate and short duration bonds.

BARCLAYS AGGREGATE RETURNS BY MATURITY AS OF 09/30/2012



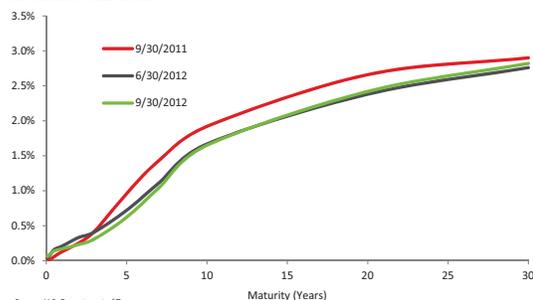
Source: Barclays Live

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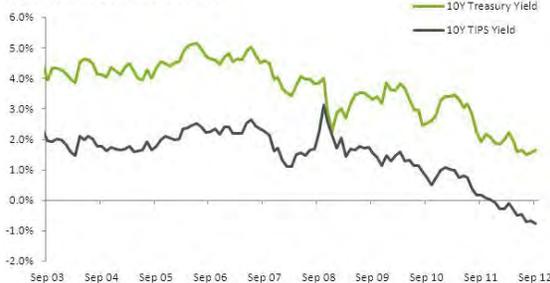
## U.S. Fixed Income Markets

U.S. TREASURY YIELD CURVE



Source: U.S. Department of Treasury

U.S. 10-YEAR TREASURY AND TIPS YIELDS



Source: U.S. Department of Treasury

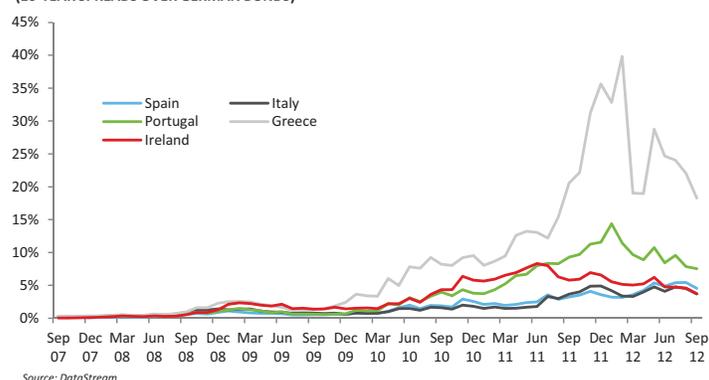
- The Treasury yield curve steepened slightly during the quarter. The intermediate (1 to 10 years) segment of the yield curve fell, while the long end of the yield curve rose slightly.
- While the 10-year U.S. Treasury yield ended the quarter near its starting point, the yield was volatile on an intra-quarter basis. The yield reached a low of 1.39% and a high of 1.88% during the quarter.
- 10-year TIPS yields continued their push further into negative territory. The 10-year real yield fell to -0.77% as of quarter-end.

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## European Fixed Income Markets

EUROZONE PERIPHERAL BOND SPREADS  
(10-YEAR SPREADS OVER GERMAN BUNDS)



- Spain was one of the key focal points of the Eurozone debt crisis during the quarter as speculation was rife that it would ask for a European bailout. This led to the spread between 10-year yields on Spanish debt and German Bunds reaching a record high of approximately 640 bps on July 24, 2012. With reassurances from the Spanish government, announcements from the ECB, and the recently announced Draghi Plan, Spanish-German yield spreads have fallen, albeit with significant volatility. The yield spread ended the quarter at 456 bps.
- 10-year yield spreads over German Bunds decreased for the rest of the Eurozone periphery as well.

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## Credit Spreads

Spread (bps)	9/30/2012	6/30/2012	9/30/2011	Quarterly Change (bps)	1-Year Change (bps)
U.S. Aggregate	49	77	90	-28	-41
Long Gov't	4	5	5	-1	-1
Long Credit	191	228	246	-37	-55
Long Gov't/Credit	114	130	132	-16	-18
MBS	24	76	80	-52	-56
CMBS	155	235	351	-80	-196
ABS	44	59	77	-15	-33
Corporate	156	199	238	-43	-82
High Yield	551	615	807	-64	-256
Global Emerging Markets	332	408	495	-76	-163

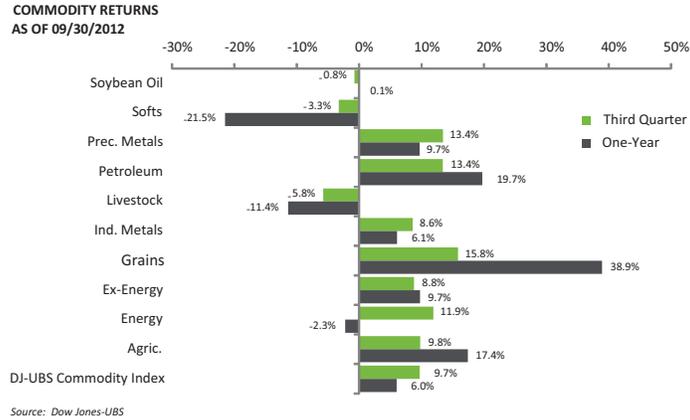
Source: Barclays Live

- Credit spreads fell during the quarter; this was driven by modest falls in U.S. Treasury yields and more significant reductions in headline credit yields.
- Unsurprisingly, the sectors that saw the largest reductions in spreads were the sectors that are generally favored when risk appetites increase (high yield and emerging market debt) and the sectors most affected by QE3 (Mortgage-backed related).
- Credit spreads across every segment as of September 30, 2012 were lower relative to a year ago.

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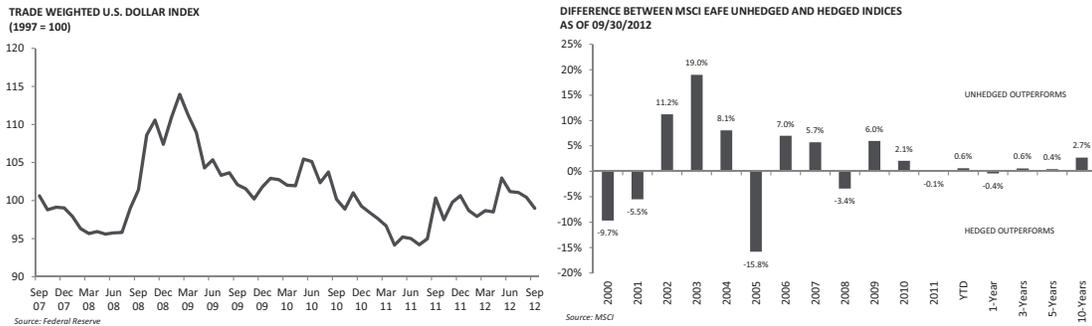
## Commodities



- Driven by very strong gains in grains and petroleum, the Dow Jones-UBS Commodity Index increased by 9.7% during the third quarter.
- The strongest performing segment of the market was grains. This was caused by higher than normal temperatures and below average rainfall in the U.S. East and Midwest that boosted grain prices.
- Softs and Livestock were the worst-performing sectors of the market during the third quarter.

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## Currency

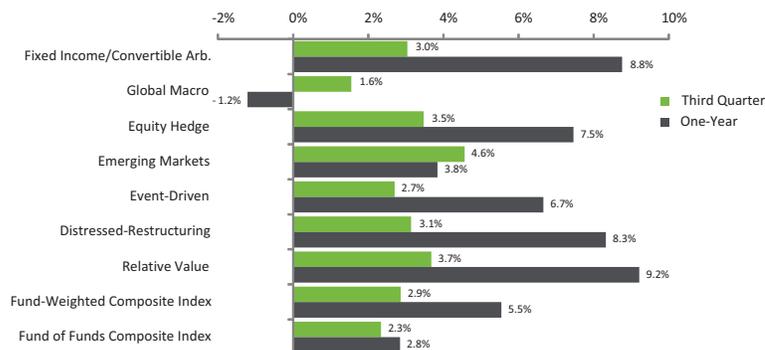


- As measured through the broad trade weighted U.S. dollar index, the U.S. dollar marginally depreciated during the quarter and the one-year period.
- The MSCI EAFE Unhedged Index slightly outperformed the MSCI EAFE 100% Hedged Index during the year-to-date period, reflecting the depreciation of the U.S. dollar. The unhedged index outperformed the hedged index during the last 3-, 5-, and 10-year periods.

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## Hedge Fund Markets Overview

### HEDGE FUND PERFORMANCE AS OF 09/30/2012



Source: HFR

- All major hedge fund strategy types posted positive returns in the third quarter. The HFRI Fund-Weighted Composite Index and the HFRI Fund of Funds Composite Index produced returns of 2.9% and 2.3%, respectively.
- Relative Value and Emerging Markets strategies were the strongest performers during the quarter.

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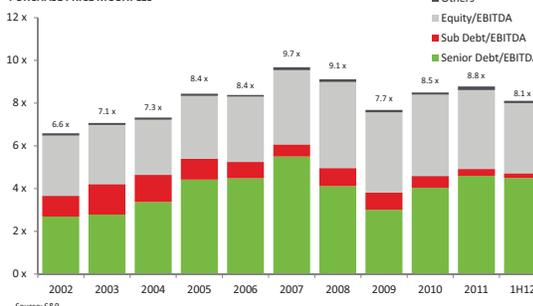
## Private Equity Market Overview – Q2 2012

### LTM GLOBAL SPONSOR M&A DEAL VOLUME AND VALUE (TRAILING 12 MONTH DATA)



Source: ThomsonOne

### PURCHASE PRICE MULTIPLES



Source: S&P

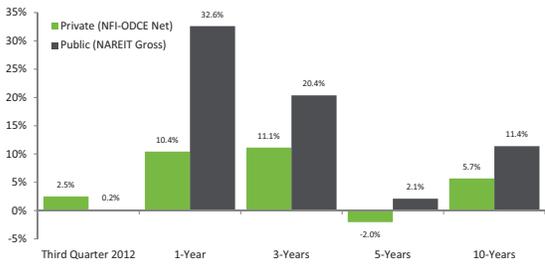
- Fundraising:** Continues to improve: LTM levels (\$301B) healthy but not at excessive levels. Remains well below pre-crisis levels (\$591B). Overhang significant (\$750B) but decreasing.
- Buyout:** Deal volume vacillating quarter to quarter but trending slightly downward. Small and middle market deals comprise bulk of activity although some activity being seen in the large market. Purchase price multiples are decreasing and are just below the 10 year average; European activity remains slow due to economic uncertainty.
- Venture capital:** LTM investment levels (\$27.9B) declined for 2 consecutive quarters. 2Q activity increased but still below 2011 quarterly average (\$7.3B); median pre-money valuations increased across all deal stages; number of exits down approximately 16% to 2011 quarterly average, number of IPOs stalled after poor Facebook debut but IPO pipeline building.
- Mezzanine:** U.S. mezzanine lenders continue to target smaller transactions as they are getting squeezed out of larger transactions in favor of high yield. They are also receiving increased competition from Unitranche structures. Europe continues to favor mezzanine lenders as CLOs have limited cash to re-invest and European banks are dealing with capital constraints.
- Distressed Debt:** Default rates increased slightly for two consecutive quarters but remain at historically low levels; investment levels remain low due to heavy refinance activity and low default rates; attractive opportunities exist looking forward to 2013-2014 due to fragile economy and reduced leveraged loan capacity.
- Secondaries:** \$10 billion raised in first half of 2012, expect record-breaking year; first half 2012 \$12.3 billion in transactions roughly flat with the record 2011 level; pricing discounts decreased to 11% for Buyout and 26% for Venture.
- Infrastructure:** Fundraising down slightly from 2011; YTD activity lowest level since 2007.

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# U.S. Commercial Real Estate Markets

PRIVATE VS. PUBLIC REAL ESTATE RETURNS  
AS OF 09/30/2012



Sources: NCREIF, NAREIT

**Measured improvements are expected to continue:**

- Demand has stabilized and new supply remains low; however, more consistent employment growth is needed to keep positive momentum going.
- Sector fundamentals are expected to continue to more widely firm, helping to support current pricing levels.
- Underwriting to remain favorable (for now), though downward pressure to continue on net operating income as leases expire and re-sign at today's substantially lower rates.
- Apartment sector development is on the horizon; all other property type development to remain minimal near term.
- Liquidity should continue to improve, albeit still segmented and below "normal period" levels.

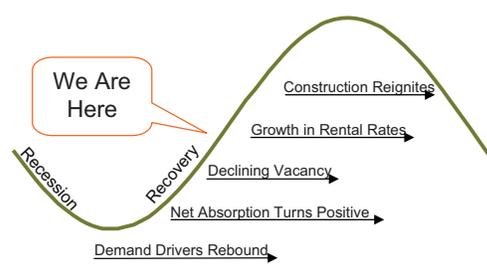
**Performance should remain attractive:**

- Core real estate returns are expected to return closer to long run average levels (7-9%).
- Non-Core real estate opportunities remain attractive due to lagged recovery in pricing, improving fundamentals, and lenders' increased willingness to deal with distressed assets.

**Bumps in the road likely still exist:**

- Economic/political bumps may cause some short-term headwinds along the recovery path as investor confidence remains shaky.
- Refinancing overhang still requires resolutions.
- Silver lining: turmoil and uncertainty are catalysts in private markets for investment opportunities, particularly for investors in the higher risk non-Core space.

CURRENT POSITION IN  
REAL ESTATE RECOVERY CYCLE



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Total Fund As of September 30, 2012 \$126,890.4 Million and 100.0% of Fund

Highlights

**Executive Summary**

- Performance of the Pension Plan, when measured against the Performance Benchmark, has been strong over short- and long-term time periods.
- Performance relative to peers is also competitive over short- and long-term time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
- Public market asset class investments do not significantly deviate from their broad market based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
- Private market asset classes are well-diversified by either vintage year, geography, property type, sectors, investment vehicle/asset type, or investment strategy.
- Asset allocation is monitored on a daily basis to ensure the actual asset allocation of the plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Hewitt EnnisKnupp and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

**Performance Highlights**

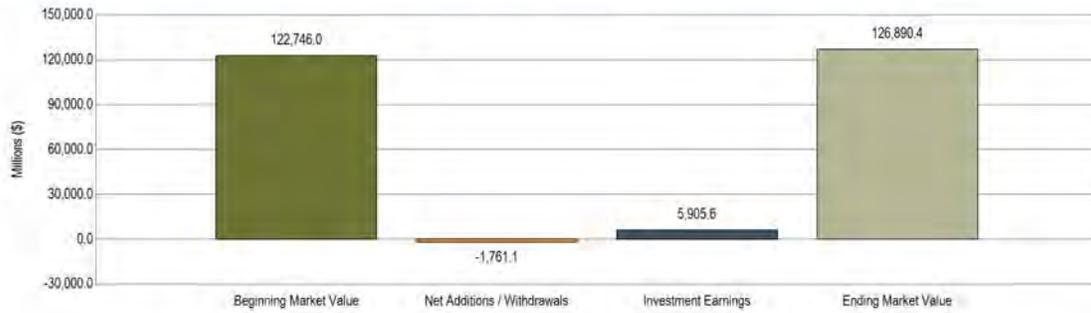
- Over the trailing three-, five-, and ten-year periods, the Total Fund outperformed the Performance Benchmark while it matched the Benchmark during the trailing one-year period. During the third quarter, the Fund returned 4.8% and underperformed its Benchmark by 0.1 percentage points.

**Asset Allocation**

- The Fund assets total \$126.9 billion as of September 30, 2012, which represents a \$4.1 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 global equity with corresponding marginal underweight to fixed income, private equity, real estate, and cash at quarter-end.

Plan Summary

Change in Market Value  
From July 1, 2012 To September 30, 2012



Summary of Cash Flows

Sources of Portfolio Growth	Third Quarter	Fiscal YTD*
Beginning Market Value	\$122,745,973,551	\$122,745,973,551
Net Additions/Withdrawals	(\$1,761,125,829)	(\$1,761,125,829)
Investment Earnings	\$5,905,601,116	\$5,905,601,116
Ending Market Value	\$126,890,448,838	\$126,890,448,838

\*Period July 2012 - September 2012

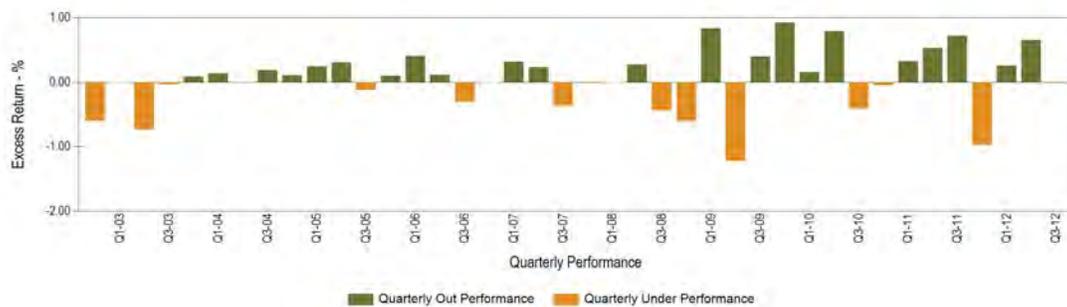
Plan Performance

Benchmark: Performance Benchmark

Return Summary



Quarterly Excess Performance



## Trailing Period Performance

	Market Value (\$)	% of Portfolio	Policy %	Ending September 30, 2012															
				2012 Q3 (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank				
<b>Total Fund</b>	<b>126,890,448,838</b>	<b>100.0</b>	<b>100.0</b>	<b>4.8</b>	<b>36</b>	<b>11.4</b>	<b>22</b>	<b>16.4</b>	<b>42</b>	<b>9.4</b>	<b>43</b>	<b>2.0</b>	<b>47</b>	<b>8.2</b>	<b>25</b>				
<i>Performance Benchmark</i>				4.9	35	10.4	50	16.4	41	8.3	83	1.6	59	7.9	39				
<i>Absolute Nominal Target Rate of Return</i>				2.1	99	6.4	95	7.1	99	7.4	92	7.2	1	7.2	69				
<b>Global Equity</b>	<b>74,170,289,302</b>	<b>58.5</b>	<b>57.6</b>	<b>7.0</b>	<b>--</b>	<b>14.3</b>	<b>--</b>	<b>22.8</b>	<b>--</b>	<b>9.2</b>	<b>--</b>	<b>-0.5</b>	<b>--</b>	<b>8.4</b>	<b>--</b>				
<i>Asset Class Target</i>				6.9	--	13.1	--	21.2	--	8.0	--	-1.4	--	8.1	--				
<b>Domestic Equities</b>	<b>33,765,288,976</b>	<b>26.6</b>	<b>--</b>	<b>6.2</b>	<b>44</b>	<b>16.0</b>	<b>28</b>	<b>30.1</b>	<b>27</b>	<b>13.6</b>	<b>19</b>	<b>1.5</b>	<b>28</b>	<b>8.5</b>	<b>27</b>				
<i>Asset Class Target</i>				6.2	43	16.1	27	30.2	25	13.3	26	1.3	41	8.5	26				
<b>Foreign Equities</b>	<b>36,710,011,231</b>	<b>28.9</b>	<b>--</b>	<b>7.7</b>	<b>25</b>	<b>12.7</b>	<b>22</b>	<b>16.8</b>	<b>27</b>	<b>5.5</b>	<b>8</b>	<b>-2.2</b>	<b>6</b>	<b>10.8</b>	<b>15</b>				
<i>Asset Class Target</i>				7.6	36	10.8	73	14.3	88	3.5	66	-3.9	51	10.0	31				
<b>Global Equities</b>	<b>3,694,988,888</b>	<b>2.9</b>	<b>--</b>	<b>6.6</b>	<b>--</b>	<b>13.5</b>	<b>--</b>	<b>22.1</b>	<b>--</b>	<b>7.2</b>	<b>--</b>	<b>-2.1</b>	<b>--</b>	<b>--</b>	<b>--</b>				
<i>Benchmark</i>				6.7	--	13.1	--	21.4	--	7.7	--	-1.8	--	--	--				
<b>Fixed Income</b>	<b>29,730,213,389</b>	<b>23.4</b>	<b>24.0</b>	<b>2.1</b>	<b>77</b>	<b>5.8</b>	<b>60</b>	<b>7.3</b>	<b>61</b>	<b>8.0</b>	<b>48</b>	<b>7.0</b>	<b>42</b>	<b>6.0</b>	<b>51</b>				
<i>Asset Class Target</i>				1.6	94	4.0	89	5.2	89	6.2	91	6.5	60	5.5	58				
<b>Private Equity</b>	<b>6,439,206,803</b>	<b>5.1</b>	<b>5.2</b>	<b>-0.6</b>	<b>--</b>	<b>8.9</b>	<b>--</b>	<b>3.4</b>	<b>--</b>	<b>13.7</b>	<b>--</b>	<b>3.4</b>	<b>--</b>	<b>6.9</b>	<b>--</b>				
<i>Asset Class Target</i>				4.9	--	16.9	--	33.2	--	16.3	--	5.0	--	12.4	--				
<i>Secondary Target*</i>				0.0	--	10.4	--	5.9	--	16.1	--	5.2	--	13.3	--				
<b>Real Estate</b>	<b>9,509,446,845</b>	<b>7.5</b>	<b>7.6</b>	<b>2.6</b>	<b>10</b>	<b>11.0</b>	<b>1</b>	<b>14.9</b>	<b>1</b>	<b>9.7</b>	<b>58</b>	<b>0.7</b>	<b>18</b>	<b>8.2</b>	<b>48</b>				
<i>Asset Class Target</i>				2.6	11	9.1	16	13.2	1	8.9	71	-0.6	62	4.2	99				
<b>Strategic Investments</b>	<b>6,018,158,629</b>	<b>4.7</b>	<b>4.7</b>	<b>3.1</b>	<b>--</b>	<b>11.0</b>	<b>--</b>	<b>8.9</b>	<b>--</b>	<b>11.5</b>	<b>--</b>	<b>-0.9</b>	<b>--</b>	<b>--</b>	<b>--</b>				
<i>Short-Term Target</i>				2.1	--	6.4	--	8.9	--	5.8	--	-2.0	--	--	--				
<b>Cash</b>	<b>1,023,133,871</b>	<b>0.8</b>	<b>1.0</b>	<b>0.1</b>	<b>--</b>	<b>0.2</b>	<b>--</b>	<b>0.3</b>	<b>--</b>	<b>0.5</b>	<b>--</b>	<b>-0.7</b>	<b>--</b>	<b>1.2</b>	<b>--</b>				
<i>iMoneyNet First Tier Institutional Money Market Funds Net Index</i>				0.0	--	0.1	--	0.1	--	0.1	--	1.0	--	2.0	--				

Benchmark and universe descriptions can be found in the Appendix.

Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

\* The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index.

## Calendar Year Performance

	2011 (%)		2010 (%)		2009 (%)		2008 (%)		2007 (%)		2006 (%)		2005 (%)		2004 (%)		2003 (%)		2002 (%)	
	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank
<b>Total Fund</b>	<b>-0.5</b>	<b>71</b>	<b>13.5</b>	<b>37</b>	<b>20.8</b>	<b>36</b>	<b>-26.7</b>	<b>49</b>	<b>9.1</b>	<b>28</b>	<b>14.6</b>	<b>33</b>	<b>7.8</b>	<b>40</b>	<b>12.0</b>	<b>47</b>	<b>23.8</b>	<b>40</b>	<b>-11.2</b>	<b>90</b>
<i>Performance Benchmark</i>	-1.2	84	12.9	52	19.5	46	-26.1	47	8.9	32	14.4	38	7.3	62	11.5	54	24.5	28	-11.6	95
<i>Absolute Nominal Target Rate of Return</i>	8.1	4	6.6	98	7.9	99	5.1	1	8.9	33	6.6	96	7.6	47	7.4	96	6.1	98	6.8	2
<b>Global Equity</b>	<b>-6.5</b>	<b>--</b>	<b>15.9</b>	<b>--</b>	<b>33.7</b>	<b>--</b>	<b>-39.9</b>	<b>--</b>	<b>8.4</b>	<b>--</b>	<b>17.5</b>	<b>--</b>	<b>8.6</b>	<b>--</b>	<b>14.4</b>	<b>--</b>	<b>32.3</b>	<b>--</b>	<b>-19.8</b>	<b>--</b>
<i>Asset Class Target</i>	-7.9	--	15.1	--	33.8	--	-40.4	--	8.5	--	18.4	--	8.7	--	14.1	--	33.2	--	-20.3	--
<b>Domestic Equities</b>	<b>1.6</b>	<b>21</b>	<b>17.2</b>	<b>65</b>	<b>28.8</b>	<b>46</b>	<b>-37.4</b>	<b>48</b>	<b>5.3</b>	<b>52</b>	<b>14.7</b>	<b>61</b>	<b>6.3</b>	<b>76</b>	<b>12.3</b>	<b>44</b>	<b>30.2</b>	<b>72</b>	<b>-21.4</b>	<b>68</b>
<i>Asset Class Target</i>	1.0	30	16.9	70	28.3	55	-37.3	45	5.1	53	15.7	40	6.1	88	11.9	68	31.1	68	-21.5	72
<b>Foreign Equities</b>	<b>-12.9</b>	<b>45</b>	<b>15.2</b>	<b>7</b>	<b>42.7</b>	<b>9</b>	<b>-44.4</b>	<b>37</b>	<b>16.1</b>	<b>39</b>	<b>26.4</b>	<b>31</b>	<b>16.1</b>	<b>46</b>	<b>21.3</b>	<b>29</b>	<b>39.8</b>	<b>28</b>	<b>-12.7</b>	<b>30</b>
<i>Asset Class Target</i>	-14.6	80	13.0	41	43.7	8	-46.1	78	16.4	30	26.7	28	16.6	39	20.9	32	40.8	17	-14.7	57
<b>Global Equities</b>	<b>-5.7</b>	<b>--</b>	<b>10.4</b>	<b>--</b>	<b>32.8</b>	<b>--</b>	<b>-41.8</b>	<b>--</b>	<b>10.2</b>	<b>--</b>	<b>20.0</b>	<b>--</b>	<b>9.4</b>	<b>--</b>	<b>15.4</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<i>Benchmark</i>	-6.7	--	13.1	--	34.6	--	-42.1	--	11.8	--	21.1	--	11.3	--	16.4	--	--	--	--	--
<b>Fixed Income</b>	<b>7.6</b>	<b>45</b>	<b>9.2</b>	<b>34</b>	<b>14.4</b>	<b>46</b>	<b>-3.9</b>	<b>43</b>	<b>6.7</b>	<b>29</b>	<b>4.7</b>	<b>39</b>	<b>2.8</b>	<b>28</b>	<b>5.0</b>	<b>51</b>	<b>6.0</b>	<b>56</b>	<b>9.7</b>	<b>36</b>
<i>Asset Class Target</i>	7.8	38	6.5	92	5.9	91	5.2	9	7.2	21	4.7	38	2.5	45	4.7	67	5.1	67	9.7	36
<b>Private Equity</b>	<b>8.0</b>	<b>--</b>	<b>18.6</b>	<b>--</b>	<b>-12.1</b>	<b>--</b>	<b>-4.3</b>	<b>--</b>	<b>16.5</b>	<b>--</b>	<b>12.2</b>	<b>--</b>	<b>12.9</b>	<b>--</b>	<b>0.6</b>	<b>--</b>	<b>10.3</b>	<b>--</b>	<b>-1.4</b>	<b>--</b>
<i>Asset Class Target</i>	4.0	--	19.9	--	32.8	--	-32.8	--	9.6	--	20.2	--	10.6	--	16.5	--	33.8	--	-15.4	--
<i>Secondary Target*</i>	14.2	--	17.2	--	-9.8	--	-4.5	--	30.1	--	22.9	--	36.0	--	19.1	--	11.6	--	-8.0	--
<b>Real Estate</b>	<b>14.5</b>	<b>18</b>	<b>5.1</b>	<b>70</b>	<b>-22.8</b>	<b>30</b>	<b>-1.5</b>	<b>28</b>	<b>13.6</b>	<b>43</b>	<b>22.5</b>	<b>6</b>	<b>17.2</b>	<b>85</b>	<b>17.4</b>	<b>22</b>	<b>12.2</b>	<b>28</b>	<b>6.3</b>	<b>17</b>
<i>Asset Class Target</i>	15.3	12	8.8	61	-29.7	63	-1.1	23	12.1	68	6.5	95	8.8	99	7.8	99	11.6	31	7.0	15
<b>Strategic Investments</b>	<b>5.5</b>	<b>--</b>	<b>8.9</b>	<b>--</b>	<b>22.0</b>	<b>--</b>	<b>-37.4</b>	<b>--</b>	<b>--</b>	<b>--</b>										
<i>Short-Term Target</i>	4.2	--	3.5	--	20.8	--	-33.6	--	--	--	--	--	--	--	--	--	--	--	--	--

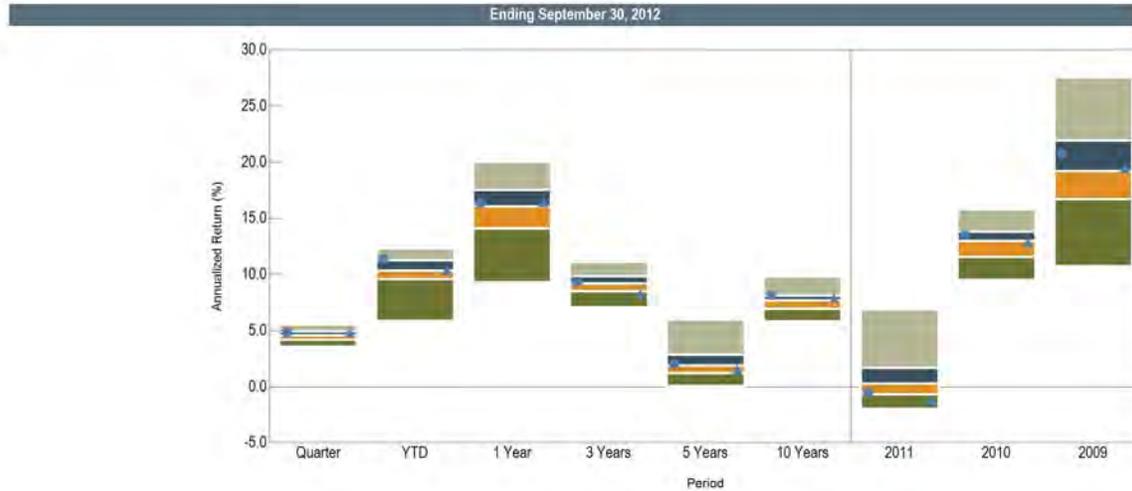
Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

\* The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index.

Universe Comparison

Benchmark: Performance Benchmark

Universe: Public Funds >\$1B Net

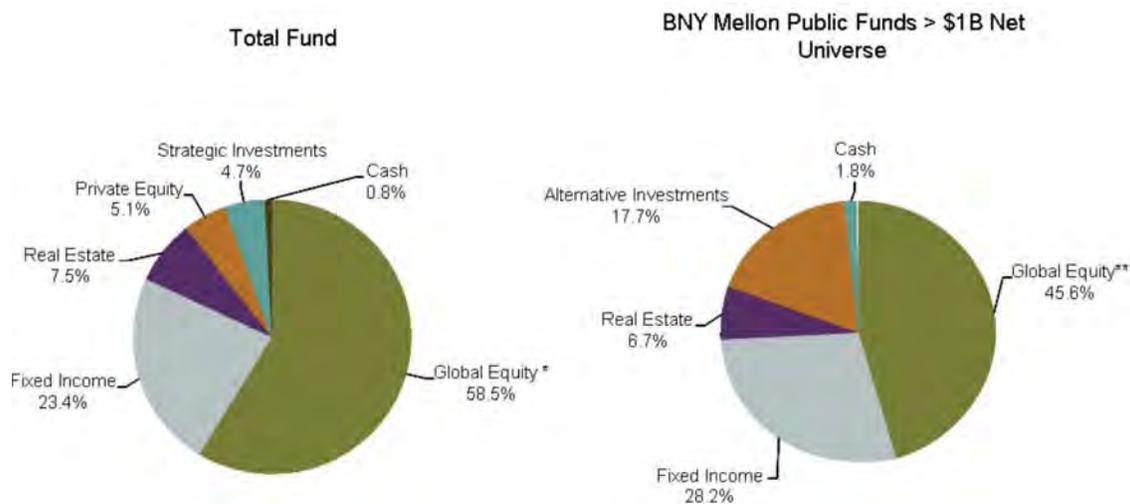


	Return (Rank)									
5th Percentile	5.5	12.3	20.0	11.1	6.0	9.8	6.9	15.8	27.6	
25th Percentile	5.0	11.3	17.6	9.9	2.9	8.1	1.7	13.8	22.0	
Median	4.6	10.4	16.1	9.2	1.9	7.7	0.3	13.0	19.2	
75th Percentile	4.2	9.6	14.1	8.6	1.2	7.0	-0.7	11.6	16.7	
95th Percentile	3.6	5.9	9.3	7.1	0.1	5.8	-2.0	9.6	10.8	
# of Portfolios	66	66	66	62	61	53	72	67	67	
Total Fund	4.8 (36)	11.4 (22)	16.4 (42)	9.4 (43)	2.0 (47)	8.2 (25)	-0.5 (71)	13.5 (37)	20.8 (36)	
Performance Benchmark	4.9 (35)	10.4 (50)	16.4 (41)	8.3 (83)	1.6 (59)	7.9 (39)	-1.2 (84)	12.9 (52)	19.5 (46)	

Universe Asset Allocation Comparison

Benchmark: Performance Benchmark

Universe: Public Funds >\$1B Net



\*Global Equity Allocation: 26.6% Domestic Equities; 28.9% Foreign Equities; 2.9% Global Equities. Percentages are of the Total FRS Fund.

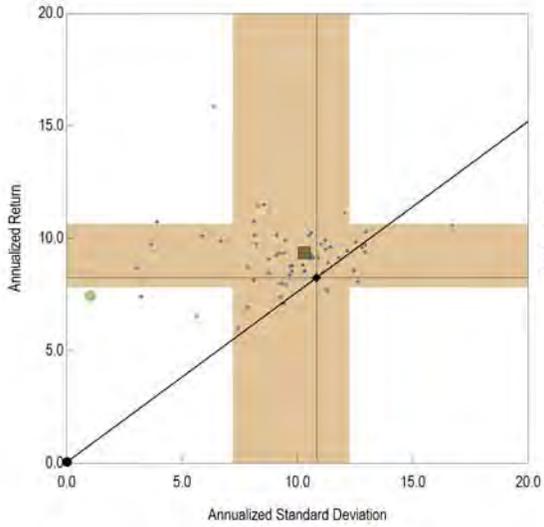
\*\*Global Equity Allocation: 28.5% Domestic Equities; 17.1% Foreign Equities.

Risk Profile

Benchmark: Performance Benchmark

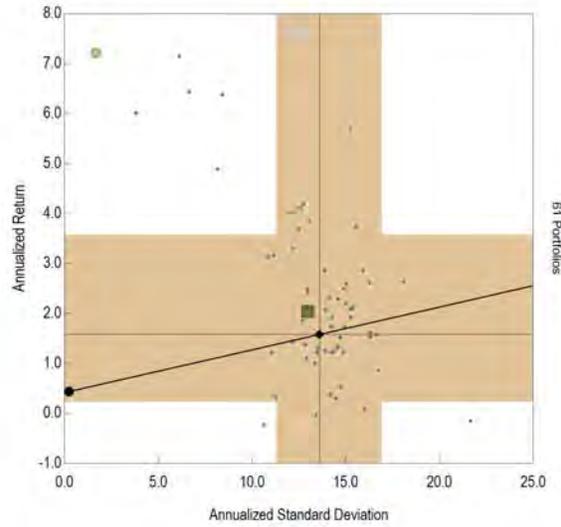
Universe: Public Funds >\$1B Net

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending September 30, 2012



- Total Fund
- Performance Benchmark
- Absolute Nominal Target Rate of Return
- ◆ Risk Free
- 68% Confidence Interval
- ◆ Public Funds >\$1B Net

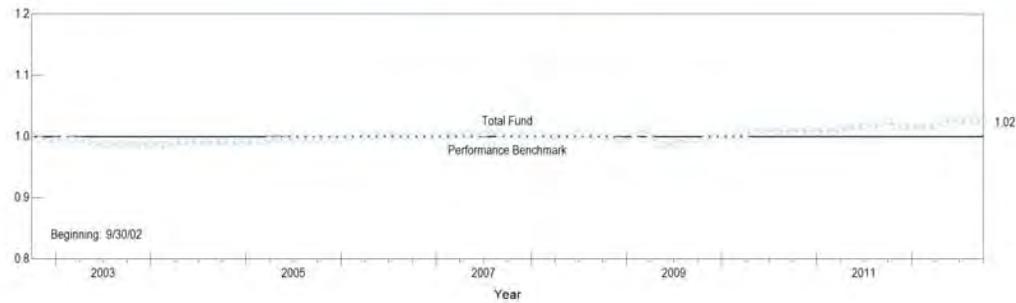
Annualized Return vs. Annualized Standard Deviation  
5 Years Ending September 30, 2012



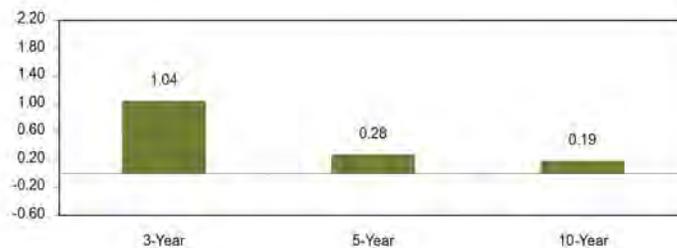
- Total Fund
- Performance Benchmark
- Absolute Nominal Target Rate of Return
- ◆ Risk Free
- 68% Confidence Interval
- ◆ Public Funds >\$1B Net

Attribution

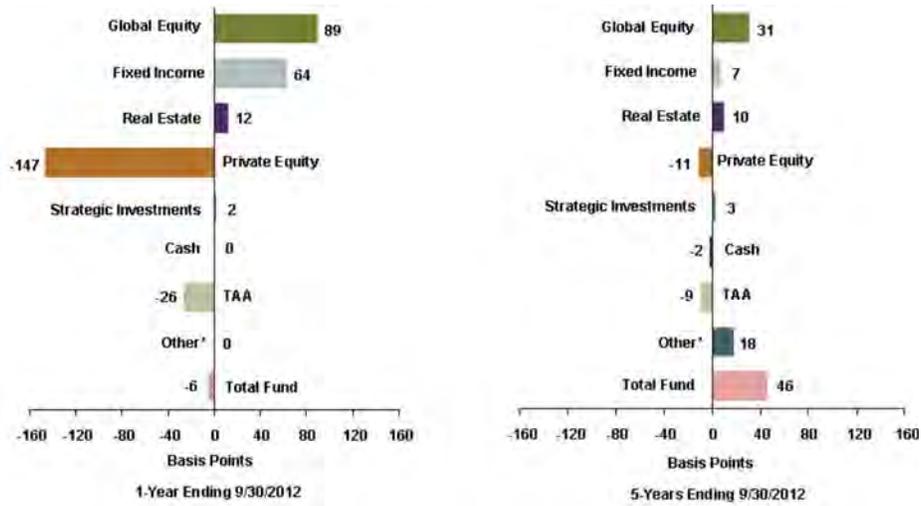
Ratio of Cumulative Wealth  
10 Years Ending September 30, 2012



Total FRS Pension Plan Information Ratio

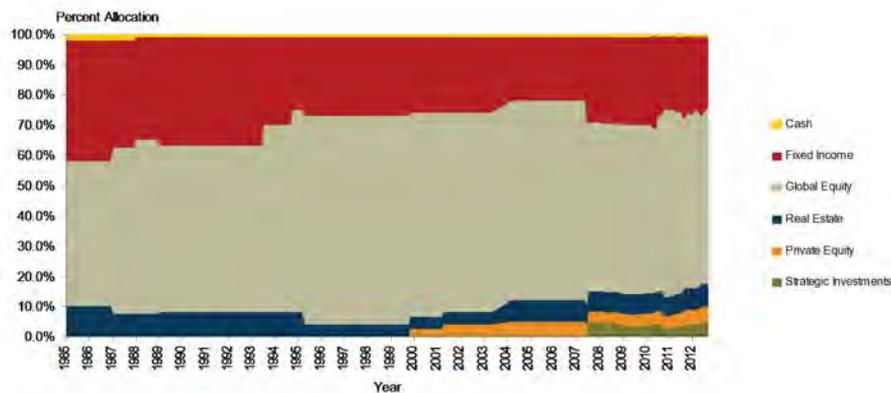
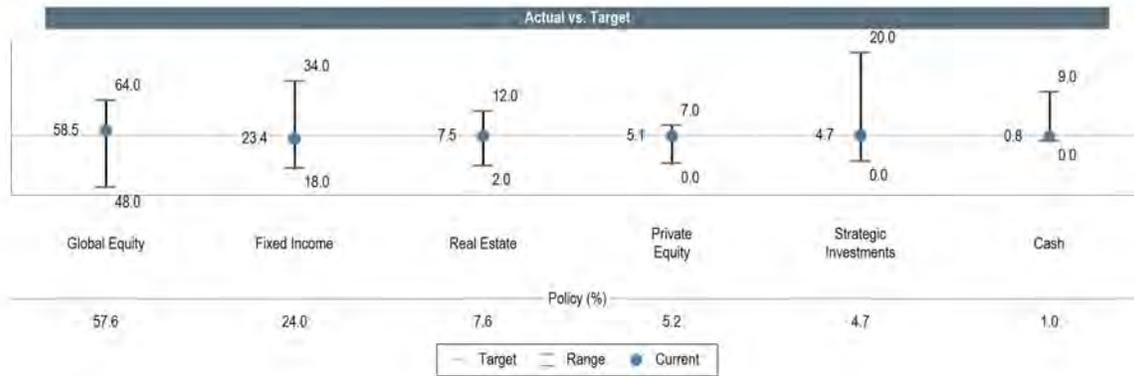


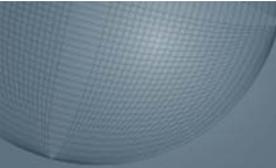
Attribution



\*Other includes legacy accounts, securities lending, and unexplained differences due to methodology.

Asset Allocation





# Global Equity

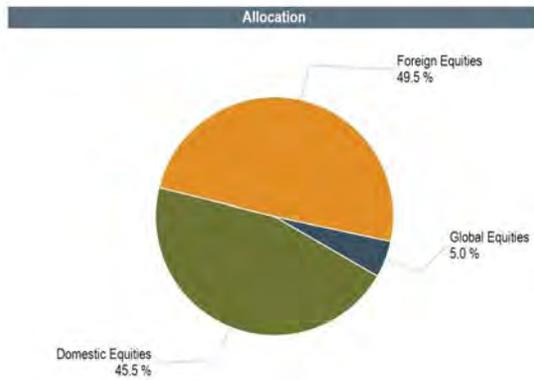
Global Equity

As of September 30, 2012

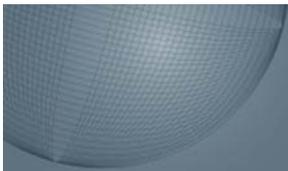
\$74,170.3 Million and 58.5% of Fund

## Overview

Benchmark: Asset Class Target



Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.  
 Note: The current Global Equity benchmark, the Asset Class Target, is a custom version of the MSCI ACWI IMI which excludes companies divested under provisions of the Protecting Florida's Investment Act (PFIA). Prior to July 2010, the asset class benchmark is a weighted average of the underlying Domestic Equity's, Foreign Equity's and Global Equity's historical benchmark.



# Domestic Equities

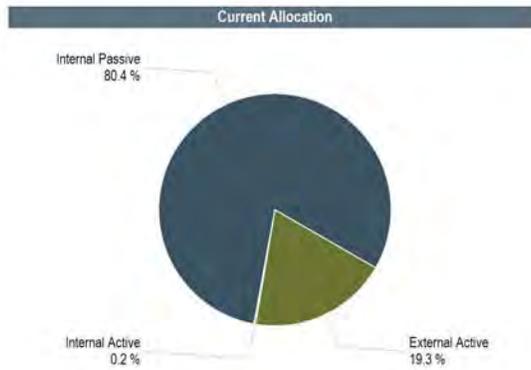
Domestic Equities

As of September 30, 2012

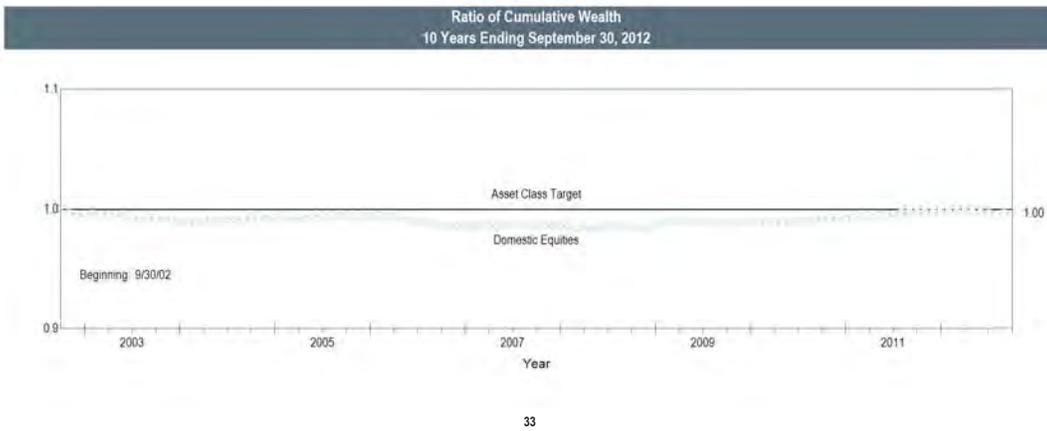
\$33,765.3 Million and 26.6% of Fund

## Overview

Benchmark: Asset Class Target



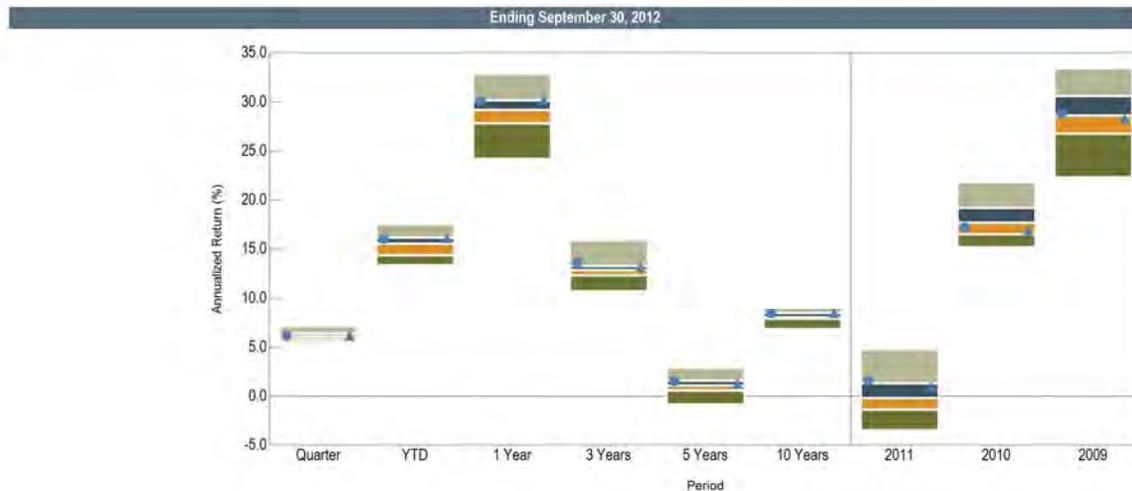
Overview



Universe Comparison

Benchmark: Asset Class Target

Universe: Public Funds >\$1B - US Eq Net



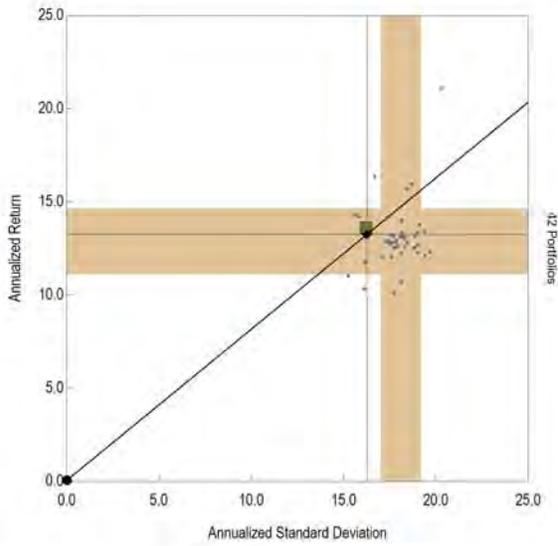
	Return (Rank)								
5th Percentile	7.1	17.6	32.9	15.9	2.9	9.0	4.8	21.8	33.4
25th Percentile	6.4	16.2	30.2	13.3	1.6	8.5	1.4	19.2	30.6
Median	6.1	15.6	29.2	12.9	1.1	8.1	-0.2	17.7	28.7
75th Percentile	5.8	14.4	27.9	12.4	0.6	7.9	-1.3	16.5	26.8
95th Percentile	5.5	13.4	24.2	10.7	-0.8	6.9	-3.4	15.2	22.3
# of Portfolios	50	46	46	42	30	19	51	46	40
● Domestic Equities	6.2 (44)	16.0 (28)	30.1 (27)	13.6 (19)	1.5 (28)	8.5 (27)	1.6 (21)	17.2 (65)	28.8 (46)
▲ Asset Class Target	6.2 (43)	16.1 (27)	30.2 (25)	13.3 (26)	1.3 (41)	8.5 (26)	1.0 (30)	16.9 (70)	28.3 (55)

### Risk Profile

Benchmark: Asset Class Target

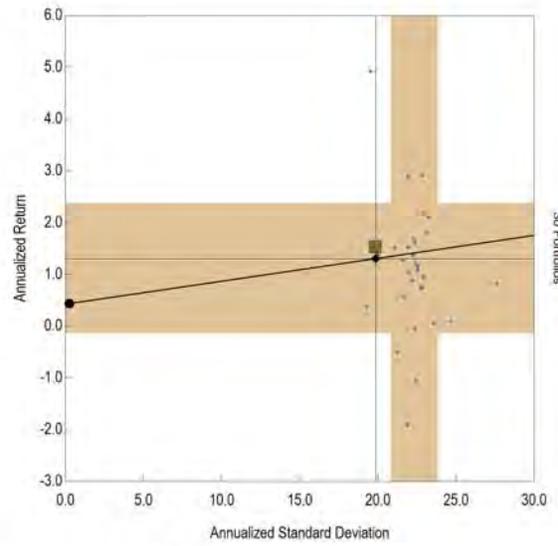
Universe: Public Funds >\$1B - US Eq Net

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending September 30, 2012



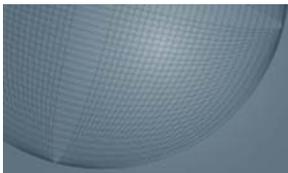
- Domestic Equities
- Asset Class Target
- Risk Free
- 68% Confidence Interval
- Public Funds >\$1B - US Eq Net

Annualized Return vs. Annualized Standard Deviation  
5 Years Ending September 30, 2012



- Domestic Equities
- Asset Class Target
- Risk Free
- 68% Confidence Interval
- Public Funds >\$1B - US Eq Net

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# Foreign Equities

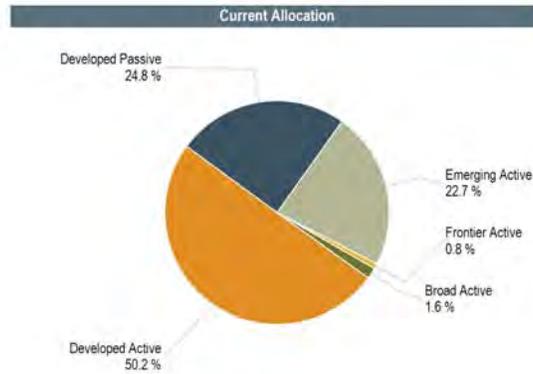
Foreign Equities

As of September 30, 2012

\$36,710.0 Million and 28.9% of Fund

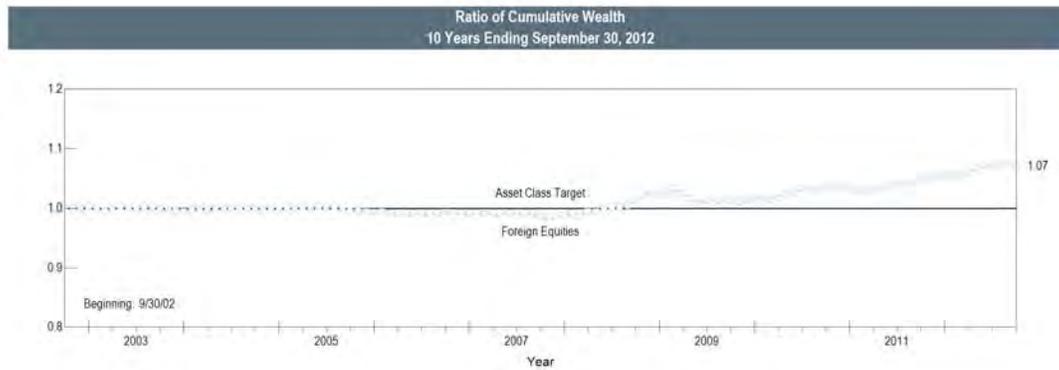
## Overview

Benchmark: Asset Class Target



Overview

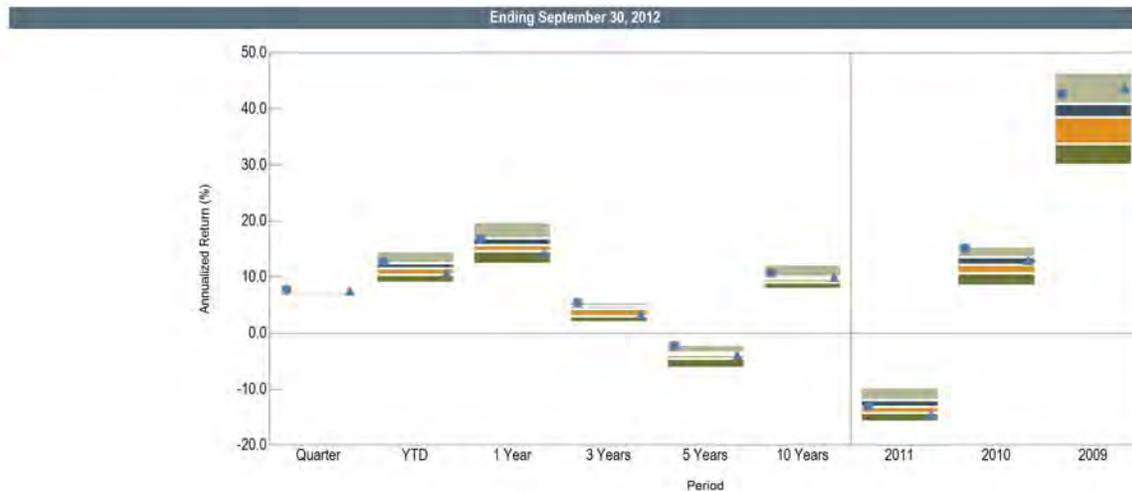
Benchmark: Asset Class Target



Universe Comparison

Benchmark: Asset Class Target

Universe: Public Funds >\$1B - Non-US Eq Net



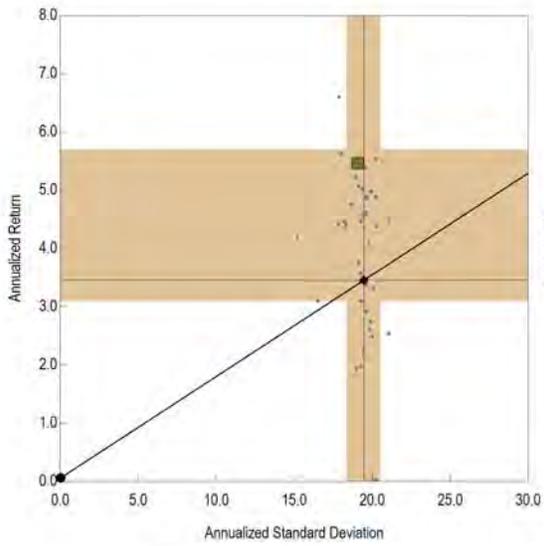
	Return (Rank)									
5th Percentile	8.1	14.6	19.8	5.5	-2.1	12.2	-9.7	15.5	46.5	
25th Percentile	7.7	12.6	17.0	4.9	-3.5	10.0	-11.9	13.6	40.9	
Median	7.3	11.6	15.8	4.4	-3.8	9.7	-13.1	12.2	38.6	
75th Percentile	6.8	10.4	14.6	3.1	-4.5	9.1	-14.2	10.7	33.7	
95th Percentile	6.6	9.0	12.4	2.0	-6.2	7.9	-15.8	8.5	30.0	
# of Portfolios	40	40	40	39	29	17	45	40	38	
● Foreign Equities	7.7 (25)	12.7 (22)	16.8 (27)	5.5 (8)	-2.2 (6)	10.8 (15)	-12.9 (45)	15.2 (7)	42.7 (9)	
▲ Asset Class Target	7.6 (36)	10.8 (73)	14.3 (88)	3.5 (66)	-3.9 (51)	10.0 (31)	-14.6 (80)	13.0 (41)	43.7 (8)	

### Risk Profile

Benchmark: Asset Class Target

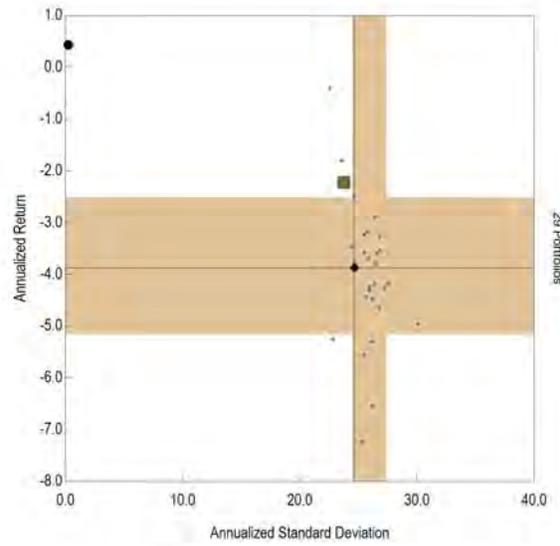
Universe: Public Funds >\$1B - Non-US Eq Net

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending September 30, 2012



- Foreign Equities
- Asset Class Target
- Risk Free
- 88% Confidence Interval
- Public Funds >\$1B - Non-US Eq Net

Annualized Return vs. Annualized Standard Deviation  
5 Years Ending September 30, 2012



- Foreign Equities
- Asset Class Target
- Risk Free
- 88% Confidence Interval
- Public Funds >\$1B - Non-US Eq Net

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# Global Equities

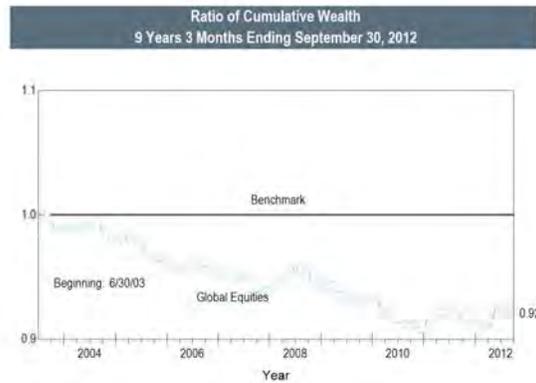
Global Equities

As of September 30, 2012

\$3,695.0 Million and 2.9% of Fund

## Overview

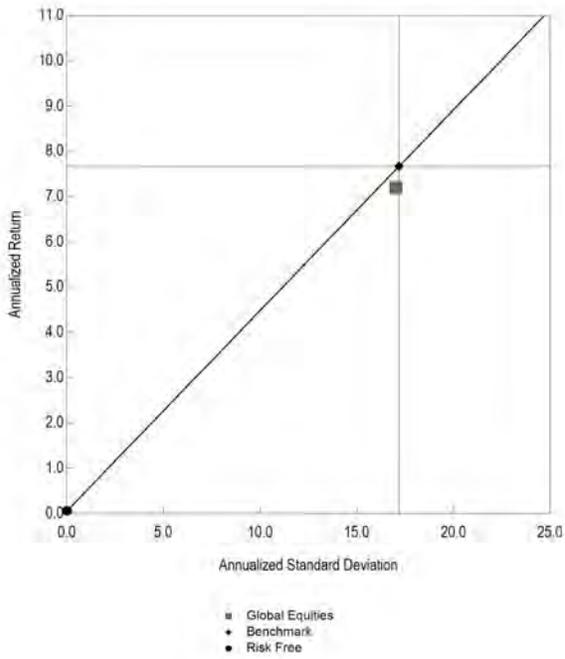
Benchmark: Aggregate Benchmark



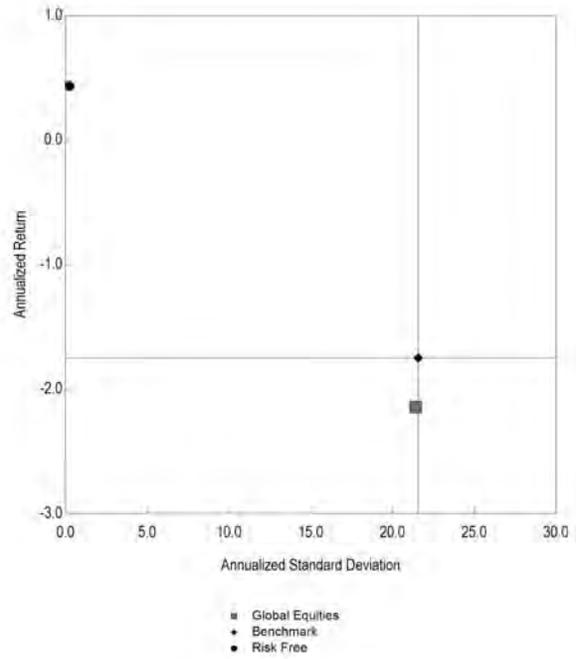
### Risk Profile

Benchmark: Aggregate Benchmark

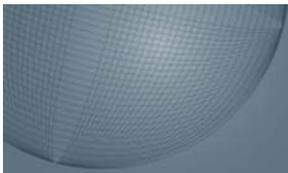
Annualized Return vs. Annualized Standard Deviation  
3 Years Ending September 30, 2012



Annualized Return vs. Annualized Standard Deviation  
5 Years Ending September 30, 2012



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# Fixed Income

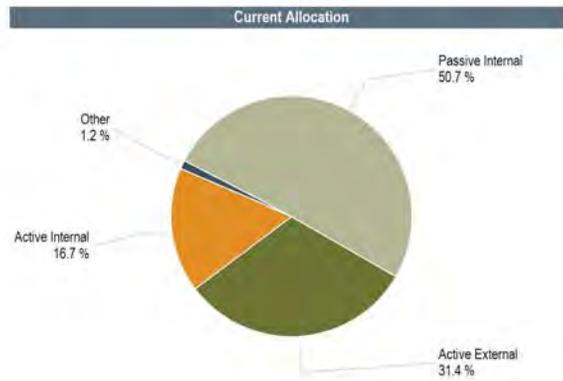
Fixed Income

As of September 30, 2012

\$29,730.2 Million and 23.4% of Fund

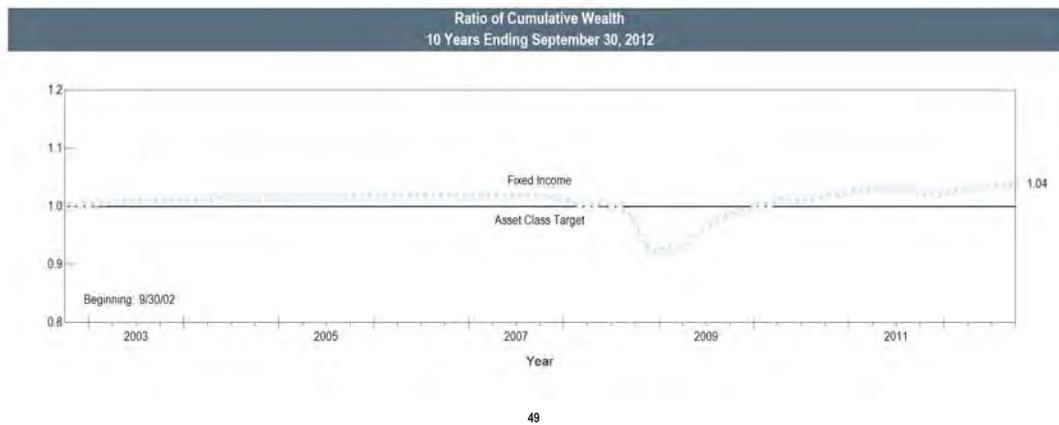
## Overview

Benchmark: Asset Class Target



Overview

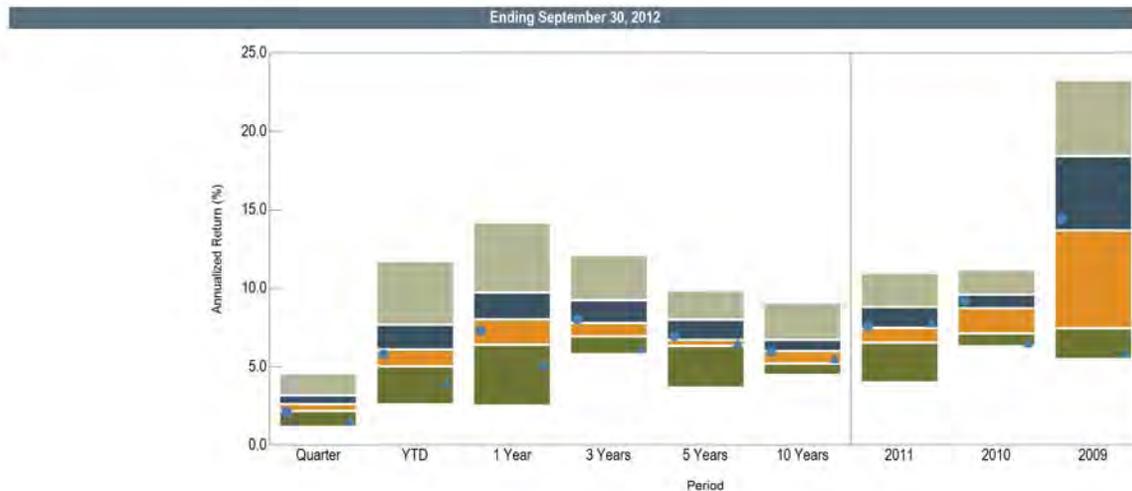
Benchmark: Asset Class Target



Universe Comparison

Benchmark: Asset Class Target

Universe: Public Funds >\$1B - US FI Net



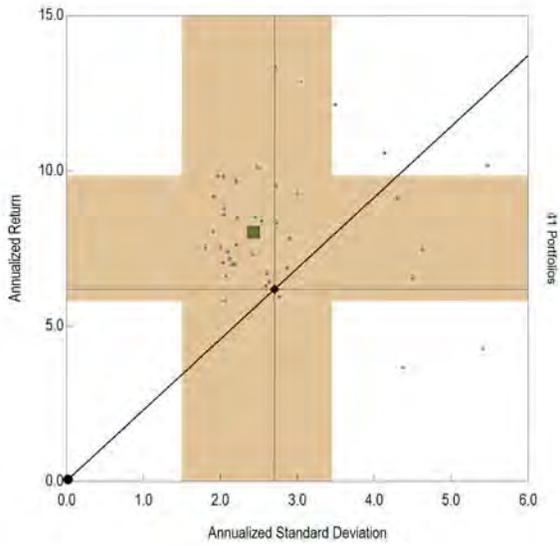
	Return (Rank)									
5th Percentile	4.6	11.7	14.2	12.1	9.9	9.1	11.0	11.2	23.3	
25th Percentile	3.2	7.7	9.8	9.3	8.0	6.7	8.8	9.6	18.4	
Median	2.6	6.1	8.0	7.8	6.7	6.0	7.5	8.8	13.7	
75th Percentile	2.2	5.0	6.4	7.0	6.3	5.2	6.5	7.1	7.5	
95th Percentile	1.2	2.6	2.5	5.8	3.7	4.5	4.0	6.3	5.5	
# of Portfolios	50	50	50	41	32	19	51	47	45	
● Fixed Income	2.1 (77)	5.8 (60)	7.3 (61)	8.0 (48)	7.0 (42)	6.0 (51)	7.6 (45)	9.2 (34)	14.4 (46)	
▲ Asset Class Target	1.6 (94)	4.0 (89)	5.2 (89)	6.2 (91)	6.5 (60)	5.5 (58)	7.8 (38)	6.5 (92)	5.9 (91)	

### Risk Profile

Benchmark: Asset Class Target

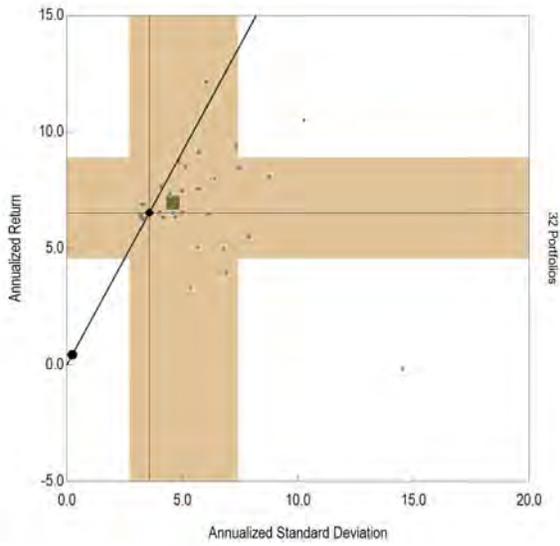
Universe: Public Funds >\$1B - US FI Net

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending September 30, 2012



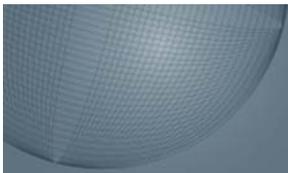
- Fixed Income
- Asset Class Target
- Risk Free
- 68% Confidence Interval
- Public Funds >\$1B - US FI Net

Annualized Return vs. Annualized Standard Deviation  
5 Years Ending September 30, 2012



- Fixed Income
- Asset Class Target
- Risk Free
- 68% Confidence Interval
- Public Funds >\$1B - US FI Net

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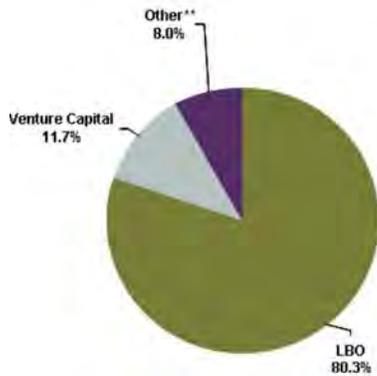


# Private Equity

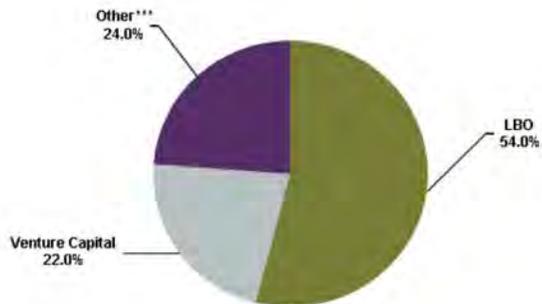
Private Equity As of September 30, 2012 \$6,439.2 Million and 5.1% of Fund

Overview

**FRS Private Equity by Market Value\***



**Venture Economics by Market Value\***



\* Allocation data is as of June 30, 2012.

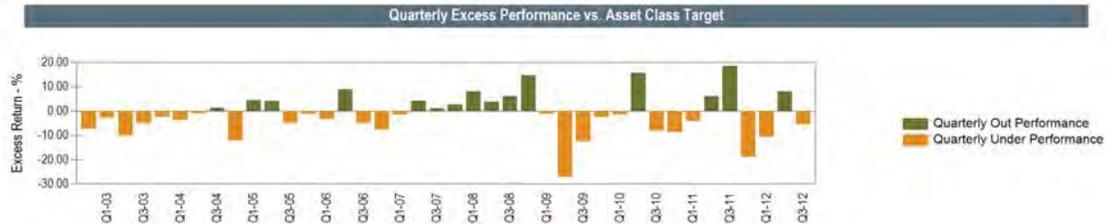
\*\* Other for the FRS Private Equity consists of Growth Capital, Secondary, Distressed Debt, and PE Cash.

\*\*\* Other for the Venture Economics consists of Generalist, Mezzanine, Energy, Turnaround/Distressed Debt, and Other Private Equity/Special Situations.

Venture Economics universe is comprised of 672 LBO, 1,333 Venture Capital, and 286 Other Private Equity sub-sectors provided by Thomson Reuters. Aggregate net asset value in the universe is \$639,881 million as of quarter-end.

### Time-Weighted Investment Results

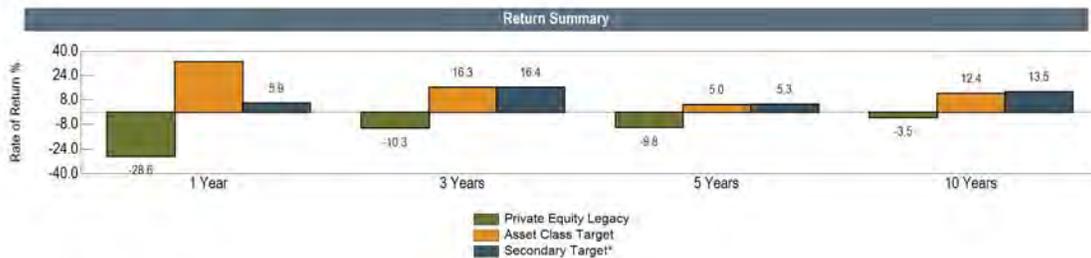
Benchmark: Asset Class Target



\* The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index.

### Time-Weighted Investment Results

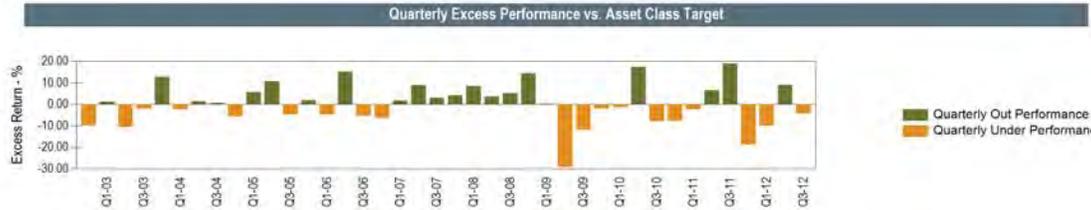
Benchmark: Asset Class Target



\* The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index.

Time-Weighted Investment Results

Benchmark: Asset Class Target



\* The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index.

Dollar-Weighted Investment Results



\* The Inception Date for the Legacy Portfolio is January 1989.

\*\* The Inception Date for the Post-AC Portfolio is September 2000.

\*\*\* The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index based on actual ABAL weights. Secondary Target data is on a quarterly lag.

**Private Equity Dollar-Weighted Performance**  
**Cumulative Performance Measures Since Inception Through September 30, 2012**

<u>Name</u>	<u>Years Since Inception</u>	<u>Commitment</u>	<u>Net Paid In Cap.</u>	<u>Net Asset Value</u>	<u>IRR</u>
Liberty Partners IV, L.P.	CLOSED	N/A	\$66,000,789	\$0	N/A
Corporate Partners	CLOSED	N/A	-\$133,709,385	\$0	N/A
TSG Capital Fund III, L.P.	CLOSED	N/A	\$46,347,448	\$72,830	N/A
Liberty Partners I, L.P.	CLOSED	N/A	-\$267,090,548	\$0	N/A
Ripplewood Partners I, L.P.	CLOSED	N/A	-\$75,695,566	\$0	N/A
Thomas H. Lee Equity Fund IV, L.P.	CLOSED	N/A	\$12,688,674	\$0	N/A
Liberty Partners II, L.P.	18.27	\$659,789,821	-\$228,850,575	\$1,900,000	10.8%
Cypress Equity Group Trust Fund	17.07	\$15,000,000	-\$10,413,163	\$570,240	-16.3%
Centre Capital Investors II, L.P.	16.72	\$200,000,000	\$52,090,331	\$2,015,301	-4.2%
Liberty Partners III, L.P.	16.26	\$508,208,481	-\$606,143	\$3,000,000	0.2%
Carlyle Partners II, L.P.	16.06	\$200,000,000	-\$274,912,329	\$9,501,631	20.0%
Hicks, Muse, Tate & Furst Fund III, L.P.	15.57	\$200,000,000	\$23,251,221	\$19,395,298	-0.3%
Lexington Co-Investment Partners, L.P.	14.72	\$500,000,000	-\$140,419,457	\$7,619,249	5.6%
Apollo Investment Fund IV, L.P.	14.28	\$250,000,000	-\$165,366,212	\$4,029,128	8.5%
Chartwell Capital Investors II, L.P.	13.96	\$50,000,000	-\$12,451,250	\$10,126,336	5.5%
Hicks, Muse, Tate & Furst Fund IV, L.P.	13.84	\$400,000,000	\$141,908,790	\$9,897,512	-7.2%
Liberty Partners V, L.P.	13.60	\$329,664,359	-\$20,697,817	\$25,602,139	-2.6%
Green Equity Investors III, L.P.	13.55	\$60,000,000	-\$65,616,553	\$5,582,021	21.4%
Willis Stein & Partners II, L.P.	13.49	\$40,000,000	\$16,789,706	\$103,063	-9.6%
Carlyle Partners III, L.P.	12.09	\$200,000,000	-\$249,152,671	\$4,037,560	22.9%
Willis Stein & Partners III, L.P.	11.82	\$100,000,000	\$8,635,227	\$10,904,083	0.4%
Ripplewood Partners II, L.P.	11.60	\$100,000,000	\$19,696,163	\$42,628,880	5.8%
Lexington Capital Partners IV, L.P.	11.47	\$200,000,000	-\$131,013,532	\$17,148,719	19.4%
Apollo Investment Fund V, L.P.	11.38	\$150,000,000	-\$185,358,025	\$45,905,603	37.4%
Thomas H. Lee Equity Fund V, L.P.	11.25	\$50,000,000	-\$22,259,131	\$9,333,674	13.3%
Hicks, Muse, Tate & Furst Fund V, L.P.	10.90	\$25,000,000	-\$18,658,674	\$1,707,854	19.6%
Liberty Partners VI, L.P.	10.72	\$595,484,687	\$296,315,579	\$158,569,330	-4.8%
Lexington Capital Partners V, L.P.	10.14	\$100,000,000	-\$39,099,100	\$25,113,121	19.4%
Lexington Co-Investment Partners II, L.P.	10.02	\$500,000,000	-\$270,469,882	\$252,856,480	24.7%
Wellspring Capital Partners III, L.P.	9.40	\$50,000,000	-\$55,392,226	\$3,946,084	27.5%
Green Equity Investors IV, L.P.	9.08	\$100,000,000	\$61,355,345	\$139,658,695	11.0%
Top Tier Venture Capital II	9.01	\$120,000,000	\$69,910,263	\$88,873,152	-2.8%
Gores Capital Partners I, L.P.	8.69	\$50,000,000	-\$7,166,403	\$24,345,140	14.9%
Platinum Equity Capital Partners I, L.P.	8.64	\$50,000,000	-\$45,186,381	\$16,240,494	58.5%

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**Private Equity Dollar-Weighted Performance (continued)**  
**Cumulative Performance Measures Since Inception Through September 30, 2012**

<u>Name</u>	<u>Years Since Inception</u>	<u>Commitment</u>	<u>Net Paid In Cap.</u>	<u>Net Asset Value</u>	<u>IRR</u>
Pantheon Venture Partners II, L.P.	8.64	\$100,000,000	\$68,547,500	\$84,001,382	4.6%
FS Equity Partners V, L.P.	8.43	\$50,000,000	-\$25,816,484	\$16,470,801	16.4%
TPG Partners IV, L.P.	8.34	\$50,000,000	-\$6,676,254	\$31,258,714	14.9%
GS Partners Ventures, LLC	8.26	\$200,000,000	\$147,521,533	\$185,924,247	5.0%
Fairview Ventures Fund II, L.P.	8.26	\$50,000,000	\$38,925,177	\$36,422,361	-1.2%
Kelso Investment Associates VII, L.P.	8.26	\$50,000,000	\$9,930,389	\$40,000,132	12.2%
Hellman & Friedman Capital Partners V, L.P.	7.81	\$75,000,000	-\$55,608,695	\$40,976,402	27.5%
Kohlberg Investors V, L.P.	7.76	\$45,000,000	\$22,161,237	\$29,726,807	-3.8%
New Mountain Partners II, L.P.	7.72	\$50,000,000	\$4,599,168	\$33,308,158	11.4%
Top Tier Venture Capital III	7.47	\$75,000,000	\$53,561,652	\$65,190,138	4.5%
Carlyle Partners IV, L.P.	7.43	\$75,000,000	\$4,728,052	\$55,851,397	11.3%
Warburg Pincus Private Equity IX, L.P.	7.08	\$75,000,000	\$32,069,710	\$77,183,703	9.9%
Pomona Capital VI, L.P.	7.04	\$50,000,000	\$20,738,036	\$32,551,620	5.8%
Lexington Co-Investment Partners 2005, L.P.	7.04	\$500,000,000	\$317,427,940	\$342,250,010	1.2%
Liberty Partners VII, L.P.	6.93	\$290,808,542	\$54,208,927	\$29,098,755	-5.2%
Lexington Capital Partners VI-B, L.P.	6.82	\$100,000,000	\$48,717,737	\$66,192,232	5.1%
Apollo Investment Fund VI, L.P.	6.82	\$200,000,000	\$138,328,159	\$205,058,513	7.1%
Wellspring Capital Partners IV, L.P.	6.68	\$75,000,000	\$62,003,353	\$84,705,141	7.2%
Blackstone Capital Partners V, L.P.	6.55	\$150,000,000	\$122,431,001	\$126,619,735	0.7%
TowerBrook Investors II, L.P.	6.50	\$75,000,000	\$11,994,646	\$41,126,359	9.6%
Thoma Cressey Fund VIII, L.P.	6.48	\$50,000,000	\$8,867,566	\$56,250,351	15.2%
TPG Partners V, L.P.	6.27	\$100,000,000	\$75,922,344	\$60,944,272	-4.2%
Fairview Ventures Fund III, L.P.	6.26	\$75,000,000	\$48,640,883	\$61,124,460	9.0%
Lindsay Goldberg & Bessemer II, L.P.	6.13	\$100,000,000	\$49,848,833	\$82,382,600	7.7%
Permira IV, L.P.	6.13	€ 50,000,000	\$42,953,114	\$53,487,272	4.3%
Grove Street Partners Buyouts, LLC	6.01	\$150,000,000	\$77,320,293	\$96,899,263	6.6%
Thomas H. Lee Equity Fund VI, L.P.	5.88	\$75,000,000	\$49,387,835	\$55,428,331	2.5%
3i Europartners Vb L.P.	5.88	€ 59,000,000	\$82,199,623	\$37,435,729	-12.2%
First Reserve Fund XI, L.P.	5.88	\$100,000,000	\$73,260,558	\$82,487,219	2.7%
RCP Advisors Fund IV, LLC	5.76	\$50,000,000	\$27,420,707	\$37,965,259	7.5%
Hellman & Friedman Capital Partners VI, L.P.	5.70	\$100,000,000	\$61,250,895	\$79,970,307	5.4%
Providence Equity Partners VI, L.P.	5.55	\$50,000,000	\$37,505,325	\$45,704,264	5.1%
Carlyle Partners Europe III	5.53	€ 49,000,000	\$47,193,511	\$46,823,144	-0.2%
Green Equity Investors V, L.P.	5.42	\$100,000,000	\$56,494,577	\$88,677,407	14.4%

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**Private Equity Dollar-Weighted Performance (continued)**  
**Cumulative Performance Measures Since Inception Through September 30, 2012**

Name	Years Since Inception	Commitment	Net Paid In Cap.	Net Asset Value	IRR
Gores Capital Partners II, L.P.	5.19	\$50,000,000	\$18,813,563	\$31,119,381	9.5%
New Mountain Partners III, L.P.	5.15	\$100,000,000	\$56,172,631	\$68,403,089	7.0%
Carlyle Partners V, L.P.	5.01	\$200,000,000	\$94,980,960	\$129,609,834	8.1%
Kohlberg Investors VI, L.P.	4.98	\$50,000,000	\$16,066,087	\$35,995,193	16.0%
Kelso Investment Associates VIII, L.P.	4.96	\$100,000,000	\$59,380,604	\$57,347,388	-2.0%
Apollo Investment Fund VII, L.P.	4.96	\$200,000,000	\$88,504,609	\$152,386,519	18.2%
Platinum Equity Capital Partners II, L.P.	4.96	\$75,000,000	\$37,025,180	\$60,651,727	12.7%
RCP Advisors, LLC (Fund V)	4.90	\$50,000,000	\$26,699,242	\$30,869,211	5.4%
Warburg Pincus X	4.86	\$150,000,000	\$135,121,092	\$144,842,862	2.5%
Top Tier Venture Capital IV	4.65	\$100,000,000	\$67,049,258	\$82,317,335	9.5%
TPG Partners VI, L.P.	4.46	\$200,000,000	\$115,682,864	\$122,696,466	2.8%
PAI Europe V	4.38	€ 27,500,000	\$27,090,665	\$24,737,993	-3.1%
Pomona Capital VII, L.P.	4.27	\$50,000,000	\$24,500,911	\$34,634,811	11.8%
GS Partners Ventures II, LLC	4.27	\$200,000,000	\$94,014,193	\$103,482,319	6.8%
Advent International GPE VI	4.24	\$58,000,000	\$44,357,196	\$55,622,641	11.2%
Lindsay Goldberg III	4.21	\$100,000,000	\$42,328,728	\$40,933,558	-2.0%
CVC European Equity Partners V	4.21	€ 70,000,000	\$48,214,931	\$63,930,279	10.7%
Thoma Bravo Fund IX	4.21	\$50,000,000	\$10,825,187	\$52,924,222	38.0%
TowerBrook Investors III, L.P.	4.21	\$150,000,000	\$59,668,447	\$90,038,853	17.1%
KKR European Fund III	4.10	€ 40,000,000	\$29,505,232	\$26,758,972	-4.7%
Ares Corporate Opportunities Fund III	4.03	\$100,000,000	\$29,636,454	\$71,044,132	23.8%
RCP Advisors, LLC (Fund VI)	3.99	\$50,000,000	\$18,409,142	\$18,280,142	-0.3%
Cressey & Company Fund IV	3.90	\$50,000,000	\$23,012,941	\$21,217,279	-4.7%
Blackstone Capital Partners VI	3.90	\$200,000,000	\$30,099,271	\$24,803,619	-21.6%
First Reserve Fund XII	3.88	\$200,000,000	\$138,675,054	\$139,106,381	0.1%
Carlyle Asia Growth Partners IV	3.79	\$75,000,000	\$42,003,884	\$41,803,767	-0.3%
Charterhouse Capital Partners IX	3.43	€ 70,000,000	\$37,660,787	\$44,249,177	8.9%
Top Tier Special Opportunities Fund	3.35	\$12,450,000	\$10,880,948	\$10,738,872	-0.6%
Riverside Capital Appreciation Fund V	3.28	\$75,000,000	\$46,916,537	\$54,432,701	6.8%
FS Equity Partners VI	3.18	\$75,000,000	\$40,543,760	\$44,595,929	5.3%
Energy Capital Partners II	3.17	\$100,000,000	\$40,966,778	\$52,484,204	11.9%
KPS Special Situations Fund III	3.02	\$50,000,000	\$26,781,254	\$27,988,544	4.0%
Gores Capital Partners III, L.P.	3.00	\$125,000,000	\$53,849,302	\$40,720,488	-24.3%
Charlesbank Equity Fund VII, L.P.	2.94	\$75,000,000	\$26,382,218	\$30,433,153	9.1%

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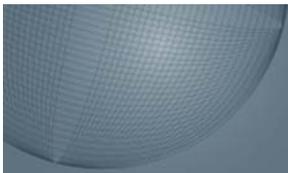
**Private Equity Dollar-Weighted Performance (continued)**  
**Cumulative Performance Measures Since Inception Through September 30, 2012**

Name	Years Since Inception	Commitment	Net Paid In Cap.	Net Asset Value	IRR
Lexington Capital Partners VII	2.83	\$200,000,000	\$68,134,685	\$92,379,034	17.2%
3i Growth Capital Fund	2.52	€ 40,000,000	\$29,907,758	\$23,604,193	-10.1%
Riverside Europe Fund IV, L.P.	2.29	€ 40,000,000	\$38,904,844	\$32,170,534	-12.9%
TA XI	2.17	\$100,000,000	\$40,750,000	\$42,348,324	3.1%
Snow Phipps II, L.P.	2.14	\$50,000,000	\$18,937,832	\$20,212,617	6.5%
Pantheon Global Secondary Fund IV, L.P.	2.12	\$100,000,000	\$31,912,500	\$39,529,894	19.0%
JH Whitney VII	1.97	\$75,000,000	\$27,100,204	\$28,604,611	5.8%
Trident V	1.92	\$75,000,000	\$27,808,967	\$26,222,815	-5.1%
RCP Fund VII	1.83	\$50,000,000	\$11,499,995	\$9,336,931	-23.8%
EnerVest Energy XII-A	1.76	\$60,000,000	\$52,133,464	\$52,187,020	0.1%
EnCap Energy Capital Fund VIII	1.62	\$75,000,000	\$16,942,137	\$23,284,240	35.1%
Cortec Group V	1.46	€ 50,000,000	\$12,320,759	\$10,519,447	-36.4%
Montagu Private Equity Fund IV	1.35	\$40,000,000	\$13,304,518	\$12,190,192	-14.6%
Wellspring Capital Partners V	1.25	\$150,000,000	\$32,393,485	\$27,603,278	-18.6%
GS Partners Buyouts II	1.20	\$200,000,000	\$13,668,932	\$12,932,981	-6.6%
Fairview Special Opportunities Fund	1.18	\$110,000,000	\$15,644,271	\$14,282,660	-19.0%
ABRY Partners VII	1.14	\$75,000,000	\$18,419,628	\$19,050,610	3.8%
Hellman & Friedman Capital Partners VII, L.P.	1.14	\$200,000,000	\$59,496,130	\$54,030,110	-12.4%
Berkshire Fund VIII	1.10	\$80,000,000	\$6,810,994	\$5,496,882	-29.5%
BC European Capital IX	1.03	€ 70,000,000	\$14,448,818	\$15,366,160	9.2%
Strategic Investors Fund V-A	1.01	\$125,000,000	\$23,016,012	\$22,230,659	-7.1%
Francisco Partners III	0.93	\$75,000,000	\$28,500,000	\$27,575,503	*
TPG Growth II	0.78	\$100,000,000	\$9,834,975	\$7,690,655	*
TrueBridge - Kauffman Fellows Endowment Fund II	0.70	\$100,000,000	\$32,988,514	\$31,998,203	*
TrueBridge/FLSBA Special Purpose, LLC	0.70	\$50,000,000	\$4,650,000	\$4,649,769	*
Lexington Co-Investment Partners 2005 II (Pool III)	0.63	\$500,000,000	\$56,249,123	\$55,824,748	*
Platinum Equity Capital Partners III	0.52	\$200,000,000	\$58,634,763	\$55,180,208	*
Denham Commodity Partners Fund VI	0.50	\$100,000,000	\$4,214,057	\$2,915,376	*
Thoma Bravo Fund X	0.48	\$100,000,000	\$25,781,784	\$25,255,714	*
Providence Equity Partners VII	0.40	\$150,000,000	\$8,987,432	\$8,994,883	*
Warburg Pincus Private Equity XI	0.35	\$200,000,000	\$33,421,585	\$32,112,300	*
AXA Secondary Fund V	0.30	\$100,000,000	\$37,701,593	\$41,833,038	*
Summit Partners Growth Equity Fund VII-A	0.30	\$80,000,000	\$5,625,000	\$5,509,115	*
RCP Fund VIII	0.26	\$50,000,000	\$1,285,131	\$1,228,345	*
Strategic Investors Fund V-A Opportunity, L.P.	0.21	\$125,000,000	\$7,506,961	\$7,500,000	*
Liberty Partners Group II	**	\$12,625,000	\$645,163	-\$1,623	**
<b>Private Equity Aggregate</b>			<b>\$2,734,965,428</b>	<b>\$6,373,490,670</b>	<b>7.31%</b>

\*IRR returns less than one year are not reported.

\*\*Account has not been funded. Net Paid in Capital indicates fees paid.

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# Real Estate

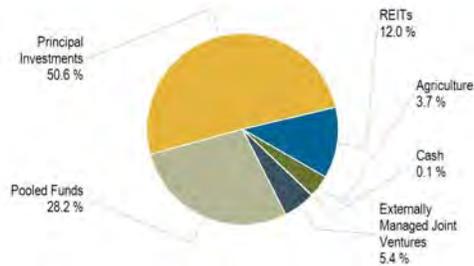
Real Estate

As of September 30, 2012

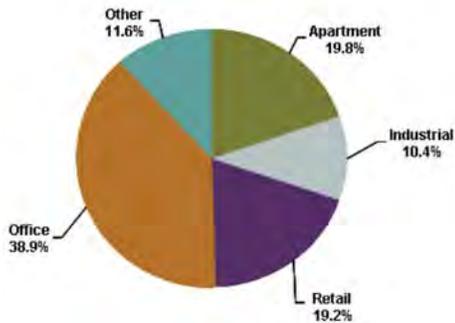
\$9,509.4 Million and 7.5% of Fund

## Overview

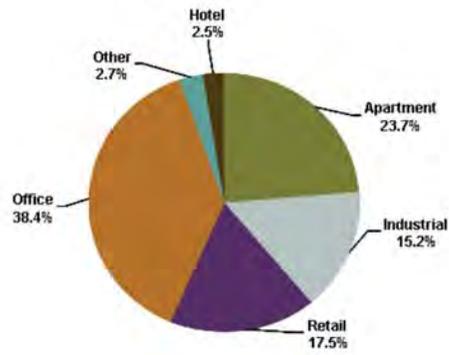
### Current Allocation



### FRS\*



### NFI-ODCE Index\*



\*Property Allocation data is as of June 30, 2012. The FRS chart includes only the FRS private real estate assets. Property type information for the REIT portfolios is not included.

Overview

Benchmark: Asset Class Target



Principal Investments

Benchmark: NCREIF NPI Index



Pooled Funds

Benchmark: NFI-ODCE Index Net of Fees



REITs

Benchmark: FTSE EPRA/NAREIT Developed Index

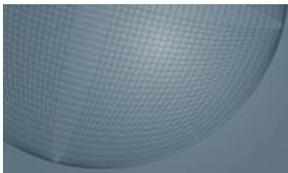


**Real Estate Pooled Funds Time-Weighted Performance  
Performance Measures Through September 30, 2012**

<b>Name</b>	<b>Inception Date</b>	<b>Commitment</b>	<b>Net Asset Value</b>	<b>Since Inception Managed Return</b>
<b>Pooled Funds</b>				
Beacon Capital SP Fund VI	Sep-07	\$100,000,000	\$42,049,746	-18.4%
Black Rock Granite Fund	Sep-03	\$150,000,000	\$145,247,178	1.8%
Blackrock Retail Opportunity Fund	Nov-07	\$60,000,000	\$15,030,579	-37.3%
Blackstone RE Partners VII	May-12	\$300,000,000	\$101,627,026	7.6%
Blackstone Real Estate Partners VI	Oct-07	\$200,000,000	\$236,704,859	0.4%
Carlyle Realty Partners VI	Feb-12	\$83,000,000	\$18,953,393	-1.5%
Diamond Property Fund	Aug-06	\$100,000,000	\$37,690,598	-14.3%
Enhanced Property Fund	May-07	\$100,000,000	\$63,689,319	-5.5%
Hines US Office Value Added Fund II	Sep-07	\$135,437,699	\$50,556,389	-27.6%
JP Morgan Pooled Fund	Sep-03	\$250,000,000	\$289,884,730	6.9%
JP Morgan Special Situation Fund	Jan-08	\$150,000,000	\$108,606,897	-6.4%
Prime Property Fund	Jun-06	\$250,000,000	\$254,322,090	2.8%
Principal Financial Group Pooled Fund	Oct-03	\$175,000,000	\$214,451,827	5.2%
Prudential PRISA	Apr-05	\$250,000,000	\$237,545,053	3.0%
Prudential PRISA Fund II	Sep-07	\$145,000,000	\$124,784,248	-5.3%
Prudential PRISA III	Jan-08	\$150,000,000	\$155,086,456	-8.6%
Rockpoint Real Estate Fund III, L.P. *	Jan-08	\$100,000,000	\$74,518,225	-64.5%
RREEF America REIT Pooled Fund	Jul-03	\$250,000,000	\$267,527,117	4.8%
UBS Pooled Fund	Jul-03	\$200,000,000	\$225,732,464	6.5%
Brookfield-Fairfield US Multi	Sep-12	\$50,000,000	\$18,890,171	1.6%
<b>Total Pooled Funds</b>		<b>\$3,198,437,699</b>	<b>\$2,682,898,365</b>	<b>2.4%</b>

\* The since inception IRR is 13.49%.

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# Strategic Investments

Strategic Investments

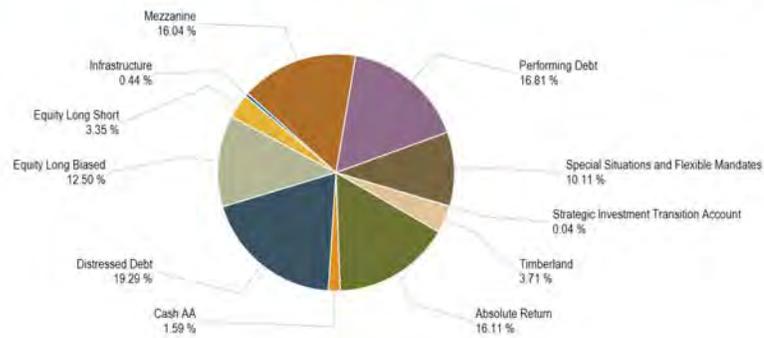
As of September 30, 2012

\$6,018.2 Million and 4.7% of Fund

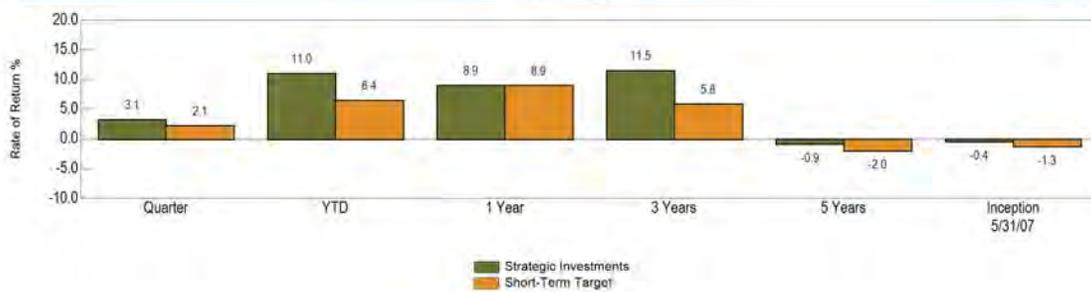
## Overview

Benchmark: Short-Term Target

### Current Allocation

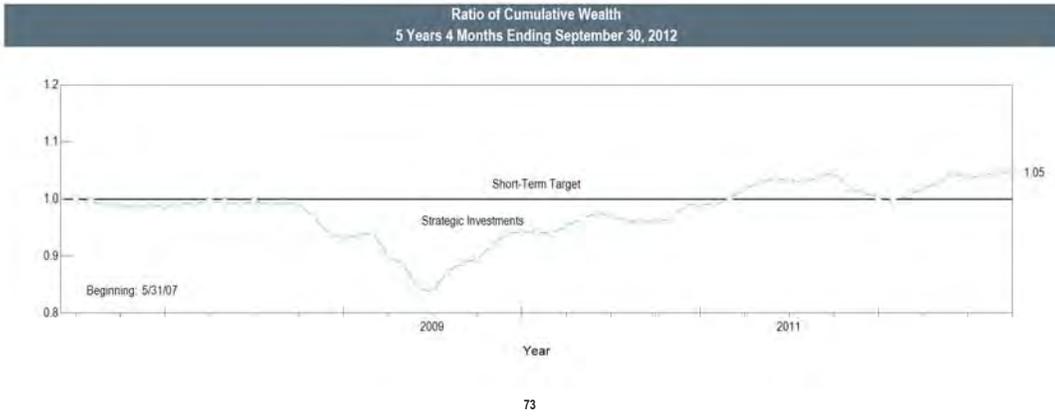


### Return Summary



Overview

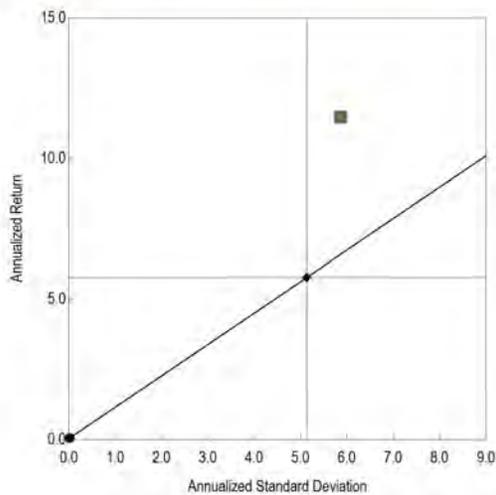
Benchmark: Short-Term Target



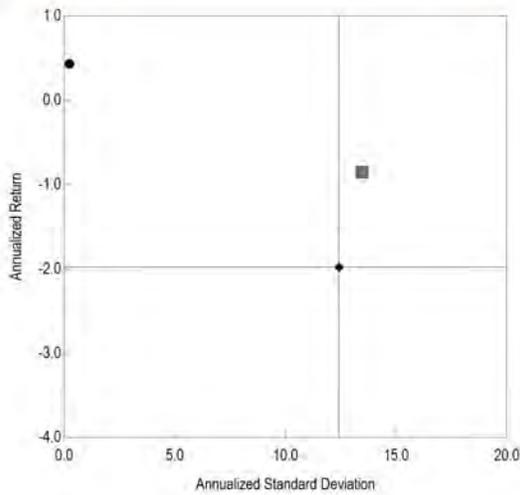
Risk Profile

Benchmark: Short-Term Target

**Annualized Return vs. Annualized Standard Deviation**  
3 Years Ending September 30, 2012



**Annualized Return vs. Annualized Standard Deviation**  
5 Years Ending September 30, 2012



- Strategic Investments
- Short-Term Target
- Risk Free

- Strategic Investments
- Short-Term Target
- Risk Free

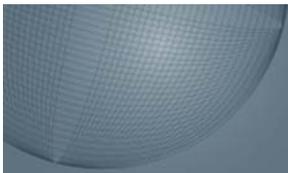
Strategic Investments Dollar-Weighted Performance						
Cumulative Performance Measures Since Inception Through September 30, 2012						
Name	Years Since Inception	Commitment	Net Paid In Cap.	Net Asset Value	Managed Return	
Green Credit Investors	CLOSED	N/A	\$39,534,160	\$0	N/A	
PCG Special Situations Partners, L.P.	9.13	150,000,000	\$22,860,279	\$71,755,177	5.6%	
Goldman Sachs Distressed Opportunities L.P.	8.23	150,000,000	\$70,588,646	\$77,983,956	1.0%	
Special Situations Partners II	5.43	100,000,000	\$58,422,106	\$85,233,976	6.7%	
OCM Opportunities Fund VIII	4.96	50,000,000	\$17,805	\$27,967,473	17.0%	
TAC 2007 (TPG Credit Fund)	4.80	321,326,075	\$59,401,384	\$66,319,481	1.0%	
Apollo Credit Liquidity Fund	4.79	238,233,051	\$47,816,202	\$119,961,892	10.0%	
Blackstone Credit Liquidity Partners, L.P.	4.78	250,000,000	\$14,097,473	\$90,698,225	12.4%	
Morgan Stanley Mezzanine Partners pooled fund	4.76	177,500,000	\$25,630,248	\$457,725	-24.4%	
Voyata Opportunities Fund II	4.75	50,000,000	\$17,406,955	\$46,914,038	15.2%	
Providence TMT Special Situations Fund	4.44	150,000,000	\$54,131,916	\$129,754,442	14.0%	
GSO Capital Opportunities Fund	4.15	200,000,000	\$85,694,569	\$163,403,373	15.7%	
Carlyle Mezzanine Partners II, L.P.	4.15	150,000,000	\$98,347,970	\$107,157,607	3.2%	
ABRY Advanced Securities Fund	4.04	150,000,000	\$34,623,205	\$93,141,483	-16.2%	
CVI Credit Value Fund A-Class P	3.91	250,000,000	\$74,590,695	\$267,047,871	20.6%	
TOW Crescent Mezzanine Partners V	3.90	150,000,000	\$88,803,714	\$111,192,317	9.4%	
Tricon IX	3.88	105,000,000	\$81,037,646	\$99,312,283	7.9%	
Blackrock Carbon Capital III	3.75	100,000,000	\$59,201,055	\$76,028,681	8.0%	
Square Mile Partners III	3.74	100,000,000	\$75,359,820	\$85,389,222	9.4%	
GI Partners III	3.69	100,000,000	\$79,799,803	\$100,424,577	12.4%	
VSS Structured Capital II	3.33	75,000,000	\$24,825,188	\$32,206,473	10.3%	
Falcon Strategic Partners III	3.30	75,000,000	\$53,384,492	\$71,358,869	13.4%	
Florida Growth Fund	3.24	250,000,000	\$139,131,515	\$171,979,027	13.7%	
Levine Loehman Capital Partners IV	2.88	100,000,000	\$66,353,218	\$97,779,993	25.5%	
Principal RE Debt (SBAF Mortgage Fund)	2.85	300,000,000	\$160,568,590	\$200,752,472	12.1%	
Verde Fund X, L.P.	2.42	100,000,000	\$85,000,000	\$94,677,381	6.7%	
Oaktree Opportunities Fund VIII, L.P.	2.41	100,000,000	\$69,710,983	\$12,236,048	6.9%	
Livingston GP Holdings	2.29	41,250,000	\$37,656,403	\$73,500,000	32.8%	
Aurix Credit Opportunities	2.22	200,000,000	\$169,669,960	\$221,175,046	7.2%	
KV Partners	2.20	250,000,000	\$239,626,414	\$187,150,214	-15.1%	
Bayview Opportunity Master Fund II b	2.20	100,000,000	\$72,568,223	\$85,952,819	9.7%	
ABRY Senior Equity III, L.P.	2.15	80,000,000	\$46,734,936	\$52,243,296	5.7%	
Blackstone/GSO Capital Solutions Fund	2.13	100,000,000	\$84,042,731	\$73,905,990	10.7%	
Providence TMT Debt Opportunity Fund II, L.P.	2.06	100,000,000	\$78,859,001	\$88,517,213	8.1%	
CVI Credit Value Fund A	1.80	100,000,000	\$94,439,378	\$113,888,174	15.2%	
Airline Credit Opportunities II	1.79	75,000,000	\$42,479,180	\$48,890,238	14.3%	
ABRY Advanced Securities Fund II	1.41	150,000,000	\$54,430,626	\$57,417,219	5.2%	
Starboard Value and Opportunity Fund	1.41	125,000,000	\$125,000,000	\$145,379,555	13.0%	
Oaktree Opportunities Fund VIII, L.P.	1.11	50,000,000	\$28,750,000	\$29,402,871	4.2%	
Florida Growth Fund Tranche II	1.00	250,000,000	\$21,155,191	\$19,971,836	-	
GSO Capital Opportunities Fund II	0.91	150,000,000	\$26,343,449	\$31,046,327	-	
Colony Distressed Credit Fund II	0.88	75,000,000	\$38,732,329	\$40,387,199	-	
Jackson Timberland Opportunities	0.36	150,000,000	\$100,006,783	\$100,000,000	-	
Boston Timber Opportunities	0.35	300,000,000	\$123,556,897	\$123,557,181	-	
Crescent Mezzanine Partners VI	0.24	150,000,000	\$22,329,710	\$22,329,710	-	
Providence Equity Global Group	0.20	75,000,000	\$74,895,477	\$73,910,456	-	
Global Infrastructure Partners II, L.P.	0.14	150,000,000	\$28,268,429	\$28,648,964	-	
Tricon XI, L.P.	0.07	100,000,000	\$12,371,249	\$12,235,180	-	

\*IRR returns less than one year are not reported.

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Strategic Investments - Hedge Fund and Related Vehicles				
Time-Weighted Returns Since Inception Through September 30, 2012				
Name	Inception Date	Commitment	Net Asset Value	Since Inception Managed Return
Anchorage Capital Fund	11/30/2011	100,000,000	108,228,064	8.2%
Cevian Capital II	04/30/2010	100,000,000	141,487,000	14.9%
Gross Global Investors Fund	07/31/2011	150,000,000	152,100,147	1.1%
Highline Capital Partners	04/30/2011	150,000,000	150,451,561	0.2%
King Street Capital Fund	06/30/2011	150,000,000	152,770,966	0.0%
KV Partners	08/31/2010	250,000,000	187,150,214	-12.6%
Mason Capital Fund	04/30/2011	150,000,000	147,695,850	0.7%
P2 Capital Fund	10/31/2010	100,000,000	127,857,548	13.1%
Scopia PX LLC	05/31/2012	100,000,000	51,370,159	2.7%
Starboard Value and Opportunity Fund	06/30/2011	125,000,000	145,379,555	11.2%
Taconic Opportunity Fund	06/30/2011	150,000,000	154,447,837	0.4%

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# Cash

Cash As of September 30, 2012 \$1,023.1 Million and 0.8% of Fund

## Overview

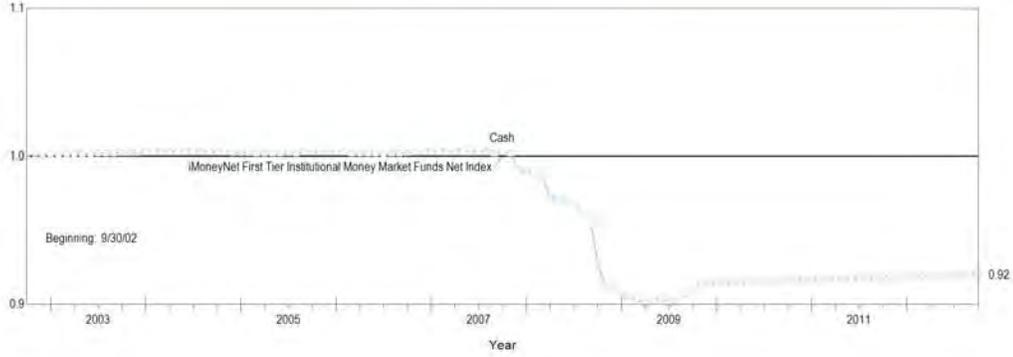
Benchmark: iMoneyNet First Tier Institutional Money Market Funds Net Index



### Overview

Benchmark: iMoneyNet First Tier Institutional Money Market Funds Net Index

Ratio of Cumulative Wealth  
10 Years Ending September 30, 2012



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## Appendix

As of September 30, 2012

### Securities Lending

#### FRS Pension Plan

LOANS						
Lending Agent	Lendable Base	Market Value on Loan	% on Loan	Intrinsic Market Value on Loan #	% Intrinsic on Loan	Return (basis points)
Bank of New York Mellon	\$63,879,527,938	\$2,421,684,987	3.79%	\$2,364,137,511	97.62%	126
Deutsche Bank	\$23,831,401,955	\$2,940,781,833	12.34%	\$1,852,908,898	63.01%	5
<b>Total FRS Pension Plan</b>	<b>\$87,710,929,893</b>	<b>\$5,362,466,820</b>	<b>6.11%</b>	<b>\$4,217,046,409</b>	<b>78.64%</b>	

REINVESTMENT				
Lending Agent	Book Value	Market Value	Unrealized Gain/(Loss)	Return (basis points)
Bank of New York Mellon	\$2,493,768,518	\$2,406,277,628	(\$87,490,890)	24
Deutsche Bank	\$3,007,858,189	\$3,006,057,965	(\$1,800,224)	26
<b>Total FRS Pension Plan</b>	<b>\$5,501,626,707</b>	<b>\$5,412,335,593</b>	<b>(\$89,291,114)</b>	

EARNINGS				
Lending Agent	SBA Net Income	Gross Earnings from Reinvestment of Cash	Gross Earnings from Non-cash Collateral	Gross Earnings on Loans
Bank of New York Mellon	\$2,511,090	\$477,515	\$3,728	\$2,657,576
Deutsche Bank	\$666,241	\$632,147	\$0	\$200,654
<b>Total FRS Pension Plan</b>	<b>\$3,177,331</b>	<b>\$1,109,662</b>	<b>\$3,728</b>	<b>\$2,858,230</b>

# Intrinsic value loans are those made at or below the federal funds rate.

## Appendix

### Returns Of The Major Capital Markets

	Annualized Periods Ending 9/30/12					
	Third Quarter	1-Year	3-Year	5-Year	10-Year	15-Year
<b>Domestic Stock Indices:</b>						
Dow Jones US Total Stock Index	6.2	30.2	13.4	1.5	8.7	5.0
S&P 500 Index	6.4	30.2	13.2	1.1	8.0	4.7
Russell 3000 Index	6.2	30.2	13.3	1.3	8.5	5.0
Russell 1000 Value Index	6.5	30.9	11.8	-0.9	8.2	5.5
Russell 1000 Growth Index	6.1	29.2	14.7	3.2	8.4	3.8
Russell MidCap Value Index	5.8	29.3	13.9	1.7	11.0	8.0
Russell MidCap Growth Index	5.3	26.7	14.7	2.5	11.1	5.8
Russell 2000 Value Index	5.7	32.6	11.7	1.3	9.7	7.1
Russell 2000 Growth Index	4.8	31.2	14.2	3.0	10.5	3.4
<b>Domestic Bond Indices:</b>						
Barclays Capital Aggregate Index	1.6	5.2	6.2	6.5	5.3	6.2
Barclays Capital Govt/Credit Index	1.7	5.7	6.5	6.6	5.4	6.2
Barclays Capital Long Govt/Credit Index	3.1	11.1	12.5	10.9	8.1	8.4
Barclays Capital 1-3 Year Govt/Credit Index	0.5	1.4	2.0	3.3	3.2	4.4
Barclays Capital U.S. MBS Index	1.1	3.7	5.0	6.4	5.2	6.0
Barclays Capital High Yield Index	4.5	19.4	12.9	9.3	11.0	7.0
Barclays Capital Universal Index	2.0	6.4	6.7	6.6	5.7	6.3
<b>Real Estate Indices:</b>						
NCREIF Property Index	2.3	11.0	10.9	2.3	8.4	9.3
NCREIF ODCE Index	2.5	10.5	11.1	-2.0	5.7	7.2
Dow Jones Real Estate Securities Index	-0.4	32.0	20.4	1.4	11.4	8.6
FTSE NAREIT US Real Estate Index	1.0	33.8	20.7	2.3	11.5	8.8
<b>Foreign/Global Stock Indices:</b>						
MSCI All Country World Index	6.8	21.0	7.2	-2.1	8.6	4.1
MSCI All Country World IMI	6.8	21.1	7.6	-1.7	9.0	4.4
MSCI All Country World ex-U.S. Index	7.4	14.5	3.2	-4.1	9.8	4.3
MSCI All Country World ex-U.S. IMI	7.5	14.4	3.5	-3.8	10.2	4.5
MSCI All Country World ex-U.S. Small Cap Index	8.5	13.4	5.9	-2.2	13.2	6.4
MSCI EAFE Index	6.9	13.8	2.1	-5.2	8.2	3.4
MSCI EAFE IMI	7.0	13.6	2.4	-4.9	8.6	3.7
MSCI EAFE Index (in local currency)	4.7	13.5	1.3	-6.2	4.9	1.7
MSCI Emerging Markets IMI	7.8	16.8	5.8	-1.1	17.0	5.9
<b>Foreign Bond Indices:</b>						
Citigroup World Gov't Bond Index	4.0	3.5	4.0	6.6	7.3	6.0
Citigroup Hedged World Gov't Bond Index	1.8	4.9	3.6	4.6	4.3	5.4
<b>Cash Equivalents:</b>						
Treasury Bills (30-Day)	0.0	0.0	0.1	0.4	1.4	2.3
Hewitt EnnisKnupp STIF Index	0.1	0.2	0.3	1.0	2.1	3.0
<b>Inflation Index:</b>						
Consumer Price Index	0.8	2.0	2.3	2.1	2.5	2.4

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## Historical Policy Allocation

	Global Equity (%)	Domestic Equity (%)	Foreign Equity (%)	Global Equity Legacy (%)	Strategic Investments (%)	Fixed Income (%)	Real Estate (%)	Private Equity (%)	High Yield (%)	Cash (%)
09/30/2012	57.6	--	--	--	4.7	24.0	7.6	5.2	--	1.0
06/30/2012	55.6	--	--	--	4.4	26.0	7.7	5.3	--	1.0
03/31/2012	57.1	--	--	--	4.0	26.0	7.2	4.7	--	1.0
12/31/2011	56.8	--	--	--	4.1	26.0	7.2	4.9	--	1.0
09/30/2011	57.6	--	--	--	3.7	26.0	6.9	4.7	--	1.0
06/30/2011	59.1	--	--	--	3.2	26.0	6.4	4.3	--	1.0
03/31/2011	60.0	--	--	--	2.6	26.0	6.3	4.0	--	1.0
12/31/2010	59.6	--	--	--	2.9	26.0	6.3	4.3	--	1.0
09/30/2010	58.1	--	--	--	4.2	26.0	6.5	4.2	--	1.0
06/30/2010	--	36.5	19.2	--	3.9	26.9	6.7	3.8	1.9	1.0
03/31/2010	--	36.6	19.3	--	3.7	27.0	6.7	3.9	1.9	1.0
12/31/2009	--	36.6	19.3	--	3.6	27.0	6.7	3.9	1.9	1.0
09/30/2009	--	36.7	19.3	--	3.5	27.0	6.8	3.9	1.9	1.0
06/30/2009	--	36.7	19.3	--	3.4	27.1	6.8	3.9	1.9	1.0
03/31/2009	--	36.6	19.3	--	3.6	27.0	6.8	3.9	1.9	1.0
12/31/2008	--	36.5	19.2	--	4.0	26.9	6.7	3.8	1.9	1.0
09/30/2008	--	36.4	19.1	--	4.3	26.8	6.7	3.8	1.9	1.0
06/30/2008	--	36.4	19.2	--	4.2	26.8	6.7	3.8	1.9	1.0
03/31/2008	--	36.4	19.1	--	4.5	26.7	6.7	3.8	1.8	1.0
12/31/2007	--	37.2	18.7	--	4.5	26.7	6.7	3.8	1.4	1.0
09/30/2007	--	38.1	17.8	--	4.4	26.8	6.7	3.8	1.4	1.0
06/30/2007	--	41.6	14.4	--	4.4	26.8	6.7	3.8	1.4	1.0
03/01/04 - 03/31/04	--	49.0	14.0	3.0	--	21.0	7.0	5.0	--	1.0
02/02/04 - 02/29/04	--	49.0	14.0	3.0	--	21.4	6.7	4.9	--	1.0
01/01/04 - 02/01/04	--	50.0	14.0	2.0	--	21.8	6.4	4.8	--	1.0
12/01/03 - 12/31/03	--	50.0	14.0	2.0	--	22.2	6.1	4.7	--	1.0
11/03/03 - 11/30/03	--	50.5	13.5	2.0	--	22.6	5.8	4.6	--	1.0
10/29/03 - 11/02/03	--	50.5	13.5	2.0	--	23.0	5.5	4.5	--	1.0
10/01/03 - 10/28/03	--	51.0	13.0	2.0	--	23.0	5.5	4.5	--	1.0
09/01/03 - 09/30/03	--	52.5	12.5	1.0	--	23.4	5.2	4.4	--	1.0
08/01/03 - 08/31/03	--	52.5	12.5	1.0	--	23.8	4.9	4.3	--	1.0
07/01/03 - 07/31/03	--	52.5	12.5	1.0	--	24.2	4.6	4.2	--	1.0
06/02/03 - 06/30/03	--	52.5	12.5	1.0	--	24.6	4.3	4.1	--	1.0
04/01/01 - 06/01/03	--	54.0	12.0	0.0	--	25.0	4.0	4.0	--	1.0
10/31/99 - 03/31/01	--	55.5	12.0	0.0	--	25.0	4.0	2.5	--	1.0
03/31/95 - 10/31/99	--	61.0	8.0	0.0	--	26.0	4.0	0.0	--	1.0
09/30/94 - 03/31/95	--	59.0	8.0	0.0	--	24.0	8.0	0.0	--	1.0
06/30/93 - 09/30/94	--	59.0	3.0	0.0	--	29.0	8.0	0.0	--	1.0
11/30/88 - 06/30/93	--	55.0	0.0	0.0	--	36.0	8.0	0.0	--	1.0
12/31/87 - 11/30/88	--	50.0	5.0	0.0	--	36.5	7.5	0.0	--	1.0
12/31/86 - 12/31/87	--	50.0	5.0	0.0	--	35.5	7.5	0.0	--	2.0
12/31/84 - 12/31/86	--	48.0	0.0	0.0	--	40.0	10.0	0.0	--	2.0

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## Appendix

### Total FRS Assets

**Performance Benchmark** - A combination of the Global Equity Target, the Barclays Aggregate Bond Index, the Private Equity Target Index, the Real Estate Investments Target Index, the Strategic Investments Target Benchmark, and the iMoneyNet First Tier Institutional Money Market Funds Net Index. The short-term target policy allocations to the Strategic Investments, Real Estate and Private Equity asset classes are floating and based on the actual average monthly balance of the Global Equity asset class. Prior to July 2010, the Performance Benchmark was a combination of the Russell 3000 Index, the Foreign Equity Target Index, the Strategic Investments Target Benchmark, the Barclays Aggregate Bond Index, the Real Estate Investments Target Index, the Private Equity Target Index, the Barclays U.S. High Yield Ba/B 2% Issuer Capped Index, and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. During this time, the short-term target policy allocations to Strategic Investments, Real Estate and Private Equity asset classes were floating and based on the actual average monthly balance of the Strategic Investments, Real Estate and Private Equity asset classes. The target weights shown for Real Estate and Private Equity were the allocations that the asset classes were centered around. The actual target weight floated around this target month to month based on changes in asset values.

### Total Global Equity

**Performance Benchmark** - A custom version of the MSCI All Country World Investable Market Index, adjusted to exclude companies divested under the provisions of the Protecting Florida's Investments Act (PFIA).

### Total Domestic Equities

**Performance Benchmark** - The Russell 3000 Index. Prior to July 1, 2002, the benchmark was the Wilshire 2500 Stock Index. Prior to January 1, 2001, the benchmark was the Wilshire 2500 Stock Index ex-Tobacco. Prior to May 1, 1997, the benchmark was the Wilshire 2500 Stock Index. Prior to September 1, 1994, the benchmark was the S&P 500 Stock Index.

### Total Foreign Equities

**Performance Benchmark** - A custom version of the MSCI ACWI ex-U.S. Investable Market Index adjusted to exclude companies divested under the PFIA. Prior to April 1, 2008, it was the MSCI All Country World Index ex-U.S. Investable Market Index. Prior to September 24, 2007, the target was the MSCI All Country World Ex-U.S. Free Index. Prior to November 1, 1999, the benchmark was 85% of the MSCI Europe, Australasia and Far East (EAFE) Foreign Stock Index and 15% of the IFCI Emerging Markets Index with a half weight in Malaysia. Prior to March 31, 1995, the benchmark was the EAFE Index.

### Total Global Equities

**Performance Benchmark** - Aggregated based on each underlying manager's individual benchmark. The calculation accounts for the actual weight and the benchmark return. The benchmarks used for the underlying managers include both the MSCI FSB All Country World ex-Sudan ex-Iran Net Index and MSCI FSB All Country World ex-Sudan ex-Iran Net Investable Market Index (IMI).

## Appendix

### Total Fixed Income

**Performance Benchmark** - The Barclays U.S. Aggregate Bond Index. Prior to June 1, 2007, it was the Fixed Income Management Aggregate (FIMA). Prior to July 1, 1999, the benchmark was the Florida High Yield Extended Duration Index. Prior to July 31, 1997, the benchmark was the Florida Extended Duration Index. Prior to July 1, 1989, the Salomon Brothers Broad Investment-Grade Bond Index was the benchmark. For calendar year 1985, the performance benchmark was 70% Shearson Lehman Extended Duration and 30% Salomon Brothers Mortgage Index.

### Total Private Equity

**Performance Benchmark** - The domestic equities target index return (Russell 3000 Index) plus a fixed premium return of 300 basis points per annum. Prior to July 1, 2010, it was the domestic equities target index return plus a fixed premium return of 450 basis points per annum. Prior to November 1, 1999, Private Equities was part of the Domestic Equities asset class and its benchmark was the domestic equities target index return plus 750 basis points.

### Total Real Estate

**Performance Benchmark** - A combination of 90% of the NCREIF ODCE Index, net of fees, and 10% of the FTSE EPRA/NAREIT Developed Index, net of fees. Prior to July 1, 2010, it was a combination of 90% of the NCREIF ODCE Index, gross of fees, and 10% of the Dow Jones U.S. Select RESI. Prior to June 1, 2007, it was the Consumer Price Index plus 450 basis points annually. Prior to July 1, 2003, the benchmark was the Dow Jones U.S. Select Real Estate Securities Index Un-Levered. Prior to November 1, 1999, the benchmark was the Russell-NCREIF Property Index.

### Total Strategic Investments

**Performance Benchmark** - Long-term, 5% plus the contemporaneous rate of inflation or CPI. Short-term, a weighted aggregation of individual portfolio level benchmarks.

### Total Cash

**Performance Benchmark** - The iMoneyNet First Tier Institutional Money Market Funds Net Index. Prior to July 1, 2010, it was the iMoneyNet First Tier Institutional Money Market Funds Gross Index. Prior to June 1, 2007, it was the return of the Merrill Lynch 90-Day (Auction Average) Treasury Bill Yield Index.

## Appendix

### Description of Benchmarks

**Barclays Aggregate Bond Index** - A market value-weighted index consisting of government bonds, SEC-registered corporate bonds and mortgage-related and asset-backed securities with at least one year to maturity and an outstanding par value of \$200 million or greater. The index is a broad measure of the performance of the investment-grade U.S. fixed income market.

**Consumer Price Index (CPI)** - The CPI, an index consisting of a fixed basket of goods bought by the typical consumer and used to measure consumer inflation.

**FTSE EPRA/NAREIT Developed Index** - Designed to represent general trends in eligible real estate equities worldwide. Relevant real estate activities are defined as the ownership, disposal and development of income-producing real estate. This index covers the four primary core asset classes (Industrial, Retail, Office, and Apartment).

**iMoneyNet First Tier Institutional Money Market Funds Net Index** - An average of non-governmental institutional funds that do not hold any second tier securities. It includes money market mutual funds, net of fees, that invest in commercial paper, bank obligations and short-term investments in the highest ratings category and is open to corporations and fiduciaries only.

**MSCI All Country World Investable Market Index** - A free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets. This investable market index contains constituents from the large, mid, and small cap size segments and targets a coverage range around 99% of free-float adjusted market capitalization.

**NCREIF ODCE Property Index** - The NFI-ODCE is a capitalization-weighted, gross of fee, time-weighted return index. The index is a summation of open-end funds, which NCREIF defines as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, subject to contribution and/or redemption requests.

**Russell 3000 Index** - A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This represents most publicly traded, liquid U.S. stocks.

## Appendix

### Description of Universes

**Total Fund** - A universe comprised of 66 total fund portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised \$741.5 billion as of quarter-end and the average market value was \$23.2 billion.

**Domestic Equity** - A universe comprised of 50 total domestic equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised \$213.6 billion as of quarter-end and the average market value was \$6.9 billion.

**Foreign Equity** - A universe comprised of 40 total international equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised \$124.3 billion as of quarter-end and the average market value was \$5.0 billion.

**Fixed Income** - A universe comprised of 50 total fixed income portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised \$207.2 billion as of quarter-end and the average market value was \$6.5 billion.

**Real Estate** - A universe comprised of 8 total real estate portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised \$22.0 billion as of quarter-end and the average market value was \$3.7 billion.

**Private Equity** - An appropriate universe for private equity is unavailable.

**Strategic Investments** - An appropriate universe for strategic investments is unavailable.

## Appendix

### Explanation of Exhibits

**Quarterly and Cumulative Excess Performance** - The vertical axis, excess return, is a measure of fund performance less the return of the primary benchmark. The horizontal axis represents the time series. The quarterly bars represent the underlying funds' relative performance for the quarter.

**Risk-Return Graph** - The horizontal axis, annualized standard deviation, is a statistical measure of risk, or the volatility of returns. The vertical axis is the annualized rate of return. As investors generally prefer less risk to more risk and always prefer greater returns, the upper left corner of the graph is the most attractive place to be. The line on this exhibit represents the risk and return trade-offs associated with market portfolios, or index funds.

**Ratio of Cumulative Wealth Graph** - An illustration of a portfolio's cumulative, un-annualized performance relative to that of its benchmark. An upward-sloping line indicates superior fund performance versus its benchmark. Conversely, a downward-sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

**Performance Comparison - Universe Comparison** - An illustration of the distribution of returns for a particular asset class. The component's return is indicated by the circle and its performance benchmark by the triangle. The top and bottom borders represent the 5th and 95th percentiles, respectively. The solid line indicates the median while the dotted lines represent the 25th and 75th percentiles.

# Hewitt **ennisknupp**

*An Aon Company*

## State Board of Administration of Florida

### FRS Investment Plan

Third Quarter 2012

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# FRS Investment Plan

FRS Investment Plan

As of September 30, 2012

\$7,450.7 Million and 100.0% of Fund

## Trailing Period Performance

	Market Value (\$)	% of Portfolio	Ending September 30, 2012									
			2012 Q3 (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank
<b>FRS Investment Plan</b>	<b>7,450,687,887</b>	<b>100.0</b>	<b>3.9</b>	<b>--</b>	<b>9.0</b>	<b>--</b>	<b>14.7</b>	<b>--</b>	<b>7.7</b>	<b>--</b>	<b>1.8</b>	<b>--</b>
<i>Total Plan Aggregate Benchmark</i>			3.7	--	8.4	--	14.0	--	7.3	--	1.3	--
<b>Balanced Funds</b>	<b>3,230,483,731</b>	<b>43.4</b>	<b>3.8</b>	<b>--</b>	<b>8.1</b>	<b>--</b>	<b>12.7</b>	<b>--</b>	<b>7.0</b>	<b>--</b>	<b>1.3</b>	<b>--</b>
FRS Select Conservative Balanced Fund	703,344,719	9.4	2.0	--	4.4	--	6.2	--	5.0	--	3.3	--
<i>Conservative Balanced Fund Target Benchmark</i>			1.8	--	4.1	--	6.0	--	4.8	--	2.9	--
FRS Select Moderate Balanced Fund	1,946,089,328	26.1	4.1	--	8.8	--	13.7	--	7.4	--	1.4	--
<i>Moderate Balanced Fund Target Benchmark</i>			4.0	--	8.5	--	13.4	--	7.2	--	0.9	--
FRS Select Aggressive Balanced Fund	581,049,684	7.8	5.1	--	10.6	--	17.4	--	7.9	--	-0.4	--
<i>Aggressive Balanced Fund Target Benchmark</i>			5.0	--	10.6	--	17.5	--	7.9	--	-0.5	--
<b>Cash</b>	<b>929,350,702</b>	<b>12.5</b>	<b>0.1</b>	<b>1</b>	<b>0.2</b>	<b>1</b>	<b>0.3</b>	<b>1</b>	<b>0.2</b>	<b>1</b>	<b>0.9</b>	<b>24</b>
FRS Select Yield Plus Money Market Active Fund	929,350,702	12.5	0.1	1	0.2	1	0.3	1	0.2	1	0.9	24
<i>iMoneyNet 1st Tier Institutional Net Index</i>			0.0	30	0.1	26	0.1	26	0.1	17	1.0	7
<b>TIPS</b>	<b>357,606,362</b>	<b>4.8</b>	<b>2.2</b>	<b>--</b>	<b>6.4</b>	<b>--</b>	<b>9.1</b>	<b>--</b>	<b>9.4</b>	<b>--</b>	<b>8.1</b>	<b>--</b>
FRS Select TIPS Fund	357,606,362	4.8	2.2	37	6.4	18	9.1	19	9.4	11	8.1	27
<i>Barclays Capital US TIPS</i>			2.1	46	6.2	24	9.1	19	9.3	22	7.9	30
<b>Fixed Income</b>	<b>729,142,989</b>	<b>9.8</b>	<b>2.1</b>	<b>71</b>	<b>5.4</b>	<b>70</b>	<b>7.0</b>	<b>67</b>	<b>6.9</b>	<b>65</b>	<b>7.1</b>	<b>43</b>
FRS Select U.S. Bond Enhanced Index Fund	164,732,917	2.2	1.7	95	4.2	99	5.3	98	6.4	97	6.9	78
<i>Barclays Aggregate Bond Index</i>			1.6	96	4.0	99	5.2	99	6.2	97	6.5	83
Pyramis Intermediate Duration Pool Fund	78,005,055	1.0	1.9	79	4.5	83	5.5	84	6.1	86	5.9	76
<i>Barclays Int Aggregate</i>			1.4	96	3.4	96	4.3	97	5.3	94	6.0	75
FRS Select High Yield Fund	157,239,495	2.1	3.8	88	9.9	87	16.3	88	--	--	--	--
<i>Barclays Capital U.S. High Yield Ba-2% Issuer Cap</i>			4.4	47	11.2	63	17.6	67	--	--	--	--
PIMCO Total Return Fund	329,165,522	4.4	3.1	27	9.0	12	11.4	12	7.5	47	8.8	8
<i>Barclays Aggregate Bond Index</i>			1.6	89	4.0	88	5.2	87	6.2	82	6.5	61

## Trailing Period Performance

	Market Value (\$)	% of Portfolio	Ending September 30, 2012											
			2012 Q3 (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank		
<b>Domestic Equity</b>	<b>1,720,589,286</b>	<b>23.1</b>	<b>6.2</b>	<b>45</b>	<b>16.0</b>	<b>29</b>	<b>30.5</b>	<b>27</b>	<b>14.1</b>	<b>13</b>	<b>2.3</b>	<b>25</b>		
FRS Select U.S. Stock Market Index Fund <i>Russell 3000 Index</i>	276,324,854	3.7	6.3	48	16.2	35	30.3	21	13.4	15	1.4	24		
FRS Select U.S. Large Value Stock Fund <i>Russell 1000 Value Index</i>	205,211,647	2.8	6.2	53	14.2	53	28.8	48	12.1	25	-0.2	51		
QMA Mid Cap Quantitative Core Fund <i>S&amp;P 400 MidCap</i>	280,053,917	3.8	6.3	20	15.1	22	32.2	11	16.4	8	4.1	15		
FRS Select U.S. Large Growth Stock Active Fund <i>Russell 1000 Growth Index</i>	102,571,260	1.4	5.9	62	17.4	35	26.8	53	13.7	27	3.7	12		
Pioneer Fund <i>S&amp;P 500 Index</i>	132,192,135	1.8	5.1	83	10.1	92	22.7	87	9.9	74	-0.8	78		
Fidelity Growth Company Fund <i>Russell 3000 Growth Index</i>	335,703,408	4.5	7.4	18	21.7	4	31.1	19	16.8	4	4.7	8		
American Beacon Small Cap Value Fund <i>Russell 2000 Value Index</i>	122,938,358	1.7	5.4	38	11.8	53	32.3	29	12.5	40	2.7	54		
T. Rowe Price Small Cap Stock Fund <i>Russell 2000 Index</i>	242,253,258	3.3	5.0	55	16.0	23	35.5	11	17.2	15	5.9	4		
Fidelity Low Priced Stock Fund <i>Russell 2500 Value Index</i>	23,340,450	0.3	6.8	17	15.0	20	25.9	63	13.6	32	3.9	8		
<b>International/Global Equity</b>	<b>483,514,816</b>	<b>6.5</b>	<b>7.2</b>	<b>39</b>	<b>11.8</b>	<b>43</b>	<b>16.5</b>	<b>48</b>	<b>4.1</b>	<b>40</b>	<b>-2.8</b>	<b>28</b>		
FRS Select Foreign Stock Index Fund <i>MSCI World ex USA</i>	135,687,852	1.8	7.4	37	10.2	68	14.2	74	2.9	55	-4.5	48		
American Funds New Perspective Fund <i>MSCI World Index</i>	185,679,010	2.5	6.5	48	16.2	12	23.6	25	8.6	34	0.9	17		
American Funds Euro-Pacific Growth Fund <i>MSCI All Country World ex-U.S. Index</i>	162,147,954	2.2	7.3	27	13.2	23	18.5	29	3.7	37	-1.9	9		

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## Calendar Year Performance

	2011 (%)	Rank	2010 (%)	Rank	2009 (%)	Rank	2008 (%)	Rank	2007 (%)	Rank	2006 (%)	Rank	2005 (%)	Rank	2004 (%)	Rank
<b>FRS Investment Plan</b>	<b>0.7</b>	<b>--</b>	<b>10.6</b>	<b>--</b>	<b>18.4</b>	<b>--</b>	<b>-23.2</b>	<b>--</b>	<b>7.8</b>	<b>--</b>	<b>12.4</b>	<b>--</b>	<b>7.4</b>	<b>--</b>	<b>10.6</b>	<b>--</b>
<i>Total Plan Aggregate Benchmark</i>	0.9	--	10.2	--	16.8	--	-23.4	--	6.1	--	13.9	--	6.1	--	11.0	--
<b>Balanced Funds</b>	<b>1.4</b>	<b>--</b>	<b>9.2</b>	<b>--</b>	<b>16.4</b>	<b>--</b>	<b>-22.8</b>	<b>--</b>	<b>7.7</b>	<b>--</b>	<b>13.9</b>	<b>--</b>	<b>6.9</b>	<b>--</b>	<b>11.0</b>	<b>--</b>
FRS Select Conservative Balanced Fund <i>Conservative Balanced Fund Target Benchmark</i>	3.9	--	5.3	--	9.3	--	-7.3	--	8.5	--	7.1	--	4.4	--	6.4	--
FRS Select Moderate Balanced Fund <i>Moderate Balanced Fund Target Benchmark</i>	1.2	--	10.0	--	17.2	--	-23.8	--	7.4	--	14.2	--	6.8	--	11.3	--
FRS Select Aggressive Balanced Fund <i>Aggressive Balanced Fund Target Benchmark</i>	-0.9	--	11.3	--	20.9	--	-32.2	--	8.2	--	17.6	--	8.6	--	13.1	--
<b>Cash</b>	<b>0.2</b>	<b>1</b>	<b>0.3</b>	<b>2</b>	<b>0.3</b>	<b>41</b>	<b>2.4</b>	<b>46</b>	<b>5.4</b>	<b>2</b>	<b>5.2</b>	<b>1</b>	<b>3.5</b>	<b>1</b>	<b>1.4</b>	<b>1</b>
FRS Select Yield Plus Money Market Active Fund <i>iMoneyNet 1st Tier Institutional Net Index</i>	0.2	1	0.3	2	0.3	41	2.4	46	5.4	2	5.2	1	3.5	1	1.5	1
<b>TIPS</b>	<b>13.6</b>	<b>--</b>	<b>6.4</b>	<b>--</b>	<b>11.3</b>	<b>--</b>	<b>-2.0</b>	<b>--</b>	<b>11.7</b>	<b>--</b>	<b>0.5</b>	<b>--</b>	<b>2.8</b>	<b>--</b>	<b>8.4</b>	<b>--</b>
FRS Select TIPS Fund <i>Barclays Capital US TIPS</i>	13.6	9	6.4	28	11.3	27	-2.0	46	11.7	19	0.5	34	2.8	22	8.4	35
<b>Fixed Income</b>	<b>6.7</b>	<b>53</b>	<b>7.6</b>	<b>56</b>	<b>11.7</b>	<b>59</b>	<b>1.4</b>	<b>29</b>	<b>6.9</b>	<b>16</b>	<b>4.8</b>	<b>24</b>	<b>2.7</b>	<b>13</b>	<b>4.8</b>	<b>32</b>
FRS Select U.S. Bond Enhanced Index Fund <i>Barclays Aggregate Bond Index</i>	7.9	75	6.7	97	6.5	59	5.9	32	7.1	18	4.3	58	2.5	57	4.3	98
Pyramis Intermediate Duration Pool Fund <i>Barclays Int Aggregate</i>	5.9	70	7.0	67	11.9	58	-1.7	43	6.0	42	4.8	26	2.2	48	3.9	70
FRS Select High Yield Fund <i>Barclays Capital U.S. High Yield Ba-2% Issuer Cap</i>	6.0	10	13.6	77	--	--	--	--	--	--	--	--	--	--	--	--
PIMCO Total Return Fund <i>Barclays Aggregate Bond Index</i>	4.0	91	8.7	33	13.7	48	4.7	15	8.9	2	3.9	82	2.8	11	5.0	27

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## Calendar Year Performance

	2011 (%)	Rank	2010 (%)	Rank	2009 (%)	Rank	2008 (%)	Rank	2007 (%)	Rank	2006 (%)	Rank	2005 (%)	Rank	2004 (%)	Rank
<b>Domestic Equity</b>	<b>0.3</b>	<b>36</b>	<b>20.4</b>	<b>35</b>	<b>30.9</b>	<b>36</b>	<b>-36.5</b>	<b>40</b>	<b>5.2</b>	<b>51</b>	<b>14.1</b>	<b>64</b>	<b>8.2</b>	<b>32</b>	<b>12.9</b>	<b>49</b>
FRS Select U.S. Stock Market Index Fund	1.0	44	17.1	12	28.6	42	-37.2	53	5.2	60	15.7	37	6.2	52	12.0	35
Russell 3000 Index	1.0	44	16.9	13	28.3	43	-37.3	56	5.1	63	15.7	34	6.1	53	11.9	35
FRS Select U.S. Large Value Stock Fund	1.6	27	15.2	33	20.8	66	-35.2	36	--	--	--	--	--	--	--	--
Russell 1000 Value Index	0.4	37	15.5	29	19.7	73	-36.8	57	--	--	--	--	--	--	--	--
QMA Mid Cap Quantitative Core Fund	0.1	22	28.9	13	36.5	50	-36.8	27	8.3	55	11.9	53	11.6	42	--	--
S&P 400 MidCap	-1.7	35	26.6	26	37.4	46	-36.2	25	8.0	56	10.3	63	12.5	31	--	--
FRS Select U.S. Large Growth Stock Active Fund	1.2	25	13.6	70	41.5	25	-37.3	25	11.9	66	4.1	84	13.3	16	4.6	88
Russell 1000 Growth Index	2.6	13	16.7	42	37.2	38	-38.4	36	11.8	66	9.1	38	5.3	70	6.3	73
Pioneer Fund	-4.2	82	16.2	19	24.9	70	-34.1	17	5.1	64	16.9	18	6.8	42	12.1	32
S&P 500 Index	2.1	22	15.1	31	26.5	54	-37.0	44	5.5	50	15.8	32	4.9	65	10.9	46
Fidelity Growth Company Fund	0.9	26	20.8	12	41.5	25	-40.7	52	20.2	21	9.8	31	13.8	15	12.4	23
Russell 3000 Growth Index	2.2	18	17.6	33	37.0	38	-38.4	36	11.4	71	9.5	35	5.2	71	6.9	69
American Beacon Small Cap Value Fund	-4.0	52	26.2	47	35.4	31	-31.9	57	-6.4	50	14.7	73	5.8	61	--	--
Russell 2000 Value Index	-5.5	63	24.5	72	20.6	91	-28.9	35	-9.8	79	23.5	9	4.7	74	--	--
T. Rowe Price Small Cap Stock Fund	-0.1	29	32.5	21	38.5	37	-33.3	7	-1.7	90	12.8	44	8.4	37	18.8	20
Russell 2000 Index	-4.2	65	26.9	57	27.2	83	-33.8	7	-1.6	90	18.4	9	4.6	71	18.3	20
Fidelity Low Priced Stock Fund	0.2	11	21.0	74	39.4	29	-36.0	26	3.4	69	18.0	15	8.9	53	22.5	13
Russell 2500 Value Index	-3.4	56	24.8	42	27.7	90	-32.0	14	-7.3	99	20.2	9	7.7	65	21.6	19
<b>International/Global Equity</b>	<b>-11.3</b>	<b>25</b>	<b>10.1</b>	<b>63</b>	<b>34.8</b>	<b>43</b>	<b>-40.9</b>	<b>17</b>	<b>15.0</b>	<b>36</b>	<b>23.2</b>	<b>76</b>	<b>14.9</b>	<b>52</b>	<b>17.9</b>	<b>60</b>
FRS Select Foreign Stock Index Fund	-11.8	31	9.2	68	32.3	52	-42.5	32	12.7	49	25.8	48	14.7	55	20.5	36
MSCI World ex USA	-12.2	35	8.9	70	33.7	47	-43.6	41	12.4	51	25.7	49	14.5	58	20.4	37
American Funds New Perspective Fund	-7.4	48	13.0	49	37.7	32	-37.7	24	16.3	30	20.1	53	11.5	56	14.5	62
MSCI World Index	-5.5	36	11.8	59	30.0	60	-40.7	48	9.0	59	20.1	53	10.0	64	15.2	55
American Funds Euro-Pacific Growth Fund	-13.3	42	9.8	62	39.6	18	-40.3	10	19.3	15	22.3	84	21.4	12	--	--
MSCI All Country World ex-U.S. Index	-13.3	43	11.6	44	32.5	42	-43.1	39	11.6	60	26.9	27	14.0	59	--	--

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## Asset Allocation

	Total Market Value	% of Portfolio	U.S. Equity	Non-U.S. Equity	Balanced	Fixed Income	TIPS	Cash
<b>Balanced Funds</b>								
FRS Select Conservative Balanced Fund	\$703,344,719	9.4%			\$703,344,719			
FRS Select Moderate Balanced Fund	\$1,946,089,328	26.1%			\$1,946,089,328			
FRS Select Aggressive Balanced Fund	\$581,049,684	7.8%			\$581,049,684			
<b>Cash</b>								
FRS Select Yield Plus Money Market Active Fund	\$929,350,702	12.5%						\$929,350,702
<b>TIPS</b>								
FRS Select TIPS Fund	\$357,606,362	4.8%					\$357,606,362	
<b>Fixed Income</b>								
FRS Select U.S. Bond Enhanced Index Fund	\$164,732,917	2.2%				\$164,732,917		
Pyramis Intermediate Duration Pool Fund	\$78,005,055	1.0%				\$78,005,055		
FRS Select High Yield Fund	\$157,239,495	2.1%				\$157,239,495		
PIMCO Total Return Fund	\$329,165,522	4.4%				\$329,165,522		
<b>Domestic Equity</b>								
FRS Select U.S. Stock Market Index Fund	\$276,324,854	3.7%	\$276,324,854					
FRS Select U.S. Large Value Stock Fund	\$205,211,647	2.8%	\$205,211,647					
QMA Mid Cap Quantitative Core Fund	\$280,053,917	3.8%	\$280,053,917					
FRS Select U.S. Large Growth Stock Active Fund	\$102,571,260	1.4%	\$102,571,260					
Pioneer Fund	\$132,192,135	1.8%	\$132,192,135					
Fidelity Growth Company Fund	\$335,703,408	4.5%	\$335,703,408					
American Beacon Small Cap Value Fund	\$122,938,358	1.7%	\$122,938,358					
T. Rowe Price Small Cap Stock Fund	\$242,253,258	3.3%	\$242,253,258					
Fidelity Low Priced Stock Fund	\$23,340,450	0.3%	\$23,340,450					
<b>International/Global Equity</b>								
FRS Select Foreign Stock Index Fund	\$135,687,852	1.8%		\$135,687,852				
American Funds New Perspective Fund	\$185,679,010	2.5%		\$185,679,010				
American Funds Euro-Pacific Growth Fund	\$162,147,954	2.2%		\$162,147,954				
<b>Total</b>	<b>\$7,450,687,887</b>	<b>100.0%</b>	<b>\$1,720,589,286</b>	<b>\$483,514,816</b>	<b>\$3,230,483,731</b>	<b>\$729,142,989</b>	<b>\$357,606,362</b>	<b>\$929,350,702</b>
Percent of Total			23.1%	6.5%	43.4%	9.8%	4.8%	12.5%

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## Asset Allocation

Asset Allocation as of 9/30/2012							
	U.S. Equity	Non-U.S. Equity	U.S. Fixed Income	TIPS	Cash	Total	% of Total
FRS Select Conservative Balanced Fund	42,200,683	56,267,578	260,237,546	98,468,261	246,170,652	703,344,719	9.4%
FRS Select Moderate Balanced Fund	544,905,012	389,217,866	1,011,966,450			1,946,089,328	26.1%
FRS Select Aggressive Balanced Fund	255,661,861	145,262,421	180,125,402			581,049,684	7.8%
<b>Total Balanced Funds</b>	<b>\$ 842,767,556</b>	<b>\$ 590,747,864</b>	<b>\$ 1,452,329,398</b>	<b>\$ 98,468,261</b>	<b>\$ 246,170,652</b>	<b>\$ 3,230,483,731</b>	<b>43.4%</b>
FRS Select Yield Plus Money Market Active Fund					929,350,702	929,350,702	12.5%
<b>Total Cash</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 929,350,702</b>	<b>\$ 929,350,702</b>	<b>12.5%</b>
FRS Select TIPS Fund				357,606,362		357,606,362	4.8%
<b>Total TIPS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 357,606,362</b>	<b>\$ -</b>	<b>\$ 357,606,362</b>	<b>4.8%</b>
FRS Select U.S. Bond Enhanced Index Fund			164,732,917			164,732,917	2.2%
Pyramis Intermediate Duration Pool Fund			78,005,055			78,005,055	1.0%
FRS Select High Yield Fund			157,239,495			157,239,495	2.1%
PIMCO Total Return Fund			329,165,522			329,165,522	4.4%
<b>Total Fixed Income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 729,142,989</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 729,142,989</b>	<b>9.8%</b>
FRS Select U.S. Stock Market Index Fund	276,324,854					276,324,854	3.7%
FRS Select U.S. Large Value Stock Fund	205,211,647					205,211,647	2.8%
QMA Mid Cap Quantitative Core Fund	280,053,917					280,053,917	3.8%
FRS Select U.S. Large Growth Stock Active Fund	102,571,260					102,571,260	1.4%
Pioneer Fund	132,192,135					132,192,135	1.8%
Fidelity Growth Company Fund	335,703,408					335,703,408	4.5%
American Beacon Small Cap Value Fund	122,938,358					122,938,358	1.7%
T. Rowe Price Small Cap Stock Fund	242,253,258					242,253,258	3.3%
Fidelity Low Priced Stock Fund	23,340,450					23,340,450	0.3%
<b>Total Domestic Equity</b>	<b>\$ 1,720,589,286</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,720,589,286</b>	<b>23.1%</b>
FRS Select Foreign Stock Index Fund		135,687,852				135,687,852	1.8%
American Funds New Perspective Fund	76,499,752	92,282,468			16,896,790	185,679,010	2.5%
American Funds Euro-Pacific Growth Fund	162,148	149,176,118	1,135,038		11,674,853	162,147,954	2.2%
<b>Total International/Global Equity</b>	<b>\$ 76,661,900</b>	<b>\$ 377,146,438</b>	<b>\$ 1,135,038</b>	<b>\$ -</b>	<b>\$ 28,571,443</b>	<b>\$ 483,514,816</b>	<b>6.5%</b>
<b>Total Portfolio</b>	<b>\$ 2,640,018,742</b>	<b>\$ 967,894,302</b>	<b>\$ 2,182,607,423</b>	<b>\$ 456,074,623</b>	<b>\$ 1,204,092,797</b>	<b>\$ 7,450,687,887</b>	<b>100.0%</b>
<b>Percent of Total</b>	<b>35.43%</b>	<b>12.99%</b>	<b>29.29%</b>	<b>6.12%</b>	<b>16.16%</b>	<b>100.0%</b>	

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## Manager Scorecard

Statistics Summary							
3 Years Ending September 30, 2012							
	Annualized Return (%)	Annualized Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio	Up Market Capture Ratio (%)	Down Market Capture Ratio (%)
FRS Investment Plan	7.73%	8.64%	0.89	0.48%	0.80	103.56%	100.83%
FRS Select Conservative Balanced Fund	4.98%	2.87%	1.71	0.27%	0.82	102.98%	98.43%
FRS Select Moderate Balanced Fund	7.42%	7.91%	0.93	0.46%	0.38	101.18%	99.75%
FRS Select Aggressive Balanced Fund	7.89%	11.22%	0.70	0.72%	0.01	100.00%	99.98%
FRS Select Yield Plus Money Market Active Fund	0.25%	0.01%	16.29	0.04%	3.03	188.95%	--
FRS Select TIPS Fund	9.37%	4.80%	1.94	0.16%	0.52	100.07%	97.80%
FRS Select U.S. Bond Enhanced Index Fund	6.36%	2.73%	2.31	0.15%	1.21	101.98%	97.62%
Pyramis Intermediate Duration Pool Fund	6.07%	2.57%	2.34	0.67%	1.09	118.21%	130.63%
FRS Select High Yield Fund	--	--	--	--	--	--	--
PIMCO Total Return Fund	7.55%	3.39%	2.21	2.75%	0.49	113.99%	75.69%
FRS Select U.S. Stock Market Index Fund	13.35%	16.30%	0.82	0.07%	1.40	100.33%	99.90%
FRS Select U.S. Large Value Stock Fund	12.07%	16.05%	0.75	1.34%	0.17	99.25%	98.50%
QMA Mid Cap Quantitative Core Fund	16.38%	19.68%	0.83	1.93%	1.06	109.60%	100.71%
FRS Select U.S. Large Growth Stock Active Fund	13.70%	16.95%	0.80	2.65%	-0.39	101.81%	106.03%
Pioneer Fund	9.89%	16.87%	0.58	2.86%	-1.16	94.62%	108.95%
Fidelity Growth Company Fund	16.79%	18.45%	0.91	4.14%	0.51	126.26%	113.52%
American Beacon Small Cap Value Fund	12.47%	21.44%	0.58	2.99%	0.25	102.14%	99.44%
T. Rowe Price Small Cap Stock Fund	17.25%	20.58%	0.84	2.35%	1.81	101.14%	90.01%
Fidelity Low Priced Stock Fund	13.64%	16.51%	0.82	5.60%	0.10	80.94%	83.21%
FRS Select Foreign Stock Index Fund	2.87%	19.30%	0.15	2.12%	0.17	101.32%	99.71%
American Funds New Perspective Fund	8.63%	16.81%	0.51	2.61%	0.44	99.50%	95.80%
American Funds Euro-Pacific Growth Fund	3.70%	19.02%	0.19	2.98%	0.20	97.61%	97.12%

The three-year performance history is not available for the FRS Select High Yield Fund. The inception date for the fund is January 2010.

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## Appendix

### Market Returns

	Third Quarter	1-Year	Annualized Periods Ending 9/30/12			
			3-Year	5-Year	10-Year	15-Year
<b>Domestic Stock Indices:</b>						
Dow Jones US Total Stock Index	6.2	30.2	13.4	1.5	8.7	5.0
S&P 500 Index	6.4	30.2	13.2	1.1	8.0	4.7
Russell 3000 Index	6.2	30.2	13.3	1.3	8.5	5.0
Russell 1000 Value Index	6.5	30.9	11.8	-0.9	8.2	5.5
Russell 1000 Growth Index	6.1	29.2	14.7	3.2	8.4	3.8
Russell MidCap Value Index	5.8	29.3	13.9	1.7	11.0	8.0
Russell MidCap Growth Index	5.3	26.7	14.7	2.5	11.1	5.8
Russell 2000 Value Index	5.7	32.6	11.7	1.3	9.7	7.1
Russell 2000 Growth Index	4.8	31.2	14.2	3.0	10.5	3.4
<b>Domestic Bond Indices:</b>						
Barclays Capital Aggregate Index	1.6	5.2	6.2	6.5	5.3	6.2
Barclays Capital Govt/Credit Index	1.7	5.7	6.5	6.6	5.4	6.2
Barclays Capital Long Govt/Credit Index	3.1	11.1	12.5	10.9	8.1	8.4
Barclays Capital 1-3 Year Govt/Credit Index	0.5	1.4	2.0	3.3	3.2	4.4
Barclays Capital U.S. MBS Index	1.1	3.7	5.0	6.4	5.2	6.0
Barclays Capital High Yield Index	4.5	19.4	12.9	9.3	11.0	7.0
Barclays Capital Universal Index	2.0	6.4	6.7	6.6	5.7	6.3
<b>Real Estate Indices:</b>						
NCREIF Property Index	2.3	11.0	10.9	2.3	8.4	9.3
NCREIF ODCE Index	2.5	10.5	11.1	-2.0	5.7	7.2
Dow Jones Real Estate Securities Index	-0.4	32.0	20.4	1.4	11.4	8.6
FTSE NAREIT US Real Estate Index	1.0	33.8	20.7	2.3	11.5	8.8
<b>Foreign/Global Stock Indices:</b>						
MSCI All Country World Index	6.8	21.0	7.2	-2.1	8.6	4.1
MSCI All Country World IMI	6.8	21.1	7.6	-1.7	9.0	4.4
MSCI All Country World ex-U.S. Index	7.4	14.5	3.2	-4.1	9.8	4.3
MSCI All Country World ex-U.S. IMI	7.5	14.4	3.5	-3.8	10.2	4.5
MSCI All Country World ex-U.S. Small Cap Index	8.5	13.4	5.9	-2.2	13.2	6.4
MSCI EAFE Index	6.9	13.8	2.1	-5.2	8.2	3.4
MSCI EAFE IMI	7.0	13.6	2.4	-4.9	8.6	3.7
MSCI EAFE Index (in local currency)	4.7	13.5	1.3	-6.2	4.9	1.7
MSCI Emerging Markets IMI	7.8	16.8	5.8	-1.1	17.0	5.9
<b>Foreign Bond Indices:</b>						
Citigroup World Gov't Bond Index	4.0	3.5	4.0	6.6	7.3	6.0
Citigroup Hedged World Gov't Bond Index	1.8	4.9	3.6	4.6	4.3	5.4
<b>Cash Equivalents:</b>						
Treasury Bills (30-Day)	0.0	0.0	0.1	0.4	1.4	2.3
Hewitt EnnisKnupp STIF Index	0.1	0.2	0.3	1.0	2.1	3.0
<b>Inflation Index:</b>						
Consumer Price Index	0.8	2.0	2.3	2.1	2.5	2.4

## Benchmark Descriptions

**Balanced Benchmarks** - A weighted average composite of the underlying components' benchmarks for each fund.

**iMoneyNet 1st Tier Institutional Net Index** - An index made up of the entire universe of money market mutual funds. The index currently represents over 1,300 funds, or approximately 99 percent of all money fund assets.

**Barclays Inflation Index** - Measures the performance of the U.S. Treasury Inflation-Protected Securities ("TIPS") market.

**Barclays Aggregate Bond Index** - A market value-weighted index consisting of government bonds, SEC-registered corporate bonds and mortgage-related and asset-backed securities with at least one year to maturity and an outstanding par value of \$250 million or greater. This index is a broad measure of the performance of the investment grade U.S. fixed income market.

**Barclays Intermediate Aggregate Bond Index** - A market value-weighted index consisting of U.S. Treasury securities, corporate bonds and mortgage-related and asset-backed securities with one to ten years to maturity and an outstanding par value of \$250 million or greater.

**Barclays U.S. High Yield Ba-2% Issuer Cap Index** - An index composed of non-investment grade corporate debt denominated in U.S. dollars. The issues have to have an outstanding par value of \$150 million or greater and at least one year of maturity remaining.

**Russell 3000 Index** - A capitalization-weighted index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

**Russell 3000 Growth Index** - Measures the performance of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

**Russell 1000 Value Index** - An index that measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower I/B/E/S growth forecasts.

**Russell 1000 Growth Index** - An index that measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher I/B/E/S growth forecasts.

## Benchmark Descriptions

**Russell 2000 Value Index** - A capitalization-weighted index representing those companies within the Russell 2000 Index with lower price-to-book ratios and lower I/B/E/S earnings growth forecasts.

**Russell 2000 Index** - An index that measures the performance of approximately 2000 small capitalization stocks.

**Russell 2500 Value Index** - A capitalization-weighted index representing those companies within the Russell 2500 Index with lower price-to-book ratios and lower I/B/E/S earnings growth forecasts.

**S&P 400 Mid-Cap Index** - A market capitalization-weighted index of stocks in all major industries in the mid-range of the U.S. stock market.

**S&P 500 Index** - A capitalization-weighted stock index consisting of 500 of the largest publicly traded U.S. stocks by capitalization.

**MSCI All Country World ex-U.S. Index** - A capitalization-weighted index consisting of 23 developed and 21 emerging countries, but excluding the U.S.

**MSCI All Country World Index** - A capitalization-weighted index of stocks representing approximately 46 developed and emerging countries, including the U.S. and Canadian markets.

**MSCI World ex-U.S. Index** - A capitalization-weighted index of stocks representing 22 developed country stock markets, including Canada and excluding the U.S. market.

## Description of Universes

**FRS Select Yield Plus Money Market Active Fund** - A money market universe calculated and provided by Morningstar.

**FRS Select TIPS Fund** - An inflation-protected bond universe calculated and provided by Morningstar.

**FRS Select U.S. Bond Enhanced Index Fund** - A long-term bond fixed income universe calculated and provided by Morningstar.

**Pyramis Intermediate Duration Pool Fund** - A broad intermediate-term fixed income universe calculated and provided by Morningstar.

**FRS Select High Yield Fund** - A high yield bond fixed income universe calculated and provided by Morningstar.

**PIMCO Total Return Fund** - A broad intermediate-term fixed income universe calculated and provided by Morningstar.

**FRS Select U.S. Stock Market Index Fund** - A large-cap blend universe calculated and provided by Morningstar.

**FRS Select U.S. Large Value Stock Fund** - A large-cap value universe calculated and provided by Morningstar.

**QMA Mid Cap Quantitative Core Fund** - A mid-cap universe calculated and provided by Morningstar.

**FRS Select U.S. Large Growth Stock Active Fund** - A large-cap growth universe calculated and provided by Morningstar.

**Pioneer Fund** - A large-cap blend universe calculated and provided by Morningstar.

**Fidelity Growth Company Fund** - A large-cap growth universe calculated and provided by Morningstar.

**American Beacon Small Cap Value Fund** - A small-cap value universe calculated and provided by Morningstar.

## Description of Universes

**T. Rowe Price Small Cap Stock Fund** - A small-cap growth universe calculated and provided by Morningstar.

**Fidelity Low Priced Stock Fund** - A mid-cap blend universe calculated and provided by Morningstar.

**FRS Select Foreign Stock Index Fund** - A foreign blend universe calculated and provided by Morningstar.

**American Funds New Perspective Fund** - A global stock universe calculated and provided by Morningstar.

**American Funds Euro-Pacific Growth Fund** - A foreign large blend universe calculated and provided by Morningstar.

# Hewitt ennisknupp

*An Aon Company*

## Lawton Chiles Endowment Fund

Third Quarter 2012

**Hewitt EnnisKnupp, Inc.**

10 South Riverside Plaza, Suite 1600

Chicago, IL 60606

phone: 1-312-715-1700

fax: 1-312-715-1952

[www.hewitennisknupp.com](http://www.hewitennisknupp.com)

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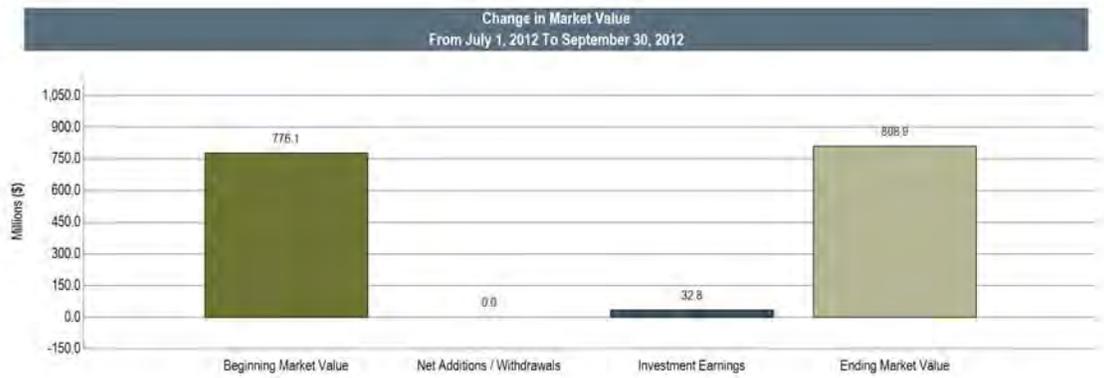
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# LCEF Total Fund

LCEF Total Fund
As of September 30, 2012
\$808.9 Million and 100.0% of Fund

## Plan Summary



Summary of Cash Flows			
Sources of Portfolio Growth		Third Quarter	Fiscal YTD*
Beginning Market Value		\$776,130,661	\$776,130,661
Net Additions/Withdrawals		--	--
Investment Earnings		\$32,796,527	\$32,796,527
Ending Market Value		\$808,927,188	\$808,927,188

\*Period July 2012 - September 2012

Plan Performance

Benchmark: Total Endowment Target



Trailing Period Performance

Ending September 30, 2012

	Market Value (\$)	% of Portfolio	Policy %	2012 Q3 (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank
<b>LCEF Total Fund</b>	<b>808,927,188</b>	<b>100.0</b>	<b>100.0</b>	<b>4.2</b>	<b>44</b>	<b>11.4</b>	<b>14</b>	<b>20.1</b>	<b>2</b>	<b>10.5</b>	<b>8</b>	<b>1.7</b>	<b>42</b>	<b>8.0</b>	<b>47</b>
<i>Total Endowment Target</i>				3.8	52	10.9	19	19.7	2	10.0	11	1.4	53	7.6	54
<b>Global Equity*</b>	<b>329,482,631</b>	<b>40.7</b>	<b>40.7</b>	<b>7.2</b>	<b>--</b>	<b>16.2</b>	<b>--</b>	<b>28.4</b>	<b>--</b>	<b>12.3</b>	<b>--</b>	<b>0.6</b>	<b>--</b>	<b>8.8</b>	<b>--</b>
<i>Global Equity Target</i>				7.1	--	15.8	--	28.0	--	11.5	--	0.3	--	8.7	--
<b>Fixed Income</b>	<b>131,902,856</b>	<b>16.3</b>	<b>16.3</b>	<b>1.8</b>	<b>77</b>	<b>4.4</b>	<b>88</b>	<b>5.5</b>	<b>89</b>	<b>6.5</b>	<b>79</b>	<b>6.5</b>	<b>69</b>	<b>5.4</b>	<b>53</b>
<i>Barclays Aggregate Bond Index</i>				1.6	92	4.0	93	5.2	90	6.2	84	6.5	68	5.3	65
<b>TIPS</b>	<b>89,584,042</b>	<b>11.1</b>	<b>11.1</b>	<b>2.3</b>	<b>--</b>	<b>6.4</b>	<b>--</b>	<b>9.4</b>	<b>--</b>	<b>9.4</b>	<b>--</b>	<b>8.4</b>	<b>--</b>	<b>7.0</b>	<b>--</b>
<i>Barclays U.S. TIPS</i>				2.1	--	6.2	--	9.1	--	9.3	--	7.9	--	6.6	--
<b>Cash Equivalents</b>	<b>257,957,536</b>	<b>31.9</b>	<b>31.9</b>	<b>0.3</b>	<b>--</b>	<b>1.2</b>	<b>--</b>	<b>1.3</b>	<b>--</b>	<b>1.4</b>	<b>--</b>	<b>1.5</b>	<b>--</b>	<b>2.3</b>	<b>--</b>
<i>S&amp;P US AAA &amp; AA Rated GIP 30D Net Yield Index</i>				0.0	--	0.1	--	0.1	--	0.2	--	0.9	--	1.9	--

Benchmark and universe descriptions are provided in the Appendix.

\*Global Equity became an asset class in September 2012 by merging both Domestic Equity and Foreign Equity asset classes. The return series prior to September 2012 is a weighted average of Domestic Equity's and Foreign Equity's historical performance.

Due to the mandated payout scheduled for June 30, 2013, Target Allocations will float at the actual month-end average balances.

Calendar Year Performance

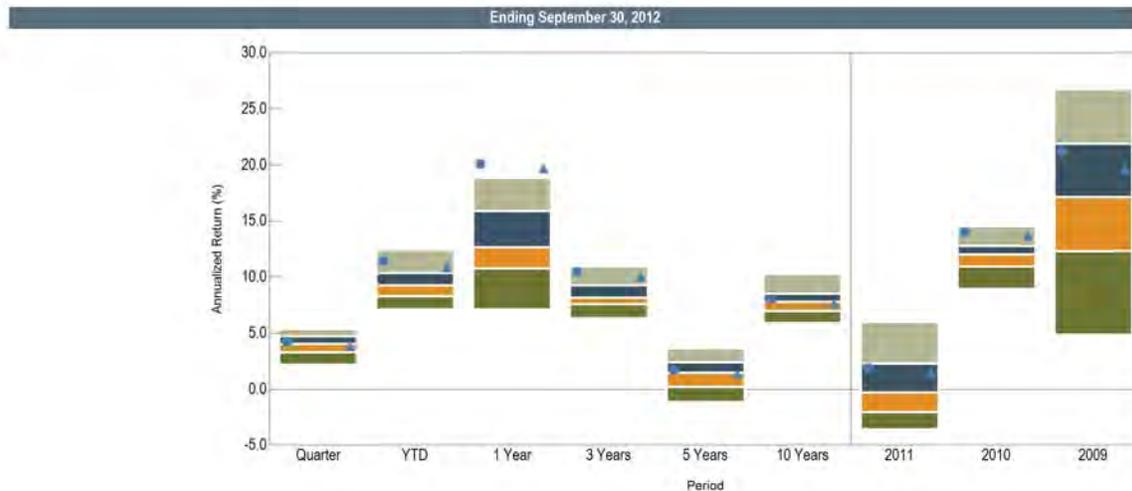
	2011 (%)	Rank	2010 (%)	Rank	2009 (%)	Rank	2008 (%)	Rank	2007 (%)	Rank	2006 (%)	Rank	2005 (%)	Rank	2004 (%)	Rank	2003 (%)	Rank	2002 (%)	Rank
<b>LCEF Total Fund</b>	<b>1.9</b>	<b>31</b>	<b>14.0</b>	<b>11</b>	<b>21.2</b>	<b>28</b>	<b>-29.2</b>	<b>74</b>	<b>6.3</b>	<b>92</b>	<b>15.0</b>	<b>40</b>	<b>7.4</b>	<b>69</b>	<b>12.0</b>	<b>54</b>	<b>25.0</b>	<b>25</b>	<b>-10.9</b>	<b>66</b>
<i>Total Endowment Target</i>	1.5	34	13.7	14	19.6	35	-28.9	74	6.5	89	14.0	52	6.7	80	12.1	51	24.9	25	-11.0	66
<b>Global Equity*</b>	<b>-1.1</b>	<b>--</b>	<b>17.0</b>	<b>--</b>	<b>30.8</b>	<b>--</b>	<b>-39.6</b>	<b>--</b>	<b>6.8</b>	<b>--</b>	<b>17.4</b>	<b>--</b>	<b>8.5</b>	<b>--</b>	<b>12.7</b>	<b>--</b>	<b>32.3</b>	<b>--</b>	<b>-20.5</b>	<b>--</b>
<i>Global Equity Target</i>	-2.2	--	16.1	--	30.5	--	-39.2	--	7.2	--	17.8	--	7.9	--	13.5	--	32.8	--	-20.6	--
<b>Fixed Income</b>	<b>7.6</b>	<b>32</b>	<b>7.0</b>	<b>73</b>	<b>4.6</b>	<b>85</b>	<b>5.8</b>	<b>14</b>	<b>7.3</b>	<b>43</b>	<b>4.4</b>	<b>35</b>	<b>2.7</b>	<b>24</b>	<b>4.4</b>	<b>69</b>	<b>4.1</b>	<b>90</b>	<b>11.0</b>	<b>2</b>
<i>Barclays Aggregate Bond Index</i>	7.8	29	6.5	75	5.9	78	5.2	20	7.0	50	4.3	37	2.4	54	4.3	70	4.1	90	10.3	6
<b>TIPS</b>	<b>13.6</b>	<b>--</b>	<b>6.1</b>	<b>--</b>	<b>13.3</b>	<b>--</b>	<b>-2.0</b>	<b>--</b>	<b>12.4</b>	<b>--</b>	<b>0.8</b>	<b>--</b>	<b>2.9</b>	<b>--</b>	<b>8.8</b>	<b>--</b>	<b>8.4</b>	<b>--</b>	<b>17.0</b>	<b>--</b>
<i>Barclays U.S. TIPS</i>	13.6	--	6.3	--	11.4	--	-2.4	--	11.6	--	0.4	--	2.8	--	8.5	--	8.4	--	16.6	--
<b>Cash Equivalents</b>	<b>0.1</b>	<b>--</b>	<b>2.0</b>	<b>--</b>	<b>2.6</b>	<b>--</b>	<b>0.5</b>	<b>--</b>	<b>5.4</b>	<b>--</b>	<b>5.2</b>	<b>--</b>	<b>3.3</b>	<b>--</b>	<b>1.4</b>	<b>--</b>	<b>1.2</b>	<b>--</b>	<b>1.7</b>	<b>--</b>
<i>S&amp;P US AAA &amp; AA Rated GIP 30D Net Yield Index</i>	0.2	--	0.3	--	0.7	--	2.3	--	4.7	--	5.1	--	3.4	--	1.4	--	1.1	--	1.7	--

\*Global Equity became an asset class in September 2012 by merging both Domestic Equity and Foreign Equity asset classes. The return series prior to September 2012 is a weighted average of Domestic Equity's and Foreign Equity's historical performance.

Universe Comparison

Benchmark: Total Endowment Target

Universe: Endowments Net

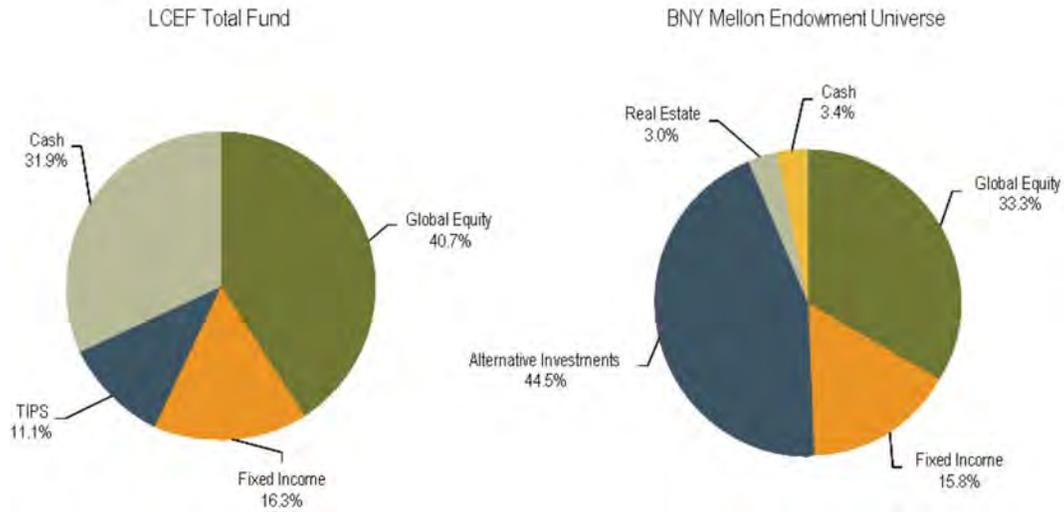


	Return (Rank)									
5th Percentile	5.3	12.4	18.8	11.0	3.6	10.2	6.0	14.5	26.8	
25th Percentile	4.8	10.4	15.9	9.3	2.4	8.5	2.3	12.8	21.9	
Median	4.1	9.3	12.7	8.2	1.5	7.8	-0.3	12.0	17.2	
75th Percentile	3.3	8.3	10.8	7.6	0.2	7.0	-2.0	11.0	12.3	
95th Percentile	2.2	7.1	7.1	6.4	-1.1	5.9	-3.6	9.0	4.9	
# of Portfolios	82	80	80	72	66	53	83	78	81	
● LCEF Total Fund	4.2 (44)	11.4 (14)	20.1 (2)	10.5 (8)	1.7 (42)	8.0 (47)	1.9 (31)	14.0 (11)	21.2 (28)	
▲ Total Endowment Target	3.8 (52)	10.9 (19)	19.7 (2)	10.0 (11)	1.4 (53)	7.6 (54)	1.5 (34)	13.7 (14)	19.6 (35)	

Universe Asset Allocation Comparison

Benchmark: Total Endowment Target

Universe: Endowments Net

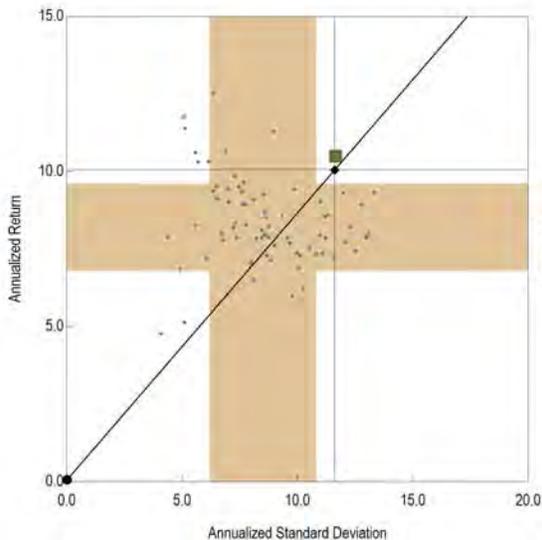


Risk Profile

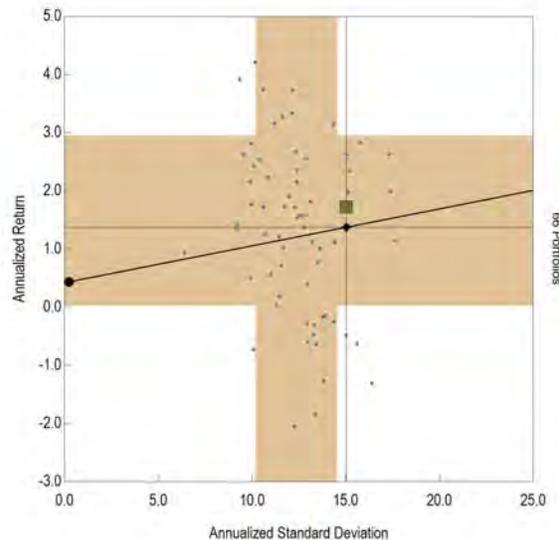
Benchmark: Total Endowment Target

Universe: Endowments Net

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending September 30, 2012



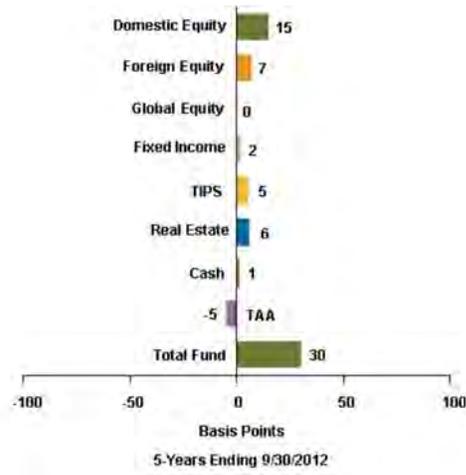
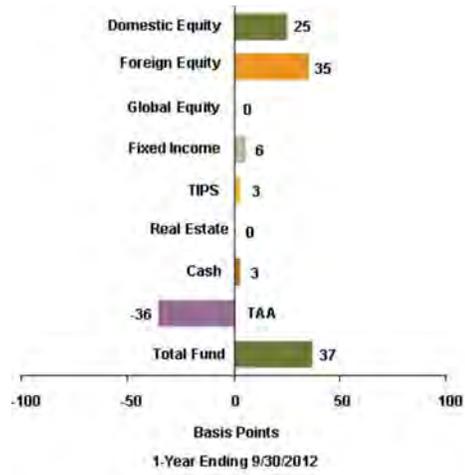
Annualized Return vs. Annualized Standard Deviation  
5 Years Ending September 30, 2012



- LCEF Total Fund
- Total Endowment Target
- Risk Free
- 68% Confidence Interval
- Endowments Net

- LCEF Total Fund
- Total Endowment Target
- Risk Free
- 68% Confidence Interval
- Endowments Net

Attribution



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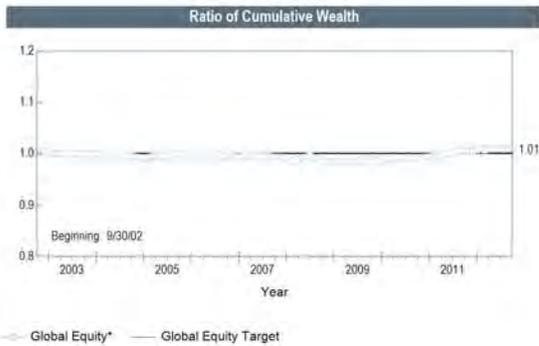


# Global Equity

Global Equity\* As of September 30, 2012 \$329.5 Million and 40.7% of Fund

## Overview

Benchmark: Global Equity Target

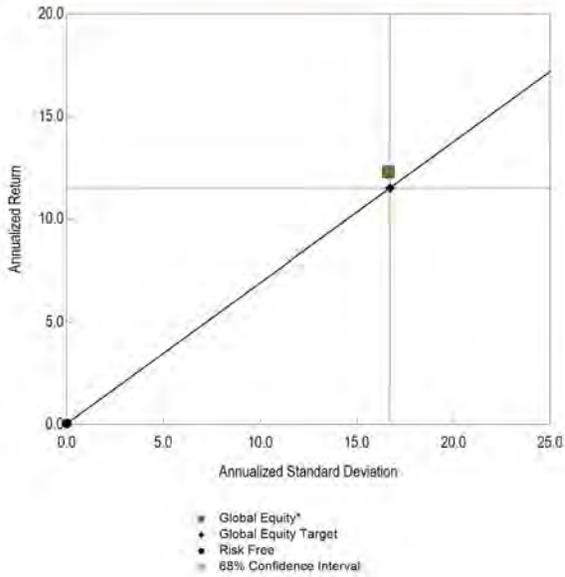


\*Global Equity became an asset class in September 2012 by merging both Domestic Equity and Foreign Equity asset classes. The return series prior to September 2012 is a weighted average of Domestic Equity's and Foreign Equity's historical performance.

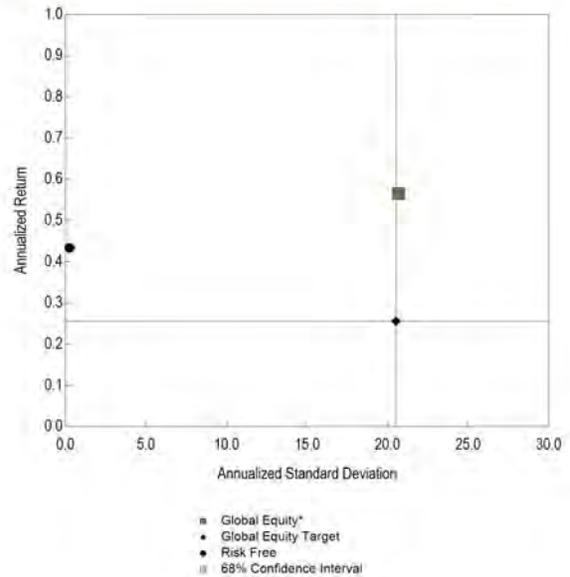
Risk Profile

Benchmark: Global Equity Target

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending September 30, 2012

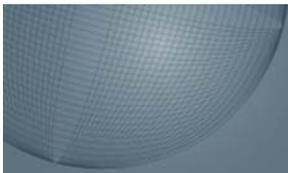


Annualized Return vs. Annualized Standard Deviation  
5 Years Ending September 30, 2012



\*Global Equity became an asset class in September 2012 by merging both Domestic Equity and Foreign Equity asset classes. The return series prior to September 2012 is a weighted average of Domestic Equity's and Foreign Equity's historical performance.

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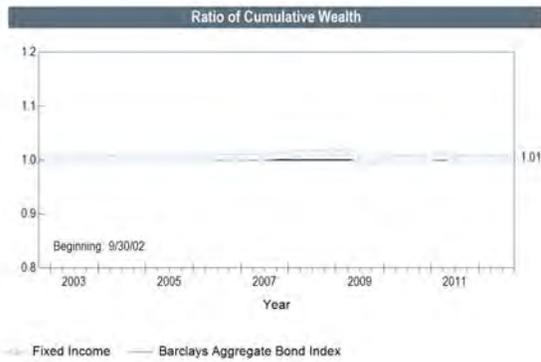
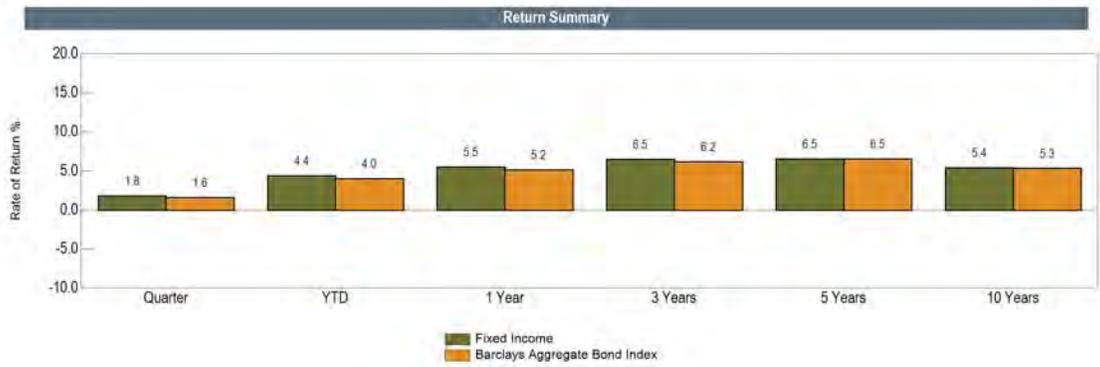


# Fixed Income

Fixed Income As of September 30, 2012 \$131.9 Million and 16.3% of Fund

## Overview

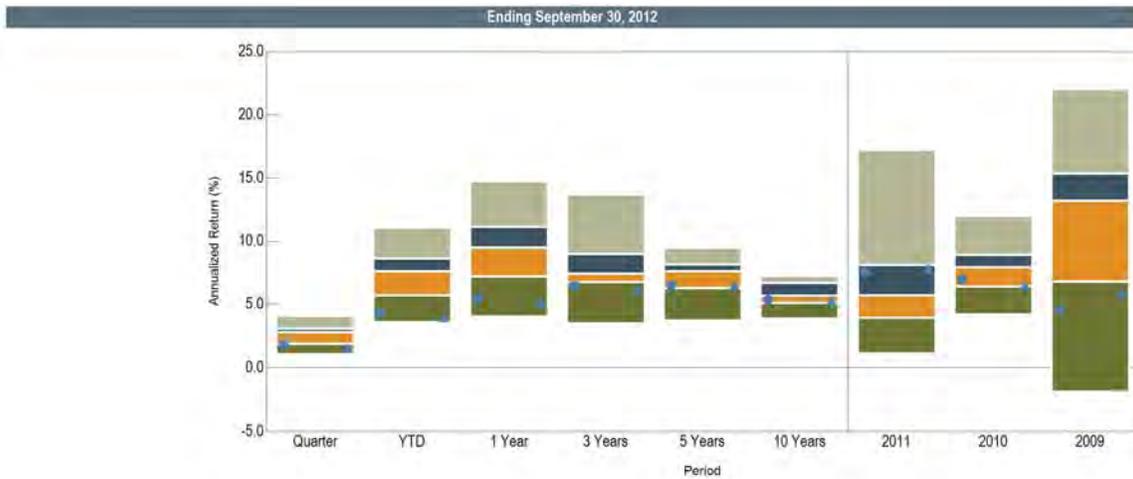
Benchmark: Barclays Aggregate Bond Index



Universe Comparison

Benchmark: Barclays Aggregate Bond Index

Universe: Endowments - US FI Net



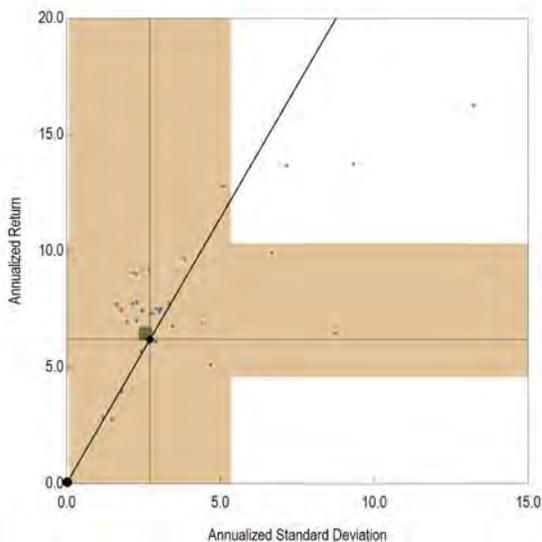
	Return (Rank)									
5th Percentile	4.1	11.0	14.7	13.7	9.5	7.2	17.2	12.0	22.0	
25th Percentile	3.1	8.6	11.2	9.0	8.2	6.7	8.1	8.9	15.4	
Median	2.8	7.6	9.5	7.5	7.6	5.7	5.7	8.0	13.2	
75th Percentile	1.9	5.7	7.2	6.8	6.3	5.2	4.0	6.4	6.8	
95th Percentile	1.1	3.6	4.1	3.5	3.8	3.9	1.2	4.2	-1.8	
# of Portfolios	53	50	49	33	28	20	49	41	46	
● Fixed Income	1.8 (77)	4.4 (88)	5.5 (89)	6.5 (79)	6.5 (69)	5.4 (53)	7.6 (32)	7.0 (73)	4.6 (85)	
▲ Barclays Aggregate Bond Index	1.6 (92)	4.0 (93)	5.2 (90)	6.2 (84)	6.5 (68)	5.3 (65)	7.8 (29)	6.5 (75)	5.9 (78)	

Risk Profile

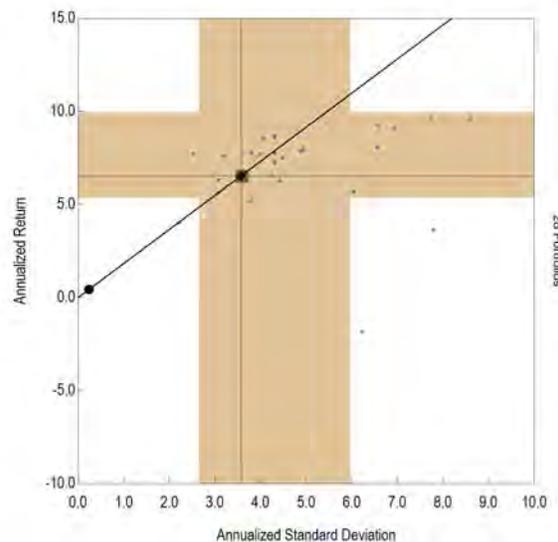
Benchmark: Barclays Aggregate Bond Index

Universe: Endowments - US FI Net

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending September 30, 2012

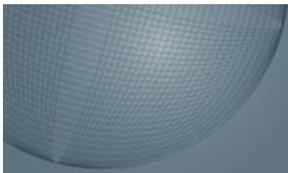


Annualized Return vs. Annualized Standard Deviation  
5 Years Ending September 30, 2012



- Fixed Income
- Barclays Aggregate Bond Index
- Risk Free
- 68% Confidence Interval
- Endowments - US FI Net

- Fixed Income
- Barclays Aggregate Bond Index
- Risk Free
- 68% Confidence Interval
- Endowments - US FI Net

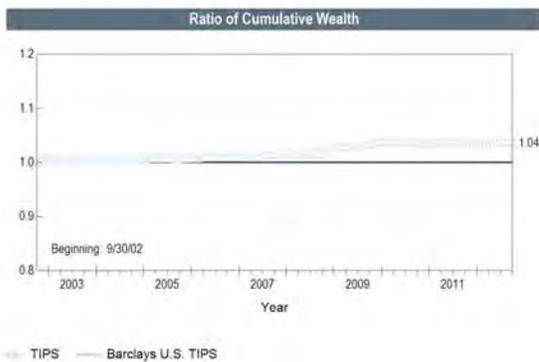


# TIPS

TIPS As of September 30, 2012 \$89.6 Million and 11.1% of Fund

## Overview

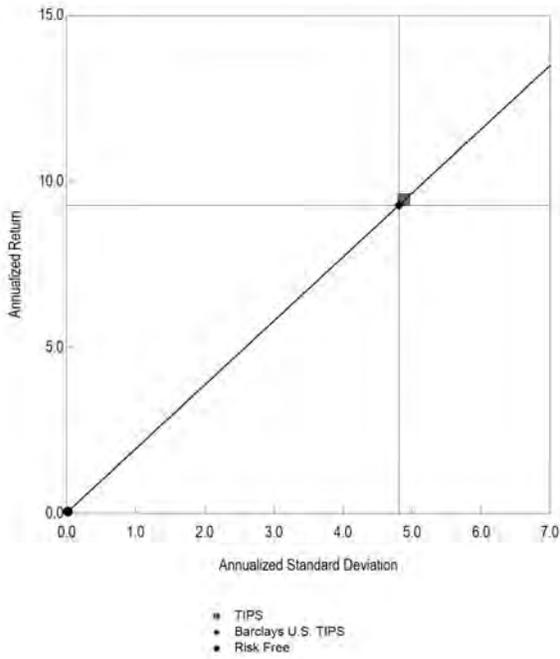
Benchmark: Barclays U.S. TIPS



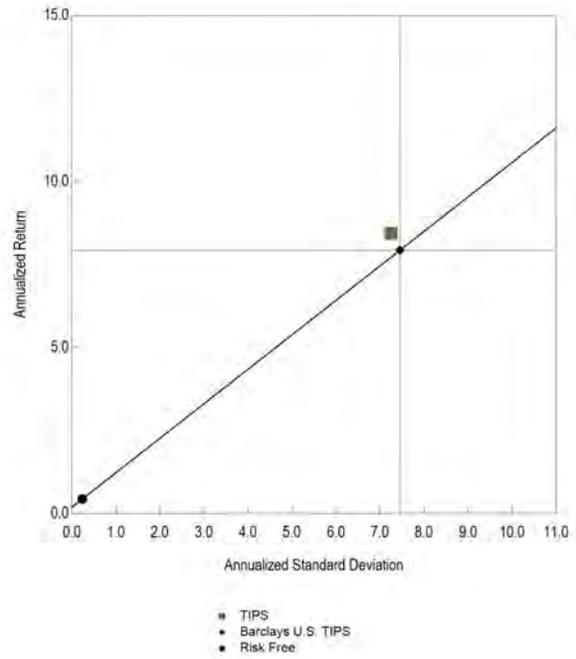
### Risk Profile

Benchmark: Barclays U.S. TIPS

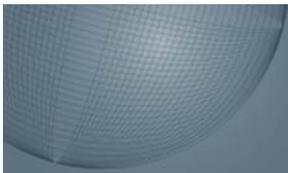
Annualized Return vs. Annualized Standard Deviation  
3 Years Ending September 30, 2012



Annualized Return vs. Annualized Standard Deviation  
5 Years Ending September 30, 2012



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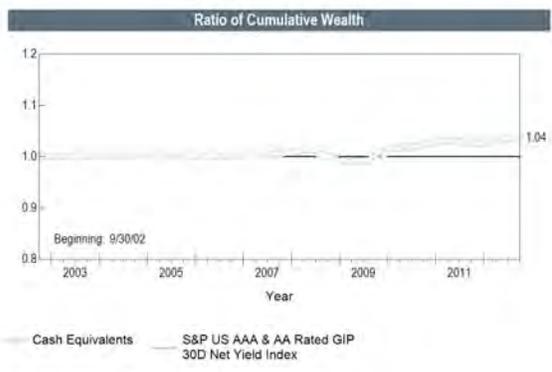


# Cash Equivalents

Cash Equivalents
As of September 30, 2012
\$258.0 Million and 31.9% of Fund

## Overview

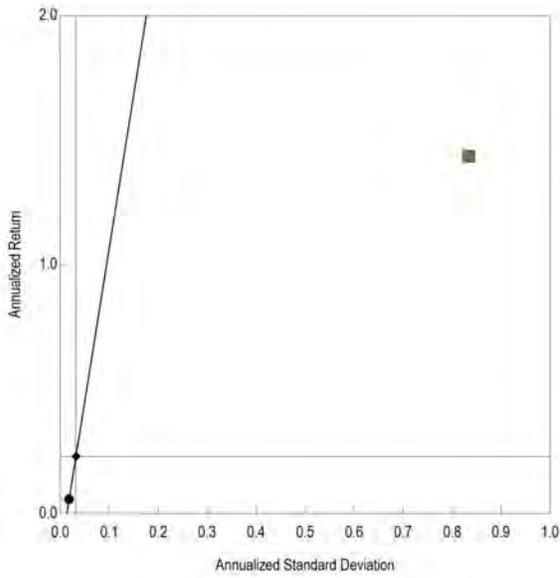
Benchmark: S&P US AAA & AA Rated GIP 30D Net Yield Index



### Risk Profile

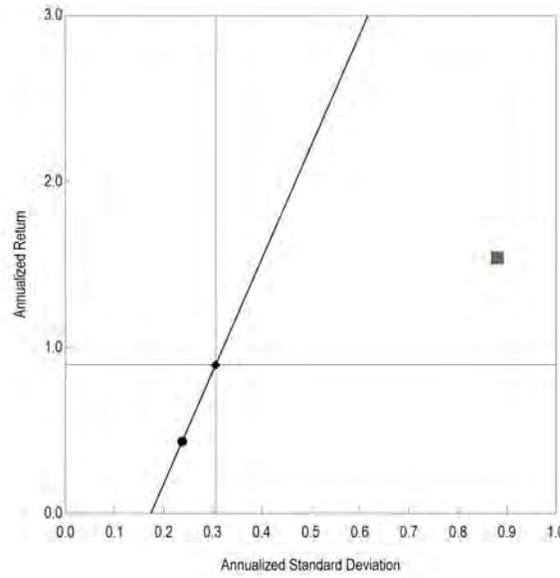
Benchmark: S&P US AAA & AA Rated GIP 30D Net Yield Index

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending September 30, 2012



- Cash Equivalents
- S&P US AAA & AA Rated GIP 30D Net Yield Index
- Risk Free

Annualized Return vs. Annualized Standard Deviation  
5 Years Ending September 30, 2012



- Cash Equivalents
- S&P US AAA & AA Rated GIP 30D Net Yield Index
- Risk Free

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## Appendix

As of September 30, 2012

### Securities Lending

#### Lawton Chiles Endowment Fund

##### LOANS

Lending Agent	Lendable Base	Market Value on Loan	% on Loan	Return (basis points)
Bank of New York Mellon	\$391,018,766	\$13,421,084	3.43%	52
<b>Total Lawton Chiles Endowment Fund</b>	<b>\$391,018,766</b>	<b>\$13,421,084</b>	<b>3.43%</b>	<b>52</b>

##### REINVESTMENT

Lending Agent	Book Value	Market Value	Unrealized Gain/(Loss)	Return (basis points)
Bank of New York Mellon	\$14,329,426	\$14,326,685	(\$2,741)	21
<b>Total Lawton Chiles Endowment Fund</b>	<b>\$14,329,426</b>	<b>\$14,326,685</b>	<b>(\$2,741)</b>	<b>21</b>

## Market Returns

	Third Quarter	1-Year	Annualized Periods Ending 9/30/12			
			3-Year	5-Year	10-Year	15-Year
<b>Domestic Stock Indices:</b>						
Dow Jones US Total Stock Index	6.2	30.2	13.4	1.5	8.7	5.0
S&P 500 Index	6.4	30.2	13.2	1.1	8.0	4.7
Russell 3000 Index	6.2	30.2	13.3	1.3	8.5	5.0
Russell 1000 Value Index	6.5	30.9	11.8	-0.9	8.2	5.5
Russell 1000 Growth Index	6.1	29.2	14.7	3.2	8.4	3.8
Russell MidCap Value Index	5.8	29.3	13.9	1.7	11.0	8.0
Russell MidCap Growth Index	5.3	26.7	14.7	2.5	11.1	5.8
Russell 2000 Value Index	5.7	32.6	11.7	1.3	9.7	7.1
Russell 2000 Growth Index	4.8	31.2	14.2	3.0	10.5	3.4
<b>Domestic Bond Indices:</b>						
Barclays Capital Aggregate Index	1.6	5.2	6.2	6.5	5.3	6.2
Barclays Capital Govt/Credit Index	1.7	5.7	6.5	6.6	5.4	6.2
Barclays Capital Long Govt/Credit Index	3.1	11.1	12.5	10.9	8.1	8.4
Barclays Capital 1-3 Year Govt/Credit Index	0.5	1.4	2.0	3.3	3.2	4.4
Barclays Capital U.S. MBS Index	1.1	3.7	5.0	6.4	5.2	6.0
Barclays Capital High Yield Index	4.5	19.4	12.9	9.3	11.0	7.0
Barclays Capital Universal Index	2.0	6.4	6.7	6.6	5.7	6.3
<b>Real Estate Indices:</b>						
NCREIF Property Index	2.3	11.0	10.9	2.3	8.4	9.3
NCREIF ODCE Index	2.5	10.5	11.1	-2.0	5.7	7.2
Dow Jones Real Estate Securities Index	-0.4	32.0	20.4	1.4	11.4	8.6
FTSE NAREIT US Real Estate Index	1.0	33.8	20.7	2.3	11.5	8.8
<b>Foreign/Global Stock Indices:</b>						
MSCI All Country World Index	6.8	21.0	7.2	-2.1	8.6	4.1
MSCI All Country World IMI	6.8	21.1	7.6	-1.7	9.0	4.4
MSCI All Country World ex-U.S. Index	7.4	14.5	3.2	-4.1	9.8	4.3
MSCI All Country World ex-U.S. IMI	7.5	14.4	3.5	-3.8	10.2	4.5
MSCI All Country World ex-U.S. Small Cap Index	8.5	13.4	5.9	-2.2	13.2	6.4
MSCI EAFE Index	6.9	13.8	2.1	-5.2	8.2	3.4
MSCI EAFE IMI	7.0	13.6	2.4	-4.9	8.6	3.7
MSCI EAFE Index (in local currency)	4.7	13.5	1.3	-6.2	4.9	1.7
MSCI Emerging Markets IMI	7.8	16.8	5.8	-1.1	17.0	5.9
<b>Foreign Bond Indices:</b>						
Citigroup World Gov't Bond Index	4.0	3.5	4.0	6.6	7.3	6.0
Citigroup Hedged World Gov't Bond Index	1.8	4.9	3.6	4.6	4.3	5.4
<b>Cash Equivalents:</b>						
Treasury Bills (30-Day)	0.0	0.0	0.1	0.4	1.4	2.3
Hewitt EnnisKnupp STIF Index	0.1	0.2	0.3	1.0	2.1	3.0
<b>Inflation Index:</b>						
Consumer Price Index	0.8	2.0	2.3	2.1	2.5	2.4

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## Benchmark Descriptions

### LCEF Total Fund

Total Endowment Target - A weighted blend of the individual asset class target benchmarks.

### Total Global Equity

MSCI ACWI IMI ex-Tobacco - From 9/1/2012 forward, a custom version of the MSCI ACWI IMI which excludes companies that derive their revenue from sales of tobacco and tobacco related products. Prior to September 2012, the benchmark is a weighted average of both Domestic Equity's and Foreign Equity's historical benchmarks.

### Total Domestic Equity

Russell 3000 Index ex-Tobacco - Prior to 9/1/2012, an index that measures the performance of the 3,000 stocks that make up the Russell 1000 and Russell 2000 Indices, while excluding tobacco companies.

### Total Foreign Equity

MSCI ACWI ex-US IMI ex-Tobacco - Prior to 9/1/2012, a capitalization-weighted index representing 44 countries, but excluding the United States. The index includes 23 developed and 21 emerging market countries, and excludes tobacco companies.

### Total Fixed Income

Barclays Aggregate Bond Index - A market value-weighted index consisting of the Barclays Credit, Government, and Mortgage-Backed Securities Indices. The Index also includes credit card, auto, and home equity loan-backed securities. This Index is the broadest available measure of the aggregate investment grade U.S. fixed income market.

### Total TIPS

Barclays U.S. TIPS - A market value-weighted index consisting of U.S. Treasury Inflation-Protected Securities with one or more years remaining until maturity with total outstanding issue size of \$500 million or more.

### Total Cash Equivalents

S&P U.S. AAA & AA Rated GIP 30-Day Net Yield Index - An unmanaged, net-of-fees, market index representative of the Local Government Investment Pool for all historical time periods. On 10/1/2011, the S&P U.S. AAA & AA Rated GIP 30-Day Net Yield Index replaced the S&P U.S. AAA & AA Rated GIP 30-Day Gross Yield Index, which was previously used, for all periods shown in the report.

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## Universe Descriptions

### **LCEF Total Fund**

A universe comprised of 82 total endowment portfolio returns, net of fees, calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised \$205.8 billion as of quarter-end and the average market value was \$2.1 billion.

### **Total Fixed Income**

A universe comprised of 53 total fixed income portfolio returns, net of fees, of endowment plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised \$22.1 billion as of quarter-end and the average market value was \$273.0 million.

## Explanation of Exhibits

**Quarterly and Cumulative Excess Performance** - The vertical axis, excess return, is a measure of fund performance less the return of the primary benchmark. The horizontal axis represents the time series. The quarterly bars represent the underlying funds' relative performance for the quarter.

**Risk-Return Graph** - The horizontal axis, annualized standard deviation, is a statistical measure of risk, or the volatility of returns. The vertical axis is the annualized rate of return. As investors generally prefer less risk to more risk and always prefer greater returns, the upper left corner of the graph is the most attractive place to be. The line on this exhibit represents the risk and return trade-offs associated with market portfolios, or index funds.

**Ratio of Cumulative Wealth Graph** - An illustration of a portfolio's cumulative, un-annualized performance relative to that of its benchmark. An upward-sloping line indicates superior fund performance versus its benchmark. Conversely, a downward-sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

**Performance Comparison - Universe Comparison** - An illustration of the distribution of returns for a particular asset class. The component's return is indicated by the circle and its performance benchmark by the triangle. The top and bottom borders represent the 5th and 95th percentiles, respectively. The solid line indicates the median while the dotted lines represent the 25th and 75th percentiles.