MEETING OF THE STATE BOARD OF ADMINISTRATION

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

SEPTEMBER 15, 2009

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

AGENDA

ITEM 1. Request approval of the minutes of September 1, 2009.

(See Attachment 1)

ACTION REQUIRED

ITEM 2. Request approval of a fiscal sufficiency of an amount not exceeding $540,000,000 State of Florida, Full Faith And Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, (Series to be Determined).

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

ACTION REQUIRED

ITEM 3. Request approval of a fiscal sufficiency of an amount not exceeding $155,100,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2009 Series (To Be Determined).

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

ACTION REQUIRED

ITEM 4. Request approval of a fiscal sufficiency of an amount not exceeding $32,000,000 State of Florida, Board of Governors, Florida International University Parking Facility Revenue Bonds, Series 2009A.

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

ACTION REQUIRED

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

A rule development workshop was offered on May 11, 2009, but the workshop was not held as it was not requested.

If the Trustees give permission to file for notice, the rule hearing will be held on October 5, 2009.

(See Attachments 5 & 5-A)

ACTION REQUIRED

ITEM 6. Request approval of the appointment of David J. Grain to the Investment Advisory Council.

Pursuant to Section 215.444(2), F.S. the members of the Council shall be appointed by the board. Mr. Grain is Chief Financial Officer Sink's appointment.

(See Attachments 6 & 6-A)

ACTION REQUIRED

ITEM 7. Request approval of the appointment of Floyd M. Yager, as actuarial representative, to the Advisory Council of the Florida Hurricane Catastrophe Fund.

Pursuant to Section 215.555(8), F.S., the State Board of Administration shall appoint a nine-member advisory council. One of the appointees must be an actuary. Members of the advisory council serve at the pleasure of the State Board of Administration.

(See Attachments 7 & 7-A)

ACTION REQUIRED

ITEM 8. SBA Governance Report.

BACKUP TO FOLLOW

DISCUSSION ITEM

MEETING OF THE STATE BOARD OF ADMINISTRATION

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

SEPTEMBER 1, 2009

MINUTES

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

Presenters:
Steve Cummings, EnnisKnupp + Associates,
Rob Konrad, Chair, Investment Advisory Council
Rob Gidel, Investment Advisory Council Member
MaryEllen Elia, Chair, Participant Local Government Advisory Council
Mayor Roger Wishner, Participant Local Government Advisory Council
Bill Sweeney, Chair, Audit Committee
Tom Beenck, General Counsel
Maureen Hazen, Deputy General Counsel
Bruce Meeks, Inspector General
Dr. Jack Nicholson, COO Florida Hurricane Catastrophe Fund

The following official actions were taken.

ITEM I. **Minutes From July 28, 2009 Meeting**
Approved without objection.

ITEM II. **Investment Performance Reports**

a. Florida Retirement System Pension Plan (DB)

Mr. Steve Cummings, EnnisKnupp + Associates, presented a performance review of the FRS Pension Plan which covered investment returns, benchmark returns, attribution analysis and peer performance comparisons for the total fund for periods ending June 30, 2009. Mr. Cummings also discussed rebalancing, funded ratio, recent market trends and the impact the markets have had on the Pension Plan and its peers.

CFO Sink asked Mr. Williams to provide a review of the Peter Cooper Village (PCV) investment and the status of the Real Estate Asset Class in general. Mr. Williams gave a short history of the PCV investment and indicated that the investment is currently held on the books at $0, as a result of the decline in the U.S. and Manhattan real estate markets. Mr. Williams further indicated that he would expect further declines in some real estate holdings over the short-term. The Trustees commented that Florida residential real estate may be an appropriate investment to consider for today's market. CFO Sink suggested that there be a discussion at the next meeting of all in-state investments.

b. Florida Retirement System Investment Plan (DC)

Mr. Cummings presented a performance review of the FRS Investment Plan which covered investment returns, benchmark returns, and peer performance and cost comparisons for the total plan and investment options for periods ending June 30, 2009. Mr. Cummings also presented statistics on asset and population growth.

c. Local Government Investment Pool (Florida PRIME) and Fund B

Mr. Cummings presented a performance review of the Local Government Investment Pool which covered investment returns, benchmark returns, cash flows, portfolio characteristics and credit quality for periods ending June 30, 2009. Mr. Cummings also presented statistics on Fund B distributions to participants through June 30, 2009.

d. Florida Hurricane Catastrophe Fund

Mr. Cummings presented a performance review of the Florida Hurricane Catastrophe Fund which covered investment returns and benchmark returns for the CAT Operating Fund and CAT 2007A Pre-Event Floating Rate Taxable Notes for periods ending June 30, 2009. Mr. Cummings discussed how recent credit market events have negatively affected one-year performance results for the CAT Operating Fund, but said that longer term (10-year and since-inception) CAT Operating Fund performance results looked good.

ITEM III. Reports

a. Investment Advisory Council (IAC)

Mr. Rob Konrad, Chair of the IAC, gave a review of the IAC oversight and guidance provided for the SBA. Mr. Rob Gidel, IAC member, gave a brief introduction of his background and experience and stated he was very confident in the SBA management, staff, and consultants.

b. Participant Local Government Advisory Council (PLGAC)

Ms. MaryEllen Elia, Chair of the PLGAC, gave the update for this Council and thanked the IAC for working with the PLGAC. She thanked Mr. Williams and Federated for the positive changes made in Florida Prime. She mentioned the shared roles of the IAC/PLGAC. Ms. Elia expressed the Florida Prime is a viable place for local governments to invest and with the safe environment and with Federated's reputation, costs and rate of return depositors should increase. Mayor Roger Wishner, member of the PLGAC, echoed Chair Elia's comments on the Florida Prime. He discussed the recent meeting of the Florida League of Cities in Orlando and the opportunity to market the Florida Prime there and at other meetings throughout Florida. He mentioned the need to reach out to CFO's in local governments across Florida.

c. Audit Committee

Mr. Bill Sweeney, Chair of the Audit Committee, recognized Malinda Miguel and Kimberly Ferrell Audit Committee members were also present. He discussed the compliance of outstanding recommendations and thanked Mr. Williams for his leadership at the SBA.

d. Update on SBA Legal Activities

Mr. Tom Beenck, General Counsel, gave a brief update on the major activities of the Office of General Counsel discussing rebuilding the Legal Team. All staff additions have solid practical and academic credentials that are relevant to the legal needs of a major public money management institution. Ms. Maureen Hazen, Deputy General Counsel, spoke on the search for securities litigation counsel. In closing, Ms. Hazen discussed the claims filed on three broker dealers: Lehman Brothers, JP Morgan, and Credit Suisse and gave a brief update on the progress of each claim.

e. Inspector General

Mr. Bruce Meeks, Inspector General, explained that he is responsible for serving as the organization's ethics officer and discussed the mandatory ethics training for all SBA employees, overseeing employees' personal investment activity compliance, conducting internal investigations. He discussed the SBA Fraud Hotline and reported no reports or tips have been received by the Hotline to date.

f. Update on Florida Hurricane Catastrophe Fund (FHCF) 2009 Capacity

Ash Williams asked the Trustees if there were any questions regarding the Florida Hurricane Catastrophe Fund's report. Governor Crist said that he had some questions for Jack Nicholson, the Chief Operating Officer of the FHCF. The Governor asked Dr. Nicholson to briefly summarize the report. Dr. Nicholson told the Trustees that the Florida Hurricane Catastrophe Fund's potential shortfall in resources had improved by about $11 billion since January of this year. He said the improvement is due largely to three key factors: (1) the legislature reduced the amount of optional coverage offered by $2 billion, (2) insurers did not select the full coverage that was available, but rather selected $5.6 billion of the potential $10 billion in limit, and (3) that there have been improvements in the financial markets that results in the FHCF being able to bond for an estimated $8 billion versus only an anticipated $3 billion last January. When asked why insurers did not select the full amount of coverage available, Dr. Nicholson said that it was due to the financial markets and insurers being aware that the FHCF may not be able to provide the full potential statutory limit of coverage. Attorney General McCollum asked Dr. Nicholson whether private reinsurance rates had gone down and, thus, the coverage was more attractive to insurers. Dr. Nicholson said that his understanding was that private reinsurance rates as of this past spring were expected to increase by about 15 percent this year, but that the markets were orderly and not at all like they were in 2006. He also indicated that the markets were evidently able to absorb around $6.4 billion of risk which apparently has been transferred back to the private market.

ITEM IV. Update on Major Initiatives and Ongoing Projects

a. FRS Pension Plan Asset/Liability and Asset Allocation Studies

While a full asset / liability study is normally done every three to five years, Mr. Williams suggested that the changes in asset values and financial markets over the past two years warrant commencing an asset liability review this year. This will be an agenda item for the September 25th IAC meeting; it is expected that the full scope of the project, starting with the asset/liability review, will also include review and potential recalibration of asset allocation targets and targets for active/ passive and internal/external asset management.

b. Enterprise Risk Management and Compliance

Mr. Williams noted that the objective in creating an enterprise risk management and independent compliance capability is to ensure that a broad view of risk is taken and that sound investment and operational decisions are made after careful consideration of all material risks. It was noted that Deloitte's analysis found:

1. SBA's existing investment operations and compliance program is in line with other similar institutions managing retirement and/or other state assets.
2. Based on an assessment of leading industry practices of Registered Investment Advisors, there are opportunities to improve existing processes, create new ones, and increase operational efficiencies, as well as strengthen SBA's overall governance.

c. Securities Lending

Mr. Williams reported that the SBA's securities lending program has earned $462 million over the last six years but that these earnings may be revised downward to $293 million as a consequence of a portion of current unrealized losses becoming realized. Based on SBA analysis and an independent review by Callan Associates, our conservative estimate is that $169 million of the $580 million currently carried as unrealized losses may ultimately become permanent and realized. We have experienced some recovery in the value of the securities related to the unrealized losses and anticipate that $411 million of the current unrealized losses will be fully recovered at maturity.

d. Strategic Investments

Effective May 1, 2007, the Trustees authorized up to 10 percent allocation in the strategic area. The objective of the asset class is to identify and utilize non-traditional and multi-asset class investments on a strategic basis to generate long-term returns in excess of a five percent annualized real rate of return, diversify the FRS Pension Plan asset, provide a potential hedge against inflation and increased investment flexibility. The asset class has both long-term and short-term performance benchmarks to reflect its unique characteristics. He discussed the consultants for the different areas and the timeline for their selection. The Multi-Sector/Hedge Fund Strategies, are in final consulting negotiations, the consultant would be able to help with hedge funds and any direct venture capital fund investments outside of fund of funds structure.

e. Florida Growth Fund

Mr. Williams discussed the progress of the Florida Growth Fund and mentioned that Hamilton Lane hired a new Vice President, Mr. Greg Baty, a two-time Stanford graduate with extensive experience as a venture capitalist, to lead the Florida-based team. Hamilton Lane plans to open offices in Ft. Lauderdale and Orlando. A number of funds have been contacted, screened and put through the due diligence process. In addition, a number of contacts have been made with individual companies and shared with Hamilton Lane.

f. Corporate Governance – Proxy Voting Guidelines

Mr. Williams discussed the importance of corporate governance to the SBA and noted SBA's historical and ongoing involvement in organizations such as the Council of Institutional Investors (CII). He informed Trustees of the preparation of a corporate governance educational presentation later in the fall. Mr. Williams also noted that the SBA's Corporate Governance Principles and Proxy Voting Guidelines would be put before the Board for approval prior to the 2010 proxy season.

g. SBA Governance

Following the SBA Trustees May 13, 2009 direction, a working group was formed. Research designed to capture governance information from a wide range of investment related organizations was gathered by the group. A draft report was given to the Trustees on September 1 and a final report is to be presented at the September 15, 2009 meeting.

The State Board of Administration's agenda was concluded.

Ashbel C. Williams
Executive Director & CIO

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE: September 2, 2009

APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING $540,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION PUBLIC EDUCATION CAPITAL OUTLAY REFUNDING BONDS, (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 $540,000,000 Public Education Capital Outlay Refunding Bonds, (series to be determined) (the "Bonds") for the purpose of refunding all or a portion of the callable 1996 Series B Bonds, 1997 Series B Bonds, 1999 Series A Refunding Bonds and 1999 Series B Refunding Bonds; 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, the Forty-seventh Supplemental Authorizing Resolution anticipated to be adopted by the State Board of Education on September 15, 2009, and a sale resolution anticipated to be adopted by the State Board of Education on September 15, 2009.

The State Board of Education has heretofore issued Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds, Series 1985 through 2009 Series A, and has sold $165,760,000 2009 Series B with an anticipated delivery date of September 17, 2009. The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $586,600,000 Public Education Capital Outlay Bonds, 2006 (series to be determined) (the “2006 Series Bonds”) at its March 11, 2008, meeting, of which $186,600,000 remains unissued. The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $200,000,000 Public Education Capital Outlay Bonds, 2008 Series (to be determined) (the “2008 Series Bonds”) at its August 12, 2008, meeting, of which $50,000,000 remains unissued. The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $250,000,000 Public Education Capital Outlay Bonds, 2007 Series E (the “2007 Series E Bonds”) at its March 10, 2009, meeting, of which $50,000,000 remains unissued. The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $185,000,000 Public Education Capital Outlay Refunding Bonds, (series to be determined) (the “2009 Series Refunding Bonds”) at its March 10, 2009 meeting. The State Board of Education of Florida has submitted a request for approval by the State Board of Administration as to fiscal sufficiency of an amount not exceeding $155,100,000 Public Education Capital Outlay Bonds, 2009 Series (to be determined) (the “2009 Series Bonds”) at its September 15, 2009, meeting. The proposed Bonds shall be junior, inferior, and subordinate to the outstanding and unpaid Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds Series 1985 through 1989-A, 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, 1993 Series A through 2009 Series A, the 2009 Series B Bonds when issued, the remaining portions of the 2006 Series, 2008 Series and 2007 Series E Bonds and the 2009 Series Refunding Bonds, if and when issued, and the 2009 Series Bonds, if and when approved and 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 $540,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION PUBLIC EDUCATION CAPITAL OUTLAY REFUNDING BONDS, (SERIES TO BE DETERMINED)

WHEREAS, the State Board of Education of Florida proposes to issue an amount not exceeding $540,000,000 Public Education Capital Outlay Refunding Bonds, (series to be determined) (the "Bonds") for the purpose of refunding all or a portion of the callable 1996 Series B Bonds, 1997 Series B Bonds, 1999 Series A Refunding Bonds and 1999 Series B Refunding Bonds; 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, the Forty-seventh Supplemental Authorizing Resolution anticipated to be adopted by the State Board of Education on September 15, 2009, and a sale resolution anticipated to be adopted by the State Board of Education on September 15, 2009; 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 2009 Series A, and has sold $165,760,000 2009 Series B with an anticipated delivery date of September 17, 2009; and,

WHEREAS, The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $586,600,000 Public Education Capital Outlay Bonds, 2006 (series to be determined) (the "2006 Series Bonds") at its March 11, 2008, meeting, of which $186,600,000 remains unissued; and,

WHEREAS, The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $200,000,000 Public Education Capital Outlay Bonds, 2008 (series to be determined) (the "2008 Series Bonds") at its August 12, 2008, meeting, of which $50,000,000 remains unissued; and,

WHEREAS, The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $250,000,000 Public Education Capital Outlay Bonds, 2007 Series E (the "2007 Series E Bonds") at its March 10, 2009, meeting, of which $50,000,000 remains unissued; and,

WHEREAS, The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $185,000,000 Public Education Capital Outlay Refunding Bonds, (series to be determined) (the “2009 Series Refunding Bonds”) at its March 10, 2009, meeting; and,

WHEREAS, The State Board of Education of Florida has submitted a request for approval by the State Board of Administration as to fiscal sufficiency of an amount not exceeding $155,100,000 Public Education Capital Outlay Bonds, 2009 Series (to be determined) (the “2009 Series Bonds”) at its September 15, 2009, meeting; and,

WHEREAS, the proposed Bonds shall be junior, inferior, and subordinate to the outstanding and unpaid Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds, Series 1985 through 1989-A, 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, 1993 Series A through 2009 Series A, the 2009 Series B Bonds when issued, the remaining portions of the 2006 Series, 2008 Series and 2007 Series E Bonds and the 2009 Series Refunding Bonds, if and when issued, and the 2009 Series Bonds, if and when approved and 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 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 State Board of Education of Florida to issue an amount not exceeding $540,000,000 Public Education Capital Outlay Refunding Bonds, (series to be determined), is hereby approved as to fiscal sufficiency pursuant to Sections 215.61 and 215.73, Florida Statutes.

ADOPTED September 15, 2009

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE: September 2, 2009

APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING $155,100,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION PUBLIC EDUCATION CAPITAL OUTLAY BONDS, 2009 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 $155,100,000 Public Education Capital Outlay Bonds, 2009 Series (to be determined) (the "Bonds") for the purpose of financing capital outlay projects for the State System of Public Education in Florida authorized by the 2009 Legislature 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, the Forty-sixth Supplemental Authorizing Resolution anticipated to be adopted by the State Board of Education on September 15, 2009, and a sale resolution anticipated to be adopted by the State Board of Education on September 15, 2009.

The State Board of Education has heretofore issued Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds, Series 1985 through 2009 Series A, and has sold $165,760,000 2009 Series B with an anticipated delivery date of September 17, 2009. The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $586,600,000 Public Education Capital Outlay Bonds, 2006 (series to be determined) (the “2006 Series Bonds”) at its March 11, 2008, meeting, of which $186,600,000 remains unissued. The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $200,000,000 Public Education Capital Outlay Bonds, 2008 Series (to be determined) (the “2008 Series Bonds”) at its August 12, 2008, meeting, of which $50,000,000 remains unissued. The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $250,000,000 Public Education Capital Outlay Bonds, 2007 Series E (the “2007 Series E Bonds”) at its March 10, 2009, meeting, of which $50,000,000 remains unissued. The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $185,000,000 Public Education Capital Outlay Refunding Bonds, (series to be determined) (the “Approved 2009 Series Refunding Bonds”) at its March 10, 2009 meeting. The State Board of Education of Florida has submitted a request for approval by the State Board of Administration as to fiscal sufficiency of an amount not exceeding $540,000,000 Public Education Capital Outlay Refunding Bonds, (series to be determined) (the “Proposed 2009 Series Refunding Bonds”) at its September 15, 2009, meeting. The proposed Bonds shall be junior, inferior, and subordinate to the outstanding and unpaid Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds Series 1985 through 1989-A, 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, 1993 Series A through 2009 Series A, the 2009 Series B Bonds when issued, the remaining portions of the 2006 Series, 2008 Series and 2007 Series E Bonds and the Approved 2009 Series Refunding Bonds, if and when issued, and the Proposed 2009 Series Refunding Bonds, if and when approved and 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 $155,100,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION PUBLIC EDUCATION CAPITAL OUTLAY BONDS, 2009 SERIES (TO BE DETERMINED)

WHEREAS, the State Board of Education of Florida proposes to issue an amount not exceeding $155,100,000 Public Education Capital Outlay Bonds, 2009 Series (to be determined) (the "Bonds") for the purpose of financing capital outlay projects for the State System of Public Education in Florida authorized by the 2009 Legislature 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, the Forty-sixth Supplemental Authorizing Resolution anticipated to be adopted by the State Board of Education on September 15, 2009, and a sale resolution anticipated to be adopted by the State Board of Education on September 15, 2009; 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 2009 Series A, and has sold $165,760,000 2009 Series B with an anticipated delivery date of September 17, 2009; and,

WHEREAS, The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $586,600,000 Public Education Capital Outlay Bonds, 2006 (series to be determined) (the "2006 Series Bonds") at its March 11, 2008, meeting, of which $186,600,000 remains unissued; and,

WHEREAS, The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $200,000,000 Public Education Capital Outlay Bonds, 2008 (series to be determined) (the "2008 Series Bonds") at its August 12, 2008, meeting, of which $50,000,000 remains unissued; and,

WHEREAS, The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $250,000,000 Public Education Capital Outlay Bonds, 2007 Series E (the "2007 Series E Bonds") at its March 10, 2009, meeting, of which $50,000,000 remains unissued; and,

WHEREAS, The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding $185,000,000 Public Education Capital Outlay Refunding Bonds, (series to be determined) (the “Approved 2009 Series Refunding Bonds”) at its March 10, 2009, meeting; and,

WHEREAS, The State Board of Education of Florida has submitted a request for approval by the State Board of Administration as to fiscal sufficiency of an amount not exceeding $540,00,000 Public Education Capital Outlay Refunding Bonds, (series to be determined) (the “Proposed 2009 Series Refunding Bonds”) at its September 15, 2009, meeting; and,

WHEREAS, the proposed Bonds shall be junior, inferior, and subordinate to the outstanding and unpaid Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds, Series 1985 through 1989-A, 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, 1993 Series A through 2009 Series A, the 2009 Series B Bonds when issued, the remaining portions of the 2006 Series, 2008 Series and 2007 Series E Bonds and the Approved 2009 Series Refunding Bonds, if and when issued, and the Proposed 2009 Series Refunding Bonds, if and when approved and 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 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 State Board of Education of Florida to issue an amount not exceeding $155,100,000 Public Education Capital Outlay Bonds, 2009 Series (to be determined), is hereby approved as to fiscal sufficiency pursuant to Sections 215.61 and 215.73, Florida Statutes.

ADOPTED September 15, 2009

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE: September 2, 2009

APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING $32,000,000 STATE OF FLORIDA, BOARD OF GOVERNORS, FLORIDA INTERNATIONAL UNIVERSITY PARKING FACILITY REVENUE BONDS, SERIES 2009A:

The Division of Bond Finance of the State Board of Administration (the "Division") has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding $32,000,000 State of Florida, Board of Governors, Florida International University Parking Facility Revenue Bonds, Series 2009A (the "Bonds"), for the purpose of financing the construction of a parking facility on the main campus of the Florida International University, funding a reserve account, and paying costs associated with the issuance and sale of the Bonds.

The Bonds will be issued pursuant to the Original Resolutions adopted by the Governor and Cabinet on February 28, 1995, amending resolution adopted on June 12, 2002 (the Second Supplemental Resolution), amending and sale resolution adopted by the Governor and Cabinet on September 10, 2002 and the Third Supplemental Resolution authorizing the Bonds which is anticipated to be adopted by the Governor and Cabinet on September 15, 2009 (collectively, the "Resolution"). The Division has heretofore issued Florida International University Parking Facility Revenue Bonds, Series 1995, Series 1999 and Series 2002 (collectively, the "Outstanding Bonds"). The Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Revenues as defined in the Resolution, with the Outstanding Bonds.

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

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

cc: Janie Knight

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION APPROVING THE FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING $32,000,000 STATE OF FLORIDA, BOARD OF GOVERNORS, FLORIDA INTERNATIONAL UNIVERSITY PARKING FACILITY REVENUE BONDS, SERIES 2009A

WHEREAS, the Division of Bond Finance of the State Board of Administration (the "Division") proposes to issue an amount not exceeding $32,000,000 State of Florida, Board of Governors, Florida International University Parking Facility Revenue Bonds, Series 2009A (the "Bonds"), for the purpose of financing the construction of a parking facility on the main campus of the Florida International University, funding a reserve account, and paying costs associated with the issuance and sale of the Bonds; and,

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

WHEREAS, the Bonds will be issued pursuant to the Original Resolutions adopted by the Governor and Cabinet on February 28, 1995, amending resolution adopted on June 12, 2002 (the Second Supplemental Resolution), amending and sale resolution adopted by the Governor and Cabinet on September 10, 2002 and the Third Supplemental Resolution authorizing the Bonds which is anticipated to be adopted by the Governor and Cabinet on September 15, 2009 (collectively, the “Resolution”); and,

WHEREAS, the Division has heretofore issued Florida International University Parking Facility Revenue Bonds, Series 1995, Series 1999 and Series 2002 (collectively, the "Outstanding Bonds"); and,

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

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

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

WHEREAS, Florida International 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 $32,000,000 State of Florida, Board of Governors, Florida International University Parking Facility Revenue Bonds, Series 2009A for the uses and purposes hereinabove set forth, is hereby approved as to fiscal sufficiency.

ADOPTED September 15, 2009

19-7.002 Investment Policy Guidelines.

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

Rulemaking Authority 218.412, FS. Law Implemented 218.405(1), (2), (3), (4), 218.409(2), 218.409(9), 218.415(17) FS. History- New ______

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

I. Purpose and Scope

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

II. Overview of the LGIP

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

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

III. Roles and Responsibilities

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

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

IV. Amortized Cost Accounting

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

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

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

V. Investment Objective

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

VI. Investment Strategies & Specific Limitations

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

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

The Investment Manager will manage interest rate risk by purchasing only short-term fixed income securities. The Investment Manager will target a dollar-weighted average maturity range for the LGIP based on its interest rate outlook. The Investment Manager will formulate its interest rate outlook by analyzing a variety of factors, such as current and expected U.S. economic growth; current and expected interest rates and inflation; and the Federal Reserve Board’s monetary policy. The Investment Manager will generally shorten the LGIP’s dollar-weighted average maturity when it expects interest rates to rise and extend the LGIP’s dollar-weighted average maturity when it expects interest rates to fall. The Investment Manager will exercise reasonable care to maintain a dollar-weighted average maturity of 60 days or less and a spread WAM of 120 days or less for the LGIP. A spread WAM is a calculation that does not permit the use of interest rate reset dates and instead only uses a security's stated (legal) final maturity date or Demand Feature to measure the WAM (Weighted Average Maturity). The remaining maturity of securities purchased by the Investment Manager shall not exceed 762 days for government floating rate notes/variable rate notes and will not exceed 397 days for other securities.

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

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

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

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

VII. Portfolio Securities and Special Transactions

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

Fixed Income Securities are securities that pay interest, dividends or distributions at a specified rate. The rate may be a fixed percentage of the principal or adjusted periodically. In addition, the issuer of a short-term fixed income security must repay the principal amount of the security, normally within a specified time. The fixed income securities in which the LGIP may invest include corporate debt securities, bank instruments, asset backed securities, U.S. Treasury securities, U.S. government agency securities, insurance contracts, municipal securities, foreign securities, mortgage backed securities, and shares of money market mutual funds. However, the LGIP is not permitted to buy such fixed income securities to the extent that they require the LGIP to be a qualified institutional buyer.

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

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

VIII. Risks Associated with the LGIP

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

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

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

Interest Rate Risks

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

Credit Risks

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

Liquidity Risks

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

Concentration Risks

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

Risks of Foreign Investing

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

Call Risks

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

Prepayment Risks

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

Risks Associated with Amortized Cost Method of Valuation

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

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

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

Stress Testing

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

Client Concentration Risk Disclosure

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

IX. Controls and Escalation Procedures

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

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

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

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

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

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

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

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

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

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

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

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

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

X. Deposits and Withdrawals

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

XI. Management Reporting

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

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

Appendix A
Additional Information Regarding LGIP's Principal Securities

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

FIXED INCOME SECURITIES

Corporate Debt Securities

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

COMMERCIAL PAPER

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

DEMAND INSTRUMENTS

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

Bank Instruments

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

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

Asset Backed Securities

Asset backed securities are payable from pools of obligations, most of which involve consumer or commercial debts. However, almost any type of fixed income assets (including other fixed income securities) may be used to create an asset backed security. Asset backed securities may take the form of commercial paper, notes or pass-through certificates.

U.S. Treasury Securities

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

Agency Securities

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

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

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

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

Insurance Contracts

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

Municipal Securities

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

Foreign Securities

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

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

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

Mortgage Backed Securities

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

Zero Coupon Securities

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

Callable Securities

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

144A Securities

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

Money Market Mutual Funds

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

SPECIAL TRANSACTIONS

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

Repurchase Agreements

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

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

Repurchase agreements are subject to credit risks.

Delayed Delivery Transactions

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

Asset Coverage

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

.

CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

ALEX SINK

August 24, 2009

David J. Grain
Grain Communications Group, Inc.
100 N. Washington Boulevard, Suite 201
Sarasota, Florida 34236

Dear Mr. Grain:

It is my pleasure to appoint you to the State Board of Administration Investment Advisory Council. The Advisory Council plays an important role in advising the Executive Director of the State Board of Administration on appropriate investment policy, strategy, and procedures. Your appointment is effective immediately, and your term expires on December 31, 2012.

I appreciate your willingness to serve on the SBA Investment Advisory Council, and I look forward to working with you.

Sincerely,

Alex Sink

Alex Sink

AS/rjg

cc: Ash Williams, State Board of Administration

David J Grain – Summary Biography

David J. Grain is the Founder, President and CEO of Grain Communications Group, Inc. ("GCGI"). GCGI's core business is to acquire, build, own and operate wireless communications tower sites specifically developed for federal and state government wireless systems throughout the United States. GCGI customers include the United States Coast Guard, Federal Bureau of Investigation, the Federal Aviation Administration, Internal Revenue Service, Drug Enforcement Agency, United States Department of Agriculture as well as several state entities. The GCGI team has collectively over 100 years of experience in the wireless tower industry. GCGI is a certified Small and Minority Business Enterprise as well as a GSA Contract Holder.

Prior to forming GCGI, Mr. Grain served as President of Global Signal Inc. (formerly NYSE listed GSL) from its emergence from bankruptcy through its operational turnaround. Global Signal was one of the largest independent wireless communications tower companies in North America with a leading presence in the Southeastern United States. Under Mr. Grain's leadership, Global Signal grew its portfolio from approximately 2,000 towers to over 11,000 communication sites in all 50 states, Canada and the UK through numerous acquisitions including the $1.202 billion agreement with the Sprint Corporation for the exclusive right to lease and/or operate more than 6,600 wireless communication towers and related assets. In January of 2007 Global Signal was acquired by Crown Castle International (NYSE - CCI) for $5.7 billion.

Prior to joining Global Signal, Mr. Grain served as Senior Vice President of AT&T Broadband's New England Region, the third-largest cable television cluster in the United States with revenues of over $1.5 billion, serving over 2 million cable television subscribers and employing a workforce of more than 6,000. Prior to leading this operation, Mr. Grain spent more than a decade in the financial services industry, most recently as a Principal at Morgan Stanley in New York where he focused primarily on telecommunications, media and technology companies.

Mr. Grain is an active member of the Business Executives for National Security (BENS), the Young President's Organization (YPO), is a founding director of, and investor in the Gateway Bank of Southwest Florida in Sarasota, Florida, and was a member of the National Finance Committee of Obama for America. In 2005, Mr. Grain was selected by Secretary of Defense Donald Rumsfeld to participate in the U.S. Joint Civilian Orientation Conference-69 (JCOC-69).

Mr. Grain earned a Bachelor of Arts degree in English from the College of the Holy Cross in 1984 and is a member of the College's Board of Trustees. Mr. Grain also earned a Masters of Business Administration degree from the Amos Tuck School of Business Administration at Dartmouth College in 1989 and is a member of the MBA Advisory Board. Mr. Grain is married and has two children.

Floyd M. Yager

1610 Birch Lane
Park Ridge, IL 60068
Home: (847) 692-6260
Work: (847) 402-4753

EDUCATION: University of Illinois at Chicago, Chicago, IL; with Honors, May 2003
Masters in Business Administration
Rose-Hulman Institute of Technology, Terre Haute, IN; Magna Cum Laude, May 1989
Bachelor of Science in Mathematics, minor in Economics
East Leyden High School, Franklin Park, IL; with Honors, June 1985

DESIGNATIONS: Fellow of the Casualty Actuarial Society
Member of the American Academy of Actuaries

WORK EXPERIENCE:

Allstate Insurance Corporation

Vice President Quantitative Research and Analytics: January 2009 - Present

Allstate Insurance Company, 2775 Sanders Road, Suite D8, Northbrook, IL 60062

Responsible for a team of approximately 90 people made up of statisticians, actuaries, researchers, mathematicians and other quantitative talent. Accountabilities include: building and analyzing data sets to create new pricing algorithms, increasing our understanding of the economics of insurance, and solving internal business problems. Additional accountabilities are competitive analysis and the development of tools for such work, and catastrophe modeling.

State Manager and Assistant Vice President – Product Operations: May 2006 – January, 2009

Responsible for product development, pricing, and underwriting for all personal lines business in the state of California. Approximately $2.7 billion in premium. Work with Regional staff, including marketing and distribution to design and effectively implement strategies for growth and profit. Work closely with internal legal department and CA Department of Insurance to manage regulatory environment.

Assistant Field Vice President Midwest Region: January 2005 – May 2006

Allstate Insurance Company, 2150 E. Lake Cook Road, RW-12, Buffalo Grove, IL 60089

Manage day-to-day internal operations for Midwest Region of Allstate Insurance Company. Region includes states of Illinois, Minnesota, and Wisconsin and approximately $2 billion of revenue, 2 Million policies in force, over 850,000 household, nearly 900 exclusive agent, and 150 employees. Responsible for growth and profit of the regional operation, including decisions on pricing, underwriting, and marketing.

Assistant Vice President Research and Development: August 2004 – January 2005
Senior Actuary: March 1998 – August 2004

Allstate Insurance Company, 2775 Sanders Road, Suite D8, Northbrook, IL 60062

August 2001 – January 2005: Product Operations Research and Development – Led staff of 60 to 100 people. Work to apply actuarial and mathematical techniques to help solve internal business problems. Work included decision support, rating plan design, claims data mining, marketing research, economic modeling, and strategy development. Provide expert actuarial support to the Allstate organization. Major initiatives include development of Strategic Risk Management IV for Auto, Property SRM III, and Your Choice Auto.

May 2000 – August 2001: Director, Personal Lines Pricing – Led Pricing staff of 18 on a multi-functional team within Allstate that is responsible for Auto (standard and non-standard) and Homeowners business for 15 states including California. Provide expert actuarial support to team. Work with Regional offices on design and strategies for pricing, underwriting, product design, and marketing. Work with various departments throughout the company. Responsible for training and development of staff.

Independent Agency Markets Division, CNA Personal Insurance/Deerbrook Insurance Company, 120 S. Riverside Plaza, Chicago, IL 60606

November 1999 – May 2000: Director, Auto Product Development and R&D
Responsible for new rating plan design, segmentation work, actuarial and business research for the Independent Agency Division of Allstate, including Deerbrook and CNA Personal Lines. Work with the regional staff and product managers. Supervise and train staff on tools and techniques for data and actuarial analysis. Also responsible for development of best practices for auto ratemaking for Deerbrook and CNA Personal Lines.

Deerbrook Insurance Company, 51 W. Higgins Road, Suite V2B, South Barrington, IL 60010

March 1999 – November 1999: Director, Personal Line Pricing and Research
Led Pricing staff of 10 people in implementing rate changes for Deerbrook Insurance Company. Work with product managers, finance, underwriting, legal and others to implement strategies to grow and improve the profitability of this start up company. Work with Research Center to develop new rating plans including rating tiers. Work to develop best practices for reserving for a startup company, overall rate level indications, and territorial ratemaking.

Allstate Insurance Company, Home Office, Pricing Department, Northbrook, Illinois 60062

May 1998 – March 1999: Director Personal Lines Auto State Pricing Team
Led personal lines pricing unit of 6 people for private passenger auto in 13 states including New York and Pennsylvania. Responsible for providing expert actuarial support for the corporation with respect to the states within my pricing team. Work with a variety of areas including: Regional staffs to reach agreement on pricing issues, and Legal, Underwriting, and Marketing to design coordinated strategies for each market. Assist in the design and implementation of strategies to increase the competitiveness and profitability.

October 1997 - May 1998: Director of Personal Lines Automobile Actuarial Research
Led a team of 9 actuarial students in devising and supporting strategies for personal auto pricing. Support auto state pricing, underwriting, legal, and marketing. Use data access tools on the PC and mainframe to perform analyses and evaluate alternatives. Also serve as in a consultant role on more unique projects, such as CA auto rate filings and providing information for use with various legislative initiatives.

<u>Associate Actuary:</u> September 1995 - March 1998
<u>Assistant Actuary:</u> December 1994 - September 1995

November 1996 - October 1997: Manager Personal Lines Training and Education Team
Directly manage 3 coaches who are responsible for training and development of 12 to 20 new actuarial students and interns. Provide more advanced actuarial training for entire department. In addition, served in unique role as internal consultant to personal lines actuarial department. Provide assistance on unique projects, provide insight and advice on more difficult issues, help devise and implement strategic pricing initiatives, evaluate and advise on legislation and regulations, including California auto rate filings including the "02" regulation filing and implementation of the California Earthquake Authority.

July 1996 - November 1996: Manager Personal Lines Property Pricing Team
Led pricing unit of 6 people for homeowners and seven other property lines for 9 states including California and Texas.

December 1994 - July 1996: Manager Personal Lines Pricing Team
Led pricing unit of 12 people responsible for personal lines pricing, auto and property, for 13 states including California.

Allstate Research and Planning Center, Menlo Park, CA 94025

Senior Actuarial Assistant: August 1993 - December 1994

Two year rotational assignment in Actuarial Research Department. Use actuarial database to analyze, evaluate, and develop rating plans and strategies to implement. Exposure to higher level actuarial topics. Exposure to wider variety of personal lines including property, auto, and nonstandard auto.

Home Office, Auto Pricing Department, Northbrook, Illinois 60062

Senior Actuarial Assistant: September 1991 - August 1993
Actuarial Assistant: March 1991 - September 1991
Senior Actuarial Analyst: September 1990 - March 1991
Actuarial Analyst: June 1989 - September 1990

Worked in pricing department for personal auto lines; implemented personal auto rate changes, prepared exhibits for regional offices and insurance departments, prepared prior approval and flex rate revision for the state of New Jersey. Assist Senior Actuary with legislative reforms and rate hearing in the state of New Jersey. Implement auto rate changes. Led to managing workload for pricing of private passenger auto business for a unit consisting of 13 states and supervised a staff of 4 people.

Rose-Hulman Institute of Technology, Terre Haute, IN 47803

Resident Assistant: August 1988 - June 1989; August 1987- June 1988
Mathematics Department Grader: August 1988 - June 1989; August 1987 - June 1988; August 1986 - June 1987

National Security Agency, Fort Meade, Maryland.

Mathematics Intern: June 1988 - August 1988

Performed analysis of computer and mathematical algorithms using techniques of algebra, probability, statistics, and combinatorics; FORTRAN programming.

REFERENCES: Available upon request

Additional Information:

Member of the Board of Trustees for the Allendale Association in Lake Villa, Illinois – 2006 through present. Member of the Development Committee.

Board of Directors of Insurance Institute for Highway Safety – 2009 through present.

Board of Directors of Highway Loss Data Institute – 2009 through present.

Awards and Honors:

Sousley Award from Rose-Hulman as top graduating Mathematics Student in 1989
Member of Blue Key National Honor Society
Founding Member of Iota Delta Chapter of Pi Kappa Alpha Fraternity at Rose-Hulman

New Employee of the Year in Auto Pricing Department of Allstate in 1989
Employee of the Year in Auto Pricing Department of Allstate in 1990
Allstate "Good Hands" Award for Outstanding Community Service in 1991

Jess Lucas Alumni Leadership Award from Rose-Hulman Institute of Technology in 2006.

Rose-Hulman Institute of Technology Career Achievement Award, 2009.

Provisional Patent Application with U.S. Patent Office for *Systems and Methods for Customizing Insurance*, provisional patent application number 60/629,318, filed November 19, 2004.

Utility Patent Application with U.S. Patent Office for *Systems and Methods for Customizing Insurance*, filed November 10, 2005.

2003 Industrial Grand Challenge Award from the National Center for Super Computing Applications as the University of Illinois – Champaign/Urbana

Panelist for the session on "Credibility: Practical Applications" presented at the Casualty Actuarial Society Ratemaking Seminar held in Chicago in March, 1998.

Moderator and Panelist for the session on "Credibility: Practical Applications" presented at the Casualty Actuarial Society Ratemaking Seminar held in Nashville, TN in March, 1999

Casualty Actuarial Society Exam Committee Member: 1997 – 2006

Vice-Chairman of Part 5 Exam Committee: July 1999 – August 2000
Chairman of Part 5 Exam Committee: August 2000 – August 2002
General Officer for Spring Exams: September 2002 – September 2006

Casualty Actuarial Society Continuing Education Committee Member: 1997 – 2001

Chairman of Year 2000 Discussion Paper Program
Chairman of Year 2001 Discussion Paper Program

Facilitator CAS Course on Professionalism: June, 1997

Florida Hurricane Catastrophe Fund Advisory Council Members

Name	Representing	Recommended By
John Auer Appointed June, 2002	**Insurers**	**CFO**
M. Campbell Cawood Appointed November, 2008	**Consumers**	**Governor**
Judith Curry Appointed May, 2009	**Meteorologist**	**Governor**
Jim Henderson, Chair Appointed February, 2001	**Agents**	**CFO**
William Huffcut Appointed January, 1995	**Consumers**	**Attorney General**
Robert Peduto Appointed February, 1994	**Reinsurers**	**Governor**
Joseph Varon Appointed March, 1995	**Engineer**	**Attorney General**
David Walker, Vice-Chair Appointed September, 2007	**Consumers**	**CFO**
Vacant	**Actuary**	**Attorney General**

Updated 5/2009

2009

Governance Research Project

State Board of Administration
Board of Trustees

September 8, 2009

Introduction

On May 13, 2009, the Board of Trustees of the State Board of Administration (SBA) voted unanimously to name an independent working group to study industry best practices and governance structures of other public pension funds. The working group was comprised of staff from each of the three Trustee offices and staff from the SBA. Following their initial meeting, it was determined that the working group would compile and present factual information for the Trustees to use to determine if Board actions or recommendations to the Legislature were needed to improve the governance structure of the SBA.

Methodology

The working group focused on three key categories for gathering information in order to outline best governance practices in the industry. First, the group gathered empirical information comparing general pension fund characteristics including governance structure of fifteen other public pension funds that were identified based on assets under management (AUM), location, structure and other characteristics that the members of the working group thought might add value to the study. The second portion of the study involved personal interviews with private sector investment professionals, including CIOs and trustees of endowments and foundations, CEOs of asset management firms, investment consultants and fiduciary counsel. An interview was also conducted with the CEO of an executive recruiting firm that specializes in public sector financial sector talent. The last part of the study involved personal interviews with selected trustees of the public pensions that were identified in the first portion of the study. In conducting the personal interviews, the purpose was not to get specific individual's thoughts on the governance structures of any individual investment organization, but rather to see if any over-arching or uniform themes emerged from those conversations. All individuals interviewed were informed of Florida's public records law prior to each conversation.

What is Fund Governance?

The governance structure of a pension fund is the basic arrangement of the leadership of the fund. There can be as many different types of structures as there are pension funds. These structures can include a board of directors or trustees, an executive director, committees and advisory groups. When an organization manages or invests assets for the benefit of another, there is a legal obligation, or fiduciary duty, to make decisions that are in the best economic interest of the beneficiaries or owners of those assets.

The purpose of the structure should be to provide effective oversight and accountability. Fund governance best practices can provide greater transparency to the governance of institutional investors. Additionally, these best practices can help fund trustees and other fund fiduciaries fulfill their responsibility to act solely on behalf of the fund's beneficiaries. Specifically, they can execute their duties by avoiding policies motivated by personal, political, social, or other alternative rationales that are inconsistent with the savings and benefit provision objectives whose purpose is the heart of the fund's existence.

It is clear that given the variety of institutional investors and the legal regimes that created them there can be no one universal solution to the issues facing fund governance. Any set of best practices must be flexible and adaptable to the unique characteristics of each fund.

Current Structure of the State Board of Administration

The State Board of Administration is a constitutionally created agency that is comprised of the Governor as chair, the Chief Financial Officer, and the Attorney General.[1] Florida Statutes further outline the roles and responsibilities of the Trustees and the SBA.[2] The Trustees delegate authority to the Executive Director, who serves at the discretion of the Trustees and is responsible for managing and directing all administrative, personnel, budgeting, investment policy and investment functions.

---

[1] Article IV, Section 4, Fla. Const.
[2] Section 121.215, F. S.

The Trustees have three main advisory groups: the Investment Advisory Council (IAC), Participant Local Government Advisory Council (PLGAC) and the Audit Committee. The IAC is created by Florida Statutes to review the investments made by the staff of the SBA and to make recommendations to the trustees regarding investment policy, strategy, and procedures. The members of the council are appointed by the Trustees, with each Trustee selecting two members for a total of six members, each of whom are subject to confirmation by the Senate. The council members must possess special knowledge, experience, and familiarity with financial investments and portfolio management.[3]

The PLGAC was created by the Florida Legislature in 2008 to fulfill a role similar to that of the IAC, but focusing on matters relating to the administration of the Local Government Investment Pool (currently known as Florida PRIME). Like the IAC, the members of the PLGAC are appointed by the Trustees, with each Trustee selecting two members, for a total of six members, subject to confirmation by the Senate.[4] Members must possess special knowledge and experience. They also must have a familiarity with the fund that is obtained through active participation in the fund.

The third advisory group is the Audit Committee, which is responsible for assisting the Trustees in fulfilling its oversight responsibilities in the area of financial reporting, internal controls and risks assessment, audit processes, and compliance with laws, rules and regulations. The Committee is comprised of three members, one appointed by each Trustee; each of whom serves a four-year-term. The Audit Committee members must be independent and without conflicts that would interfere with their judgment. The committee members also must have an understanding of basic finance and accounting practices and must have professional expertise in institutional investing.[5]

I. General Public Pension Fund Characteristics

The SBA Fund Governance report includes comparison tables of pension system governance characteristics. The Florida SBA ranks as the fourth largest public pension fund in the country; therefore, the working group determined that the data point of assets under management (AUM) would be a good starting point to determine which public pension funds to include in the peer group. Using this criteria, the group created a list of ten funds: California Public Employees' Retirement System (CalPERS), New York State Common, California State Teachers' Retirement System (CalSTRS), Florida SBA, NY State Teachers (NYSTRS), Teacher Retirement System of Texas (TRS), New Jersey,

[3] Section 215.444, F. S.
[4] Section 218.409(10), F.S.
[5] State Board of Administration, "Audit Committee Charter." Revised August 2007.

North Carolina Investment Mgmt Division, Wisconsin (SWIB), and New York City (NYCERS). Five more were added because the governance structures of those funds could add value to the study. These include Virginia, Georgia Teachers, Colorado Public Employees' Retirement Association (ColoradoPERA), Connecticut and Missouri (MOSERS).

Board Composition: Florida's primary Board is smaller than most other pension system's governing bodies, with only three members. The size of the board varies widely across funds, from sole trustees in North Carolina, Connecticut and New York, to ColoradoPERA which had sixteen primary board members. The majority of the plans studied have more than ten members. Unlike Florida, a majority of the public pension funds in this study do not have external investment advisory committees; Florida's IAC and PLGAC are comprised of six members each (12 total). Similarly, only Florida and one other plan, Virginia, have separate audit committees. Florida has a three member audit committee.

Pension Investment vs. Other Mandates: Florida is similar to the other plans analyzed as they have other investment mandates than just the pension plan. Of the fifteen plans in this study, four- NY State Teachers, Virginia, Georgia Teachers and MOSERS- have only a pension mandate. The SBA has thirty-six separate mandates, the largest being the Florida Retirement System Defined Benefits. Florida is among a minority of states in the survey who separate pension investment responsibilities from pension benefit administration responsibilities.

Selection of Investment Managers: In Florida, the primary board does not select the investment managers. In five of the surveyed pension plans, the primary board does select the investment managers with one of those five depending on the type of mandate and scope.

Budget Approval: The Florida SBA's budget is approved by the primary board. Nine other plans in the survey have their budget approved by the primary board. The other six are approved by a variety of entities including the state legislatures.

Creation of Governance Structure: Most of the fifteen pension plans have statutory created primary boards. Florida's primary board is created by constitution as are the California plans, TexasTRS and ColoradoPERA.

Meeting Frequency: The frequency of meetings for the pension plans surveyed varies tremendously from bimonthly meetings to no public meetings. SBA meets bimonthly as needed with the Florida Cabinet, but recently has also initiated quarterly board meetings.

II. Personal Interview with Private Sector

Per the direction of the SBA Governance working group, the Executive Director of the SBA conducted personal interviews with a variety of respected, experienced professionals who are knowledgeable of best practices in the pension fund and endowment and foundation sides of the institutional investor community. The goal of these interviews was to identify governance practices related to institutional investment success.

These individuals included chief investment officers or investment committee members of major endowments and foundations; principals of leading investment consulting firms; fiduciary partners of major law firms and chief executive officers of investment advisory or executive recruitment firms.

A summary of themes displayed in those interviews:

- Governance structure in itself is not a primary determinate of success; it is people and execution that matter most;
- Board focus should be high level policy with operations delegated to professional staff;
- Investment policy should clearly define roles of trustees and staff;
- Board appoints and sets compensation for an executive who hires staff; staff is responsible for managing day-to-day operations;
- Training is beneficial for Trustees and advisory board members (including fiduciary and investment training);
- Outside commercial audits are preferable and provide a better perception of soundness and transparency;
- Ideal size for investment or investment advisory committee is four to eight members;
- Meeting frequency of primary board of quarterly or less is adequate;
- Preserving institutional memory is important for long term success; and

The investment process must be kept independent and merit driven, while adhering to prudence and loyalty requirements.

III. Personal Interviews by SBA Trustees' Staff

The SBA Governance Working Group surveyed a group of trustees who serve on state pension fund boards from across the country and investment consultants. In an effort to collect best practices from those who serve in positions similar to those of the Florida SBA Trustees, the Working Group asked the selected interviewees the following three questions: First, whether in the their views, there is a "best practice" for fund governance and how best to achieve that practice; secondly, whether they had any comments with regard to fund governance reforms that they would like to see other pension systems adopt based on their own experiences; and lastly, which things their board has had success with in terms of governance issues that they would like to share with others in similar governing positions.

A summary of themes displayed in those interviews:

- There should be more than three trustees on a board for more diverse and effective governance; a sole trustee model is not a good model;

- A committee structure is a good way to allow a larger board to better allocate responsibility and use the expertise of the board members when confronting board issues;

- It is helpful to have board members who have investment experience;

- It is a good practice to manage funds both internally and externally;

- It is useful to contract with external consultants, advisors, counsel, and auditors; and

- It balances the board if elected representatives of the pension fund participants are members of the board so that the membership remains informed, and the people invested in it have a say in the management of the fund.

APPENDIX I

Public Pension Plans - Governance Features

Plan	Pension Only Mandate?	Benefit Admin?	Non-Pension Mandates?	Manages LGIP?	Primary Board Selects Investment Managers?	Who Approves Budget?	Primary Board; Advisory, Audit	Statute Constitutional Rule	Legal Citation	Size/Meeting Frequency
CalPERS	No	Yes	Yes (Health/457)	No	Yes, but level of staff discretion varies depending on type of mandate and scope.	Board (Governor has applied furlough action to PERS staff)	Primary - Yes Advisory - No Audit - No	Primary - Constitutional & Statutory	Title 2, Division 5, Parts 3 through 8, Sections 20000 through 22970.89. Proposition 162 was an amendment to the State Constitution in 1991, amending Article XVI, Section 17 of the California Constitution (strengthened authority of Board to oversee the Pension fund).	Primary - 13 - Monthly (10 mtgs) Health Committee (6) - Monthly Invest. Committee (13) - Monthly Subcommittees - Various - Bimonthly
CalSTRS	No	Yes	Yes (403b & 457)	No	No, but large transactions may require Board approval.	Board (Governor has applied furlough action to STRS staff)	Primary - Yes Advisory - No Audit - No	Primary - Statutory	Parts 13, 13.5, and and 14 of Division 1 of the California Education Code. The rules and regulations of the Teachers' Retirement Board, are in the California Code of Regulations	Primary - 12 - Bi-Monthly Subcommittees - Various
NY State Common	No	Yes	Yes (College)	Yes	No	State Division of Budget	Primary - Yes Advisory - Yes Audit - No	Primary - Statutory Advisory - Statutory	Section 235 of State Banking Law; Section 13, 313 and 177 of the State Retirement Social Security Law (RSSL).	Primary - 1 - No Public Meetings Investment Advisory Council- 21 - 6x year Real Estate Advisory - 11 - Quarterly Actuarial - 5 - Annual
Florida SBA	**No**	**No**	**Yes**	**Yes**	**No**	**Board**	**Primary - Yes** **Advisory - Yes** **Audit - Yes**	**Primary - Constitutional** **Advisory - Statutory** **Audit - Policy**	**Article IV, Section 4, Florida Constitution** **Chapter 121, 215 F.S.**	**Primary - 3 - Monthly** **Advisory - 6 - Quarterly** **Audit - 3 - Quarterly (or more)**
NY State Teachers (NYSTRS)	Yes	Yes	No	No	Yes	Board	Primary - Yes Advisory - No Audit - No	Primary - Statutory	Article 11 of Education Law	Primary - 10 - Quarterly Subcommittees (Various)
TexasTRS	No	Yes	Yes (Health)	No	No	Board	Primary - Yes Advisory - No Audit - No	Primary - Constitutional & Statutory	Article 16, Section 67; Title 8 of Texas Government Code, Chapter 802-806/821-825; Constitution requires Boards for all RS in State, and Legislature has authority to prescribe how Board functions.	Primary - 9 - Frequency unknown
New Jersey	No	Yes	Yes (Health)	No	No	Legislature	Primary - Yes Advisory - No Audit - No	Primary - Statutory	Statute 52:18A-83	Primary - 9 - Monthly
NC Investment Mgmt Division	No	No	Yes (STIF, 457)	No	Yes	Legislature	Primary - Yes Advisory - Yes Audit - No	Primary - Statutory Advisory - Statutory	147-69.21 NC Statute	Primary - 1 - Quarterly Investment Advisory Committee - 5 - Quarterly
Wisconsin (SWIB)	No	No	Yes (ETI)	Yes	No	Legislature	Primary - Yes Advisory - No Audit - No	Primary - Statutory	25.01 Chapter 25 of Wisconsin Law	Primary - 9 - Monthly
New York City (NYCERS)	No	Yes	Yes (Health)	No	No	Board	Primary - Yes Advisory - No Audit - No	Primary - Statutory	Established by an act of the NY State Legislature under Chapter 427 of the laws of 1920; statutes are contained in the NY State Retirement and Social Security Law (RSSL) articles 11, 14, and 15, and the New York City Administrative Code (Title 13, Chapter 1, §13-101-13-196).	Primary - 11 - Frequency unknown
Virginia	Yes	Yes	No	No	No	Board	Primary - Yes Advisory - Yes Audit - Yes	Primary - Virginia Code Advisory - Code of Virginia Audit - Board Charter	Section 51.1-124.20 of the Code of Virginia	Primary - 9 - 8 to 10 annually Audit - 3 - 6 to 8 times annually. Advisory - 7 - Quarterly
Georgia Teachers	Yes	No	No	No	Yes	Joint Mgmt Committee	Primary - Yes Advisory - No Audit - No	Primary - Statutory	Code Section 24	Primary - 10 - Bimonthly Investment Subcommittee - 6 - Monthly Audit Subcommittee - 4 - Varies
ColoradoPERA	No	Yes	Yes (OPEB & DC)	No	No	Board	Primary - Yes Advisory - No Audit - No	Primary - Constitutional & Statutory	Title 24, Article 51 of State Constitution	Primary - 16 - Quarterly (or ad-hoc) Subcommittee(s) - Various
Connecticut	No	No	Yes (14 funds of the CRPTF)	Yes	Yes	None, fees are reported publicly and governed by Treasurer	Primary - Yes Advisory - Yes Audit - No	Primary - Statutory Advisory - Statutory Audit - Policy	Primary - Chapter 32 State Law Advisory - Public Act 73-594	Primary - 1 - Monthly Advisory - 12 - Monthly
Missours (MOSERS)	Yes	Yes	Yes (457)	No	No	Board	Primary - Yes Advisory - No Audit - No	Primary - Statute	Chapter 104.450	Primary - 11 - 5 times annually

APPENDIX II

Definition of Terms

Pension Only Mandate—Whether or not the investment organization manages only pension assets.

Benefit Administration—Whether or not the investment organization administers benefit payments, employer communications, payroll contributions, etc. in addition to managing the pension fund's assets.

Non-Pension Mandate— Whether or not the investment organization manages additional public funds alongside the pension fund.

Manages LGIP—Whether or not the investment organization manages a governmental investment pool, usually in the form of cash or money market pooled vehicles, for governmental entities within their State. For example, the SBA manages the Florida PRIME investment pool alongside other pension and non-pension trust funds.

Primary Board Selects Investment Managers—Whether or not the Primary Board makes direct investment manager decisions, including the selection, hiring and termination of individual asset management companies used by the investment organization.

Budgetary Approval—Entity that approves the investment organization's annual budget.

Primary Board—The oversight body that is legally identified as having governance responsibilities for the pension plan. Normally, the Primary Board acts as a fiduciary to the plan, and approves all related policies and procedures.

Advisory Board—In addition to or in lieu of a Primary Board, investment organizations may also have an "advisory" body that is comprised of individuals that have financial and/or investment experience. Many endowment funds for example, have investment committees that are comprised of distinguished investment experts that advise the endowment's Board and staff in their investment decision-making, opining on appropriate risk levels and internal controls. Most common form in the public sector is an "Investment Advisory Council" (or Committee). At pension funds with relatively large Boards, subcommittees with advisory functions may also be present.

Legal Citation—Identification of the specific constitutional and/or statutory authority for an investment organization's Board of Trustees and/or Advisory Boards.

Size/Meeting Frequency—Total number of members on Primary and/or Advisory Boards and the number of scheduled meetings each year.

Pension AUM—Assets Under Management (AUM) for pension fund mandate—actual/estimated value of the total pension fund.

Non-Pension AUM—Assets Under Management (AUM) for fund mandate(s) other than the pension plan(s) itself—actual/estimated value of all other funds combined.

Percentage of Assets Internally Managed—The percentage of assets that are managed directly by the investment organization, using internal staff and resources, but not utilizing any external investment management companies.

Funding Ratio—The actuarial funded ratios for the pension system as of the most recent valuation date.

Total Excess Returns—The difference between a plan's actual investment performance and its own unique portfolio benchmark, annualized for 3, 5, or 10 year time periods ending June 30, 2009. Some performance data was not available at the time of data collection—such entries are listed as "n/a" within the report's appendix.

APPENDIX III

Personal Interview with Private Sector Notes

SBA Governance Call Notes –
Revised to Include Interviewee Clarifications, September 14, 2009

7/14/09 Afsaneh Beschloss, CEO, Rock Creek Capital. Trustee of Colonial Williamsburg Foundation and Ford Foundation (Investment Committee Chair). Former CIO, The World Bank.

Structures are like living organisms; they can take many forms and one is not necessarily better than another. Based on experience with several highly regarded investment organizations, certain governance attributes and practices are common:

- Roles of investment staff and the board/advisory committee(s) must be defined to be sure decision focus is appropriate.
  - A board of trustees should have very broad policy responsibility, such as establishment of asset allocation and allowable variance from allocation targets.
  - Advisory boards often have more specific investment expertise than trustees and are more staff driven
  - The board hires and sets compensation for an executive to head the investment organization; this individual has hiring/firing/comp authority for other staff and runs the organization.
- Trustee talent should be retained long enough to develop expertise; for example, 8 years of service would be helpful because of the experience/knowledge gained. It is helpful to evaluate trustees every 3 years is useful.
- Continual education for board members on a wide range of subjects.
- Annual certification of fiduciary compliance and periodic fiduciary training for board members.
- Quarterly meetings of the board are sufficient; committees (if there are any) may meet more frequently.
- External audit and performance evaluation provide independent validation of staff activity and boost credibility

7/14/09 Jim Williams, CIO, The Getty Trusts. Former CIO, Ford Foundation.

- Staff should run the place, the board is there to set broad policy
- The investment group at Getty is independent and stands apart from the rest of the organization. Jim reports to the President/CEO (who is not an investment expert). Jim also reports to the chair of Getty's Investment Committee, who is a professional investor with deep expertise. The investment committee meets formally every quarter; informal meetings or calls may take place every few weeks.
- For trustees, there is often an asymmetric perspective on risk – they get zero credit for things done right but face huge downside for things that go wrong. Risk preference is strongly slanted toward risk aversion. This may be problematic as it

may make trustees' boards slow to make decisions and lead to missed opportunities if board approval is required. This is why day to day investment decision making should be delegated to an investment officer. Quoting Warren Buffett, "The best investment committee has an odd number of members, and 3 is too many."

- Getty's investment committee and board approve asset allocation and allowable ranges of variance from allocation targets; all other decision making is delegated to the CIO, including hiring and compensation. The CIO is the implementer of investment policy and has broad authority to move assets within established ranges.

- Getty's current approach dates back to 2002; prior to that time investment activity was trustee driven. Based on experience, the board determined that the best approach is to have a strong CIO and broad delegation of authority to the CIO and professional staff.
  - Decades ago the Getty was invested in balanced mutual funds.
  - New trustees came in with experience from boards of Stanford, Princeton, Harvard, Ford Foundation and Yale. Upon comparing Getty's governance model to those they had known at these institutions, they recognized the need to go to a model where the board sets broad policy and delegates management to professional investment staff.
  - Getty has evolved its investment strategy from <4% alternatives the current 60%. Jim believes the current portfolio to be less risky than the old one and notes that Getty's size and reputation afford them access to top talent managers – "alpha engines".
  - Public market strategies can be statistically described as mean reverting. In the private markets, top managers tend to remain so and <u>not</u> revert to the mean. Sourcing and talent make the difference.
  - Authority to move quickly is very powerful.

7/16/09 Nancy Williams, Principal, Fiduciary Services Practice, Ennis Knupp & Associates

- Good governance involves a commitment to have and follow pure, thorough, scrupulous, and transparent processes. Many problems in public retirement systems are a direct result of poor governance.
  - Florida has many good governance policies and compliance mechanisms in place and in that respect is a model for others to follow.
  - Florida's structure of having three elected officials serving as trustees, while not commonplace, works very well. Other structures, ranging from large boards with elected or appointed trustees or both, to sole trustees (as in North Carolina, Connecticut and New York) can work well, too, if sound governance policies are in place and enforced.
  - The Florida trustees focus at a high policy level, which is appropriate and a good use of their time. Day to day operations and investment policy

implementation are best delegated to professional staff but as the ultimate fiduciaries, trustees are entitled to delve into whatever they choose.
    - The Florida trustees have wisely sought guidance from independent advisory bodies, such as the Investment Advisory Council and the Local Participant Advisory Council, through open meetings where members of the public can attend. Such openness is a fundamental tenet of good governance.
    - Some other public pension funds also have advisory bodies similar to Florida's to capture investment expertise, give guidance, and serve as a sounding board/cross check on investment policy.
    - Trustees commonly hire and set compensation for the Executive Director/CEO and the CIO, but delegate to the rest of the responsibility for staffing and compensation to staff with the requirements that they follow policies and the operating budget.
- Trustees should receive a thorough orientation to equip them to fulfill their fiduciary role. This should be augmented by annual fiduciary training on major issues around the country and alternatives to address them.
    - Orientation and fiduciary training should also be provided for members of advisory bodies, whether or not they are actually fiduciaries themselves, since they advise fiduciaries (the trustees).
- An independent financial audit, performed by an experience CPA firm that understands institutional investment programs is a good idea; this independent oversight fosters confidence and is likely to be more valuable than a government audit conducted by auditors without similar expertise and perspective.
- Use of outside consultants with broadly recognized experience captures best in class expertise that, in many cases, cannot practically be maintained in-house.
    - Florida's use of a pooled approach to consulting resources is prudent because it keeps best in class specialists available for particular issues, but only incurs costs on an "as needed" basis.
- Many public pension funds use a committee structure. An audit committee for a pension fund, like an audit committee for a corporate board, is of primary importance.
- Annual financial disclosures and certifications regarding conflicts of interest are good practices for all trustees, advisory bodies, and staff involved with investments. A growing trend is also to require certain disclosures from outside service providers regarding their expenditures for meals and entertainment of the fiduciaries.
- Transparency is enhanced through the quality of the website; Florida is seen by many as a model.

7/16/09 Thrus Morton, CEO, Global Endowment Management, former CEO, Duke University Management Co. (DUMAC)

- Boards should focus on policy level decision making and delegate day to day investment decision making to staff; 90% of reporting should be after the fact. Top flight investment staff will chafe under a board that is "too in the weeds," and turnover will be an issue.

- The board should hire and set comp for a CEO/CIO, who in turn makes all other staffing and comp decisions within guidelines set by the board.
  - Maintaining competitive comp is a priority to ensure talent retention and successful recruiting. Boards should monitor the comp environment and evaluated competitiveness annually. Outside compensation consultants and peer information is helpful in this effort.
  - Prospective manager selection was not part of the board's role, although board connections, knowledge networks, etc. can be very supportive to the process.
- Keeping the investment process independent and merit driven was a core value; "a bright yellow police line around our organization to protect from external intrusion into the investment process."
  - A committee with representatives across the university community was created to screen non-investment issues, calls for divestiture, prohibited securities, etc. and possibly make recommendations to the university's trustees.
- Meeting frequency: fewer is better. Three board meetings per year (commonly approx 3 hrs length), plus one telephonic meeting w/ the CEO was found to be the best schedule. Meeting too frequently of having meetings run too long are an excessive drag on resources; meeting prep and follow-up are time consuming. An executive committee might meet separately once or twice (even telephonically) to drill down on specific issues (e.g. Annual compensation, budget, etc.)
- Use of an external commercial audit firm is an important element of maintaining external credibility.
  - The board should receive a compliance report once a year.
  - Internal audit and consulting resources are useful management resources for dealing with specific issues.

7/16/09 Susan Lewis, Sidley, Austin, Brown & Wood

- Boards are most effective at a policy level, especially for larger funds.
  - Trustees commonly recruit/select and set comp for a sr exec, who in turn makes staffing and comp decisions for the remainder of the organization, in accordance with policies approved by the trustees.
- Fiduciary training for trustees is a useful tool for ensuring the right perspective on many issues likely to arise, especially in a public fund. The SEC may be moving in the direction of some sort of training requirements.
- Outside audits are the standard for independence, but in the post Sarbanes Oxley world, the value added isn't what it was in pre SarbOx times.

7/16/09 Roger Smith, Greenwich Associates

- Investment policy and guiding principles must be clearly established and related to one another.
- Long term orientation is important; focus on short term can lead to misplaced priorities and poor decisions.
- FL SBA's board structure, three trustees setting investment policy with guidance from a 6 member independent advisory council composed of investment professionals is a credible approach and makes sense.

  - Trustees should hire and set comp for an executive to manage the SBA, then delegate subsequent hiring, comp and day to day management decision making to that person.
  - An investment advisory committee will commonly counsel trustees on asset allocation, investment and risk policies and establishment of any new asset classes or strategies; sometimes they opine on manager selection.
  - 4 to 6 people is the right size range for an IAC.
  - To ensure continuity of information and policy depth, terms for appointees should differ from those of the trustees (elected officials) and be staggered among IAC membership.
  - It is a good idea to have folks w/ different types of experience on the IAC, particularly asset management, plan sponsor or investment consulting experience.
  - Committees that meet too often tend to make changes too often.
  - Public meetings and public records requirements pose a challenge and may make it hard to recruit top quality people.
- IAC meetings are often most productive in really digging into investment issues when they are a day or a day and a half in length.
  - Meeting should include social activities to build cohesion between the advisory volunteers, professional investment staff and trustees. A dinner hosted by the plan sponsor / endowment the night before the meeting and breakfast and/or lunch on meeting days are common.
  - Meetings focusing on relevant and timely investment opportunities or issues are a good idea. Panels of managers/advisors can be set up to capture multiple perspectives and insights
- A separate audit committee is best practice.
  - The audit committee should oversee any external audit resources used.
  - The audit contract should be reevaluated and put out to bid every 5 years.

7/20/09 Katie Hall, CEO, Hall Capital Partners LLC, also has experience as a trustee of Princeton's endowment and on the IAC for the California Regents

- Governance structures with investment committees or boards that report up to higher level boards are common. Stanford and Princeton, for example, both have internal boards dedicated to investment decision making; these in turn report up to the university board.
- Very professional, highly empowered individuals should handle the business of running funds day to day and selecting managers.
- Boards / advisory committees should think of themselves as collective entities, not individuals representing particular constituencies, specific expertise or points of view.
  - Institutional memory matters – terms of members should be staggered to protect against wholesale turnover and consequent loss of institutional memory.
  - Avoid starting from zero on investment issues; there is always institutional context and hindsight is perfect.
  - Attendance of all meetings should be mandatory

- Managing money in-house is seldom seen as the most desirable approach. Issues that must be successfully managed to succeed with in house asset management include:
    - Recruitment & retention of professional talent
    - Establishment and maintenance of financial controls
    - Management of risk exposures
    - Ability to effect change in portfolios to capture changing opportunities.

7/21/09 Gary Hudepohl, Principal and Managing Director, Deb Roche, Principal Hudepohl & Associates

- Talent acquisition is critical
    - The #1 decision criterion for top talent is a governance structure that allows investment professionals to focus on investing.
        - Clear delineation of authority between staff and board
        - Delegation to executive staff of all operational decisions beyond asset allocation/allowable boundaries around allocation targets, investment policies at the total fund level, compliance.
        - Board focus must be policy, not operation.
    - Turnover in senior investment staff usually is traceable to the number and frequency of external distractions that pull executive staff away from their investment focus.
    - Some boards compensate their members; the Ohio Workers Comp Board members are paid $60K annually for their service.

7/20/09 Ellen Shuman, CIO, Carnegie Corporation

- Ideal investment committee size is 5 to 7 members
    - Should have clear statement of investment policy
- Board commonly hires executive director/CIO then delegates other hiring/comp to the exec
- Board focus is primarily policy; they also approve fund managers.
    - Meets 3x annually, usually about 3 hours per meeting
        - Periodic phone calls
    - Once a year they affirm investment and spending policies
    - Panels are used from time to time to provide educational experience for trustees
    - New board members are provided education to help them up the learning curve on the fund's history, investment approach and processes.
- The audit committee is a subset of Carnegie's overall board and includes some members of the investment committee.
    - Approves external auditor
    - Sets scope of audit
    - Reviews financials
    - Makes recommendations to the board

7/22/09 Harold Bradley, CIO, Ewing Marion Kauffman Foundation

- Investment Committee is 4 people; policy is their focus.
    - There are 4 meetings a year, one of these is a retreat focused on learning more about investment opportunities.
        - Monthly phone calls are held as needed

- A separate audit committee manages the audit process, including scope and auditor selection.

7/23/09 Stephen Schwarzman, CEO, Blackstone

- Boards should view their jobs as assessing the world and determining how best to position themselves to meet their obligations given the opportunities and perils they see.
- All sorts of structures exist, from sole trusteeships to large boards; success is more a function of the people than the structure.
  - Non-investor board members must be informed to become productive contributors. Formal board education sessions are useful for this.
- The best investment partners share certain characteristics:
  - Boards set policy, delegate to professional investment staff and don't get in the way.
  - Have a first class staff with alignment of compensation relative to investment results relative to benchmarks.
- Less successful investment partners also share some characteristics:
  - Over reliance on consultants
  - Focused on politics
- SBA's IAC is a key group – a great resource that can contribute to our success

7/23/09 Jim Voytko, President, Chief Operating Officer, Director of Research, and Senior Consultant, R.V. Kuhns & Associates, Inc., former CEO / Ex Dir of the Oregon pension system

- Failures of governance tend to be reflected by;
  - Failure to provide clear direction – failure to establish and follow effective, pragmatic process.
  - Corruption (usually made easier by lack of direction and the failure to establish and follow process).
- Jim suggests the SBA's governance research project:
  - Look at actual investment organizations; you will quickly see a wide range of structures, from single trustees to 15 member boards. What matters most isn't structure, it is execution.
  - Pick a handful of funds and highlight:
    - Degree of delegation (clear direction and clear process).
    - Use of advisory board assets (one potential element of a good process).
    - Nature of policy instructions confirmed by the board (allocation, investment policies, compliance…clear direction and good process via documentation) Required documentation of processes followed and decisions make good process.
  - Would any of these funds seem to have consistently executed their duties better that FL SBA? …probably not.
- Outside audit is seen as preferable; this was among the first recommendations Jim made when he became CEO / Ex Dir of the Oregon pension system.

7/27/09 Scott Malpass, CIO, Notre Dame

- Notre Dame's full board has 58 members and multiple committees.

    - The investment committee is 13 people, all are university trustees and all have investment expertise. A smaller committee is perceived as potentially more practical, fewer that 10 would be better and 6 to 8 would be ideal. The investment committee has subcommittees of 2 to 4 people each.
        - Compensation subcommittee – ensures that comp for ND investment staff is competitive and aligns interests. Internal policy portfolio benchmarks are used as a basis for compensation evaluation.
        - Risk management subcommittee – risk oversight.
- Clearly delineating authority/delegation is important; ND accomplishes this through Investment Authority Guidelines that lay out the CIO's latitude. The CIO and inv committee chair are in regular contact, usually weekly. Together, they can react as needed to a dynamic investment environment.
    - When hiring new managers, a conference call is done w/ inv committee members to introduce the new manager; mgr docs are sent out in advance.
    - Re-ups of existing managers and private funds are within the authority of the CIO; these are reported quarterly.
- Training is a priority; board orientation with a component of fiduciary training is provided.
    - Technical sessions dedicated to specific investment opportunities, new security types, strategies or issues are held as needed.
    - Field trips for the purpose of learning more about managers and opportunities are a standard part of investment committee activity. These alternate annually between US domestic and international destinations; this year's trip was a week in China (committee members paid their own way).
- Preserving institutional memory is seen as a key to ND's long term success.
    - There have been only 2 chairs of the investment committee in Scott's 21 tears at ND. The investment committee chair is the only ND bd of trustees committee chairmanship that is NOT subject to rotation after a term limit.
- Audit is handled externally with scope and selection of the auditing firm handled by the audit committee of the ND board.
- ND is well staffed with highly qualified professionals; Scott teaches part time and recruits from his students. Of the 16 people on the core investment team, 4 are Harvard MBAs and 13 are CFAs. The ND investment team has a reputation for quality and consistency that empowers recruiting and drives solid decision making.
- The university is very focused on providing resources to meet the needs of the investment team; the budget always addresses priorities properly.
- Given staff capabilities, consultant use is limited to Cambridge Associates performance database and asset allocation research.

APPENDIX IV

Personal Interviews by SBA Trustees' Staff

The California Public Employees Retirement System

Terry McGuire, Designee for Ex-Officio Member State Controller John Chiang

Mr. McGuire was surprised that Florida only has three trustees. Three should be an absolute minimum, and really there should be more than that. The New York model does not work.

CalPERS has 13 trustees serving on its board, and having a larger board is better for a number of reasons, including diversity of opinion, and it allows for there to be committees on specific sub-issues that confront the board. Also, when there are more members of the board, different people can focus on specific areas so that those areas get more attention, rather than a small group of people trying manage a wide variety of issues. With only three trustees, it is hard to achieve this kind of balance. CalSTERS has 12 trustees.

Due to the trustees' fiduciary obligation, they always come to an agreement, but often it is not a unanimous vote, so you get a lot of discussion. There are so many issues that involve interactions and delegation and benefit from different views.

Any board member can attend any committee meetings and any board member can speak at the meetings; the committee structure is actually a very inclusive structure. Also board policy establishes what comes back from committee to the board as a whole and the investment committee is the whole board.

CalPERS just finished a two year policy review during which they made changes and brought everything up to date. The biggest issue it resolved had to do with its real estate portfolio; they consolidated numerous policies for different real estate programs into a single real estate policy. They also addressed the issues of the board's delegation of authority to executive staff and investment staff, and the use of leverage.

Bill Lockyer, Ex-Officio Member, State Treasurer

CA has two separate pension fund board with 11-12 trustees serving on each. Lockyer serves on both as does the state Controller and a representative from the Governor's Office.

Many of the members are elected by the teachers or employee groups.

"Generally I believe that a larger group from diverse constituencies is a good idea". He suggested expanding the board for a number a reasons, including transparency, buy-in of constituent groups and expansion of the skill sets and experience level of the board.

In CA the entire board also functions as the investment committee after problems arose with the separate IC. The board deals with investment policy issues such as specific allocations.

Time commitment is an issue in CA. Each board meets 2-3 FULL DAYS a month….one day exclusively on investments. Trustees receive a 400 page book prior to the monthly meetings. Elected officials may, by statute, appoint individuals from their staff to represent them at the meetings.

It is imperative to institutionalize risk management.

It is a best practice to employ a separate CEO and CIO.

Both funds contract with external auditors and consultants, which is a best practice.

Both funds manage assets both externally and internally, which is a best practice.

The California State Teachers Retirement System

Tom Sheehy, Ex Officio Member

Tom Sheehy-ex officio member of CalSTRS, appointed Chief Deputy Director for Policy of the **California Department of Finance** by Governor Schwarzenegger in 2008. Sheehy serves on behalf of Director Michael C. Genest as his representative on more than 80 boards, commissions, and authorities.

CalSTRS board has 12 members, with 6 appointed by the Governor. They employ a Chief Investment Office that serves at the pleasure of the board. The CIO may hire outside advisers and counsel, as well as, independent actuaries. STRS also contracts with fiduciary counsel to represent the board.

STRS fund asset allocation is determined by the board, as well as, the pension fund agenda.

A key component of transparency for STRS is the requirement for all board members to fully disclose their financial information to avoid conflicts of interest.

- As of June 30, 2009-STRS was funded at around 70%

Recent Legislative Changes-

- 2007 Iran Divestiture Bill-currently implementing the legislation

Reasons for Success-

- Diverse board make-up
- Healthy conversation between the board and staff provide for better oversight
- Conduct Annual Strategic Plan and Annual Self Evaluations
- Board education is important-New Trustees are required to participate in a 2-day orientation

Tom noted that a board make-up of 7-11 members was good, and that a sole trustee model was bad.

The Employee Retirement System of Georgia

Daniel Ebersole, Ex-Officio Member, State Treasurer

There may not be a "best practice" given differing sets of circumstances, only better and worse ways of doing things,

Believes Florida should strongly consider a broader board than three elected trustees. Representation of the participants would be important for credibility and accountability. (See chart for Georgia's board structure…appointed, ex-officio, board elected, automatic)

One of the greatest challenges is letting the investment managers manage the assets while the board sets policies. There must be investment staff who have the leeway to make investment decisions that implement the policies of the board unencumbered by politics or outside interests.

Consider having a board appointed position with investment experience (10 years for example) who serves on the investment committee. In Georgia the Investment Committee is a sub committee of the board of trustees.

While there may not be a direct correlation between governance and fund performance, there is most likely an indirect correlation between performance and a governance structure that allows managers to manage and policy makers to set policies while providing transparency.

What has seemed to work best in Georgia is a process that has staff recommending investment policies and strategies to the investment committee, the investment committee recommending to the board, the board modifying/ratifying those recommendations and then the approved policy recommendations being implemented by staff.

It is critical to institute clearly defined policies and procedures at both the staff and board levels.

Colorado Public Employees Retirement Association

Cary Kennedy, Ex-officio Member, State Treasurer

Treasurer Kennedy is new to the board; she has been a member for about two years.

PERA has been cited as a top-run pension fund. In one study that was a comparison of about 65 fund internationally that examined funds based on several different criteria, and PERA came out on top in a handful of categories (check with PERA staff on the name of this study).

There are 15 members of the PERA board: including three governor's appointees, the treasurer is an ex-officio member, and then each of the divisions – school, local government, state government, and the judicial division – elect members and there is an at-large member.

Board members sign up for subcommittees for which they review policies and make recommendations to the board as a whole. The sub-committees are the following: audit, benefits, compensation and budget (PERA), investment, shareholder responsibility, evaluation subcommittee, and the ad hoc enacting shareholder relations. There are 4-8 members per committee.

The board meets all day once a month on Fridays; the subcommittees meet during the day once a month on the day before.

As far as fiduciary responsibility and ethics, there is extensive training, with a certain amount that board members must complete. PERA pays for this training for board members.

It is very important to have representatives from the beneficiary membership. However, a little more than two years ago, the sense was that the board too heavily comprised of beneficiary membership, and the legislature added 3 members to be appointed by the governor.

With Florida only having three trustees, the membership is not directly represented.

PERA has 430,000 members, $40 billion under management, and many staff running the day-to-day operations. PERA is a fund created by statute that is independent of the state.

PERA has both internal and external investments.

The PERA board, by virtue of its size, can do the following:

- Member outreach: 15-20 annual shareholder meetings throughout the state
- Ambassador program: beneficiary members of the fund can sign up, stay informed on the fund and legislation, and testify before the legislature on fund matters

- Allows room for membership representatives who can really represent the best interests of their members
- Allows for diverse perspectives on the board

The contribution and benefits structure of PERA is established by statute, so only the legislature can change it, but PERA can advise the legislature on needed changes.

Recently, the PERA Board went on a listening tour around the state to hear stories and thoughts from people as PERA attempts to deal with its being underfunded after the market changes in 2008. About 500 people showed up at each of the 8 meetings that were scheduled. The recommendations for PERA are due November 1.

Colorado PERA is underfunded. The market loss in 2008 created a gap in the funding ratio. Some of the options to deal with that are increasing the contribution rates, decreasing benefits, along with other options that are listed on the PERA site. PERA has asked its membership to rate the changes to which it is most amenable, and PERA plans to consider that in proposing legislation.

Each year, PERA does a series of studies to track all of the "moving parts" of the fund. There is tracking on a monthly basis that keeps the fund on track because "small errors compound into big numbers." The PERA staff does a "superb job" of getting the board timely and accurate information. One model that is particularly helpful is a new one that the PERA staff has developed which allows the board to analyze the benefit structure and contribution structure and see how it affects liability.

Colorado PERA confronts the fund's assets head on, when PERA is underfunded. Unlike pension systems like California that have used smoothing to absorb its losses, Colorado PERA is using a market ratio. Right now Colorado has $26 billion in unfunded liability.

"Pension funds can be well-managed, but that means making tough decisions when faced with tough markets."

Missouri State Employees Retirement System

Wayne Bill, Board Chair

Trust independence (autonomy) and policy statements that clearly identify roles and responsibilities are critical to developing and implementing good governance practices. The trust independence tenet stems from a good statutory framework that positions our board to control the destiny of the fund. See attached newsletter description for more detail on Governance at MOSERS and the listing of best practices -- also attached.

I would like to see other funds pursue a legal framework and governance policies similar to those we have been operating under for many years. The more we can do as an industry to bring demonstrated professionalism to the process the better off we will all be. When there are negative experiences, all funds get painted with the same brush regardless of whether or not any individual fund is operating in a way that is potentially problematic.

We are responsible for both investing the funds and administering the benefit programs. Our investment returns have been top tier over protracted periods (including both good and bad markets relative to both our benchmarks and the universe of public funds), and our customer service rankings have been independently determined to be at the top of a broad universe of public funds with associated costs being below average. I attribute both to our laws and governance policies along with excellent staff performance and retention.

Travis Morrison, Member

Mr. Morrison said that he is relatively new to the Board; the Governor appointed him about 9 months ago. Accordingly, he does not feel comfortable making definitive recommendations as to governance. However, he does have a couple of thoughts. First, he pointed out that because most of the board members are either members of the Legislature, state elected officials or appointed by the Governor, the board members are limited in the amount of time they can serve because of term limits. He feels that this is a problem because of the complexity of pension matters; it would be better if board members could serve longer.

He also thinks that it would be helpful if retired investment professionals could serve on the board. These individuals could offer valuable investment counsel and since they would be retired, they would have enough time to devote to the task and be free of potential conflict of interests. He thought that it might be possible to also obtain the benefit of financial expertise through an advisory investment council like we have here in Florida. He would like to have a copy of the final report.

Teacher Retirement System of Texas

Eric McDonald, Member

He was appointed to the Board in spring 2009 and has only been to a couple of board meetings so he hasn't had time to consider governance issues in detail. However, he does believe that the current composition of the board (5 members appointed by the Governor; 4 appointed by the Governor from a slate provided by participants from elementary, secondary and higher education) is effective and nonpolitical. The Governor's appointees are financial and investment professionals so they offer the expertise needed to ensure that the fund is managed properly. The retiree representatives though are also important because they help to ensure that the retirees remain informed and avoid unrealistic expectations. He feels that the greatest strength of the board is that it is nonpolitical and professional in carrying out its fiduciary responsibilities.

He believes that one of the most effective initiatives undertaken by the board has been to provide more information to the participants. For example, the staff recently traveled across Texas talking to retirees and answering questions.

He also said that the current budget structure provides checks and balances. The board prepares a budget that is subject to approval by the Legislature. He believes that this approach helps to ensure that the best investment decisions are made for professional not political reasons.

David Kelly, Member

Mr. Kelly echoed Eric McDonald's observation that the great strength of the Texas Board is that it is composed of members whose sole public service is to be a fiduciary to the plan. He says that he spends a considerable amount of time preparing for board meetings. Also, the fact that the five Governor's appointees are investment professionals makes for a well administered fund. He also reiterated Eric McDonald's point that having a substantial presence from the educator professionals on the board helps to get the message across. He thinks that the structure in Texas is both "flexible and strong" and that they have a "pretty good system." He believes that the relatively large size of the board —nine members—and the fact that it is composed of financial professionals and educator representatives are important positive factors.

He also believes that the current budgetary process is appropriate and an effective way to address resource challenges. He notes that the board has a "fantastic staff". He says that the role of the governing board should be to set policy and ensure that the policy is properly applied. He would like to have a copy of the final report.

State of Wisconsin Investment Board

David Stella, Secretary of the Wisconsin Investment Board (Benefits Side)

Wisconsin's fund is mandated by statute. The state divides benefits and investments with two boards for oversight. On the investment side, there are nine members. Six members must possess at least ten years of investment experience. The board hires a Chief Investment Officer to run the day-to-day operation. The board also has an audit committee with an internal auditor that reports directly to the board. The board sets asset class allocations with the recommendation of contracted expert consultants.

- Approx $66B AUM
- $6 B in local government fund

Recent Legislative changes-
In the 2008 Investment Bill, the Wisconsin legislature enhanced the ability of the board to set policy to allow board to better serve participants with better communications, and the latitude to access investment opportunities.

Reasons for success-

- Policy Board consisting of members with 10 years investment experience and hired CIO helps to take the politics out of day-to-day operation

Client Services Manager, Industry Funds Management

Monte Tarbox

General Questions: Is there a best practice for fund governance?
Any reforms needed?
What has been successful with boards that you will share?

Synopsis:

Florida's SBA Board of Trustees structure is unique, but "not way outside of the norm".

Three different models for most state pension funds: Single Fiduciary, Elected Boards, Elected and Appointed Boards.

No correlation between governance structure and outcome…..it is usually something else that drives performance. Often when boards make changes it is because of press or political pressures and not performance,

Governance is more about building confidence for the stakeholders: what will it take to give participants and the people of Florida confidence?

Not many firms perform consultantive studies on this and it is usually expensive.

Some states manage all investments in house which may not be the best model. Florida is a blend which puts us "in the middle of the pack".

Florida is now "halfway there" by instituting separate SBA board meetings.

Some best practices: transparency, availability of documents, outside reviews.

Board should be about policy, staff should be about implementation.

APPENDIX V

	Public Pension Plans - Governance Features								
						Total Fund Excess Returns			
	Plan	**Pension AUM $B (1)**	**Non-Pension AUM $B (1)**	**% Internally Managed (1)**	**Funding Ratio (1, 2)**	**3 Year (3)**	**5 Year (3)**	**10 Year (3)**	**Plan Website**
1	CalPERS	180	~1.5	57%	66.0%	-0.84%	1.44%	-0.29%	www.calpers.ca.gov
3	CalSTRS	120	0.3	36%	76.0%	-0.30%	0.48%	0.44%	www.calstrs.com
2	NY State Common	117	6.9	58%	107.3%	-0.25%	0.68%	1.31%	www.osc.state.ny.us/pension/index.htm
4	**Florida SBA**	**106**	**15**	49%	**93.0%**	**-0.45%**	**-0.04%**	**0.30%**	www.sbafla.com
5	NY State Teachers (NYSTRS)	88.5	0	81%	106.6%	0.70%	0.90%	0.40%	www.nystrs.org
6	TexasTRS	82	0	100%	90.5%	n/a	n/a	n/a	www.trs..state.tx.us
7	New Jersey	71.8	0	96%	76.0%	2.18%	1.75%	0.26%	www.state.nj.us/treasury/pensions
8	NC Investment Mgmt Division	70.5	0	n/a	102.0%	0.26%	0.36%	0.43%	www.nctreasurer.com/DSTHome/InvestmentMgmt/GovermentalOpsReports/Overview.htm
9	Wisconsin (SWIB)	63.5	5.8	26%	99.6%	-0.40%	0.03%	0.40%	www.swib.state.wi.us
10	New York City (NYCERS)	47	0	1%	99.8%	n/a	n/a	n/a	www.nycers.org
11	Virginia	43	0	n/a	88.0%	0.40%	0.67%	0.82%	www.varetire.org
12	Georgia Teachers	42	0	n/a	92.0%	0.28%	0.11%	0.03%	www.trsga.com
13	ColoradoPERA	32.8	~3	n/a	68.5%	0.80%	1.10%	n/a	www.copera.org
14	Connecticut	20.4	7	0%	70.0%	0.91%	0.80%	1.00%	www.state.ct.us/ott/iacResponsibilities.htm
15	Missouri (MOSERS)	6	0	n/a	86.0%	2.03%	1.59%	2.06%	www.mosers.org

(1) As of dates vary by plan. Data is most recent available, obtained directly from plans or as publicly reported.

(2) For Florida SBA, value is estimated funding ratio based on interim actuarial analysis performed in the middle of FY2009. Due to the complexity of actuarial data calculations, and their inherent timing lag, current information is not available through June 30, 2009 for most of the surveyed pension systems. See color shading according to ending time periods below.

(3) All data as of June 30, 2009, except New York State Teachers, which is as of March 31, 2009; data composed of relative total fund returns compared to a plan's own individual benchmark.

APPENDIX VI

Public Pension Plans

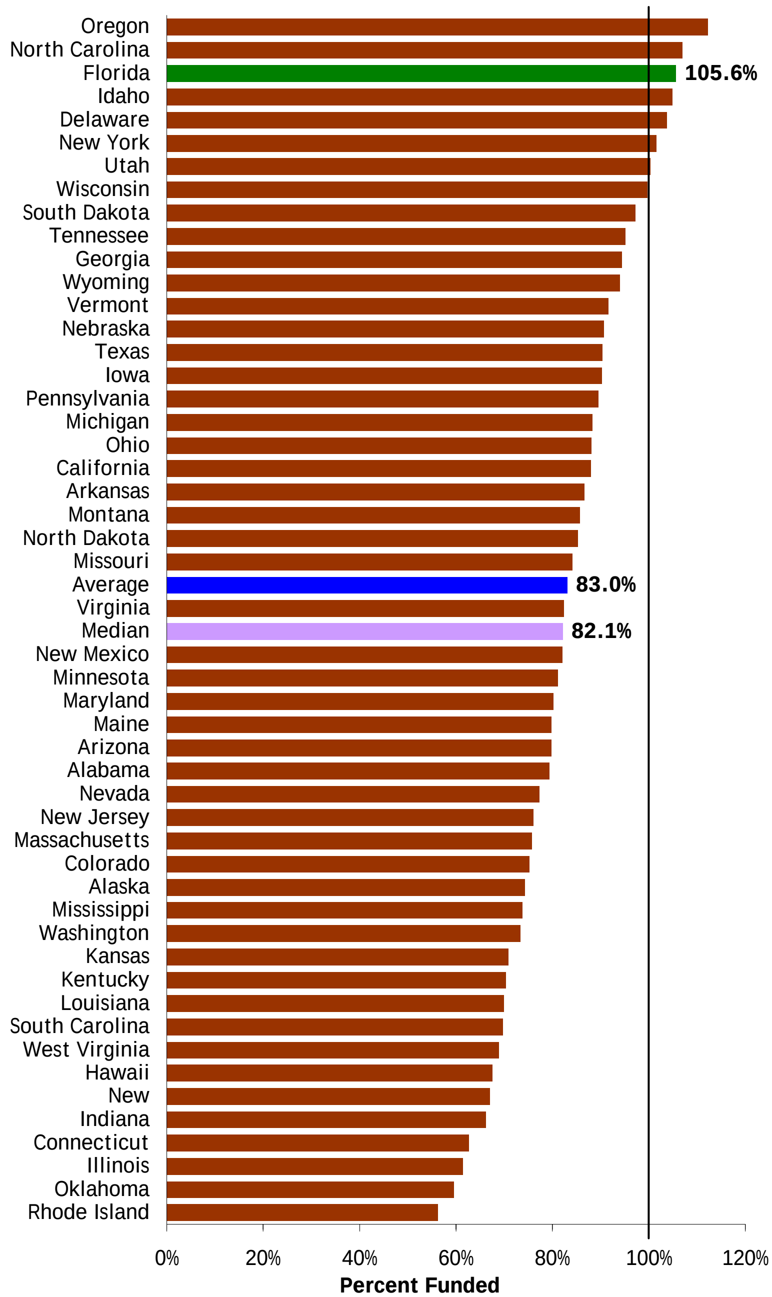
Plan	Name	Title	Phone	Email
CalPERS	Bill McGrew	Portfolio Manager	916-795-3829	bill_mcgrew@calpers.ca.gov
	Joe Dear	CIO	916-795-3829	joe_dear@calpers.ca.gov
CalSTRS	Anne Sheehan	Director of Corporate Governance	916-229-3706	asheehan@calstrs.com
	Jack Ehnes	Executive Director	916-229-3706	jehnes@calstrs.com
NY State Common	George Wong	Corporate Governance Manager	518-474-4003	gwong@osc.state.ny.us
	Raudine Etienne	CIO	212-681-4019	retienne@osc.state.ny.us
	Dorothy Carey	Chief Administrative Officer	???	dcarey@osc.state.ny.us
Florida SBA	n/a	n/a	n/a	n/a
New York City	Ken Sylvestor	Corporate Affairs Director	212-669-2013	ksylvestor@comptroller.nyc.gov
Texas TRS	Thomas "Britt" Harris	CIO	512-542-6631	irma.zavaleta_castillo@trs.state.tx.us
NY State Teachers		Executive Director		
	Lawrence Johansen	Managing Director	518-447-2611	ljohanse@nystrs.state.ny.us
Wisconsin (SWIB)	David Villa	CIO	608-261-2381	david.villa@swib.state.wi.us
	Terrijo Saarela	Investor Responsibility Manager	608-261-4361	terrijo.saarela@swib.state.wi.us
New Jersey	Bill Clark	Director	609-292-5163	William.Clark@treas.state.nj.us
North Carolina	Patricia Gerrick	CIO	919-807-3101	patricia.gerrick@nctreasurer.com
Virginia	Charles Grant	CIO	804-344-3194	cgrant@varetire.org
	Curtis Mattson	Investment Compliance Officer	804-344-3129	cmattson@varetire.org
Georgia Teachers	Nanci Boedy	Co-CIO	404-656-2151	squarello@divinv.net
	Charles Cary	Co-CIO	404-656-2151	squarello@divinv.net
Illinois Teachers	Jon Bauman	Executive Director	217-753-0345	jbauman@trs.illinois.gov
	Stan Rupnick	CIO	217-753-0370	srupnik@trs.illinois.gov
Connecticut	Meredith Miller	Assistant Treasurer (Policy)	860-702-3162	meredith.miller@po.state.ct.us
	Lee Ann Palladino	CIO	860-655-1750	LeeAnn.Palladino@ct.gov
Missouri (MOSERS)	Gary Findlay	Executive Director	573-632-6110	garyfind@mosers.org
	Rick Dahl	CIO	573-632-6160	rhdahl@mosers.org
ColoradoPERA	Meredith Williams	Executive Director	303-832-9550	mwilliams@copera.org
	Lynn Turner	Trustee	303-465-4740	LynnETurner@aol.com

APPENDIX VII

Others (Corporate, Endowment, etc.)

Plan	Name	Title	
The Getty Trusts	Jim Williams	CIO	
University of Notre Dame	Scott Malpass	CIO	
Ewing & Marion Kauffman Foundation	Harold Bradley	CIO	
Carnegie Corporation	Ellen Shuman		
Blackstone	Steve Schwartzman	President & CEO	
Global Endowment Management	Thrus Morton	CEO	(former CEO, Duke Management Co.)
Hall Capital Partners LLC	Katie Hall	CEO	
Rock Creek Capital	Afsaneh Beschloss	CEO	(also Trustee Ford Foundation and Smithsonian Institution)
Groom Law Group	Ian Lanoff	Attorney	
Ennis, Knupp & Associates (EK&A)	Nancy Williams	Senior Consultant	
Hudepohl & Assocatites	Gary Hudepohl	Principal & Managing Director	
Greenwich Associates	Roger Smith	Senior Advisor	
RV Kuhns	James M. "Jim" Voytko	President, Chief Operating Officer, Director of Research and Senior Consultant	
Sidley, Austin, Brown & Wood	Susan Lewis	Partner	

State Retirement Systems Funded Ratios



Source: Standard & Poors February 26, 2008 Report (2007 Data)

Standard & Poors
State Retirement Systems Funded Ratio 2007
Publication Date: **February 26, 2009**

State	***Funded Ratio (%)***
Oregon	112.2
North Carolina	106.9
Florida	**105.6**
Idaho	104.9
Delaware	103.7
New York	101.5
Utah	100.3
Wisconsin	99.6
South Dakota	97.1
Tennessee	95.1
Georgia	94.4
Wyoming	94
Vermont	91.6
Nebraska	90.6
Texas	90.3
Iowa	90.2
Pennsylvania	89.5
Michigan	88.2
Ohio	88
California	87.9
Arkansas	86.6
Montana	85.6
North Dakota	85.2
Missouri	84.1
Average	**83.0**
Virginia	82.3
Median	**82.1**
New Mexico	**82.0**
Minnesota	81.1
Maryland	80.2
Arizona	79.7
Maine	79.7
Alabama	79.3
Nevada	77.2
New Jersey	76
Massachusetts	75.7
Colorado	75.1
Alaska	74.3
Mississippi	73.7
Washington	73.3
Kansas	70.8
Kentucky	70.3
Louisiana	69.8
South Carolina	69.7
West Virginia	68.8
Hawaii	67.5
New Hampshire	67
Indiana	66.2
Connecticut	62.6
Illinois	61.4
Oklahoma	59.5
Rhode Island	56.2

Source: Standard and Poor's - Market Declines Will Shake Up
U.S. State Pension Funding Stability February 26, 2009.