

The regular meeting of the State Board of Administration was held on January 23, 2001, in the Cabinet Meeting room of the Capitol in Tallahassee, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer

Mr. Tom Herndon, Executive Director for the SBA, was also present.

The following items were considered by the Board:

#### APPROVAL OF MINUTES

Item 1. Mr. Herndon requested the approval of the minutes of the December 12, 2000 meeting.

Moved and seconded. Approved without objection.

Item 2. Mr. Herndon requested the approval of the minutes of the January 4, 2001, meeting, as amended.

Moved and seconded. Approved without objection.

#### FISCAL SUFFICIENCY

Item 3. Mr. Herndon requested approval of a fiscal sufficiency for the Division of Bond Finance on behalf of the Board of Regents.

Moved and seconded. Approved without objection.

Item 4. Mr. Herndon requested approval of a resolution for the Division of Bond Finance on behalf of the State Board of Education.

Moved and seconded. Approved without objection.

#### THE STATE BOARD OF ADMINISTRATION REQUESTS APPROVAL OF THE FOLLOWING RULES:

Item 5 A. Mr. Herndon requested that the Trustees approve filing for adoption of Rules 19-3.001 through 19-3.015; 19-3.018 through 19-3.096; 19-3.098 and 19-6.008 through 19-6.012. Upon adoption, these rules will be repealed. They are proposed for repeal because the previously existing statutory authority has been repealed.

Moved and seconded. Approved as is.

Item 5 B. Mr. Herndon requested that the Trustees approve filing Rule 19-10.001 for notice. Rule 19.10.001 provides the procedures for the asset transfers for the initial period for choice for public employees between the defined benefit plan and the defined contribution plan.

Moved and seconded. Approved as modified.

DC IMPLEMENTATION STATUS REPORT #6

Item 6. Mr. Herndon presented the DC Implementation Status Report #6.

After considerable discussion, no action was required by the Board.

PRESENTATION AND DISCUSSION OF THE REPORT ON SURPLUS MANAGEMENT

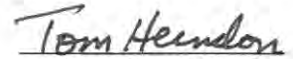
Item 7. This item was deferred.

REPORT BY THE EXECUTIVE DIRECTOR

Item 8. Mr. Herndon submitted for information and review the Fund Activity Analysis for the month of November 2000.

The report was received as submitted for information and review.

The State Board of Administration's agenda was concluded.



Tom Herndon  
Executive Director  
State Board of Administration

The regular meeting of the State Board of Administration was held on February 6, 2001, in the Cabinet Meeting room of the Capitol in Tallahassee, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer

Mr. Tom Herndon, Executive Director for the SBA, was also present.

The following items were considered by the Board:

#### APPROVAL OF MINUTES

Item 1. Mr. Herndon requested the approval of the minutes of the January 23, 2001 meeting, as amended.

Moved and seconded. Approved without objection.

#### INTEREST RATE EXCEPTIONS

Item 2. This item was withdrawn from the agenda.

Item 3. Mr. Herndon recommended that the Board approve an interest rate exception for the Walkabout Community Development District.

Moved and seconded. Approved without objection.

Item 4. This item was withdrawn from the agenda.

#### FISCAL SUFFICIENCY

Item 5. Mr. Herndon recommended approval of a fiscal sufficiency for the Division of Bond Finance on behalf of the Department of Environmental Protection.

Moved and seconded. Approved without objection.

#### FISCAL DETERMINATIONS

Item 6. Mr. Herndon recommended approval of a fiscal determination for the Florida Housing Finance Corporation, River Run Apartments, Clay County, Florida.

Moved and seconded. Approved without objection.

Item 7. Mr. Herndon recommended approval of a fiscal determination for the Florida Housing Finance Corporation, Pembroke Village Apartments, Broward County, Florida.

Moved and seconded. Approved without objection.

#### APPROVAL OF THIRD PARTY ADMINISTRATOR FOR THE PEORP

Item 8. Mr. Herndon recommended approval of a third party administrator for the PEORP.

Recommendation to adopt Citistreet as Third Party Administrator was approved after considerable discussion and questions.

#### REVIEW AND APPROVAL OF PROPOSED TIMELINES FOR UNBUNDLED AND BUNDLED INVESTMENT PRODUCTS

Item 9. Mr. Herndon presented for review and information the proposed timelines for unbundled and bundled investment products.

The timelines were accepted by the Trustees.

#### PRESENTATION AND DISCUSSION OF THE INVESTMENT POLICY STATEMENT

Item 10. Mr. Herndon requested, on behalf of the SBA Administration staff, that the Trustees either withdraw proposed Rule 19-9.001, which adopts the Investment Policy Statement approved by the Trustees on September 26, 2000, or to ratify the partial withdrawal of the Investment Policy Statement accomplished by a Notice of Change posted in the Florida Administrative Weekly on December 29, 2000. He also requested that if the Trustees approve withdrawal of the entire rule, then the State Board of Administration staff will recommend a new draft of the Investment Policy Statement for consideration by the Trustees at their meeting on February 27, 2001.

After considerable discussion and comments from the audience, the Investment Policy Statement was withdrawn.

#### PRESENTATION AND DISCUSSION OF THE REPORT ON SURPLUS MANAGEMENT AND 2000 ACTUARIAL EVALUATION

Item 11. Mr. Herndon presented for discussion a report on Surplus Management and the 2000 actuarial Evaluation of the FRS.

After considerable discussion and comments from the audience, the Trustees adopted staff recommendations to:

1. Endorse the current M&R actuarial report (FRS valuation as of July 1, 2000).
2. Endorse the contribution rate rollback as reflected in the Governor's recommended budget, and
3. Approve the recommendation that the Trustees analyze any surpluses that exist in the FRS each year as part of the annual actuarial review and make recommendations to the Legislature on the appropriate disposition of those surpluses.

APPOINTMENT OF INVESTMENT ADVISORY COUNCIL MEMBER

Item 12. Mr. Herndon requested approval of the appointment of James Dahl to the Investment Advisory Council. Mr. Dahl was appointed by the Treasurer.

Moved and seconded. Approved without objection.

THE FLORIDA HURRICANE CATASTROPHE FUND REQUESTS APPROVAL OF THE FOLLOWING RULES

Item 13. Mr. Herndon requested, on behalf of the Florida Hurricane Catastrophe Fund, to approve filing of the following rules for notice of proposed rulemaking: Rule 19-8.010, F.A.C., and Rule 19-8.029, F.A.C.

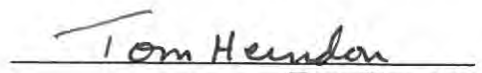
Moved and seconded. Approved without objection.

REPORT BY THE EXECUTIVE DIRECTOR

Item 14. Mr. Herndon submitted for information and review the Annual Report on Corporate Governance for the period of July 1, 1999 to June 30, 2000.

The report was accepted for information and review. No action was necessary by the Board.

The State Board of Administration's agenda was concluded.

  
Tom Herndon  
Executive Director  
State Board of Administration

The regular meeting of the State Board of Administration was held on February 27, 2001, in the County Center Building, Tampa, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer

Mr. Tom Herndon, Executive Director for the SBA, was also present.

The following items were considered by the Board:

Item 1. Mr. Herndon requested the approval of the minutes of the February 6, 2001 meeting, as amended.

*Moved and seconded. Approved as amended.*

Item 2. Mr. Herndon requested on behalf of the State Board of Administration staff that the Trustees approve the Investment Policy Statement for the Public Employee Optional Retirement Program

*Approved as amended after considerable discussion and public testimony.*

Item 3. Mr. Herndon requested on behalf of the State Board of Administration staff that the Trustees approve filing the Investment Policy Statement for Notice to begin the formal rulemaking process. If approved, the State Board of Administration will file Rule 19-9.001 to adopt the Investment Policy Statement by reference. The rule hearing is scheduled for April 3, 2001.

*Moved and seconded. Approved without objection.*

Item 4. Mr. Herndon requested on behalf of the State Board of Administration staff that the Trustees affirm that a rule development workshop is unnecessary before the formal rulemaking process can begin to adopt the Investment Policy Statement by rule. The Trustees noted that a workshop is unnecessary because ten rule development workshops or meetings akin to rule development workshops have already been held or conducted reviewing and commenting on the Investment Policy Statement. These meetings were: four IAC and/or PEORPAC meetings on July 28, 2000; August 22, 2000; September 14, 2000; and November 29, 2000; one meeting of the Trustees on September 26, 2000; two informal vendor community meetings on October 30, 2000 and January 10, 2001; one rule hearing on November 28, 2000; and two rule development workshops on October 13, 2000 and January 24, 2001. Additionally, there has been a constant stream of correspondence and communication between and among SBA staff, trustee aides, the Trustees, the vendor community, the litigants, the advisory councils, members of the legislature, legislative staff, and other interested parties throughout the time period outlined above. These meetings constitute sufficient public input and comment so that no other rule development workshops are necessary before the amended investment policy statement can be noticed for formal rulemaking.

*Moved and seconded. Approved without objection.*

Item 5. Mr. Herndon requested on behalf of the State Board of Administration staff that the Trustees consider the bundled provider selection process document. The document parallels in large part the selection process for the institutional investment product providers.

*This item was accepted for consideration.*

Item 6. Mr. Herndon requested on behalf of the State Board of Administration staff that the Trustees review the proposed selection and evaluation criteria for the bundled providers with an eye toward adoption of these criteria at the March 13, 2001 Trustees meeting. In the interim, the State Board of Administration's advisory councils will consider these criteria and public comments will also be solicited. A final version will be compiled based on comments received during the interim period.

*This item was accepted for review.*

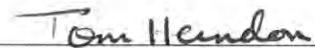
Item 7. Mr. Herndon presented the DC Implementation Status Report #7.

*The report was accepted. No action by the Board was necessary.*

Item 8. Mr. Herndon presented for information and review the fund activity analysis for the month of December 2000.

*The report was accepted. No action by the Board was necessary.*

The State Board of Administration's agenda was concluded.



Tom Herndon  
Executive Director  
State Board of Administration



The regular meeting of the State Board of Administration was held on March 13, 2001, in the Cabinet Meeting Room of the Capitol in Tallahassee.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Bill Nelson, Treasurer

Mr. Tom Herndon, Executive Director of the SBA was also present.

The following items were considered by the Board:

#### APPROVAL OF MINUTES

Item 1. Mr. Herndon requested the approval of the minutes of the February 27, 2001 meeting.

Moved and seconded. Approved without objection.

#### FISCAL SUFFICIENCIES

Item 2. Mr. Herndon requested approval of a fiscal sufficiency for the Division of Bond Finance, on behalf of the State Board of Regents, in an amount not exceeding \$11,000,000.

Moved and seconded. Approved without objection.

Item 3. Mr. Herndon requested approval of a fiscal sufficiency for the Division of Bond Finance, on behalf of the Board of Regents, in an amount not exceeding \$7,700,000.

Moved and seconded. Approved without objection.

Item 4. Mr. Herndon requested approval of a fiscal sufficiency, on behalf of the State Board of Education, in an amount not exceeding \$14,580,000.

Moved and seconded. Approved without objection.

#### FISCAL DETERMINATION

Item 5. Mr. Herndon recommended approval of a fiscal determination for the Florida Housing Finance Corporation, The Vinings at Hampton Village Apartments.

Moved and seconded. Approved without objection.

#### REAPPOINTMENT OF INVESTMENT ADVISORY COUNCIL MEMBER

Item 6. Mr. Herndon requested approval of the reappointment of Dr. Donald A. Nast, reappointed by the Comptroller, to the Investment Advisory Council.

Moved and seconded. Approved without objection.



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THE STATE BOARD OF ADMINISTRATION REQUESTS THE TRUSTEES APPROVE THE FOLLOWING RULE

Item 7. Mr. Herndon requested permission to file Rule 19-10.001 for adoption.

Moved and seconded. Approved without objection.

THE STATE BOARD OF ADMINISTRATION REQUEST THE FOLLOWING

Item 8. Mr. Herndon requested the Trustees approve the bundled provider selection process document.

After considerable discussion this item was granted provisional approval pending action by the IAC/PEORPAC on Friday, March 16, 2001.

Item 9. Mr. Herndon requested the Trustees approve the selection and evaluation criteria for the bundled providers.

After considerable discussion this item was granted provisional approval pending action by the IAC/PEORPAC on Friday, March 16, 2001.

APPOINTMENT OF ADVISORY COUNCIL MEMBER TO THE FLORIDA HURRICANE CATASTROPHE FUND

Item 10. Mr. Herndon requested approval of the appointment of Mr. Jim Woodside, appointed by the Treasurer, to the Florida Hurricane Catastrophe Fund Advisory Council.

Moved and seconded. Approved without objection.

THE FLORIDA WATER POLLUTION CONTROL FINANCING CORPORATION

Item 11. The Florida Water Pollution Control Financing Corporation requested that the Comptroller and Treasurer, the Governor's Budget Director and the Secretary of the Department of Environmental Protection, in their capacity as directors, to hold a meeting of the Board of Directors of the Corporation to adopt a Resolution authorizing the issuance of not exceeding \$225,000,000 Florida Water Pollution Control Revenue Bonds.

Resolution was moved and seconded. Approved without objection.

The business of the State Board of Administration and the Florida Water Pollution Control Financing Corporation agendas was concluded.

  
Tom Herndon  
Executive Director  
State Board of Administration

**The regular meeting of the State Board of Administration was held on March 29, 2001, in the Cabinet Meeting room of the Capitol in Tallahassee, Florida.**

**Members present were:**

**Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer**

**Mr. Tom Herndon, Executive Director for the SBA, was also present.**

**The following items were considered by the Board:**

**Item 1. Mr. Herndon requested the approval of the minutes of the March 13, 2001 meeting, as amended.**

*Moved and seconded. Approved without objection.*

**Item 2. Report on the Alternative Investment Asset Class and recommendations for modification to the Total Fund Investment Plan. Additional backup was provided after the Investment Advisory Council/Public Employee Optional Retirement Program Advisory Committee (IAC/PEORPAC) meeting of March 16, 2001.**

*After a presentation by Bill James and discussion of this item, it was approved as recommended.*

**Item 3. Review and approve recommendations for the creation of a Florida Focused Venture Capital fund within the alternative investment asset class. Additional backup was provided after the IAC/PEORPAC meeting of March 16, 2001.**

*This item was deferred until the April 10, 2001 meeting.*

**Item 4. Review and approve recommendation for the Education/Advice Vendor for the Defined Contribution Program. Additional backup was provided after the IAC/PEORPAC meeting of March 16, 2001.**

*After a presentation by Dr. Francis and remarks by representatives of Financial Engines and Ernst and Young, this item was approved as recommended.*

**Item 5. Further consideration of Bundled Provider Selection and Evaluation criteria if needed – based on the outcome of the discussion at the March 16 IAC/PEORPAC meeting.**

*This item was withdrawn. Commissioner Gallagher requested that the staff add an additional week to the RFI process, which was agreed to.*

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**Item 6.           Status Report #8 on Defined Contribution implementation.**

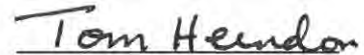
*This item was accepted as presented. No action was necessary by the Board.*

**Item 7.           Submitted for information and review was the report by the  
Executive Director of the Fund Activity Analysis for the month of January 2001.**

*This item was accepted as presented. No action was necessary by the Board.*

*Mr. Herndon made a few brief remarks about the February market valuation and overall performance.*

**The State Board of Administration's agenda was concluded.**



**Tom Herndon  
Executive Director  
State Board of Administration**

The regular meeting of the State Board of Administration was held on April 10, 2001, in the Cabinet Meeting Room of the Capitol in Tallahassee, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Bill Nelson, Treasurer

Mr. Tom Herndon, Executive Director of the SBA was also present.

The following items were considered by the Board:

#### APPROVAL OF MINUTES

Item 1. Mr. Herndon requested the approval of the minutes of the March 29, 2001 meeting.

Moved and seconded. Approved without objection.

#### FISCAL SUFFICIENCY

Item 2. Mr. Herndon requested approval of a fiscal sufficiency for the State Board of Education of Florida.

Moved and seconded. Approved without objection.

#### REVIEW AND APPROVE RECOMMENDATION FOR THE CREATION OF A FLORIDA FOCUSED VENTURE CAPITAL FUND WITHIN THE ALTERNATIVE INVESTMENT ASSET CLASS

Item 3. This item was deferred to the May 15, 2001 meeting.

#### PUBLIC EMPLOYEE OPTIONAL RETIREMENT PROGRAM BUDGET AMENDMENT REQUEST

Item 4. Mr. Herndon requested that the Trustees approve an amendment to the PEORP Budget.

After discussion, approved as recommended.

#### THE FLORIDA HURRICANE CATASTROPHE FUND REQUESTED APPROVAL OF THE FOLLOWING RULES

Item 5. (1.1) Mr. Herndon requested that the Trustees approve filing a Notice of Change to forms incorporated into Rules 19-8.010 (2001 Reimbursement Contract) and 19-8.029, F.A.C. (2001 Insurer Reporting Requirements) and approve the filing of rules, as amended, for adoption.


Moved and seconded. Approved without objection.

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Item 5. (1.2) Mr. Herndon requested that the Trustees approve the 2001 Ratemaking Formula Report, the 2001 Rates, and the filing of Rule 19-8.028, F.A.C. (2001 Premium Formula) for Notice of Proposed Rulemaking.

After a presentation by Dr. Nicholson, Executive Director of the Catastrophe Fund, this item was deferred to the May 15, 2001 meeting.

The State Board of Administration's agenda was concluded.

  
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Tom Herndon  
Executive Director  
State Board of Administration

The regular meeting of the State Board of Administration was held on April 24, 2001, in the Cabinet Meeting Room of the Capitol in Tallahassee, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer

Mr. Tom Herndon, Executive Director of the SBA was also present.

The following items were considered by the Board:

#### APPROVAL OF MINUTES

Item 1. Mr. Herndon requested the approval of the minutes of the April 10, 2001 meeting.

Moved and seconded. Approved without objection.

#### APPROVAL OF PROPOSED MEDIA FIRM – KETCHUM COMMUNICATIONS

Item 3. Was taken out of order. Dr. Francis, Chair of Education Implementation Group (EIG), reviewed the selection process for the media firm and stressed the strong showing by Ketchum. Based on the reports by the consultants and the IAC/PEORPAC, the staff recommended that Ketchum be selected and the Board unanimously approved this recommendation.

#### APPROVAL OF PROPOSED ASSET TRANSITION BROKER – MORGAN STANLEY/DEAN WITTER

Item 2. Scott Seery, Chair of the Asset Transition Implementation Group, reviewed the process by which Morgan Stanley was selected. He stressed their strengths and the experience of the firm in transition management. The Board unanimously approved this recommendation.

#### PRELIMINARY APPROVAL OF THE FIRST THREE UNBUNDLED INVESTMENT PROVIDERS

Item 4. Barbara Jarriel, Co-Chair of the Investment Services Implementation Group (ISIG), reviewed each of the recommendations for unbundled providers 1, 2, and 3. She highlighted the strong performance results, the quality of the firms selected and, after some discussion, the Board unanimously approved the staff recommendation.

#### THE FLORIDA HURRICANE CATASTROPHE FUND REQUESTED APPROVAL OF DR. SNEH GULATI AS CHAIR OF THE FLORIDA COMMISSION ON HURRICANE LOSS PROJECTION METHODOLOGY

Item 5. Mr. Herndon requested approval of Dr. Sneh Gulati as Chair of the Florida Commission on Hurricane Loss Projection Methodology.

Moved and seconded. Approved as recommended.

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REPORT BY THE EXECUTIVE DIRECTOR

Item 6. Mr. Herndon presented for information and review the Fund Activity Analysis report for the month of February 2001.

The February 2001 report was accepted as presented. No action was necessary by the Board. Mr. Herndon handed out a briefing paper highlighting the factors that result in a time lag in compiling this report.


GOOD CAUSE ITEM

Item 7. Mr. Herndon requested, on behalf of the staff of the State Board of Administration, that the Trustees approve changes to the selection and evaluation criteria for institutional investment managers by reducing the required minimum assets in several categories and decreasing the requirements for the length of the product history to four years for small cap active managers. These changes will result in a larger number of candidates being considered.

This item was added for good cause. After a lengthy explanation and much discussion, the item was unanimously approved. However, Comptroller Milligan had several questions and stressed his overall discomfort with this item. Mr. Herndon apologized for the mishandling of the item. The Board staff should have had earlier warning and alerted the Trustees and involved the advisory councils in this matter.

At the close of the official agenda, Mr. Herndon reviewed with the Trustees the general status of the legislation moving in the House and Senate.

The State Board of Administration's agenda was concluded.

  
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Tom Herndon  
Executive Director  
State Board of Administration



The regular meeting of the State Board of Administration was held on May 15, 2001, in the Cabinet Meeting Room of the Capitol in Tallahassee, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer

Mr. Tom Herndon, Executive Director of the SBA, was also present.

The following items were considered by the Board:

#### **APPROVAL OF MINUTES**

Item 1. Mr. Herndon requested the approval of the minutes of the April 24, 2001 meeting, as amended.

Moved and seconded. Approved without objection.

#### **FISCAL DETERMINATIONS**

Item 2. Mr. Herndon recommended approval of a fiscal determination for the Florida Housing Finance Corporation, Heritage Apartments, Collier County, Florida.

Moved and seconded. Approved without objection.

Item 3. Mr. Herndon recommended approval of a fiscal determination for the Florida Housing Finance Corporation, Stuart Pointe Apartments, Martin County, Florida.

Moved and seconded. Approved without objection.

#### **THE STATE BOARD OF ADMINISTRATION REQUESTS APPROVAL OF THE FOLLOWING RULE**

Item 4. Mr. Herndon requested, on behalf of the staff of State Board of Administration, that the Trustees approve the filing of the proposed new Rules 19-10.002 and 19-10.003 for notice.

Moved and seconded. Approved without objection.

#### **REVIEW AND APPROVE RECOMMENDATION FOR THE CREATION OF A FLORIDA FOCUSED VENTURE CAPITAL FUND WITHIN THE ALTERNATIVE INVESTMENT ASSET CLASS**

Item 5. Mr. Herndon requested approval for the creation of a Florida Focused Venture Capital Fund within the Alternative Investment Asset Class.

After considerable discussion and clarification regarding the nature of the Venture Capital Fund, the item was approved.

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Commissioner Gallagher proposed a motion, which ultimately was not seconded, to repeal any policy based (non-statutory) restrictions on the investment authority of the staff. After discussion, the Trustees requested a report on this subject, which staff agreed to provide.

DEFINED CONTRIBUTION STATUS REPORT #10

Item 6. Mr. Herndon presented Status Report #10 to the Trustees.

Approved as submitted.

LEGISLATIVE UPDATE – INFORMATION ONLY

Item 7. Mr. Herndon noted a correction to the update clarifying that the Health Insurance Subsidy contribution rate was incorporated into another bill, even though the original bill did not pass. Item accepted.

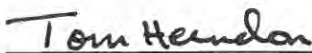
THE FLORIDA HURRICANE CATASTROPHE FUND REQUESTS APPROVAL OF THE FOLLOWING

Item 8. Mr. Herndon requested, on behalf of the Florida Hurricane Catastrophe Fund, that the Trustees approve the premium formula for the 2001-2002 Contract year, and the filing of Rule 19-8.028 for notice of proposed rulemaking.

After considerable discussion, the item was deferred until May 30. Commissioner Gallagher expressed his concerns about the additional \$20 million appropriated for mitigation and suggested that the Legislative action was inappropriate.

Comptroller Milligan asked what the end game was for the Cat Fund. Essentially, he expressed his concern about what the long-term goal was for the program, and how the Board would determine if we had achieved the goal. After this discussion, Mr. Herndon indicated that staff would prepare a response for the Board to examine.

The State Board of Administration's agenda was concluded.

  
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Tom Herndon  
Executive Director  
State Board of Administration

The regular meeting of the State Board of Administration was held on May 30, 2001, in the Cabinet Meeting Room of the Capitol in Tallahassee, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer

Mr. Tom Herndon, Executive Director of the SBA, was also present.

The following items were considered by the Board:

#### APPROVAL OF MINUTES

Item 1. Mr. Herndon requested the approval of the minutes of the May 15, 2001 meeting.

Moved and seconded. Approved without objection.

#### FISCAL SUFFICIENCY

Item 2. Mr. Herndon recommended approval of a fiscal sufficiency for the Division of Bond Finance on behalf of the Department of Environmental Protection of Florida.

Moved and seconded. Approved without objection.

#### THE STATE BOARD OF ADMINISTRATION REQUESTS APPROVAL OF THE FOLLOWING

Item 3. Mr. Herndon requested, on behalf of the staff of State Board of Administration, that the Trustees approve the filing of the Investment Policy Statement, which was approved at the Trustees' meeting on February 27, 2001, in Rule 19-9.001 for adoption.

Moved and seconded. Approved without objection.

#### THE STATE BOARD OF ADMINISTRATION REQUESTS APPROVAL OF THE FOLLOWING

Item 4. Mr. Herndon presented to the Trustees the State Board of Administration staff recommendation to dissolve any non-statutory based restriction on the investment authority of the State Board of Administration. Also staff would be authorized to make the appropriate corresponding change to the Total Fund Investment Plan (TFIP) to reflect the elimination of these restrictions.

After discussion and public testimony, this item was deferred until June 12. Staff will prepare a report on the possible fiscal implications of removing non-statutory investment restrictions on the Chiles Endowment.

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THE FLORIDA HURRICANE CATASTROPHE FUND REQUESTS APPROVAL OF THE FOLLOWING

Item 5(A). Mr. Herndon requested, on behalf of the Florida Hurricane Catastrophe Fund, that the Trustees approve the premium formula for the 2001-2002 Contract year. The Advisory Council approved the premium formula on March 28, 2001, with \$10 million incorporated for mitigation expenditures. The premium formula has been revised to establish additional rates based upon the proposed 2001-2002 state budget, which includes \$30 million for mitigation expenditures. The premium formula submitted provides rates for either level of mitigation funding contingent upon the fiscal state budget. The Florida Hurricane Catastrophe Fund will implement the appropriate premium after the Governor has acted on the Appropriations Bill – SB 2002.

Moved and seconded. Approved as recommended.

Item 5(B). Mr. Herndon requested, on behalf of the Florida Hurricane Catastrophe Fund, that the Trustees approve the filing of Rule 19-8.028, F.A.C. (2001 Premium Formula) for Notice of Proposed Rulemaking.


Moved and seconded. Approved as recommended.

REPORT BY THE EXECUTIVE DIRECTOR

Item 6. Mr. Herndon submitted for information and review the Fund Activity Analysis report for the month of March 2001.

The report was accepted. No action was required by the Trustees.

The State Board of Administration's agenda was concluded.

  
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Tom Herndon  
Executive Director  
State Board of Administration

The regular meeting of the State Board of Administration was held on June 12, 2001, in the Cabinet Meeting Room of the Capitol in Tallahassee, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer

Mr. Tom Herndon, Executive Director of the SBA, was also present.

The following items were considered by the Board:

#### APPROVAL OF MINUTES

Item 1. Mr. Herndon requested the approval of the minutes of the May 30, 2001 meeting.

Moved and seconded. Approved without objection.

#### THE STATE BOARD OF ADMINISTRATION REQUESTED APPROVAL OF THE FOLLOWING

Item 2. Mr. Herndon recommended the dissolution of any non-statutory based restrictions on the investment authority of the State Board of Administration. Furthermore, staff would be authorized to make the appropriate corresponding changes to the Total Fund Investment Plan (TFIP) to reflect the elimination of these restrictions.

There was considerable discussion and public testimony on the issue of dissolving the policy restrictions on the Florida Retirement System and Chiles Endowment. Attorney General Butterworth commented on the difficult choice facing the Trustees and how the environment had changed in the last four years. The Trustees voted unanimously to dissolve the restriction on the Florida Retirement System. The policy restriction not to invest in tobacco stocks was maintained for the Chiles Endowment. Staff was authorized to make the appropriate changes to the Total Fund Investment Plan to implement this plan.

#### PRELIMINARY APPROVAL OF THE NEXT SEVEN UNBUNDLED INVESTMENT PRODUCT PROVIDERS

Item 3. Mr. Herndon gave the Trustees a status report on the implementation of the new Defined Contribution program. Then, Ms. Susan Schueren, co-chair of the Investment Services Implementation Group, briefed the Trustees on the seven proposed unbundled products. Ms. Schueren explained the process of selection and highlighted the characteristics of the firms that were recommended. Mr. Herndon summarized the controversy surrounding the staff recommendation for ARK, Barclays and Jacobs Levy.

The Trustees preliminarily approved all seven products.

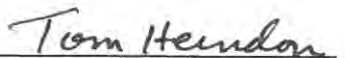
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STATE BOARD OF ADMINISTRATION BUDGET FOR FISCAL YEAR 2001-2002

Item 4. Mr. Herndon presented the various SBA budgets for the DB plan, the Florida Hurricane Catastrophe Fund, the Division of Bond Finance, and the Florida Prepaid College Savings program. He also discussed at length the budget for the new Defined Contribution program.

All the proposed budgets were approved as proposed.

The State Board of Administration's agenda was concluded.

  
\_\_\_\_\_  
Tom Herndon  
Executive Director  
State Board of Administration

**The regular meeting of the State Board of Administration was held on June 26, 2001, in the Martin County Administration Building, Commissioners Chambers, Stuart, Florida.**

**Members present were:**

**Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer**

**Mr. Ben Watkins, Executive Director of the Division of Bond Finance, was also present.**

**The Board considered the following item:**

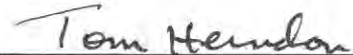
**FISCAL SUFFICIENCY**

**APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$21,000,000, STATE OF FLORIDA, SUNSHINE SKYWAY REVENUE REFUNDING BONDS, SERIES 2001.**

**Item 1. Mr. Watkins requested approval of a fiscal sufficiency for the Division of Bond Finance of the State Board of Administration, State of Florida, Sunshine Skyway Revenue Refunding Bonds.**

**Moved and seconded. Approved without objection.**

**The State Board of Administration's agenda was concluded.**



**Tom Herndon  
Executive Director  
State Board of Administration**



**NO SBA CABINET MEETINGS**

**IN**

**JULY, 2001**

The regular meeting of the State Board of Administration was held on August 14, 2001, in Room 212 of the Knott Building in Tallahassee, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer

Mr. Tom Herndon, Executive Director of the SBA, was also present.

The following items were considered by the Board:

#### APPROVAL OF MINUTES

Item 1. Mr. Herndon requested the approval of the minutes of the June 12 and June 26 meetings.

Moved and seconded. Approved without objection.

#### FISCAL SUFFICIENCIES

Item 2. Mr. Herndon recommended approval of a fiscal sufficiency for the Division of Bond Finance, on behalf of the State Board of Education of Florida, of an amount not exceeding \$250,000,000.

Moved and seconded. Approved without objection.

Item 3. Mr. Herndon recommended approval of a fiscal sufficiency for the Division of Bond Finance, on behalf of the State Board of Education of Florida, of an amount not exceeding \$300,000,000.

Moved and seconded. Approved without objection.

#### APPOINTMENT OF INVESTMENT ADVISORY COUNCIL MEMBER

Item 4. Mr. Herndon requested approval of the appointment of Donald W. Burton, appointed by the Treasurer, to the Investment Advisory Council.

Moved and seconded. Approved without objection.

#### RECOMMENDATION TO REAPPOINT THE EXECUTIVE DIRECTOR OF THE FLORIDA STATE BOARD OF ADMINISTRATION (FSBA) FOR THE PERIOD OF JULY 1, 2001 THROUGH JULY 1, 2002

Item 5 was amended to authorize Mr. Herndon a \$5,000 lump sum performance bonus to be paid in August, and separate from the fixed COLA increase paid in November. SBA staff was also instructed to prepare draft legislation to amend the appointment and re-appointment process of the executive director to a simple majority vote without the requirement that the Governor vote on the prevailing side.

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After discussion, the motion was passed unanimously with the Governor voting in the affirmative.

THE STATE BOARD OF ADMINISTRATION REQUESTED THE APPROVAL OF THE FOLLOWING RULES FOR ADOPTION

Item 6. Mr. Herndon requested that the Trustees approve the filing of Rules 19-10.002 and 19-10.003 for adoption.

Moved and seconded. Approved without objection.

DC IMPLEMENTATION STATUS REPORT #11

Item 7. Mr. Herndon submitted the DC Implementation Status Report #11 for information.

The report was accepted as submitted.

REPORTS BY THE EXECUTIVE DIRECTOR

Item 8. Mr. Herndon submitted for information and review the Fund Activity Analysis for the months of April and May 2001.

The reports were accepted as submitted.

THE FLORIDA HURRICANE CATASTROPHE FUND REQUESTS APPROVAL OF THE FOLLOWING RULE

Item 9. Mr. Herndon requested that the Trustees approve the filing of Rule 19-8.028, F.A.C. to adopt the premium formula for the 2001-2002 contract year.

Moved and seconded. Approved without objection.

GOOD CAUSE

CONSIDERATION OF BUNDLED RECOMMENDATION

Item 10 was added for good cause due to the controversy surrounding the selection of the bundled providers.

After introductory remarks by Mr. Herndon and Mercer representatives, various bundled provider companies spoke in opposition to the selection process and outcome. Several other firms and association representatives spoke, some in support of the selection and outcome. Mr. Russ Bjorkman, as a member of the Investment Advisory Council spoke and raised concerns about the selection process. There was considerable discussion, questions and answers which ultimately

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took over two hours of agenda time. After much interaction, the Trustees adopted a motion by Comptroller Milligan that essentially directed the staff to:

1. Provide the detailed Mercer scoring analysis to each of the 16 vendors;
2. Solicit from the vendors any clarifying comments/concerns which bear on the scoring of the respondent proposals;
3. Solicit from the vendors their "best and final" offer, including any revised prices on the various bid components;
4. Using all "best and final" offers, prepare a new analysis that responds/clarifies the scoring and make recommendations to the Trustees for reducing the number of respondents and scheduling site visits and interviews.

After further discussion, this motion was adopted. Mr. Herndon announced that the meeting scheduled for 45 minutes after adjournment and all scheduled bundled provider site visits and interviews would be cancelled and re-scheduled after further selection decisions were concluded.

The State Board of Administration's agenda was concluded.

  
for **Tom Herndon**  
**Executive Director**  
**ate Board of Administration**



The regular meeting of the State Board of Administration was held on August 28, 2001, in Room 212 of the Knott Building, Tallahassee, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer

Mr. Tom Herndon, Executive Director of the SBA, was also present.

The following items were considered by the Board:

#### APPROVAL OF MINUTES

Item 1. Mr. Herndon requested the approval of the minutes of the August 14, 2001 meeting.

Moved and seconded. Approved without objection.

#### FISCAL SUFFICIENCIES

Item 2. Mr. Herndon recommended approval of a fiscal sufficiency for the Division of Bond Finance, on behalf of the Florida Board of Education, Florida Atlantic University Parking Facility Revenue bonds.

Moved and seconded. Approved without objection.

Item 3. Mr. Herndon recommended approval of a fiscal sufficiency for the Division of Bond Finance, on behalf of the State Board of Education of Florida, Capital Outlay Refunding Bonds.

Moved and seconded. Approved without objection.

#### THE STATE BOARD OF ADMINISTRATION REQUESTED THAT THE TRUSTEES APPROVE FILING OF RULES FOR NOTICE

Item 4. Mr. Herndon requested the Trustees to approve filing Rules 19-12.001 through 19-12.006 for notice.

Moved and seconded. Approved without objection.


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Page two**

**REPORT BY THE EXECUTIVE DIRECTOR**

**Item 5. Mr. Herndon submitted for information and review the fund activity analysis report for the month of June 2001.**

**The report was accepted as presented. No action was necessary by the Board.**

**The State Board of Administration's agenda was concluded.**

  
\_\_\_\_\_  
**Tom Herndon  
Executive Director  
State Board of Administration**

The regular meeting of the State Board of Administration was held on September 11, 2001, in the Hermitage Centre, Tallahassee, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer

Mr. Tom Herndon, Executive Director of the SBA, was also present.

The following items were considered by the Board:

#### APPROVAL OF MINUTES AND FISCAL SUFFICIENCIES

Items 1 – 5. Mr. Gallagher and Comptroller Milligan moved Items 1 – 5 pending Mr. Herndon's arrival. All were approved as recommended.

#### PRELIMINARY APPROVAL OF THE LAST THREE UNBUNDLED INVESTMENT PRODUCT PROVIDERS


Item 6. Mr. Herndon presented Item 6 as the last three unbundled providers to be considered. The recommendations regarding the three unbundled providers were received and endorsed by the IAC/PEORPAC except for the Index Fund Product. In that instance the advisory councils were unanimous in their recommendation to select the #2 vendor for diversification reasons. After discussion and further explanation, the Trustees voted unanimously to support the staff recommendation to select BGI.

#### PROPOSED LEGISLATIVE INITIATIVES AS A DISCUSSION ITEM

Item 7. Legislative items for discussion. After a brief overview, this item was accepted as presented.

At the close of the formal agenda, Mr. Herndon briefly summarized the status of the bundled provider resubmittals. Mr. Herndon indicated that there were a few issues that needed resolution and he would meet with the Trustees' staffs to discuss further and then publish a schedule.

The State Board of Administration's agenda was concluded.

  
\_\_\_\_\_  
Tom Herndon  
Executive Director  
State Board of Administration



*No SB Agenda*

**SBA CABINET MEETINGS**

**SEPTEMBER 25, 2001**  
(OUT OF TOWN)

The regular meeting of the State Board of Administration was held on October 16, 2001, in Room 212 of the Knott Building, Tallahassee, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer

Mr. Tom Herndon, Executive Director of the SBA, was also present.

The following items were considered by the Board:

#### APPROVAL OF MINUTES

Item 1. Mr. Herndon requested the approval of the minutes of the September 11, 2001 meeting.

Moved and seconded. Approved without objection.

#### FISCAL DETERMINATIONS

Item 2. Mr. Herndon recommended approval for a fiscal determination for the Florida Housing Finance Corporation, Westminster Apartments, Pinellas County, Florida.

Moved and seconded. Approved without objection.

Item 3. Mr. Herndon recommended approval for a fiscal determination for the Florida Housing Finance Corporation, Walden Parks Apartments, Osceola County, Florida.

Moved and seconded. Approved without objection.

Item 4. Mr. Herndon recommended approval for a fiscal determination for the Florida Housing Finance Corporation, Noah's Landing Apartments, Collier County, Florida.

Moved and seconded. Approved without objection.

#### REPORT ON THE NEGOTIATION PHASE OF THE BUNDLED PROVIDER SELECTION PROCESS

Item 5. Mr. Herndon presented the report from the advisory councils.

After considerable discussion and public testimony, this item was approved as recommended. The Trustees instructed staff to meet with the Safeco representatives to

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discuss the issues involved in their protest. Staff was instructed to bring back to the Trustees a recommendation if there were merit in Safeco's arguments.

**REPORT ON THE SELECTION OF TIER V ANNUITY PRODUCTS**

Item 6. Mr. Herndon submitted the advisory councils' recommendations from their joint meeting held October 9, 2001. Mr. Herndon also updated the Trustees on a conference call held on October 12<sup>th</sup> wherein issues raised at the October 9<sup>th</sup> Advisory Council meeting were addressed. Mr. Herndon reported that council members questions had been satisfactorily answered and recommended the original staff positions.

Moved and seconded. Approved as recommended.

**THE STATE BOARD OF ADMINISTRATION REQUESTED APPROVAL OF RULES**

Mr. Herndon requested approval of Rules 19-12.001 through 19-12.006 for adoption.

Moved and seconded. Approved as recommended.

**2002 LEGISLATIVE PROPOSALS AS A DISCUSSION ITEM**

Item 8. Mr. Herndon presented several Legislative proposals relating to PEORP for consideration.

There was some discussion regarding the second item involving untimely contributions, especially from the Comptroller, but the Trustees endorsed the proposals.

**DC IMPLEMENTATION STATUS REPORT #12**

Item 9. Mr. Herndon presented the DC Implementation Status Report #12.

The report was accepted as recommended. No action was necessary by the Trustees.

**REPORT BY THE EXECUTIVE DIRECTOR**

Item 10. Mr. Herndon submitted for information and review the fund activity analysis report for the month of August 2001.

The report was accepted as presented. No action was necessary by the Trustees.



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**October 16, 2001**

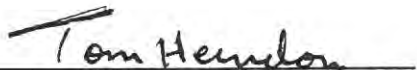
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**GOOD CAUSE**

**Item 11. The Florida Hurricane Catastrophe Fund requested approval to pursue Legislation which would provide the Florida State Board of Administration with the flexibility to temporally expand Florida Hurricane Catastrophe Fund coverage when a reinsurance crisis threatens to significantly increase costs to insurers and disrupt the Florida Residential marketplace.**

**The item was on for discussion purposes and was ultimately endorsed in concept. There was extensive discussion amongst the Trustees regarding the need for more expeditious methods of addressing the re-insurance problem if it arose. The Trustees resolved to encourage the Legislature to address this issue and directed staff to draft some alternative method of obtaining delegated authority.**

**The State Board of Administration's agenda was concluded.**

A handwritten signature in black ink, reading "Tom Herndon", is written over a horizontal line.

**Tom Herndon  
Executive Director  
State Board of Administration**

The regular meeting of the State Board of Administration was held on October 30, 2001, in Room 212 of the Knott Building, Tallahassee, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer

Mr. Tom Herndon, Executive Director of the SBA, was also present.

The following items were considered by the Board:

#### APPROVAL OF MINUTES

Item 1. Mr. Herndon requested the approval of the minutes of the October 16, 2001 meeting.

Moved and seconded. Approved without objection.

#### FISCAL DETERMINATIONS

Item 2. Mr. Herndon recommended approval of a fiscal determination for the Florida Housing Finance Corporation, Island Club Apartments, Volusia County, Florida.

Moved and seconded. Approved without objection.

Item 3. Mr. Herndon recommended approval of a fiscal determination for the Florida Housing Finance Corporation, Reflection Apartments, Hillsborough County, Florida.

Moved and seconded. Approved without objection.

Item 4. Mr. Herndon recommended approval of a fiscal determination for the Florida Housing Finance Corporation, Lake Forest Apartments, Volusia County, Florida.

Moved and seconded. Approved without objection.

Item 5. Mr. Herndon recommended approval of a fiscal determination for the Florida Housing Finance Corporation, Charleston Landing Apartments, Hillsborough County, Florida.

Moved and seconded. Approved without objection.

**STATE BOARD OF ADMINISTRATION**

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**Item 6. Mr. Herndon recommended approval of a fiscal determination for the Florida Housing Finance Corporation, Grande Court Apartments, Duval County, Florida.**

**Moved and seconded. Approved without objection.**

**Item 7. Mr. Herndon recommended approval of a fiscal determination for the Florida Housing Finance Corporation, Pinnacle Lake Apartments, Dade County, Florida.**

**Moved and seconded. Approved without objection.**

**Item 8. Mr. Herndon recommended approval of a fiscal determination for the Florida Housing Finance Corporation, Hunter's Run Apartments, Clay County, Florida.**

**Moved and seconded. Approved without objection.**

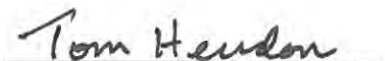
**REPORT BY THE EXECUTIVE DIRECTOR**

**Item 9. Mr. Herndon submitted for information and review the fund activity analysis report for the month of August 2001.**

**The report was accepted as presented. No action was necessary by the Trustees.**

**At the conclusion of the formal agenda, Mr. Herndon previewed a videotape for the Trustees, which introduces the new FRS Choice Program. In addition, Mr. Herndon discussed with the Trustees the current status of the employer seminars and pointed out that the bundled provider selection recommendations were still on track for action on November 14<sup>th</sup>. Mr. Herndon also reminded the Trustees that Safeco was concerned about their status since they had not made the cut to the short list of eight finalists. Mr. Herndon indicated that based on staff's review of the Safeco issues and a meeting that had taken place, no further action to include them as a finalist was contemplated. There were no comments from the Trustees.**

**The State Board of Administration's agenda was concluded.**



**Tom Herndon  
Executive Director  
State Board of Administration**

The regular meeting of the State Board of Administration was held on November 14, 2001, in Room 212 of the Knott Building, Tallahassee, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer

Mr. Tom Herndon, Executive Director of the SBA, was also present.

The following items were considered by the Board:

#### APPROVAL OF MINUTES

Item 1. Mr. Herndon requested the approval of the minutes of the October 30, 2001 meeting.

Moved and seconded. Approved without objection.

#### FISCAL DETERMINATION

Item 2. Mr. Herndon recommended approval of a fiscal determination for the Florida Housing Finance Corporation, Mission Bay Apartments, Brevard County, Florida.

Moved and seconded. Approved without objection.

#### CONSIDERATION OF RECOMMENDATIONS BY SBA STAFF AND THE SBA ADVISORY COUNCILS REGARDING THE ROLE OF BUNDLED PROVIDERS IN THE PEORP:

Item 3 was taken up and discussed at great length. The Trustees ultimately adopted the following two motions:

- 1) Staff was directed, consistent with the overall negotiating strategies articulated by the Trustees, to negotiate with five bundled provider finalists and to return with a final recommendation at the November 27<sup>th</sup> Trustees' meeting. The five finalists were Nationwide, Aetna, Valic, Fidelity and Prudential. Staff was also directed to negotiate with SAFECO to determine the feasibility of an acceptable self-directed brokerage window based on their "Sharebuilder" product.
- 2) Staff was also directed to proceed to contract with the unbundled lineup of investment choices.

These actions came after three hours of staff presentations, public and vendor testimony and discussions among the Trustees. Ms. Randi Grant, Chair of the Investment



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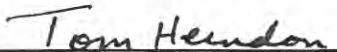
**November 14, 2001**

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Advisory Council and Ms. Mary Kay Cariseo, Chair of PEORPAC, presented a summary of the Advisory Council actions. Considerable discussion took place regarding the important negotiating concerns of the Trustees with primary emphasis focusing on the following items:

- Quality of investment performance;
- Cost of investment products and services;
- The quality and complementary nature of a bundled provider educational services;
- Transition issues;
- Interface with the Third Party Administrator; and
- Safeguards within the program to ensure that members are adequately protected in the future against potential problems such as poor performing investment products.

There was considerable discussion about how risk adjusted returns are calculated, how the various facets of the educational program will interrelate, and the role of annuities in the PEORP, etc. Ultimately, the Trustees adopted the two motions stated above and adjourned.



**Tom Herndon**  
**Executive Director**  
**State Board of Administration**

The regular meeting of the Florida State Board of Administration was held on November 27, 2001, at the Florida Supreme Court Building, Tallahassee, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer

Mr. Tom Herndon, Executive Director of the FSBA, was also present.

The following items were considered by the Board:

**APPROVAL OF MINUTES**

Item 1. Mr. Herndon requested the approval of the minutes of the November 14, 2001 meeting.

Moved and seconded. Approved without objection.

**FISCAL SUFFICIENCIES**

Item 2. Mr. Herndon recommended approval of a fiscal sufficiency for the Division of Bond Finance of the State Board of Administration relating to the Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds.

Moved and seconded. Approved without objection.

Item 3. Mr. Herndon recommended approval of a fiscal sufficiency for the Division of Bond Finance of the State Board of Administration on behalf of the Florida Board of Education relating to Florida State University Housing Facility Revenue Bonds.

Moved and seconded. Approved without objection.

Item 4. Mr. Herndon recommended approval of a fiscal sufficiency for the Division of Bond Finance of the State Board of Administration on behalf of and in the name of the Florida Board of Education relating to University System Improvement Revenue Bonds.

Moved and seconded. Approved without objection.

**FISCAL DETERMINATION**

Item 5. Mr. Herndon recommended approval of a fiscal determination for the Florida Housing Finance Corporation, Sheridan Place Apartments, Manatee County, Florida.

Moved and seconded. Approved without objection.

**THE FLORIDA STATE BOARD OF ADMINISTRATION REQUESTED APPROVAL OF THE FOLLOWING RULES FOR NOTICE**

Item 6. Mr. Herndon requested approval of the filing of Rules 19-7.001 through 19-7.017 for notice.

A brief discussion regarding the contents of the rules occurred.

Moved and seconded. Approved without objection.

**CONSIDERATION OF RECOMMENDATIONS BY SBA STAFF REGARDING THE SELECTION OF BUNDLED PROVIDERS IN THE PEORP**

Item 7.

A. The Trustees established the procedures for voting on the SBA staff recommendations regarding bundled providers. After some comments from audience members and a brief overview by Mr. Herndon each provider briefly addressed the Trustees, with a vote by the Trustees following each presentation. The Trustees voted unanimously to select the following bundled providers with the approved funds of each noted:

- Prudential
  - Fixed Income Intermediate; Stable Value; Large Cap. Value; Large Cap. Growth; Mid Cap Broad; Global Equity.
- Nationwide
  - Core Bond Aggregate; Stable Value; Large Cap. Value; Large Cap. Growth; Small Cap Growth; International Equity Core.
- Fidelity
  - Money Market; Fixed Income Intermediate; Large Cap. Growth; Mid Cap. Growth; Small Cap Value; International Equity Core.
- ING Aetna
  - High Yield; Stable Value; Large Cap. Core; Large Cap. Value; Small Cap Broad; International Equity Core.

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**November 27, 2001**

**Page three**

B. Following a presentation by VALIC and testimony from bundled providers on the fee for service issue, the Trustees voted 2-1 to have the SBA re-negotiate with VALIC to determine whether or not VALIC will agree to eliminate the bundled education component of their PEORP proposal and substitute a fee for service education component. If VALIC is willing to offer a fee for service educational program they will be included as an approved provider in the PEORP.

Staff was also directed to work with VALIC on their proposed fund line up in order to insure the best overall arrangement.

C. The Trustees voted unanimously to have SBA staff further investigate SAFECO's brokerage window option, "Sharebuilder", for inclusion in the PEORP and to return on December 18, 2001, with a recommendation to the Trustees.

All of these decisions are contingent upon the successful negotiation of the appropriate contracts. SBA staff will report to the Trustees on the progress on these matters as soon as feasible, but no later than the December 18, 2001 Trustee meeting.

**REPORT BY THE EXECUTIVE DIRECTOR**

Item 8. Mr. Herndon submitted the Fund Activity Analysis for the month of October 2001 to the Trustees.

The report was received as submitted for information and review. No action was required by the Trustees.

The Florida State Board of Administration's agenda was concluded.



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Tom Herndon  
Executive Director  
Florida State Board of Administration

The regular meeting of the Florida State Board of Administration was held on December 18, 2001, City Hall, Second Floor Commission Chambers, Tallahassee, Florida.

Members present were:

Governor Jeb Bush, Chairman  
State Comptroller Robert F. Milligan, Secretary  
State Treasurer Tom Gallagher, Treasurer

Mr. Tom Herndon, Executive Director of the SBA, was also present.

The following items were considered by the Board:

#### APPROVAL OF MINUTES – FISCAL SUFFICIENCY – FISCAL DETERMINATIONS

Items 1 – 6 were approved as recommended. In conjunction with PEORP Status Report #13, Mr. Herndon distributed a copy of the soon-to-be-mailed Florida Retirement System bulletin.

#### STATUS REPORT ON THE NEGOTIATIONS WITH VALIC AS A BUNDLED PROVIDER

Item 7. Mr. Herndon reviewed in detail the situation regarding VALIC and their final product substitution. After the confusion over the performance of the Putnam product was explained, Mr. Herndon indicated that VALIC had gone back to the original Invesco product at a lower fee of 77 bps. Mr. Herndon also explained that VALIC had removed the evergreen provision in the contract and addressed the duplication associated with the stable value fund. First drafts of the contract were distributed on December 14<sup>th</sup> and comments are being solicited. Any remaining issues with the BP's will be addressed in the contracts themselves. The Trustees accepted the report as offered.

#### STATUS REPORT ON SAFECO'S "SHAREBUILDER" BROKERAGE WINDOW

Item 8. Safeco's Self-directed Brokerage Window (SDBW) was discussed at length. After the November 28<sup>th</sup> Trustees' meeting, SBA staff conducted additional research into the merits of a SDBW, and Safeco's in particular. We also reviewed Safeco's legal memorandum and other due diligence materials, with a special review of the status of brokerage products offered by other firms. In the final analysis, staff concluded that there were too many unresolved legal and policy questions, and recommended that the selection of a SDBW be postponed until mid-2003. Staff also recommended that when a SDBW selection process is initiated, it should be a competitive process. Furthermore, Safeco should receive some preference points for their time and effort.

The Trustees supported these conclusions, and Commissioner Gallagher recommended that we put into the educational materials a reference to this product being available in the future.

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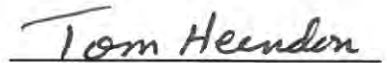
December 18, 2001

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STATUS REPORT ON THE COLLAPSE OF ENRON AND THE IMPACT ON THE FRS

Item 9. Mr. Herndon reviewed the Enron matter and explained the magnitude of the losses to the Florida Retirement System. He also explained that over 90% was due to the actions of Alliance Capital. Based largely on their deteriorating performance over the past two years, they have been terminated. Mr. Herndon reviewed the plans to seek lead plaintiff status in the Enron lawsuit, and Attorney General Butterworth also spoke to this matter, expressing his interest in a collaborative effort with the State Board of Administration and its outside counsel. The report was accepted as offered.

The Florida State Board of Administration's agenda was concluded.



Tom Herndon  
Executive Director  
State Board of Administration