

The regular meeting of the Florida State Board of Administration was held on January 29, 2002, 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 FSBA, was also present.

The following items were considered by the Board of Trustees:

#### APPROVAL OF MINUTES

Item 1. Mr. Herndon requested the approval of the minutes of the December 18, 2001 meeting.

Moved and seconded. Approved without objection.

#### FISCAL DETERMINATION

Item 2. Mr. Herndon presented a resolution of the State Board of Administration of Florida rescinding the approval of a prior fiscal determination for Florida Housing Finance Corporation Housing Revenue Bonds, 2001 Series (Westminster Apartments), and approving the fiscal determination for Florida Housing Finance Corporation Housing Revenue Bonds, 2002 Series (Westminster Apartments).

Moved and seconded. Approved without objection.

#### ADMINISTRATIVE RULES

Item 3. Mr. Herndon requested approval of the filing of Rules 19-7.001 through 19-7.017, F.A.C. for adoption.

Moved and seconded. Approved without objection.

#### DC IMPLEMENTATION STATUS REPORT

Item 4. Mr. Herndon presented the DC Implementation Status Report #14, and informed the trustees that the IRS approval of the DC Plan arrived on January 28, 2002. The Division of Retirement, however, is still awaiting their IRS approval.

Mr. Herndon further briefed the trustees on the legislation filed relating to the DC Plan, and stressed the importance of this legislation, which implements recent Congressional enactments as well as exempting employees financial records from the public records law.

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Mr. Herndon discussed the revision of the DC Investment Policy Statement relating to balanced funds which has been reviewed to the satisfaction of both the IAC and the Trustees, and will now be implemented.

The bundled provider contracts are nearing completion, and Mr. Herndon estimated that they would all be signed within one week. The contracts are basically identical, however, they contain attached schedules that differ from contract to contract based upon the provider's product offerings.

Mr. Herndon addressed the FSBA's involvement in Enron, including the Motion for Application as Lead Plaintiff and the expected decision on that Motion within a few weeks. Mr. Herndon further mentioned that he will participate in a SEC meeting in Washington D.C. on Monday to discuss the Enron situation with other pension funds in order to ascertain whether there are procedures that could be instituted to avoid similar problems in the future.

Additionally, a discussion about Alliance Capital ensued and Mr. Herndon informed the Trustees that the FSBA is in the process of interviewing law firms in order to gain a better understanding about a potential cause of action, and what evidence exists to support taking legal action against Alliance. Upon conclusion of these discussions, FSBA staff will make a recommendation to the Trustees. Furthermore, the Attorney General's Office has served racketeering subpoenas on Arthur Anderson, Enron, and Alliance in an attempt to uncover any potential wrongdoing. The Governor emphasized the importance of moving forward rapidly and efficiently.

Finally, there was a discussion by the Trustees about the importance of having safeguards in place to ensure DC Plan participants as much security as possible when investing their pensions themselves under this new investment plan. Mr. Herndon explained how "Financial Engines", the computer tool that will be provided to participants will help to achieve such safeguards to the greatest extent possible.

The DC Implementation Status Report was moved and seconded. Approved without objection.

**REPORTS BY THE EXECUTIVE DIRECTOR**

Item 5. Mr. Herndon submitted the Fund Activity Analysis for the months of October and November 2001 to the trustees.

Moved and seconded. Approved without objection.

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**FLORIDA PREPAID COLLEGE PROGRAM / FLORIDA COLLEGE SAVINGS  
PROGRAM COMPREHENSIVE INVESTMENT PLANS**

**Item 6. Mr. Herndon submitted the comprehensive investment plans for the Florida Prepaid College Program and the Florida College Savings Plan to the trustees.**

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

**PROPOSED TRUST AGREEMENT**

**Item 7. Mr. Herndon submitted the proposed trust agreement between the Florida State Board of Administration and the Old Plantation Water Control district to the trustees.**

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

**FLORIDA HURRICANE CATASTROPHE FUND**

**Item 8. Mr. Herndon requested approval of the filing of Rules 19-8.010, 19-8.012, and 19-8.029, F.A.C. for notice. A discussion followed about the inclusion of additional living expenses (ALE) as a coverage under the FHCF in connection with the reimbursement contract. Dr. Nicholson pointed out that when the FHCF was created during the first year, both commercial and residential property exposures were included in the FHCF. In 1995, the law was amended to exclude business commercial, but commercial residential was included. The idea to exclude additional living expense was associated with the complexity of having to cover its business counter part known as business interruption insurance. Business interruption insurance is much more complex and is written in a variety of ways with a number of types of coverages and forms. After 1995, when business commercial was excluded from the FHCF, the ALE exclusion remained.**

**The Trustees were agreeable on the idea of the FSBA pursuing legislation to add coverage for ALE, but the suggestion was made by Comptroller Milligan to present the idea to the FHCF Advisory Council for approval first. Mr. Herndon noted that this would be done.**

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

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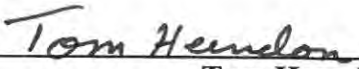
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**INTEREST RATE EXCEPTION**

**Item 9. Mr. Herndon submitted a request for an interest rate exception on behalf of the Housing Finance Authority of Collier County.**

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

**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 February 12, 2002, at the Capitol, 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 of Trustees:

#### APPROVAL OF MINUTES

Item 1. Mr. Herndon requested the approval of the minutes of the January 29, 2002 meeting.

Moved and seconded. Approved without objection.

#### FISCAL SUFFICIENCY

Item 2. Mr. Herndon requested 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.

#### FISCAL DETERMINATION

Item 3. Mr. Herndon requested approval of a fiscal determination on behalf of the Florida Housing Finance Corporation, of an amount not exceeding \$100,000,000.

Moved and seconded. Approved without objection.

#### HURRICANE CATASTROPHE FUND LEGISLATION

Item 4. Mr. Herndon requested the approval to pursue legislation which would expand the coverage of the Florida Hurricane Catastrophe Fund to cover additional living expenses associated with mobile home and personal residential exposures. The Trustees inquired as to any potential fiscal impact on premiums. A memorandum from Jack Nicholson outlining the proposal and fiscal impact was provided.

Mr. Herndon further briefed the Trustees on the Enron/Alliance matter, mentioning that there was a hearing in the House of Representatives on Thursday February 7, 2002, and that the FSBA is in the process of compiling information requested at that meeting. There has also been requests for information by the Senate, however, no meetings have been scheduled by the Senate yet.

Mr. Herndon mentioned that there has been no development in the Enron lawsuit pending in the United States District Court in Houston, Texas, but it is expected that ruling on the motions for applications for lead plaintiff will be issued within the next few days.

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The FSBA is in the process of reviewing current internal policies in order to evaluate the sufficiency of such policies, and to ensure that they represent the best practices in the industry. The focus of the review is the nature of discretion given to outside money managers, however, the FSBA operates like most other public and private pension funds allowing external money managers full discretion of investments within given contractual agreements and policy restrictions. Policy restrictions have included restrictions on investments in Cuba and Northern Ireland, and the former restrictions on tobacco investments.

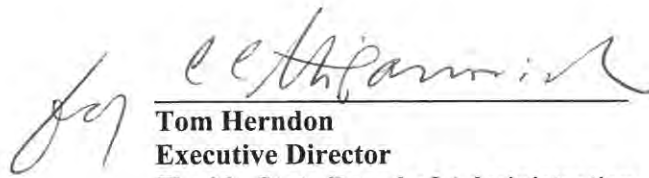
Mr. Herndon stated that the FSBA is continuing to work with the Attorney General's office. In a discussion with General Butterworth, the Trustees confirmed that they currently plan no legal action against Alliance based upon a request from the Attorney General's office as it could impede the Attorney General's independent investigation. Ideally, settlement negotiations should be pursued in order to attempt to recoup losses for the FRS. Alliance has indicated that they will cooperate with the Attorney General's investigation. Under the RICO subpoenas issued, no information can be released until the end of the case, however, any settlement discussions will be relayed to the FSBA for approval.

Additionally, the Trustees discussed Arthur Anderson and the request to the Board of Accountancy for an independent investigation. Such investigation would also be secret until the Board has determined whether or not probable cause exists. The Attorney General's office would be conflicted out of any such legal proceedings, consequently, independent counsel would have to be retained.

Finally, Mr. Herndon informed the Trustees that the PEORP materials are in the process of being shipped and distributed to the state employee members of the FRS. Mr. Herndon will make a presentation at the next Trustee's meeting on February 27, 2002, about the PEORP materials. Mr. Herndon also reported that the 20 bundled and unbundled contracts are near completion.

Moved and seconded. Approved without objection.

The State Board of Administration's agenda was concluded.

  
Tom Herndon  
Executive Director  
Florida State Board of Administration



The regular meeting of the Florida State Board of Administration was held on February 27, 2002, in the County Commission Chambers, Kissimmee, 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 February 12, 2002 meeting.

Moved and seconded. Approved without objection.

#### FISCAL SUFFICIENCY

Item 2. Mr. Herndon requested 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.

#### 2001 FRS ACTUARIAL REPORT

Item 3. Mr. Herndon presented to the Trustees the annual actuarial report of the Florida Retirement System.

After discussion and a brief presentation by Dr. Francis of the FSBA, the Trustees approved the proposed blended rate contribution formula and directed the Executive Director to transmit this recommendation to the legislative leadership.

Commissioner Gallagher raised the question as to whether the Trustees would be interested in requesting that the Legislature authorize an increase in CAT Fund capacity to \$15 billion. In the alternative, he proposed that the Trustees be authorized to increase capacity on their own initiative. Some concern was expressed as to the unknown implications of a 4 billion dollar capacity increase. As a consequence, and after further discussion, the Trustees voted to request that the Legislature delegate to them the responsibility to change the Florida Hurricane Catastrophe Fund coverage parameters (capacity limit and retention level).

General Butterworth also posed a question regarding the possibility of increasing the FRS service accrual percentage for those employees who do not receive a raise in any given year. After some discussion, staff was directed to follow-up with the actuaries on this proposal and report back to the Trustees.

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**DC IMPLMENTATION STATUS REPORT #15**

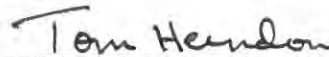
**Item 4. Mr. Herndon presented the defined contribution implementation status report #15 and reviewed with the Trustees the packets that are being mailed out to individual members and the overall schedule for PEORP implementation. A brief overview of the Enron situation was also presented.**

**REPORT BY THE EXECUTIVE DIRECTOR**

**Item 5. Mr. Herndon submitted for information and review the Fund Activity Analysis Report for the month of December 2001.**

**The report was received for information and review. No action was required by the Board.**

**The 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 March 12, 2002, 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 FSBA, was also present.

The following item was considered by the Board:

**GOOD CAUSE ITEM RELATING TO LEGAL ACTION INVOLVING  
ALLIANCE CAPITAL**

Item 1. Mr. Herndon briefed the Trustees about the status of the Enron class action pending in the US District Court, Southern District, in Houston, Texas. The FSBA remains in the class, however, may decide to opt out. Pleadings are due from the lead plaintiff in the case, University of California Regents, on April 1, 2002, and the FSBA will review those pleadings before making a final decision in the matter. The law firms the FSBA retained in that case remain involved, and they are currently reviewing a settlement offer from Arthur Andersen.

The FSBA met with attorneys from Alliance Capitol on March 7, 2002, and they represented that Alliance intends to fully cooperate with FSBA's request for information. The information has not yet been received from Alliance.

The Attorney General stated that his office has received the information they requested from Alliance in the RICO subpoenas issued, and that information is being reviewed. Additional requests have been made of Alliance, and the process is expected to continue for several months.

The Governor expressed a desire to move forward with the decision whether to institute a lawsuit against Alliance. The Comptroller stated that he understood the Trustees' decision was to not take legal action until the Attorney General's investigation was concluded, and the Trustees agreed that such a decision was made at a previous Trustees' meeting. The Trustees further agreed that future special Trustees' meetings relating to Alliance should be called at the will of any Trustee, as circumstances require, subject to statutory notice requirements.

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The Governor requested of Mr. Herndon information relating to the law firm interviews conducted by the FSBA and recommendations about Florida State Board of Administration which of those law firms to select to represent the FSBA. The Governor also requested that the FSBA request a time line from Alliance as to when they will respond to the inquiries by the FSBA presented at the March 7, 2002 meeting, and that these items be discussed at the next Trustee's meeting on March 26, 2002. Mr. Herndon will provide this information to the Trustees on March 13, 2002.

The State Board of Administration's agenda was concluded.

A handwritten signature in cursive script that reads "Tom Herndon".

**Tom Herndon**

**Executive Director**

**Florida State Board of Administration**

The regular meeting of the Florida State Board of Administration was held on March 26, 2002, at the Capitol, Tallahassee, Florida.

Members present were:

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

Mr. Coleman Stipanovich, Deputy Executive Director of the FSBA, was also present, substituting for Mr. Tom Herndon, Executive Director, who was in Washington D.C. for a meeting with SEC Chairman Harvey Pitt.

The following items were considered by the Board of Trustees:

#### APPROVAL OF MINUTES

Item 1A. Mr. Stipanovich requested the approval of the minutes of the February 27, 2002 meeting.

Moved and seconded. Approved without objection.

Item 1B. Mr. Stipanovich requested the approval of the minutes of the March 12, 2002 meeting.

Moved and seconded. Approved without objection.

#### FOLLOW-UP INFORMATION FROM THE FEBRUARY 27, 2002 MEETING

A. As to the question of raising the CAT Fund capacity to \$15 billion, Mr. Herndon submitted letters with proposed legislative language to the Speaker and the Senate President on March 4, 2002, subsequent to the February 27, 2002, Cabinet meeting where the issue was raised. The proposed legislative language was amended and the final version of it, as included in SB 1418, consists of a provision allowing the Trustees to add a more rapid cash buildup for the CAT Fund if needed.

B. As to the possibility of increasing the FRS service accrual percentage for those employees who do not receive a raise in any given year, on March 7, 2002, Mr. Herndon asked Erin Sjostrom, Director of the Division of Retirement, to have the DOR actuary, Robert Dezube, conduct a study of the impact of such increase. DOR expects an answer by March 28, 2002.

#### DISCUSSION OF POSSIBLE ENRON LITIGATION ISSUES

Item 2. Mr. Stipanovich provided updates on two requests from the Governor from the March 12, 2002 meeting, regarding the Good Cause Item Relating to Legal Action Involving Alliance Capital. The requests included the timeline by which Alliance will submit requested information to the FSBA, and the FSBA recommendation of law firms to pursue potential litigation against Alliance Capital. Mr. Stipanovich reported that Alliance failed to meet the deadline by which to submit information to the FSBA.

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The law firm recommendations were presented to the Trustees. Four teams of law firms, consisting of a total of 8 firms, made presentations to the FSBA staff and attorneys from the Attorney General's Office. The four teams consisted of:

- Grady & Associates/Johnson, Blakely, Pope, Bokor, Ruppel & Burns;
- Tew Cardenas Rebak Kellogg Lehman DeMarie Tague Raymond & Levine;
- Gray Harris/Abbey, Gardy & Squitieri;
- Beggs & Lane/Cohen, Milstein, Hausfeld & Toll/Levin Papantonio Thomas Mitchell Echsner & Proctor.

The FSBA staff recommended that contract negotiations commence with the Grady & Associates/Johnson, Blakely, Pope, Bokor, Ruppel & Burns law firm. In the event contract negotiations are not successful with the Grady and Burns team, negotiations will be initiated with the law firm of Tew Cardenas Rebak Kellogg Lehman DeMarie Tague Raymond & Levine. Aggressive contingency fee negotiations by the FSBA, in conjunction with the Office of the Attorney General, will commence immediately upon the approval of this recommendation by the Trustees. The Trustees accepted the recommendation and the result of the negotiations will be presented at the April 9, 2002 Cabinet meeting.

**STATUS REPORT OF LEGISLATIVE SESSION OUTCOME**

**Item 3. Mr. Stipanovich presented the report for the 2002 legislative session. In summary, the following bills passed:**

**HB 807: PEORP/DEFINED CONTRIBUTION PLAN** by Rep. Fasano, establishing a disability benefits program under the DC Plan and update contribution rates for the FRS DC Plan Disability Program, in addition to creating certain provisions to make the benefits of the DC Plan similar to the DB plan;

**SB 2134: FRS CLEARING TRUST FUND** by Senator Sanderson, creating the FRS Contributions Clearing Trust Fund to be administered by DMS;

**HB 1973: RETIREMENT CONTRIBUTION RATES** by Fiscal Responsibility Council and Senator Lacasa, revising contribution rates and introducing a blended rate for DB and DC employer contributions;

**HB 935: PEORP PUBLIC RECORDS EXEMPTION** by Rep. Rubio, creating a public records exemption to maintain the confidentiality of PEORP participant's account activities.

DC IMPLEMENTATION STATUS REPORT #16

Item 4. Mr. Stipanovich provided information on enrollment in the Investment Plan and on the first Investment Plan educational phase. Commissioner Gallagher suggested that the FSBA collect demographics on participants, which the FSBA is currently in the process of doing. He also reported that there are some liquidity issues with the bundled provider contracts that are in the process of being resolved, however, the unbundled provider contracts are nearly completed.

REPORT BY THE EXECUTIVE DIRECTOR

Item 5. Mr. Stipanovich submitted for information and review the Fund Activity Analysis report for January 2002 to the Trustees.


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

APPOINTMENT OF MICHAEL SVALDI TO THE FLORIDA HURRICANE CATASTROPHE FUND ADVISORY COUNCIL

Item 6. Mr. Stipanovich submitted Insurance Commissioner Gallagher's appointment of Michael Svaldi to the Florida Hurricane Catastrophe Fund Advisory Council to the Trustees for approval.

Moved and seconded. Approved without objection.

The 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 April 9, 2002, at the Capitol, 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 March 26, 2002 meeting.

Moved and seconded. Approved without objection.

#### FISCAL SUFFICIENCIES

Item 2. Mr. Herndon requested approval of a fiscal sufficiency of an amount not exceeding \$208,300,000 State of Florida, full faith and credit State Board of Education Public Education Capital Outlay Bonds, 2000 series [letter designation(s) to be determined].

Moved and seconded. Approved without objection.

Item 3. Mr. Herndon requested approval of fiscal sufficiency of an amount not exceeding \$26,070,000 State of Florida, full faith and credit, State Board of Education Capital Outlay Bonds, 2002 series A.

Moved and seconded. Approved without objection.

#### APPROVAL OF PROPOSED DOMESTIC EQUITIES ASSET CLASS BENCHMARK REPORT

Item 4. Mr. Herndon requested approval of the proposal which contemplates the Russell 3000 be used as the Benchmark for Domestic Equities effective July 1, 2002, as approved by the Investment Advisory Council on March 22, 2002.

Moved and seconded. Approved without objection.

#### INVESTMENT MANAGER MONITORING AND RISK MANAGEMENT UPDATE

Item 5. Mr. Herndon presented for information a progress report on manager monitoring guidelines, policies, risk budgeting and single security watch lists in the aftermath of Enron and Alliance. The FSBA has utilized consultants in order to secure advice and develop a draft working policy on issues relating to the prevention of another Enron situation, such as limiting exposure to any one single stock. A brief discussion ensued



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where the Trustees expressed caution not to micro manage the external investment managers, however, the Trustees encouraged the FSBA to continue with the draft proposal.

Accepted for information only.

PEORP INVESTMENT PLAN POLICY REVISIONS

Item 6. Mr. Herndon requested approval of the amended Investment Policy Statement Adopted by the Trustees on February 27, 2001, which reconfigures the PEORP investment policy from anticipatory status to operational status. This proposal was approved by the Investment Advisory Council on March 22, 2002. A discussion involving a future RFP of the Brokerage Window followed, as well as a discussion regarding FSBA's attempts to resolve the stable value fund contract issues with the PEORP bundled providers.

Moved and seconded. Approved without objection.

FLORIDA RETIREMENT SYSTEM CHOICE STATISTICS AS OF APRIL 5, 2002

Item 7. Mr. Herndon pointed out that Cabinet Agenda Item 7 erroneously was labeled "DC Implementation Status Report #17". In fact, what was provided to the Trustees was the PEORP statistics as of April 5, 2002. Mr. Herndon reported that to date 5,000 individuals have made their pension plan choice and 16,000 individuals have signed up for workshops. Mailings of PEORP materials to the second group of eligible employees will begin on or about April 15, 2002.

Accepted for information only.

RECOMMENDATION FOR THE BOARD TO CONTRACT WITH GRADY & ASSOCIATES/JOHNSON, BLAKELY, POPE, BOKOR, RUPPEL & BURNS FOR ALLIANCE CAPITAL MANAGEMENT POTENTIAL LEGAL ACTION

Item 8. Mr. Herndon requested approval of the contract for legal services involving Alliance Capital Management. The Trustees requested that the provisions regarding termination by majority vote be deleted. The Trustees further requested that the provision relating to mediation in the event of a disagreement between the law firms and the FSBA regarding reimbursement of costs and fees be deleted and that standard FSBA contract language be added, allowing termination of the law firms at any time upon delivery of written notice. Also, the Trustees requested the deletion of the provision authorizing the Executive Director to initiate the filing of litigation without direct authorization of the Trustees.

Moved and seconded. Approved without objection.

**FILING OF RULES FOR NOTICE**

Item 9A. Mr. Herndon requested that the Trustees approve the Filing for Notice of the Investment Policy Statement in Rule 19-9.001, which was approved at the Trustees meeting on January 29, 2002.

Moved and seconded. Approved without objection.

Item 9B. Mr. Herndon requested that the Trustees approve filing amendments to Rule 19-10.001 for notice. This rule implements the initial asset transfers between the defined benefit plan and the optional defined contribution program of the Florida Retirement System which will occur between July 1, 2002 and March 31, 2003. The rule additionally incorporates the requirements of the enrollment form and makes other amendments reflecting operational changes that have occurred as the program has evolved.

Moved and seconded. Approved without objection.

**REPORT BY THE EXECUTIVE DIRECTOR**

Item 10. Mr. Herndon requested approval of the 2000-2001 Corporate Governance Annual Report.

Moved and seconded. Approved without objection.

**THE FLORIDA HURRICANE CATASTROPHE FUND**

Item 11A. Mr. Herndon requested on behalf of the Florida Hurricane Catastrophe Fund that the Trustees approve both the filing of a Notice of Change and the filing for adoption, as amended, with respect to Rules 19-8.010 (Reimbursement Contract 19-8.012, F.A.C. (Ineligibility/Exemption from the FHCF) and Rule 19-8.029, F.A.C. (Insurer Reporting Requirements) along with the forms incorporated therein.

Moved and seconded. Approved without objection.

Item 11B. Mr. Herndon requested on behalf of the Florida Hurricane Catastrophe Fund that the Trustees approve the 2002 Ratemaking Formula Report, the 2002 Rates, and the filing of Rule 19-8.028, F.A.C. (2002 Premium Formula) for Notice of Proposed Rulemaking. This rule was the subject of a rule development workshop on January 8, 2002, and, on March 28, 2002, the Advisory Council approved the 2002 Ratemaking Formula Report, the 2002 Rates, and the filing of said rule for Notice of Proposed Rulemaking.

Moved and seconded. Approved without objection.

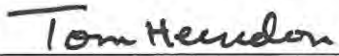
A copy of the 2002 Ratemaking Formula Report, the Proposed 2002 Rates and Rule 19-8.028, F.A.C., was provided to the Trustees prior to the meeting.

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**EXECUTIVE DIRECTOR SUCCESSION**

**Item 12. Mr. Herndon presented for discussion the topic of his successor as Executive Director of the FSBA. A discussion ensued and the Trustees agreed to interview Coleman Stipanovich, FSBA's current Deputy Executive Director, before the next Cabinet meeting on April 23, 2002, and to decide at that time whether or not to perform a national search for the position.**

**The 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 April 23, 2002, at the Capitol, 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 of Trustees:

**APPROVAL OF MINUTES**

Item 1. Mr. Herndon requested the approval of the minutes of the April 9, 2002 meeting.

Moved and seconded. Approved without objection.

**DC IMPLEMENTATION STATUS REPORT # 17**

Item 2. Mr. Herndon reported that in addition to virtually all of the Group 1 mailings being completed, 35% of the mailings to the second group of PEORP participants have now also been completed. Mr. Herndon further emphasized that the statistics of PEORP enrollment should not be viewed as conclusive at this early stage, as it is expected that enrollment will increase as we get closer to the deadline for Group 1 in July and August.

For informational purposes only. No action was required by the Trustees.

**PEORP BUNDLED PROVIDER STATUS REPORT**

Item 3a. Mr. Herndon reported that there are some liquidity concerns relating to the four PEORP Stable Value Fund products. It is anticipated that the concerns with three of the funds are near resolution, however, the concerns with the one remaining fund may not be resolved. The Trustees agreed that, if necessary, contracts with the bundled providers should be executed even if the issues with the stable value funds are not resolved, excluding those unresolved funds, and amend the contracts later if the issues are resolved. In the event any investment products originally included in PEORP are not available by June 1, 2002, other products may be substituted if approved by the Trustees. Mr. Herndon indicated that he would bring back a report on this issue at the May 7, 2002, meeting.

VALIC made a presentation to the Trustees relating to their Stable Value Fund.

Item 3b. Mr. Herndon reported that the FSBA is evaluating two substitutes for the ING Aetna Small Company Fund, which was removed from the list of PEORP products due to the departure of its investment management team, and that a decision relating to that product is anticipated shortly.

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Item 3c. Mr. Herndon informed the Trustees that the concerns related to Fidelity Intermediate Duration Bond Pool have been resolved.

For informational purposes only. No action was required by the Trustees.

APPROVAL OF RECOMMENDATION OF COUNSEL IN RE ALLIANCE CAPITAL MANAGEMENT.

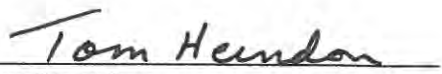
Item 4. Mr. Herndon requested approval of initiating the lawsuit and filing the complaint against Alliance Capital Management. A discussion ensued relating to attorney fees, and the Trustees instructed the law firms of Grady & Associates/Johnson, Blakely, Pope, Bokor, Ruppel & Burns to attempt settlement negotiations, in accordance with the contract, before filing the complaint. In the event the negotiations prove unsuccessful, the Trustees requested that the law firms inform them prior to filing the complaint.

Moved and seconded. Approved without objection.

EXECUTIVE DIRECTOR SUCCESSION

Item 5. Mr. Herndon offered for discussion the issue of the FSBA Executive Director Succession. Due to a delay of the meeting between Coleman Stipanovich, current Deputy Executive Director of the FSBA, and Treasurer Gallagher, and also a delay in obtaining a background check from the FDLE concerning Mr. Stipanovich, the Trustees postponed their decision until the next meeting on May 7, 2002.

The 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 May 7, 2002, at the Capitol, 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 of Trustees:

APPROVAL OF MINUTES

Item 1. Mr. Herndon requested the approval of the minutes of the April 23, 2002 meeting, as amended.

Moved and seconded. Approved without objection.

APPROVAL OF TREASURER GALLAGHER'S RE-APPOINTMENT OF MR. DON BURTON TO THE INVESTMENT ADVISORY COUNCIL

Item 2. Mr. Herndon requested approval of Treasurer Gallagher's re-appointment of Mr. Don Burton to the Investment Advisory Council.

Moved and seconded. Approved without objection.

DC STATISTICAL REPORT

Item 3. Mr. Herndon reported that virtually all Defined Contribution employee packets to Group 1 have been mailed, while 233,000 packets, representing 80%, have been mailed to Group 2, consisting of school board employees. Due to variances of contract terms for school board employees, some salary calculations may be incorrect, which will be addressed on an individual employee basis. Enrollment in either the DB plan or the DC plan is continuously rising as employees make their choice. Registration for employee workshops has also steadily been increasing, which is encouraging, as enrollment does not officially begin until June 1, 2002. Mr. Herndon further indicated that the FSBA budgeted public outreach and advertising into the DC program implementation budget and are currently working with Ketchum on a media relations campaign.

PEORP BUNDLED PROVIDER STATUS REPORT

Item 4. Mr. Herndon reported that contracts to 3 of the bundled providers had been mailed, including stable value products. A contract mailed to the 4<sup>th</sup> provider excluded the stable value product, and the FSBA is negotiating with that provider on the inclusion of a stable value product.

As to the ING Aetna Small Company Fund, Mr. Herndon reported that FSBA staff had narrowed the selection to one fund. The only remaining issue is fees and the FSBA is negotiating with Aetna to lower their proposed fees. Staff is hoping to resolve the issue and bring it back to the Trustees. Mr. Herndon further informed the Trustees that a proposal to combine unbundled/bundled providers contributing to one stable value fund had not generated much interest from either the bundled or the unbundled providers.

For informational purposes only. No action was required by the Trustees.



PROPOSED TWO-MONTH PAYMENT HOLIDAY

Item 5. Mr. Herndon reported that given the FSBA's practice of maintaining a fund balance in the Administrative Expense Trust Fund equal to no more than approximately one year's operating expense, the FSBA periodically authorizes trust fund clients a payment holiday for investment management services. The current estimated end of year fund balance is projected to be \$32.5 million, and the two-month holiday will reduce this balance to \$28.7 million. The FSBA proposed a payment holiday for the last two months of the fiscal year 2001-2002. This will provide an estimated savings of \$3.8 million to our trust fund clients.

Moved and seconded. Approved without objection.

ALLIANCE CAPITAL MANAGEMENT LITIGATION UPDATE

Item 6. Mr. Herndon reported that there have been a number of activities involving Alliance since the last Trustee's meeting, including correspondence and phone conferences between FSBA's attorneys and attorneys for Alliance Capital Management. Mr. Herndon also met with Mr. Bruce Calvert, CEO of Alliance Capital Management, in New York to discuss the situation, however, Mr. Calvert showed no interest in a settlement or providing any information in the matter. Mr. Herndon therefore recommended to the Trustees that the lawsuit be initiated by filing the complaint against Alliance.

Moved and seconded. Approved without objection.

REPORT BY THE EXECUTIVE DIRECTOR

Item 7. Mr. Herndon reported on the Fund Activity Analysis report for the month of February 2002.


For informational purposes only. No action was required by the Trustees.

EXECUTIVE DIRECTOR SUCCESSION

Item 8. Treasurer Gallagher recommended that item 8 be withdrawn. Mr. Herndon explained that the FSBA has been informed that a whistleblower complaint has been filed against the FSBA by an employee, and suggested that the agenda item be postponed until the whistleblower issue has been resolved. The Trustees agreed and the Governor stated that Mr. Stipanovich and Mr. Herndon both have done a fine job at the FSBA.

Moved and seconded. Approved without objection.

The State Board of Administration's agenda was concluded.

  
Tom Herndon  
Executive Director  
Florida State Board of Administration

The regular meeting of the Florida State Board of Administration was held on May 21, 2002, at the Capitol, 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 of Trustees:

#### **APPROVAL OF MINUTES**

Item 1. Mr. Herndon requested the approval of the minutes of the May 7, 2002 meeting.

Moved and seconded. Approved without objection.

#### **FISCAL SUFFICIENCY**

Item 2. Mr. Herndon requested approval of a fiscal sufficiency of an amount not exceeding \$200,000,000 State of Florida, Full Faith and Credit State Board of Education Public Education Capital Outlay Bonds, 2001 Series [letter designation(s) to be determined.]

Moved and seconded. Approved without objection.

#### **FISCAL DETERMINATIONS**

Item 3. Mr. Herndon requested approval of a fiscal determination of an amount not exceeding \$13,535,000 Tax Exempt Florida Housing Finance Corporation Housing Revenue Bonds, 2002 Series (Series to be designated) Grande Court at Boggy Creek Apartments, Osceola County.

Moved and seconded. Approved without objection.

Item 4. Mr. Herndon requested approval of fiscal determination of amounts not exceeding \$11,020,000 Tax Exempt and \$1,895,000 Taxable Florida Housing Finance Corporation Housing Revenue Bonds, 2002 Series (Series to be designated) Hampton Point Apartments, Charlotte County.

Moved and seconded. Approved without objection.

Item 5. Mr. Herndon requested approval of fiscal determination of amounts not exceeding \$2,800,000 Tax Exempt and \$380,000 Taxable Florida Housing Finance Corporation Housing Revenue Bonds, 2002 Series (Series to be designated) Lindsey Gardens Phase II Apartments, Indian River County.

Moved and seconded. Approved without objection.

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**Item 6.** Mr. Herndon requested approval of fiscal determination of amounts not exceeding \$8,070,000 Senior Tax Exempt, \$2,760,000 Subordinate Tax Exempt and \$2,970,000 Senior Taxable Florida Housing Finance Corporation Housing Revenue Bonds, 2002 Series (Series to be designated) Palms at Vero Beach Apartments, Indian River County.

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

**Item 7.** Mr. Herndon requested approval of fiscal determination of amounts not exceeding \$9,690,000 Tax Exempt, and \$3,090,000 Taxable Florida Housing Finance Corporation Housing Revenue Bonds, 2002 Series (Series to be Designated) Peacock Run Apartments, St. Lucie County.

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

**Item 8.** Mr. Herndon requested approval of fiscal determination of amounts not exceeding \$6,040,000 Senior Tax Exempt, \$2,200,000 Subordinate Tax Exempt and \$2,745,000 Senior Taxable Florida Housing Finance Corporation Housing Revenue Bonds, 2002 Series (Series to be Designated) Valencia Trace Apartments, Orange County.

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

**DC STATISTICAL REPORT**

**Item 9.** Mr. Herndon presented the May 17, 2002 Florida Retirement System Choice Statistics Report. Mr. Herndon stated that 99% of the kits have been mailed to Group I, and that 98% have been mailed to Group 2, for a total of 440,000+ total kits mailed. Approximately 14,000 individuals have made a plan choice and 30,000 individuals have scheduled their participation in a workshop. Mr. Herndon pointed out that it is essential to remember that the Choice Period does not officially begin until June 1, 2002, and that it is not wise to draw any conclusions as to DC Plan participation at this early state.

**The report was for information only. No action by the Trustees was necessary.**

**Mr. Herndon stated that this agenda was amended pursuant to a suggestion by the Trustees' staff that each item be clearly identified as to action desired by the Trustees, i.e., if an item is presented for informational purposes or if approval is requested by the FSBA staff.**

**PEORP BUNDLED PROVIDER STATUS REPORT**

**Item 10.** Mr. Herndon reported that three of the five bundled provider contracts are near resolution, specifically, ING Aetna, Nationwide, and Prudential. There is a conference call scheduled with Fidelity to discuss contract issues in dispute with that provider. Mr. Herndon also reported that the concerns with the VALIC stable value product have been resolved, and that other contractual issues with VALIC are near resolution as well. All providers are cognizant of the importance of the contracts being completed by June 1, 2002, and there are no problems

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anticipated in that regard. Mr. Herndon reported that the five bundled provider contracts are virtually identical, except as to products being offered by each provider.

This verbal report was for information only. No action by the Trustees was necessary.

STATE BOARD OF ADMINISTRATION'S BUDGET FOR FISCAL YEAR 2002-2003

Item 11. Mr. Herndon requested approval of the State Board of Administration's budget for fiscal year 2002-2003. The Governor expressed an interest in reviewing anticipated budgets for PEORP related expenses for fiscal years 2003-2004 and 2004-2005 before voting on the fiscal year 2002-2003 FSBA budget, therefore, the Trustees delayed the vote on the FSBA Defined Benefit budget and the PEORP budget until the June 12, 2002 meeting. The Trustees did approve the budgets for the Division of Bond Finance, the Florida Hurricane Catastrophe Fund, and Florida Prepaid College Program/Florida College Savings Program.

RESOLUTION RELATING TO THE FRS RETIREMENT PLAN CHOICES

Item 12. Mr. Herndon presented for approval a Resolution by the Trustees to the FRS Employers in the State of Florida to encourage their employees to actively participate in the FRS Pension Plan/Investment Plan educational efforts in order to ensure that State employees make an informed decision when choosing between the current Pension Plan and the new Investment Plan. The Trustees signed the Resolution.

Moved and seconded. Approved without objection.

The State Board of Administration's agenda was concluded.

  
for Tom Herndon  
Executive Director  
Florida State Board of Administration

The regular meeting of the Florida State Board of Administration was held on June 12, 2002, at the Capitol, 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 of Trustees:

#### APPROVAL OF MINUTES

Item 1. Mr. Herndon requested approval of the amended minutes, which reflect three clarifying changes pursuant to comments from the Comptroller's Office.

Moved and seconded. Approved without objection.

#### APPROVAL OF FISCAL DETERMINATION

Item 2. Mr. Herndon requested approval of a fiscal determination for the Florida Housing Finance Corporation's Federal Home Loan Bank Liquidity Advance Line.

Moved and seconded. Approved without objection.

#### DC STATISTICAL REPORT

Item 3. Mr. Herndon presented for information the DC Statistical Report dated June 7, 2002. He also reported that Alliance Capital filed its response to the FSBA's lawsuit on Monday June 10, 2002.

Mr. Herndon reported that 441,000 kits have been mailed to Group 1 and Group 2 employees. The majority of those who have made a plan choice have chosen the pension plan, which may be due to the fact that the choice is obvious to those individuals. Official enrollment began on June 1, 2002, and while enrollment figures remain relatively low, it is expected that they will increase closer to the August deadline for Group 1 participants. The FSBA will be mailing 2 more reminders to FRS employees in July and August to encourage the active and informed selection of a plan choice as well as participation in a workshop. There have been surveys performed on the Choice workshops which have received very positive results. Approximately 30,000 individuals have participated, or scheduled participation, in workshops.

Mr. Herndon discussed with the Trustees the lack of employee participation and employer cooperation in Dade County, in particular Miami. While not yet labeled a problem, it appears that the School Board in Dade County has not encouraged employees to attend workshops, and is not allowing employees to attend workshops during working hours.



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Mr. Herndon also explained to the Trustees the process of asset transfers from the DB Plan to the DC Plan. Initially it was anticipated that transfers would be made monthly, however, as of now there is a transfer of assets scheduled from DB to DC on July 31, 2002, for those employees choosing the DC Plan in June 2002, with 2 additional transfers being planned later in the cycle.

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

APPROVAL OF THE STATE BOARD OF ADMINISTRATION'S BUDGET FOR FISCAL YEAR 2002 – 2003.

Item 4. Mr. Herndon presented the FSBA budget for FY 2002-2003 to the Trustees for approval. The budget represents a 1% increase primarily due to the 2.5% COLA appropriation approved by the Florida Legislature. Before the COLA increase, the FSBA budget actually reflected a 1% decrease. A discussion ensued relating to costs of the DC plan in future years. The FSBA staff prepared a forecast of costs for three different scenarios; a low, a medium, and a high level of participation, for the fiscal years 2003-2004 and 2004-2005. While costs are anticipated to decrease slightly, the majority of costs will remain stable due to higher education and administration costs. As far as education is concerned, statutory language is clear that education efforts are to be ongoing in future years for all FRS employees, regardless of plan choice. Mr. Herndon explained that it is difficult to accurately forecast future DC costs because of the uncertainty of how many individuals will ultimately select the DC Plan, however, at the time of preparing next years budget there should be more data available to establish a more accurate cost forecasting. Mr. Herndon emphasized to the Trustees that employee costs do not represent a significant part of the budget, whereas manager fees paid for investment services are significant. It is also important to consider that DB manager fees are not in the budget, as those fees are netted against investment income.

Additionally, Mr. Herndon presented for review the issue of the FSBA Compliance Office, also referred to as the Office of Internal Audit. There are four positions allocated to the Compliance Office in the budget; three (3) professional positions and one (1) administrative assistant. FSBA staff has recommended that the Chief of Compliance report directly to the Trustees or their representatives, for example, the Trustees' Inspector Generals. The Trustees agreed that the Chief should report directly to them, however, the issue of whom they may appoint as their representative was left to be determined. The Trustees directed FSBA staff to move forward with advertising the Chief's position and to allow the Trustees to participate in the selection process.

Moved and seconded. Approved without objection.



REPORT BY THE EXECUTIVE DIRECTOR

Item 5. Mr. Herndon submitted for information and review the Fund Activity Analysis for the month of March 2002.

Moved and seconded. Approved without objection.

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

Item 6.1. The staff of the State Board of Administration requested the Trustees approve filing the Investment Policy Statement, which was approved at the Trustees meeting on January 29, 2002, in Rule 19-9001 for adoption.

Moved and seconded. Approved without objection.

Item 6.2. The staff of the State Board of Administration requested that the Trustees approved filing proposed amended Rule 19-10.001 for adoption. This rule implements the initial asset transfers which will occur between 7/02 and 3/03 for the defined contribution program.

Moved and seconded. Approved without objection.

THE STATE BOARD OF ADMINISTRATION REQUESTS REAPPOINTMENT OF STATISTICS EXPERT TO CHAIR THE FLORIDA COMMISSION ON HURRICANE LOSS PROJECTION METHODOLOGY

Item 7. The State Board of Administration requests that the Trustees reappoint Sneh Gulati, statistics expert, Professor at Florida International University, as the chair of the Florida Commission on Hurricane Loss Projection Methodology for the 2002-2003 year.

Moved and seconded. Approved without objection.

THE FLORIDA HURRICANE CATASTROPHE FUND REQUESTS APPROVAL OF THE FOLLOWING

Item 8. Mr. Herndon requested approval of two rules on behalf of the Hurricane Catastrophe Fund. Based on the final veto action by the Governor, the actual rate decrease will be -10.93%, which is slightly lower than anticipated due to the effect of higher appropriations of mitigation funds. Commissioner Gallagher inquired why, when Fund rates are decreasing, the Fund is not taking this opportunity to effect a cash build up as allowed under CS/SB 1418 which became law on May 9, 2002. Tracy Allen, CAT Fund legal counsel explained to the Trustees that the Advisory Council discussed the issue at their May 14, 2002, meeting. The four reasons given by the Advisory Council for waiting a year before

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implementing a cash buildup are summarized as follows:

1. Under the current economic environment there are already cost pressures on the insurers due to the private reinsurance market situation.
2. The FHCF is well into its ratemaking cycle and a change would be disruptive to insurers.
3. The FHCF staff and the FHCF Advisory Council have not had time to adequately study the impact on the FHCF and insurers of utilizing a rapid cash build up factor.
4. Any realistic factor would not contribute significantly to FHCF capacity in the short run. The Trustees suggested that many of these reasons would be present every year, however, Comptroller Milligan pointed out that it is rather late to be making such changes and suggested that the Trustees follow the advise by the Advisory Council.

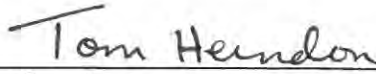
After a brief discussion, the Trustees chose not to change the rates at this time to include a rapid build up of cash.

PEORP BUNDLED PROVIDER REPORT

Item 9. Mr. Herndon reported that 7 of the 12 unbundled provider contracts have been executed, and that all 5 bundled provider contracts have been executed. There are no anticipated contractual issues remaining to be resolved.

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

The State Board of Administration's agenda was concluded.

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

The regular meeting of the Florida State Board of Administration was held on June 25, 2002, at City Hall in Miami, Florida, during "Capitol For A Day".

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 June 12, 2002 meeting.

Moved and seconded. Approved without objection.

#### DC STATISTICAL REPORTS

Item 2. Mr. Herndon presented the DC Statistical Report, along with the DC Implementation Status Report #18, to the Trustees.

The reports were for information only. No action was required by the Trustees.

#### PEORP BUNDLED AND UNBUNDLED PROVIDER REPORTS

Item 3. Mr. Herndon presented the PEORP Bundled and Unbundled Provider Reports to the Trustees.

The reports were for information only. No action was required by the Trustees.

#### LAWTON CHILES ENDOWMENT FUND BENCHMARK REVISION

Item 4. Mr. Herndon requested approval to revise the benchmark for the Lawton Chiles Endowment Fund from Wilshire 2500, excluding tobacco, to Russell 3000, excluding tobacco.

Moved and seconded. Approved without objection.

#### RECOMMENDATION OF ING AETNA REPLACEMENT FUND

Item 5. Mr. Herndon stated that the Florida State Board of Administration staff had reviewed the proposed replacement funds presented by ING Aetna and has made a recommendation of a suitable replacement fund.

Following discussion, FSBA staff was directed to continue to work with ING Aetna to develop a suitable product.

REPORT FROM THE IAC REGARDING VENTURE CAPITAL INITIATIVE

Item 6. Mr. Herndon informed the Trustees about a proposed \$300 million venture capital program under development which was supported by the IAC.

The report was for information only. No action was required by the Trustees.

APPOINTMENT OF TWO ADVISORY COUNCIL MEMBERS TO THE FLORIDA HURRICANE CATASTROPHE FUND

Item 7. Mr. Herndon presented to the Trustees the appointment of two members to the Advisory Council of the Florida Hurricane Catastrophe Fund. Leslie Hudson Russell, appointed by the Governor, and John Auer, appointed by the Treasurer.

Moved and seconded. Approved without objection.

EXECUTIVE DIRECTOR SUCCESSION

Item 8. Following discussion, Coleman Stipanovich was named Interim Executive Director for an indefinite period.

The State Board of Administration's agenda was concluded.

  
Tom Herndon  
Executive Director  
Florida State Board of Administration



**NO MEETINGS IN**

**JULY 2002**

The regular meeting of the Florida State Board of Administration was held on August 13, 2002, at the Capitol, Tallahassee, Florida.

Members present were:

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

Mr. Coleman Stipanovich, Interim Executive Director of the FSBA, was also present.

The following items were considered by the Board:

**APPROVAL OF MINUTES**

Item 1. Mr. Stipanovich requested the approval of the minutes of the June 25, 2002 meeting, as amended.

Moved and seconded. Approved without objection, as amended.

**FISCAL SUFFICIENCIES**

Item 2. Mr. Stipanovich requested approval of a fiscal sufficiency of an amount not exceeding \$295,000,000 State of Florida, Full Faith and Credit State Board of Education Public Education Capital Outlay Refunding Bonds, 2002 Series, letter designation(s) to be determined.

Moved and seconded. Approved without objection.

Item 3. Mr. Stipanovich requested approval of a fiscal sufficiency of an amount not exceeding \$250,000,000 State of Florida, Full Faith and Credit State Board of Education Public Education Capital Outlay Bonds, 2002 Series, letter designation(s) to be determined.

Moved and seconded. Approved without objection.

Item 4. Mr. Stipanovich requested approval of a fiscal sufficiency of an amount not exceeding \$200,000,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2002A.

Moved and seconded. Approved without objection.

Item 5. Mr. Stipanovich requested approval of a fiscal sufficiency of an amount not exceeding \$150,000,000 State of Florida, Department of Environmental Protection Florida Forever Revenue Bonds, Series 2002B.

Moved and seconded. Approved without objection.



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**Item 6.** Mr. Stipanovich requested approval of a fiscal sufficiency of an amount not exceeding \$60,000,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, series to be designated.

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

**FISCAL DETERMINATION**

**Item 7.** Mr. Stipanovich requested approval of a fiscal determination of amounts not exceeding \$7,975,000 Tax Exempt and \$1,000,000 Taxable Florida Housing Finance Corporation Housing Revenue Bonds, 2002 Series (Series to be designated) the Villas at Lake Smart Apartment.

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

**DEFINED CONTRIBUTION STATUS REPORT**

**Item 8.** Mr. Stipanovich stated the Retirement Choice materials had been mailed to all Group 1 and Group 2 employees. He stated that there are ongoing efforts by FSBA to increase awareness of the importance of FRS members making an active choice. Subsequent to these efforts, there has been an increase in the number of individuals making an active choice, and FSBA staff will have the official number as to State employees in early September 2002, at which time staff will report further enrollment details to the Trustees. Comptroller Milligan inquired regarding online investment guidance software. Mr. Stipanovich stated that Financial Engines will be at the FSBA office on August 14, 2002, and that he would look into the matter and report back to the Trustees as soon as possible. The Governor mentioned that DC program costs should be evaluated considering that participant enrollment is significantly lower than expected. Mr. Stipanovich informed the Trustees that program costs discussions have been taking place at the FSBA in recent months, and that appropriate action will be taken to reduce costs.

**This report was for information only. No action was required by the Trustees.**

**THE STAFF OF THE FLORIDA STATE BOARD OF ADMINISTRATION REQUESTED  
APPROVAL OF FILING OF THREE SETS OF RULES FOR NOTICE**

**Item 9A.** Mr. Stipanovich requested approval of filing Rules 19-12.001, 19-12.006, and 19-12.007. The first two rules are being amended and Rule 19-12.007 is new. These rules implement requirements of the federal Internal Revenue Service regarding implementation of the Public Employee Optional Retirement Program. Rule 19-12.001 provides definitions and is being amended to remove an unnecessary sentence. Rule 19-12.006 provides requirements regarding distributions of benefits and is being amended to change statutory citations amended during the

**THE FLORIDA STATE BOARD OF ADMINISTRATION  
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2002 legislative session. Rule 19-12.007 provides for acceptance of rollovers as permitted by the Economic Growth and Tax Relief Reconciliation Act of 2001. A rule development workshop was scheduled for July 16, 2002, but was not held because it was not requested. The rule hearing is scheduled for September 17, 2002.

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

**Item 9B.** Mr. Stipanovich requested approval of the filing of Rule 19-11.001 which implements new section 121.78, Florida Statutes, enacted during the 2002 legislative session, regarding employer contributions. The rule addresses definitions, the penalty assessment, and the market loss calculation. A rule development workshop was scheduled for July 16, 2002, but was not held because it was not requested. Mr. Stipanovich stated that Rule 19-11-001 (attachment 9B) contained a printing error on pages two and three that has been corrected. The rule hearing is scheduled for September 17, 2002.

**Moved and seconded. Approved without objection, as amended.**

**Item 9C.** Mr. Stipanovich requested approval of filing of Rules 19-10.002 and 19-10.003, which are being amended. Rule 19-10.002 is the asset transfer rule addressing the true up provision after the initial asset transfers and is being amended to address statutory changes and changes in the enrollment procedures. Rule 19-10.003 is the asset transfer rule addressing employees hired after the initial transfers and is being amended to include the enrollment form requirements in the body of the rule and to reflect statutory changes. A rule development workshop was scheduled for July 16, 2002, but was not held because it was not requested. There was an error in Rule 19-10.003 (attachment 9C), which inadvertently was not read into the record, but has been corrected. The error occurred on page 10, paragraph "j", where the word "not" was deleted from the last portion of the last sentence. The last sentence now reads: "and that any employee contribution to SUSORP are tax-deferred." The rule hearing will be scheduled for September 17, 2002.

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

**THE FLORIDA HURRICANE CATASTROPHE FUND REQUESTED APPROVAL OF THE  
FILING OF TWO SETS OF RULES FOR NOTICE OF PROPOSED RULEMAKING**

**Item 10A.** Mr. Stipanovich requested the approval of filing Rule 19-8.010, F.A.C. relating to 2002-2003 Reimbursement Contracts. These rules, along with the forms incorporated therein, were the subject of emergency rules filed and effective on June 13, 2002. The emergency rules were filed in response to legislation that expanded coverage under the FHCF to include certain additional living expenses and certain collateral protection policies.

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

**Item 10B.** Mr. Stipanovich requested the approval of filing Rule 19-8.029, F.A.C. relating to 2002-2003 Insurer Reporting Requirements. These rules, along with the forms incorporated therein, were the subject of emergency rules filed and effective on June 13, 2002.

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The emergency rules were filed in response to legislation that expanded coverage under the FHCF to include certain additional living expenses and certain collateral protection policies.

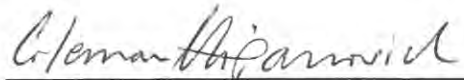
Moved and seconded. Approved without objection.

**EXECUTIVE DIRECTOR SUCCESSION**

Item 11. Ms. Minot briefly addressed the Trustees to express her opinion about the hiring process for the next Executive Director at the Florida State Board of Administration, which precluded a national search.

The Trustees unanimously approved Mr. Stipanovich as the new Executive Director of the Florida State Board of Administration. The Trustees expressed complete confidence in Mr. Stipanovich to serve as FSBA's next Executive Director. Treasurer Gallagher stated that the FSBA Executive Director will be reviewed by the Board's Trustees in January of 2003, along with all agency heads that report to the Cabinet, as a result of the Cabinet reorganization that will take place.

The State Board of Administration's agenda was concluded.



**Coleman Stipanovich  
Executive Director  
Florida State Board of Administration**

The regular meeting of the Florida State Board of Administration was held on August 27, 2002, at the Capitol, Tallahassee, Florida.

Members present were:

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

Mr. Coleman Stipanovich, Executive Director of the FSBA, was also present.

#### APPROVAL OF MINUTES

Item 1. Mr. Stipanovich requested the approval of the minutes of the August 13, 2002 meeting.

Moved and seconded. Approved without objection.

#### FISCAL SUFFICIENCY

Item 2. Mr. Stipanovich requested approval of a fiscal sufficiency of an amount not exceeding \$10,000,000 State of Florida, Florida Board of Education, Florida Atlantic University Parking Facility Revenue Bonds, Series 2002.

Moved and seconded. Approved without objection.

#### THE FLORIDA STATE BOARD OF ADMINISTRATION REQUESTED APPROVAL OF A BUDGET AMENDMENT FOR 2002-2003

Item 3. Mr. Stipanovich requested authority to amend the operating budget for the Florida State Board of Administration-Administrative Expense Fund (Entity 001) for the purpose of adding a new Inspector General position in addition to the expenses related to the creation of the office of the Inspector General.

Moved and seconded. Approved without objection.

#### DC STATUS REPORT #19, WHICH INCLUDED DC STATISTICAL REPORT

Item 4. Mr. Stipanovich reported to the Trustees on the status report summarizing the DC implementation to date, and the statistical report updated as of August 24, 2002. 11% of electors have chosen the Investment Plan and \$65 million in assets has been transferred, or is pending transfer, from the Pension Plan. Mr. Stipanovich informed the Trustees that although activity has increased in August in response to supplemental FRS July mailings, only 25% of state employees have filed elections. Mr. Stipanovich further stated that it is expected that a very busy week lies ahead as the state employees' August 31 deadline approaches. On Monday August 27, CitiStreet and Ernst & Young each had about 1,000 calls, and nearly 2,000 election forms were received. A final reminder went out last week with PIN numbers for all employees that had not filed elections. Both CitiStreet and Ernst & Young will be open for business on Saturday, August 31, from 9:00 AM to 4:00 PM, the last day for state employees to make a choice. Mr. Stipanovich also mentioned that outreach to school districts, whose choice window opens September 2, is continuing with workshops through September,

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and that 125,000 mailbox stuffers are being delivered by the Florida Education Association. Finally, Mr. Stipanovich told the Trustees that county and other local government employee kits are now in the mail and that workshop registration has commenced.

These reports were for information only. No action was required by the Trustees.

REPORT BY THE EXECUTIVE DIRECTOR

Item 5. Mr. Stipanovich presented to the Trustees for information and review the Fund Activity Analysis report for the month of June 2002.

This report was submitted for information only. No action was required by the Trustees.

PUBLIC FUNDS INVESTMENT PROTECTION PRINCIPLES

Item 6. Mr. Stipanovich informed the Trustees on the Investment Protection Principles. These principles call on broker-dealers and money managers to eliminate conflicts of interest through enhanced disclosures. The principles represent a major initiative to protect state taxpayers and public pension funds from the risk of conflicts of interest, in addition to making corporations more accountable for their actions relating to accounting and disclosures. Mr. Stipanovich explained that this effort by public institutional investors was initiated due to the deception and lack of integrity that have shaken the confidence in our financial markets. Mr. Stipanovich emphasized that the Investment Principles are an important attempt to encourage persuasive and meaningful corporate changes and reforms. At the appropriate time, if these principles are adopted, the FSBA will work with other states to strengthen accountability to investors and shareholders as well as restore faith in the market place. Mr. Stipanovich stated to the Trustees that the FSBA staff is currently seeking to identify aspects of the principles that would be problematic to broker-dealers and money managers without compromising FSBA's fiduciary responsibilities. Mr. Stipanovich concluded the discussion by informing the Trustees that FSBA staff expects to have a recommendation to the Trustees at the next cabinet meeting regarding adoption of the Investment Principles.

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

  
Coleman Stipanovich  
Executive Director  
Florida State Board of Administration



The regular meeting of the Florida State Board of Administration was held on September 10, 2002, at the Capitol, Tallahassee, Florida.

Members present were:

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

Mr. Coleman Stipanovich, Executive Director of the FSBA, was also present.

#### APPROVAL OF MINUTES

Item 1. Mr. Stipanovich requested the approval of the minutes of the August 27, 2002 meeting.

Moved and seconded. Approved without objection.

#### FISCAL SUFFICIENCY

Item 2. Mr. Stipanovich requested approval of a fiscal sufficiency of an amount not exceeding \$26,905,000 State of Florida, Florida Board of Education, Florida International University Parking Facility Revenue Bonds, Series 2002.

Moved and seconded. Approved without objection.

#### FISCAL DETERMINATIONS

Item 3. Mr. Stipanovich requested approval of a fiscal determination of amounts Not Exceeding \$15,900,000 Tax Exempt and \$2,650,000 Taxable Florida Housing Finance Corporation Housing Revenue Bonds, 2002 Series (Series to be Designated) Heron Cove Apartments.

Moved and seconded. Approved without objection

Item 4. Mr. Stipanovich requested approval of a fiscal determination of amounts Not Exceeding \$14,000,000 Tax Exempt and \$2,700,000 Taxable Florida Housing Finance Corporation Housing Revenue Bonds, 2002 Series (Series to be Designated) Tuscany Lakes Apartments.

Moved and seconded. Approved without objection.

Item 5. Mr. Stipanovich requested approval of a fiscal determination of amounts Not Exceeding \$12,165,000 Tax Exempt and \$4,055,000 Taxable Florida Housing Finance Corporation Housing Revenue Bonds, 2002 Series (Series to be Designated) Chapel Trace Apartments.

Moved and seconded. Approved without objection.

Item 6. Mr. Stipanovich requested approval of a fiscal determination of amounts Not Exceeding \$8,975,000 Tax Exempt and \$645,000 Taxable Florida Housing Finance Corporation Housing Revenue Bonds, 2002 Series (Series to be Designated) Bridgewater Club Apartments.

Moved and seconded. Approved without objection.



AMENDMENT TO THE FY 2002-2003 FLORIDA COLLEGE SAVINGS PROGRAM BUDGET

Item 7. Mr. Stipanovich presented the Florida Prepaid College Program's request for authority to amend the FY 2002-2003 Florida College Savings Program Budget, as approved by the Florida Prepaid College Board at its meeting on June 25, 2002. Mr. Stipanovich explained that the Florida Prepaid College Board plans to use active large cap domestic equities managers and the S&P 500 Index Fund. The Florida Prepaid College Board will also hire marketing and records administration service providers for the Florida College Savings Program, and the implementation and operation of this new program will require additional staff and resources.

Moved and seconded. Approved without objection.

APPROVAL OF REVISED COMPREHENSIVE INVESTMENT PLAN – FLORIDA COLLEGE SAVINGS PLAN

Item 8. Mr. Stipanovich presented for approval the Florida College Savings Program's revised Comprehensive Investment Plan, as approved by the Florida Prepaid College Board at its meeting on June 25, 2002. Treasurer Gallagher suggested that the Florida College Savings Program investments should replicate the FSBA's investments, which do not exclude tobacco. The Florida College Savings Program's revised Comprehensive Investment Plan currently excludes tobacco stocks, however, this issue will be presented to the Florida Prepaid College Board for discussion and possible recommendation at a future date.

Moved and seconded. Approved without objection.

DC STATISTICAL REPORT

Item 9. Mr. Stipanovich presented for information the Defined Contribution Statistical Report. The Choice Period for State Employees ended on August 31, 2002, with 5% of State employees choosing the Investment Plan. Consequently, the FSBA will transfer \$112 million in assets from the DB plan to the DC plan, all from cash. There was a significant increase in enrollment activity during the last days of the enrollment period, however, only 37% of the State employee group actually filed elections. 7%-15% of the younger employees chose the Investment Plan, however, past research has indicated that if individuals relied on the personal benefit statement provided to them and participated in the education, that the number should have been closer to 50-70% for those individuals having 5 years of service or less. Mr. Stipanovich informed the Trustees that the FSBA is researching other states' performance in today's environment of weak markets and decreased consumer confidence in corporate America in order to evaluate the FSBA's DC enrollment. Since the DC education effort began, the market has fallen over 20%, as part of the second longest bear market since post WWII. The events of 9/11 are also a factor, as is the second election option. Mr. Stipanovich stated that there was a survey done in the summer of 2002, in which 50% of all public employees indicated that they might wait until the second election to switch, which raises the concern that individuals are trying to time the market. Portability, however, was a very important factor to teachers, and because they represent 50% of all public employees in Florida, enrollment figures may increase during their Choice Period, which ends November 30, 2002. The FSBA will be conducting 1000 phone surveys and 6 focus groups to better understand the decision making process among FRS members.


For information only. No action required by the Trustees.

## INVESTMENT PROTECTION PRINCIPLES UPDATE AND RECOMMENDATION

Item 10. Mr. Stipanovich presented for approval the Investment Protection Principles. The FSBA received input about the principles from the Comptroller's Office, the Attorney General's Office, and the Investment Advisory Council. The Investment Protection Principles require broker-dealers and money managers to eliminate conflicts of interest through the prohibition of certain activities and through enhanced disclosures. These Principles represent a major initiative to protect state taxpayers and public pension funds, and are an important attempt to encourage persuasive and meaningful corporate changes and reforms in order to make corporations more accountable for their actions relating to accounting and disclosures.

Moved and seconded. Approved without objection.

The State Board of Administration's agenda was concluded.



Coleman Stipanovich  
Executive Director  
Florida State Board of Administration

The regular meeting of the Florida State Board of Administration was held on September 24, 2002, at the City Commission Chambers, 175 Fifth Street North, St. Petersburg, 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.

**FISCAL SUFFICIENCY**

Item 1. Mr. Watkins requested approval, on behalf of the Florida State Board of Administration, of a fiscal sufficiency of an amount not exceeding \$365,000,000 State of Florida, Full Faith and Credit State Board of Education Public Education Capital Outlay Refunding Bonds, 2002 Series [Letter Designation(s) to be determined].

Moved and seconded. Approved without objection.

The State Board of Administration's agenda was concluded.

  
Coleman Stipanovich  
Executive Director  
Florida State Board of Administration

The regular meeting of the Florida State Board of Administration was held on October 8, 2002, at the Capitol, Tallahassee, Florida.

Members present were:

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

Mr. Coleman Stipanovich, Executive Director of the FSBA, was also present.

#### APPROVAL OF MINUTES

Item 1. Mr. Stipanovich requested the approval of the minutes from the September 10, 2002 meeting.

Moved and seconded. Approved without objection.

Item 2. Mr. Stipanovich requested the approval of the minutes from the September 24, 2002 meeting.

Moved and seconded. Approved without objection.

#### FISCAL SUFFICIENCIES

Item 3. Mr. Stipanovich requested approval of a fiscal sufficiency of an amount not exceeding \$80,000,000 State of Florida, Department of Management Services, Florida Facilities Pool Revenue Refunding Bonds, and Series 2002, Letter Designation(s) to be determined.

Moved and seconded. Approved without objection.

Item 4. Mr. Stipanovich requested approval of a fiscal sufficiency of an amount not exceeding \$195,000,000 State of Florida, Department of Environmental Protection, Florida Forever Revenue Refunding Bonds, Series to be designated.

Moved and seconded. Approved without objection.

Item 5. Mr. Stipanovich requested approval of a resolution of the State Board of Administration approving the fiscal sufficiency of an amount not exceeding \$300,000,000 State of Florida, State Board of Education Lottery Revenue Bonds, various series.

Moved and seconded. Approved without objection.

#### FISCAL DETERMINATIONS

Item 6. Mr. Stipanovich requested approval of a fiscal determination of one or more series in an aggregate amount not exceeding \$100,000,000 Florida Housing Finance Corporation Homeowner Mortgage Revenue Bonds, 2002 (multiple series to be determined) and an amount not exceeding \$100,000,000 Federal Home Loan Bank Line of Credit.

Moved and seconded. Approved without objection.

**THE STAFF OF THE FLORIDA STATE BOARD OF ADMINISTRATION REQUESTED THAT THE TRUSTEES APPROVE FILING OF THREE SETS OF RULES FOR ADOPTION**

Item 7A. Mr. Stipanovich requested approval of the filing for adoption Rules 19-12.001, 19-12.006, and 19-12.007. The first two rules are being amended. Rule 19-12.007 is new. These rules implement requirements of the federal Internal Revenue Service regarding implementation of the Public Employee Optional Retirement Program. Rule 19-12.001 provides definitions and is being amended to remove an unnecessary sentence. Rule 19-12.006 provides requirements regarding distributions of benefits and is being amended to change statutory citations amended during the 2002 legislative session. Rule 19-12.007 provides for acceptance of rollovers as permitted by the Economic Growth and Tax Relief Reconciliation Act of 2001. A rule development workshop was scheduled for July 16, 2002, but was not held because it was not requested. The Trustees gave permission to file for notice of proposed rulemaking on August 13, 2002. The rule hearing was scheduled for September 17, 2002, but was not held, because it was not requested. The Joint Administration Committee had comments on the rules. After the comments are incorporated into a Notice of Change and published in the Florida Administrative Weekly, the rules will be filed for adoption.

Moved and seconded. Approved without objection.

Item 7B. Mr. Stipanovich requested approval of the filing for adoption Rule 19-11.001, which implements new section 121.78, Florida Statutes, enacted during the 2002 legislative session, regarding employer contributions. The rule addresses definitions, the penalty assessment, and the market loss calculation. A rule development workshop was scheduled for July 16, 2002, but was not held because it was not requested. The rule hearing was scheduled for September 17, 2002, but was not held, because it was not requested. The Trustees gave permission to file for notice of proposed rulemaking on August 13, 2002. The rule hearing was scheduled for September 17, 2002, but was not held, because it was not requested. The Joint Administration Committee had comments on the rules. After the comments are incorporated into a Notice of Change and published in the Florida Administrative Weekly, the rules will be filed for adoption.

Moved and seconded. Approved without objection.

Item 7C. Mr. Stipanovich requested approval of the filing for adoption Rules 19-10.002 and 19-10.003, which are being amended. Rule 19-10.002 is the asset transfer rule addressing the true up provision after the initial asset transfers, and is being amended to address statutory changes and changes in the enrollment procedures. Rule 19-10.003 is the asset transfer rule addressing employees hired after the initial transfers and is being amended to include the enrollment form requirements in the body of the rule and to reflect statutory changes. A rule development workshop was scheduled for July 16, 2002, but was not held because it was not requested. The Trustees gave permission to file for notice of proposed rulemaking on August 13, 2002. The rule hearing was scheduled for September 17, 2002, but was not held, because it was not requested. The Joint Administration Committee had comments on the rules. After the comments are incorporated into a Notice of Change and published in the Florida Administrative Weekly, the rules will be filed for adoption.

Moved and seconded. Approved without objection.



**THE FLORIDA HURRICANE CATASTROPHE FUND REQUESTED APPROVAL OF THE FILING OF TWO RULES FOR ADOPTION**

Item 8. Mr. Stipanovich requested, on behalf of the Florida Hurricane Catastrophe Fund (FHCF), that the Trustees approve the filing for adoption, as amended, Rules 19-8.010 (Reimbursement Contracts), and Rule 19-8.029, F.A.C. (Insurer Reporting Requirements) along with the forms incorporated therein. A notice stating that a rule development workshop would be held if one were requested was published on June 28, 2002, in Volume 28, Number 26, Page 2778 of the Florida Administrative Weekly. No workshop was requested. These rules were the subject of a Rule Hearing on September 16, 2002. Also on September 16, 2002, the FHCF Advisory Council approved the filing of the rules, as amended, for adoption.

Moved and seconded. Approved without objection.

**THE FLORIDA WATER POLLUTION CONTROL FINANCING CORPORATION**

Item 9. Mr. Stipanovich, Chief Executive Officer of the Florida Water Pollution Control Financing Corporation, called David Struhs, Secretary of the Department of Environmental Protection, and Donna Arduin, the Governor's Budget Director, to the podium and requested that Mr. Struhs, the Chairperson of the Board of Directors, call the meeting of the Corporation to order. The Board of Directors consists of Mr. Struhs, Ms. Arduin, Treasurer Gallagher, and Comptroller Milligan. The Florida Water Pollution Control Financing Corporation requested that the Board of Directors of the Corporation adopt a Resolution appointing Barbara Jarriel, in her capacity as Chief Investment Officer of the Florida State Board of Administration, Treasurer of the Corporation, and designating the position of Chief Investment Officer as the Corporation's Treasurer in the future.

Moved and seconded. Approved without objection.

**THE INLAND PROTECTION FINANCING CORPORATION**

Item 10. Mr. Stipanovich, Chief Executive Officer of the Inland Protection Financing Corporation, called David Struhs, Secretary of the Department of Environmental Protection, to the podium and requested that Governor Bush, the Chairperson of the Board of Directors, call the meeting of the Corporation to order. The Board of Directors consists of Governor Bush, Treasurer Gallagher, Comptroller Milligan, Mr. Struhs, and Raoul Siclait, Chairman of the Black Business Investment Board. Mr. Siclait was not present, but a quorum was present. The Inland Protection Financing Corporation requested that the Board of Directors of the Corporation adopt a Resolution appointing Barbara Jarriel, in her capacity as Chief Investment Officer of the Florida State Board of Administration, Treasurer of the Corporation, and designating the position of Chief Investment Officer as the Corporation's Treasurer in the future.

Moved and seconded. Approved without objection.



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

A handwritten signature in cursive script, reading "Coleman Stipanovich", followed by a large, stylized flourish.

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**Coleman Stipanovich**  
**Executive Director**  
**Florida State Board of Administration**

The regular meeting of the Florida State Board of Administration was held on October 22, 2002, at the Capitol, Tallahassee, Florida.

Members present were:

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

Mr. Coleman Stipanovich, Executive Director of the FSBA, was also present.

#### APPROVAL OF MINUTES

Item 1. Mr. Stipanovich requested approval of the minutes from the October 8, 2002 meeting.

Moved and seconded. Approved without objection.

#### FISCAL SUFFICIENCY

Item 2. Mr. Stipanovich requested approval of a fiscal sufficiency of an amount not exceeding \$13,700,000 State of Florida, Florida Board of Education, University of South Florida Parking Facility Revenue Bonds, Series 2002.

Moved and seconded. Approved without objection.

#### FISCAL DETERMINATIONS

Item 3. Mr. Stipanovich requested approval of a fiscal determination of amounts not exceeding \$6,500,000 Tax Exempt and \$200,000 Taxable Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, 2002 Series, Series to be Designated, Cypress Lake Apartments.

Moved and seconded. Approved without objection.

Item 4. Mr. Stipanovich requested approval of a fiscal determination of amounts not exceeding \$8,800,000 Tax Exempt and \$1,750,000 Taxable Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, 2002 Series, Series to be Designated, Lighthouse Bay Apartments.

Moved and seconded. Approved without objection.

Item 5. Mr. Stipanovich requested approval of a fiscal determination of amounts not exceeding \$19,400,000 Tax Exempt and \$4,400,000 Taxable Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, 2002 Series, Series to be Designated, Victoria Park Apartments.

Moved and seconded. Approved without objection.

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**REPORT BY THE EXECUTIVE DIRECTOR**

Item 6. Mr. Stipanovich submitted for information and review the Fund Activity Analysis for the month of August 2002.

The report was accepted as submitted. No action was required by the Board.

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



Coleman Stipanovich  
Executive Director  
Florida State Board of Administration

The regular meeting of the Florida State Board of Administration (FSBA) was held on November 13, 2002, at the Capitol, Tallahassee, Florida.

Members present were:

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

Mr. Coleman Stipanovich, Executive Director of the FSBA, was also present.

#### APPROVAL OF MINUTES

Item 1. Mr. Stipanovich requested the approval of the minutes from the October 26, 2002 meeting.

Moved and seconded. Approved without objection.

#### CHIEF OF INTERNAL AUDIT SELECTION

Item 2. The Trustees selected Kurtis Wolff as the new Chief of Internal Audit, and an offer will be extended to him with a salary of \$105,000. A discussion ensued about the composition of the audit committee. General Milligan suggested that each Trustee appoint a member of his choice, whether an employee or a civilian, selecting a person with an appropriate background. The Trustees agreed and noted that the Attorney General should make one appointment as the new Trustee of the FSBA's Board of Trustees. The Trustees further agreed that appointments to the audit committee will take effect January 7, 2003, with the Trustees serving as interim members, if necessary.

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



Coleman Stipanovich  
Executive Director  
Florida State Board of Administration

The regular meeting of the Florida State Board of Administration (FSBA) was held on November 26, 2002, at the Capitol, Tallahassee, Florida.

Members present were:

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

Mr. Coleman Stipanovich, Executive Director of the FSBA, was also present.

#### APPROVAL OF MINUTES

Item 1. Mr. Stipanovich requested the approval of the minutes from the November 13, 2002 meeting.

Moved and seconded. Approved without objection.

#### FISCAL SUFFICIENCIES

Item 2. Mr. Stipanovich requested approval of a fiscal sufficiency of an amount not exceeding \$6,500,000 State of Florida, Florida Board of Education, Florida State University Parking Facility Revenue Refunding Bonds, Series 2002.

Moved and seconded. Approved without objection.

Item 3. Mr. Stipanovich requested approval of a fiscal sufficiency of an amount not exceeding \$7,000,000 State of Florida, Florida Board of Education, Florida Agricultural and Mechanical University Student Apartment Facility Revenue Refunding Bonds, Series 2002.

Moved and seconded. Approved without objection.

Item 4. Mr. Stipanovich requested approval of a fiscal sufficiency of an amount not exceeding \$17,500,000 State of Florida, Florida Board of Education, University of Central Florida Housing Revenue Refunding Bonds, Series 2002.

Moved and seconded. Approved without objection.

  
Coleman Stipanovich  
Executive Director  
Florida State Board of Administration

The regular meeting of the Florida State Board of Administration (FSBA) was held on December 11, 2002, at the Capitol, Tallahassee, Florida.

Members present were:

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

Ms. Lee Baldwin, Investment Communications Manager of the FSBA, was also present.

#### APPROVAL OF MINUTES

Item 1. Ms. Baldwin requested the approval of the minutes from the November 26, 2002, meeting.

Moved and seconded. Approved without objection.

#### FISCAL DETERMINATION

Item 2. Ms. Baldwin requested approval of a fiscal determination of an amount not exceeding \$8,350,000 tax exempt Florida Housing Finance Corporation Housing Revenue Bonds, 2002 Series (series to be designated), Pinnacle Grove Apartments.

Moved and seconded. Approved without objection.

#### CHIEF OF INTERNAL AUDIT SELECTION

Item 3. Treasurer Gallagher explained that negotiations with the first candidate to the Chief of Internal Audit position at the Florida State Board of Administration had been unsuccessful. The Trustees agreed to offer the position to another candidate, Ms. Florida Rivera-Alsing, with a salary of \$95,000.

Moved and seconded. Approved without objection.

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

  
Coleman Stipanovich  
Executive Director  
Florida State Board of Administration