

**MINUTES  
INVESTMENT ADVISORY COUNCIL  
March 12, 2009**

A meeting of the Investment Advisory Council was held on Thursday, March 12, 2009, in the Hermitage Room of the State Board of Administration of Florida (SBA), Tallahassee, Florida.

**Members Present:**     **Beth McCague, Chair**  
                              **Roman Martinez, Vice Chair**  
                              **Jim Dahl**  
                              **John Hill (Via Telephone)**  
                              **John Jaeb**  
                              **Robert Konrad**

**CALL TO ORDER/APPROVAL OF MINUTES**

Ms. Beth McCague, Chair, called the meeting to order at 9:04 A.M. Mr. John Hill joined the meeting via telephone, as his flight from Tampa was cancelled this morning. Ms. McCague requested a motion to approve the minutes of the December 4, 2008 meeting. Vice Chair Roman Martinez made the motion to approve the minutes; seconded by Mr. John Jaeb; approved without objection. The Chair adjusted the order of today's agenda items.

**OPENING REMARKS AND PERFORMANCE UPDATE**

Mr. Ash Williams, Executive Director & CIO, gave an update on staff recruitment efforts in Legal, Investment Policy and Economics, and Fixed Income. He discussed investment process issues, recent financial market performance, the audit of the Local Government Investment Pool and progress made in negotiations relating to the Florida Technology and Growth Act.

**MAJOR INITIATIVES UPDATE**

Mr. Kevin SigRist, Deputy Executive Director, gave an update on major SBA initiatives, including Strategic Investments, Florida Technology and Growth Initiative, a specialty consultant search to support staff reviews of venture capital funds and hedge funds, a securities lending program review by Callan Associates, and the conclusions of Phase I of the Deloitte & Touche Compliance Program Review.

**PENSION PLAN PERFORMANCE UPDATE AND INVESTMENT REVIEW**

Mr. Mike Sebastian, EnnisKnupp + Associates, presented a performance review of the FRS Pension Plan which covered investment returns and risk levels for various time periods and at the total fund and asset class levels relative to policy benchmarks and peers.

**PENSION PLAN ASSET/LIABILITY STUDY UPDATE**

Mr. Rowland Davis, EnnisKnupp + Associates, presented an updated annual asset/liability study for the FRS Pension Plan. Included in the presentation were the asset/liability modeling process, economic assumptions and simulations, risk-reward analysis, policy recommendations, and an update of forecast results with various policy mixes. A 94% funded ratio was projected as the median outcome for July 1, 2009 and no change to the asset allocation of the FRS Pension Plan was indicated.

**NON FRS MANDATES – PROPOSED CHANGES TO CHILES ENDOWMENT INVESTMENT POLICY STATEMENT (ACTION REQUIRED)**

Mr. John Benton, Senior Investment Policy Officer, discussed special legislative action that requires the transfer of \$700 million out of the Chiles Endowment on June 15, 2009. He explained the projected status of the Chiles Endowment after regular and special payouts are made and the impact of these payouts on the Chiles Endowment's asset allocation. Mr. Benton presented a summary of the proposed changes to the Investment Policy Statement which included: (1) adjustments to the regular payout formula to reflect extraordinary payouts; (2) adjustments to Domestic Equities', Fixed Income's and Real Estate's target asset allocation; (3) added language which will allow the SBA flexibility to raise funds for extraordinary payouts without violating target and policy range allocations; and (4) an effective date of April 1, 2009.

Vice Chair Martinez made the motion to approve the Investment Policy Statement; seconded by Mr. Rob Konrad; approved without objection.

**LAWTON CHILES ENDOWMENT FUND, CAT FUND, HIS, AND CAMP POOLS INVESTMENT REVIEWS**

Ms. Kristin Hanto, EnnisKnupp + Associates, presented a performance review of the Lawton Chiles Endowment Fund, Hurricane Catastrophe Fund (CAT Fund), Health Insurance Subsidy (HIS) and Commingled Asset Management Program (CAMP Pools). The performance review covered a brief description of the purpose of each fund, their investment returns and their benchmarks. Also, the review covered the credit quality, maturity profile, and security types for short-term funds such as the CAT Fund, CAMP-MM, and HIS.

Mr. Rob Konrad was elected to serve as Chair and Mr. John Hill as Vice Chair for the term March 2009 to March 2010. The officers were approved without objection. Mr. Williams recognized and thanked Mr. Roman Martinez for his service to the IAC. It was agreed the next quarterly meeting will be held on Thursday, June 18, 2009.

The Investment Advisory Council agenda was concluded and the meeting adjourned at 12:04 PM.

(Further meeting information can be found in the written transcripts of the meeting kept by the State Board of Administration.)