

**MINUTES  
INVESTMENT ADVISORY COUNCIL  
SEPTEMBER 24, 2009**

A meeting of the Investment Advisory Council (IAC) was held on Thursday, September 24, 2009, in the Hermitage Room of the State Board of Administration of Florida (SBA), Tallahassee, Florida.

**Members Present:**     **John Hill, Vice Chair  
Rob Gidel  
David Grain  
John Jaeb  
Beth McCague**

**Member Absent:**     **Rob Konrad, Chair**

**CALL TO ORDER/APPROVAL OF MINUTES**

Mr. John Hill, Vice Chair, called the meeting to order at 9:10 A.M. Mr. Hill requested a motion to approve the minutes of the June 18, 2009, IAC meeting. Mr. Gidel made the motion to approve the minutes; seconded by Ms. McCague; approved without objection. Mr. Hill then requested a motion to approve the minutes of the June 18, 2009, Joint IAC/Participant Local Government Advisory Council (PLGAC) meeting. Mr. Gidel made the motion to approve the minutes; seconded by Ms. McCague; approved without objection. Mr. Hill welcomed new member, Mr. David Grain, who was recently appointed by CFO Alex Sink. He also recognized Mr. Jim Dahl's eight years of service and contributions he made to the IAC.

**OPENING REMARKS AND PERFORMANCE UPDATE**

Mr. Ash Williams, Executive Director & CIO, added his praise for Mr. Dahl's service to the IAC. Mr. Williams gave updates on: 1) the budget, approved by Trustees continues to support such initiatives as strategic recruitment and retention dollars; 2) the Local Government Investment Pool, rebranded the Florida PRIME with nearly 1,000 accounts converted in time for an August 10 launch of the new website without a single complaint from clients; 3) the Participant Local Government Advisory Council expressed excitement about the quality of the rebuilt, rebranded, de-risked local investment pool Florida PRIME; 4) the interest in the Florida Growth Fund; and 5) the SBA Governance Research Project's final report was delivered to the Trustees at the September 15<sup>th</sup> meeting. Mr. Williams suggested that the SBA's asset-liability study be done now due to economic conditions rather than in the normal five years. The last review was completed in 2007. He said the SBA has made changes in portfolio guidelines, investment policies, and operating practices to reduce risk in some areas, but emphasized that the SBA is not risk-adverse and that stresses in parts of the economy may lead to opportunities in others. He said the most recent report shows that nearly \$3 billion has been invested in new commitments to capture advantages as opportunities arise. Mr. Williams also reported that the Florida Growth Fund has spawned an incredible amount of interest. Hamilton Lane has opened an office in Fort Lauderdale and will open another office in Orlando. He said an announcement will be made soon about the Growth Fund's first company-specific investment, a technology-oriented firm. Mr. Williams mentioned that the Trustees have been discussing whether to expand the membership of the State Board. He said the Trustees are looking for input from IAC members.

Mr. Kevin SigRist, Deputy Executive Director, gave an update on the performance of the various mandates at the SBA, with a focus on the Florida Retirement System Pension Plan.

#### **MAJOR INITIATIVES UPDATE**

Mr. SigRist gave an update on major SBA initiatives briefly discussing the forthcoming FRS Pension Plan asset/liability and asset allocation studies. Working with EnnisKnupp, additional reports will be given to the IAC at upcoming meetings. He discussed the Deloitte & Touche Compliance Review and staff recommendations to integrate the SBA's enterprise risk management, compliance, policy performance measurement and other areas and establish a Chief Risk and Compliance Officer. He presented the final staff recommendations on transitioning the SBA's securities lending programs based on the Callan Associates review. The recommendations were endorsed by the IAC. He provided an update on Strategic Investments, including the proposed 2009-10 Work Plan, Florida Growth Fund, and a review conducted by staff and consultants of the FRS Investment Plan Product. At the request of Ms. Beth McCague, staff and Ennis, Knupp + Associates will discuss the advisability of adding target date funds to the product lineup at the December meeting. Mr. Williams provided an update on the SBA Governance Research Project.

#### **FRS PENSION PLAN INVESTMENT REVIEW**

Mr. Mike Sebastian and Ms. Kristen Doyle, EnnisKnupp + Associates, presented a performance review of the FRS Pension Plan which covered investment returns, TUCS and CEM peer universe comparisons. Mr. Sebastian and Ms. Doyle discussed FRS Pension Plan performance at the total fund level and at the asset class level relative to predefined benchmarks and peers. They also discussed the FRS Pension Plan's CEM Survey results for calendar year 2008. The CEM Survey compares costs and performance results of the FRS Defined Benefit Plan to a universe of peers.

#### **REAL ESTATE INVESTMENT REVIEW**

Mr. Terry Ahern, The Townsend Group, presented an update on the Board's real estate asset class performance in meeting the real estate program's investment objective. He discussed the portfolio's compliance with strategic objectives and commented on investment activity during the past fiscal year.

The next meeting of the IAC will be Thursday, December 3, 2009. The Investment Advisory Council agenda was concluded and the meeting adjourned at 12:01 PM.

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