



STATE BOARD OF ADMINISTRATION OF FLORIDA (SBA)

**Agenda
Investment Advisory Council (IAC)**

Thursday, December 9, 2010, 9:00 A.M.

**Hermitage Room, First Floor
1801 Hermitage Blvd., Tallahassee, FL 32308**

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- | | |
|---|---|
| 1. Welcome/Call to Order/Approval of Minutes
<i>(See Attachment 1)</i> | <i>John Hill, Chair</i> |
| 2. Opening Remarks and Legislative Initiatives | <i>Ash Williams
Executive Director & CIO</i> |
| 3. Performance and Major Initiatives Update
<i>(See Attachments 3 and 3-A)</i> | <i>Kevin SigRist
Deputy Executive Director</i> |
| 4. FRS Investment Plan Review
<i>(See Attachment 4)</i> | <i>Mike Sebastian
Kristen Doyle
Hewitt EnnisKnupp</i> |
| 5. Lawton Chiles Endowment Fund, CAT Fund, HIS Trust Fund, and CAMP-MM Investment Pool Performance Reviews
<i>(See Attachment 5)</i> | <i>Mike Sebastian
Kristen Doyle
Hewitt EnnisKnupp</i> |
| 6. Florida Hurricane Catastrophe Fund and Florida Hurricane Catastrophe Fund Finance Corporation (Pre-Event Liquidity Fund) Investment Policy Update
<i>(See Attachments 6 and 6-A)</i> | <i>Kevin SigRist
Deputy Executive Director</i> |
| 7. Audience Comments/2011 Scheduled Meetings/ Closing Remarks/Adjourn
<i>(See Attachment 7)</i> | <i>John Hill, Chair</i> |

**MINUTES
INVESTMENT ADVISORY COUNCIL
SEPTEMBER 27, 2010**

A meeting of the Investment Advisory Council (IAC) was held on Monday, September 27, 2010, in the Hermitage Room of the State Board of Administration of Florida (SBA), Tallahassee, Florida.

Members Present: John Hill, Chair
Rob Gidel, Vice Chair
John Jaeb
Robert Konrad
Beth McCague

Member Absent David Grain

CALL TO ORDER/APPROVAL OF MINUTES

Mr. John Hill, Chair, called the meeting to order at 1:00 PM. Mr. Hill requested a motion to approve the minutes of the June 7, 2010, IAC meeting. Mr. John Jaeb made the motion to approve the minutes; seconded by Ms. Beth McCague; approved without objection.

OPENING REMARKS AND UPDATE

Mr. Ash Williams, Executive Director and Chief Investment Officer, reported the performance across the fund is very strong, representing returns ahead of benchmark by 100 basis points for the calendar year to date. He stated the SBA had found a candidate to serve as Inspector General and announced that Melinda Miguel would be starting early November while highlighting her strong qualifications. It was also announced that Gwenn Thomas, the SBA's current Chief Operating Officer announced her plans to retire and that a search for her replacement had begun. Comments concluded with an update on progress made on outstanding audit issues, mentioning the results of a conflicts review conducted by the Groom Law Group concerning current policies and an audit by Ernst and Young of personal investing activity.

PERFORMANCE AND MAJOR INITIATIVES UPDATE

Mr. Kevin SigRist, Deputy Executive Director, provided an update on current state of the economy, the financial markets, and performance of the Pension Plan, the FRS Investment Plan, CAT Fund, Chiles Endowment and Florida PRIME. Mr. SigRist then provided an update on STIPFRS, securities lending, liquidity management and policy allocations. The discussion then transitioned to major initiatives, including a new allocation policy for strategic investments. The discussion touched on risk and return modeling and hedge funds and related vehicles before moving to timberland, infrastructure and commodities. Mr. SigRist mentioned the new global equity asset class and the SBA's plan to exit its high yield portfolio. Questions concerning the progress of hedge fund allocations were raised by Mr. Gidel. In response, Mr. SigRist discussed allocations to hedge funds and the status of capital calls then moved to near-term plans for determining future investments and the status of potential investments in the pipeline. The discussion then transitioned to opportunistic investment possibilities and questions concerning energy investments. Mr. SigRist deferred to Mr. Jim Treanor for the status of the SBA's current efforts. An update on the global equity transition, mentioning EnnisKnupp's role, along with an outline of the SBA's plan for transition was provided and comments concluded with an overview of the pending restructuring of the fixed income asset class and the move to a global REIT strategy.

Eric Nelson, Chief Risk and Compliance Officer, was introduced and provided an update on the activities of the Risk and Compliance Unit, Groom study and changes to the reorganization of specific roles of the Inspector General. A quick update was presented on the

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September 27, 2010

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pay-to-play initiative by the SEC and highlighted that the SBA's existing rules implemented in 2009 correctly anticipated the direction the SEC took on the use of placement agents and concluded with an explanation of the policies including disclosure requirements. Comments then highlighted the SBA's new conflict of interest certification in the investment management acquisition policy. The presentation then went on to the SBA's disaster recovery capabilities and a recent assessment conducted by an outside firm. A summary of the assessment was provided, which was positive and provided suggestions for improvement. Mr. Nelson discussed direction from the Audit Committee to perform an assessment of the SBA's information security in the context of personal investment activity policy, the SBA's asset allocation distribution list, and data vaults. The presentation then transitioned to an update on the total fund risk system ITN, acknowledging the need to have one or two providers depending on whether or not a hedge fund risk system could be incorporated. It was anticipated that the procurement would finish in early 2011. Comments concluded with mentioning the SBA's efforts to ensure adequate training of staff, specifically on fiduciary training and the SBA's selection of the Groom Law Group to administer the program and highlighting various other training opportunities that have been provided.

Mr. SigRist mentioned the Invitation to Negotiate for a successor trustee for a number of the smaller mandates which are laddered bond portfolios that come to the SBA through the Governor's Office, Office of Tourism, Trade and Economic Development. He mentioned that the SBA is in the planning stages for closing out the CAMP money market fund by year end, and the SBA's hope that a number of clients would move over to Florida PRIME. Mr. SigRist's comments closed with human capital risk and mentioned that Doug Bennett has informed the SBA of his intent to retire at the end of the current fiscal year and future possibilities for the asset class.

PENSION PLAN REVIEW

Mr. Mike Sebastian, Hewitt EnnisKnupp & Associates, mentioned briefly the merger of Hewitt and EnnisKnupp effective September 1, 2010 and explained that there would be no change to the senior management team serving the SBA. Mr. Sebastian then provided a general overview of the fund performance; including growth, allocation relative to policy targets, and asset allocation. He pointed out the strong comparisons of the SBA's long-term performance to benchmark and mentioned the strong performance of the real estate asset class.

Ms. Kristen Doyle discussed the Pension Plan's good performance compared to both the TUCS peer group and the Cost-Effectiveness Measurement (CEM) highlighting cost saving and measurable performance criteria. Ms. Doyle concluded with providing clarifications based on questions posed.

REAL ESTATE PROGRAM REVIEW

Mr. Terry Ahern and Mr. Dick Brown, The Townsend Group, began their overview of the real estate program by highlighting its positive performance compared to benchmark and specific contributing factors related to the performance.

Mr. Brown discussed fee savings, compliance of the portfolio, strategy, proposed benchmark and policy changes, the transition of the domestic REIT portfolio to a global REIT portfolio and specifics of the SBA's current real estate program.

Mr. Ahern provided an overview to Mr. Brown's presentation then transitioned to an overview of various markets and trends and Townsend's view of near-term market activity.

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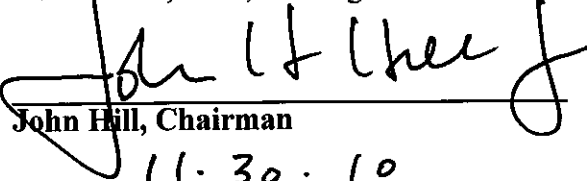
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Questions concerning possible investments outside of the United States were posed and answers were provided outlining Townsend's view of opportunity, costs and risks associated. IAC members were asked for input as to their risk appetite as it relates to non-core investments.

Discussion concluded with an open discussion of recent events related to real estate and their implications of the overall market.

AUDIENCE COMMENTS/2010 SCHEDULED MEETINGS/CLOSING REMARKS

There were no comments from the audience. There was a brief discussion about the December 9, 2010, meeting date. The meeting was adjourned at 3:13 P.M.



John Hill, Chairman

Date

11.30.10

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

2. Opening Remarks and Legislative Initiatives – *No Attachments*

SBA Major Mandate Performance Update

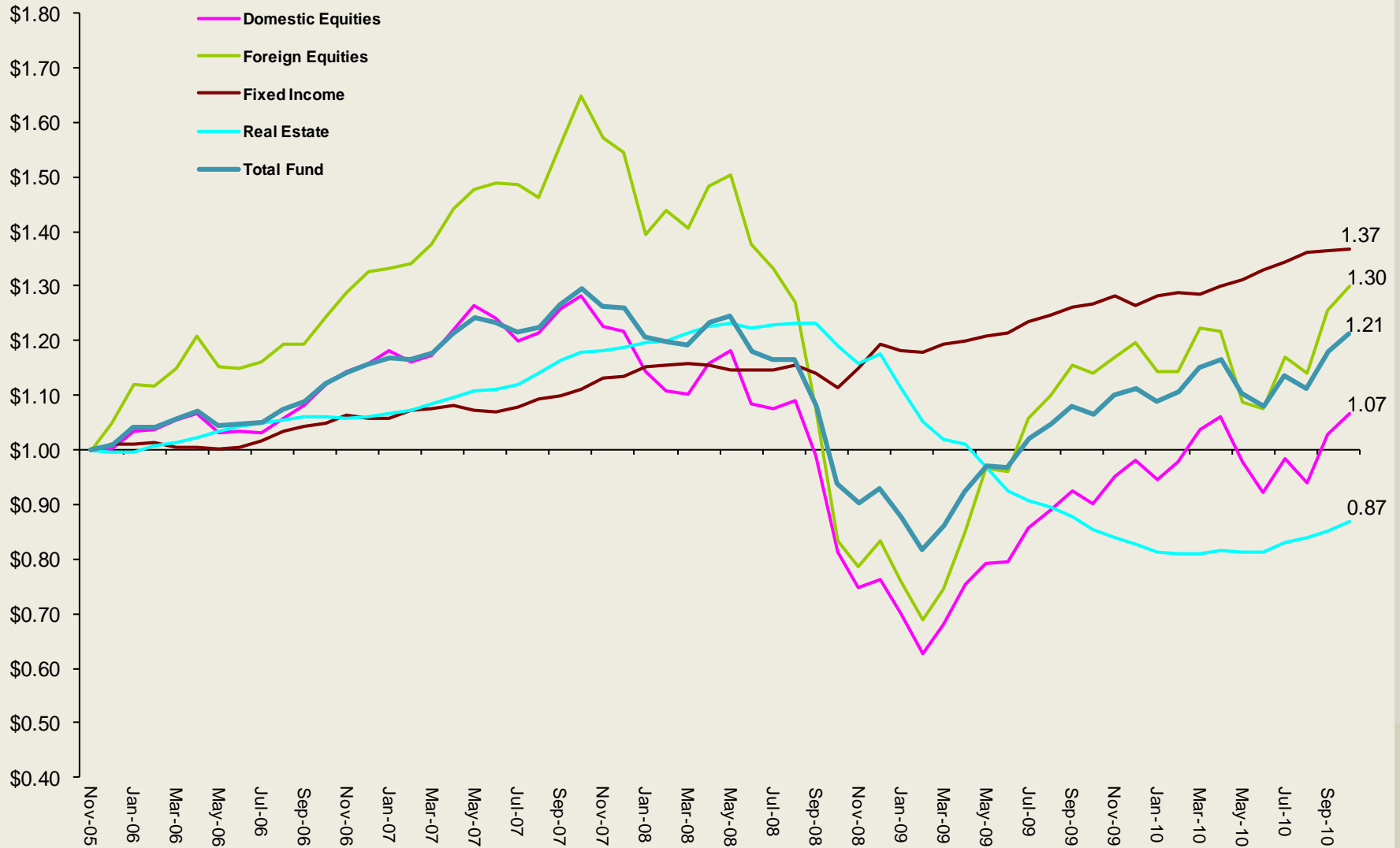
Investment Advisory Council

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INVESTING FOR FLORIDA'S FUTURE

Growth of \$1 Invested in Benchmarks November 30, 2005 - October 31, 2010



→ SBA Mandates Month End Market Values (\$Millions)

Mandate	Mar-10	Jun-10	Sep-10	Nov-10*
FRS Pension Plan	\$116,718	\$109,344	\$117,802	\$117,015
FRS Investment Plan	\$5,067	\$5,050	\$5,571	\$5,658
CAT Fund	\$8,883	\$9,646	\$9,775	\$9,777
Lawton Chiles Endowment	\$695	\$627	\$685	\$706
Florida PRIME	\$5,794	\$5,481	\$5,331	\$5,700
Other SBA Mandates	\$4,677	\$3,347	\$3,504	\$3,519
Total	\$141,834	\$133,496	\$142,668	\$142,375

*Unaudited and Tentative Data

Major SBA Mandate Official Performance

Official Performance through October 2010

Net Managed Return

Mandate	3-month	1-year	3-year	5-year	10-year
Separately Managed Assets					
FRS Pension Plan	6.83%	15.20%	-1.94%	4.77%	3.89%
FRS Investment Plan	5.55%	12.21%	-1.84%	4.30%	
CAT Operating Fund	0.20%	0.74%	1.03%	2.69%	2.72%
CAT Fund 2007A Note Proceeds	0.13%	0.51%	1.77%		
Lawton Chiles Endowment	7.16%	15.23%	-3.55%	3.55%	3.36%
Health Insurance Subsidy	0.23%	0.91%	1.15%	2.77%	2.64%
SBA Investment Pools					
Local Government Investment Pool	0.08%	0.27%	1.40%	2.91%	2.72%
CAMP Money Market A	0.09%	0.29%	1.36%	2.89%	2.67%

Major SBA Mandate Official Performance

Official Performance through October 2010

Managed vs. Benchmark Returns

Mandate	3-month	1-year	3-year	5-year	10-year
FRS Pension Plan	0.02%	1.41%	0.26%	0.26%	0.33%
FRS Investment Plan	0.34%	0.88%	0.62%	0.58%	
CAT Operating Fund	0.14%	0.50%	-0.46%	-0.15%	0.25%
CAT Fund 2007A Note Proceeds	0.07%	0.28%	0.33%		
Lawton Chiles Endowment	0.02%	-0.05%	0.09%	0.38%	0.30%
Health Insurance Subsidy	0.20%	0.46%	-1.22%	-0.79%	
SBA Investment Pools					
Local Government Investment Pool	0.04%	0.10%	0.10%	0.17%	0.23%
CAMP Money Market A	0.04%	0.12%	0.05%	0.15%	0.18%

→ **FRS Pension Plan Attribution of Managed vs. Benchmark Official Performance Through October 31, 2010**

Asset Class/ TAA	3-month	1-year
Asset Allocation	-0.07%	-0.32%
Global Equity	0.13%	0.63%
Fixed Income	0.21%	0.83%
High Yield	0.00%	-0.01%
Real Estate	-0.02%	0.22%
Private Equity	-0.30%	-0.08%
Strategic Investments	0.03%	0.21%
Cash	0.00%	0.00%
Other*	0.04%	-0.06%
FRS PP Total Fund	0.02%	1.41%

* Captures transition, STIPFRS Liquidating, Securities Lending and other accounts

→ FRS Pension Plan Attribution of Managed vs. Benchmark Official Performance Through October 31, 2010

Asset Class/ TAA	3-year	5-year	10-year
Asset Allocation	-0.10%	0.04%	0.06%
Global Equity	0.35%	0.08%	0.16%
Fixed Income	-0.06%	-0.03%	0.02%
High Yield	-0.01%	-0.01%	0.00%
Real Estate	0.16%	0.29%	0.19%
Private Equity	-0.01%	-0.06%	-0.08%
Strategic Investments	-0.03%	-0.03%	-0.02%
Cash	-0.03%	-0.02%	-0.01%
Other*	-0.01%	0.00%	0.01%
FRS PP Total Fund	0.26%	0.26%	0.33%

* Captures transition, STIPFRS Liquidating, Securities Lending and other accounts

→ Asset Allocation Activity Since September 27, 2010 IAC Meeting

FRS Pension Plan

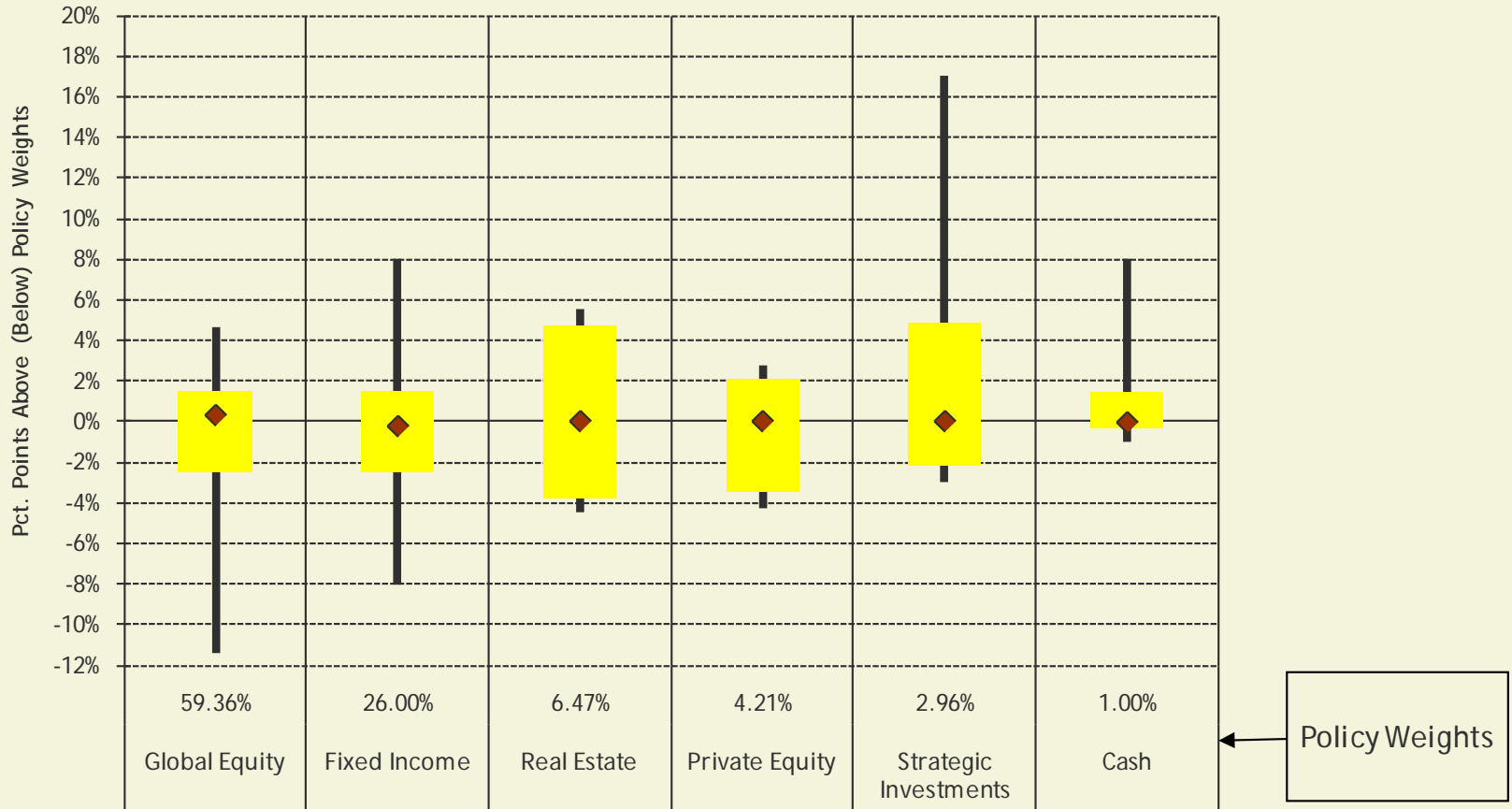
- Normal rebalancing rules are applicable
- No rebalances were triggered
- Since the last meeting, regular liquidity assessments - \$893 MM from Global Equity (\$346.8 MM offset by High Yield defunding)

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- Normal rebalancing rules are applicable
- No rebalances were triggered
- No disbursement made

FRS Asset Allocation Stance at a Glance

As of November 30, 2010 Market Close



FRS Asset Allocation Data

As of November 30, 2010 Market Close

(\$ millions)

	Global Equity	Fixed Income	Real Estate	Private Equity	Strategic Investments	Cash	Total
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A. Current Position

Current Portfolio Value (excl. pending tsfrs.)	\$69,812	\$30,133	\$7,576	\$4,931	\$3,458	\$1,104	\$117,015
Amount Over (Under) Tactical Policy Weight [#]	\$357	(\$291)	--	--	--	(\$66)	\$0
Current % of Total Fund	59.66%	25.75%	6.47%	4.21%	2.96%	0.94%	100.00%
Current Position Abv (Bel) Tactical Wgt. (in % pts) [#]	0.30%	-0.25%	0.00%	0.00%	0.00%	-0.06%	0.00%

B. Policy Target Weights & Ranges

Policy High	64.00%	34.00%	12.00%	7.00%	20.00%	9.00%	--
Target Operating Range High	60.86%	27.50%	11.25%	6.25%	7.79%	2.50%	--
PW1: Fixed Policy Weights	56.00%	26.00%	7.00%	4.00%	6.00%	1.00%	100.00%
PW3: Floating Policy Weights (per box C below)	59.36%	26.00%	6.47%	4.21%	2.96%	1.00%	100.00%
PW4: Tactical Policy Weights (per box D below)[#]	59.36%	26.00%	6.47%	4.21%	2.96%	1.00%	100.00%
Target Operating Range Low	56.86%	23.50%	2.75%	0.75%	0.75%	0.75%	--
Policy Low	48.00%	18.00%	2.00%	0.00%	0.00%	0.00%	--

C. Private Market Floating Weight Adjustment Factors

Reallocation shares for Real Estate	100%	0%	0%	0%	0%	0%	100%
Reallocation shares for Private Equity	100%	0%	0%	0%	0%	0%	100%
Reallocation shares for Strategic Equity	100%	0%	0%	0%	0%	0%	100%

D. Target Weight Increment From TAA Tilt(s)

	0%	0%	0%	0%	0%	0%	0.00%
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E. Pending But Unexecuted Transfers

These amounts are not reflected in the top row	--	--	--	--	--	--	\$0.0
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[#]"Tactical policy weight" refers to the row in blue in box B, labeled PW4, which is inclusive of the private market floating weights and any TAA tilt that may be in place.

SBA Major Initiatives Update

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December 9, 2010



INVESTING FOR FLORIDA'S FUTURE

→ **Strategic Investments**
Allocations and Commitments as of October 31, 2010

Asset Type Programs	Market Value (\$MM)	Market Value + Unfunded Commitments (\$MM)
Debt-Oriented*	\$3,127	\$4,968
Hedge Fund and Related Vehicles	\$313	\$486
Real Assets	--	--
Other Opportunistic & Special Situations	\$469	\$741
TOTAL	\$3,909	\$6,195

* Includes High Yield portfolios that were transferred in the asset class on July 1, 2010.

→ Recent Capital Call Activity

	Capital Calls 9/12/09 - 11/18/09 (\$MM)	Capital Calls 11/19/09- 2/18/10 (\$MM)	Capital Calls 2/19/10- 5/14/10 (\$MM)	Capital Calls 5/15/10- 9/10/10 (\$MM)	Capital Calls 9/11/10- 10/30/10 (\$MM)
Debt-Oriented	\$37	(\$15)	\$48	\$224	\$108
Hedge Fund and Related Vehicles	\$0	\$0	\$100	\$64	\$113
Real Assets	\$0	\$0	\$0	\$0	\$0
Other Opportunistic & Special Situations	\$13	\$7	\$51	\$92	\$5
TOTAL	\$50	(\$8)	\$199	\$380	\$226

Notes: Figures net of cash distributions.

→ **Strategic Investments October 31, 2010 Exposure and Potential New FY 2010-11 Commitments**

Asset Type Programs	Market Value + Unfunded Commitments (MM)	Not to Exceed New Commitments (MM)***
Debt-Oriented*	\$4,968	\$500
Hedge Fund and Related Vehicles**	\$486	\$1000
Real Assets	--	\$800
Other Opportunistic & Special Situations	\$741	\$200
TOTAL	\$6,195	\$2,500

* Includes High Yield portfolios that were transferred in the asset class on July 1, 2010.

** Gross new commitments. Does not represent the net impact of recycling distributions.

*** Subject to change at the discretion of the Executive Director & CIO

→ Strategic Investments Activity Since September 2010 IAC Meeting

- Debt-Oriented Funds
 - CarVal Credit Value (Committed \$100 million)
 - TPG Airline Credit (Investment approved; in legal negotiations)
 - Colony Distressed Credit and GSO Capital Opportunities in due diligence
- Hedge Fund and Related Vehicles
 - Ramius (Investment approved; in legal negotiations)
 - Of 6 hedge funds identified with Cambridge Associates; 3 are approved and in legal negotiations and 3 are in due diligence
 - Development of manager monitoring guidelines and oversight protocol
- Real Asset Investments Reviewed
 - Molpus and Hancock Timber (investment approved; in legal negotiations)
 - Staff conducting infrastructure opportunity due diligence

→ Other Initiatives/Projects

- Asset Transition
- Collateral Manager Search
- Securities Lending
- Total Fund Risk Model and Hedge Fund Risk Model
- Consultant Searches
- Senior Portfolio Manager Interviews
- External Audit

State Board of Administration of Florida

Florida Retirement System

Investment Plan Review
Third Quarter 2010

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Total Investment Plan Returns

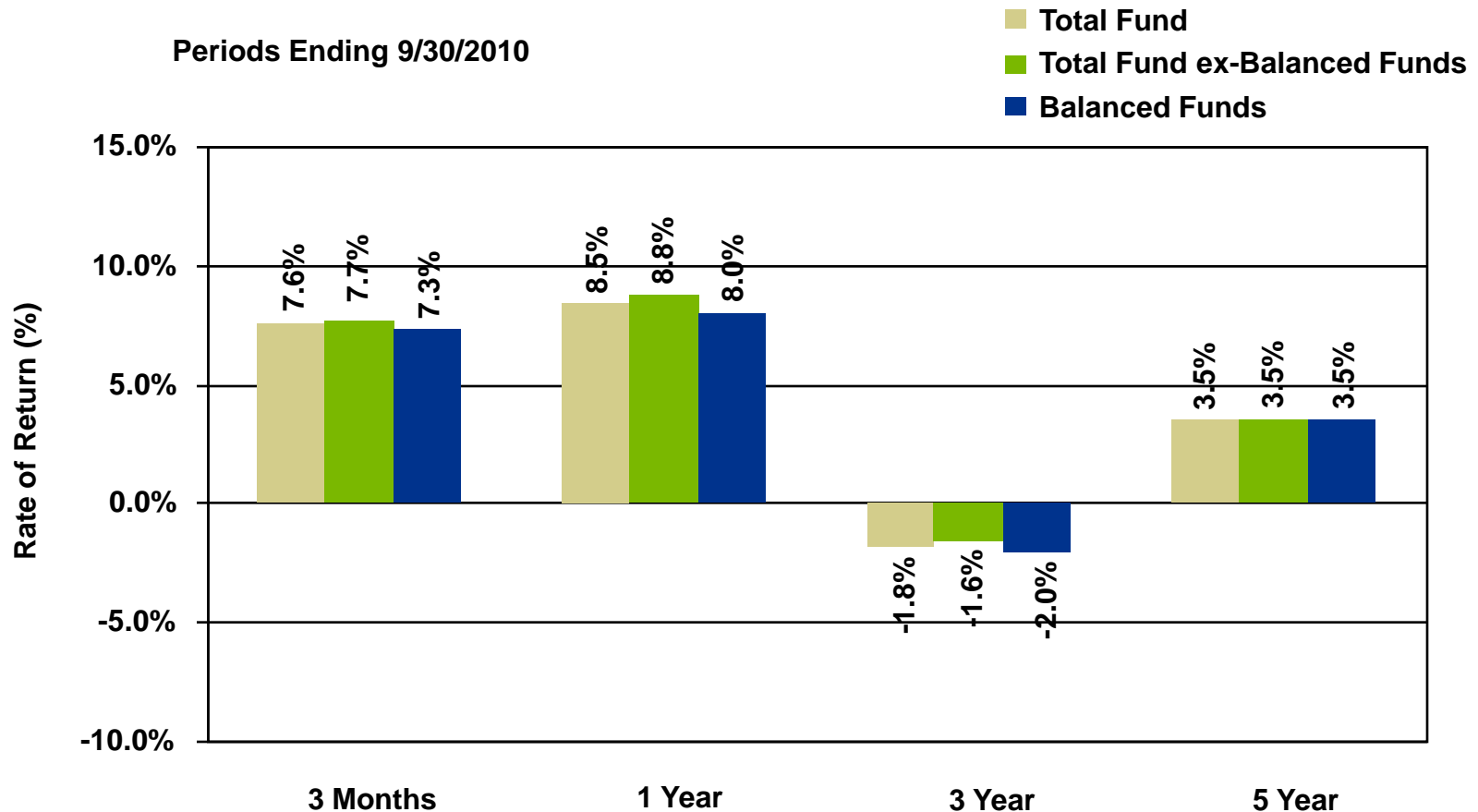
Periods Ending 9/30/2010

	One-Year	Three-Year	Five-Year
Investment Plan	8.5%	-1.8%	3.5%
<i>Average DC Plan*</i>	9.7	1.8	2.9
<i>Investment Plan vs. Average DC Plan</i>	-1.2	-3.6	0.6
<i>Total Plan Aggregate Benchmark**</i>	7.7	-2.5	2.9
<i>Investment Plan vs. Total Plan Aggregate Benchmark</i>	0.8	0.7	0.6
Total Domestic Equity	13.3	-5.1	1.9
<i>Domestic Equity Aggregate Benchmark</i>	11.9	-5.9	1.2
<i>Total Domestic Equity vs. Domestic Equity Aggregate Benchmark</i>	1.4	0.8	0.7
Total Fixed Income	9.7	8.2	6.8
<i>Fixed Income Aggregate Benchmark</i>	8.7	7.1	6.1
<i>Total Fixed Income vs. Fixed Income Aggregate Benchmark</i>	1.0	1.1	0.7
Total International Equity	6.0	-6.6	4.0
<i>International Equity Aggregate Benchmark</i>	5.2	-8.7	2.2
<i>Total International Equity vs. International Equity Aggregate Benchmark</i>	0.8	2.1	1.8
Total TIPS	8.9	7.0	5.6
<i>Barclays Capital U.S. TIPS Index</i>	8.9	6.9	5.5
<i>Total TIPS vs. Barclays Capital U.S. TIPS Index</i>	0.0	0.1	0.1
Total Cash	0.2	1.4	2.9
<i>iMoneyNet First Tier Institutional Money Market Index</i>	0.3	1.7	3.1
<i>Total Cash vs. iMoneyNet First Tier Institutional Money Market Index</i>	-0.1	-0.3	-0.2

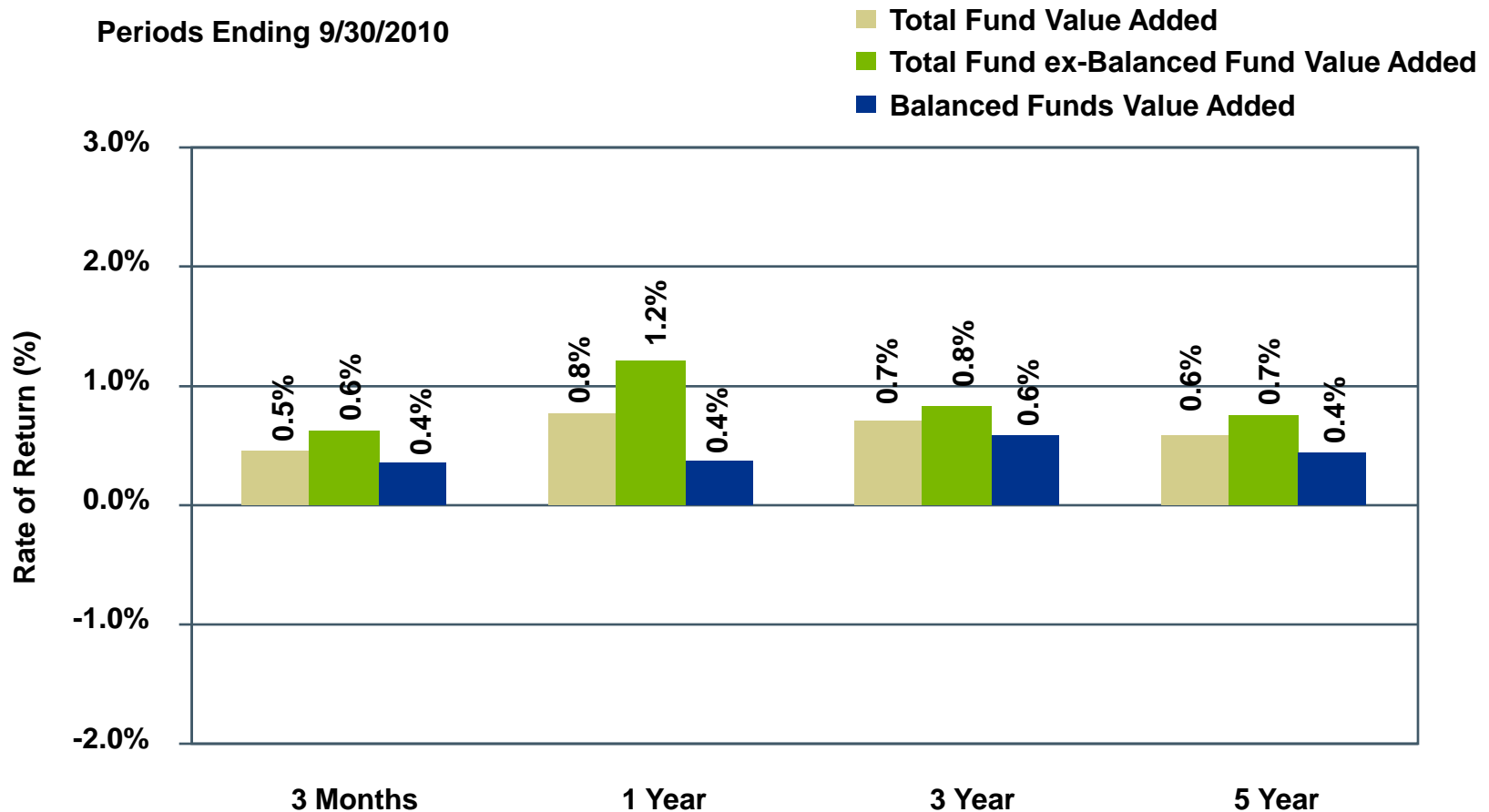
* Calculated *return estimates* based on average plan allocations data from PSCA (2009 Survey) and the median fund net of fee return data from Morningstar as of 9/30/2010.

**Aggregate benchmark returns are an average of the individual portfolio benchmark returns at their actual weights.

Investment Plan Managed Returns



Investment Plan Managed Returns vs. Benchmark Returns



Investment Plan Costs

Investment Plan Expense Ratio*	0.23%
Peer Corporate DC Plan Expense Ratio*	0.27%

DB Plan Investment Management Fees	
Corporate**	0.49%
Public Funds***	0.35%

*Source: CEM Benchmarking 2009 Report – Custom Peer Group for FSBA of 20 DC plans with assets between \$2.3 - \$11.0 billion.

**Source: Greenwich Associates 2009 Survey – Average fee of 69 corporate funds each with over \$5 billion under management.

***Source: Greenwich Associates 2009 Survey – Average fee of 77 public funds each with over \$5 billion under management.

Investment Plan Costs (cont.)

Investment Category	Investment Plan Fee*	Average Mutual Fund Fee**
Large-Cap Equity Fund	0.28%	0.91%
Mid-Cap Equity Fund	0.57%	0.98%
Small-Cap Equity Fund	0.89%	1.00%
International Equity Fund	0.38%	1.18%
Diversified Bond Fund	0.29%	0.69%
Balanced Fund	0.07%	0.99%
Money Market	0.06%	0.43%

*Average Fee if Multiple Products in Category as of 9/30/2010.

**Source: Morningstar and Hewitt EnnisKnupp as of 6/30/2010.

Number of Investment Options Offered by DC Plans

# of Options Offered	DC Plans*
One	0.8%
Two	0.0%
Three	0.0%
Four	0.8%
Five	0.0%
Six	0.8%
Seven	4.9%
Eight	4.1%
Nine	4.9%
Ten	6.5%
11 to 15	44.7%
16 to 20	19.5%
21 to 25	6.5%
26 Plus	6.5%
Average # of Options Offered	15
Open Options in Investment Plan	20

*Profit Sharing 401(k) Council of America (PSCA) 2009; 931 DC Plans with \$628 billion in total assets.

Comparison of Types of Investment Options

Asset Allocation:	9/30/2010 Investment Plan	DC Plans*
Company Stock	0%	11%
U.S. Stock	23%	31%
Int'l Stock	8%	8%
Total Stock	31%	50%
Bonds	15%	13%
Stable Value	0%	13%
Cash Equivalents	13%	4%
Total Fixed Income	28%	30%
Balanced/Asset Allocation	41%	18%
Self-Directed	0%	1%
Other (e.g., real estate)	0%	1%
Total Other	41%	20%
Grand Total	100%	100%

*Profit Sharing 401(k) Council of America (PSCA) 2009; 931 DC plans with \$628 billion in total assets.

Investment Plan Manager Asset Allocation

Period Ending 9/30/2010

	Market Value	Percent of Total	Number of Participants In Funds
FRS Select Conservative Balanced Fund	\$452,306,109	8.1%	17,802
FRS Select Moderate Balanced Fund	\$1,361,818,833	24.5%	80,688
FRS Select Aggressive Balanced Fund	\$445,362,395	8.0%	33,600
BALANCED FUNDS	\$2,259,487,336	40.6%	132,090
FRS Select Yield Plus Money Market Active Fund	\$751,970,461	13.5%	19,088
CASH	\$751,970,461	13.5%	19,088
FRS Select TIPS Fund	\$209,898,013	3.8%	12,085
TIPS	\$209,898,013	3.8%	12,085
FRS Select U.S. Bond Enhanced Index Fund	\$120,522,952	2.2%	10,495
Pyramis Intermediate Duration Pool Fund	\$75,665,183	1.4%	5,206
FRS Select High Yield Fund	\$119,559,439	2.1%	9,448
PIMCO Total Return Fund	\$292,454,902	5.3%	11,938
FIXED INCOME	\$608,202,477	10.9%	37,087
FRS Select U.S. Stock Market Index Fund	\$179,094,083	3.2%	20,921
FRS Select U.S. Large Value Stock Fund	\$160,940,454	2.9%	13,214
QMA Mid Cap Quantitative Core Fund	\$199,360,193	3.6%	17,435
FRS Select U.S. Large Growth Stock Active Fund	\$60,319,776	1.1%	8,973
Pioneer Fund	\$114,086,755	2.0%	8,094
Fidelity Growth Company Fund	\$242,902,327	4.4%	19,081
American Beacon Small Cap Value Fund	\$106,085,548	1.9%	10,954
T. Rowe Price Small Cap Stock Fund	\$178,117,972	3.2%	14,964
Fidelity Low Priced Stock Fund	\$25,015,973	0.4%	1,963
DOMESTIC EQUITIES	\$1,265,923,082	22.7%	115,599
FRS Select Foreign Stock Index Fund	\$118,741,426	2.1%	18,922
American Funds New Perspective Fund	\$173,349,628	3.1%	15,585
American Funds Euro-Pacific Growth Fund	\$178,145,819	3.2%	16,807
INTERNATIONAL EQUITIES	\$470,236,873	8.4%	51,314
TOTAL	\$5,565,718,242	100.0%	367,263

Source: Aon Hewitt

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Investment Plan Balanced Funds Asset Allocation

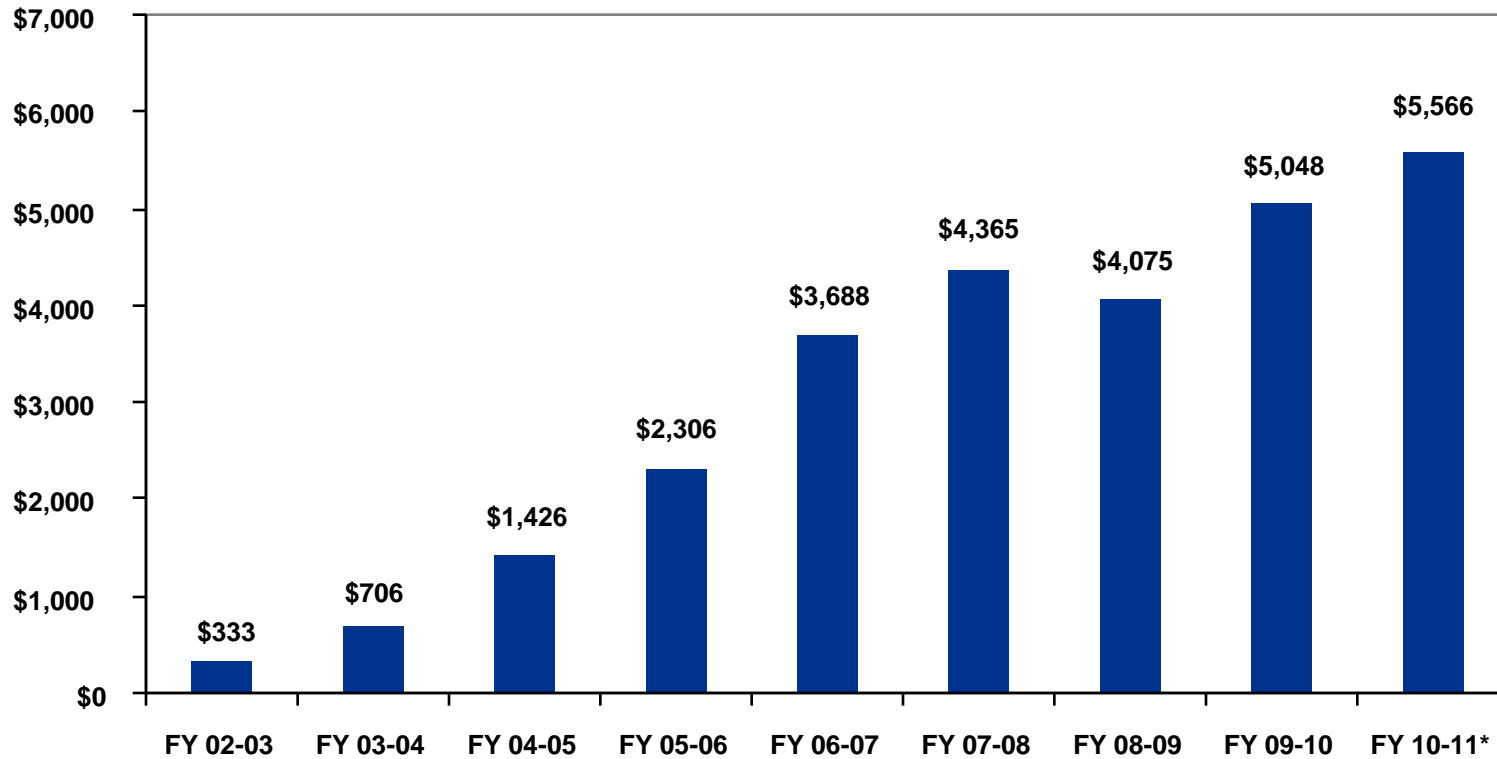
Period Ending 9/30/2010

ASSETS	No. Participant Selections	Allocation Shares	Ending Market Value	Percent of Balanced Total
BALANCED FUNDS	132,090		\$2,259,487,336.41	100.0%
FRS Select Conservative Balanced Fund	17,802	100%	\$452,306,108.55	20.0%
FRS Select Yield Plus Money Market Active Fund		35%	\$158,307,137.99	
FRS Select U.S. Stock Market Index Fund		5%	\$22,615,305.43	
Pyramis Intermediate Duration Pool Fund		7%	\$31,661,427.60	
FRS Select U.S. Bond Enhanced Index Fund		20%	\$90,461,221.71	
FRS Select Foreign Stock Index Fund		7%	\$31,661,427.60	
FRS Select TIPS Fund		26%	\$117,599,588.22	
FRS Select Moderate Balanced Fund	80,688	100%	\$1,361,818,832.85	60.3%
FRS Select U.S. Stock Market Index Fund		23%	\$313,218,331.55	
Pyramis Intermediate Duration Pool Fund		20%	\$272,363,766.57	
FRS Select U.S. Bond Enhanced Index Fund		35%	\$476,636,591.50	
FRS Select Foreign Stock Index Fund		22%	\$299,600,143.23	
FRS Select Aggressive Balanced Fund	33,600	100%	\$445,362,395.02	19.7%
FRS Select U.S. Large Value Stock Fund		7%	\$31,175,367.65	
FRS Select U.S. Stock Market Index Fund		28%	\$124,701,470.60	
Pyramis Intermediate Duration Pool Fund		5%	\$22,268,119.75	
FRS Select U.S. Bond Enhanced Index Fund		32%	\$142,515,966.40	
FRS Select Foreign Stock Index Fund		28%	\$124,701,470.60	

Source: Aon Hewitt

Investment Plan Fiscal Year End Assets Under Management

Data Per FYE in Millions of Dollars



*Period Ending 9/30/2010

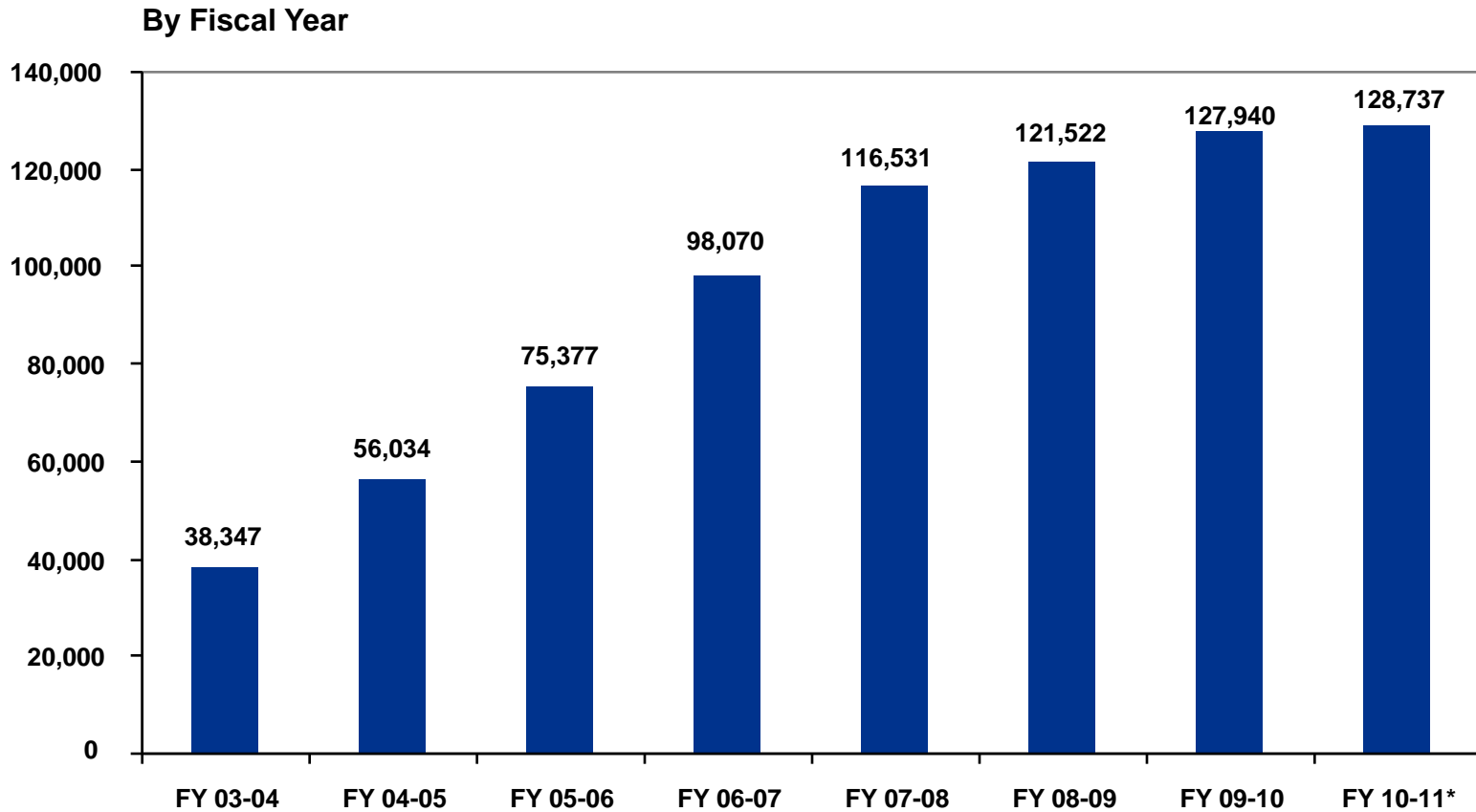
Source: Aon Hewitt

Investment Plan Characteristics

Period Ending 9/30/2010

	Characteristics
Average Participant Balance	\$43,233
Average Quarterly Contribution	\$1,123
Total Participants with Balances	128,737
Total Active Participants with Balances	98,863
Total Inactive Participants with Balances	29,874
Three Most Widely Used Funds (By Participant Count)	
FRS Select Moderate Balanced Fund	80,688
FRS Select Aggressive Balanced Fund	33,600
FRS Select U.S. Stock Market Index Fund	20,921

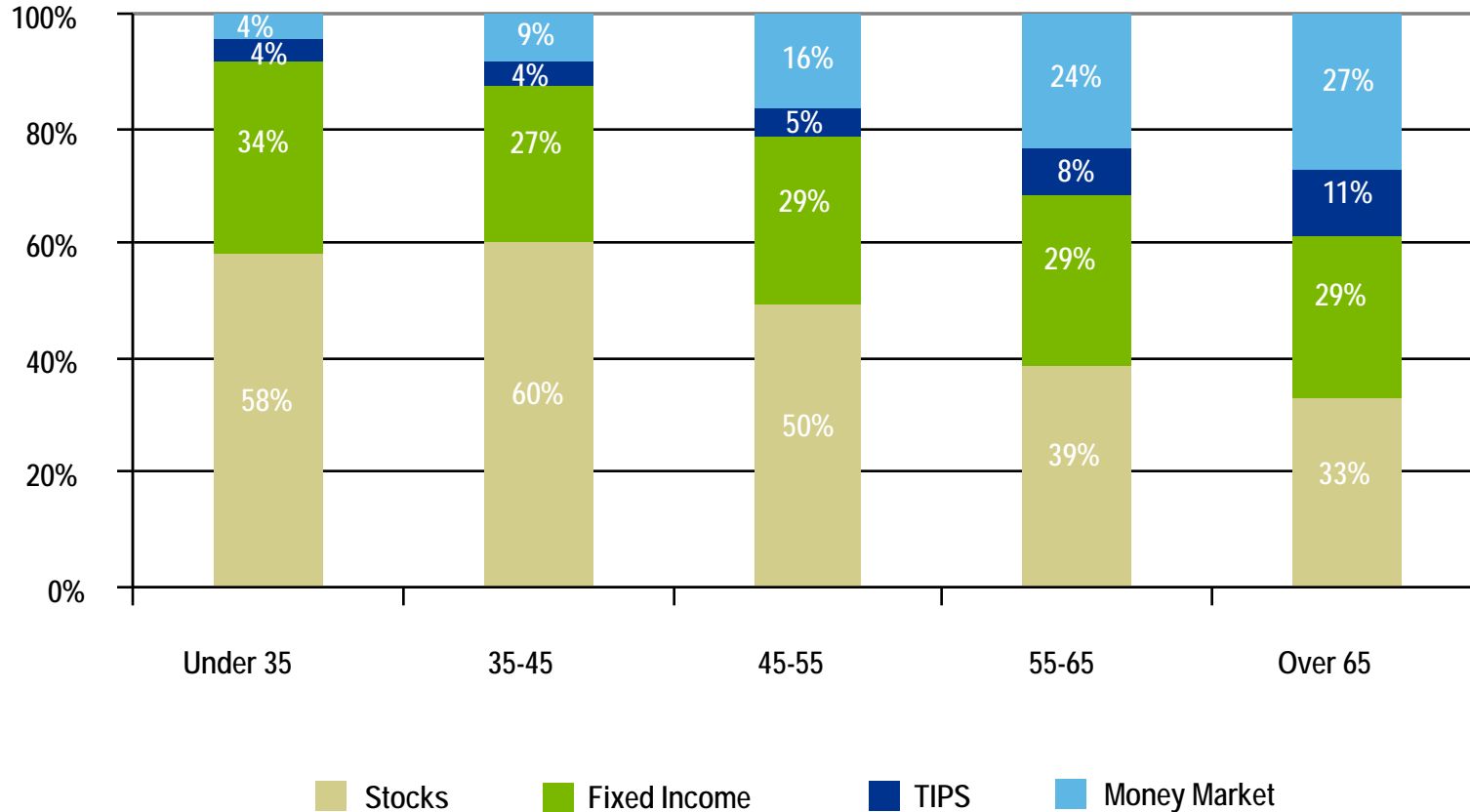
Investment Plan Membership



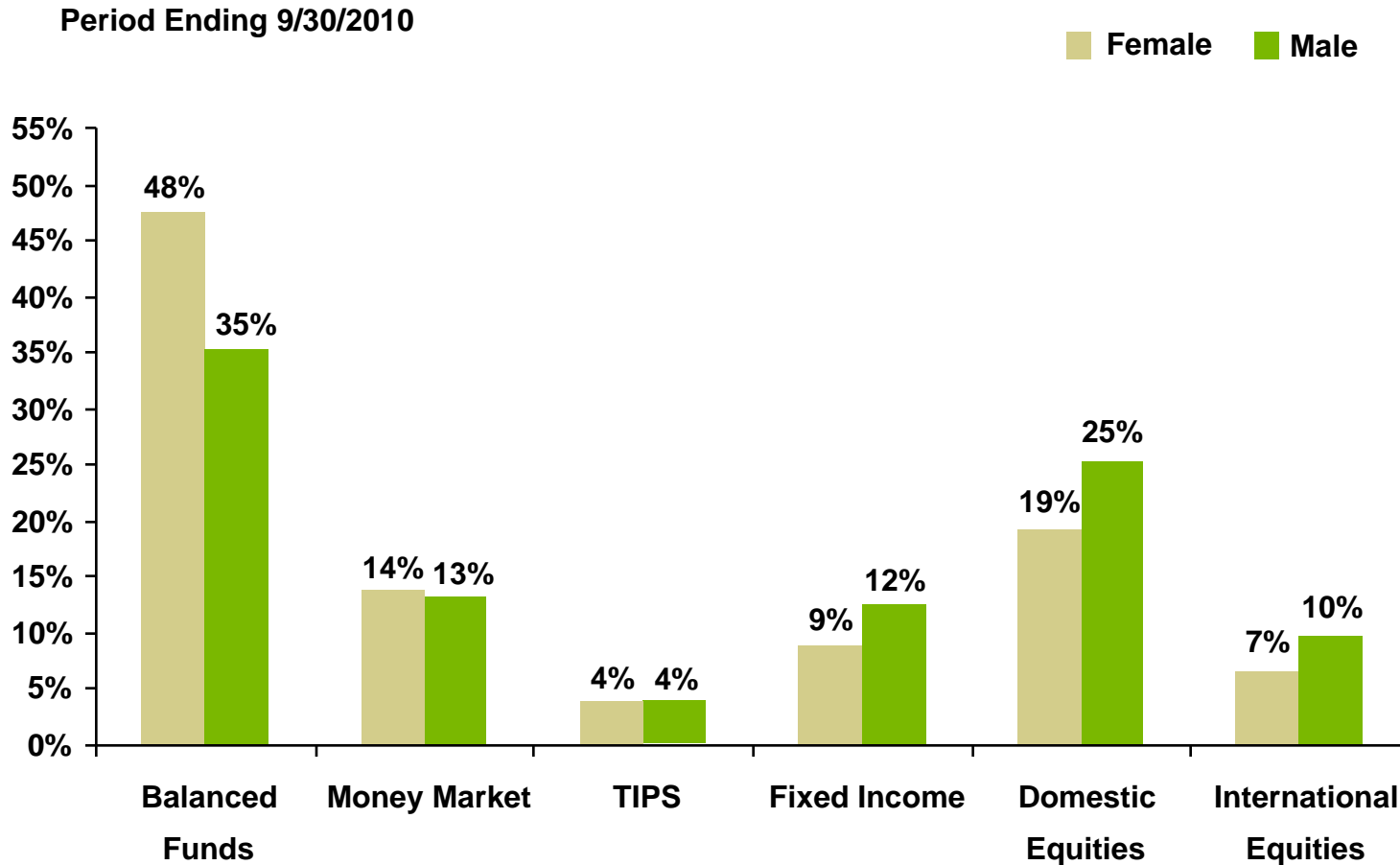
*Period Ending 9/30/2010

Investment Plan Asset Allocation by Member Age

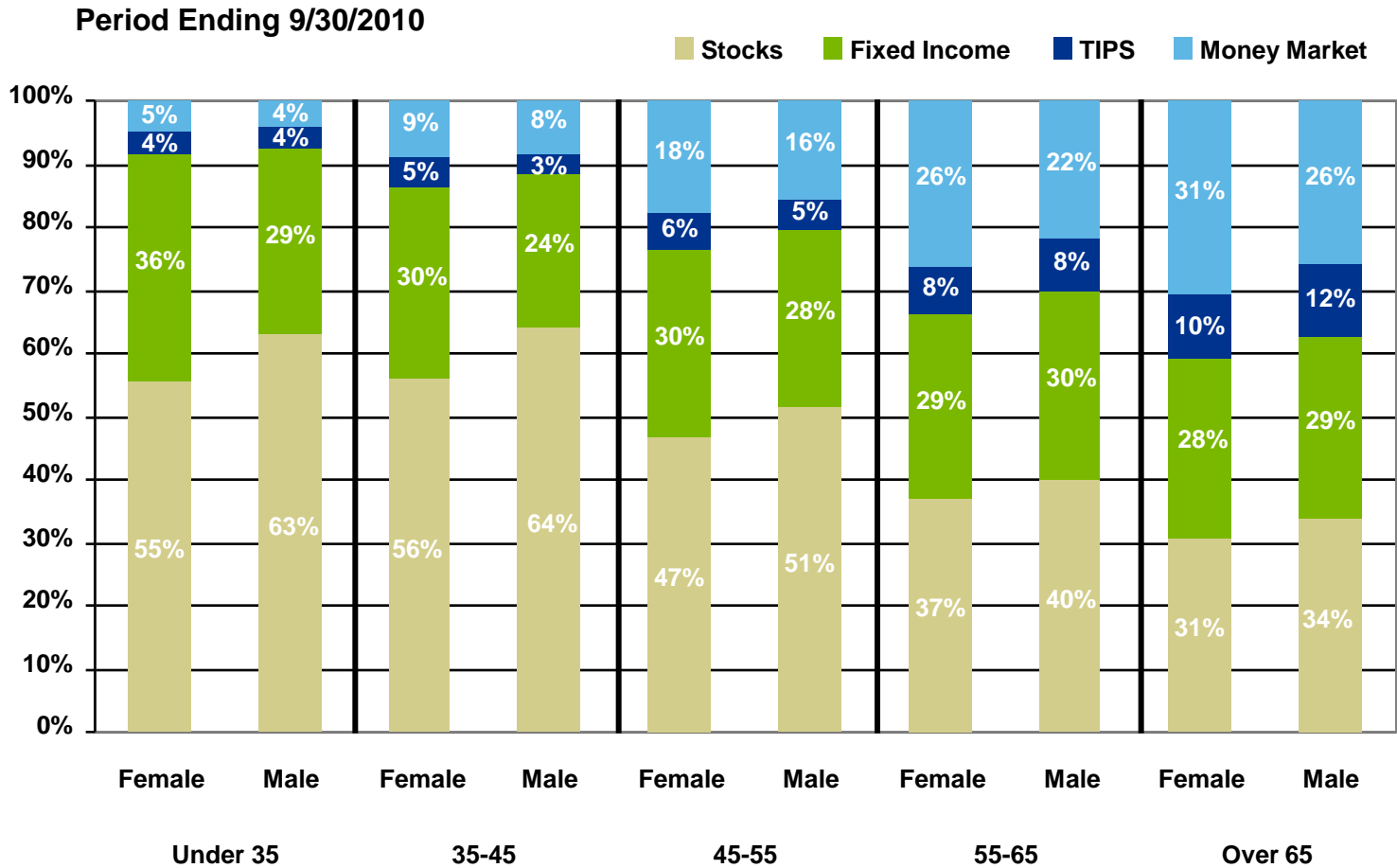
Period Ending 9/30/2010



Investment Plan Member Allocations by Gender

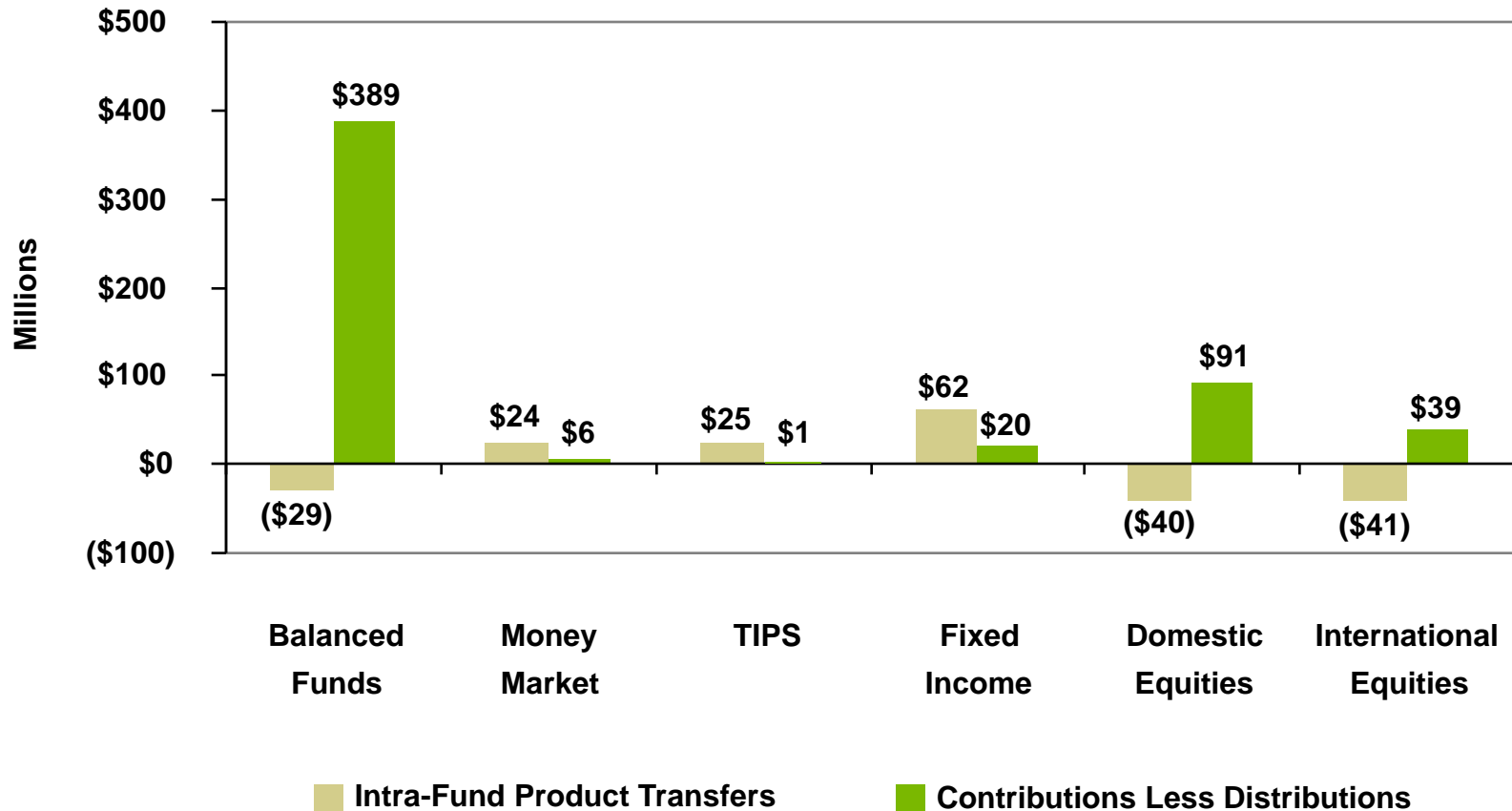


Investment Plan Asset Allocation by Member Age & Gender

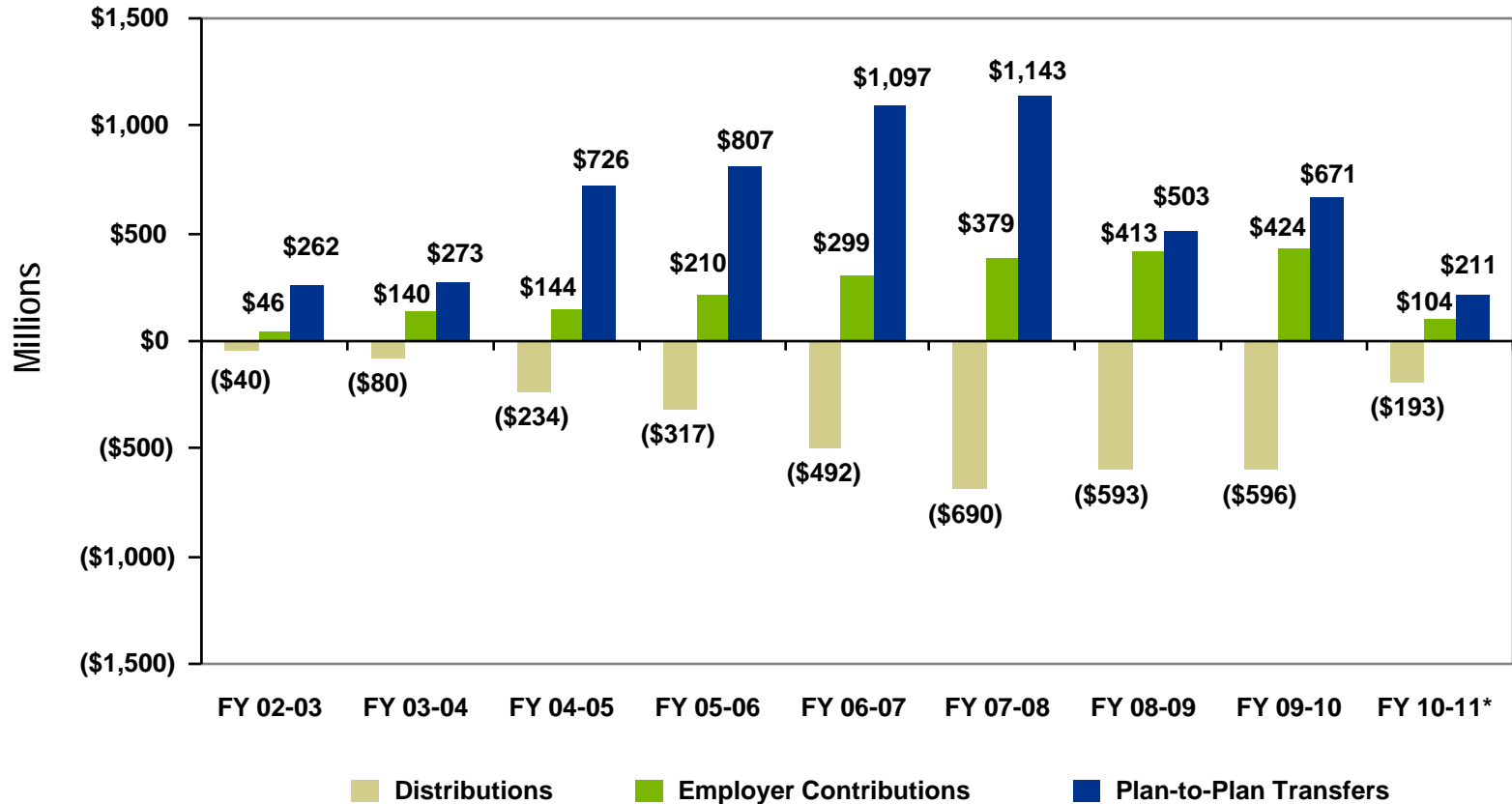


Investment Plan Member Cash Flow by Product Type

Period Ending 9/30/2010



Investment Plan Cash Flow by Fiscal Year



*Period Ending 9/30/2010

Appendix: Investment Plan Transfer of Assets Between Funds

Quarter Ending 9/30/2010

ASSETS	Beginning Market Value	Contributions	Distributions	Transfers	Returns	Net Gain/Loss	Ending Market Value
BALANCED FUNDS	\$2,026,154,329.56	\$168,806,866.55	(\$66,714,295.53)	(\$19,229,108.19)	\$150,469,544.02	\$233,333,006.85	\$2,259,487,336.41
FRS Select Conservative Balanced Fund	\$405,456,889.75	\$50,409,794.96	(\$23,573,142.44)	\$5,786,192.61	\$14,226,373.67	\$46,849,218.80	\$452,306,108.55
FRS Select Moderate Balanced Fund	\$1,219,209,311.77	\$101,808,041.87	(\$36,889,287.88)	(\$19,216,229.00)	\$96,906,996.09	\$142,609,521.08	\$1,361,818,832.85
FRS Select Aggressive Balanced Fund	\$401,488,128.04	\$16,589,029.72	(\$6,251,865.21)	(\$5,799,071.80)	\$39,336,174.26	\$43,874,266.97	\$445,362,395.02
CASH	\$741,468,843.26	\$84,177,706.90	(\$81,953,303.61)	\$8,053,251.94	\$223,962.18	\$10,501,617.41	\$751,970,460.67
FRS Select Yield Plus Money Market Active Fund	\$741,468,843.26	\$84,177,706.90	(\$81,953,303.61)	\$8,053,251.94	\$223,962.18	\$10,501,617.41	\$751,970,460.67
TIPS	\$192,466,566.00	\$8,523,237.68	(\$8,743,663.12)	\$12,547,791.82	\$5,104,081.07	\$17,431,447.45	\$209,898,013.46
FRS Select TIPS Fund	\$192,466,566.00	\$8,523,237.68	(\$8,743,663.12)	\$12,547,791.82	\$5,104,081.07	\$17,431,447.45	\$209,898,013.46
FIXED INCOME	\$542,036,314.30	\$19,372,305.26	(\$14,723,986.56)	\$39,843,892.51	\$21,673,951.14	\$66,166,162.35	\$608,202,476.66
FRS Select U.S. Bond Enhanced Index Fund	\$107,247,147.19	\$4,099,840.63	(\$2,607,291.47)	\$8,941,659.53	\$2,841,596.04	\$13,275,804.73	\$120,522,951.92
Pyramis Intermediate Duration Pool Fund	\$68,314,574.43	\$2,261,448.25	(\$2,313,459.89)	\$5,424,849.95	\$1,977,770.51	\$7,350,608.82	\$75,665,183.25
FRS Select High Yield Fund	\$107,615,280.29	\$2,828,156.74	(\$2,816,017.26)	\$5,255,882.62	\$6,676,136.70	\$11,944,158.80	\$119,559,439.09
PIMCO Total Return Fund	\$258,859,312.39	\$10,182,859.64	(\$6,987,217.94)	\$20,221,500.41	\$10,178,447.89	\$33,595,590.00	\$292,454,902.39

Appendix: Investment Plan Transfer of Assets Between Funds (cont.)

Quarter Ending 9/30/2010

ASSETS	Beginning Market Value	Contributions	Distributions	Transfers	Returns	Net Gain/Loss	Ending Market Value
DOMESTIC EQUITIES	\$1,136,234,812.46	\$32,281,555.20	(\$15,706,202.01)	(\$29,132,735.81)	\$142,245,651.91	\$129,688,269.29	\$1,265,923,081.75
FRS Select U.S. Stock Market Index Fund	\$159,365,377.97	\$5,233,517.68	(\$2,045,528.74)	(\$1,801,550.12)	\$18,342,266.27	\$19,728,705.09	\$179,094,083.05
FRS Select U.S. Large Value Stock Fund	\$147,419,484.87	\$3,529,879.49	(\$1,966,465.29)	(\$4,367,535.08)	\$16,325,090.17	\$13,520,969.29	\$160,940,454.16
QMA Mid Cap Quantitative Core Fund	\$175,535,020.28	\$4,756,198.89	(\$2,205,434.94)	(\$1,825,024.23)	\$23,099,433.29	\$23,825,173.01	\$199,360,193.29
FRS Select U.S. Large Growth Stock Active Fund	\$53,918,611.18	\$1,558,464.74	(\$650,624.13)	(\$1,081,860.45)	\$6,575,184.77	\$6,401,164.93	\$60,319,776.11
Pioneer Fund	\$101,847,159.92	\$3,931,860.51	(\$1,731,247.21)	(\$2,573,415.30)	\$12,612,396.63	\$12,239,594.63	\$114,086,754.55
Fidelity Growth Company Fund	\$215,549,020.81	\$5,931,828.67	(\$3,378,077.51)	(\$7,268,551.97)	\$32,068,106.87	\$27,353,306.06	\$242,902,326.87
American Beacon Small Cap Value Fund	\$100,502,279.11	\$2,808,264.81	(\$1,501,227.85)	(\$6,139,339.90)	\$10,415,572.11	\$5,583,269.17	\$106,085,548.28
T. Rowe Price Small Cap Stock Fund	\$159,307,054.42	\$4,531,540.41	(\$1,945,171.04)	(\$3,964,458.53)	\$20,189,006.69	\$18,810,917.53	\$178,117,971.95
Fidelity Low Priced Stock Fund	\$22,790,803.90	\$0.00	(\$282,425.30)	(\$111,000.23)	\$2,618,595.12	\$2,225,169.59	\$25,015,973.49
INTERNATIONAL EQUITIES	\$410,101,268.05	\$12,809,382.79	(\$5,596,716.65)	(\$12,083,092.27)	\$65,006,030.88	\$60,135,604.75	\$470,236,872.81
FRS Select Foreign Stock Index Fund	\$98,810,882.13	\$3,648,444.93	(\$1,488,684.54)	\$578,657.55	\$17,192,125.50	\$19,930,543.44	\$118,741,425.57
American Funds New Perspective Fund	\$155,950,169.09	\$4,222,714.05	(\$2,000,044.16)	(\$6,608,094.12)	\$21,784,883.05	\$17,399,458.82	\$173,349,627.91
American Funds Euro-Pacific Growth Fund	\$155,340,216.84	\$4,938,223.81	(\$2,107,987.95)	(\$6,053,655.70)	\$26,029,022.33	\$22,805,602.49	\$178,145,819.33
TOTAL	\$5,048,462,133.64	\$325,971,054.38	(\$193,438,167.48)	\$0.00	\$384,723,221.21	\$517,256,108.11	\$5,565,718,241.75

Appendix: Investment Plan Manager Returns & Ranks

Period Ending 9/30/2010

	Third Quarter		One Year		Three Years		Five Years	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank
American Beacon Small Cap Value Fund	10.8%	42	14.7%	34	-2.6%	40	1.7%	58
<i>Russell 2000 Value Index</i>	9.7	58	11.8	71	-5.0	72	0.7	71
American Funds Euro-Pacific Growth Fund	16.9	45	7.4	49	-4.3	11	6.2	10
<i>MSCI EAFE Index</i>	16.7	47	6.4	56	-8.3	40	3.0	48
American Funds New Perspective Fund	14.2	61	9.3	42	-3.8	9	5.4	7
<i>MSCI World Index</i>	13.8	79	6.8	82	-8.3	61	1.3	65
Fidelity Growth Company Fund	15.1	14	16.1	9	-2.9	20	4.9	8
<i>Russell 3000 Growth Index</i>	13.0	43	12.8	31	-4.3	37	2.1	34
Fidelity Low Priced Stock Fund	11.6	27	14.7	13	-1.9	13	3.9	14
<i>Russell 2500 Value Index</i>	11.4	31	14.7	13	-4.0	38	1.4	54
FRS Select Conservative Balanced Fund	3.4	93	5.8	86	2.5	27	4.5	37
<i>Conservative Bal Fd Trgt Wtd</i>	3.0	94	5.4	88	1.8	38	3.8	52
FRS Select Moderate Balanced Fund	7.9	66	8.6	62	-2.1	50	3.4	37
<i>Moderate Bal Fd Trgt Wtd</i>	7.5	79	8.2	69	-2.9	68	3.0	46
FRS Select Aggressive Balanced Fund	9.8	75	8.4	67	-5.5	62	2.4	27
<i>Aggressive Bal Fd Trgt Wtd</i>	9.5	80	8.2	70	-5.6	62	2.3	28
FRS Select Yield Plus MM Active Fund*	0.1	--	0.2	--	1.4	--	2.9	--
<i>iMoneyNet Money Funds Average*</i>	0.0	--	0.3	--	1.7	--	3.1	--
FRS Select TIPS Fund*	2.5	--	8.9	--	7.0	--	5.6	--
<i>Barclays Capital U.S. TIPS Index*</i>	2.5	--	8.9	--	6.9	--	5.5	--

*No appropriate ranks are available.

Ranks are based on Morningstar mutual fund universes.

Appendix: Investment Plan Manager Returns & Ranks (cont.)

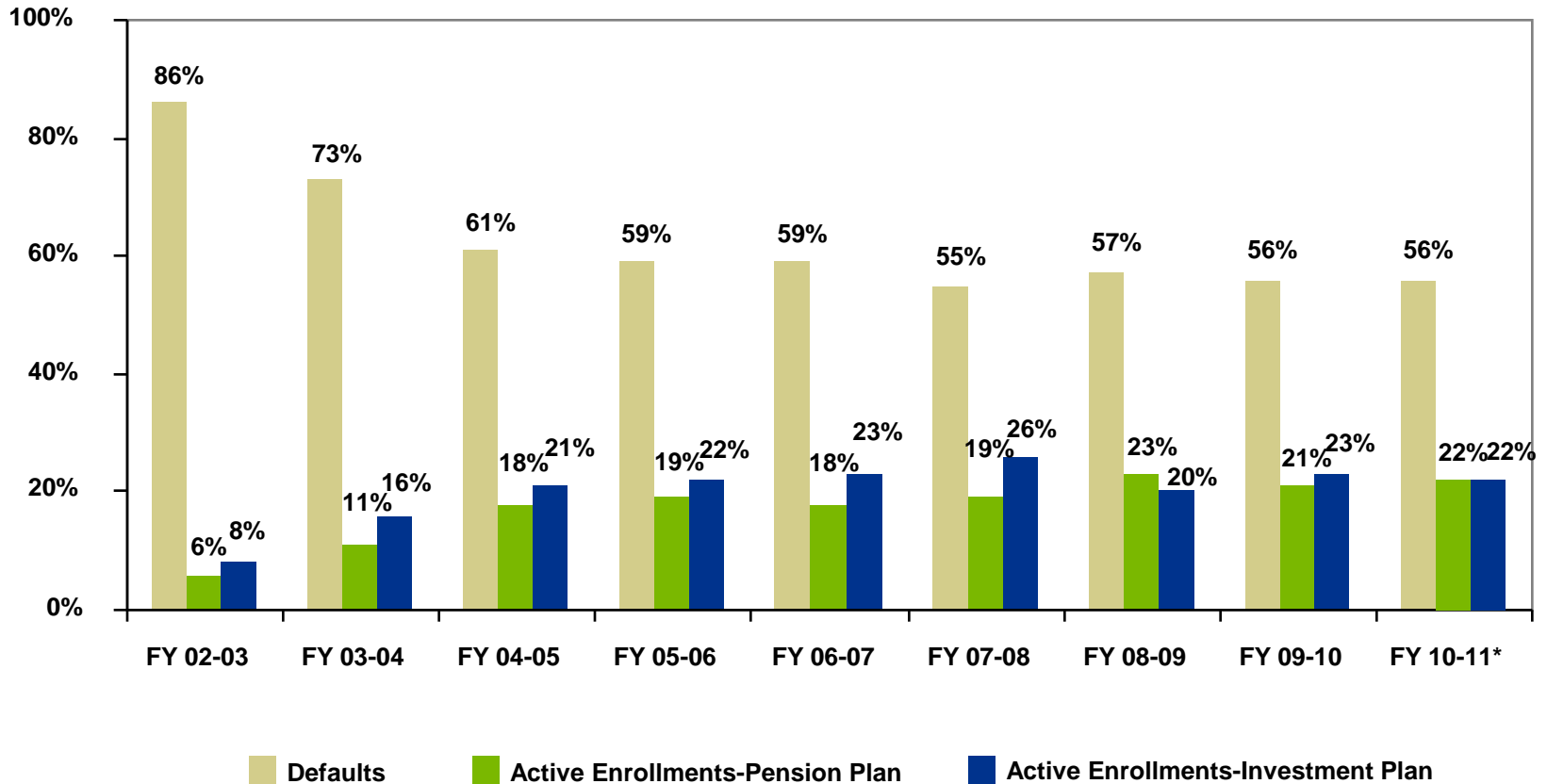
Period Ending 9/30/2010

	Third Quarter		One Year		Three Years		Five Years	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank
FRS Select U.S. Bond Enhanced Index Fund	2.5	89	8.4	80	7.9	36	6.5	30
<i>Barclays Capital Aggregate Bond Index</i>	2.5	89	8.2	83	7.4	51	6.2	46
FRS Select Foreign Stock Index Fund	17.3	49	4.4	56	-8.6	51	2.7	50
<i>MSCI World Ex-U.S. Index</i>	16.1	75	4.1	59	-9.0	56	2.4	55
FRS Select U.S. Large Value Stock Fund	11.2	29	9.9	24	-8.3	47	--	--
<i>Russell 1000 Value Index</i>	10.1	64	8.9	35	-9.4	69	--	--
FRS Select U.S. Stock Market Index Fund	11.6	30	11.1	18	-6.4	40	1.0	37
<i>Russell 3000 Index</i>	11.5	32	11.0	18	-6.6	42	0.9	37
FRS Select U.S. Large Growth Stock Fund	12.4	53	10.8	51	-3.4	22	2.0	38
<i>Russell 1000 Growth Index</i>	13.0	43	12.7	32	-4.4	38	2.1	34
PIMCO Total Return Fund	3.8	15	10.8	35	10.7	4	8.2	2
<i>Barclays Capital Aggregate Bond Index</i>	2.5	89	8.2	83	7.4	51	6.2	46
Pioneer Fund	12.4	20	12.0	13	-6.7	43	1.4	31
<i>S&P 500 Index</i>	11.3	40	10.2	31	-7.2	53	0.6	46
Pyramis Intermediate Duration Pool	2.8	69	9.3	64	6.8	65	5.9	60
<i>Barclays Intermediate Aggregate Bond Index</i>	2.1	99	7.5	94	7.1	61	6.1	49
FRS Select High Yield Fund	6.1	73	--	--	--	--	--	--
<i>Barclays Capital U.S. HY Ba-2% Issuer Cap</i>	6.9	16	--	--	--	--	--	--
QMA Mid Cap Quant Core Equity	13.3	30	20.4	8	-2.3	20	4.0	22
<i>S & P 400 Mid Cap Index</i>	13.1	33	17.8	20	-1.7	12	3.8	23
T. Rowe Price Small Cap Stock Fund	12.9	38	18.4	25	-0.7	9	3.6	23
<i>Russell 2000 Index</i>	11.3	61	13.3	59	-4.3	46	1.6	53

Ranks are based on Morningstar mutual fund universes.

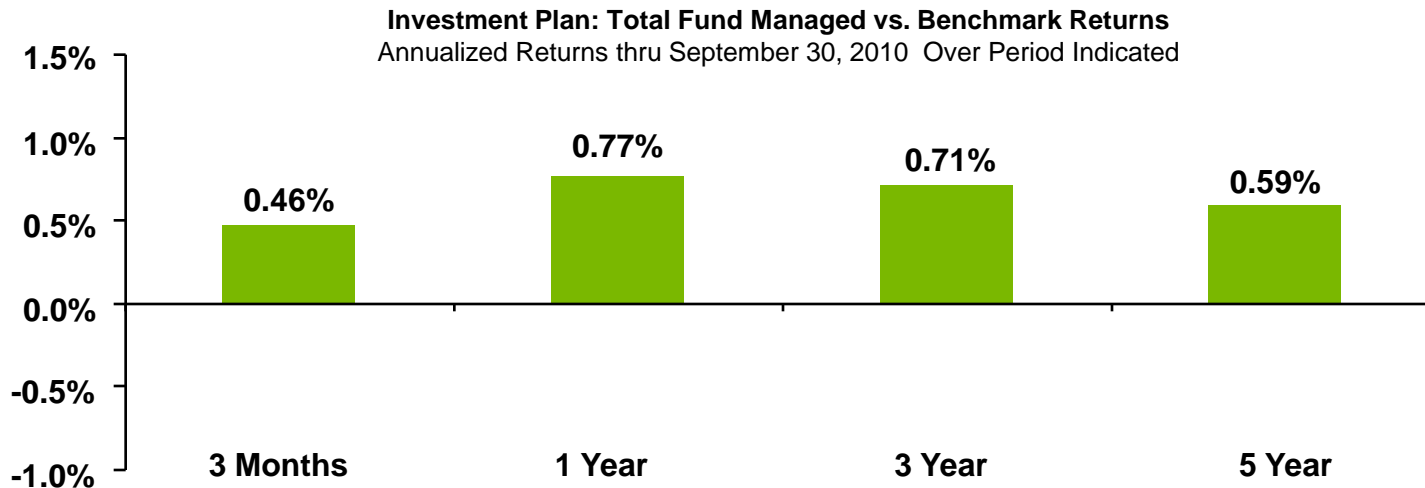
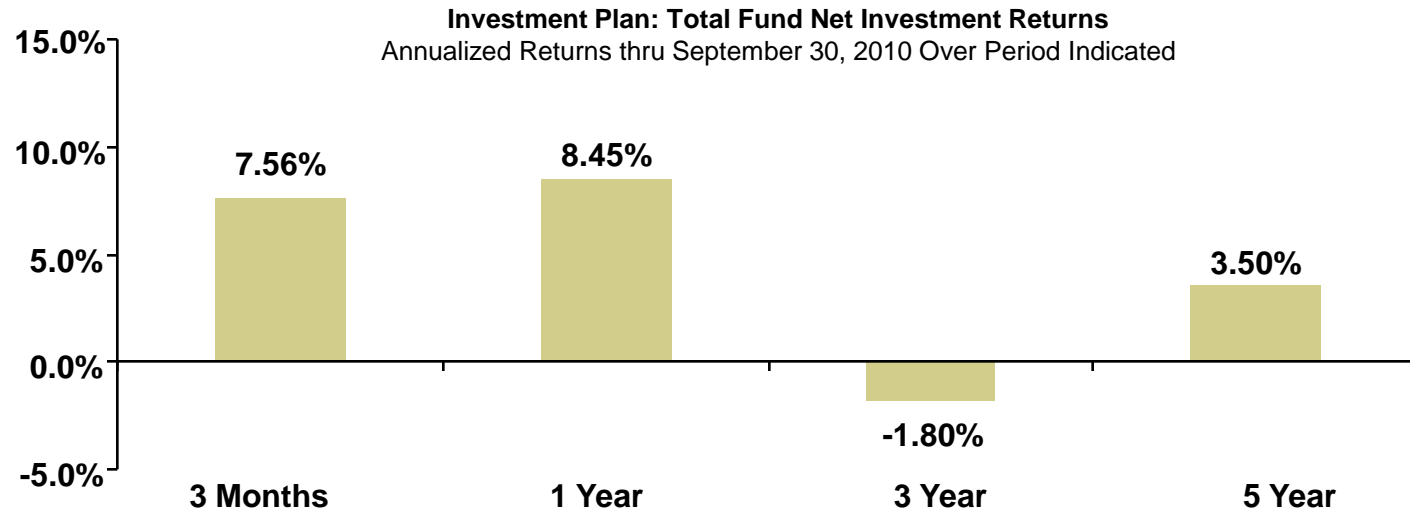
Appendix: New Hire Plan Choice

By Fiscal Year

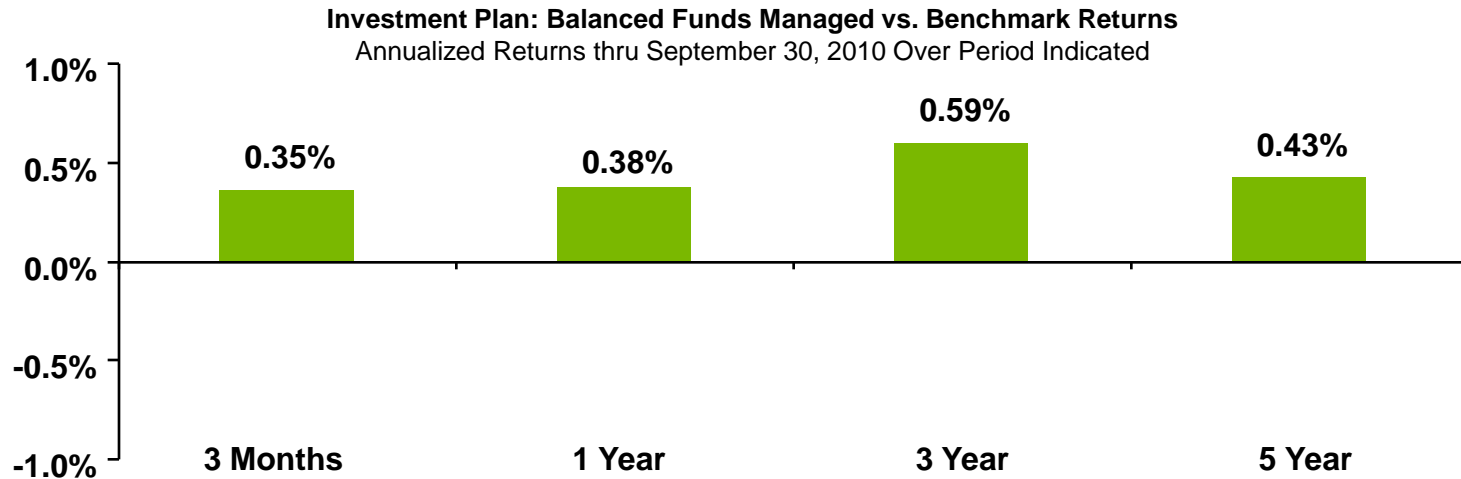
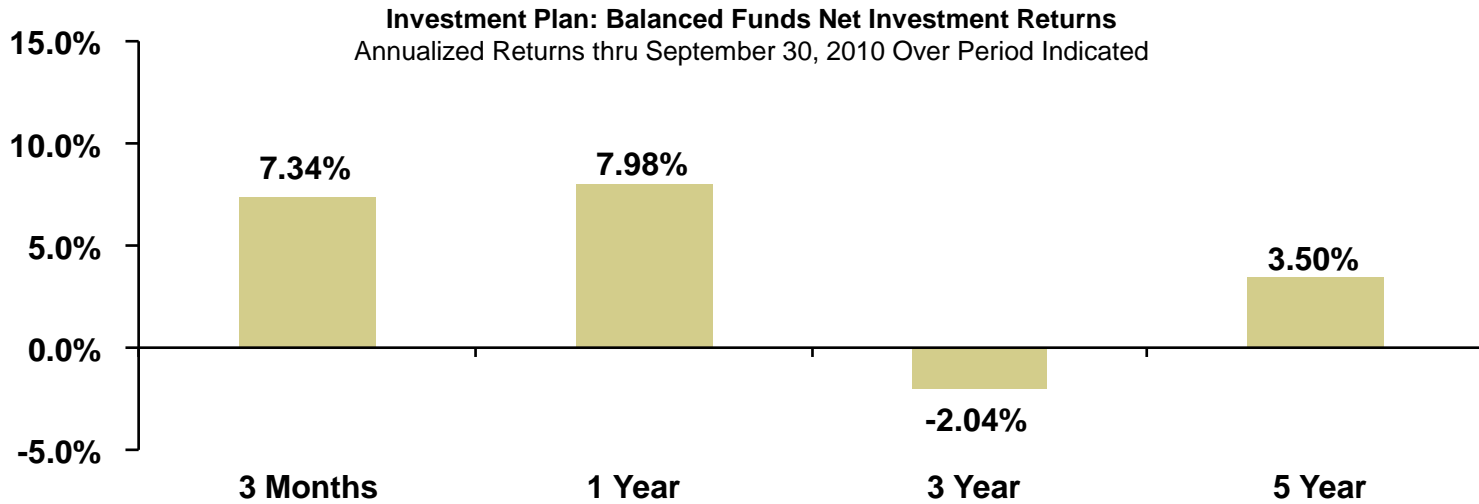


*Period Ending 9/30/2010

Appendix



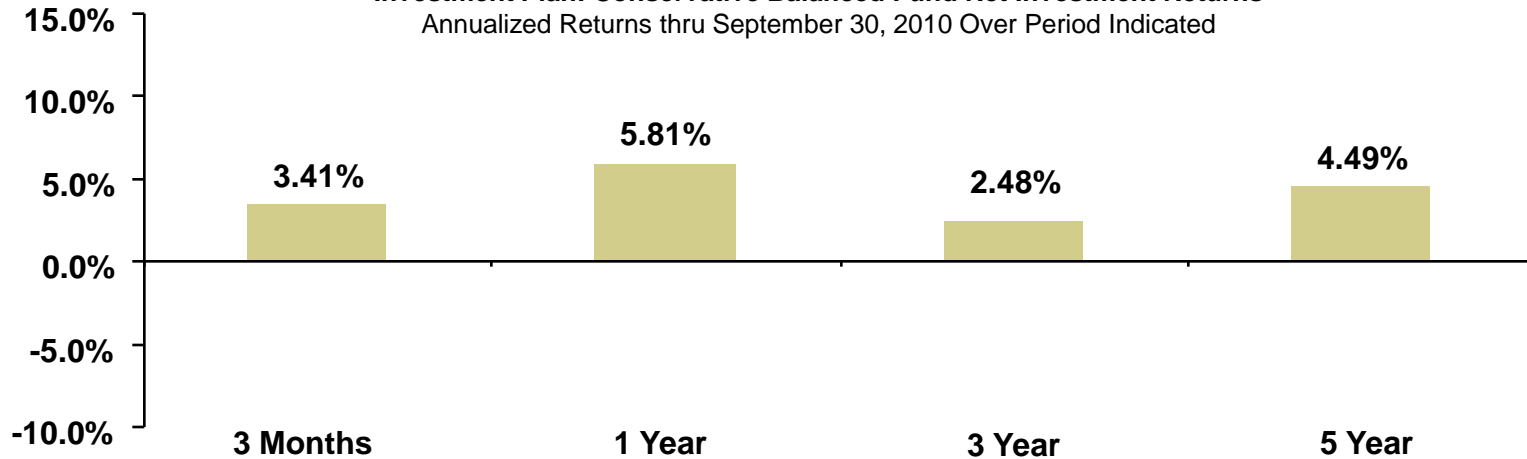
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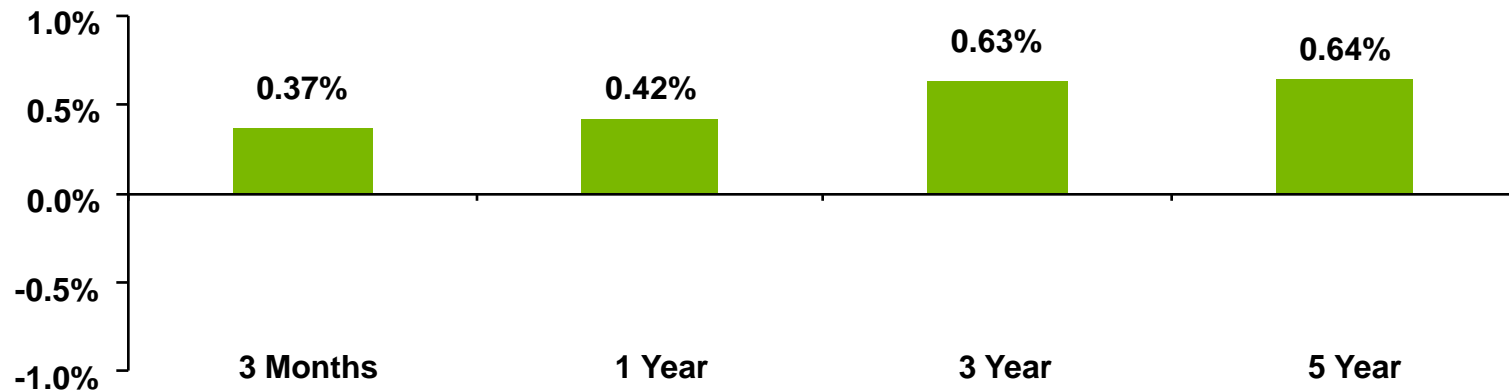
Investment Plan: Conservative Balanced Fund Net Investment Returns

Annualized Returns thru September 30, 2010 Over Period Indicated



Investment Plan: Conservative Balanced Fund Managed vs. Benchmark Returns

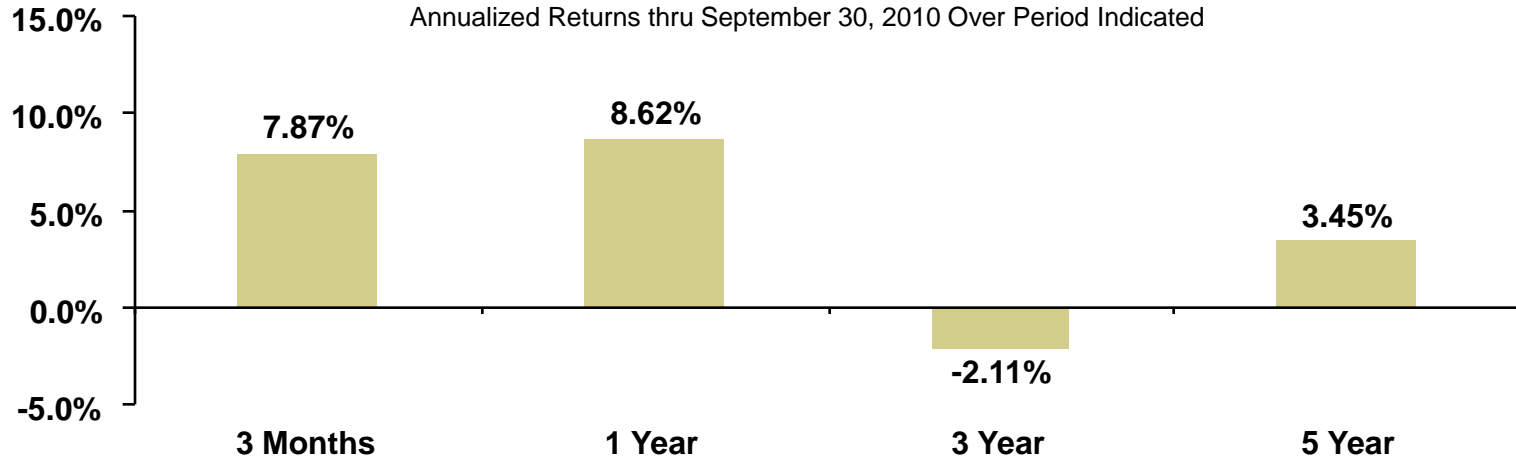
Annualized Returns thru September 30, 2010 Over Period Indicated



Appendix

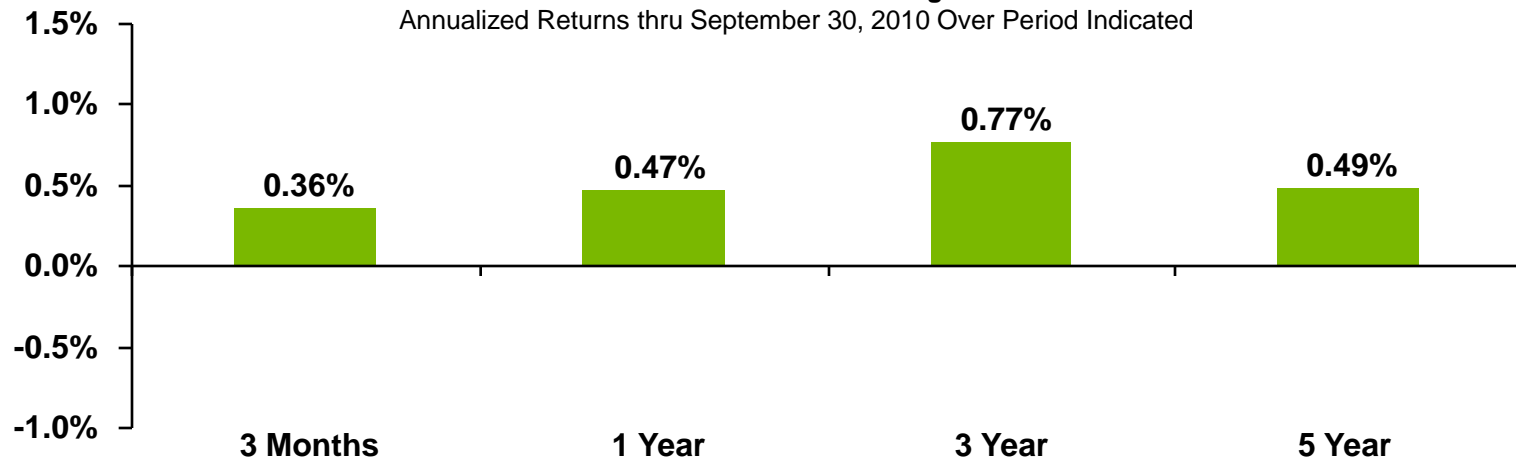
Investment Plan: Moderate Balanced Fund Net Investment Returns

Annualized Returns thru September 30, 2010 Over Period Indicated



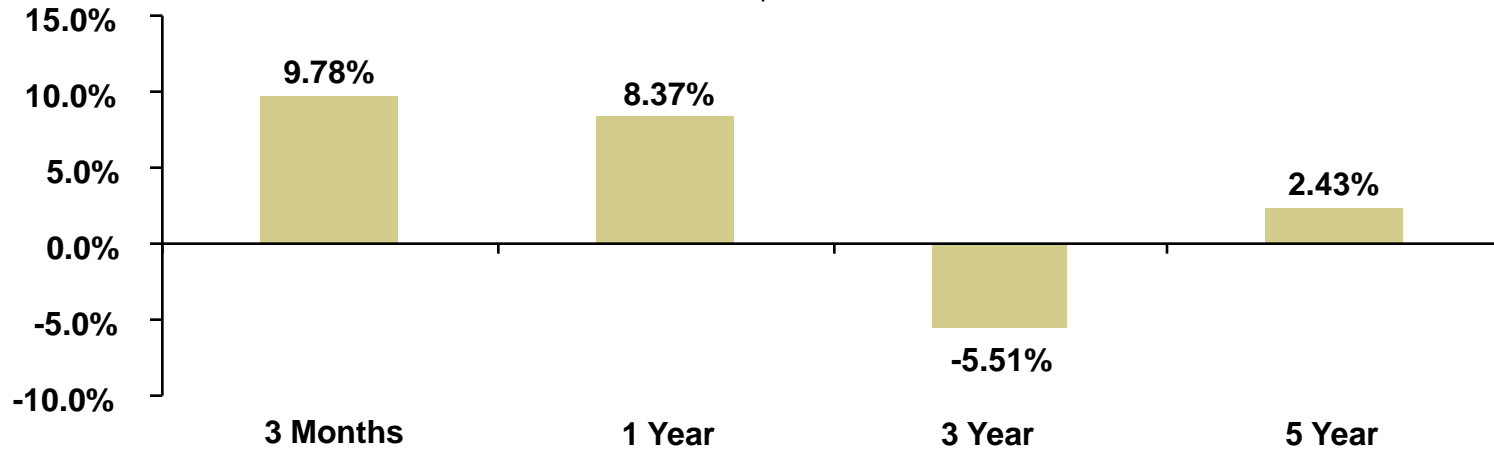
Investment Plan: Moderate Balanced Fund Managed vs. Benchmark Returns

Annualized Returns thru September 30, 2010 Over Period Indicated

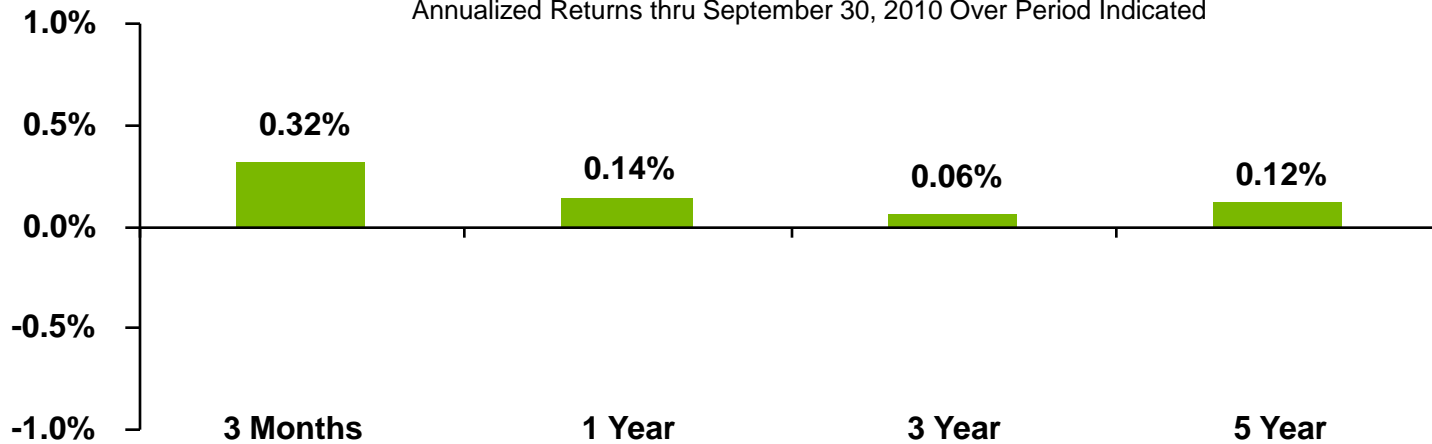


Appendix

Investment Plan: Aggressive Balanced Fund Net Investment Returns
Annualized Returns thru September 30, 2010 Over Period Indicated

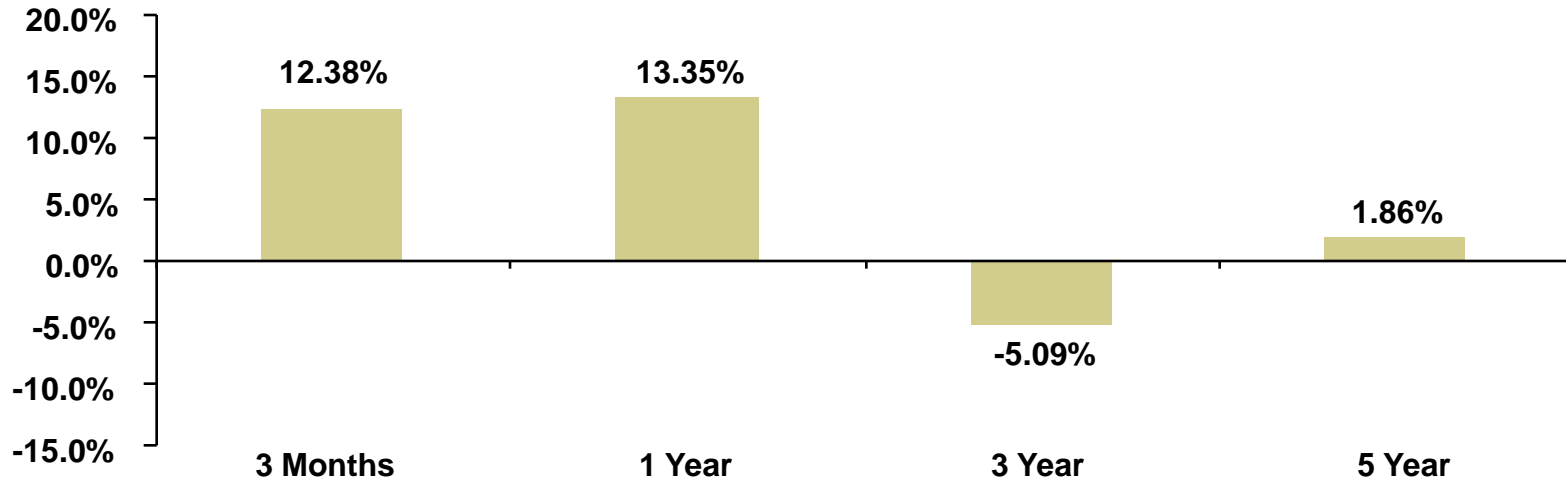


Investment Plan: Aggressive Balanced Fund Managed vs. Benchmark Returns
Annualized Returns thru September 30, 2010 Over Period Indicated

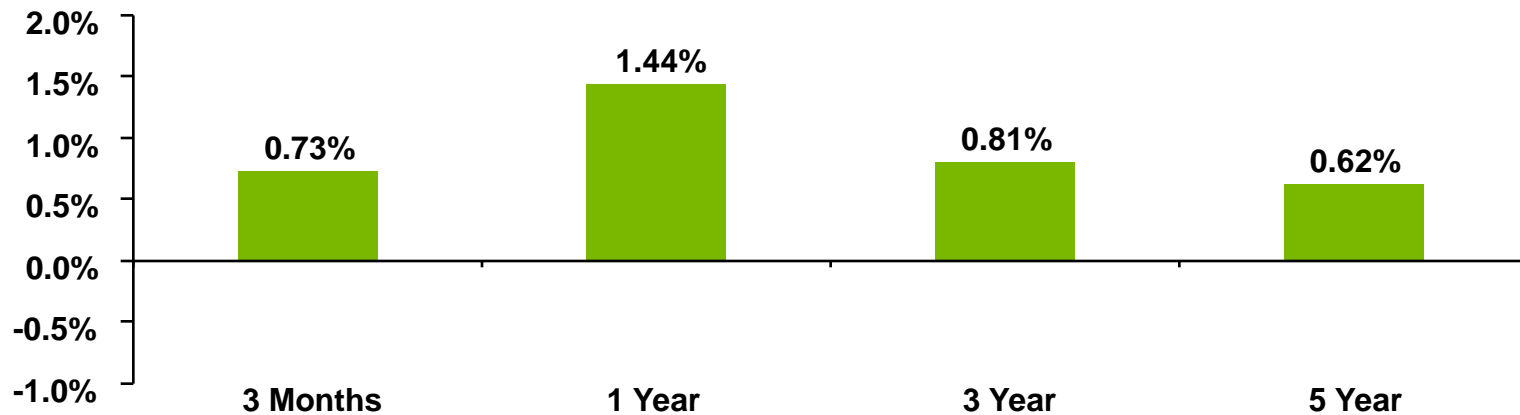


Appendix

Investment Plan: Domestic Equity Funds Net Investment Returns
Annualized Returns thru September 30, 2010 Over Period Indicated

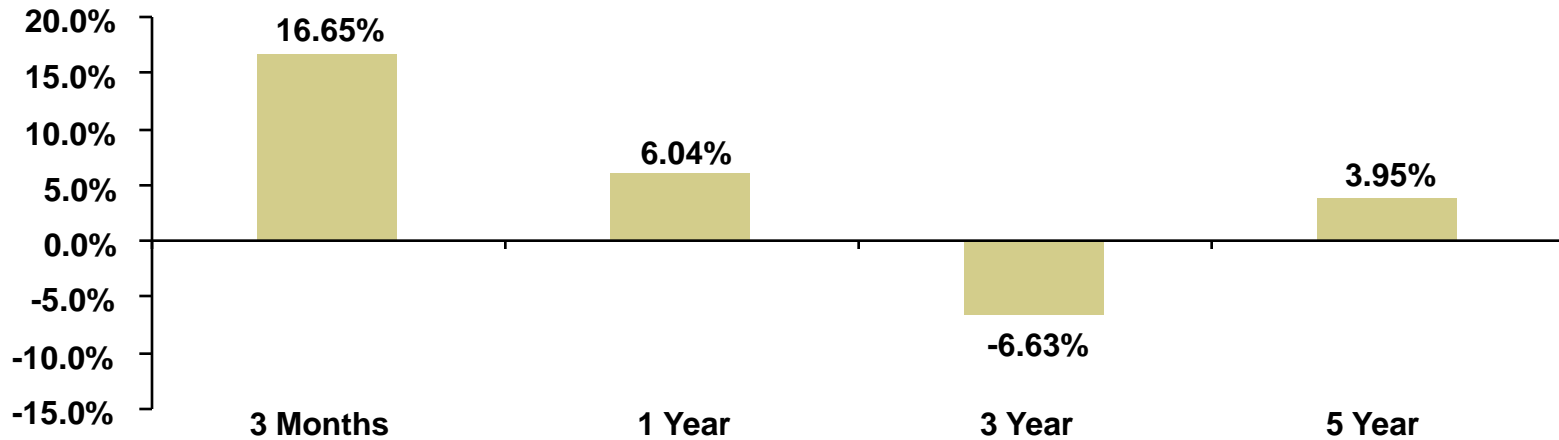


Investment Plan: Domestic Equity Funds Managed vs. Benchmark Returns
Annualized Returns thru September 30, 2010 Over Period Indicated

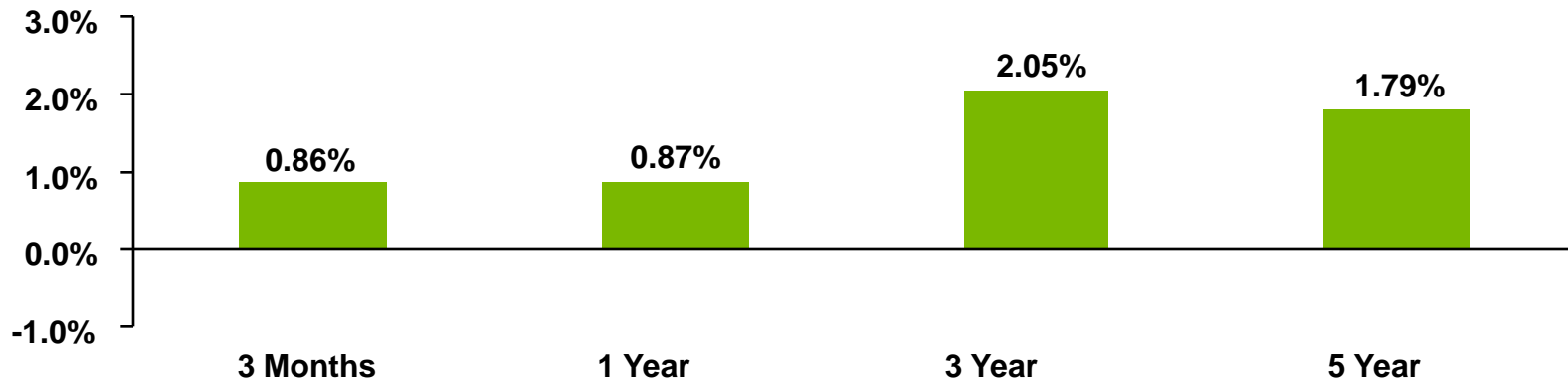


Appendix

Investment Plan: Global / International Equity Funds Net Investment Returns
Annualized Returns thru September 30, 2010 Over Period Indicated

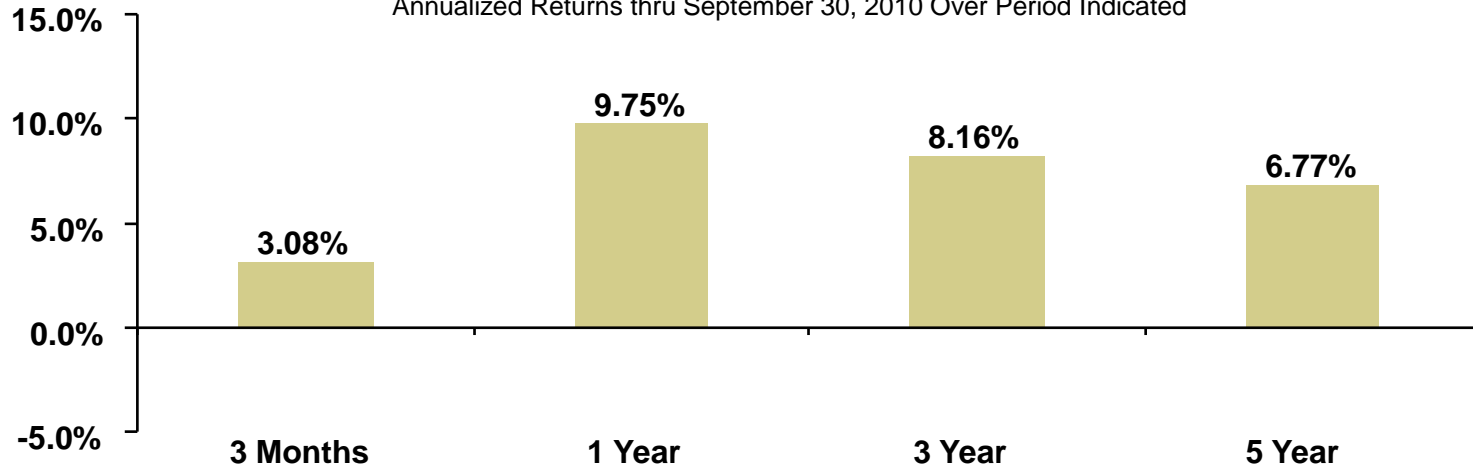


Investment Plan: Global / International Equity Funds Managed vs. Benchmark Returns
Annualized Returns thru September 30, 2010 Over Period Indicated

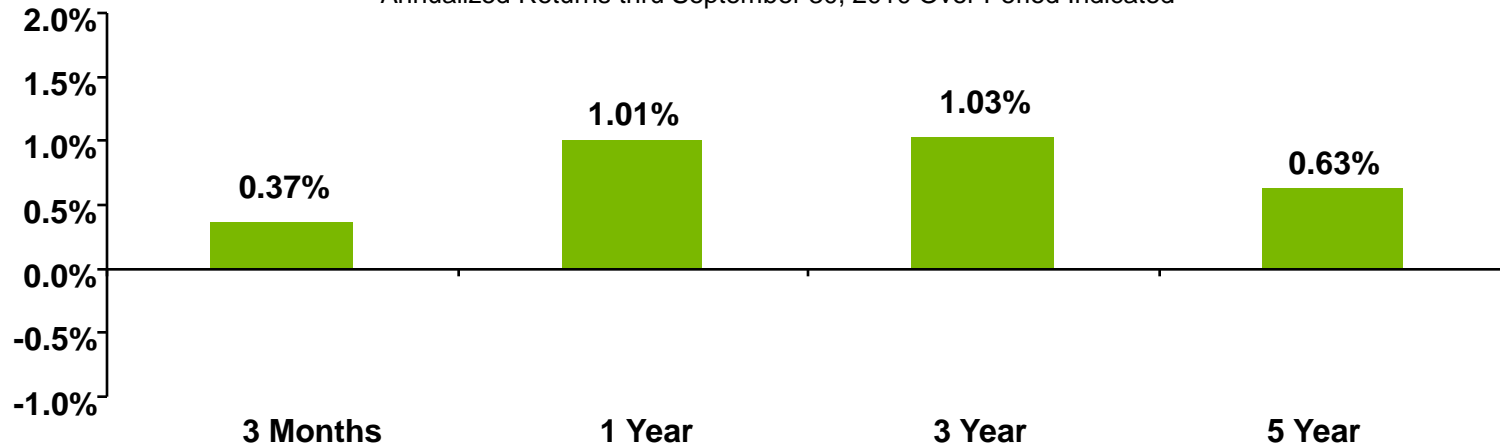


Appendix

Investment Plan: Fixed Income Funds Net Investment Returns
Annualized Returns thru September 30, 2010 Over Period Indicated

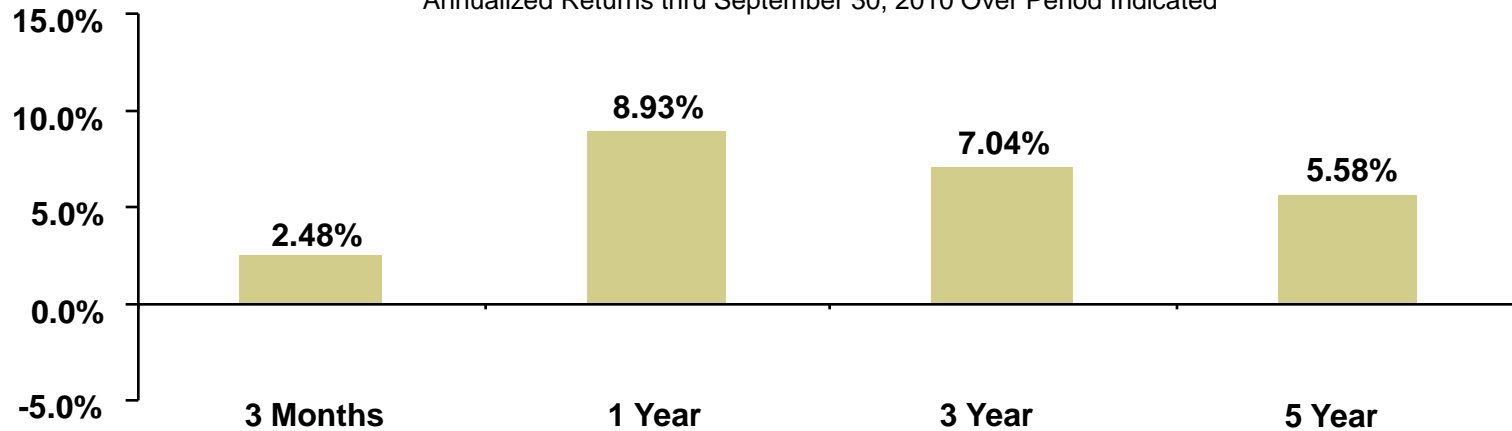


Investment Plan: Fixed Income Funds Managed vs. Benchmark Returns
Annualized Returns thru September 30, 2010 Over Period Indicated

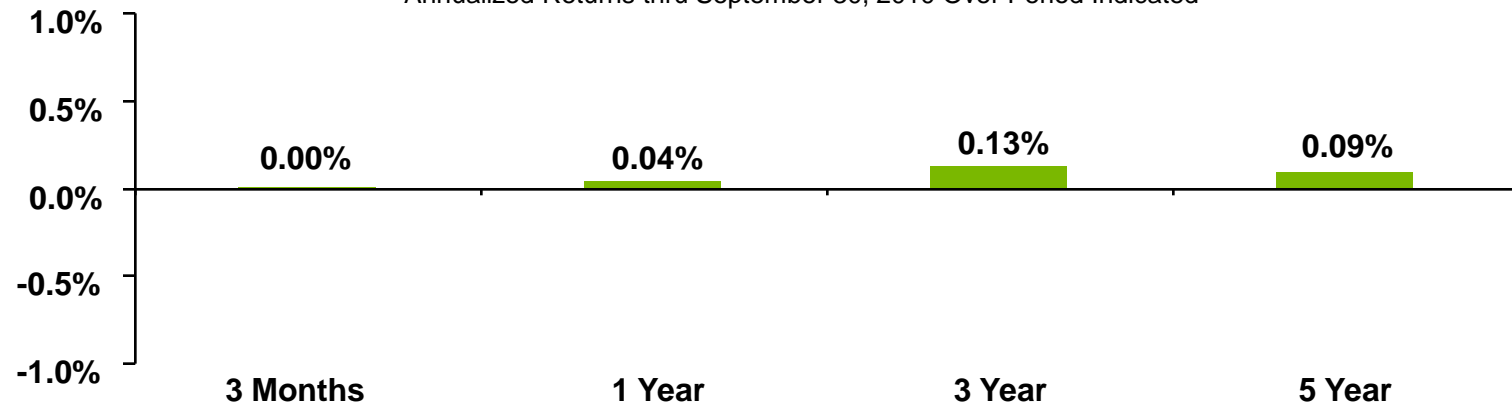


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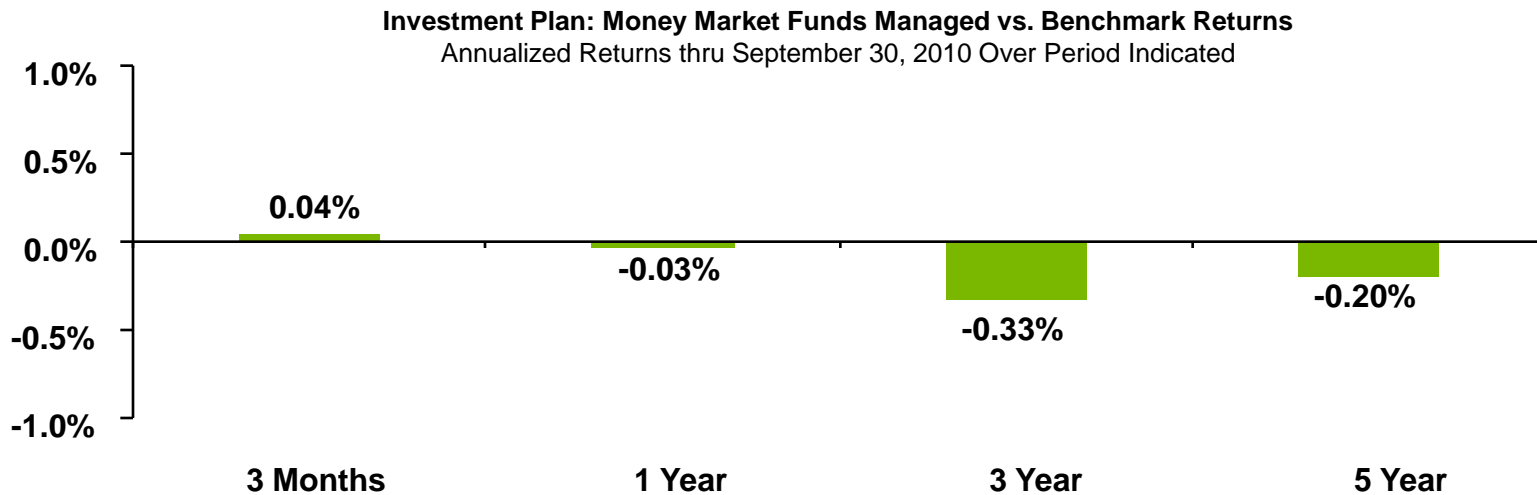
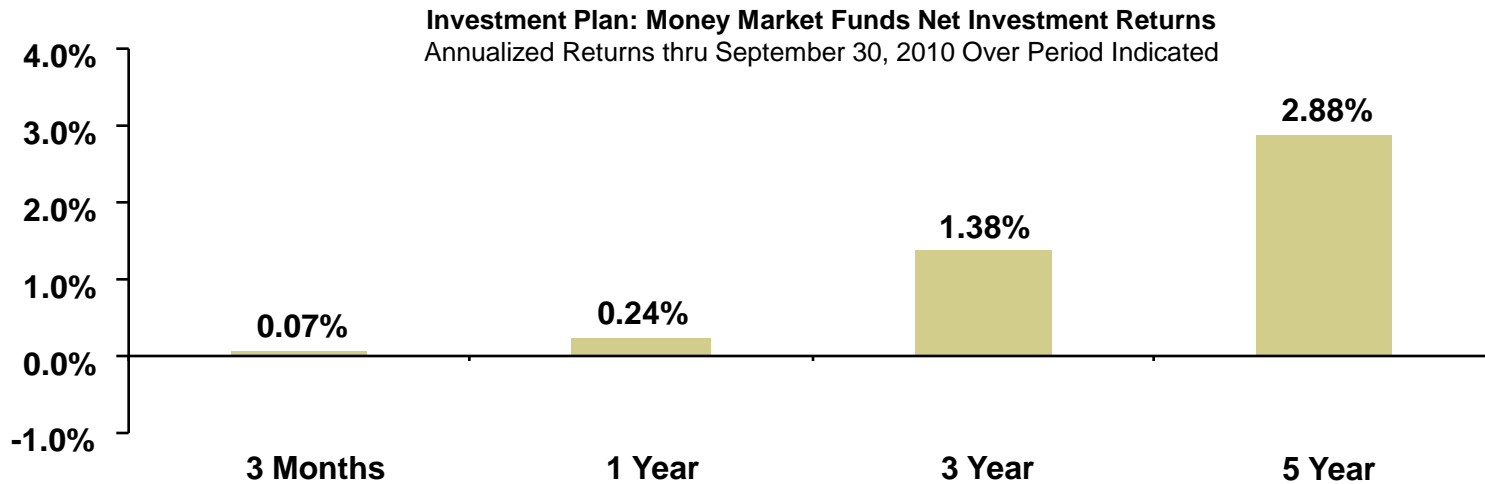
Investment Plan: TIPS Fund Net Investment Returns
Annualized Returns thru September 30, 2010 Over Period Indicated



Investment Plan: TIPS Fund Managed vs. Benchmark Returns
Annualized Returns thru September 30, 2010 Over Period Indicated



Appendix



State Board of Administration of Florida
Lawton Chiles Endowment Fund, CAT Fund, HIS Trust
Fund, & CAMP-MM Investment Pool

Third Quarter 2010

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Table of Contents

- Lawton Chiles Endowment Fund
- Florida Hurricane Catastrophe Fund
- Retiree Health Insurance Subsidy Trust Fund
- Commingled Asset Management Program – Money Market Pool

LAWTON CHILES ENDOWMENT FUND

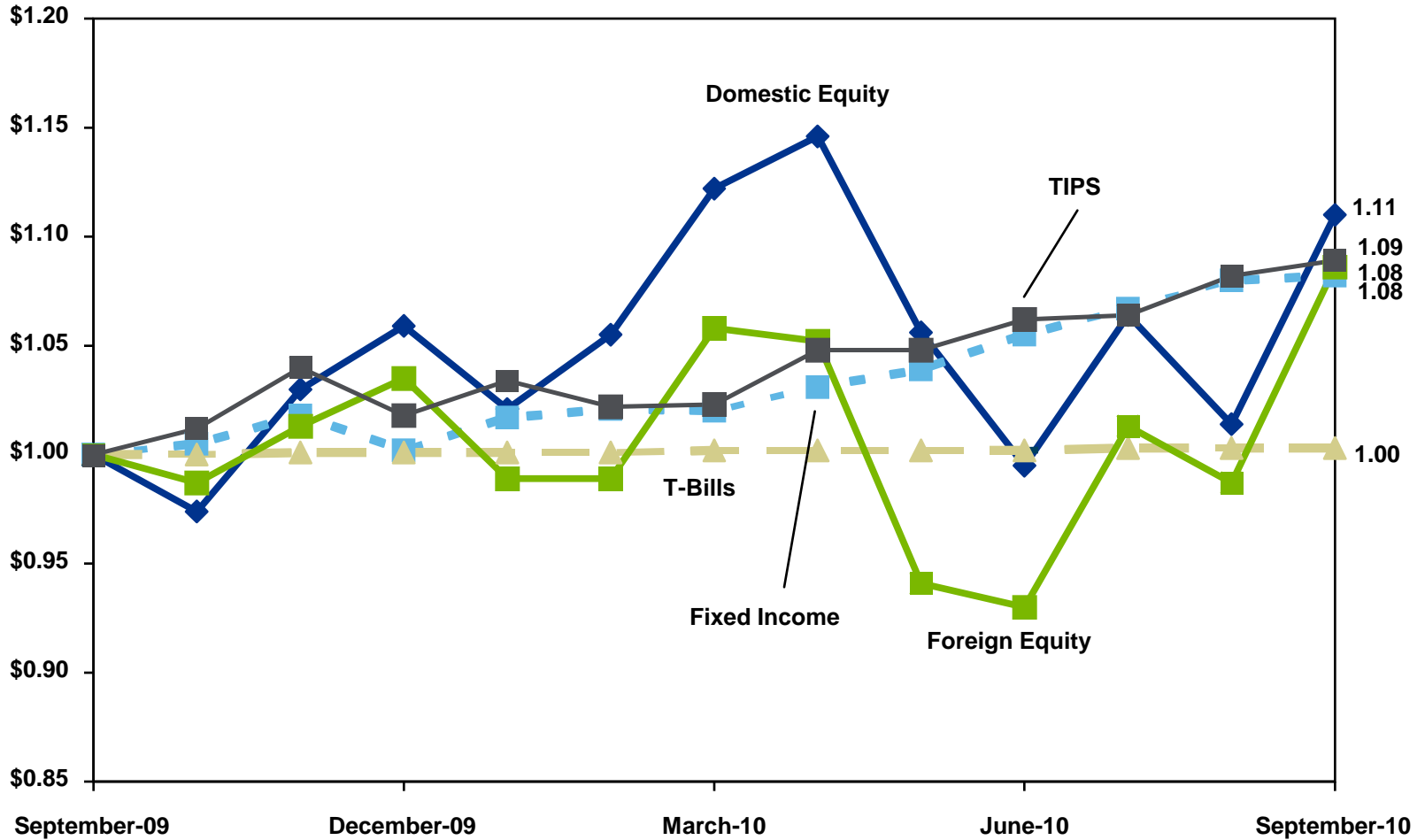
Summary

- Established in July 1999, the Lawton Chiles Endowment Fund was created to provide a source of funding for child health and welfare programs, elder programs, and research related to tobacco use.
- Investment objective is to preserve the real value of the net contributed principal and provide annual cash flows for appropriation.
- The Endowment's investments are diversified across various asset classes including domestic equities, foreign equities, fixed income, inflation-indexed bonds, and cash.

Performance Highlights

- Over the trailing three-, five-, and ten-year periods, the Endowment's return outperformed that of the Target.
- During the third quarter of 2010 and over the trailing one-year period, the Endowment trailed the performance of the Target.

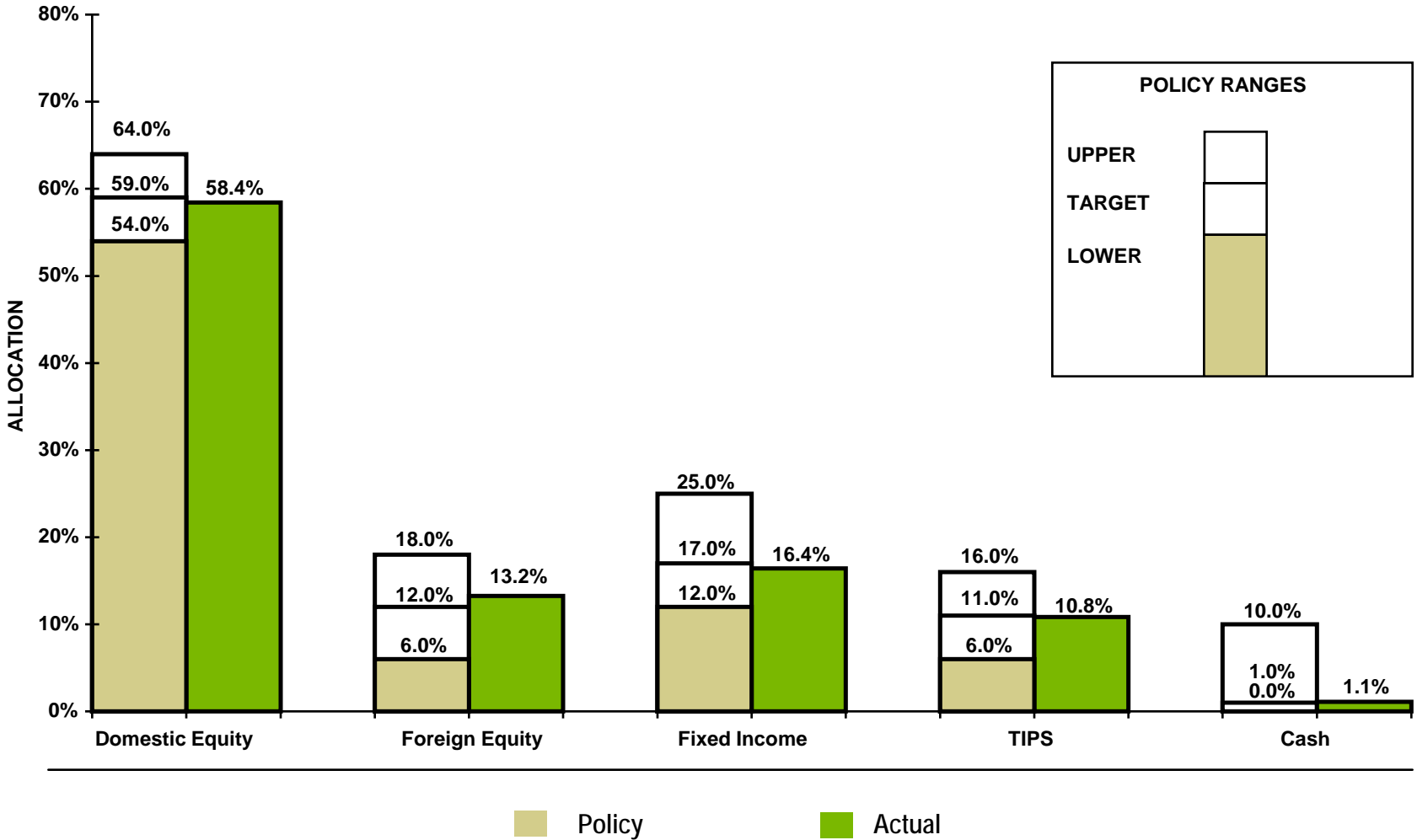
Market Environment Growth of a Dollar 1 Year Ending 9/30/2010



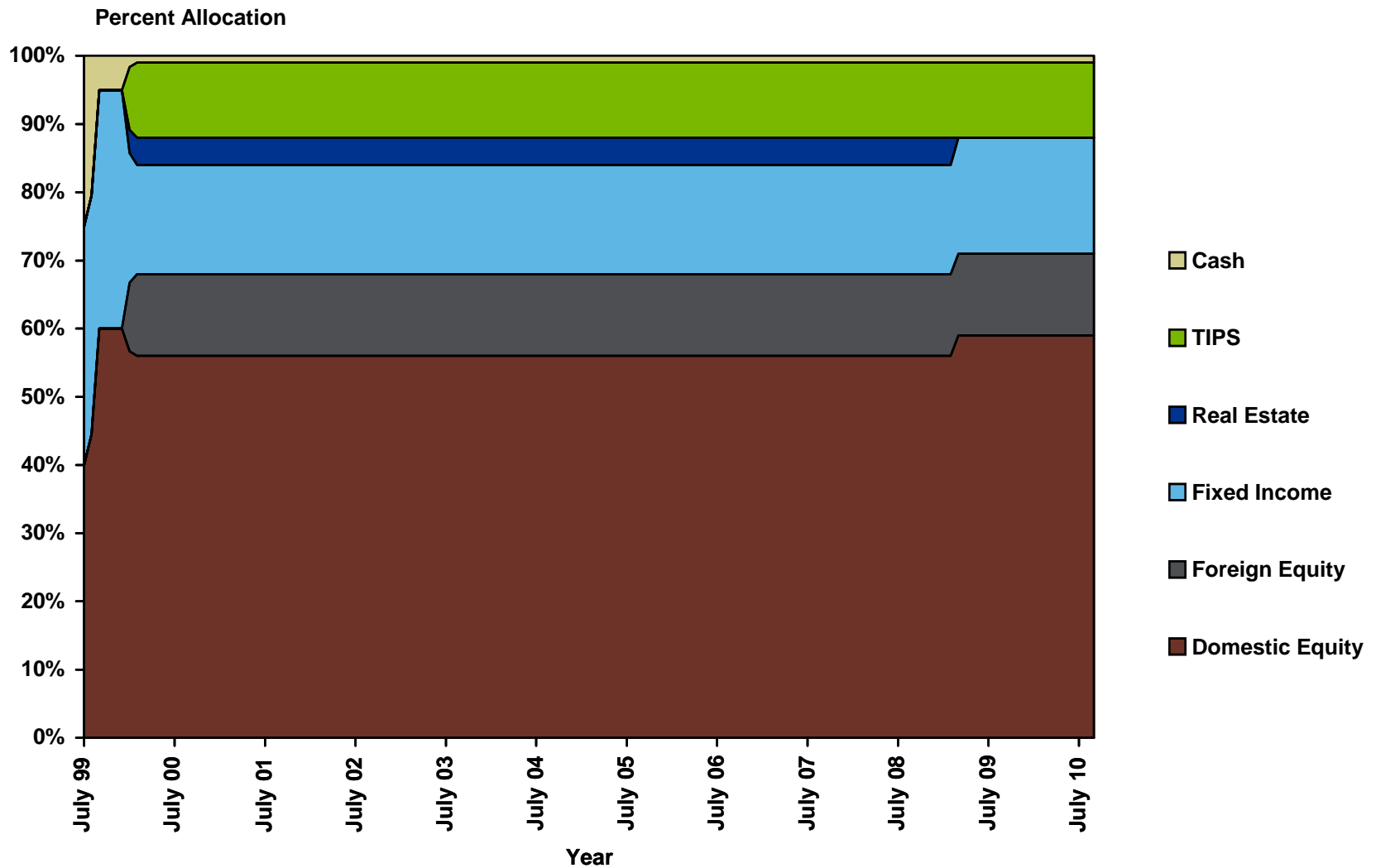
Asset Allocation Commentary

- The Endowment assets totaled \$685.0 million as of September 30, 2010.
- Actual allocations for all asset classes were within their respective policy ranges at quarter-end.
- The Endowment was overweight to the Foreign Equity and Cash asset classes at quarter-end. The Endowment was underweight to the Domestic Equity, Fixed Income and TIPS asset classes at quarter-end.

Asset Allocation as of 9/30/2010



Policy Allocation Over Time



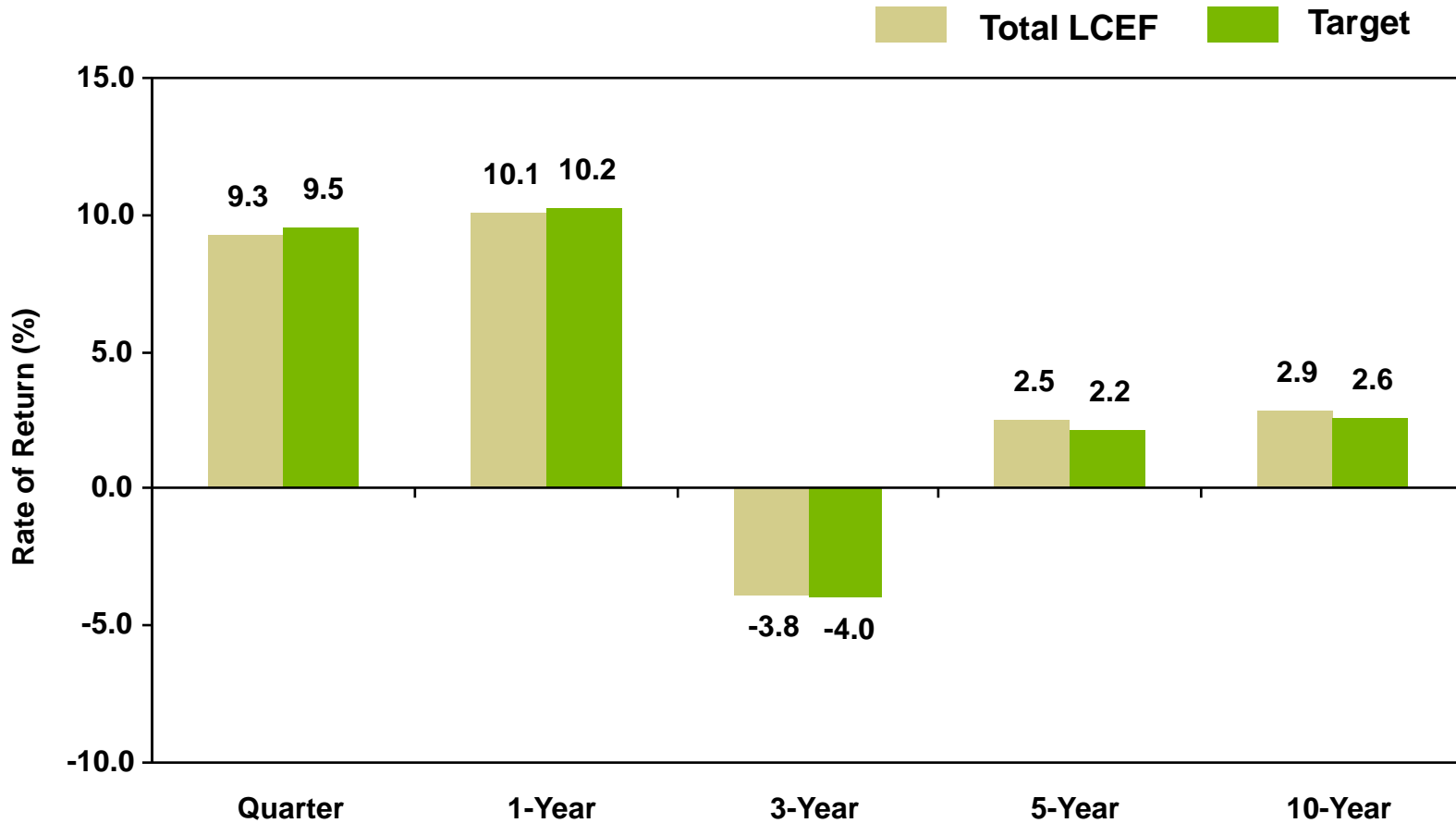
* The RE allocation was eliminated effective April 1, 2009.

Total Fund Performance Commentary

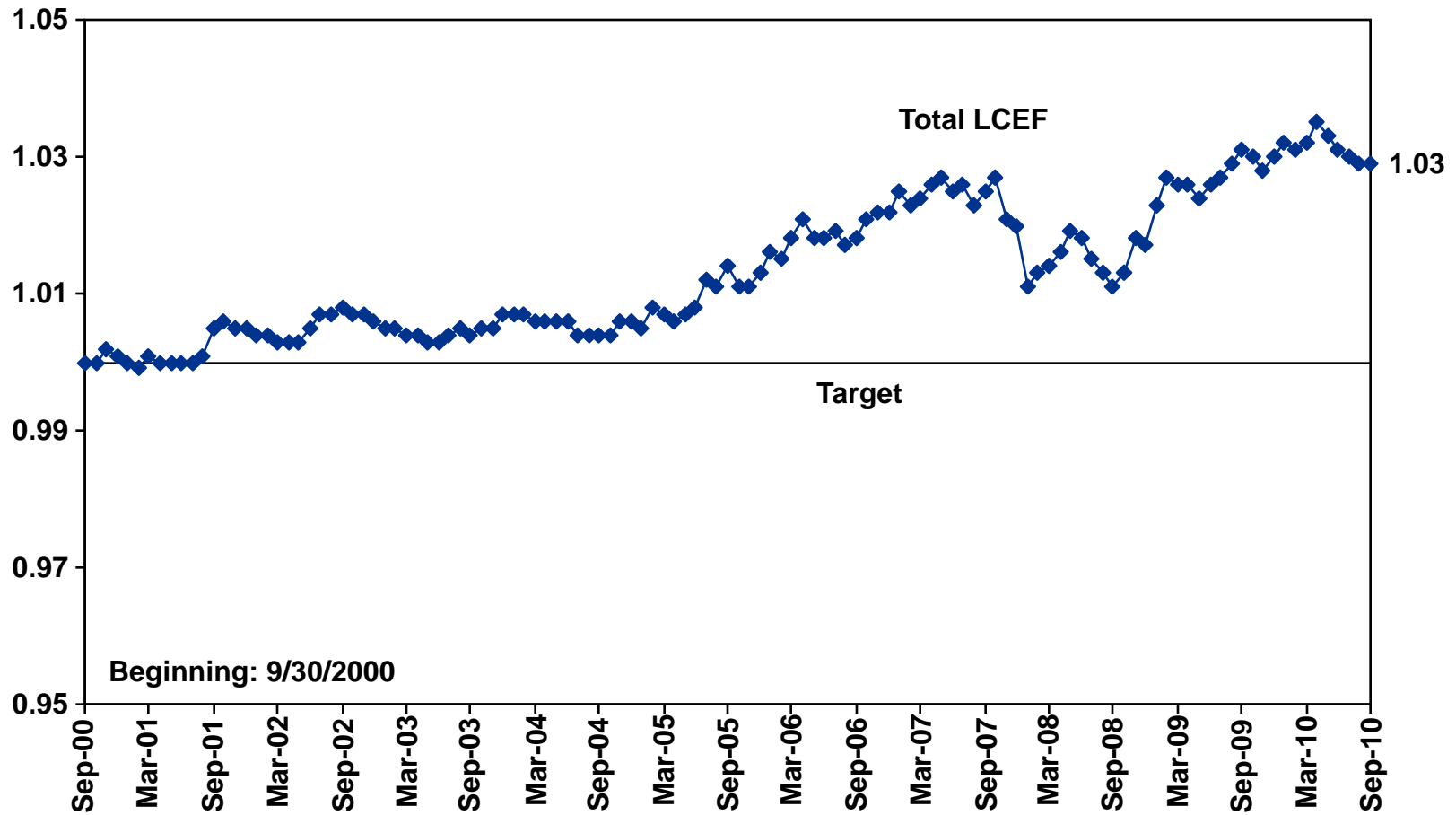
- The Endowment trailed the return of the Target during the third quarter and over the trailing one-year period.
- TAA and Foreign Equity detracted the most from performance over the trailing one-year period, while the Domestic Equity and Fixed Income components added the most value.
- However, over the trailing five-year period, TAA added the most value while Foreign and Domestic Equity detracted the most from performance.
- The Endowment's information ratio (risk-adjusted return) was comparatively higher over the trailing five- and ten-year periods as opposed to the lower information ratios over the trailing one- and three-year periods.

LCEF Investment Results

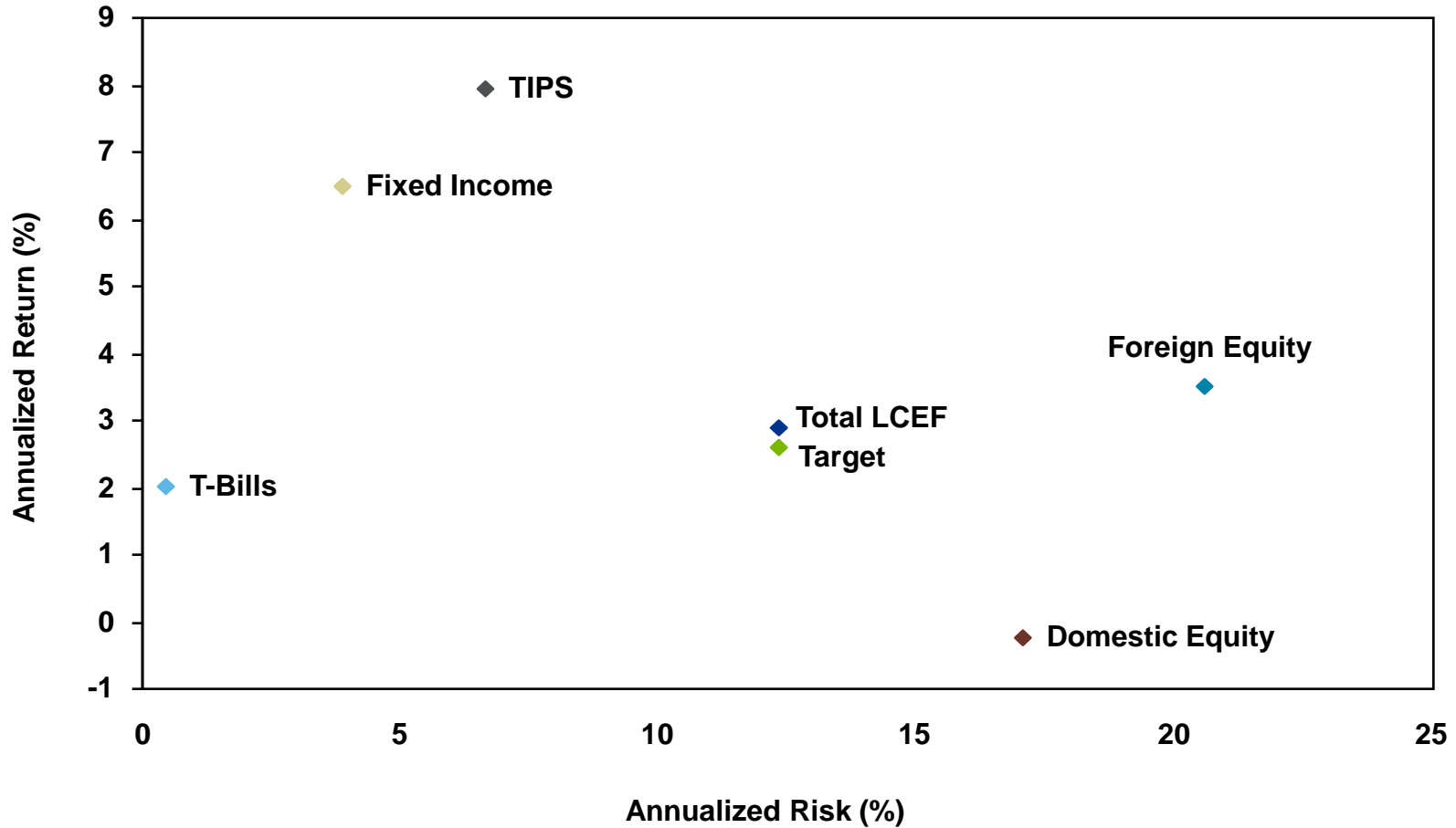
Periods Ending 9/30/2010



LCEF Cumulative Relative Performance 10 Years Ending 9/30/2010

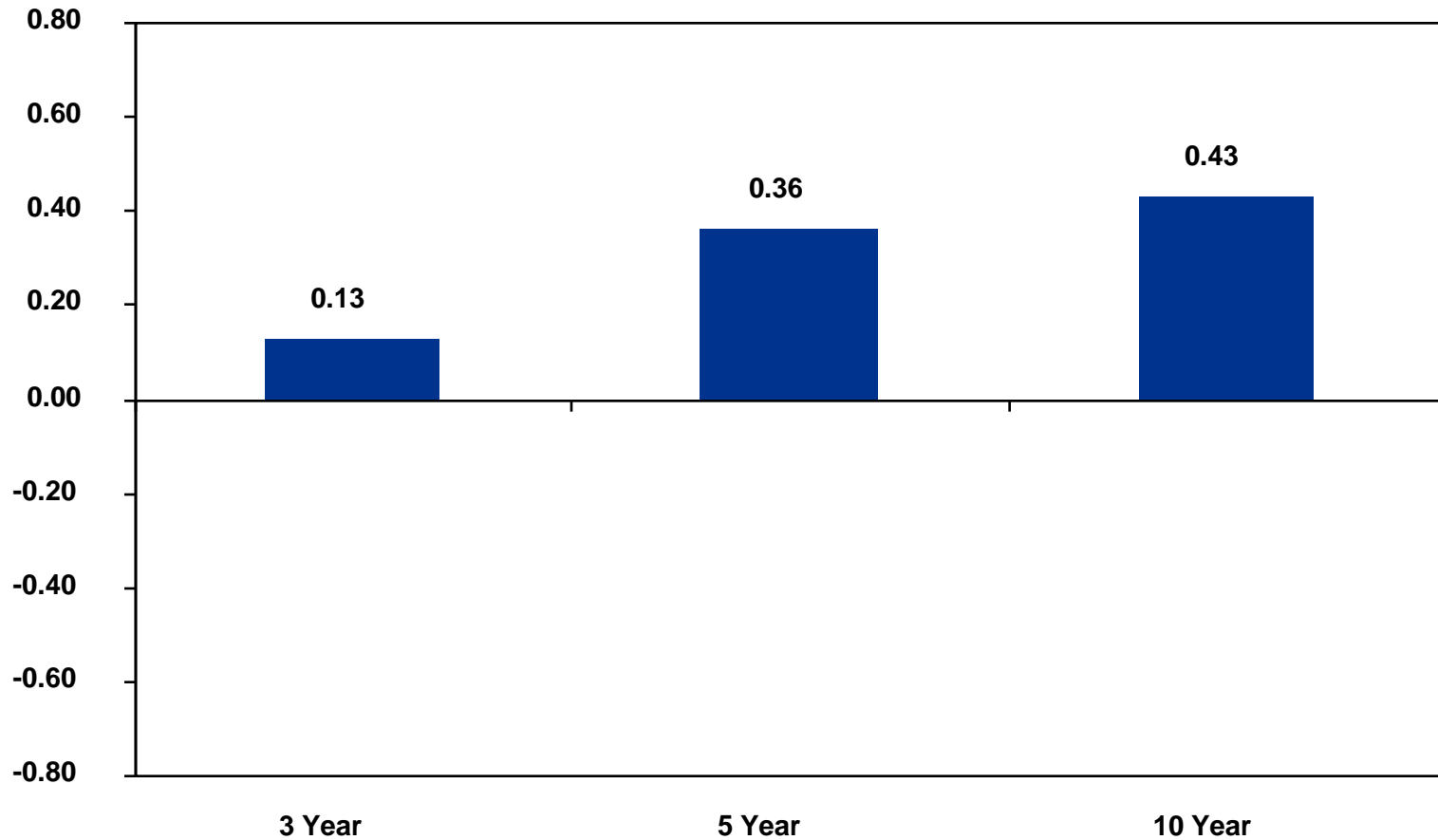


LCEF Historical Risk and Return 10 Years Ending 9/30/2010

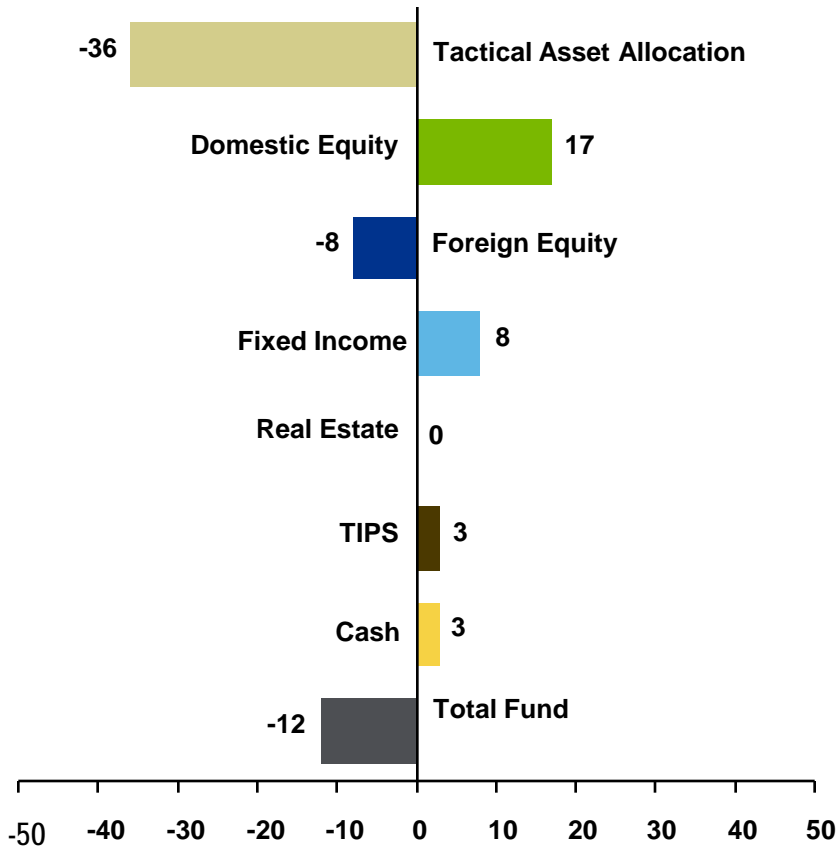


LCEF Information Ratio

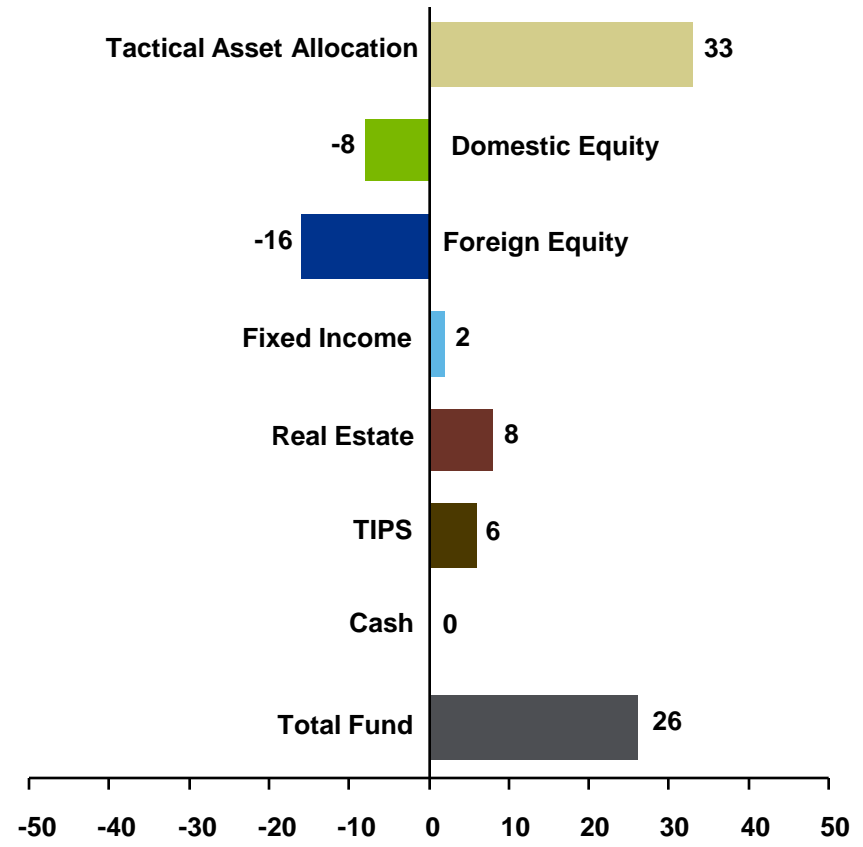
Periods Ending 9/30/2010



LCEF Attribution Analysis



Basis Points
1 Year Ending 9/30/2010



Basis Points
5 Years Ending 9/30/2010

Summary

- The overall investment performance of the Endowment outperformed
 - relative to the Target over the trailing three-, five-, and ten-year periods.
 - relative to the Target at a similar level of risk over the trailing ten-year period.

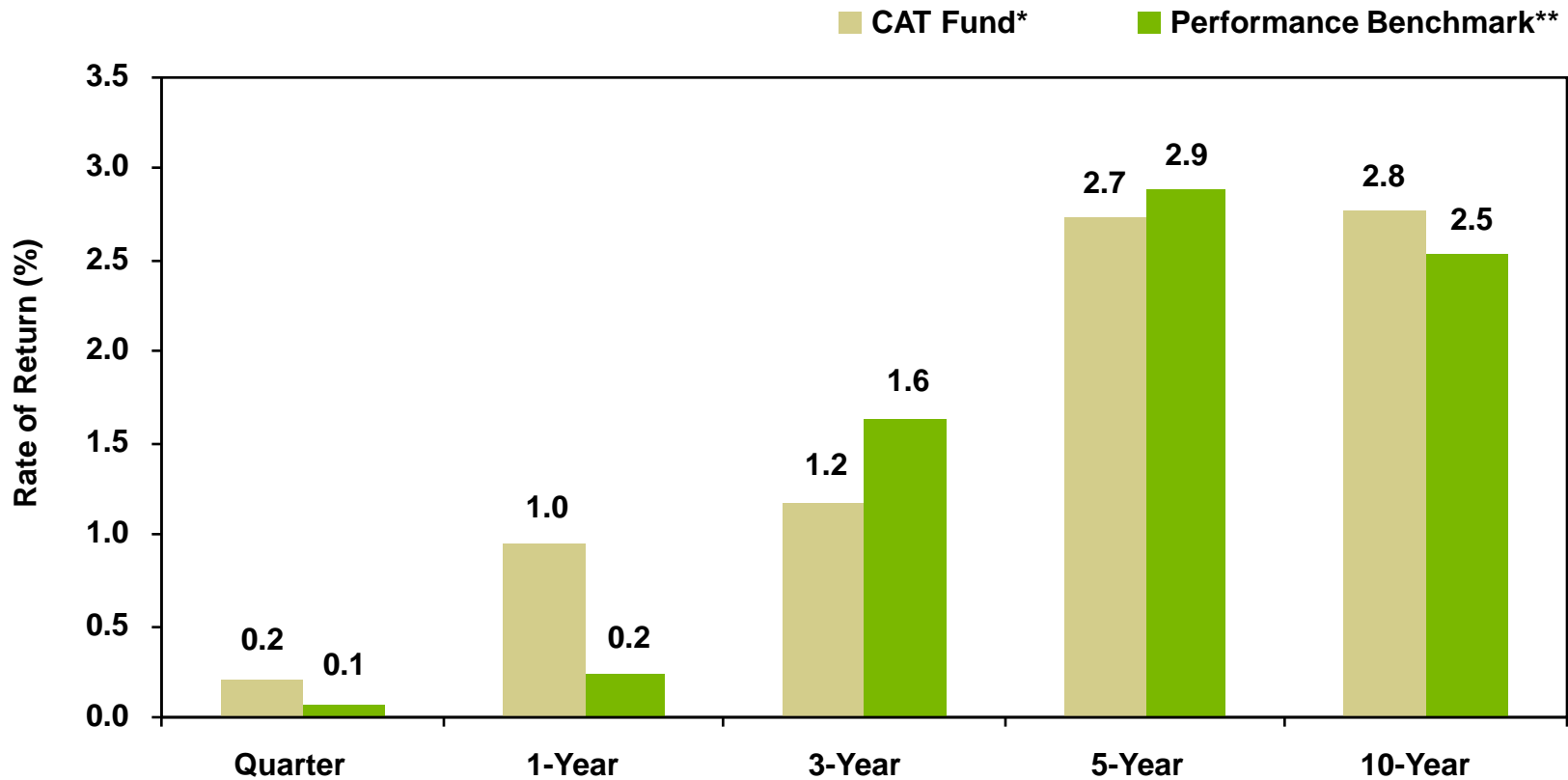
FLORIDA HURRICANE CATASTROPHE FUND

Florida Hurricane Catastrophe Fund Summary

- The purpose of the Florida Hurricane Catastrophe Fund (FHCF) is to provide a stable, ongoing and timely source of reimbursement to insurers for a portion of their hurricane losses.
- The State Board of Administration of Florida (SBA) manages five FHCF accounts, the CAT Fund (Operating Fund), the CAT 2006 A Fund (Post Event Tax-Exempt Revenue Bonds), the CAT 2007 A Fund (Pre-Event Floating Rate Taxable Notes), the CAT 2008 A Fund (Post Event Tax-Exempt Revenue Bonds), and the CAT 2010 A Fund (Post Event Tax-Exempt Revenue Bonds).
- Both the CAT Fund (Operating Fund) and the CAT 2007 A Fund are internally managed portfolios benchmarked to a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Gross Index.
- The CAT 2006 A Fund, the CAT 2008 A Fund and the CAT 2010 A Fund are invested in State and Local Government Series (SLGS) securities.
- As of September 30, 2010, the total value of all FHFC accounts was \$9.77 billion.

CAT Fund Investment Results

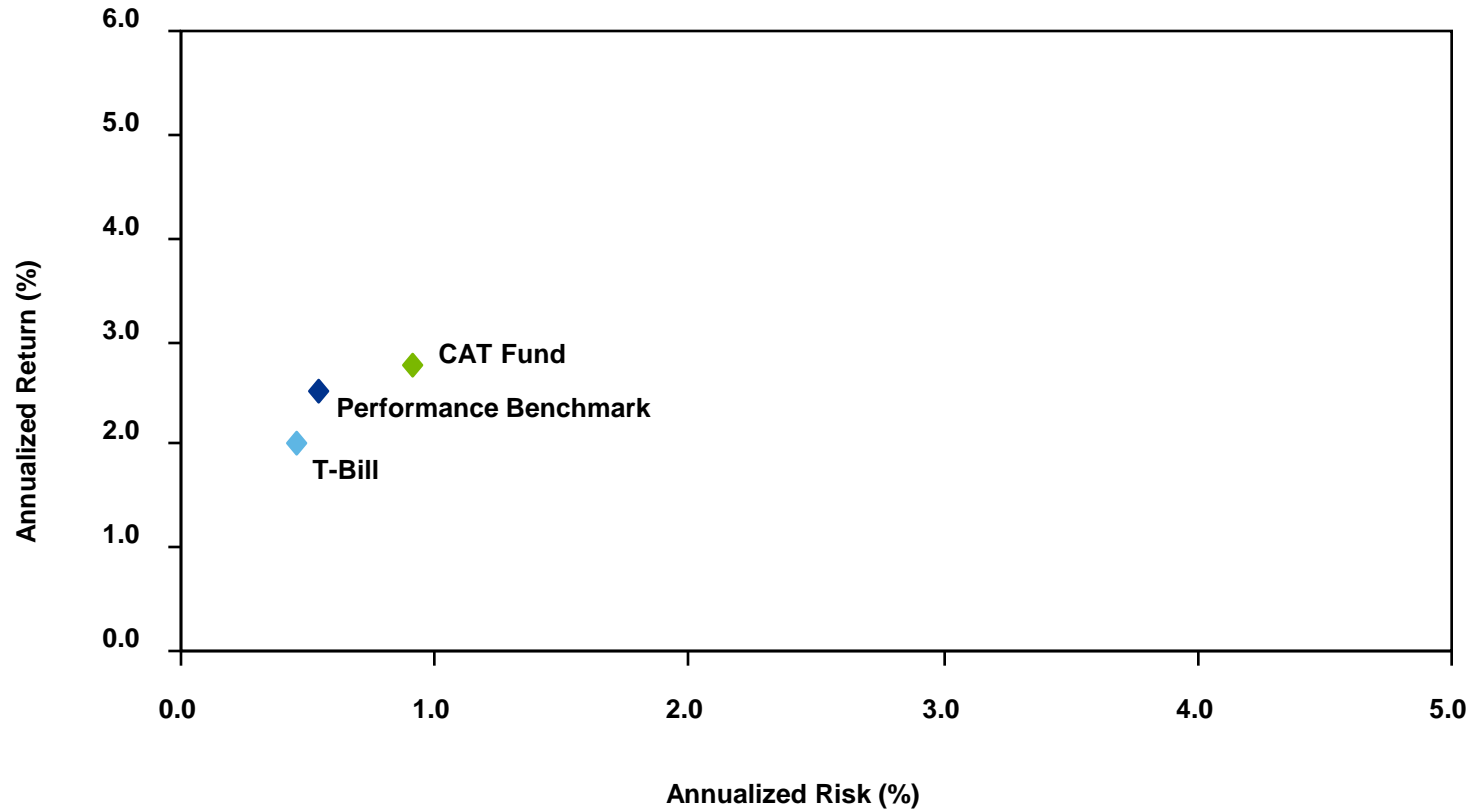
Periods Ending 9/30/2010



*CAT Fund: Beginning March 2008, the returns for the CAT Fund reflect marked-to-market returns. Prior to that time, cost-based returns are used.

**Performance Benchmark: The CAT Fund was benchmarked to the IBC First Tier through February 2008. From March 2008 to December 2009, it was the Merrill Lynch 1-Month LIBOR. Effective January 2010, it is a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Gross Index.

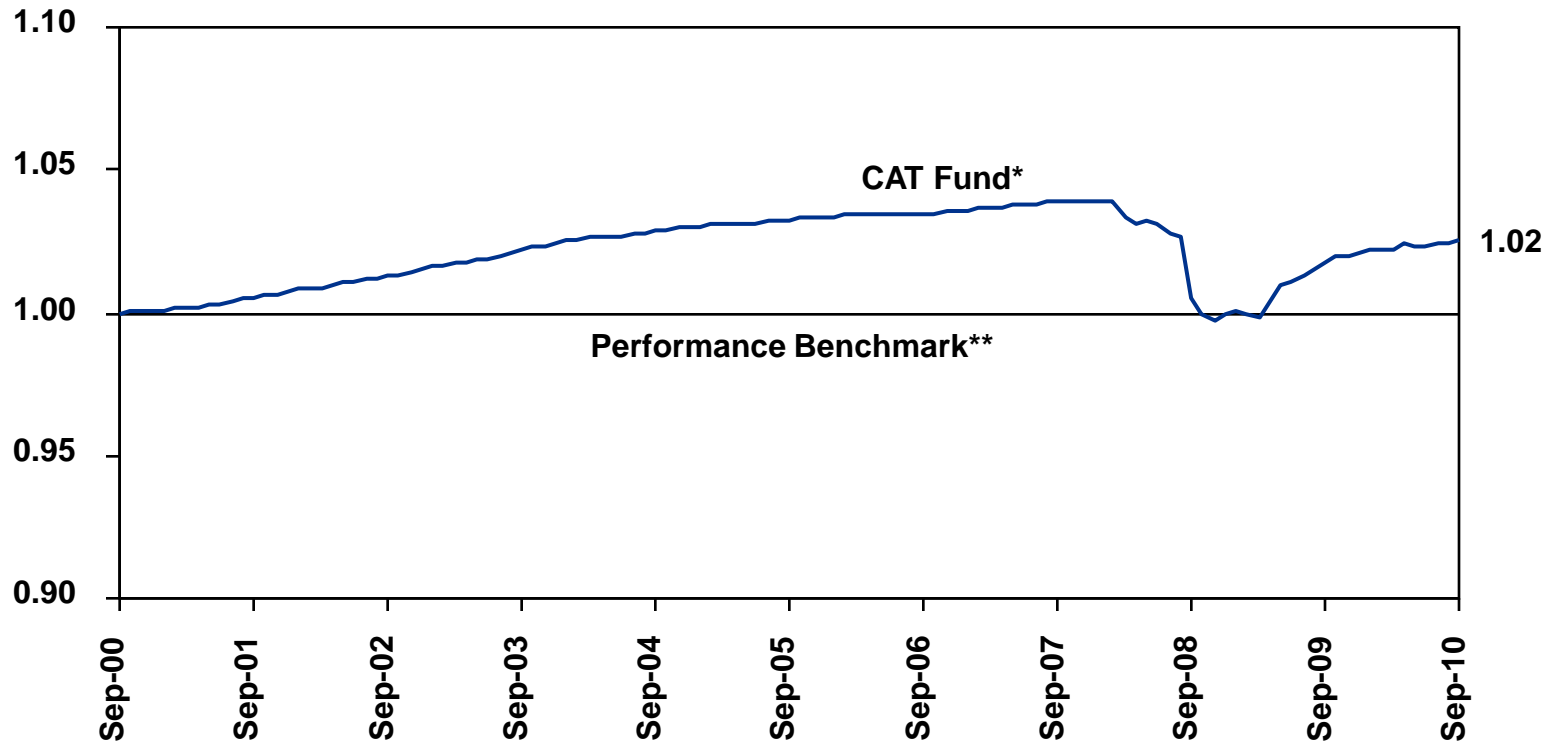
CAT Fund Historical Risk and Return 10 Years Ending 9/30/2010



*CAT Fund: Beginning March 2008, the returns for the CAT Fund reflect marked-to-market returns. Prior to that time, cost-based returns are used.

**Performance Benchmark: The CAT Fund was benchmarked to the IBC First Tier through February 2008. From March 2008 to December 2009, it was the Merrill Lynch 1-Month LIBOR. Effective January 2010, it is a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Gross Index.

CAT Fund Cumulative Relative Performance 10 Years Ending 9/30/2010

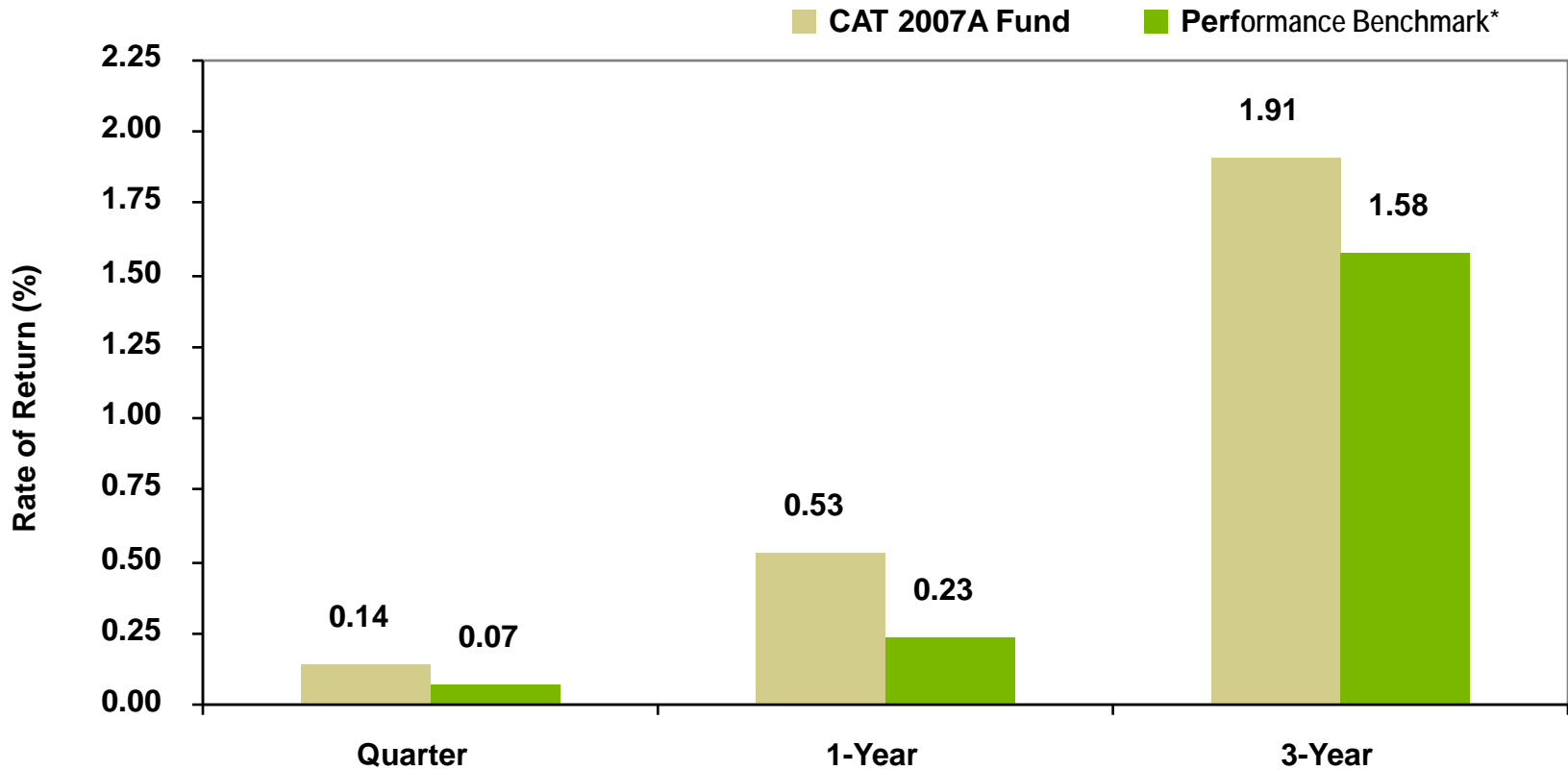


*CAT Fund: Beginning March 2008, the returns for the CAT Fund reflect marked-to-market returns. Prior to that time, cost-based returns are used.

**Performance Benchmark: The CAT Fund was benchmarked to the IBC First Tier through February 2008. From March 2008 to December 2009, it was the Merrill Lynch 1-Month LIBOR. Effective January 2010, it is a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Gross Index.

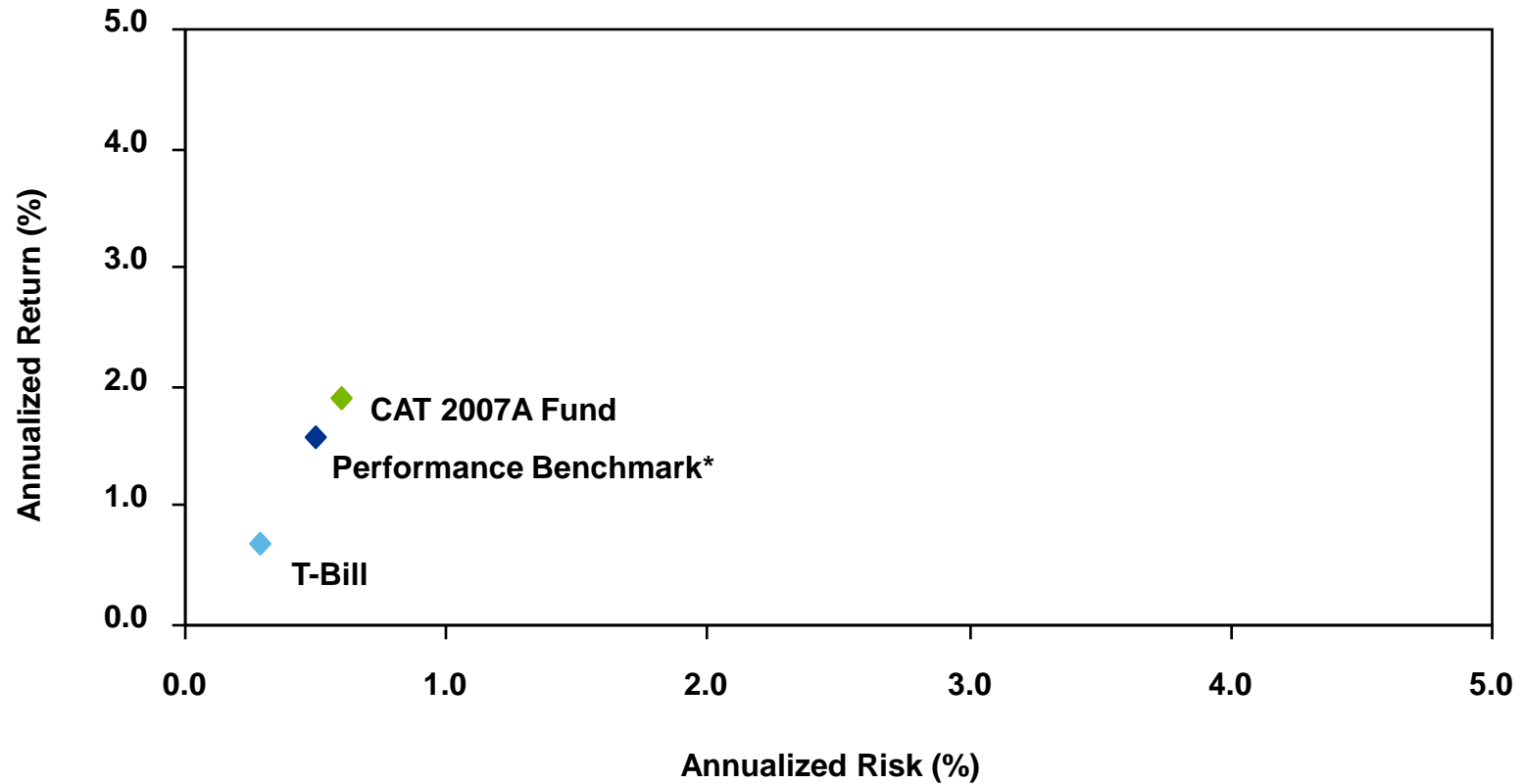
CAT 2007 A Fund Investment Results

Periods Ending 9/30/2010



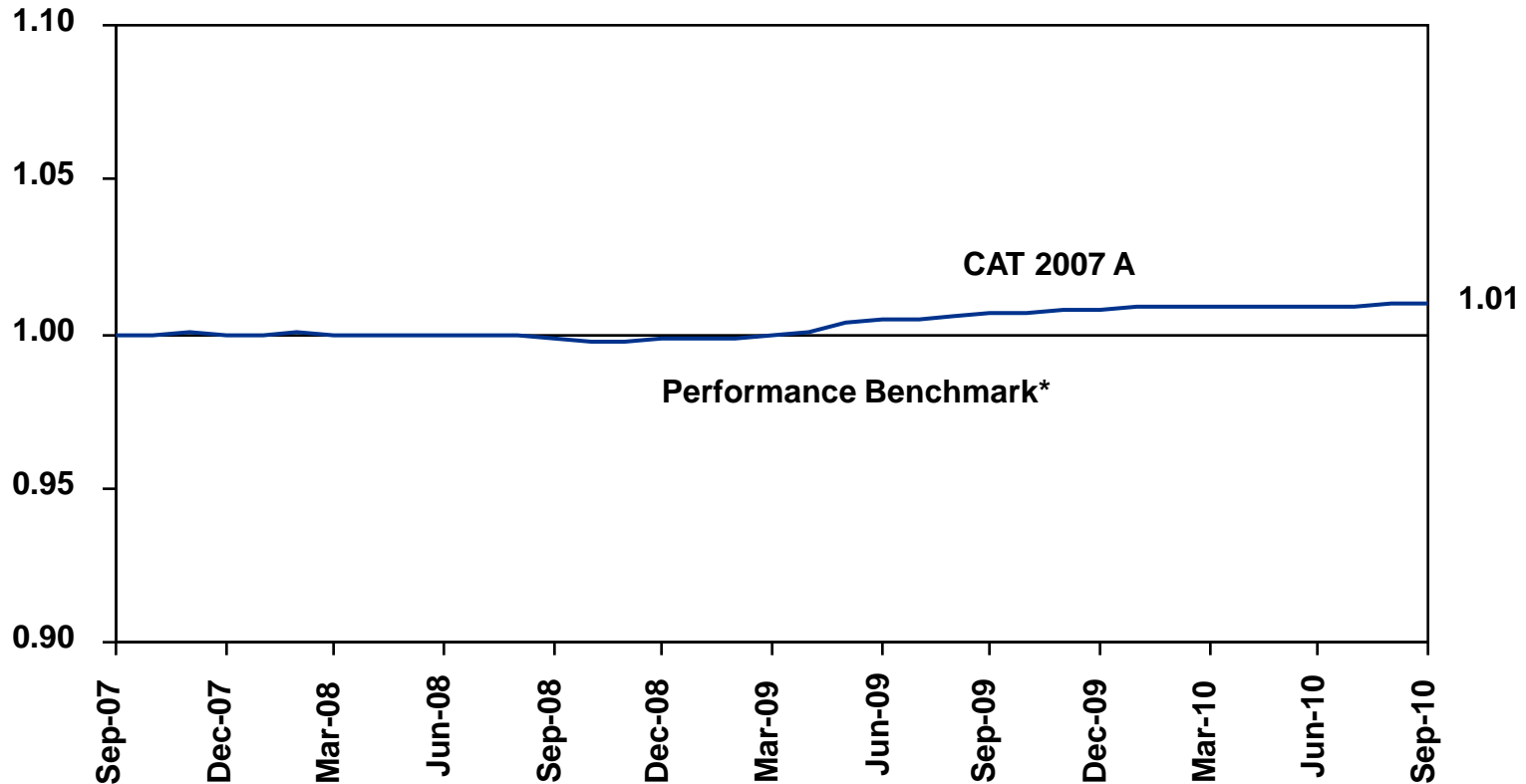
*Performance Benchmark: The CAT 2007 A Fund was benchmarked to the Merrill Lynch 1-Month LIBOR. Effective January 2010, it is a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Gross Index.

CAT 2007 A Fund Historical Risk and Return 3 Years Ending 9/30/2010



*Performance Benchmark: The CAT 2007 A Fund was benchmarked to the Merrill Lynch 1-Month LIBOR. Effective January 2010, it is a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Gross Index.

CAT 2007 A Fund Cumulative Relative Performance 3 Years Ending 9/30/2010



*Performance Benchmark: The CAT 2007 A Fund was benchmarked to the Merrill Lynch 1-Month LIBOR. Effective January 2010, it is a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Fund Gross Index.

Florida Hurricane Catastrophe Fund Characteristics

Period Ending 9/30/2010

Credit Quality

As of 9/30/2010

	CAT FUND OPERATING		CAT FUND 2007A	
AAA	\$2,563,646,000	50.6%	\$1,837,768,000	52.4%
AA	\$720,000,000	14.2%	\$599,000,000	17.1%
A	\$1,683,067,000	33.3%	\$1,071,407,000	30.5%
Non-Investment Grade	\$95,103,266	1.9%	\$0	0.0%
	\$5,061,816,266	100.0%	\$3,508,175,000	100.0%

Maturity Profile

As of 9/30/2010

	CAT FUND OPERATING	% of total	CAT FUND 2007A	% of total
O/N - 14 Days	\$1,347,967,000	26.6%	\$967,427,000	27.6%
15 - 30 Days	\$297,485,000	5.9%	\$136,450,000	3.9%
31 - 60 Days	\$303,995,000	6.0%	\$224,007,000	6.4%
61 - 90 Days	\$284,360,000	5.6%	\$243,963,000	7.0%
91 - 120 Days	\$206,100,000	4.1%	\$194,214,000	5.5%
121 - 150 Days	\$377,758,000	7.5%	\$205,677,000	5.9%
151 - 180 Days	\$168,829,000	3.3%	\$89,437,000	2.5%
181 - 210 Days	\$262,744,000	5.2%	\$207,000,000	5.9%
211 - 240 Days	\$110,000,000	2.2%	\$124,000,000	3.5%
241 - 270 Days	\$143,000,000	2.8%	\$47,000,000	1.3%
271 - 300 Days	\$235,000,000	4.6%	\$185,000,000	5.3%
301 - 365 Days	\$775,000,000	15.3%	\$505,000,000	14.4%
366 - 732 Days	\$409,475,000	8.1%	\$335,000,000	9.5%
733 - 1,098 Days	\$140,103,266	2.8%	\$44,000,000	1.3%
	\$5,061,816,266	100.0%	\$3,508,175,000	100.0%

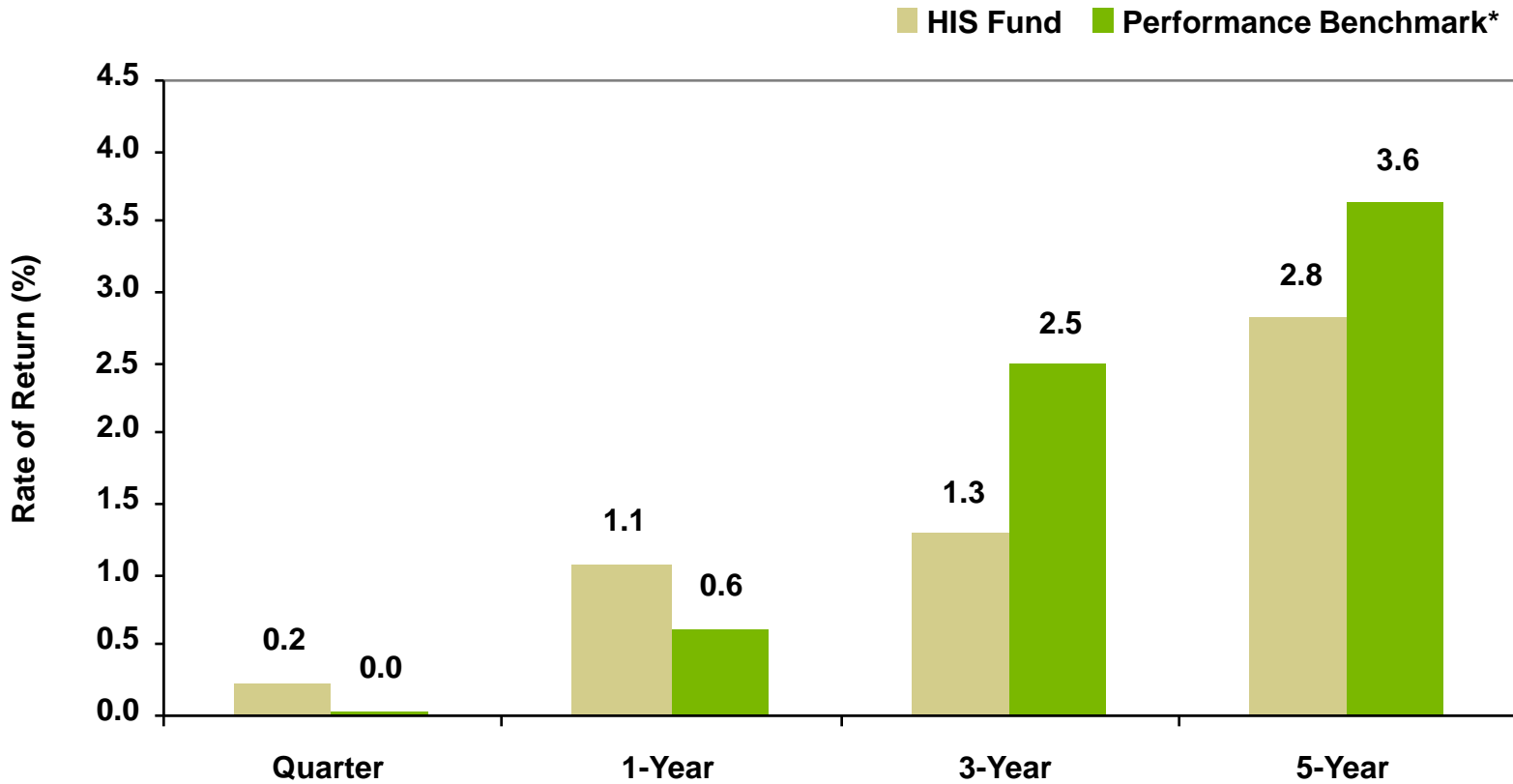
RETIREE HEALTH INSURANCE SUBSIDY TRUST FUND

Retiree Health Insurance Subsidy Trust Fund Summary

- Purpose is to pay monthly health insurance subsidy payments to retired participants in the Florida Retirement System.
- The HIS Fund is an active, internally managed portfolio benchmarked to the iMoneyNet First Tier Institutional Net Index, effective January 2010. Prior to that, the benchmark was the Merrill Lynch 1-Year LIBOR Index.
- As of September 30, 2010, the HIS Fund was valued at \$247.7 million.

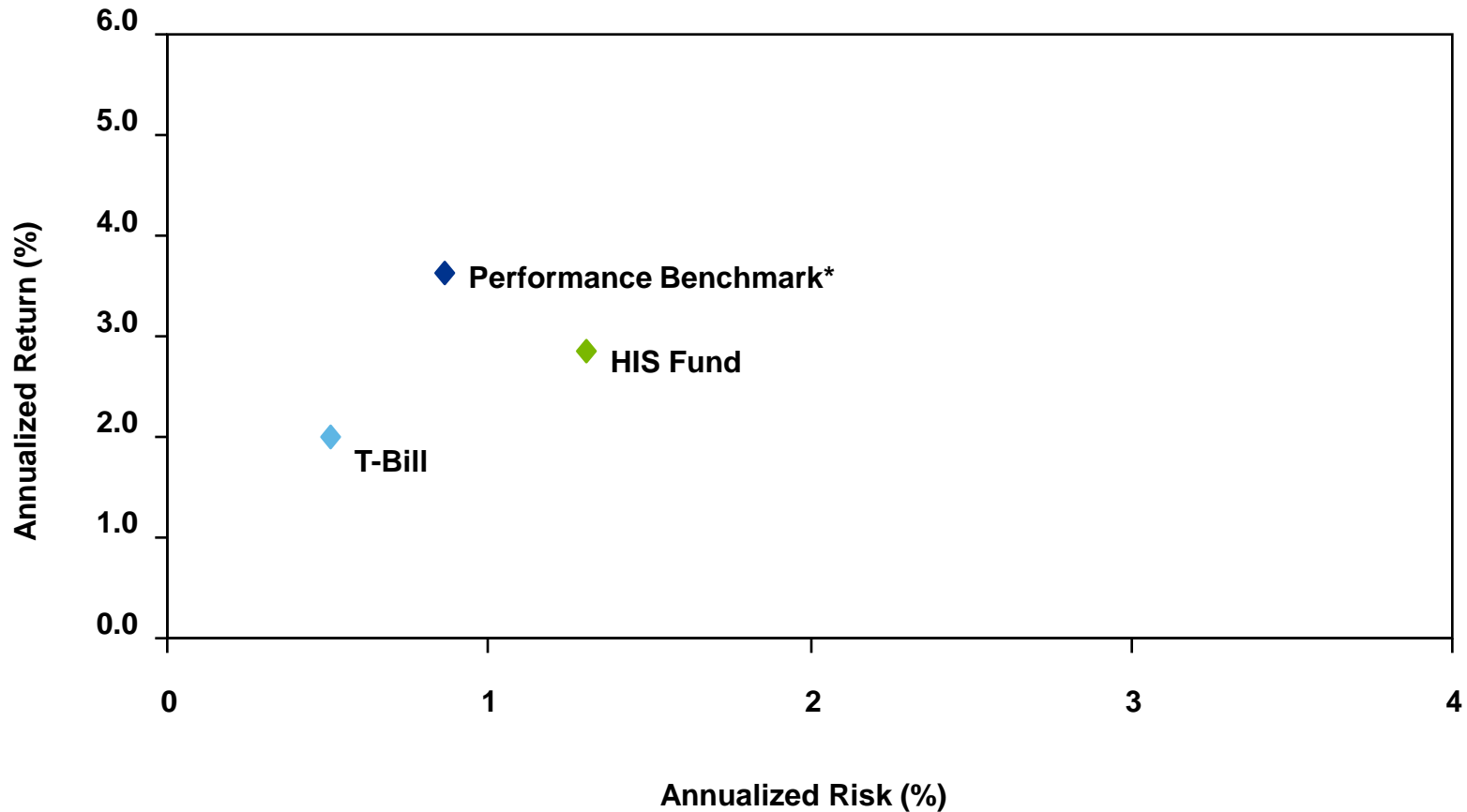
HIS Fund Investment Results

Periods Ending 9/30/2010



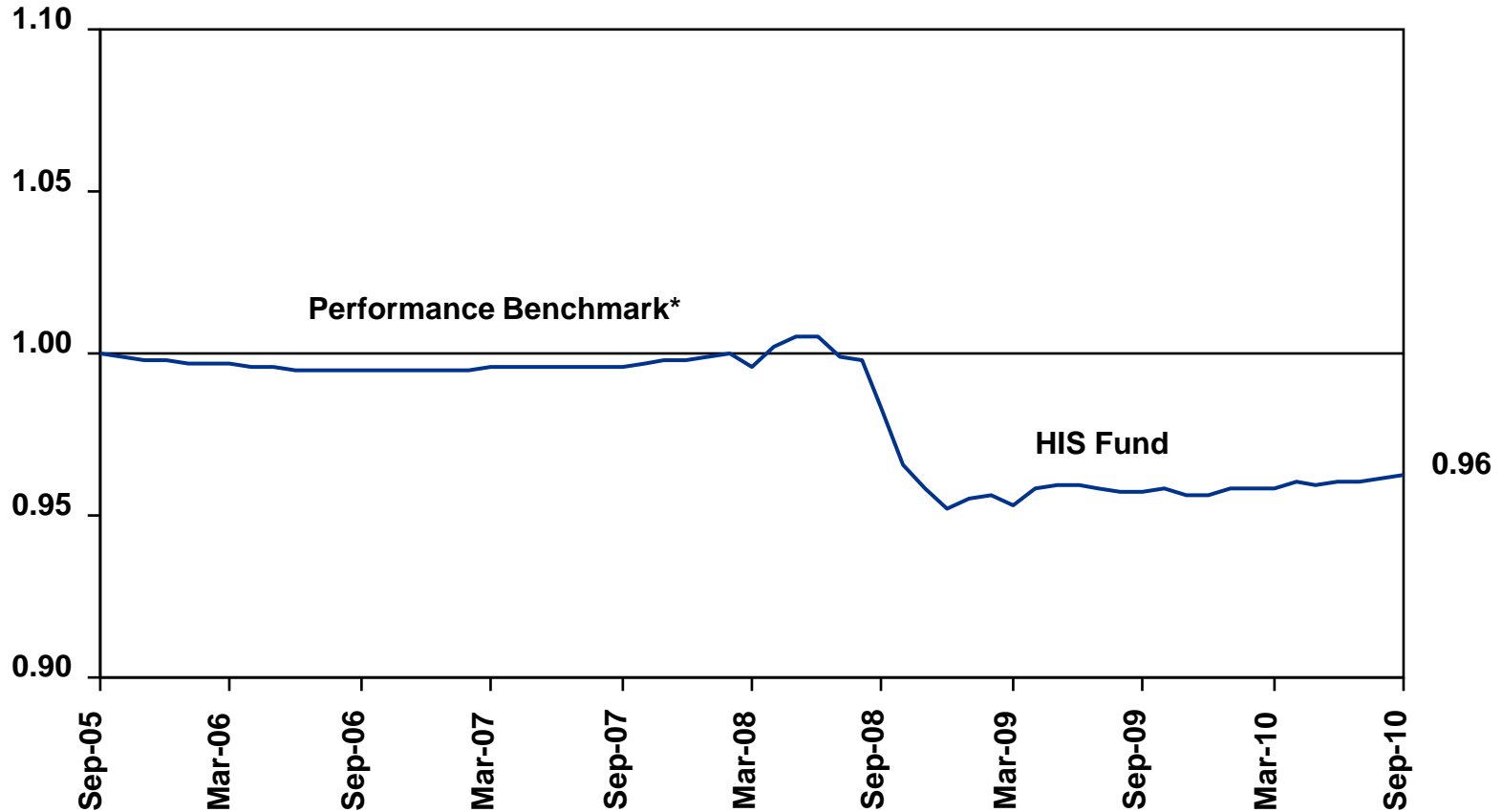
*Performance Benchmark: Effective January 2010, the performance benchmark is the iMoneyNet First Tier Institutional Net Index. Prior to that, the benchmark was the Merrill Lynch 1-Year LIBOR Index.

HIS Fund Historical Risk and Return 5 Years Ending 9/30/2010



*Performance Benchmark: Effective January 2010, the performance benchmark is the iMoneyNet First Tier Institutional Net Index. Prior to that, the benchmark was the Merrill Lynch 1-Year LIBOR Index.

HIS Fund Cumulative Relative Performance 5 Years Ending 9/30/2010



*Performance Benchmark: Effective January 2010, the performance benchmark is the iMoneyNet First Tier Institutional Net Index. Prior to that, the benchmark was the Merrill Lynch 1-Year LIBOR Index.

HIS Fund Characteristics

Period Ending 9/30/2010

Credit Quality

As of 9/30/2010

	HIS FUND	% of total
AAA	20,250,000	8.1%
AA	71,000,000	28.5%
A	158,114,357	63.4%
	249,364,357	100.0%

Maturity Profile

As of 9/30/2010

	HIS FUND	% of total
O/N - 14 Days	6,795,000	2.7%
15 - 30 Days	12,193,000	4.9%
31 - 60 Days	26,339,000	10.6%
61 - 90 Days	25,025,000	10.0%
91 - 120 Days	5,000,000	2.0%
121 - 150 Days	12,115,000	4.9%
151 - 180 Days	31,105,000	12.5%
181 - 210 Days	10,000,000	4.0%
211 - 240 Days	6,000,000	2.4%
241 - 270 Days	10,000,000	4.0%
271 - 300 Days	30,000,000	12.0%
301 - 365 Days	50,000,000	20.1%
366 - 732 Days	15,000,000	6.0%
733 - 1,098 Days	1,000,000	0.4%
1,099 - 1,875 Days	8,792,357	3.5%
Total	249,364,357	100.0%

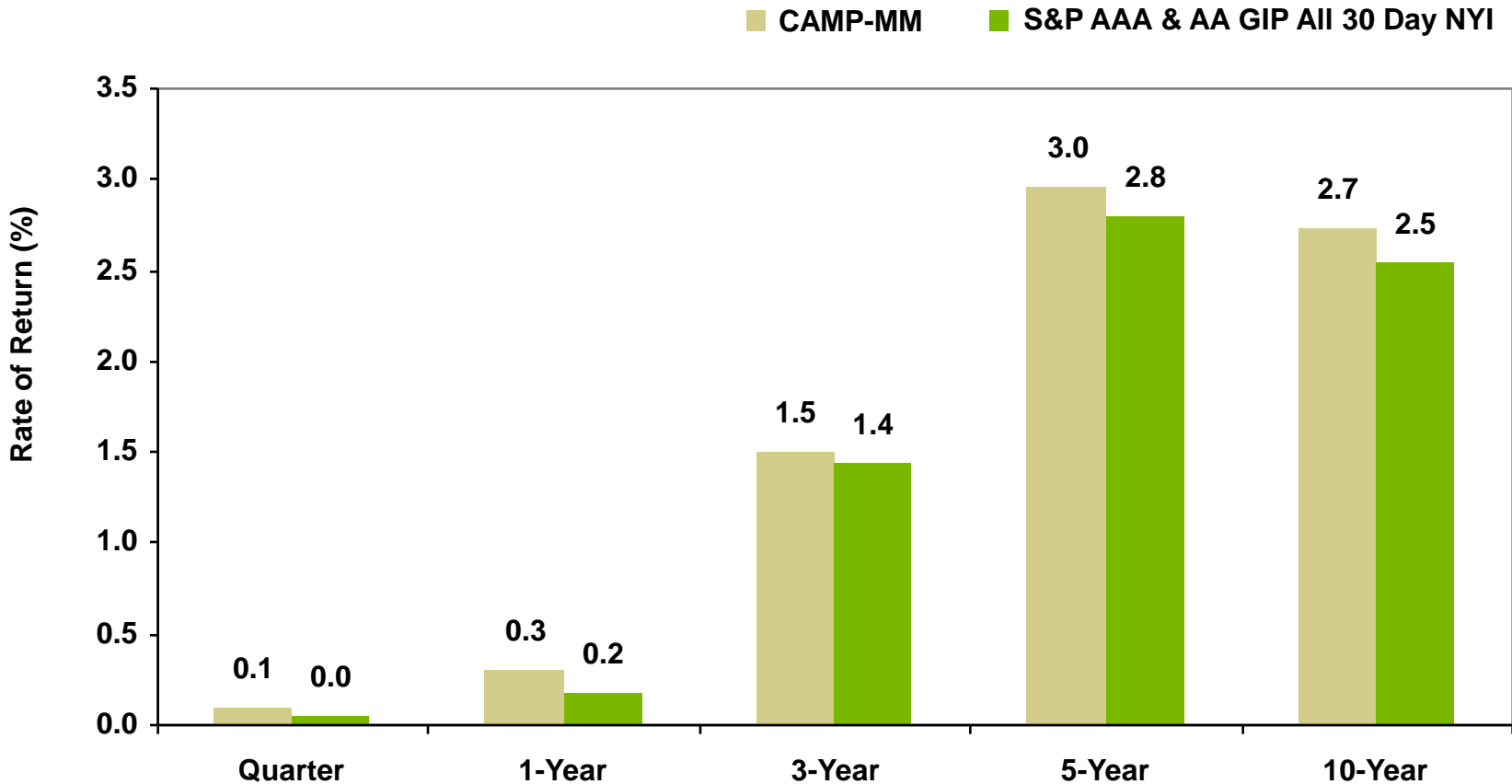
CAMP-MM INVESTMENT POOL

Commingled Asset Management Program Money Market Summary

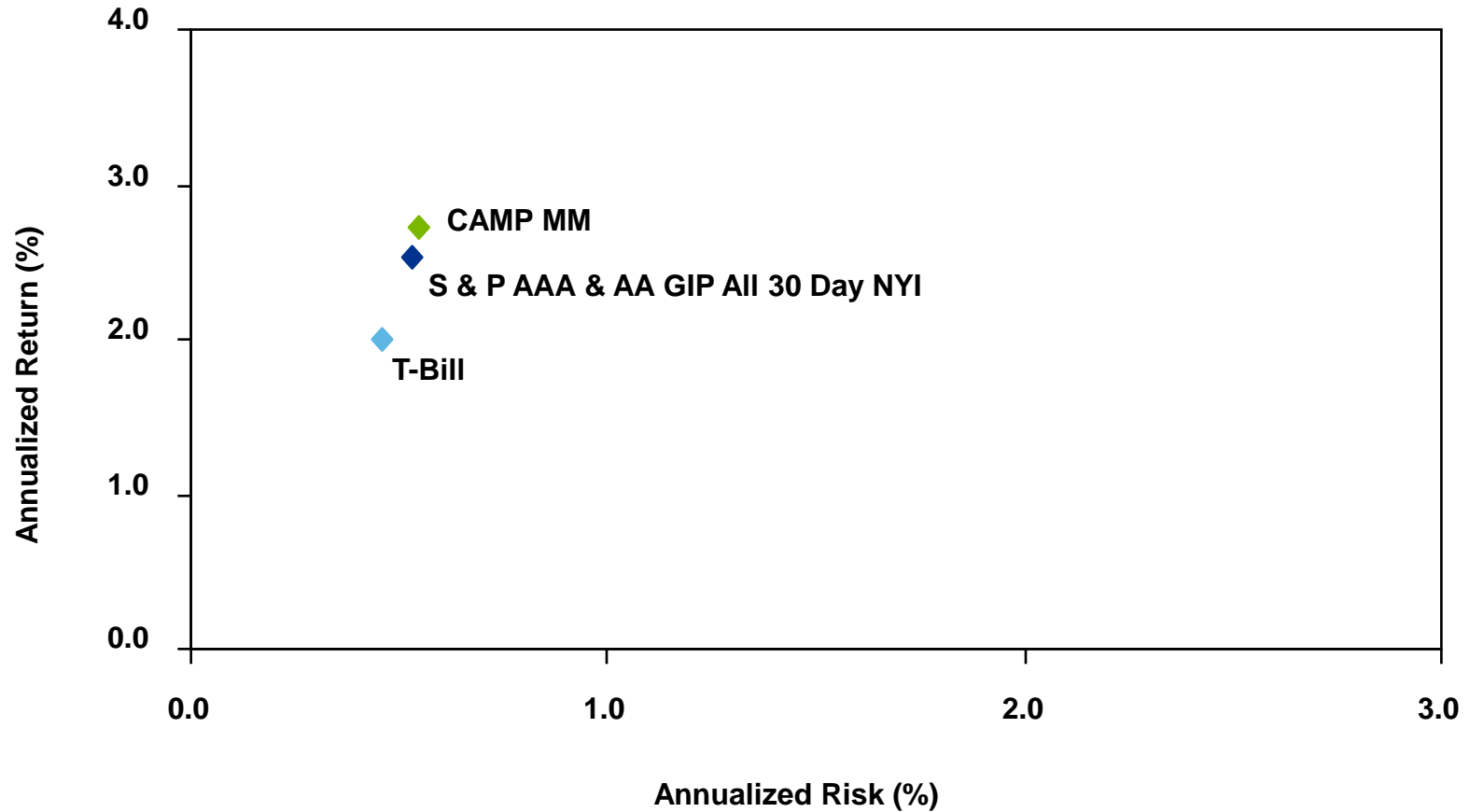
- Commingled Asset Management Program (CAMP-MM) is a commingled fund that serves to benefit SBA clients that are non-qualified for retirement fund status by providing them with daily liquidity.
- CAMP-MM is externally managed by Federated and is benchmarked to the S&P AAA & AA GIP All 30 Day Net Yield Index, for all time periods.
- The Commingled Asset Management Program is split into two parts. The CAMP-MM shares are the liquid portion, while the CAMP-MM Restricted shares are illiquid (i.e., restructured ABCP).
- The effective maturity of CAMP-MM as of September 30, 2010 is 13.5 days and cannot exceed 60 days.
- As of September 30, 2010, the CAMP-MM Fund was valued at \$204.0 million and CAMP-MM Restricted was valued at \$12.5 million.

CAMP-MM Fund Investment Results

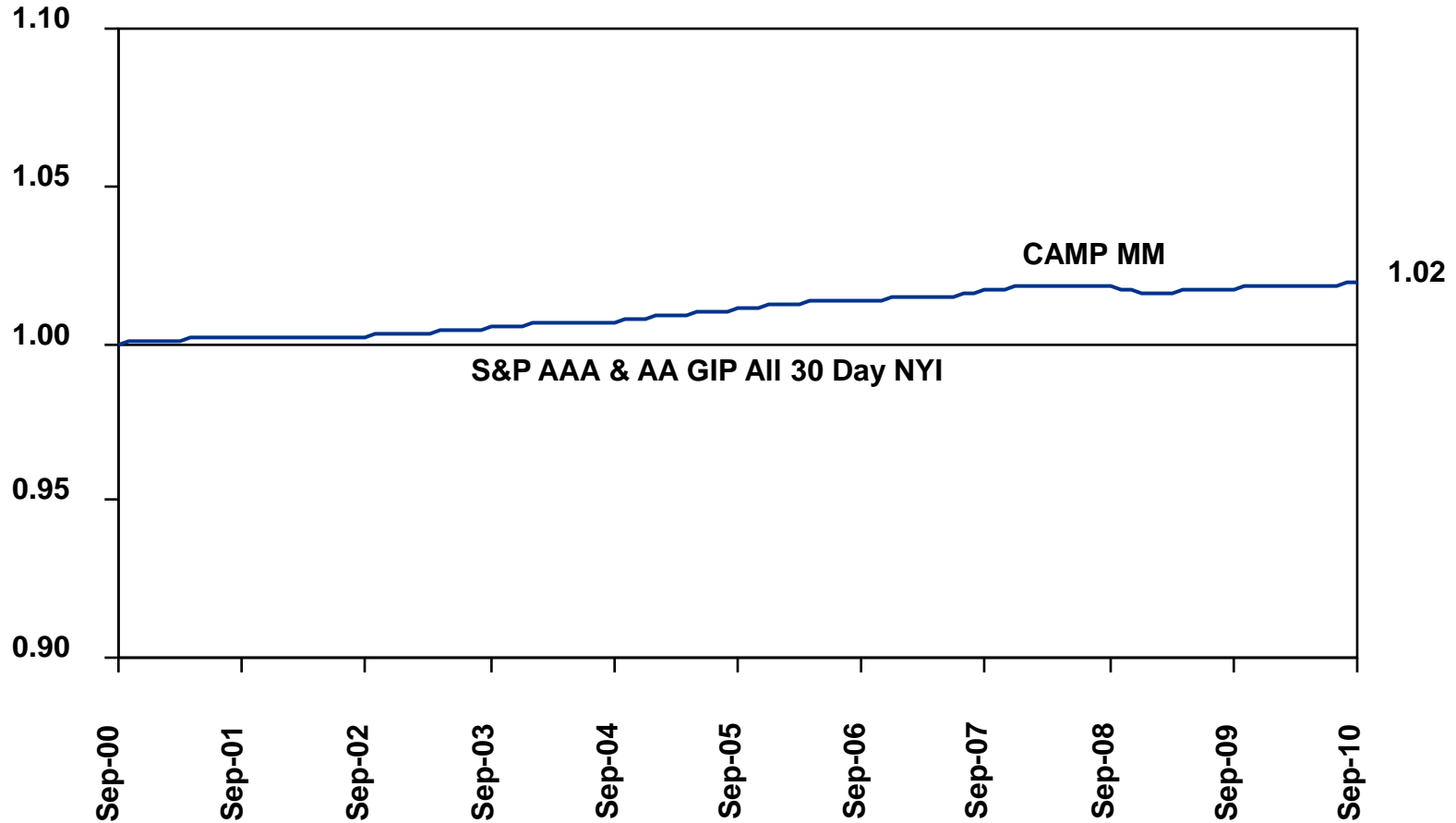
Periods Ending 9/30/2010



CAMP-MM Historical Risk and Return 10 Years Ending 9/30/2010



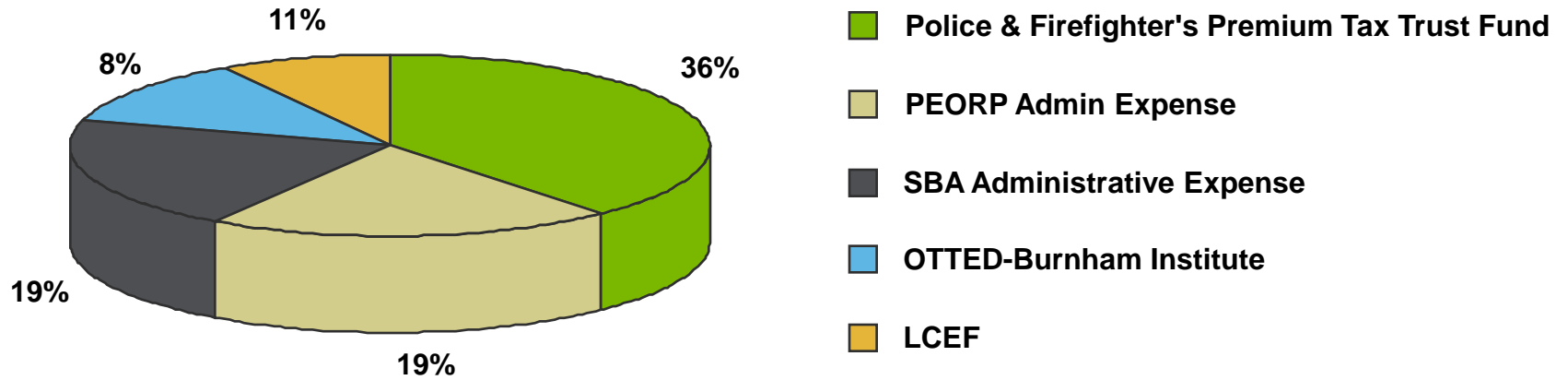
CAMP-MM Fund Cumulative Relative Performance 10 Years Ending 9/30/2010



CAMP-MM Fund Participants

As Of 9/30/2010

Top 5 Participants



Note: The percentages shown are of the CAMP-MM Fund (and do not include CAMP-MM Restricted).

CAMP-MM Fund Holdings

As Of 9/30/2010

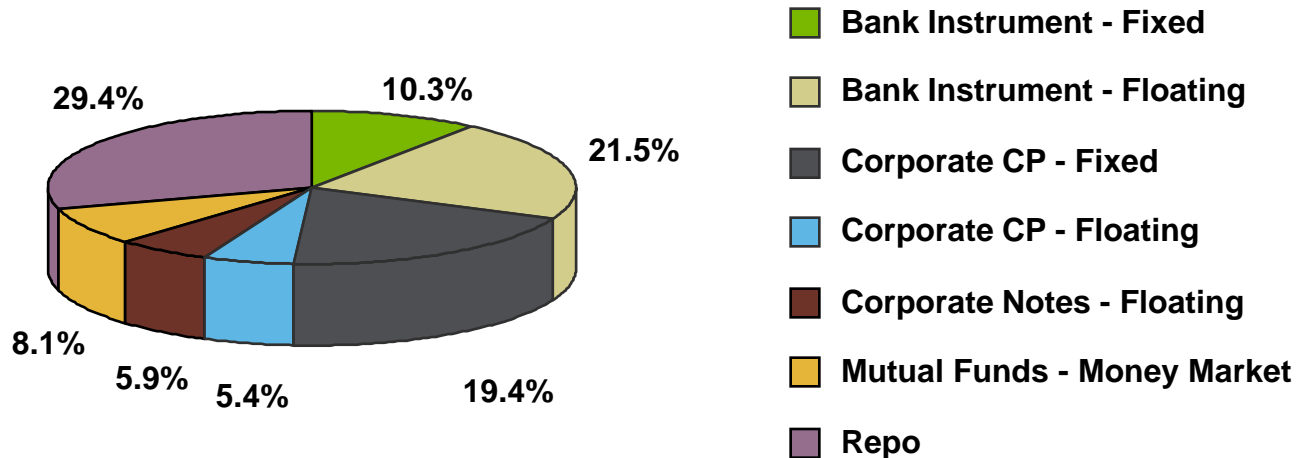
Holdings	Cpn/Dis	Maturity	Current Yield	Market Value	% of total
Abbey National Treasury Services PLC, Oct 29, 2010	0.31	10/29/2010	0.31	\$4,999,980	2.5%
Australia & New Zealand Banking Group, Melbourne, Nov 23, 2010	0.31	11/23/2010	0.31	\$10,998,702	5.4%
Bank of America Triparty Repo Overnight Fixed	0.25	10/1/2010	0.25	\$40,000,000	19.6%
Bank of Montreal, Dec 20, 2010	0.26	12/20/2010	0.26	\$11,999,388	5.9%
Barclays Bank PLC, Apr 05, 2011	0.59	4/5/2011	0.60	\$2,999,250	1.5%
Barclays Bank plc, Mar 25, 2011	0.56	3/25/2011	0.56	\$5,999,118	2.9%
Barclays US Funding Corp. CP		11/9/2010	0.53	\$4,998,684	2.5%
Canadian Imperial Bank of Commerce, Nov 17, 2010	0.33	11/17/2010	0.33	\$1,999,940	1.0%
Credit Agricole North America, Inc. CP		10/7/2010	0.63	\$4,999,825	2.5%
Deutsche Bank AG CDYAN	0.45	10/6/2010	0.46	\$11,000,476	5.4%
Deutsche Bank AG, Jan 10, 2011	0.46	1/10/2011	0.47	\$4,999,635	2.5%
Dreyfus Government Cash Management Fund OVNMF	0.06	10/1/2010	0.06	\$5,444,442	2.7%
Federated Prime Cash Obligations Fund, Class IS	0.22	10/1/2010	0.22	\$11,016,003	5.4%
Federated Prime Obligations Fund, Class IS	0.21	10/1/2010	0.21	\$12,876	0.0%
ING (U.S.) Funding LLC CP		10/1/2010	0.51	\$14,999,913	7.4%
Mizuho Corporate Bank Ltd. CDYAN	0.50	10/1/2010	0.51	\$10,000,069	4.9%
Morgan Stanley & Co., Inc. Triparty Repo Overnight Fixed	0.30	10/1/2010	0.30	\$20,000,000	9.8%
Societe Generale North America, Inc. CP		10/12/2010	0.66	\$1,499,895	0.7%
Toronto Dominion Bank, Dec 09, 2010	0.26	12/9/2010	0.26	\$10,998,999	5.4%
Toyota Motor Credit Corp. CP		12/6/2010	0.55	\$12,993,951	6.4%
Westpac Banking Corp. Ltd., Sydney, Dec 11, 2010	0.31	12/11/2010	0.31	\$12,000,408	5.9%
Total Portfolio:				\$203,961,555	100.0%

CAMP-MM Fund Characteristics

As Of 9/30/2010

S&P Credit Quality Composition	% of Total
A-1+	72.3%
A-1	27.7%
Total % of Portfolio:	100.0%

Portfolio Composition



CAMP-MM Maturity Schedule

As Of 9/30/2010

Effective Maturity Schedule	Final
1-7 days	57.6%
8-30 days	3.2%
31-90 days	32.3%
91-180 days	5.4%
181+ days	1.5%
Total % of Portfolio:	100.0%



**STATE BOARD OF ADMINISTRATION
OF FLORIDA**

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CHARLIE CRIST
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AS CHAIRMAN
ALEX SINK
CHIEF FINANCIAL OFFICER
AS TREASURER
BILL McCOLLUM
ATTORNEY GENERAL
AS SECRETARY
ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

To: Ash Williams
CC: Rob Smith, John Benton, Jack Nicholson, Gwenn Thomas, Eric Nelson, and Sheilah Smith
From: Kevin SigRist
Date: December 2, 2010
Subject: Florida Hurricane Catastrophe Fund Investment Portfolio Guidelines Review

Late last year the Florida Hurricane Catastrophe Fund and Florida Hurricane Catastrophe Fund Finance Corporation (Pre-Event Liquidity Fund) investment guidelines were substantially updated to emphasize liquidity, preservation of principal and portfolio yield, in that priority. Notably:

1. At least 50% of the portfolio is required to be invested in Treasuries, Agencies and Repurchase Agreements (i.e., collateralized by Treasuries, Agencies and Agency Mortgage Backed Securities) to hedge the risk of an unanticipated demand for ready liquidity during a challenged credit environment.
2. Weighted average maturity (to reset) was shortened to 90 days and weighted average life to final maturity would be shortened to 180 days. Non-government securities may not exceed 397 days to final maturity, while government securities may not exceed 3 years. Securities longer than 397 days are limited to 20% of the portfolio.
3. Credit quality guidelines required the highest rating from at least 2 agencies and the requirement for Asset Backed Commercial Paper bank backstops was clarified.
4. Diversification guidelines lowered issuer concentration to 3%. Sector concentration was limited to 25%, excluding financial services.
5. The compliance monitoring process and escalation for deviations between marked-to-market values and amortized cost was formalized to mitigate market risk.
6. The weekly monitoring process for interest rate sensitivity, spread duration, natural maturities and market risk was codified.

In conjunction with FHCF and Raymond James, SBA investment and compliance staff has conducted an annual review of the guidelines. We do not believe any major changes are required, but have made several clarifying changes. A redline version of the updated investment guidelines are attached.

We would be happy to answer any additional questions.

Attachment

Investment Policy ~~Guidelines~~Statement
Florida Hurricane Catastrophe Fund
and
Florida Hurricane Catastrophe Fund Finance Corporation (Pre-Event Liquidity Fund)
(Non-Qualified)
BNY Mellon Accounting Numbers: FMXFC030012 and FMXFC033052
BNY Mellon Name: FMXFCAN006 CATFund and FMXFCAN008 CAT2007A

Approval by Deputy Executive Director _____

Date _____

Purpose

The Florida Hurricane Catastrophe Fund (FHCF) was created in November 1993 during a special legislative session. The purpose of the FHCF is to maintain a viable and orderly private sector residential insurance market in order to maintain sufficient capacity to enable residents of the state to obtain property insurance coverage. The FHCF provides reimbursement to insurers for a portion of their catastrophic hurricane residential property losses. The State Board of Administration of Florida (SBA) was given responsibility for establishing and operating the FHCF under Section 215.555, Florida Statutes. The statute created the Florida Hurricane Catastrophe Fund Finance Corporation (Corporation) as a public benefits corporation to provide a mechanism necessary for the cost-effective and efficient issuance of bonds. FHCF can issue pre-event taxable bonds or upon occurrence of a hurricane and a determination that the monies in the FHCF are or will be insufficient to pay the insurers under the reimbursement contracts, the Corporation may issue tax-exempt revenue bonds or engage in other financing transactions.

Prudent investment of the cash of the FHCF and the Corporation can serve to further the goal of maintaining residential property insurance capacity in the state. Therefore, the purpose of this policy is to set forth objectives, guidelines and restrictions applicable to the investment of the cash of the FHCF and the Corporation (collectively described herein as, “the Portfolios”, although all guidelines and other requirements apply individually to each FHCF and the Corporation portfolio).

Investment Policy Overview

The primary investment objective for the Portfolios is defined by the following prioritized goals: (i) liquidity, so that reimbursement to insurers can be paid in a timely manner; (ii) safety of principal; and (iii) competitive returns. Cash flow needs for the FHCF after a storm are difficult to project, but it is prudent to assume that significant amounts of cash would be needed to pay covered losses quickly. Since paying such losses fully and in a timely manner is the primary mission of the FHCF, liquidity and principal stability in the portfolio must be paramount. The achievement of these goals is of prime importance and should not be jeopardized in the quest for additional return on the Portfolios.

The investment policy ~~guidelines-statement~~ will be reviewed at least annually, and revised as necessary, by the SBA and FHCF to evaluate the investment experience and market conditions to ensure their appropriateness. It will be necessary to monitor the impact of hurricane losses in the state to determine any potential liabilities of the FHCF, which will also affect the implementation of investment strategies.

Investment Restrictions/Compliance

The Portfolios should include only short-term, high quality and highly liquid fixed income securities as further described below.

Fixed Income Securities are securities that pay interest, dividends or distributions at a specified rate. The rate may be a fixed percentage of the principal or adjusted periodically. In addition, the issuer of a short-term fixed income security must repay the principal amount of the security, normally within a specified time. Permitted fixed income securities must be dollar-denominated and include corporate debt securities, bank instruments, US Treasury securities (“Government securities”), US Government Agency securities (“Agency securities”), Municipal securities, shares of Money Market mutual funds and other permitted types listed in Appendix A.

All securities purchased must be consistent with Section 215.47 of the Florida Statutes. Further:

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

For a more detailed description of allowable portfolio securities, please see “Types of Permitted Securities” at Appendix A.

Credit Quality

At the time of purchase, all investments must ~~have be rated~~credit quality in accordance with the following:

- (1) ~~Securities with s~~Short-term investment ratings must be ~~rated~~ in the highest applicable rating category from at least two of: Moody’s, S&P, and/or Fitch (Moody’s: P-1, S&P: A-1, Fitch: F1 without regard to any gradation within such category);

- (2) ~~Securities with H~~ong-term investment ratings must be ~~rated by~~available from at least two of Moody's, S&P, and/or Fitch and must be at least A2 by Moody's, A by S&P, and/or A by Fitch;
- (3) Money Market Fund ratings must be in the highest applicable category from at least one of: s must be rated Aaa by Moody's (Aaa), AAAM by S&P (AAAM) or AAA by Fitch (AAA);
- (4) Any asset-backed commercial paper or medium term note must have 100% liquidity support or ~~credit~~ enhancements in the form of a backstop from an A-rated- entity, typically a bank or other financial institution. In this case, a joint review of credit and structure will be performed by portfolio management prior to the approval of the security for purchase.~~bank backstop~~. The Senior Investment Officer of Fixed Income is responsible for maintaining documentation, monitoring such liquidity and/or credit enhancements, and communicating changes to the designated Compliance Officer.
- (5) Banker's Acceptances (BAs) and Certificates of Deposit (CDs) can be issued by any domestic or foreign bank with minimum capital of \$100 million and the bank must have at least two ratings with a minimum ratings of P-1 by Moody's or A-1 by S&P, or comparable long-term rating.

The SBA will manage credit risk by regularly performing a credit and structure analysis to develop and maintain an "Approved List" of issuers and securities that meet the requirements within this Statement, including reviewing pledged underlying credit support in the transaction documents for securities. The SBA will monitor the credit risks of all portfolio securities on an ongoing basis by reviewing periodic financial data, issuer news and developments, and ratings of certain nationally recognized statistical rating organizations. The following hierarchy shows the general priority order of ratings that will be considered applicable in adding or deleting a security from the Approved List:

<u>Rank</u>	<u>Level</u>	<u>Description</u>
<u>1</u>	<u>Issue</u>	<u>Issue level</u>
<u>2</u>	<u>Program</u>	<u>Program rating</u>
<u>3</u>	<u>Issuer-Company</u>	<u>Issuer level rating from the direct issuing company</u>
<u>4</u>	<u>Issuer-Parent</u>	<u>Issuer level rating from the parent company of the direct issuing company</u>
<u>5</u>	<u>Issuer-Ultimate</u>	<u>Issuer level rating from the highest corporate entity of the direct issuing company</u>

The Senior Investment Officer of Fixed Income will take reasonable care to ensure that any security added to the Approved List utilizing ratings from Ranks 4 or 5 in the preceding table have appropriate support from a parent or ultimate corporate entity as pledged in the transaction documents for securities.

The designated Compliance Officer will maintain procedures describing applicable ratings priority for specific types of permitted securities to be applied during the compliance process.

Diversification-

It is the FHCF's intent to maintain a properly diversified portfolio in order to reduce its risk from changes in the market for various classes of securities and to protect against changes in the financial health of any issuer of securities in the Portfolios. At the time of purchase:

- (1) Treasury and Agency securities, Treasury and Agency money market funds, Notes whose principal and interest payments are fully insured by the FDIC, and Treasury and Agency Collateralized Repurchase Agreements must in total be at least 50% of the total portfolio's amortized cost

- (2) Corporate securities, Commercial Paper, Bankers' Acceptances (BAs) and Certificates of Deposit (CDs), Municipal securities, and money market funds whose underlying assets are less than 100% Treasury and/or Agency securities in total cannot comprise more than 50% of ~~the~~ total portfolio's amortized cost.
- (3) No more than 25% of ~~the~~ total portfolio's amortized cost shall be in a single industry sector except that the Portfolio Manager may invest more than 25% of total portfolio amortized cost in the financial services industry sector, which includes banks, broker-dealers, and finance companies. This higher limit is in recognition of the large outstanding value of money fund instruments issued by financial services firms. Treasury and Agency securities are not considered to be part of an industry sector for these purposes.
- (4) Securities of a single issuer (excluding Treasury and Agency securities) shall not represent more than 3% of ~~the~~ total portfolio's amortized cost. ~~The Bloomberg Bond Ticker should be used to verify the issuer limit.~~ The maximum single issuer limit can be 5% of total portfolio amortized cost if timing issues related to delayed delivery transactions are the sole cause of this discrepancy, so long as the percentage is reduced back to 3% within 7 days.
- (5) No more than 5% of the Portfolios may be invested in any one issuer of FDIC insured notes (issuer means the financial institution which issues through the Temporary Liquidity Guarantee Program and not the FDIC).
- (6) Investments in an individual money market fund (including Treasury and Agency money market funds) shall be limited to those money market funds authorized as sweep vehicles at the SBA's custodian and, no more than 10% of total portfolio amortized cost ~~the Portfolios~~ may be invested in an individual money market fund (including any one Treasury or Agency money market fund).
- (7) Municipal securities shall not represent more than 25% of ~~the~~ total portfolio's amortized cost.
- (8) Repurchase Agreements shall not represent more than 25% of ~~the~~ total portfolio's amortized cost and must be collateralized at least 102% with U.S. Government, Agency, or Agency Mortgage Backed Securities. All Repurchase Agreements must be marked-to-market daily. The maximum percentage can be increased upon approval by Executive Director and Chief Investment Officer with a notification to FHCF.
- (9) In general, issuer concentration limits described above will be verified using ticker information within a third-party analytics system or internal portfolio accounting system. For Asset Backed Commercial Paper (ABCP) the supporting bank entity will be considered the issuer for concentration limit considerations.

Duration and Liquidity

The FHCF's intent under this policy is to have a short-term portfolio that can provide ready liquidity at a price approximating amortized cost. Limiting the duration of the investments in the Portfolios is one important way that this goal can be achieved. With that in mind, the following duration restrictions apply:

- (1) Final maturities shall not exceed 397 days, with the exception of those for Government Securities and Agency Securities, which shall not exceed 3 years. The Portfolio Manager shall not enter into any contractual agreement for an investment that exceeds 3 years. No more than ~~20 percent (20%)~~ of the total portfolio amortized cost ~~Portfolios~~ may be invested in fixed rate securities with remaining time to maturity exceeding 397 days.
- (2) The dollar weighted average maturity to reset of the Portfolios shall not exceed 90 days (i.e., WAM shall not exceed 90 days), calculated using the interest rate reset period for any Variable Rate Obligations (VROs).
- (3) The dollar weighted average final maturity of the Portfolios shall not exceed 180 days (i.e., WAL shall not exceed 180 days), calculated using the stated legal maturity for any VROs.

- (4) Banker's Acceptances and Certificates of Deposit must have a maximum maturity of less than 397 days.
- (5) The maximum term for Repurchase Agreements ~~can have a maximum term of~~ shall not exceed 30 days.
- (6) The maximum term for Asset-Backed Commercial Paper ~~maturity is limited to~~ shall not exceed 180 days.

Monitoring

The SBA will regularly monitor the FHCF portfolio to assess the Portfolios' ability to meet levels of credit risk, redemptions, and interest rate changes, including the following:

- (1) On at least a weekly basis, the Senior Investment Officer will review and document the Portfolios':
 - a. Interest rate sensitivity (i.e., days to reset).
 - b. Spread duration (i.e., weighted average life and related measures).
 - c. Natural maturity schedule.
 - d. Holdings that meet the purchase requirements of ~~these~~ this Investment Policy ~~Guidelines~~ Statement, but:
 - i. have elevated market risk and are on the "not approved list" for future purchases;
 - ii. have elevated market risk.
 - e. Holdings do not meet the purchase requirements of ~~these~~ this Investment Policy ~~Guidelines~~ Statement.
- (2) The designated Compliance Officer will perform monthly compliance monitoring to ensure that investment practices comply with the requirements of ~~these~~ this Investment Portfolio ~~Guidelines~~ Statement and will communicate compliance exceptions to the Investment Oversight Group ~~and FHCF~~ at regular monthly meetings and FHCF through delivery of compliance packages. The Investment Oversight Group may agree to suspend the foregoing reporting to the extent that extraordinary market conditions, portfolio distributions, ~~legacy portfolio holdings on October 30, 2009~~ or other events are expected to cause the Portfolios to remain out of compliance for a period of time and further reporting will not provide new information.
- (3) At any time, in the event that a security no longer meets the criteria for purchase due to default, event of insolvency, a credit rating downgrade or other material event ("Affected Security"), the Senior Investment Officer must identify the Affected Security and cause the Portfolio Manager to either dispose of the security within 5 business days or present a justification for the retention of the security to the Investment Oversight Group within 3 business days. If an Affected Security matures within 5 business days, no further action is required. An Affected Security may be held after 5 days only if the Executive Director and Chief Investment Officer has determined, based upon a recommendation from the Senior Investment Officer and the Investment Oversight Group, that it would not be in the best interest of the Portfolios to dispose of the security taking into account market conditions that may affect an orderly disposition. FHCF and the Investment Oversight Group will be contemporaneously notified by the Senior Investment Officer of any Affected Securities.
- (4) When the deviation between the market value and amortized cost of FHCF exceeds:
 - a. 0.50%, according to pricing information provided by the Custodian, the ~~Portfolio Manager~~ Senior Investment Officer will establish a formal action plan. The Investment Oversight Group will review the formal action plan and prepare a recommendation for the Executive Director and Chief Investment Officer's consideration.
 - b. 0.75%, according to pricing information provided by the Custodian, the Executive Director and Chief Investment Officer will promptly consider what action, if any, will be

initiated. Where the Executive Director and Chief Investment Officer believes the extent of any deviation from FHCF amortized cost price per share may result in material dilution or other unfair results to asset classes or portfolios, the Executive Director and Chief Investment Officer will cause such action to be taken as the Executive Director and Chief Investment Officer deems appropriate to eliminate or reduce to the extent reasonably practicable such dilution or unfair results.

- c. FHCF and the Investment Oversight Group will be contemporaneously notified by the Senior Investment Officer should the deviation between the market value and amortized cost of the Portfolios exceed the preceding thresholds (although this notification duty does not negate the need for Compliance staff to daily monitor the deviation versus thresholds).
- (5) SBA will at least quarterly stress test the portfolio and will report the results of the stress tests to the FHCF and the Investment Oversight Group. Stress tests must be conducted for at least the following events, or combinations of events (i) a change in short-term interest rates; (ii) after a storm event or 90 days prior to any pre-event bonds' -maturity date -(iii) downgrades or defaults; and (iv) changes between a benchmark overnight interest rate and the interest rates on securities in the portfolio (i.e., shocks to spreads).

Other Restrictions

- (1) Asset Backed Securities and Mortgage Backed Securities (including Agency MBS) are not permitted.
- (2) Derivatives are not permitted.
- (3) Subordinate obligations, regardless of ratings, are not permitted.
- (4) Reverse Repurchase Agreements are not permitted.
- (5) Securities Lending is not permitted.
- (6) Corporate ~~V~~variable or floating rate obligations with a demand feature are not permitted.
- (7) Asset Backed Commercial Paper (ABCP) under the conditions described above are permitted, but extendible ABCP and commercial paper or medium term notes issued by Collateralized Debt Obligations are not permitted.
- (8) All securities not explicitly listed as permitted investments are hereby deemed to be prohibited under this policy unless written permission is received from the Executive Director and Chief Investment Officer.
- (9) Repurchase Agreements (overnight or term) are only permitted when transacted with any registered broker/dealer or any U.S. branches of commercial banks whose unsecured short-term dollar-denominated debt obligations are rated at least "P-1" by Moody's, ~~and~~ "A-1" by S-&P, and FI by Fitch without regard to gradation. However, term Repurchase Agreements are only permitted with counterparties with the highest such gradation (e.g., A-1+). In addition, (a) a specific written repurchase agreement must govern the transaction, (b) the securities must be held free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and (c) such party must be a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$100 million, and the Indenture Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the ~~-~~Trustee.

It is the responsibility of the SBA Fixed Income Staff to (i) ascertain prior to the purchase of any investment for the Portfolios that such purchase is allowable and that the Portfolios will be in compliance with all aspects of this policy subsequent to such purchase; and (ii) reasonably maintain compliance with all aspects of this policy. The FHCF staff will not independently verify compliance and therefore it is imperative for a robust and independent compliance process to be applied to the Portfolios as described above.

In addition, ~~the~~ all SBA staff has an affirmative duty to immediately disclose any material impact on the Portfolios to ~~the~~ SBA and FHCF management.

Evaluation

The Portfolios' performance evaluation will be conducted and reported to the FHCF monthly, net of all fees. The blend of 50% of the average of the three month Treasury Bill rate and 50% of the iMoneyNet First Tier Institutional Money Market Funds ~~Gross-Net~~ Index will be used for evaluation for periods beginning July 1, 2010. The SBA must provide reports on a monthly basis to enable the FHCF staff, advisory council, and governing board to understand how the Portfolios are invested and how they are performing versus the benchmark. As requested, the SBA will provide industry sector breakdowns, approved issuer and program lists and related credit analysis.

Appendix A-Types of Permitted Securities

Corporate Debt Securities

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

Commercial Paper

Commercial Paper is an issuer's obligation with a maturity of less than 9 months. Companies typically issue commercial paper to pay for current expenditures. Most issuers ~~constantly-routinely~~ reissue ~~their~~ commercial paper and use the proceeds (or bank loans) to repay maturing paper. If ~~the-an~~ issuer cannot continue to obtain liquidity in this fashion, its commercial paper may default. Bank liquidity support for commercial paper can help reduce this risk.

Medium Term Notes (MTN)

Medium Term Notes are fixed income securities generally issued under a funding program that allows for a streamlined issuance process using a series of underlying documents.

Variable Rate Demand Obligations

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

Bank Instruments

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

~~FHCF's Investment Managers~~ will not invest in instruments of domestic or foreign banks and savings and loans unless they have capital, surplus and undivided profits of over \$100,000,000, or if the principal amount of the instrument is insured by the Bank Insurance Fund or the Savings Association Insurance Fund which are administered by the Federal Deposit Insurance Corporation either directly or as part of CDARS (Certificate of Deposit Account Registry Service) program. These instruments may include Eurodollar Certificates of Deposit, Yankee Certificates of Deposit, and Eurodollar Time Deposits.

Government Securities

Government security means any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States; or any certificate of deposit for any of the foregoing.

U.S. Treasury Securities

US Treasury securities are direct obligations of the federal government of the United States.

Agency Securities

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

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

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

Notes issued through the US Government Temporary Liquidity Guarantee Program, whose interest and principal payments are fully and unconditionally guaranteed by the FDIC will be considered Agency Notes.

Insurance Contracts

Insurance contracts include guaranteed investment contracts (GICs), funding agreements, and annuities. GICs and funding agreements are contracts sold by insurance companies which guarantee the repayment of principal and a fixed or floating interest rate over a predetermined period of time. Insurance companies also offer annuity policies or contracts in which the annuitant invests a lump sum or installments in return for a series of fixed or variable payments over a set time period. These investments are treated as fixed income securities and are subject to credit risk.

Municipal Securities

Municipal securities are issued by states, counties, cities, and other political subdivisions and authorities. The two basic types of municipal securities are general obligation bonds and revenue bonds. General obligation bonds are backed by the full faith and credit of the issuer, including its general taxation authority and the ability to raise funds through credit. Revenue bonds are repaid using the revenue generated by the project the bonds are issued to fund.

Foreign Securities

Foreign securities are US dollar-denominated securities of issuers based outside the United States. FHCF considers the issuer to be based outside the United States if: it is organized under the laws of, or has a

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

Zero Coupon Securities

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

Callable Securities

Callable securities contain a provision which allows the issuer to call or retire the debt prior to maturity. Callable securities are subject to reinvestment risks.

Money Market Mutual Funds

Money Market mutual funds are registered investment companies that comply with rule 2a-7 of the Investment Company Act of 1940.

Repurchase Agreements (REPOs)

Repurchase Agreements are a common form of short-term borrowing for dealers ~~in government securities~~. An investor buys a security from a dealer or bank and agrees to sell the security back at a mutually agreed-upon time and price. The repurchase price exceeds the sale price, reflecting the portfolio’s return on the transaction. This return is unrelated to the interest rate on the underlying security. Repurchase agreements are executed only with banks and other recognized financial institutions, such as securities dealers, that are deemed creditworthy by the Investment Manager. Repurchase agreements are subject to credit risks. ~~The dealer sells the government securities to investors, usually on an overnight basis, and buys them back at an agreed upon price at a later date.~~

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

Delayed Delivery Transactions

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

**PROPOSED SCHEDULE OF
INVESTMENT ADVISORY COUNCIL
MEETINGS FOR 2011**

Monday, March 7, 2011

**Monday, June 6, 2011
(Joint Meeting IAC/PLGAC)**

Monday, September 26, 2011

Monday, December 5, 2011

2011 Proposed Meeting Dates

JANUARY						
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Tentative IAC Dates