MEETING OF THE STATE BOARD OF ADMINISTRATION

GOVERNOR SCOTT AS CHAIRMAN
CHIEF FINANCIAL OFFICER ATWATER
ATTORNEY GENERAL BONDI

September 20, 2016

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AGENDA

ITEM 1. **REQUEST APPROVAL OF THE MINUTES OF THE AUGUST 2, 2016 CABINET MEETING.**

(See Attachment 1A)

ACTION REQUIRED

ITEM 2. **REQUEST APPROVAL OF A FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING $62,000,000 STATE OF FLORIDA, BOARD OF GOVERNORS, FLORIDA ATLANTIC UNIVERSITY DORMITORY REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED):**

(See Attachment 2A)

ACTION REQUIRED

ITEM 3. **REQUEST APPROVAL OF A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $3,800,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE NOTES, 2016 (ONE OR MORE SERIES TO BE DESIGNATED) (HAMPTON VILLA APARTMENTS)**

(See Attachment 3A)

ACTION REQUIRED

ITEM 4. **REQUEST APPROVAL OF A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $7,000,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE NOTES, 2016 (ONE OR MORE SERIES TO BE DESIGNATED) (HICKORY KNOLL)**

(See Attachment 4A)

ITEM 5. **REQUEST APPROVAL OF A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $5,590,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, 2016 (SERIES TO BE DESIGNATED) (CENTURY PARK)**

(See Attachment 5A)

ACTION REQUIRED

ITEM 6. **REQUEST APPROVAL OF A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $7,250,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE NOTES, 2016 (ONE OR MORE SERIES TO BE DESIGNATED) (SEMINOLE GARDENS)**

(See Attachment 6A)

ACTION REQUIRED

ITEM 7. **REQUEST APPROVAL TO FILE FOR NOTICE AMENDMENTS TO RULE 19-7.002, F.A.C. (INVESTMENT POLICY GUIDELINES) AND TO FILE THE RULE FOR ADOPTION IF NO MEMBER OF THE PUBLIC TIMELY REQUESTS A RULE HEARING RELATED TO THIS RULE.**

The purpose and effect of the proposed rule amendments to Rule 19-7.002, F.A.C. will be to adopt the revised Investment Policy Statements for the Local Government Surplus Funds Trust Fund. This policy statement is incorporated by reference in Rule 19-7.002, F.A.C.

The revisions to the policy statement were approved and made effective by the Trustees on August 2, 2016. There are no significant policy issues or controversial issues connected to the rule amendments. The amendments simply serve as an informational update.

The proposed rule amendments do not impose any burdens on businesses; they do not restrict entry into a profession; they have no impact on the availability of services to the public; they have no impact on job retention; they do not impose any restrictions on employment seekers; and they do not impose any costs. No legislative ratification is required.

(See attachment 7A-7C)

ACTION REQUIRED

ITEM 8. REQUEST APPROVAL OF, AND AUTHORITY TO FILE, A NOTICE OF PROPOSED RULE FOR FLORIDA HURRICANE CATASTROPHE FUND RULE 19-8.010, F.A.C., REIMBURSEMENT CONTRACT, AND TO FILE THIS RULE, ALONG WITH THE INCORPORATED FORMS, FOR ADOPTION IF NO MEMBER OF THE PUBLIC TIMELY REQUESTS A RULE HEARING OR IF A HEARING IS REQUESTED, NO NOTICE OF CHANGE IS NEEDED.

(See Attachments 8A-8H)

ACTION REQUIRED

ITEM 9. REQUEST APPOINTMENT OF THE CHAIR FOR THE FLORIDA COMMISSION ON HURRICANE LOSS PROJECTION METHODOLOGY. EACH YEAR, THE SBA IS REQUIRED BY SECTION 627.0628(2)(D), F.S., TO APPOINT A COMMISSION MEMBER TO SERVE AS CHAIR. IT IS RECOMMENDED THAT THE CURRENT CHAIR, LORILEE MEDDERS, PH.D., BE REAPPOINTED TO SERVE AS CHAIR.

A copy of Dr. Medders's curriculum vitae and a list of all Commission members are provided.

(See Attachments 9A-9B)

ACTION REQUIRED

ITEM 10. QUARTERLY REPORTS PURSUANT TO SECTION 215.44 (2)(e), FLORIDA STATUTES

- Executive Director & CIO Introductory Remarks and Standing Reports – *Ash Williams*

- Major Mandates Investment Performance Reports as of June 30, 2016 – *Kristen Doyle – Hewitt EnnisKnupp*
    - Florida Retirement System Pension Plan (DB)
    - Florida Retirement System Investment Plan (DC)
    - Florida PRIME (Local Government Surplus Funds Trust Fund) and Fund B
    - Florida Hurricane Catastrophe Fund (FHCF)

(See Attachments 10A – 10I)

STATE OF FLORIDA

IN RE: MEETING OF THE GOVERNOR AND CABINET
______________________________________/

CABINET MEMBERS:	GOVERNOR RICK SCOTT ATTORNEY GENERAL PAM BONDI CHIEF FINANCIAL OFFICER JEFF ATWATER COMMISSIONER OF AGRICULTURE ADAM PUTNAM
DATE:	TUESDAY, AUGUST 2, 2016
LOCATION:	CABINET MEETING ROOM LOWER LEVEL, THE CAPITOL TALLAHASSEE, FLORIDA
REPORTED BY:	NANCY S. METZKE, RPR, FPR COURT REPORTER

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STATE BOARD OF ADMINISTRATION

GOVERNOR SCOTT: Next I'd like to recognize Ash Williams with the State Board of Administration.

EXECUTIVE DIRECTOR WILLIAMS: Good morning Governor, Trustees.

GOVERNOR SCOTT: With 30-year, 2.2% interest rates, you can't get much of a return, can you?

EXECUTIVE DIRECTOR WILLIAMS: We're the mirror image of Ben Watkins. Just as it's good to be Ben Watkins, it is hard to be Ash Williams in a time of interest rates like this. And putting that in perspective, if you go all the way back to 1965, the average return on 10-year treasury bonds is over 6%. It's now one and a half percent; that's a very different world.

GOVERNOR SCOTT: It shows you our economy, the national economy -- the worldwide economy is weak.

EXECUTIVE DIRECTOR WILLIAMS: Correct.

GOVERNOR SCOTT: No place to invest the money.

EXECUTIVE DIRECTOR WILLIAMS: Correct.

GOVERNOR SCOTT: I mean that's the negative. I mean it's so slow because there are no opportunities to go take a lot of risk because you're not getting paid for it.

EXECUTIVE DIRECTOR WILLIAMS: That's correct.

GOVERNOR SCOTT: And it impacts your returns.

EXECUTIVE DIRECTOR WILLIAMS: And I think particularly, given that reality and in the wake of Brexit, you look at U.S. market relative attractiveness, I think it's better for several reasons: First of all, stronger fundamental earnings; strongest currency in the world probably; the U.S. rule of law and the umbrella of U.S. military strengths over the stability of the political system. That's compelling. If you're in most parts of the world and you want to put capital to work and have a return of and a return on capital, that's a good thing.

There's another thing that's interesting in this world, if you think about gold, which is normally an odd asset to carry because it costs money to carry it, you've got to put it somewhere and protect it and all that kind of thing; but even if you own it through a fund, like an exchange-traded fund, you can own gold in this environment and, even though it has no tax return, it's a better alternative than a lot of sovereign bond issues because those have negative returns for the first time in hundreds and hundreds of years of financial market history, so it's a strange time.

GOVERNOR SCOTT: It makes it hard to get the returns you need to pay pensions.

EXECUTIVE DIRECTOR WILLIAMS: It does, that's exactly right, and to save money for retirement privately or anything else.

So on that happy note, let's jump in with a couple of summary numbers: Fiscal year-end, for the fiscal year-ended 30 June, '16, Florida Retirement System trust fund -- these are preliminary numbers. We won't have audited numbers until Q4 where we re-value private market assets, et cetera.

But the return for the fiscal year was a positive 0.61%, which as modest as that is, is 71 basis points ahead of target, and leaves us net of distributions of several billion dollars, down $600 million dollars in the Florida Retirement System Trust Fund.

If we contrast that number to where we are for calendar year-to-date, you know, we always report the longer data series of fiscal year or calendar year. So now that we've wrapped the fiscal year, let's switch over to calendar year; it's a slightly brighter picture.

As of the close yesterday, the first of August, the preliminary numbers for the Florida Retirement System Trust Fund are 4.93% positive. That's behind benchmark 37 basis points. It's 1.1 billion ahead of where the Trust Fund started the year.

Interestingly, distributions during the calendar year to date stand at 7.4 billion. The reason for that is we had some extraordinarily large DROP payouts as a consequence of people who rushed into the DROP to beat the rationalization of the interest rate done during pension reform back in 2011.

So we had a massive wave of DROP payouts, but that means that basically net of distributions, investment gains -- or gross of distributions, investment gains have been eight and a half billion dollars calendar year-to-date.

So unless there are questions on any of those points, I'll proceed on into the agenda.

COMMISSIONER PUTNAM: I'm curious -- Governor?

GOVERNOR SCOTT: Sure.

COMMISSIONER PUTNAM: How many people did exit this year? Because we saw it in our agency, I mean the same day over a hundred people walked out or some number like that. What did we see statewide?

EXECUTIVE DIRECTOR WILLIAMS: Commissioner, you're seeing the human side; I see the dollar side. I don't know the number of individuals, I know the dollars. And the dollars are 1 to $2 billion in DROP payments, it's real money.

So we reserved for that, we managed it, et cetera, and we've met the payouts on time without issue. I can certainly get that for you if you'd like to look at it.

COMMISSIONER PUTNAM: I'll go to the human person instead of the dollar person.

EXECUTIVE DIRECTOR WILLIAMS: No doubt a warmer dialogue. Thank you.

Other questions?

(NO RESPONSE).

EXECUTIVE DIRECTOR WILLIAMS: All right. Item 1, request approval of the minutes of the March 29 and May 10 Cabinet meetings.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 2, request approval of a fiscal sufficiency of an amount not exceeding $52 million State of Florida full faith and credit Board of Education capital outlay bonds.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 3, request approval of a fiscal sufficiency of an amount not exceeding $25 million State of Florida, Board of Governors, University of South Florida parking facility revenue refunding bonds.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Any comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 4, request approval of a fiscal sufficiency of an amount not exceeding $23 million, State of Florida, Board of Governors, University of Florida dormitory revenue refunding bonds.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 5, request approval of a resolution of the State Board of Administration making the fiscal determination in connection with the issuance of an amount not exceeding $10,500,000 Florida Housing Finance Corporation multi-family mortgage revenue bonds.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Any comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 6, request approval of a resolution of the State Board of Administration, making the fiscal determination in connection with the issuance of an amount not exceeding $6,400,000, Florida Housing Finance Corporation multi-family mortgage revenue bonds.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 7, request approval of the SBA quarterly report on scrutinized companies with designated business practices.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 8, request approval of a draft letter to the Joint Legislative Auditing Committee affirming the SBA Trustees have reviewed and approved the monthly Florida Prime summary reports and actions taken, if any, to address impacts. There were no material impacts; therefore, no actions.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 9, request approval of a draft letter to the Joint Legislative Auditing Committee for annual certification of legal compliance and best investment practices for the Local Governments Surplus Funds Trust Fund, now known as Florida Prime.

As you know, annually we're required by law with legislation that passed in 2008 to have independent third-party evaluations done with regard to Florida Prime that ensure two things: Number 1, we followed all applicable laws and regulations; Number 2, everything we're doing on the investment side is compliant with best practice.

Those were done and presented to the

Investment Advisory Council in their last public meeting. An outside third-party law firm did the legal review, and Aon Hewitt did the investment best practice review.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 10, request approval of the Investment Policy Statement for Florida Prime. Now what the changes are in this investment policy statement are directly linked to the item previously done.

The Securities and Exchange Commission has done an extensive review of regulation of money market and money-market-like funds. They finally settled their new rules, and we made a couple of minor adjustments to the Investment Policy Statement for Florida Prime to reflect and adopt those new standards. They're perfectly consistent with what we're doing, and it's merely a true-up to get us where we need to be to be fully compliant.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Any comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 11, request approval to file for notice amendments to Rule 19-11-002. This is beneficiary designations and distributions for the FRS investment plan and to file the rule for adoption. This simply adopts the latest version of the beneficiary designation form.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Any comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 12, request approval to file for notice a new rule for Rule 19-11.014, Florida Administrative Code. This relates to benefits payable for investment plan member disability and in-line-of-duty death benefits. This reflects implementation of the legislation done recently to provide a death benefit under the investment plan.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Any comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 13 is the usual suite of quarterly reports for the SBA and the Florida Retirement System Trust Fund that cover a range of matters from compliance -- and I would tell you, they're summarizing the Inspector General's report, the

Chief Audit Executive report, and the General Counsel's report -- there are no compliance issues; and also a range of performance reports for all of our various funds.

Suffice it to say, all funds are performing for relevant periods at acceptable levels at or ahead of benchmark, and I don't believe there are any other major items that came up there.

GOVERNOR SCOTT: Okay. Any questions on that?

(NO RESPONSE).

GOVERNOR SCOTT: Thank you, Ash.

ATTORNEY GENERAL BONDI: Thank you, Ash.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

* * * *

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE: September 7, 2016

APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING $62,000,000 STATE OF FLORIDA, BOARD OF GOVERNORS, FLORIDA ATLANTIC UNIVERSITY DORMITORY REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED):

The Division of Bond Finance of the State Board of Administration (the "Division") has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding $62,000,000 State of Florida, Board of Governors Florida Atlantic University Dormitory Revenue Refunding Bonds, Series (to be determined) (the "Bonds"), the purpose of refunding all or a portion of the outstanding Series 2003, 2006A and 2006B Bonds and to pay costs associated with the issuance and sale of the Bonds.

The Bonds will be issued pursuant to the Original Resolution adopted on July 21, 1992, as amended and supplemented, and the Seventh Supplemental Resolution anticipated to be adopted on September 20, 2016.

The Division has heretofore issued Florida Atlantic University Housing Revenue and Dormitory Revenue Refunding Bonds, Series 2003 through Series 2006B (the “Parity Bonds”). The Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Revenues and in all other respects, with the Parity Bonds.

A study of this proposal and the estimates of revenue expected to accrue indicate that the proposed Bonds are fiscally sufficient and that the proposal will be executed pursuant to the applicable provisions of law.

RECOMMENDATION: It is recommended that the Board approve the proposal outlined above.

cc: Janie knight

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION APPROVING THE FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING $62,000,000 STATE OF FLORIDA, BOARD OF GOVERNORS, FLORIDA ATLANTIC UNIVERSITY DORMITORY REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED)

WHEREAS, the Division of Bond Finance of the State Board of Administration (the "Division") proposes to issue an amount not exceeding $62,000,000 State of Florida, Board of Governors, Florida Atlantic University Dormitory Revenue Refunding Bonds, Series (to be determined) (the "Bonds"), for the purpose of refunding all or a portion of the outstanding Series 2003, 2006A and 2006B Bonds and to pay costs associated with the issuance and sale of the Bonds; and,

WHEREAS, the Division has requested the State Board of Administration to approve the fiscal sufficiency of the proposed issue as required by Section 215.73, Florida Statutes; and,

WHEREAS, the Bonds will be issued pursuant to the Original Resolution adopted on July 21, 1992, as amended and supplemented, and the Seventh Supplemental Resolution anticipated to be adopted on September 20, 2016 (collectively referred to herein as the "Resolution"); and,

WHEREAS, the Division has heretofore issued Florida Atlantic University Housing Revenue and Dormitory Revenue Refunding Bonds, Series 2003 through Series 2006B (the "Parity Bonds"); and,

WHEREAS, the Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Revenues and in all other respects, with the Parity Bonds and,

WHEREAS, the principal of and interest due on the Bonds shall be paid solely out of revenues and other amounts pledged therefor, as described in the Resolution; and,

WHEREAS, the Bonds do not constitute an obligation, either general or special, of the State of Florida or any of its units of local government and shall not be a debt of the State or of any unit of local government, and neither the State nor any unit of local government shall be liable thereon; and,

WHEREAS, Florida Atlantic University shall not have the power to pledge the credit, the revenues, or the taxing power of the State or of any unit of local government, and neither the credit, the revenues, nor the taxing power of the State or of any unit of local government shall be deemed to be pledged to the payment of the Bonds; and,

WHEREAS, the proceeds of the Bonds shall be and constitute trust funds and shall be used and applied solely in the manner and for the purposes provided in the Resolution; and,

WHEREAS, the estimate of funds pledged to the issue indicates that in no State fiscal year will the debt service requirements of the Bonds and all other issues secured by the same pledged revenues exceed the Pledged Revenues available for payment of such debt service requirements and that in no State fiscal year will the moneys pledged for the debt service requirements be less than the required coverage amount; and,

WHEREAS, the Division, has furnished sufficient information to enable the State Board of Administration to fulfill its duties pursuant to Section 215.73, Florida Statutes; and,

WHEREAS, the State Board of Administration has relied upon information from others but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the State Board of Administration does not approve or disapprove the Bonds as an investment and has not passed upon the accuracy or adequacy of the Official Statement; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, that pursuant to the requirements of Section 215.73, Florida Statutes, the proposal of the Division of Bond Finance of the State Board of Administration to issue an amount not exceeding $62,000,000 State of Florida, Board of Governors, Florida Atlantic University Dormitory Revenue Refunding Bonds, Series (to be determined) for the uses and purposes hereinabove set forth, is hereby approved as to fiscal sufficiency.

ADOPTED September 20, 2016

STATE OF FLORIDA)
:
COUNTY OF LEON)

I, Ashbel C. Williams, Executive Director & CIO of the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, **DO HEREBY CERTIFY** that the above and foregoing is a true and correct copy of a resolution adopted by said Board at a meeting held September 20, 2016, approving the fiscal sufficiency of an amount not exceeding $62,000,000 State of Florida, Board of Governors, Florida Atlantic University Dormitory Revenue Refunding Bonds, Series (to be determined).

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of said Board at Tallahassee, Leon County, Florida, this 20th day of September 2016.

____

Ashbel C. Williams, Executive Director & CIO

(SEAL)

STATE OF FLORIDA

DIVISION OF BOND FINANCE
OF THE STATE BOARD OF ADMINISTRATION

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DIRECTOR

RICK SCOTT
GOVERNOR
AS CHAIRMAN

PAM BONDI
ATTORNEY GENERAL
AS SECRETARY

JEFF ATWATER
CHIEF FINANCIAL OFFICER
AS TREASURER

ADAM H. PUTNAM
COMMISSIONER OF AGRICULTURE

September 1, 2016

Mr. Ashbel C. Williams
Executive Director & CIO
State Board of Administration
Post Office Box 13300
Tallahassee, Florida 32317-3300

RE: Not Exceeding $62,000,000 State of Florida, Board of Governors, Florida Atlantic University Dormitory Revenue Refunding Bonds, Series (to be determined)

Dear Mr. Williams:

In compliance with Section 215.73, Florida Statutes, the Division of Bond Finance requests State Board of Administration approval as to fiscal sufficiency for the above referenced bond issue. We request such approval at your board meeting of September 20, 2016.

The proposed bonds will be issued to refund all or a portion of the outstanding Series 2003, 2006A and 2006B Bonds and to pay costs associated with the issuance and sale of the bonds and will only be issued if there is a debt service savings derived from the transaction.

The bonds will be secured by the revenues of the housing system after deducting operating expenses. Housing system revenues are derived primarily from rental income. The bonds will be payable on a parity with the remaining outstanding Florida Atlantic University Dormitory Revenue and Housing Revenue Bonds, Series 2003, 2006A, 2006B, if any.

The bonds will be issued pursuant to the Original Resolution adopted by the Governor and Cabinet on July 21, 1992, as amended and supplemented, and the Seventh Supplemental Resolution which is anticipated to be adopted on September 20, 2016. The Original Resolution, as previously amended and supplemented, has been previously provided with prior fiscal sufficiency requests. A draft copy of the Seventh Supplemental Resolution will be provided to you, when available.

Enclosed for your review are the following:

Enclosure 1: An estimated coverage table for the program based on outstanding debt service without consideration of the potential savings from the proposed refunding bonds, and

Enclosure 2: an estimated debt service and savings schedule from a recent sizing of the proposed refunding bond.

A draft of the fiscal sufficiency resolution should be sent to Kim Nichols and Donna Biggins of this office for review. Should you have any questions, please contact either myself, Kim Nichols or Donna Biggins at 488-4782. Your consideration of this matter is appreciated.

Sincerely,

J. Timothy Twinkley for

J. Ben Watkins III
Director

JBW:kjn

Enclosures

cc: Anthony Doheny
Robert Copeland

STATE OF FLORIDA BOARD OF GOVERNORS
FLORIDA ATLANTIC UNIVERSITY
DORMITORY REVENUE BONDS

ESTIMATED DEBT SERVICE COVERAGE

Year Ending June 30	Gross Revenues	Current Expenses	Pledged Revenue	Outstanding Debt Service[1]	Debt Service Coverage
Historical[2]					
2012	$16,299,463	$6,699,471	$9,599,992	$5,761,935	1.67x
2013	16,633,540	7,480,678	9,152,862	5,766,685	1.59x
2014	15,897,987	7,152,546	8,745,441	5,765,723	1.52x
2015	14,827,602	7,573,542	7,254,060	5,761,904	1.26x
2016	16,585,628	8,135,801	8,449,827	5,765,904	1.47x
Projected[2]					
2017	$17,497,029	$9,092,822	$8,404,207	$5,773,266	1.46x
2018	17,671,704	9,183,750	8,487,954	5,772,516	1.47x
2019	18,024,247	9,367,425	8,656,822	5,768,798	1.50x
2020	18,383,836	9,554,774	8,829,062	5,776,873	1.53x
2021	18,750,612	9,745,869	9,004,743	5,773,260	1.56x
2022	18,750,612	9,745,869	9,004,743	4,611,460	1.95x
2023	18,750,612	9,745,869	9,004,743	4,608,298	1.95x
2024	18,750,612	9,745,869	9,004,743	4,612,498	1.95x
2025	18,750,612	9,745,869	9,004,743	4,615,913	1.95x
2026	18,750,612	9,745,869	9,004,743	4,612,313	1.95x
2027	18,750,612	9,745,869	9,004,743	4,607,663	1.95x
2028	18,750,612	9,745,869	9,004,743	4,611,750	1.95x
2029	18,750,612	9,745,869	9,004,743	4,608,900	1.95x
2030	18,750,612	9,745,869	9,004,743	4,610,981	1.95x
2031	18,750,612	9,745,869	9,004,743	3,035,306	2.97x
2032	18,750,612	9,745,869	9,004,743	3,035,538	2.97x
2033	18,750,612	9,745,869	9,004,743	3,035,388	2.97x
2034	18,750,612	9,745,869	9,004,743	1,717,838	5.24x
2035	18,750,612	9,745,869	9,004,743	1,718,463	5.24x
2036	18,750,612	9,745,869	9,004,743	1,715,850	5.25x

[1] Does not include the effects of the proposed refunding.

[2] The Florida Atlantic University provided actual revenues and expenses for Fiscal Years 2012 through 2016. Projections have been provided by the University for Fiscal Years 2017 through 2021. Projections assume a 1% growth in housing fees and other operating revenues for fiscal year 2017-2018 and a 2% growth in fiscal years 2019-2022. An increase of 0.5% is also assumed for investment income in FY 2017-2022. Expenses are assumed to grow at 0.5% for fiscal years 2017-2022. No assurance can be provided that the amounts shown will be collected.

SAVINGS

State of Florida
Board of Governors
Florida Atlantic University Dormitory Revenue Refunding Bonds, Series (to be determined)
Refunding of Outstanding 2003, 2006A and 2006B Bonds

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings
07/01/2017	5,773,266.25	874,414.91	4,898,851.34	4,319,333.33	579,518.01
07/01/2018	5,772,516.25		5,772,516.25	5,102,000.00	670,516.25
07/01/2019	5,768,797.50		5,768,797.50	5,096,250.00	672,547.50
07/01/2020	5,776,872.50		5,776,872.50	5,104,000.00	672,872.50
07/01/2021	5,773,260.00		5,773,260.00	5,099,250.00	674,010.00
07/01/2022	4,611,460.00		4,611,460.00	4,087,250.00	524,210.00
07/01/2023	4,608,297.50		4,608,297.50	4,083,000.00	525,297.50
07/01/2024	4,612,497.50		4,612,497.50	4,093,250.00	519,247.50
07/01/2025	4,615,912.50		4,615,912.50	4,092,000.00	523,912.50
07/01/2026	4,612,312.50		4,612,312.50	4,084,500.00	527,812.50
07/01/2027	4,607,662.50		4,607,662.50	4,080,750.00	526,912.50
07/01/2028	4,611,750.00		4,611,750.00	4,085,250.00	526,500.00
07/01/2029	4,608,900.00		4,608,900.00	4,087,250.00	521,650.00
07/01/2030	4,610,981.25		4,610,981.25	4,081,500.00	529,481.25
07/01/2031	3,035,306.25		3,035,306.25	2,673,000.00	362,306.25
07/01/2032	3,035,537.50		3,035,537.50	2,671,500.00	364,037.50
07/01/2033	3,035,387.50		3,035,387.50	2,674,750.00	360,637.50
07/01/2034	1,717,837.50		1,717,837.50	1,522,250.00	195,587.50
07/01/2035	1,718,462.50		1,718,462.50	1,521,500.00	196,962.50
07/01/2036	1,715,850.00		1,715,850.00	1,522,500.00	193,350.00
	84,622,867.50	874,414.91	83,748,452.59	74,081,083.33	9,667,369.26

Savings Summary

PV of savings from cash flow	7,719,980.98
Plus: Refunding funds on hand	7,669.96
Net PV Savings	7,727,650.94

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Determination
DATE: September 7, 2016

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $3,800,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE NOTES, 2016 (ONE OR MORE SERIES TO BE DESIGNATED) (HAMPTON VILLA APARTMENTS)

The Florida Housing Finance Corporation has submitted for approval as to fiscal determination a proposal to issue an amount not exceeding $3,800,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Notes, 2016 (one or more series to be designated) (the “Notes") for the purpose of financing the acquisition and rehabilitation of a multifamily affordable housing community located in Jacksonville, Duval County, Florida (Hampton Villa Apartments). The Notes shall be payable as to principal, premium (if any), and interest solely out of revenues and other amounts pledged therefor, and shall not be secured by the full faith and credit of the State of Florida.

RECOMMENDATION: It is recommended that, pursuant to the fiscal determination requirements of Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, and in reliance upon information provided by the Florida Housing Finance Corporation, the Board find and determine that in no state fiscal year will the debt service requirements of the Notes and all other bonds or notes secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements. The Board does not assume any responsibility for, and makes no warranty (express or implied) with respect to any aspect of this note issue.

cc: Janie Knight

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $3,800,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE NOTES, 2016 (ONE OR MORE SERIES TO BE DESIGNATED) (HAMPTON VILLA APARTMENTS)

WHEREAS, the Florida Housing Finance Corporation (the "Corporation") proposes to issue an amount not exceeding $3,800,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Notes, 2016 (one or more series to be designated) (the "Notes") for the purpose of financing the acquisition and rehabilitation of a multifamily affordable housing community located in Jacksonville, Duval County, Florida (Hampton Villa Apartments); and,

WHEREAS, the Corporation has requested the State Board of Administration of Florida (the "Board") to make the fiscal determination required by Section 420.509, Florida Statutes, as stated in Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended (the "Florida Constitution"); and,

WHEREAS, the Notes shall be secured by a Trust Indenture; and,

WHEREAS, in accordance with Section 420.509, Florida Statutes, the principal of and all interest and any premium on the Notes shall be payable solely out of revenues and other amounts pledged therefor, as described in the Trust Indenture and other required documents, and shall not be secured by the full faith and credit of the State of Florida; and,

WHEREAS, the cash flow analysis furnished by the Corporation shows that in no State fiscal year will the debt service requirements of the Notes proposed to be issued and all other bonds or notes secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements; and,

WHEREAS, the Corporation has furnished sufficient information to enable the State Board of Administration of Florida to fulfill its duties pursuant to Section 420.509(2), Florida Statutes; and,

WHEREAS, the Board has relied upon information from others, including the Corporation, but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the Board's determination pursuant to Section 16(c) of Article VII of the Florida Constitution and Section 420.509(2), Florida Statutes, is limited to a review of the matters essential to making such determination and the Board does not approve or disapprove of the Notes as investments and has not passed upon the accuracy or adequacy of the Trust Indenture or any other required documents; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Florida Constitution, that in connection with the issuance of the Florida Housing Finance Corporation Multifamily Mortgage Revenue Notes, 2016 (one or more series to be designated) (Hampton Villa Apartments), in an amount not exceeding $3,800,000, for the uses and purposes hereinabove set forth, it makes the fiscal determination required by Section 420.509, Florida Statutes.

Accordingly, as required by Section 16(c) of Article VII of the Florida Constitution, the Board finds and determines that in no state fiscal year will the debt service requirements of the Notes and all other bonds or notes secured by the same pledged revenues exceed the pledged revenues, as defined in Section 420.503, Florida Statutes and described in the Trust Indenture, which are available for payment of such debt service requirements.

ADOPTED September 20, 2016

STATE OF FLORIDA)
:
COUNTY OF LEON)

I, Ashbel C. Williams, Executive Director & CIO of the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, **DO HEREBY CERTIFY** that the above and foregoing is a true and correct copy of a resolution adopted by said Board at a meeting held September 20, 2016, making the fiscal determination in connection with the issuance of an amount not exceeding $3,800,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Notes, 2016 (one or more series to be designated) (Hampton Villa Apartments).

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of said Board at Tallahassee, Leon County, Florida, this 20th day of September 2016.

____

Ashbel C. Williams, Executive Director & CIO

(SEAL)

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Florida Housing
Finance Corporation

227 North Bronough Street, Suite 5000 • Tallahassee, Florida 32301
850.488.4197 • Fax: 850.488.9809 • www.floridahousing.org

September 1, 2016

VIA HAND DELIVERY

Mr. Ash Williams
Executive Director/Chief Investment Officer
State Board of Administration
P.O. Box 13300
Tallahassee, Florida 32317-3300

RE: FHFC Multifamily Mortgage Revenue Note
Not to Exceed $3,800,000 Tax-Exempt Note
Hampton Villa Apartments

Dear Mr. Williams:

On behalf of Florida Housing Finance Corporation ("Florida Housing or "FHFC"), I am submitting a cash flow analysis for the approval of fiscal determination of the above-referenced note issue prepared by the Note Placement Agent, RBC Capital Markets. Florida Housing endorses this analysis and believes it will show sufficient coverage.

This note issue will be a private placement. We request that this item be placed on the agenda for approval at the State Board of Administration's September 20, 2016 Cabinet meeting, due to financing and closing schedules.

Should you or your staff have any questions or concerns with respect to this transaction, please feel free to call me at (850) 488-4197. Thank you for your consideration.

Sincerely,

Brantley Henderson
Assistant Director of Multifamily Programs

BH/rg

Enclosures

$2,300,000
Florida Housing Finance Corporation
Multifamily Mortgage Revenue Notes

Hampton Villa Apartments

Combined Debt Coverage Table

	Revenue	Note Payments (3)		Sub Loans & Fees (5)	Total Debt Service		Debt Service Coverage		Note/Bond Balance
	Net Operating Income (1)	Principal (2)	Interest + Fees 4.30%	Sub Loans & Fees (5)	MMRN DS & Fees	MMRN/SAIL/ ELI DS + Fees	Note Debt Service DCR	Total Note & Subord DCR	
									$ 2,300,000
YR 1	$ 194,457	$ 28,886	$ 118,259	$ 29,218	$ 147,145	$ 176,363	1.32	1.10	$ 2,271,114
YR 2	196,474	$ 30,153	$ 117,082	$ 29,271	$ 147,235	$ 176,506	1.33	1.11	$ 2,240,960
YR 3	198,465	$ 31,476	$ 115,851	$ 29,326	$ 147,327	$ 176,652	1.35	1.12	$ 2,209,485
YR 4	200,426	$ 32,856	$ 114,565	$ 29,382	$ 147,421	$ 176,804	1.36	1.13	$ 2,176,629
YR 5	202,356	$ 34,297	$ 113,222	$ 29,440	$ 147,519	$ 176,959	1.37	1.14	$ 2,142,332
YR 6	204,251	$ 35,801	$ 111,818	$ 29,500	$ 147,619	$ 177,119	1.38	1.15	$ 2,106,530
YR 7	206,109	$ 37,371	$ 110,351	$ 29,561	$ 147,723	$ 177,284	1.40	1.16	$ 2,069,159
YR 8	207,926	$ 39,010	$ 108,819	$ 29,625	$ 147,830	$ 177,454	1.41	1.17	$ 2,030,148
YR 9	209,700	$ 40,721	$ 107,218	$ 29,690	$ 147,939	$ 177,630	1.42	1.18	$ 1,989,427
YR 10	211,427	$ 42,507	$ 105,545	$ 29,757	$ 148,052	$ 177,810	1.43	1.19	$ 1,946,920
YR 11	212,564	$ 44,372	$ 103,797	$ 29,827	$ 148,169	$ 177,996	1.43	1.19	$ 1,902,548
YR 12	213,630	$ 46,318	$ 101,971	$ 29,898	$ 148,289	$ 178,187	1.44	1.20	$ 1,856,230
YR 13	214,622	$ 48,349	$ 100,063	$ 29,972	$ 148,413	$ 178,384	1.45	1.20	$ 1,807,881
YR 14	215,536	$ 50,470	$ 98,070	$ 30,047	$ 148,540	$ 178,587	1.45	1.21	$ 1,757,412
YR 15	216,367	$ 52,683	$ 95,988	$ 30,125	$ 148,671	$ 178,796	1.46	1.21	$ 1,704,729
(4) ***YR 16***	1,921,838	$ 1,704,729	$ 93,812	$ 30,206	$ 1,798,541	$ 1,828,747	1.07	1.05	$ -
	-	$ 2,300,000	$ 1,716,433	$ 474,846	$ 4,016,433	$ 4,491,279			

(1) NOI based on 'Projected Operating Revenue' Schedule.

(2) Based on estimated Note sinking fund schedule.

(3) The Note Interest Rate is based on current market conditions for a negotiated private placement with an interest rate of 4.30%. The Note fees include a $10,000 Annual Issuer Fee and $4,500/yr Fiscal Agent Fee as well as servicing and compliance monitoring fees.

(4) The Notes have a 16 year term with amortizing debt service based on a 35 year schedule. Upon the maturity date in 16 years, the borrower will satisfy the remaining balance via refinancing, or proceeds from the sale of the property. In the event a refinance or sale of the asset is not feasible, the debt obligation will be satisfied via a "Mortgage Assignment" without causing an event of default. In such case, the Note holder will present the Notes to the Fiscal Agent for cancellation and in exchange will receive an assignment of the mortgage and related collateral. In the final year, the Net Operating Income includes an amount to fully repay the Notes.

(5) The Subordinate Mortgage debt service repayments are all contingent upon available cash flow after all other fees, expenses and senior mortgage debt service payments.

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO:	Ash Williams
FROM:	Robert Copeland
SUBJECT:	Fiscal Determination
DATE:	September 7, 2016

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $7,000,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE NOTES, 2016 (ONE OR MORE SERIES TO BE DESIGNATED) (HICKORY KNOLL)

The Florida Housing Finance Corporation has submitted for approval as to fiscal determination a proposal to issue an amount not exceeding $7,000,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Notes, 2016 (one or more series to be designated) (the “Notes") for the purpose of financing the acquisition and rehabilitation of a multifamily affordable housing community located in Ocala, Marion County, Florida (Hickory Knoll). The Notes shall be payable as to principal, premium (if any), and interest solely out of revenues and other amounts pledged therefor, and shall not be secured by the full faith and credit of the State of Florida.

RECOMMENDATION: It is recommended that, pursuant to the fiscal determination requirements of Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, and in reliance upon information provided by the Florida Housing Finance Corporation, the Board find and determine that in no state fiscal year will the debt service requirements of the Notes and all other bonds or notes secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements. The Board does not assume any responsibility for, and makes no warranty (express or implied) with respect to any aspect of this note issue.

cc: Janie Knight

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $7,000,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE NOTES, 2016 (ONE OR MORE SERIES TO BE DESIGNATED) (HICKORY KNOLL)

WHEREAS, the Florida Housing Finance Corporation (the "Corporation") proposes to issue an amount not exceeding $7,000,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Notes, 2016 (one or more series to be designated) (the “Notes") for the purpose of financing the acquisition and rehabilitation of a multifamily affordable housing community located in Ocala, Marion County, Florida (Hickory Knoll); and,

WHEREAS, the Corporation has requested the State Board of Administration of Florida (the “Board”) to make the fiscal determination required by Section 420.509, Florida Statutes, as stated in Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended (the “Florida Constitution”); and,

WHEREAS, the Notes shall be secured by a Trust Indenture; and,

WHEREAS, in accordance with Section 420.509, Florida Statutes, the principal of and all interest and any premium on the Notes shall be payable solely out of revenues and other amounts pledged therefor, as described in the Trust Indenture and other required documents, and shall not be secured by the full faith and credit of the State of Florida; and,

WHEREAS, the cash flow analysis furnished by the Corporation shows that in no State fiscal year will the debt service requirements of the Notes proposed to be issued and all other bonds or notes secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements; and,

WHEREAS, the Corporation has furnished sufficient information to enable the State Board of Administration of Florida to fulfill its duties pursuant to Section 420.509(2), Florida Statutes; and,

WHEREAS, the Board has relied upon information from others, including the Corporation, but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the Board’s determination pursuant to Section 16(c) of Article VII of the Florida Constitution and Section 420.509(2), Florida Statutes, is limited to a review of the matters essential to making such determination and the Board does not approve or disapprove of the Notes as investments and has not passed upon the accuracy or adequacy of the Trust Indenture or any other required documents; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Florida Constitution, that in connection with the issuance of the Florida Housing Finance Corporation Multifamily Mortgage Revenue Notes, 2016 (one or more series to be designated) (Hickory Knoll), in an amount not exceeding $7,000,000, for the uses and purposes hereinabove set forth, it makes the fiscal determination required by Section 420.509, Florida Statutes.

Accordingly, as required by Section 16(c) of Article VII of the Florida Constitution, the Board finds and determines that in no state fiscal year will the debt service requirements of the Notes and all other bonds or notes secured by the same pledged revenues exceed the pledged revenues, as defined in Section 420.503, Florida Statutes and described in the Trust Indenture, which are available for payment of such debt service requirements.

ADOPTED September 20, 2016

STATE OF FLORIDA)
:
COUNTY OF LEON)

I, Ashbel C. Williams, Executive Director & CIO of the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, **DO HEREBY CERTIFY** that the above and foregoing is a true and correct copy of a resolution adopted by said Board at a meeting held September 20, 2016, making the fiscal determination in connection with the issuance of an amount not exceeding $7,000,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Notes, 2016 (one or more series to be designated) (Hickory Knoll).

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of said Board at Tallahassee, Leon County, Florida, this 20th day of September 2016.

____

Ashbel C. Williams, Executive Director & CIO

(SEAL)

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Finance Corporation
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850.488.4197 • Fax: 850.488.9809 • www.floridahousing.org

September 1, 2016

VIA HAND DELIVERY

Mr. Ash Williams
Executive Director/Chief Investment Officer
State Board of Administration
P.O. Box 13300
Tallahassee, Florida 32317-3300

RE: FHFC Multifamily Mortgage Revenue Note
Not to Exceed $7,000,000 Tax-Exempt Note
Hickory Knoll

Dear Mr. Williams:

On behalf of Florida Housing Finance Corporation ("Florida Housing or "FHFC"), I am submitting a cash flow analysis for the approval of fiscal determination of the above-referenced note issue prepared by the Note Placement Agent, RBC Capital Markets. Florida Housing endorses this analysis and believes it will show sufficient coverage.

This note issue will be a private placement. We request that this item be placed on the agenda for approval at the State Board of Administration's September 20, 2016 Cabinet meeting, due to financing and closing schedules.

Should you or your staff have any questions or concerns with respect to this transaction, please feel free to call me at (850) 488-4197. Thank you for your consideration.

Sincerely,

Brantley Henderson
Assistant Director of Multifamily Programs

BH/rg

Enclosures

$4,800,000
Florida Housing Finance Corporation
Multifamily Mortgage Revenue Notes

Hickory Knoll

Combined Debt Coverage Table

	Revenue	Note Payments (3)		Sub Loans & Fees (5)	Total Debt Service		Debt Service Coverage		
	Net Operating Income (1)	Principal (2)	Interest + Fees 4.28%	Sub Loans & Fees (5)	MMRN DS & Fees	MMRN/SAIL/ ELI DS + Fees	Note Debt Service DCR	Total Note & Subord DCR	Note/Bond Balance
									$ 4,800,000
YR 1	$ 382,485	$ 60,540	$ 225,627	$ 43,593	$ 286,167	$ 329,760	1.34	1.16	$ 4,739,460
YR 2	386,647	$ 63,182	$ 222,925	$ 43,646	$ 286,108	$ 329,754	1.35	1.17	$ 4,676,278
YR 3	390,771	$ 65,940	$ 220,104	$ 43,701	$ 286,045	$ 329,745	1.37	1.19	$ 4,610,337
YR 4	394,852	$ 68,819	$ 217,159	$ 43,757	$ 285,977	$ 329,734	1.38	1.20	$ 4,541,519
YR 5	398,886	$ 71,823	$ 214,083	$ 43,815	$ 285,906	$ 329,721	1.40	1.21	$ 4,469,696
YR 6	402,866	$ 74,958	$ 210,872	$ 43,875	$ 285,830	$ 329,705	1.41	1.22	$ 4,394,739
YR 7	406,789	$ 78,229	$ 207,520	$ 43,936	$ 285,749	$ 329,686	1.42	1.23	$ 4,316,509
YR 8	410,650	$ 81,644	$ 204,020	$ 44,000	$ 285,664	$ 329,664	1.44	1.25	$ 4,234,865
YR 9	414,441	$ 85,208	$ 200,365	$ 44,065	$ 285,573	$ 329,638	1.45	1.26	$ 4,149,657
YR 10	418,159	$ 88,927	$ 196,705	$ 44,132	$ 285,632	$ 329,765	1.46	1.27	$ 4,060,730
YR 11	420,933	$ 92,809	$ 192,940	$ 44,202	$ 285,749	$ 329,951	1.47	1.28	$ 3,967,921
YR 12	423,595	$ 96,860	$ 189,009	$ 44,273	$ 285,869	$ 330,142	1.48	1.28	$ 3,871,061
YR 13	426,137	$ 101,088	$ 184,905	$ 44,347	$ 285,993	$ 330,339	1.49	1.29	$ 3,769,974
YR 14	428,552	$ 105,500	$ 180,620	$ 44,422	$ 286,120	$ 330,542	1.50	1.30	$ 3,664,473
YR 15	430,832	$ 110,105	$ 176,146	$ 44,500	$ 286,251	$ 330,751	1.51	1.30	$ 3,554,368
(4) ***YR 16***	3,987,337	$ 3,554,368	$ 171,475	$ 44,581	$ 3,725,843	$ 3,770,423	1.07	1.06	$ -
	-	$ 4,800,000	$ 3,214,476	$ 704,846	$ 8,014,476	$ 8,719,321			

(1) NOI based on 'Projected Operating Revenue' Schedule.

(2) Based on estimated Note sinking fund schedule .

(3) The Note Interest Rate is based on current market conditions for a negotiated private placement with an interest rate of 4.28%. The Note fees include a 24 bps Annual Issuer Fee and $4,500/yr Fiscal Agent Fee as well as servicing and compliance monitoring fees.

(4) The Notes have a 16 year term with amortizing debt service based on a 35 year schedule. Upon the maturity date in 16 years, the borrower will satisfy the remaining balance via refinancing, or proceeds from the sale of the property. In the event a refinance or sale of the asset is not feasible, the debt obligation will be satisfied via a "Mortgage Assignment" without causing an event of default. In such case, the Note holder will present the Notes to the Fiscal Agent for cancellation and in exchange will receive an assignment of the mortgage and related collateral. In the final year, the Net Operating Income includes an amount to fully repay the Notes.

(5) The Subordinate Mortgage debt service repayments are all contingent upon available cash flow after all other fees, expenses and senior mortgage debt service payments.

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO:	Ash Williams
FROM:	Robert Copeland
SUBJECT:	Fiscal Determination
DATE:	September 7, 2016

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $5,590,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, 2016 (SERIES TO BE DESIGNATED) (CENTURY PARK)

The Florida Housing Finance Corporation has submitted for approval as to fiscal determination a proposal to issue an amount not exceeding $5,590,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, 2016 (series to be designated) (the “Bonds") for the purpose of financing land acquisition and new construction of a multifamily affordable housing community located in Escambia County, Florida (Century Park). The Bonds shall be payable as to principal, premium (if any), and interest solely out of revenues and other amounts pledged therefor, and shall not be secured by the full faith and credit of the State of Florida.

RECOMMENDATION: It is recommended that, pursuant to the fiscal determination requirements of Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, and in reliance upon information provided by the Florida Housing Finance Corporation, the Board find and determine that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements. The Board does not assume any responsibility for, and makes no warranty (express or implied) with respect to any aspect of this bond issue.

cc: Janie Knight

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $5,590,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, 2016 (SERIES TO BE DESIGNATED) (CENTURY PARK)

WHEREAS, the Florida Housing Finance Corporation (the "Corporation") proposes to issue an amount not exceeding $5,590,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, 2016 (series to be designated) (the “Bonds") for the purpose of financing land acquisition and new construction of a multifamily affordable housing community located in Escambia County, Florida (Century Park); and,

WHEREAS, the Corporation has requested the State Board of Administration of Florida (the “Board”) to make the fiscal determination required by Section 420.509, Florida Statutes, as stated in Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended (the “Florida Constitution”); and,

WHEREAS, the Bonds shall be secured by a Trust Indenture; and,

WHEREAS, in accordance with Section 420.509, Florida Statutes, the principal of and all interest and any premium on the Bonds shall be payable solely out of revenues and other amounts pledged therefor, as described in the Trust Indenture and other required documents, and shall not be secured by the full faith and credit of the State of Florida; and,

WHEREAS, the cash flow analysis furnished by the Corporation shows that in no State fiscal year will the debt service requirements of the Bonds proposed to be issued and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements; and,

WHEREAS, the Corporation has furnished sufficient information to enable the State Board of Administration of Florida to fulfill its duties pursuant to Section 420.509(2), Florida Statutes; and,

WHEREAS, the Board has relied upon information from others, including the Corporation, but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the Board’s determination pursuant to Section 16(c) of Article VII of the Florida Constitution and Section 420.509(2), Florida Statutes, is limited to a review of the matters essential to making such determination and the Board does not approve or disapprove of the Bonds as investments and has not passed upon the accuracy or adequacy of the Trust Indenture or any other required documents; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Florida Constitution, that in connection with the issuance of the Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, 2016 (series to be designated) (Century Park), in an amount not exceeding $5,590,000, for the uses and purposes hereinabove set forth, it makes the fiscal determination required by Section 420.509, Florida Statutes.

Accordingly, as required by Section 16(c) of Article VII of the Florida Constitution, the Board finds and determines that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues, as defined in Section 420.503, Florida Statutes and described in the Trust Indenture, which are available for payment of such debt service requirements.

ADOPTED September 20, 2016

STATE OF FLORIDA)
:
COUNTY OF LEON)

I, Ashbel C. Williams, Executive Director & CIO of the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, **DO HEREBY CERTIFY** that the above and foregoing is a true and correct copy of a resolution adopted by said Board at a meeting held September 20, 2016, making the fiscal determination in connection with the issuance of an amount not exceeding $5,590,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, 2016 (series to be designated) (Century Park).

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of said Board at Tallahassee, Leon County, Florida, this 20th day of September 2016.

____

Ashbel C. Williams, Executive Director & CIO

(SEAL)

227 North Bronough Street, Suite 5000 • Tallahassee, Florida 32301
850.488.4197 • Fax: 850.488.9809 • www.floridahousing.org

September 1, 2016

VIA HAND DELIVERY

Mr. Ash Williams
Executive Director/Chief Investment Officer
State Board of Administration
P.O. Box 13300
Tallahassee, Florida 32317-3300

RE: FHFC Multifamily Mortgage Revenue Bond
Not to Exceed $5,590,000 Tax-Exempt Bond
Century Park

Dear Mr. Williams:

On behalf of Florida Housing Finance Corporation ("Florida Housing or "FHFC"), I am submitting a cash flow analysis for the approval of fiscal determination of the above-referenced bond issue prepared by the Bond Placement Agent, RBC Capital Markets. Florida Housing endorses this analysis and believes it will show sufficient coverage.

This bond issue will be a private placement. We request that this item be placed on the agenda for approval at the State Board of Administration's September 20, 2016 Cabinet meeting, due to financing and closing schedules.

Should you or your staff have any questions or concerns with respect to this transaction, please feel free to call me at (850) 488-4197. Thank you for your consideration.

Sincerely,

Brantley Henderson
Assistant Director of Multifamily Programs

BH/rg

Enclosures

Florida Housing Finance Corporation
Multifamily Mortgage Revenue Bonds, Series 2016
Century Park Apartments

Debt Service Coverage Schedule

Par Amount of Bonds: $ 5,590,000
All-In Bond Interest Rate: (1) 2.960%

Debt Service						Funding Sources on Deposit with the Trustee							DSC Ratio
Month	Bond Draw	Cumulative Bonds Outstanding	Interest Payable (3)	Principal Repayment	Total Debt Service	Bond Funds Deposited (2)	HOME Funds Deposited	Grant Funds Deposited	Tax Credit Proceeds Deposited	Cumulative Sources Available to Pay DS	Less Amounts Required to Pay Debt Service	Net Sources Available to Pay Debt Service	Debt Service Coverage Ratio
Closing	$ 1,574,425	$ 1,574,425				$ 24,250	$ 1,060,000	$ 300,000		$ 1,384,250		$ 1,384,250	
1	$ 370,108	$ 1,944,533	$ 3,884		$ 3,884					$ 1,384,250		$ 1,384,250	356.44
2	$ 346,009	$ 2,290,542	$ 4,797		$ 4,797					$ 1,384,250		$ 1,384,250	288.59
3	$ 346,851	$ 2,637,393	$ 5,650		$ 5,650					$ 1,384,250		$ 1,384,250	245.00
4	$ 347,695	$ 2,985,088	$ 6,506		$ 6,506					$ 1,384,250		$ 1,384,250	212.78
5	$ 368,541	$ 3,353,629	$ 7,363		$ 7,363					$ 1,384,250		$ 1,384,250	188.00
6	$ 359,438	$ 3,713,067	$ 8,272		$ 8,272					$ 1,384,250		$ 1,384,250	167.34
7	$ 370,312	$ 4,083,379	$ 9,159		$ 9,159					$ 1,384,250		$ 1,384,250	151.14
8	$ 356,213	$ 4,439,592	$ 10,072		$ 10,072					$ 1,384,250		$ 1,384,250	137.43
9	$ 362,080	$ 4,801,672	$ 10,951		$ 10,951					$ 1,384,250		$ 1,384,250	126.40
10	$ 412,965	$ 5,214,637	$ 11,844		$ 11,844					$ 1,384,250		$ 1,384,250	116.87
11	$ 375,363	$ 5,590,000	$ 12,863		$ 12,863					$ 1,384,250		$ 1,384,250	107.62
12		$ 5,590,000	$ 13,789		$ 13,789		$ 1,039,181			$ 2,423,431	$ 13,789	$ 2,409,642	100.39
13		$ 5,590,000	$ 13,789		$ 13,789					$ 2,423,431	$ 13,789	$ 2,395,854	174.76
14		$ 5,590,000	$ 13,789		$ 13,789					$ 2,423,431	$ 13,789	$ 2,382,065	173.76
15		$ 5,590,000	$ 13,789		$ 13,789					$ 2,423,431	$ 13,789	$ 2,368,276	172.76
16		$ 5,590,000	$ 13,789		$ 13,789				$ 3,346,869	$ 5,770,300	$ 13,789	$ 5,701,357	171.76
17		$ 5,590,000	$ 13,789		$ 13,789					$ 5,770,300	$ 13,789	$ 5,687,568	413.48
18		$ 5,590,000	$ 13,789		$ 13,789					$ 5,770,300	$ 13,789	$ 5,673,779	412.48
19		$ 5,590,000	$ 13,789		$ 13,789					$ 5,770,300	$ 13,789	$ 5,659,991	411.48
20		$ 5,590,000	$ 13,789		$ 13,789					$ 5,770,300	$ 13,789	$ 5,646,202	410.48
21		$ 5,590,000	$ 13,789		$ 13,789					$ 5,770,300	$ 13,789	$ 5,632,413	409.48
22		$ 5,590,000	$ 13,789		$ 13,789					$ 5,770,300	$ 13,789	$ 5,618,625	408.48
23		$ 5,590,000	$ 13,789		$ 13,789					$ 5,770,300	$ 13,789	$ 5,604,836	407.48
24		$ -	$ 13,789	$ 5,590,000	$ 5,603,789					$ 5,770,300	$ 5,603,789	$ 1,047	1.00
Total	**$ 5,590,000**	$ -	**$ 270,613**	**$ 5,590,000**	**$ 5,860,613**	**$ 24,250**	**$ 2,099,181**	**$ 300,000**	**$ 3,346,869**		**$ 5,769,253**		

Notes:
(1) All-in bond interest rate of 2.96% includes the LIBOR base rate plus a spread of 2.25% plus the Issuer fee and the Trustee fee.
(2) The closing bond draw of $1,574,425 includes the $24,250 deposited with the Trustee.
(3) Interest only payments for months 1 - 11 will be paid out of the monthly bond draws (ex. bond draw 1 for $370,108 includes the $3,884 in interest payable for month 1). Interest only payments for months 12 - 24 and the bond redemption payment in month 24 will be paid out of the collateral / bond redemption account held by the Trustee.

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Determination
DATE: September 7, 2016

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $7,250,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE NOTES, 2016 (ONE OR MORE SERIES TO BE DESIGNATED) (SEMINOLE GARDENS)

The Florida Housing Finance Corporation has submitted for approval as to fiscal determination a proposal to issue an amount not exceeding $7,250,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Notes, 2016 (one or more series to be designated) (the “Notes") for the purpose of financing the acquisition and rehabilitation of a multifamily affordable housing community located in Sanford, Seminole County, Florida (Seminole Gardens). The Notes shall be payable as to principal, premium (if any), and interest solely out of revenues and other amounts pledged therefor, and shall not be secured by the full faith and credit of the State of Florida.

RECOMMENDATION: It is recommended that, pursuant to the fiscal determination requirements of Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, and in reliance upon information provided by the Florida Housing Finance Corporation, the Board find and determine that in no state fiscal year will the debt service requirements of the Notes and all other bonds or notes secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements. The Board does not assume any responsibility for, and makes no warranty (express or implied) with respect to any aspect of this note issue.

cc: Janie Knight

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $7,250,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE NOTES, 2016 (ONE OR MORE SERIES TO BE DESIGNATED) (SEMINOLE GARDENS)

WHEREAS, the Florida Housing Finance Corporation (the "Corporation") proposes to issue an amount not exceeding $7,250,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Notes, 2016 (one or more series to be designated) (the "Notes") for the purpose of financing the acquisition and rehabilitation of a multifamily affordable housing community located in Sanford, Seminole County, Florida (Seminole Gardens); and,

WHEREAS, the Corporation has requested the State Board of Administration of Florida (the "Board") to make the fiscal determination required by Section 420.509, Florida Statutes, as stated in Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended (the "Florida Constitution"); and,

WHEREAS, the Notes shall be secured by a Trust Indenture; and,

WHEREAS, in accordance with Section 420.509, Florida Statutes, the principal of and all interest and any premium on the Notes shall be payable solely out of revenues and other amounts pledged therefor, as described in the Trust Indenture and other required documents, and shall not be secured by the full faith and credit of the State of Florida; and,

WHEREAS, the cash flow analysis furnished by the Corporation shows that in no State fiscal year will the debt service requirements of the Notes proposed to be issued and all other bonds or notes secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements; and,

WHEREAS, the Corporation has furnished sufficient information to enable the State Board of Administration of Florida to fulfill its duties pursuant to Section 420.509(2), Florida Statutes; and,

WHEREAS, the Board has relied upon information from others, including the Corporation, but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the Board's determination pursuant to Section 16(c) of Article VII of the Florida Constitution and Section 420.509(2), Florida Statutes, is limited to a review of the matters essential to making such determination and the Board does not approve or disapprove of the Notes as investments and has not passed upon the accuracy or adequacy of the Trust Indenture or any other required documents; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Florida Constitution, that in connection with the issuance of the Florida Housing Finance Corporation Multifamily Mortgage Revenue Notes, 2016 (one or more series to be designated) (Seminole Gardens), in an amount not exceeding $7,250,000, for the uses and purposes hereinabove set forth, it makes the fiscal determination required by Section 420.509, Florida Statutes.

Accordingly, as required by Section 16(c) of Article VII of the Florida Constitution, the Board finds and determines that in no state fiscal year will the debt service requirements of the Notes and all other bonds or notes secured by the same pledged revenues exceed the pledged revenues, as defined in Section 420.503, Florida Statutes and described in the Trust Indenture, which are available for payment of such debt service requirements.

ADOPTED September 20, 2016

STATE OF FLORIDA)
:
COUNTY OF LEON)

I, Ashbel C. Williams, Executive Director & CIO of the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, **DO HEREBY CERTIFY** that the above and foregoing is a true and correct copy of a resolution adopted by said Board at a meeting held September 20, 2016, making the fiscal determination in connection with the issuance of an amount not exceeding $7,250,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Notes, 2016 (one or more series to be designated) (Seminole Gardens).

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of said Board at Tallahassee, Leon County, Florida, this 20th day of September 2016.

____

Ashbel C. Williams, Executive Director & CIO

(SEAL)

we make housing affordable™
Florida Housing
Finance Corporation
227 North Bronough Street, Suite 5000 • Tallahassee, Florida 32301
850.488.4197 • Fax: 850.488.9809 • www.floridahousing.org

September 1, 2016

VIA HAND DELIVERY

Mr. Ash Williams
Executive Director/Chief Investment Officer
State Board of Administration
P.O. Box 13300
Tallahassee, Florida 32317-3300

RE: FHFC Multifamily Mortgage Revenue Note
Not to Exceed $7,250,000 Tax-Exempt Note
Seminole Gardens

Dear Mr. Williams:

On behalf of Florida Housing Finance Corporation ("Florida Housing or "FHFC"), I am submitting a cash flow analysis for the approval of fiscal determination of the above-referenced note issue prepared by the Note Placement Agent, RBC Capital Markets. Florida Housing endorses this analysis and believes it will show sufficient coverage.

This note issue will be a note placement. We request that this item be placed on the agenda for approval at the State Board of Administration's September 20, 2016 Cabinet meeting, due to financing and closing schedules.

Should you or your staff have any questions or concerns with respect to this transaction, please feel free to call me at (850) 488-4197. Thank you for your consideration.

Sincerely,

Brantley Henderson
Assistant Director of Multifamily Programs

BH/rg

Enclosures

$5,850,000
Florida Housing Finance Corporation
Multifamily Mortgage Revenue Notes

Seminole Gardens

Combined Debt Coverage Table

	Revenue	Note Payments (3)		Sub Loans & Fees (5) (6) (7)			Total Debt Service		Debt Service Coverage		
	Net Operating Income (1)	Principal (2)	Interest + Issuer Fee 4.46%	SAIL Interest 1%	PLS & Fiscal Agent Fee	Compliance Monitoring Fee	Note DS	MMRN/SAIL/ ELI DS + Fees	Note Debt Service DCR	Total Note & Subord DCR	Note Balance
											$ 5,850,000
YR 1	$ 482,291	$ 71,019	$ 259,470	$ 28,000	$ 16,396	$ 4,746	$ 330,489	$ 379,631	1.46	1.27	$ 5,778,981
YR 2	488,047	$ 74,252	$ 256,237	$ 28,000	$ 16,396	$ 4,746	$ 330,489	$ 379,631	1.48	1.29	$ 5,704,728
YR 3	493,782	$ 77,633	$ 252,857	$ 28,000	$ 16,396	$ 4,746	$ 330,489	$ 379,631	1.49	1.30	$ 5,627,095
YR 4	499,490	$ 81,167	$ 249,323	$ 28,000	$ 16,396	$ 4,746	$ 330,489	$ 379,631	1.51	1.32	$ 5,545,929
YR 5	505,168	$ 84,862	$ 245,628	$ 28,000	$ 16,396	$ 4,746	$ 330,489	$ 379,631	1.53	1.33	$ 5,461,067
YR 6	510,809	$ 88,725	$ 241,764	$ 28,000	$ 16,396	$ 4,746	$ 330,489	$ 379,631	1.55	1.35	$ 5,372,342
YR 7	516,409	$ 92,764	$ 237,725	$ 28,000	$ 16,396	$ 4,746	$ 330,489	$ 379,631	1.56	1.36	$ 5,279,578
YR 8	521,963	$ 96,987	$ 233,503	$ 28,000	$ 16,396	$ 4,746	$ 330,489	$ 379,631	1.58	1.37	$ 5,182,591
YR 9	527,464	$ 101,402	$ 229,087	$ 28,000	$ 16,396	$ 4,746	$ 330,489	$ 379,631	1.60	1.39	$ 5,081,189
YR 10	532,908	$ 106,018	$ 224,471	$ 28,000	$ 16,396	$ 4,746	$ 330,489	$ 379,631	1.61	1.40	$ 4,975,171
YR 11	537,279	$ 110,844	$ 219,645	$ 28,000	$ 16,396	$ 4,746	$ 330,489	$ 379,631	1.63	1.42	$ 4,864,327
YR 12	541,549	$ 115,890	$ 214,599	$ 28,000	$ 16,396	$ 4,746	$ 330,489	$ 379,631	1.64	1.43	$ 4,748,436
YR 13	545,709	$ 121,166	$ 209,323	$ 28,000	$ 16,396	$ 4,746	$ 330,489	$ 379,631	1.65	1.44	$ 4,627,270
YR 14	549,754	$ 126,682	$ 203,807	$ 28,000	$ 16,396	$ 4,746	$ 330,489	$ 379,631	1.66	1.45	$ 4,500,588
YR 15	553,672	$ 132,449	$ 198,041	$ 28,000	$ 16,396	$ 4,746	$ 330,489	$ 379,631	1.68	1.46	$ 4,368,140
(4) *YR 16*	4,925,597	$ 4,368,140	$ 192,011	$ 28,000	$ 16,396	$ 4,746	$ 4,560,151	$ 4,609,293	1.08	1.07	$ -
	-	$ 5,850,000	$ 3,667,491	$ 448,000	262,336		$ 9,517,491	$ 10,303,763			

(1) NOI based on 'Projected Operating Revenue' Schedule.

(2) Based on estimated Note sinking fund schedule .

(3) The Note Interest Rate is based on current market conditions for a negotiated private placement with an interest rate of 4.46%.This rate is based on a spread of 212 bps above the 10 Year US Treasury plus a 24 bps Issuer Fee and a 25 bps cushion for rate volatility

(4) The Notes have a 16 year term with amortizing debt service based on a 35 year schedule. Upon the maturity date in 16 years, the borrower will satisfy the remaining balance via refinancing, or proceeds from the sale of the property. In the event a refinance or sale of the asset is not feasible, the debt obligation will be satisfied via a "Mortgage Assignment" without causing an event of default. In such case, the Note holder will present the Notes to the Fiscal Agent for cancellation and in exchange will receive an assignment of the mortgage and related collateral. In the final year, the Net Operating Income includes an amount to fully repay the Notes.

(5) The Subordinate Mortgage debt service repayments are all contingent upon available cash flow after all other fees, expenses and senior mortgage debt service payments.

(6) The Permanent Loan Servicing/ Fiscal Agent fee of $16,396 consists of the following: MMRN PLS of 2.3 bps subject to a minimum monthly fee of $204 ($2,448 annually), SAIL and ELI PLS of 25 bps of each loan subject to a minimum monthly fee of $204 and maximum of $810 ($9,448), and a Fiscal Agent Fee ($4,500).

(7) The Compliance Monitoring Fee is estimated to be $4,476 consists of the following: minimum monthly fee of $248 ($2,976) for the MMRN and the multiple program fee of $885 for both the SAIL and ELI loans CM Fees are subject to adjustment annually not to exceed 3% of the prior year's fee.

STATE BOARD OF ADMINISTRATION
OF FLORIDA

1801 HERMITAGE BOULEVARD-Suite 100
TALLAHASSEE, FLORIDA 32308
(850) 488-4406

POST OFFICE BOX 13300
32317-3300

MEMORANDUM

To: Ashbel C. Williams, Executive Director & CIO

From: Ruth A. Smith, Assistant General Counsel

Subject: **Agenda Item for the September 20, 2016 Cabinet Meeting**
Proposed Amendments to Rule 19-7.002, (Investment Policy Statement) to adopt the revised Investment Policy Statement for the Local Government Surplus Funds Trust Fund, Approved and Made Effective by the Trustees on August 2, 2016

Request Approval to File the Rule 19-7.002 for Notice if No Member of the Public Timely Requests a Rule Hearing

Date: September 6, 2016

RULE 19-7.002 (Investment Policy Guidelines): ACTION REQUESTED:

REQUEST APPROVAL TO FILE FOR NOTICE AMENDMENTS TO RULE 19-7.002, F.A.C. (INVESTMENT POLICY GUIDELINES) AND TO FILE THE RULE FOR ADOPTION IF NO MEMBER OF THE PUBLIC TIMELY REQUESTS A RULE HEARING RELATED TO THIS RULE.

The purpose and effect of the proposed rule amendments to Rule 19-7.002, F.A.C. will be to adopt the revised Investment Policy Statements for the Local Government Surplus Funds Trust Fund. This policy statement is incorporated by reference in Rule 19-7.002, F.A.C. The rule also advises the public how copies of the policy statement may be obtained.

The revisions to the policy statements were approved and made effective by the Trustees on August 2, 2016. There are no significant policy issues or controversial issues connected to this rule amendment. The amendments simply serve as an informational update.

The proposed rule amendments do not impose any burdens on businesses; they do not restrict entry into a profession; they have no impact on the availability of services to the public; they have no impact on job retention; they do not impose any restrictions on employment seekers; and they do not impose any costs. No legislative ratification is required.

Attached are:

Proposed Amendments to Rule 19-7.002 (Investment Policy Statements, F.A.C.
Investment Policy Statement Local Government Investment Pool (Non-Qualified), Effective August 2, 2016

19-7.002 Investment Policy Statements.

The Local Government Surplus Funds Trust Fund (Non-Qualified) Investment Policy Statement, as approved and made effective by the Trustees of the State Board of Administration on August 2, 2016 ~~June 23, 2015, and made effective July 1, 2015~~, http://www.flrules.org/Gateway/reference.asp?No=Ref-07429 ~~http://www.flrules.org/Gateway/reference.asp?No=Ref-05858~~ is hereby adopted and incorporated by reference. The Investment Policy Statement may be obtained by contacting: State Board of Administration, 1801 Hermitage Blvd., Suite 100, Tallahassee, Florida 32308, Attn.: Florida PRIME Program, or by accessing the sbafla.com website, and clicking on the Florida PRIME heading under the Funds We Manage tab. The Investment Policy Statement for the Local Government Surplus Funds Trust Fund (Non-Qualified) can be accessed under the Risk Management and Oversight section.

Rulemaking Authority 218.412, 218.421(1), 288.405(4) FS. Law Implemented 218.405(1), (2), (3), (4), 218.409(2), (9), 218.415(17), 218.418, 218.421(2) FS. History–New 12-13-09, Amended 4-11-12, 1-18-14, 11-20-14, 2-18-15,___________..

Investment Policy Statement
Local Government Surplus Funds Trust Fund (Non-Qualified)
Effective August 2, 2016

I. Purpose and Scope

The purpose of this Investment Policy Statement ("Policy") is to set forth the investment objective, investment strategies, and authorized portfolio securities for the Local Government Surplus Funds Trust Fund ("Florida PRIME"). The Policy also describes the risks associated with an investment in Florida PRIME. This Policy does not relate to Fund B as defined in Section 218.421, Florida Statutes.

II. Overview of Florida PRIME

The Local Government Surplus Funds Trust Fund was created by an Act of the Florida Legislature effective October 1, 1977 (Chapter 218, Part IV, Florida Statutes). The State Board of Administration ("SBA") is charged with the powers and duties to administer and invest Florida PRIME, in accordance with the statutory fiduciary standards of care as contained in Section 215.47(9), Florida Statutes. The SBA has contracted with Federated Investment Counseling (the "Investment Manager") to provide investment advisory services for Florida PRIME.

Florida PRIME is governed by Chapters 215 and 218, Florida Statutes, and Chapter 19-7 of the Florida Administrative Code (collectively, "Applicable Florida Law").

III. Roles and Responsibilities

The Board of Trustees of the SBA ("Trustees") consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Trustees will annually certify that Florida PRIME is in compliance with the requirements of Chapter 218, Florida Statutes, and that the management of Florida PRIME is in accord with best investment practices.

The Trustees delegate the administrative and investment authority to manage Florida PRIME to the Executive Director of the SBA, subject to Applicable Florida Law. The Trustees appoint an Investment Advisory Council and a Participant Local Government Advisory Council. Both Councils will, at least annually, review this Policy and any proposed changes prior to its presentation to the Trustees and will undertake other duties set forth in Applicable Florida Law.

IV. Amortized Cost Accounting

In March 1997, the Governmental Accounting Standards Board ("GASB") issued Statement 31, titled "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB 31 applies to Florida PRIME.

GASB 31 outlines the two options for accounting and reporting for money market investment pools as either "2a-7 like" or fluctuating net asset value ("NAV"). GASB 31 describes a "2a-7 like" pool as an "external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the "1940 Act")." Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of $1.00 per share, provided that such funds meet certain conditions.

In December 2015, GASB issued Statement 79, "Certain External Investment Pools and Pool Participants," which delinks the accounting treatment of external investment pools from Rule 2a-7, and establishes criteria for the use of amortized cost to value portfolio assets of an external pool. GASB 79 also made clear that rounding unit value up or down to the nearest penny to maintain a stable NAV of $1.00 per share for issuances and redemptions of units is an operational decision for an external investment pool, rather than an accounting matter. GASB 79 also specifies, however, that seeking to maintain a stable price of $1.00 per share is one of the criteria that an external investment pool must meet as a condition to valuing all portfolio assets at amortized cost for financial reporting purposes.

Florida PRIME will seek to operate in a manner consistent with the criteria and requirements in GASB 79, including diversification, credit quality and maturity conditions. Accordingly, it is thereby permitted to value portfolio assets at amortized cost method.

V. Investment Objective

The primary investment objectives for Florida PRIME, in priority order, are safety, liquidity, and competitive returns with minimization of risks. Investment performance of Florida PRIME will be evaluated on a monthly basis against the Standard & Poor's U.S. AAA & AA Rated GIP All 30 Day Net Yield Index. While there is no assurance that Florida PRIME will achieve its investment objectives, it endeavors to do so by following the investment strategies described in this Policy.

VI. Investment Strategies & Specific Limitations

The Investment Manager will invest Florida PRIME's assets in short-term, high-quality fixed income securities. All Florida PRIME assets (100 percent) will be U.S. dollar-denominated. To be considered high-quality, a security must be rated in the highest short-term rating category by one or more nationally recognized statistical rating organizations ("NRSROs"), or be deemed to be of comparable quality thereto by the Investment Manager, subject to Section 215.47(1)(j), Florida Statutes. The Investment Manager also may enter into special transactions for Florida PRIME, like repurchase agreements. Each repurchase agreement counterparty must have an explicit issuer or counterparty credit rating in the highest short-term rating category from Standard & Poor's. Certain of the fixed -income securities in which Florida PRIME invests pay interest at a rate that is periodically adjusted ("Adjustable Rate Securities").

The Investment Manager will manage credit risk by purchasing only high quality securities. The Investment Manager will perform a credit analysis to develop a database of issuers and securities that meet the Investment Manager's standard for minimal credit risk. The Investment Manager monitors the credit risks of all Florida PRIME's portfolio securities on an ongoing basis by reviewing periodic financial data, issuer news and developments, and ratings of certain NRSROs. The Investment Manager will utilize a "new products" or similar committee to review and approve new security structures prior to an investment of Florida PRIME's assets in such securities. The Investment Manager will periodically consider and follow best practices in connection with minimal credit risk determinations (e.g., such as those described in Appendix I of the Investment Company Institute's 2009, *Report of the Money Market Working Group).*

The Investment Manager will manage interest rate risk by purchasing only short-term fixed income securities. The Investment Manager will target a dollar-weighted average maturity range for Florida PRIME based on its interest rate outlook. The Investment Manager will formulate its interest rate outlook by analyzing a variety of factors, such as current and expected U.S. economic growth; current and expected interest rates and inflation; and the Federal Reserve Board's monetary policy. The Investment Manager will generally shorten Florida PRIME's dollar-weighted average maturity when it expects interest rates to rise and extend Florida PRIME's dollar-weighted average maturity when it expects interest rates to fall. In order to meet the investment grade ratings criteria of Standard & Poor's for a pool, the remaining maturity of securities purchased by the Investment Manager shall not exceed 762 days for government floating rate notes/variable rate notes and will not exceed 397 days for all other securities; provided, however, that if not required by the ratings criteria of the applicable NRSRO that is providing an investment grade rating to the pool and to the extent consistent with the portfolio criteria of GASB 79, longer term floating rate/variable rate notes that are U.S. government securities may be owned by Florida PRIME.

The Investment Manager will exercise reasonable care to maintain (i) a dollar weighted average maturity ("DWAM") of 60 days or less; and (ii) a maximum weighted average life (WAL) within the range of 90-120 days, depending on the levels of exposure and ratings of certain Adjustable Rate Securities. The maximum WAL will depend upon the percentage exposures to government and non-government Adjustable Rate Securities, with sovereign (government) Adjustable Rate Securities rated AA- and higher allowed a 120-day limit, and non-sovereign (corporate) Adjustable Rate Securities (and sovereign Adjustable Rate Securities rated below AA-) restricted to a 90-day limit. The portfolio's maximum WAL will be based on a weighted average of the percentage exposures to each type of floating-rate instrument.

For purposes of calculating DWAM, the maturity of an Adjustable Rate Security generally will be the period remaining until its next interest rate adjustment. For purposes of calculating WAL, the maturity of an Adjustable Rate Security will be its stated final maturity, without regard to interest rate adjustments; accordingly, the WAL limitation could serve to restrict Florida PRIME's ability to invest in Adjustable Rate Securities.

The Investment Manager will exercise reasonable care to limit exposure to not more than 25% of Florida PRIME's assets in a single industry sector, with the exception that the Investment Manager may invest more than 25% 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. Government securities are not considered to be an industry.

The Investment Manager will exercise reasonable care to not acquire a security, other than (i) a Daily Liquid Asset, if immediately after the acquisition Florida PRIME would have invested less than 10% of its total assets in Daily Liquid Assets; (ii) a Weekly Liquid Asset, if immediately after the acquisition Florida PRIME would have invested less than 30% of its total assets in Weekly Liquid Assets. Daily Liquid Assets include cash, direct obligations of the U.S. government and securities that convert to cash in one business day. Weekly Liquid Assets include cash, direct obligations of the U.S. government, certain government securities with remaining maturities of 60 business days or less and securities that convert to cash in five business days.

Florida PRIME shall seek to hold liquid assets sufficient to meet reasonably foreseeable redemptions, based upon knowledge of the expected cash needs of participants.

The Investment Manager will exercise reasonable care to not acquire securities that cannot be sold or disposed of in the ordinary course of business within five business days at approximately the value ascribed to them by Florida PRIME if, immediately after the acquisition, Florida PRIME would have invested more than 5% of its total assets in such securities.

In buying and selling portfolio securities for Florida PRIME, the Investment Manager will comply with (i) the diversification, maturity and credit quality criteria in GASB 79, (ii) the requirements imposed by any NRSRO that rates Florida PRIME to ensure that it maintains a AAAm rating (or the equivalent) and (iii) the investment limitations imposed by Section 215.47, Florida Statutes except to the extent, as permitted by Section 215.44(3), the trust instrument of Florida PRIME and this investment policy statement specifically authorize investments in addition to those authorized by Section 215.47.

The Investment Manager generally will comply with the following diversification limitations that are additional to those set forth in GASB 79. First, at least 50% of Florida PRIME assets will be invested in securities rated "A-1+" or those deemed to be of comparable credit quality thereto by the Investment Manager (i.e., so long as such deeming is consistent with the requirements of the NRSRO's AAAm (or equivalent) rating criteria), subject to Section 215.47(1)(j), Florida Statutes. The Investment Manager will document each instance in which a security is deemed to be of comparable credit quality and its basis for such a determination. Second, exposure to any single non-governmental issuer (other than a money market mutual fund) will not exceed 5% and exposure to any single money market mutual fund will not exceed 10% of Florida PRIME assets.

VII. Portfolio Securities and Special Transactions

The Investment Manager will purchase only fixed income securities for Florida PRIME, and may engage in special transactions, for any purpose that is consistent with Florida PRIME's investment objective.

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. The fixed income securities in which Florida PRIME may invest include corporate debt securities, bank instruments, asset backed securities, U.S. Treasury securities, U.S. government agency securities, insurance contracts, municipal securities, foreign securities, mortgage backed securities, and shares of money market mutual funds. However, Florida PRIME is not permitted to buy such fixed income securities to the extent that they require Florida PRIME to be a qualified institutional buyer.

Special transactions are transactions into which Florida PRIME may enter, including, but not limited to, repurchase agreements and delayed delivery transactions.

For a more detailed description of Florida PRIME's portfolio securities and special transactions, please see "Additional Information Regarding Florida PRIME's Principal Securities" at Appendix A.

VIII. Risks Associated with Florida PRIME

An investment in Florida PRIME is subject to certain risks. Any investor in Florida PRIME should specifically consider, among other things, the following principal risks before making a decision to purchase shares of Florida PRIME.

Risk that Florida PRIME will not Maintain a Stable Net Asset Value

Although the Investment Manager attempts to manage Florida PRIME such that it maintains a stable NAV of $1.00 per share, there is no guarantee that it will be able to do so. Florida PRIME is not registered under the 1940 Act or regulated by the SEC.

Interest Rate Risks

The prices of the fixed income securities in which Florida PRIME will invest rise and fall in response to changes in the interest rates paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall. However, market factors, such as demand for particular fixed income securities, may cause the price of certain fixed income securities to fall while the price of other securities rise or remain unchanged. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities.

Credit Risks

Credit risk is the possibility that an issuer of a fixed income security held by Florida PRIME will default on the security by failing to pay interest or principal when due. If an issuer defaults, Florida PRIME will lose money.

Liquidity Risks

Trading opportunities are more limited for fixed income securities that are not widely held. These features make it more difficult to sell or buy securities at a favorable price or time. Consequently, Florida PRIME may have to accept a lower price to sell a security, sell other securities to raise cash or give up an investment opportunity, any of which could have a negative effect on Florida PRIME’s performance.

Concentration Risks

A substantial part of Florida PRIME may be comprised of securities issued by companies in the financial services industry, companies with similar characteristics, or securities credit enhanced by banks or companies with similar characteristics. As a result, Florida PRIME may be more susceptible to any economic, business, or political risks or other developments that generally affect finance companies. Developments affecting companies in the financial services industry or companies with similar characteristics might include changes in interest rates, changes in the economic cycle affecting credit losses and regulatory changes.

Risks of Foreign Investing

Foreign securities pose additional risks because foreign economic or political conditions may be less favorable than those of the United States. Securities in foreign markets also may be subject to taxation policies that reduce returns for U.S. investors.

Call Risks

If a fixed income security is called, Florida PRIME may have to reinvest the proceeds in other fixed income securities with lower interest rates, higher credit risks or other less favorable characteristics.

Prepayment Risks

Unlike traditional fixed income securities, which pay a fixed rate of interest until maturity (when the entire principal amount is due), payments on asset-backed securities include both interest and a partial payment of principal. Partial payment of principal may be comprised of scheduled principal payments as well as unscheduled payments from voluntary prepayment, refinancing, or foreclosure of the underlying loans. If Florida PRIME receives unscheduled prepayments, it may have to reinvest the proceeds in other fixed income securities with lower interest rates, higher credit risks or other less favorable characteristics.

Risks Associated with Amortized Cost Method of Valuation

Florida PRIME will use the amortized cost method to determine the value of its portfolio securities. Under this method, portfolio securities are valued at the acquisition cost as adjusted for amortization of premium or accumulation of discount rather than at current market value. Accordingly, neither the amount of daily income nor the NAV is affected by any unrealized appreciation or depreciation of the portfolio. In periods of declining interest rates, the indicated daily yield on shares computed by dividing the annualized daily income on Florida PRIME’s portfolio by the NAV, as computed above, may tend to be higher than a similar computation made by using a method of valuation based on market prices and estimates. In periods of rising interest rates, the opposite may be true.

Changing Distribution Level Risk

There is no guarantee that Florida PRIME will provide a certain level of income or that any such income will exceed the rate of inflation. Further, Florida PRIME's yield will vary. A low interest rate environment may prevent Florida PRIME from providing a positive yield or paying expenses out of current income.

Throughout this section, it shall be understood that actions described as being taken by Florida PRIME refer to actions taken by the Investment Manager on behalf of Florida PRIME.

For additional information regarding Florida PRIME's principal securities and associated risks, please see Appendix A.

IX. Controls and Escalation Procedures

Section 218.409(2), Florida Statutes requires this Policy to document a system of internal controls designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the board or a professional money management firm. The controls include formal escalation reporting guidelines for all employees to address material impacts on Florida PRIME that require reporting and action.

The SBA has engaged BNY Mellon ("Custodian") to provide asset safekeeping, custody, fund accounting and performance measurement services to Florida PRIME. The Custodian will mark to market the portfolio holdings of Florida PRIME on a daily basis and will daily communicate both amortized cost price and mark to market price, so that the SBA and the Investment Manager can monitor the deviations between the amortized cost price and market price. By contractual agreement, the Investment Manager will reconcile accounting and performance measurement reports with the Custodian on at least a monthly basis, under the supervision of the SBA.

The NRSRO that rates Florida PRIME will perform regular independent surveillance of Florida PRIME. The SBA and an independent investment consultant will regularly monitor the Investment Manager with respect to performance and organizational factors according to SBA manager monitoring policies.

The SBA and third parties used to materially implement Florida PRIME will maintain internal control, fraud and ethics policies and procedures designed to prevent the loss of public funds.

The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board, and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group to regularly review, document and formally escalate compliance exceptions and events that may have a material impact on Florida PRIME. Minutes of the Investment Oversight Group's meetings and a listing of meeting participants shall be timely posted on the Florida PRIME website.

The Investment Oversight Group will meet and report monthly to the Executive Director, except upon the occurrence of a material event. The SBA and the Investment Manager have an affirmative duty to immediately disclose any material impact on Florida PRIME to the participants, including, but not limited to:

1. When the deviation between the market value and amortized cost of Florida PRIME exceeds 0.25%, according to pricing information provided by the Custodian, the Investment Manager will establish a formal action plan. The Investment Oversight Group will review the formal action plan and prepare a recommendation for the Executive Director's consideration.

2. When the deviation between the market value and amortized cost of Florida PRIME exceeds 0.50%, according to pricing information provided by the Custodian, the Executive Director will promptly consider what action, if any, will be initiated. Where the Executive Director believes the extent of any deviation from Florida PRIME's amortized cost price per share may result in material dilution or other unfair results to investors or existing shareholders, he will cause Florida PRIME to take such action as he deems appropriate to eliminate or reduce to the extent reasonably practicable such dilution or unfair results.

3. The Investment Manager will perform daily compliance monitoring to ensure that investment practices comply with the requirements of this Policy, according to documented compliance procedures. The Investment Manager will provide regular compliance reports and will communicate compliance exceptions within 24 hours of identification to the Investment Oversight Group. Additionally, the Investment Oversight Group will periodically conduct independent compliance reviews.

4. In the event that a security receives a credit rating downgrade and ceases to be in the highest rating category, or the Investment Manager determines that the security is no longer of comparable quality to the highest short-term rating category (in either case, a "Downgrade"), the Investment Manager will reassess whether the security continues to present minimal credit risk and will cause Florida PRIME to take any actions determined by the Investment Manager to be in the best interest of Florida PRIME; provided however, that the Investment Manager will not be required to make such reassessments if Florida PRIME disposes of the security (or the security matures) within five business days of the Downgrade.

5. In the event that a security no longer meets the criteria for purchase due to default, event of insolvency, a determination that the security no longer presents minimal credit risks, or other material event ("Affected Security"), the Investment Manager must dispose of the security as soon as practical, consistent with achieving an orderly disposition of the security, by sale, exercise of a demand feature or otherwise, and the requirements of GASB 79. An Affected Security may be held only if the Executive Director has determined, based upon a recommendation from the Investment Manager and the Investment Oversight Group, that it would not be in the best interest of Florida PRIME to dispose of the security taking into account market conditions that may affect an orderly disposition.

6. The Investment Manager will monthly stress test Florida PRIME and at least quarterly report the results of the stress tests to 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) an increase in net shareholder redemptions; (iii) downgrades or defaults; and (iv)

changes between a benchmark overnight interest rate and the interest rates on securities held by Florida PRIME.

The Investment Manager will at least annually provide the Investment Oversight Group with: (i) their documented compliance procedures; (ii) an assessment of Florida PRIME's ability to withstand events reasonably likely to occur in the coming year and (iii) their list of NRSROs utilized as a component of the credit risk monitoring process.

The Executive Director's delegated authority as described in this section is intended to provide him with sufficient authority and operating flexibility to make professional investment decisions in response to changing market and economic conditions. Nonetheless, the Trustees will at least monthly review and approve management summaries of material impacts on Florida PRIME, any actions or escalations taken thereon, and carry out such duties and make such determinations as are otherwise necessary under applicable law, regulation or rule.

Pursuant to Florida law, the Auditor General will conduct an annual financial audit of Florida PRIME, which will include testing for compliance with this Policy.

X. Deposits and Withdrawals

Investors should refer to the separate Florida PRIME Operating Procedures for detailed descriptions regarding how to make deposits in and withdrawals from Florida PRIME, including (1) any fees and limitations that may be imposed with respect thereto; and (2) reports provided to participants.

XI. Management Reporting

The Executive Director will be responsible for providing the formal periodic reports to the Trustees, legislative committees and other entities:

1. An annual report on the SBA and its investment portfolios, including that of Florida PRIME.
2. A monthly report on performance and investment actions taken.
3. Special reports pursuant to Chapter 218, Florida Statutes.

Appendix A
Additional Information Regarding Florida PRIME's Principal Securities

Throughout this appendix it shall be understood that actions described as being taken by Florida PRIME refer to actions taken by the Investment Manager on behalf of Florida PRIME.

FIXED INCOME SECURITIES

Corporate Debt Securities

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

COMMERCIAL PAPER

Commercial paper is an issuer's obligation with a maturity of generally less than 270 days. Companies typically issue commercial paper to pay for current expenditures. Most issuers constantly reissue their commercial paper and use the proceeds (or bank loans) to repay maturing paper. If the issuer cannot continue to obtain liquidity in this fashion, its commercial paper may default.

DEMAND INSTRUMENTS

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. Florida PRIME 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 U.S. dollars and issued by U.S. 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.

Florida PRIME will not invest in instruments of domestic and 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. These instruments may include Eurodollar Certificates of Deposit, Yankee Certificates of Deposit, and Euro-dollar Time Deposits.

Florida PRIME shall further limit its investments in bank instruments consistent with the requirements of GASB 79.

Asset Backed Securities

Asset backed securities are payable from pools of obligations, most of which involve consumer or commercial debts. However, almost any type of fixed income assets (including other fixed income securities) may be used to create an asset backed security. Asset backed securities may take the form of commercial paper, notes or pass-through certificates.

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

U.S. Treasury securities are direct obligations of the federal government of the United States. U.S. Treasury securities are generally regarded as having the lowest credit risks.

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 U.S. 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, Student Loan Marketing 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.

Investors regard agency securities as having low credit risks, but not as low as Treasury securities. Florida PRIME treats mortgage-backed securities guaranteed by a GSE as if issued or guaranteed by a federal agency. Although such a guarantee protects against credit risks, it does not reduce market risks.

Insurance Contracts

Insurance contracts include guaranteed investment contracts, funding agreements and annuities. Florida PRIME treats these contracts as fixed income securities.

Municipal Securities

Municipal securities are issued by states, counties, cities and other political subdivisions and authorities.

Foreign Securities

Foreign securities are U.S. dollar-denominated securities of issuers based outside the United States. Florida PRIME considers an 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;
- the principal trading market for its securities is 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.

Mortgage Backed Securities

Mortgage backed securities represent interests in pools of mortgages. The mortgages that comprise a pool normally have similar interest rates, maturities and other terms. Mortgages may have fixed or adjustable interest rates. Interests in pools of adjustable rate mortgages are known as ARMs.

Zero Coupon Securities

Certain of the fixed income securities in which Florida PRIME invests are 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. Investors must wait until maturity to receive interest and principal, which increases the interest rate and credit risks of a zero coupon security.

Callable Securities

Certain of the fixed income securities in which Florida PRIME invests are callable at the option of the issuer. Callable securities are subject to reinvestment risks.

144A Securities

The SBA has determined that Florida PRIME 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 Florida PRIME 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 1940 Act, as long as Florida PRIME 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 in Rule 144A(a)(1) promulgated under the Securities Act. Florida PRIME is restricted from purchasing or acquiring securities or investments that would require Florida PRIME 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.

Money Market Mutual Funds

Florida PRIME may invest in shares of registered investment companies that are money market mutual funds, including those that are affiliated with the Investment Manager, as an efficient means of implementing its investment strategies and/or managing its uninvested cash. These other money market mutual funds are managed independently of Florida PRIME and incur additional fees and/or expenses that would, therefore, be borne indirectly by Florida PRIME in connection with such investment. However, the Investment Manager believes that the benefits and efficiencies of this approach should outweigh the potential additional fees and/or expenses. The Investment Manager must obtain prior written consent of the SBA to invest Florida PRIME in money market mutual funds that are “affiliated persons” of the Investment Manager.

SPECIAL TRANSACTIONS

The Investment Manager on behalf of Florida PRIME may engage in the following special transactions.

Repurchase Agreements

A repurchase agreement is a transaction in which Florida PRIME 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 Florida PRIME’s return on the transaction. This return is unrelated to the interest rate on the underlying security. Florida PRIME will enter into repurchase agreements only with banks and other recognized financial institutions, such as securities dealers, deemed creditworthy by the Investment Manager. The securities that are subject to the repurchase transactions are limited to securities in which Florida PRIME would be permitted to invest, except that such securities may have a maturity longer than would otherwise be permitted for Florida PRIME to own.

Florida PRIME’s 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 security each day to ensure that the value of the security always equals or exceeds the repurchase price.

Repurchase agreements are subject to credit risks.

Delayed Delivery Transactions

Delayed delivery transactions, including when-issued transactions, are arrangements in which Florida PRIME 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 Florida PRIME to the issuer and no interest accrues to Florida PRIME. Florida PRIME records the transaction when it agrees to buy the securities and reflects their value in determining the price of its units. 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 for Florida PRIME. Delayed delivery transactions also involve credit risks in the event of a counterparty default.

Asset Coverage

In order to secure its obligations in connection with special transactions, Florida PRIME will either own the underlying assets, enter into an offsetting transaction or set aside readily marketable securities with a value that equals or exceeds Florida PRIME’s obligations. Unless Florida PRIME has other readily marketable assets to set aside, it cannot trade assets used to secure such obligations without terminating a special transaction. This may cause Florida PRIME to miss favorable trading opportunities or to realize losses on special transactions.

Florida Hurricane
Catastrophe Fund

Memo

TO: Ashbel C. Williams, Executive Director & CIO

THRU: Anne Bert, Chief Operating Officer, FHCF

FROM: Leonard E. Schulte, Director of Legal Analysis & Risk Evaluation, FHCF

DATE: September 8, 2016

SUBJECT: Trustees Meeting September 20, 2016

Request approval of, and authority to file, a Notice of Proposed Rule for Rule 19-8.010, F.A.C., Reimbursement Contract, and to file this rule along with the incorporated forms for adoption if no member of the public timely requests a rule hearing or if a hearing is requested and no Notice of Change is needed.

Request reappointment of Lorilee Medders, Ph.D., as Chair of the Florida Commission on Hurricane Loss Projection Methodology.

ITEM A. SUMMARY AND REASONS FOR RULE CHANGES:

Reimbursement Contract (Rule 19-8.010, F.A.C.)
This rule is being amended to adopt the 2017 Florida Hurricane Catastrophe Fund Reimbursement Contract and to delete obsolete language.

SUMMARY OF INCORPORATED FORM CHANGES:

This rule adopts the FHCF Reimbursement Contract for the contract year beginning June 1, 2017. The SBA is required by law to adopt the contract form no later than February 1, 2017.

There are no major, substantive changes in this version of the Reimbursement Contract. In addition to updating the dates to reflect the 2017-2018 contract year and making other nonsubstantive editorial changes and corrections, the revised Reimbursement Contract includes other clarifications:

- For clarity, the Reimbursement Contract is revised to delete the term “Loss Occurrence,” which was used interchangeably with the statutorily-defined term “Covered Event,” and to add a definition of “Loss” or “Losses” which tracks the statutory definition.

- Contractual language relating to violations and noncompliance, which appeared in several places, has been consolidated into one article of the Reimbursement Contract.

Additional detail is provided in the attached Summary of Changes.

EXTERNAL INTEREST: The notice of rule development was published in the *Florida Administrative Register* on August 17, 2016, Vol. 42, No. 160. A rule development workshop was held on September 1, 2016. Representatives of the FHCF attended and presented the rule and incorporated forms. The rule and forms were presented, discussed, and favorably recommended by the FHCF Advisory Council at a public meeting on September 1, 2016.

No comments were received from the public at the rule development workshop, and no comments have been submitted subsequent to the workshop.

ACTION REQUESTED: It is requested that this proposed rule amendment be presented to the Cabinet Aides on September 14, 2016, and to the State Board of Administration Trustees on September 20, 2016, with a request to approve the filing of this rule for Notice of Proposed Rule and to approve filing for adoption with the Department of State if no member of the public timely requests a rule hearing or if a rule hearing is requested but no Notice of Change is necessary. A notice of the meeting of the Board was published in the *Florida Administrative Register* on September 7, 2016, Vol. 42, No. 174.

ATTACHMENTS TO BE INCLUDED WITH THE SBA AGENDA ITEM A:

- Summary of Changes
- Notice of Proposed Rule
- Notice of Meeting of Board as filed in the *Florida Administrative Register*
- Rule 19-8.010, F.A.C., Reimbursement Contract
- 2017 Incorporated Forms **– 19-8.010, F.A.C., Reimbursement Contract**
  Incorporated Forms: **FHCF-2017K –** "Reimbursement Contract," **FHCF-2017K-1—** Addendum 1 with Appendix A (Citizens), rev. XX.

The rule and all forms show the proposed amendments with new language <u>underscored</u> and deleted language ~~stricken through~~.

ITEM B. APPOINTMENT OF CHAIR OF THE FLORIDA COMMISSION ON HURRICANE LOSS PROJECTION METHODOLOGY

BACKGROUND: The Florida Commission on Hurricane Loss Projection Methodology is an independent commission that establishes standards for and reviews computer models used by insurers to project hurricane losses. The commission is administratively housed within the SBA and staffed by the staff of the Florida Hurricane Catastrophe Fund.

Section 627.0628(2)(d), F.S., requires the State Board of Administration to annually appoint a commission member to serve as Chair. Dr. Lorilee Medders, Ph.D., Statistics Expert, Florida

State University, is the current Chair, and it is requested that she be reappointed to serve as Chair for the 2016-2017 year.

ACTION REQUESTED: Request reappointment of Lorilee Medders, Ph.D., as Chair of the Florida Commission on Hurricane Loss Projection Methodology for the 2016-2017 year.

ATTACHMENTS TO BE INCLUDED WITH THE SBA AGENDA ITEM B:

- Lorilee Medders, Ph.D., curriculum vitae
- List of current members of the Florida Commission on Hurricane Loss Projection Methodology.

Rule 19-8.010, F.A.C., and Incorporated Forms
2017-2018 Contract Year
Summary of Changes
(As of August 16, 2016)

Rule

19-8.010, Reimbursement Contract

Deleted: Subsection (1), relating to the Reimbursement Contract for the 2012-2013 Contract Year, is deleted as obsolete.

Renumbered: Former subsections (2) through (5) are renumbered as subsections (1) through (4), respectively.

New: Subsection (5) is added to incorporate the Reimbursement Contract for the 2017-2018 Contract Year.

Incorporated Forms

Rule 19-8.010, F.A.C., Incorporated Forms:

FHCF-2017K, Reimbursement Contract

Throughout: Technical changes to update references to the 2017-2018 Contract Year dates, corrections to cross-references, and nonsubstantive editorial and grammatical changes are made throughout the Contract.

In addition, changes are made throughout the Contract to conform to the new definition of the term "Loss" or "Losses" and the deletion of the defined term "Loss Occurrence." See the discussion under "Article V - Definitions" for details.

ARTICLE V – DEFINITIONS

Subsection (19) is revised to delete the definition of "Loss Occurrence" and provide a definition of "Loss" or "Losses." "Loss Occurrence" is deleted because in most instances it was used to mean the same thing as the defined term "Covered Event" and in some instances was used to mean "Losses." The definition of "Losses" is revised to more closely track the statutory definition of the term and to clarify that it applies throughout the Contract (rather than only to the definition of “Loss Occurrence”). To conform to these revisions throughout the Contract, the defined term “Loss” or “Losses” is capitalized, the term “Loss Occurrence” is replaced with the appropriate defined term throughout the Contract, and other changes are made as needed to conform to the revised definition.

Subsection (20), relating to the definition of “Loss Adjustment Expense Reimbursement,” is amended to clarify that the Loss Adjustment Expense Reimbursement is included in the total Payout Multiple (as defined in Subsection (23)) applicable to each Company.

ARTICLE VI – EXCLUSIONS

Paragraph (a) of subsection (27), relating to the exclusion for policies covering Specialized Fine Arts Risks, is revised to clarify that the exclusion applies to any policy predominantly covering Specialized Fine Arts Risks and not covering any Residential Structure under specified circumstances.

ARTICLE X – REPORTS AND REMITTANCES

Subparagraph (3)(a)1. and subsections (5) and (7), relating to noncompliance, are deleted. Provisions relating to noncompliance now appear in Article XVII.

Sub-subparagraph (3)(b)2.c. is amended to remove authority to submit certain Proof of Loss Reports by fax.

Subparagraph (3)(c)1. is revised to clarify that a reference to “Company” includes Citizens Property Insurance Corporation.

Subparagraph (3)(c)2. is deleted as duplicative of the language in subparagraph (3)(c)1.

ARTICLE XIII – INSPECTION OF RECORDS

Paragraph (4)(b), relating to records provided to an examiner after the examiner has left the work-site, is clarified to provide that the requirements apply to both reported exposures and reported Losses.

Paragraph (4)(c), relating to responses required from the Company upon receipt of an examination report, is amended to clarify that a response may not be required if there were no findings in the report.

ARTICLE XVII – VIOLATIONS

This Article is revised to more closely track the language of s. 215.555, F.S., relating to violations and the powers of the SBA with respect to those violations. The revised Article also defines “noncompliance” and specifies actions that the SBA may take while a Company is noncompliant.

New subsection (1) states that s. 215.555, F.S., provides that a violation of that statute or rules adopted under that statute constitutes a violation of the Florida Insurance Code; that this Contract has been adopted as part of Rule 19-8.010, F.A.C.; and that the statute authorizes the SBA to take any action necessary to enforce the rules or the Contract.

New subsection (2) adds a definition of “noncompliance” as the failure to comply with any applicable provision of s. 215.555, F.S., or rules adopted under that statute, including, but not limited to, specified deadlines. The Company remains in a state of noncompliance as long as it fails to meet an applicable requirement.

The new language also provides that if a Company is noncompliant, the SBA reserves the right to withhold payments or advances from the Company until the SBA determines that the Company is no longer noncompliant.

ARTICLE XX – SIGNATURES

The signature block of the Contract is revised to require the person signing on behalf of the Company to certify that he or she is an officer acting within his or her authority to enter into the Contract, with authority to bind the Company and make representations on its behalf.

Addendum No. 1 (and Appendix A), Citizens (liquidating insurers):

Dates are updated to reflect the 2017-2018 Contract Year dates and defined terms are capitalized.

Notice of Proposed Rule

STATE BOARD OF ADMINISTRATION
RULE NO.: RULE TITLE:

19-8.010: Reimbursement Contract

PURPOSE AND EFFECT: The State Board of Administration of Florida, Florida Hurricane Catastrophe Fund, seeks to amend the rule listed above to implement Section 215.555, F.S.

SUMMARY: The rule is being amended to adopt the 2017-2018 Reimbursement Contract, including Addenda. In addition, obsolete material is being removed.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND LEGISLATIVE RATIFICATION:

The Agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of $200,000 in the aggregate within one year after the implementation of the rule. A SERC has not been prepared by the Agency.

The Agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: A Reimbursement Contract meeting the requirements set forth in Section 215.555, F.S., must be adopted annually pursuant to Section 215.555(4) and (17)(b), F.S. Upon review of the proposed changes to the upcoming Contract Year's Reimbursement Contract, which is incorporated into Rule 19-8.010, F.A.C., Reimbursement Contract, the State Board of Administration of Florida has determined that the preparation of a Statement of Estimated Regulatory Costs is not necessary and that this rule does not meet the statutory threshold for ratification by the Legislature. The changes to this rule also do not directly or indirectly have an adverse impact on economic growth, private sector job creation or employment, or private sector investment, business competitiveness, or innovation or increase regulatory costs, including any transactional costs, in excess of $1 million in the aggregate within 5 years after the implementation of the rule.

Any person who wishes to provide information regarding a statement of estimated regulatory costs, or provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

RULEMAKING AUTHORITY: 215.555(3), F.S.

LAW IMPLEMENTED: 215.555(2), (3), (4), (5), (6), (7), (10), (17), F.S.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE HELD AT THE DATE,TIME AND PLACE SHOWN BELOW(IF NOT REQUESTED, THIS HEARING WILL NOT BE HELD):

DATE AND TIME: October 18, 2016, 9:00 a.m. to 11:00 a.m. (ET).

PLACE: Hermitage Centre Conference Room, Hermitage Centre, 1801 Hermitage Boulevard, Tallahassee, FL 32308. Persons wishing to participate by phone may dial (888) 670-3525 and enter conference code 7135858151.

Pursuant to the provisions of the Americans with Disabilities Act, any person requiring special accommodations to participate in this workshop/meeting is asked to advise the agency at least 7 days before the workshop/meeting by contacting: Donna Sirmons, Florida Hurricane Catastrophe Fund, 1801 Hermitage Blvd., Tallahassee, FL 32308, (850) 413-1349, donna.sirmons@sbafla.com.. If you are hearing or speech impaired, please contact the agency using the Florida Relay Service, 1(800)955-8771 (TDD) or 1(800)955-8770 (Voice).

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Donna Sirmons at the number or email listed above.

THE FULL TEXT OF THE PROPOSED RULE IS:

19-8.010 Reimbursement Contract.

~~(1) The reimbursement contract for the 2012-2013 contract year, http://www.flrules.org/Gateway/reference.asp?No=ref-00777, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2012K-"Reimbursement Contract" or "Contract" between (name of insurer) (the "Company")/NAIC #( ) and The State Board of Administration of the State of Florida ("SBA") which administers the Florida Hurricane Catastrophe Fund ("FHCF"), rev. 12/11 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2012 through May 31, 2013.~~

(1)~~(2)~~ The reimbursement contract for the 2013-2014 contract year, http://www.flrules.org/Gateway/reference.asp?No=ref-01872, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2013K-"Reimbursement Contract" or "Contract" between (name of insurer) (the "Company")/NAIC #( ) and The State Board of Administration of the State of Florida ("SBA") which administers the Florida Hurricane Catastrophe Fund ("FHCF"), rev. 11/12 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2013 through May 31, 2014.

(2)~~(3)~~ The reimbursement contract for the 2014-2015 contract year, http://www.flrules.org/Gateway/reference.asp?No=ref-03348, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2014K-"Reimbursement Contract" or "Contract" between (name of insurer) (the "Company")/NAIC #( ) and The State Board of Administration of the State of Florida ("SBA") which administers the Florida Hurricane Catastrophe Fund ("FHCF"), rev. 12/13 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2014 through May 31, 2015.

(3)~~(4)~~ The reimbursement contract for the 2015-2016 contract year, http://www.flrules.org/Gateway/reference.asp?No=ref-04711, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2015K-"Reimbursement Contract" or "Contract" between (name of insurer) (the "Company")/NAIC #( ) and The State Board of Administration of the State of Florida ("SBA") which administers the Florida Hurricane Catastrophe Fund ("FHCF"), http://www.flrules.org/Gateway/reference.asp?No=ref-05417, rev. 11/14 is hereby adopted and incorporated by reference into this rule. In addition, Form 2015K-2, Amendment No. 1 to the Reimbursement Contract, is also adopted and incorporated by reference into this rule. This contract is effective from June 1, 2015 through May 31, 2016.

(4)~~(5)~~ The reimbursement contract for the 2016-2017 contract year, http://www.flrules.org/Gateway/reference.asp?No=ref-06219, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2016K-"Reimbursement Contract" or "Contract" between (name of insurer) (the "Company")/NAIC #( ) and The State Board of Administration of the State of Florida ("SBA") which administers the Florida Hurricane Catastrophe Fund ("FHCF"), rev. 12/15 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2016 through May 31, 2017.

(5) The reimbursement contract for the 2017-2018 contract year, http://www.flrules.org/Gateway/reference.asp?No=ref-XXXXX, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2017K-"Reimbursement Contract" or "Contract" between (name of insurer) (the "Company")/NAIC #( ) and The State Board of Administration of the State of Florida ("SBA") which administers the Florida Hurricane Catastrophe Fund ("FHCF"), rev. XX/16 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2017 through May 31, 2018.

(6) Copies of the reimbursement contract may be obtained from the FHCF website, www.sbafla.com/fhcf or by contacting the State Board of Administration. The mailing address is P. O. Box 13300, Tallahassee, Florida 32317-3300. The street address is 1801 Hermitage Blvd., Tallahassee, Florida 32308 and the telephone number is (850) 413-1335.

Rulemaking Authority 215.555(3) FS. Law Implemented 215.555 FS. History–New 5-31-94, Amended 8-29-95, 5-19-96, 6-19-97, 5-28-98, 5-17-99, 9-13-99, 6-19-00, 6-3-01, 6-2-02, 11-12-02, 5-13-03, 5-19-04, 8-29-04, 5-29-05, 11-13-05, 5-10-06, 9-5-06, 5-8-07, 8-13-07, 6-8-08, 9-2-08, 3-30-09, 8-23-09, 3-29-10, 8-8-10, 12-12-10, 9-11-11, 12-19-11, 11-18-12, 12-2-13, 11-12-14, 6-2-15, 1-3-16, X-X-XX.

NAME OF PERSON ORIGINATING PROPOSED RULE: Anne Bert, FHCF Chief Operating Officer, State Board of Administration of Florida.
NAME OF AGENCY HEAD WHO APPROVED THE PROPOSED RULE: The Trustees of the State Board of Administration of Florida.
DATE PROPOSED RULE APPROVED BY AGENCY HEAD: September 20, 2016
DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAR: August 17, 2016

Notice of Meeting/Workshop Hearing

STATE BOARD OF ADMINISTRATION

The State Board of Administration of Florida (SBA) announces a public meeting to which all persons are invited.

DATE AND TIME: September 20, 2016, 9:00 a.m. (ET) to conclusion of the meeting.

PLACE: Cabinet Meeting Room, Lower Level, The Capitol, Tallahassee, Florida.

GENERAL SUBJECT MATTER TO BE CONSIDERED: This is a meeting of the Trustees of the SBA to obtain approval to file Rule 19-8.010, F.A.C., Reimbursement Contract, for Notice of Proposed Rule and to file this rule for adoption if no member of the public timely requests a hearing or, if a hearing is requested, no Notice of Change is needed. The meeting will also include consideration of the appointment of a Chair of the Florida Commission on Hurricane Loss Projection Methodology. In addition, other general business may be addressed.

A copy of the agenda may be obtained by contacting: Not available.

Pursuant to the provisions of the Americans with Disabilities Act, any person requiring special accommodations to participate in this workshop/meeting is asked to advise the agency at least 7 days before the workshop/meeting by contacting: Donna Sirmons at (850) 413-1349 or donna.sirmons@sbafla.com. If you are hearing or speech impaired, please contact the agency using the Florida Relay Service, 1(800)955-8771 (TDD) or 1(800)955-8770 (Voice).

For more information, you may contact: Donna Sirmons at the number or email listed above.

19-8.010 Reimbursement Contract.

~~(1) The reimbursement contract for the 2012-2013 contract year, http://www.flrules.org/Gateway/reference.asp?No=ref-00777, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2012K-“Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC #( ) and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 12/11 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2012 through May 31, 2013.~~

(1)~~(2)~~ The reimbursement contract for the 2013-2014 contract year, http://www.flrules.org/Gateway/reference.asp?No=ref-01872, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2013K-“Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC #( ) and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 11/12 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2013 through May 31, 2014.

(2)~~(3)~~ The reimbursement contract for the 2014-2015 contract year, http://www.flrules.org/Gateway/reference.asp?No=ref-03348, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2014K-“Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC #( ) and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 12/13 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2014 through May 31, 2015.

(3)~~(4)~~ The reimbursement contract for the 2015-2016 contract year, http://www.flrules.org/Gateway/reference.asp?No=ref-04711, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2015K-“Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC #( ) and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), http://www.flrules.org/Gateway/reference.asp?No=ref-05417, rev. 11/14 is hereby adopted and incorporated by reference into this rule. In addition, Form 2015K-2, Amendment No. 1 to the Reimbursement Contract, is also adopted and incorporated by reference into this rule. This contract is effective from June 1, 2015 through May 31, 2016.

(4)~~(5)~~ The reimbursement contract for the 2016-2017 contract year, http://www.flrules.org/Gateway/reference.asp?No=ref-06219, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2016K-“Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC #( ) and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 12/15 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2016 through May 31, 2017.

(5) The reimbursement contract for the 2017-2018 contract year, http://www.flrules.org/Gateway/reference.asp?No=ref-XXXXX, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2017K-“Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC #( ) and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. XX/16 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2017 through May 31, 2018.

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Rulemaking Authority 215.555(3) FS. Law Implemented 215.555 FS. History–New 5-31-94, Amended 8-29-95, 5-19-96, 6-19-97, 5-28-98, 5-17-99, 9-13-99, 6-19-00, 6-3-01, 6-2-02, 11-12-02, 5-13-03, 5-19-04, 8-29-04, 5-29-05, 11-13-05, 5-10-06, 9-5-06, 5-8-07, 8-13-07, 6-8-08, 9-2-08, 3-30-09, 8-23-09, 3-29-10, 8-8-10, 12-12-10, 9-11-11, 12-19-11, 11-18-12, 12-2-13, 11-12-14, 6-2-15, 1-3-16, X-X-XX.

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REIMBURSEMENT CONTRACT

Effective: June 1, ~~2016~~2017
(Contract)

between

«Legal_Name»
(Company)

NAIC # «NAIC_»

and

THE STATE BOARD OF ADMINISTRATION OF THE STATE OF FLORIDA (SBA) WHICH ADMINISTERS THE FLORIDA HURRICANE CATASTROPHE FUND (FHCF)

PREAMBLE

The Legislature of the State of Florida has enacted Section 215.555, Florida Statutes (Statute), which directs the SBA to administer the FHCF. This Contract, consisting of the principal document entitled Reimbursement Contract, addressing the mandatory FHCF coverage, and Addenda, is subject to the Statute and to any administrative rule adopted pursuant thereto, and is not intended to be in conflict therewith. All provisions in the principal document are equally applicable to each Addendum unless specifically superseded by one of the Addenda.

In consideration of the promises set forth in this Contract, the parties agree as follows:

ARTICLE I - SCOPE OF AGREEMENT

As a condition precedent to the SBA's obligations under this Contract, the Company, an Authorized Insurer or an entity writing Covered Policies under Section 627.351, Florida Statutes, in the State of Florida, shall report to the SBA in a specified format the business it writes which is described in this Contract as Covered Policies.

The terms of this Contract shall determine the rights and obligations of the parties. This Contract provides reimbursement to the Company under certain circumstances, as described herein, and does not provide or extend insurance or reinsurance coverage to any person, firm, corporation or other entity. The SBA shall reimburse the Company for its Ultimate Net Loss on Covered Policies, which were in force and in effect at the time of the Covered Event(s) causing the ~~loss~~Loss, in excess of the Company's Retention as a result of each ~~Loss Occurrence~~Covered Event commencing during the Contract Year, to the extent funds are available, all as hereinafter defined.

ARTICLE II - PARTIES TO THE CONTRACT

This Contract is solely between the Company and the SBA which administers the FHCF. In no instance shall any insured of the Company or any claimant against an insured of the Company, or any other third party, have any rights under this Contract, except as provided in Article XV. The SBA will only disburse funds to the Company, except as provided for in Article XV. The Company shall not, without the prior approval of the Office of Insurance Regulation, sell, assign, or transfer to any third party, in return for a fee or other consideration any sums the FHCF pays under this Contract or the right to receive such sums.

ARTICLE III - TERM

(1) The term of this Contract shall apply to ~~Loss Occurrences~~Losses from Covered Events which commence during the period from 12:00:01 a.m., Eastern Time, June 1, ~~2016~~2017, to 12:00 midnight, Eastern Time, May 31, ~~2017~~ 2018 (Contract Year). Pursuant to the terms of this Contract, the SBA shall not be liable for ~~Loss Occurrences~~Losses from Covered Events which commence after the effective time and date of expiration or termination. Should this Contract expire or terminate while a ~~Loss Occurrence covered hereunder~~Covered Event is in progress, the SBA shall be responsible for such ~~Loss Occurrence~~ Covered Event in progress in the same manner and to the same extent it would have been responsible had the Contract expired the day following the conclusion of the ~~Loss Occurrence~~Covered Event in progress.

(2) The Company is required to designate a coverage level, make the required selections, and return this fully executed Contract to the FHCF Administrator so that the Contract is received by the FHCF Administrator no later than 5 p.m., Central Time, March 1, ~~2016~~2017. Failure to do so shall result in the Company's coverage level under this Contract being deemed as follows:

(a) For Companies that are a member of a National Association of Insurance Commissioners (NAIC) group, the same coverage level selected by the other Companies of the same NAIC group shall be deemed. If executed Contracts for none of the members of an NAIC group have been received by the FHCF Administrator, the coverage level from the prior Contract Year shall be deemed.

(b) For Companies that are not a member of an NAIC group under which other Companies are active participants in the FHCF, the coverage level from the prior Contract Year shall be deemed.

(c) For New Participants, as that term is defined in Article V(21), that are a member of an NAIC group, the same coverage level selected by the other Companies of the same NAIC group shall be deemed.

(d) For New Participants that are not a member of an NAIC group under which other Companies are active participants in the FHCF, the 45%, 75% or 90% coverage levels may be selected providing that the FHCF Administrator receives executed Contracts within 30 calendar days of the effective date of the first Covered Policy, otherwise, the 45% coverage level shall be deemed.

(3) Failure by the Company to meet the requirements of this Article may result in referral to the Office of Insurance Regulation.

ARTICLE IV - LIABILITY OF THE FHCF

(1) The SBA shall reimburse the Company, with respect to each ~~Loss Occurrence~~Covered Event commencing during the Contract Year for the "Reimbursement Percentage" elected, this percentage times the amount of Ultimate Net Loss paid by the Company in excess of the Company's Retention, as adjusted pursuant to Article V(28), plus 5% of the reimbursed ~~losses~~ Losses for Loss Adjustment Expense Reimbursement.

(2) The Reimbursement Percentage will be 45% or 75% or 90%, at the Company's option as elected under Article XIX.

(3) The aggregate liability of the FHCF with respect to all Reimbursement Contracts covering this Contract Year shall not exceed the limit set forth under Section 215.555(4)(c)1., Florida Statutes. For specifics regarding ~~loss~~ reimbursement calculations, see section (3)(c) of Article X.

(4) Upon the occurrence of a Covered Event, the SBA shall evaluate the potential ~~losses~~ Losses to the FHCF and the FHCF's capacity at the time of the event. The initial Projected Payout Multiple used to reimburse the Company for its ~~losses~~Losses shall not exceed the Projected Payout Multiple as calculated based on the capacity needed to provide the FHCF's ~~mandatory~~ coverage. If it appears that the Estimated Claims-Paying Capacity may be exceeded, the SBA shall reduce the projected payout factors or multiples for determining each participating insurer's projected payout uniformly among all insurers to reflect the Estimated Claims-Paying Capacity.

(5) Reimbursement amounts shall not be reduced by reinsurance paid or payable to the Company from other sources. Once the Company's limit of coverage has been exhausted, the Company will not be entitled to further reimbursements.

(6) After the end of the calendar year, the SBA shall notify insurers of the estimated Borrowing Capacity and the Balance of the Fund as of December 31. In May and October of each year, the SBA shall publish in the *Florida Administrative Register* a statement of the FHCF's estimated Borrowing Capacity, Estimated Claims-Paying Capacity, and the projected Balance of the Fund as of December 31.

(7) The obligation of the SBA with respect to all Contracts covering a particular Contract Year shall not exceed the Balance of the Fund as of December 31 of that Contract Year, together with the maximum amount the SBA is able to raise through the issuance of revenue bonds or through other means available to the SBA under Section 215.555, Florida Statutes, up to the limit in accordance with Section 215.555(4)(c)1. and (6), Florida Statutes. The obligations and the liability of the SBA are more fully described in Rule 19-8.013, Florida Administrative Code (F.A.C.).

ARTICLE V - DEFINITIONS

(1) **Actual Claims-Paying Capacity of the FHCF**
This term means the sum of the Balance of the Fund as of December 31 of a Contract Year, plus any reinsurance purchased by the FHCF, plus the amount the SBA is able to raise through the issuance of revenue bonds, or through other means available by law to the SBA, up to the limit in accordance with Section 215.555(4)(c)1. and (6), Florida Statutes.

(2) **Actuarially Indicated**
This term means, with respect to Premiums paid by Companies for reimbursement provided by the FHCF, an amount determined in accordance with the definition provided in Section 215.555(2)(a), Florida Statutes.

(3) **Additional Living Expense (ALE)**
ALE ~~losses~~ Losses covered by the FHCF are not to exceed 40 percent of the insured value of a Residential Structure or its contents based on the coverage provided in the policy. Fair rental value, loss of rents, or business interruption losses are not covered by the FHCF.

(4) **Administrator**
This term means the entity with which the SBA contracts to perform administrative tasks associated with the operations of the FHCF. The Administrator is Paragon Strategic Solutions Inc., 8200 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, Minnesota 55437. The telephone number is (800) 689-3863, and the facsimile number is (800) 264-0492.

(5) **Authorized Insurer**
This term is defined in Section 624.09(1), Florida Statutes.

(6) **Borrowing Capacity**
This term means the amount of funds which are able to be raised by the issuance of revenue bonds or through other financing mechanisms, less bond issuance expenses and reserves.

(7) **Citizens Property Insurance Corporation (Citizens)**
This term means Citizens Property Insurance Corporation as created under Section 627.351(6), Florida Statutes. For the purposes of the FHCF, Citizens Property Insurance Corporation incorporates two accounts, (a) the coastal account and (b) the personal lines and commercial lines accounts. Each account is treated by the FHCF as if it were a separate participating insurer with its own reportable exposures, Reimbursement Premium, Retention, and Ultimate Net Loss.

(8) **Contract**
This term means this Reimbursement Contract for the current Contract Year.

(9) **Covered Event**
This term means any one storm declared to be a hurricane by the National Hurricane Center which causes insured losses in Florida. A Covered Event begins when a hurricane causes damage in Florida while it is a hurricane and continues throughout any subsequent downgrades in storm status by the National Hurricane Center regardless of whether the hurricane makes landfall. Any storm, including a tropical storm, which does not become a hurricane is not a Covered Event.

(10) **Covered Policy or Covered Policies**

(a) Covered Policy, as defined in Section 215.555(2)(c), Florida Statutes, is further clarified to mean only that portion of a binder, policy or contract of insurance that insures real or personal property located in the State of Florida to the extent such policy insures a Residential Structure or the contents of a Residential Structure, located in the State of Florida.

(b) Due to the specialized nature of the definition of Covered Policies, Covered Policies are not limited to only one line of business in the Company's annual statement required to be filed by Section 624.424, Florida Statutes. Instead, Covered Policies are found in several lines of business on the Company's annual statement. Covered Policies will at a minimum be reported in the Company's statutory annual statement as:

1. Fire
2. Allied Lines
3. Farmowners Multiple Peril
4. Homeowners Multiple Peril
5. Commercial Multiple Peril (non liability portion, covering condominiums and apartments)
6. Inland Marine

Note that where particular insurance exposures, e.g., mobile homes, are reported on an annual statement is not dispositive of whether or not the exposure is a Covered Policy.

(c) This definition applies only to the first-party property section of a policy pertaining strictly to the structure, its contents, appurtenant structures, or ALE coverage.

(d) Covered Policy also includes any collateral protection insurance policy covering personal residences which protects both the borrower's and the lender's financial interest, in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowner's policy, if such policy can be accurately reported as required in Section 215.555(5), Florida Statutes. A Company will be deemed to be able to accurately report data if the required data, as specified in the Premium Formula adopted in Section 215.555(5), Florida Statutes, is available.

(e) See Article VI for specific exclusions.

(11) **Deductible Buy-Back ~~Policies~~Policy**

This term means a specific policy that provides coverage to a policyholder for some portion of the policyholder's deductible under a policy issued by another insurer.

(12) **Estimated Claims-Paying Capacity of the FHCF**
This term means the sum of the projected Balance of the Fund as of December 31 of a Contract Year, plus any reinsurance purchased by the FHCF, plus the most recent estimate of the Borrowing Capacity of the FHCF, determined pursuant to Section 215.555(4)(c), Florida Statutes.

(13) **Excess ~~Policies~~Policy**
This term, for the purposes of this Contract, means a policy that provides insurance protection for large commercial property risks and that provides a layer of coverage above a primary layer (which is insured by a different insurer) that acts much the same as a very large deductible.

(14) **Florida Department of Financial Services ~~(Department)~~**
This term means the Florida regulatory agency, created pursuant to Section 20.121, Florida Statutes, which is charged with regulating the Florida insurance market and administering the Florida Insurance Code.

(15) **Florida Insurance Code**
This term means those chapters identified in Section 624.01, Florida Statutes, which are designated as the Florida Insurance Code.

(16) **Formula or the Premium Formula**
This term means the Formula approved by the SBA for the purpose of determining the Actuarially Indicated Premium to be paid to the FHCF. The Premium Formula is defined as an approach or methodology which leads to the creation of premium rates. The Formula~~,~~ shall, pursuant to Section 215.555(5)(b), Florida Statutes, include a cash build-up factor in the amount specified therein.

(17) **Fund Balance or Balance of the Fund as of December 31**
These terms mean the amount of assets available to pay claims, not including any bonding proceeds, resulting from Covered Events which occurred during the Contract Year.

(18) **Insurer Group**
For purposes of the coverage option election in Section 215.555(4)(b), Florida Statutes, Insurer Group means the group designation assigned by the National Association of Insurance Commissioners (NAIC) for purposes of filing consolidated financial statements. A Company is a member of a group as designated by the NAIC until such Company is assigned another group designation or is no longer a member of a group recognized by the NAIC.

(19) **Loss ~~Occurrence~~**
~~This term means the sum of individual insured Losses incurred under Covered Policies resulting from the same Covered Event~~."Loss" or "Losses" means ~~all~~ incurred losses under a Covered ~~Policies~~Policy from a Covered Event, including Additional Living Expenses not to exceed 40 percent of the insured value of a Residential Structure or its contents and amounts paid as fees on behalf of or inuring to the benefit of a policyholder~~, and~~. "Loss" excludes allocated or unallocated ~~Loss Adjustment Expenses~~ loss adjustment expenses and also excludes any item for which this Contract does not provide reimbursement pursuant to the exclusions in Article VI.

(20) **Loss Adjustment Expense Reimbursement**

(a) Loss Adjustment Expense Reimbursement shall be 5% of the reimbursed ~~losses~~ Losses under this Contract as provided in Article IV, pursuant to Section 215.555(4)(b)1., Florida Statutes.

(b) ~~To the extent that loss reimbursements are limited to the Payout Multiple applied to each Company, the~~The 5% Loss Adjustment Expense Reimbursement is included in the total Payout Multiple applied to each Company.

(21) **New Participant(s)**
This term means all Companies which begin writing Covered Policies on or after the beginning of the Contract Year. A Company that removes exposure from Citizens pursuant to an assumption

agreement effective on or after June 1 and had written no other Covered Policies before June 1 is also considered a New Participant.

(22) **Office of Insurance Regulation**
This term means that office within the Department of Financial Services and which was created in Section 20.121(3), Florida Statutes.

(23) **Payout Multiple**
This term means the multiple as calculated in accordance with Section 215.555(4)(c), Florida Statutes, which is derived by dividing the single season Claims-Paying Capacity of the FHCF by the total aggregate industry Reimbursement Premium for the FHCF for the Contract Year billed as of December 31 of the Contract Year. The final Payout Multiple is determined once Reimbursement Premiums have been billed as of December 31 and the amount of bond proceeds has been determined.

(24) **Premium**
This term means the same as Reimbursement Premium.

(25) **Projected Payout Multiple**
The Projected Payout Multiple is used to calculate a Company's projected payout pursuant to Section 215.555(4)(d)2., Florida Statutes. The Projected Payout Multiple is derived by dividing the estimated single season Claims-Paying Capacity of the FHCF by the estimated total aggregate industry Reimbursement Premium for the FHCF for the Contract Year. The Company's Reimbursement Premium as paid to the SBA for the Contract Year is multiplied by the Projected Payout Multiple to estimate the Company's coverage from the FHCF for the Contract Year.

(26) **Reimbursement Premium**
This term means the Premium determined by multiplying each $1,000 of insured value reported by the Company in accordance with Section 215.555(5)(b), Florida Statutes, by the rate as derived from the Premium Formula, as described in Rule 19-8.028, F.A.C.

(27) **Residential Structures**
This term means units or buildings used exclusively or predominantly for dwelling or habitational occupancies, including the primary structure and appurtenant structures insured under the same policy and any other structures covered under endorsements associated with a policy covering a residential structure. For the purpose of this Contract, a single structure which includes a mix of commercial habitational and commercial non-habitational occupancies, and which is insured under a commercial policy, is considered a Residential Structure if 50% or more of the total insured value of the structure is used for habitational occupancies. ***Covered Residential Structures do not include*** any structures listed under Article VI.

(28) **Retention**
~~The Company's Retention~~This term means the amount of ~~hurricane losses~~Losses ~~under~~from ~~Covered Policies~~ a Covered Event which must be incurred by the Company before it is eligible for reimbursement from the FHCF.

(a) When the Company ~~experiences covered losses~~ incurs Losses from one or two Covered Events during the Contract Year, the Company's full Retention shall be applied to each of the Covered Events.

(b) When the Company ~~experiences covered losses~~ incurs Losses from more than two Covered Events during the Contract Year, the Company's full Retention shall be applied to each of the two Covered Events causing the largest ~~covered losses~~ Losses for the Company. For each other Covered Event resulting in ~~covered losses~~Losses, the Company's Retention shall be reduced to one-third of its full Retention ~~and applied to all other Covered Events~~.

1. All reimbursement of ~~covered losses~~Losses for each Covered Event shall be based on the Company's full Retention until December 31 of the Contract Year. Adjustments to reflect

a reduction to one-third of the full Retention shall be made on or after January 1 of the Contract Year provided the Company reports its ~~losses~~ Losses as specified in this Contract.

2. Adjustments to the Company's Retention shall be based upon its paid and outstanding Losses ~~losses~~ as reported on the Company's Proof of Loss Reports, but shall not include incurred but not reported ~~losses~~Losses. The Company's Proof of Loss Reports shall be used to determine which Covered Events constitute the Company's two largest Covered Events~~, and the reduction to one-third of the full Retention shall be applied to all other Covered Events for the Contract Year~~. After this initial determination, any subsequent adjustments shall be made quarterly by the SBA only if the ~~loss reports~~Proof of Loss Reports reveal that loss development patterns have resulted in a change in the order of Covered Events entitled to the reduction to one-third of the full Retention.

(c) The Company's full Retention is established in accordance with the provisions of Section 215.555(2)(e), Florida Statutes, and shall be determined by multiplying the Retention Multiple by the Company's Reimbursement Premium for the Contract Year.

(29) **Retention Multiple**

(a) The Retention Multiple is applied to the Company's Reimbursement Premium to determine the Company's Retention. The Retention Multiple for the ~~2016/2017~~2017/2018 Contract Year shall be equal to $4.5 billion, adjusted based upon the reported exposure for the ~~2014/2015~~2015/2016 Contract Year to reflect the percentage growth in exposure to the FHCF since 2004, divided by the estimated total industry Reimbursement Premium at the 90% reimbursement percentage level for the Contract Year as determined by the SBA.

(b) The Retention Multiple shall be adjusted to reflect the reimbursement percentage elected by the Company under this Contract as follows:

1. If the Company elects a 90% reimbursement percentage, the adjusted Retention Multiple is 100% of the amount determined under (29)(a) above;
2. If the Company elects a 75% reimbursement percentage, the adjusted Retention Multiple is 120% of the amount determined under (29)(a) above; or
3. If the Company elects a 45% reimbursement percentage, the adjusted Retention Multiple is 200% of the amount determined under (29)(a) above.

(30) **Ultimate Net Loss**

(a) This term means all Losses ~~of the Company~~ under Covered Policies in force at the time of a Covered Event prior to the application of the Company's ~~FHCF~~ Retention and reimbursement percentage, and excluding loss adjustment expense and any exclusions under Article VI~~, arising from each Loss Occurrence during the Contract Year~~.

(b) The Company's Ultimate Net Loss shall be determined in accordance with the deductible level as specified under the policy sustaining the ~~loss~~ Loss without taking into consideration any deductible discounts or deductible waivers.

(c) Salvages and all other recoveries, excluding reinsurance recoveries, shall be first deducted from such ~~loss~~ Loss to arrive at the amount of liability attaching hereunder.

(d) All salvages, recoveries or payments recovered or received subsequent to a ~~loss~~Loss settlement under this Contract shall be applied as if recovered or received prior to the aforesaid settlement and all necessary adjustments shall be made by the parties hereto.

(e) Nothing in this clause shall be construed to mean that ~~losses~~ Losses under this Contract are not recoverable until the Company's Ultimate Net Loss has been ascertained.

(f) The SBA shall be subrogated to the rights of the Company to the extent of its reimbursement of the Company. The Company agrees to assist and cooperate with the SBA in all respects as regards such subrogation. The Company further agrees to undertake such actions as may be necessary to enforce its rights of salvage and subrogation, and its rights, if any, against other insurers as respects any claim, loss, or payment arising out of a Covered Event.

ARTICLE VI – EXCLUSIONS

This Contract does not provide reimbursement for:

(1) Any losses not defined as being within the scope of a Covered Policy.

(2) Any policy which excludes wind or hurricane coverage.

(3) Any Excess Policy or Deductible Buy-Back Policy that requires individual ratemaking, as determined by the FHCF.

(4) (a) Any policy for Residential Structures that provides a layer of coverage underneath an Excess Policy issued by a different insurer;

(b) Any policy providing a layer of windstorm or hurricane coverage for a particular structure above or below a layer of windstorm or hurricane coverage under a separate policy issued by a different insurer, or any other circumstance in which two or more insurers provide primary windstorm or hurricane coverage for a single structure using separate policy forms; ~~or~~

(c) Any other policy providing a layer of windstorm or hurricane coverage for a particular structure below a layer of self-insured windstorm or hurricane coverage for the same structure~~.~~; or

(d) The exclusions in this subsection do not apply to primary quota share policies written by Citizens Property Insurance Corporation under Section 627.351(6)(c)2., Florida Statutes.

(5) Any liability of the Company attributable to losses for fair rental value, loss of rent or rental income, or business interruption.

(6) Any collateral protection policy that does not meet the definition of Covered Policy as defined in Article V(10)(d).

(7) Any reinsurance assumed by the Company.

(8) Any exposure for hotels, motels, timeshares, shelters, camps, retreats, and any other rental property used solely for commercial purposes.

(9) Any exposure for homeowner associations if no habitational structures are insured under the policy.

(10) Any exposure for homes and condominium structures or units that are non-owner occupied and rented for 6 or more rental periods by different parties during the course of a 12-month period.

(11) Commercial healthcare facilities and nursing homes; however, a nursing home which is an integral part of a retirement community consisting primarily of habitational structures that are not nursing homes will not be subject to this exclusion.

(12) Any exposure under commercial policies covering only appurtenant structures or structures that do not function as a habitational structure (e.g., a policy covering only the pool of an apartment complex).

(13) Policies covering only Additional Living Expense.

(14) Any exposure for barns or barns with apartments or living quarters.

(15) Any exposure for builders risk coverage or new Residential Structures still under construction.

(16) Any exposure for recreational vehicles, golf carts, or boats (including boat related equipment) requiring licensing and written on a separate policy or endorsement.

(17) Any liability of the Company for extra contractual obligations or liabilities in excess of original policy limits. This exclusion includes, but is not limited to, amounts paid as bad faith awards, punitive damages awards, or other court-imposed fines, sanctions, or penalties; or other amounts in excess of the coverage limits under the Covered Policy.

(18) Any losses paid in excess of a policy's hurricane limit in force at the time of each Covered Event, including individual coverage limits (i.e., building, appurtenant structures, contents, and additional

living expense), or other amounts paid as the result of a voluntary expansion of coverage by the insurer, including, but not limited to, a discount on or waiver of an applicable deductible. This exclusion includes overpayments of a specific individual coverage limit even if total payments under the policy are within the aggregate policy limit.

(19) Any losses paid under a policy for Additional Living Expense, written as a time element coverage, in excess of the Additional Living Expense exposure reported for that policy under the Data Call for the applicable Contract Year (unless policy limits have changed effective after June 30 of the Contract Year).

(20) Any losses which the Company's claims files do not adequately support. Claim file support shall be deemed adequate if in compliance with the Records Retention Requirements outlined on the Form FHCF-L1B (Proof of Loss Report) applicable to the Contract Year.

(21) Any exposure for, or amounts paid to reimburse a policyholder for, condominium association loss assessments or under similar coverages for contractual liabilities.

(22) Losses in excess of the sum of the Balance of the Fund as of December 31 of the Contract Year and the amount the SBA is able to raise through the issuance of revenue bonds or by the use of other financing mechanisms, up to the limit pursuant to Section 215.555(4)(c), Florida Statutes.

(23) Any liability assumed by the Company from Pools, Associations, and Syndicates. Exception: Covered Policies assumed from Citizens under the terms and conditions of an executed assumption agreement between the Authorized Insurer and Citizens are covered by this Contract.

(24) All liability of the Company arising by contract, operation of law, or otherwise, from its participation or membership, whether voluntary or involuntary, in any insolvency fund. "Insolvency fund" includes any guaranty fund, insolvency fund, plan, pool, association, fund or other arrangement, howsoever denominated, established or governed, which provides for any assessment of or payment or assumption by the Company of part or all of any claim, debt, charge, fee, or other obligation of an insurer, or its successors or assigns, which has been declared by any competent authority to be insolvent, or which is otherwise deemed unable to meet any claim, debt, charge, fee or other obligation in whole or in part.

(25) Property losses that are proximately caused by any peril other than a Covered Event, including, but not limited to, fire, theft, flood or rising water, or windstorm that does not constitute a Covered Event, or any liability of the Company for loss or damage caused by or resulting from nuclear reaction, nuclear radiation, or radioactive contamination from any cause, whether direct or indirect, proximate or remote, and regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

(26) The FHCF does not provide coverage for water damage which is generally excluded under property insurance contracts and has been defined to mean flood, surface water, waves, tidal water, overflow of a body of water, storm surge, or spray from any of these, whether or not driven by wind.

(27) Policies and endorsements predominantly covering Specialized Fine Arts Risks or collectible types of property meeting the following requirements:

(a) A policy or endorsement predominantly covering Specialized Fine Arts Risks and not covering any Residential Structure~~ and/or contents thereof (other than such specialized fine arts items covered in the Specialized Fine Arts policy or endorsement)~~ if it meets the description in subparagraph 1 and if the conditions in subparagraph 2 are met.

1. For purposes of this exemption, a Specialized Fine Arts Risk policy or endorsement is a policy or endorsement that:

a. Insures works of art, of rarity, or of historic value, such as paintings, works on paper, etchings, art glass windows, pictures, statuary, sculptures, tapestries, antique furniture, antique silver, antique rugs, rare books or manuscripts, jewelry, or other similar items;

b. Charges a minimum premium of $500; and

c. Insures scheduled items valued, in the aggregate, at no less than $100,000.

2. The insurer offers specialized loss prevention services or other collector services designed to prevent or minimize loss, or to value or inventory the Specialized Fine Arts for insurance purposes, such as:

a. Collection risk assessments;

b. Fire and security loss prevention;

c. Warehouse inspections to protect items stored off-site;

d. Assistance with collection inventory management; or

e. Collection valuation reviews.

(b) A policy form or endorsement generally used by the Company to cover personal property which could include property of a collectible nature, including fine arts, as further described in this paragraph, either on a scheduled basis or written under a blanket limit, and not covering anything other than personal property. All such policy forms or endorsements are subject to the exclusion provided in this paragraph when the policy or endorsement limit equals or exceeds $500,000. Generally such collectible property has unusually high values due to its investible, artistic, or unique intrinsic nature. The class of property covered under such a policy or endorsement represents an unusually high exposure value and such policy is intended to provide coverage for a class or classes of property that is not typical for the contents coverage under residential property insurance policies. In many cases property may be located at various locations either in or outside the state of Florida or the location of the property may change from time to time. The investment nature of such property distinguishes this type of exposure from the typical contents associated with a Covered Policy.

(28) Any losses under liability coverages.

(29) Any exposure for a condominium structure insured on a commercial policy in which more than 50% of the individual units are non-owner occupied and rented for 6 or more rental periods by different parties during the course of a 12-month period.

(30) Any structure used exclusively or predominantly for non-dwelling or non-habitational occupancies.

ARTICLE VII - MANAGEMENT OF CLAIMS AND LOSSES

The Company shall investigate and settle or defend all claims and ~~losses~~Losses. All payments of claims or ~~losses~~ Losses by the Company within the terms and limits of the appropriate coverage parts of Covered Policies shall be binding on the SBA, subject to the terms of this Contract, including the provisions in Article XIII relating to inspection of records and examinations.

ARTICLE VIII – ~~LOSS~~ REIMBURSEMENT ADJUSTMENTS

Section 215.555(4)(d) and (e), Florida Statutes, provides the SBA with the right to seek the return of excess ~~loss~~ reimbursements which have been paid to the Company along with interest thereon. Excess ~~loss~~ reimbursements are those payments made to the Company by the SBA that are in excess of the Company's coverage under the Contract Year. Excess ~~loss~~ reimbursements may result from adjustments to the Projected Payout Multiple or the Payout Multiple, incorrect exposure (Data Call) submissions or resubmissions, incorrect calculations of Reimbursement Premiums or Retentions, incorrect Proof of Loss Reports, incorrect calculation of reinsurance recoveries, or subsequent readjustment of policyholder claims, including subrogation and salvage, or any combination of the foregoing. The Company will be sent an invoice showing the due date for adjustments along with the interest due thereon through the due date. The applicable interest rate for interest credits, and for interest charges for adjustments beyond the Company's control, will be the average rate earned by the SBA for the FHCF for the first four months of the Contract Year. The applicable interest rate for interest charges on excess ~~loss~~ reimbursements due to adjustments resulting from incorrect exposure submissions or Proof of Loss Reports will accrue at this rate plus 5%. All interest will continue to accrue if not paid by the due date.

ARTICLE IX - REIMBURSEMENT PREMIUM

(1) The Company shall, in a timely manner, pay the SBA its Reimbursement Premium for the Contract Year. The Reimbursement Premium for the Contract Year shall be calculated in accordance with Section 215.555, Florida Statutes, with any rules promulgated thereunder, and with Article X(2).

(2) The Company's Reimbursement Premium is based on its June 30 exposure in accordance with Article X, except as provided for New Participants under Article X, and is not adjusted to reflect an increase or decrease in exposure for Covered Policies effective after June 30 nor is the Reimbursement Premium adjusted when the Company cancels policies or is liquidated or otherwise changes its business status (merger, acquisition, or termination) or stops writing new business (continues in business with its policies in a runoff mode). Similarly, new business written after June 30 will not increase or decrease the Company's FHCF Reimbursement Premium or impact its FHCF coverage. FHCF Reimbursement Premiums are required of all ~~companies~~ Companies based on their writing Covered Policies in Florida as of June 30, and each ~~company's~~ Company's FHCF coverage as based on the definition in Section 215.555(2)(m), Florida Statutes, shall exist for the entirety of the Contract Year regardless of exposure changes, except as provided for New Participants under Article X.

(3) Since the calculation of the Actuarially Indicated Premium assumes that the Companies will pay their Reimbursement Premiums timely, interest charges will accrue under the following circumstances. A Company may choose to estimate its own Premium installments. However, if the Company's estimation is less than the provisional Premium billed, an interest charge will accrue on the difference between the estimated Premium and the final Premium. If a Company estimates its first installment, the Administrator shall bill that estimated Premium as the second installment as well, which will be considered as an estimate by the Company. No interest will accrue regarding any provisional Premium if paid as billed by the FHCF's Administrator, except in the case of an estimated second installment as set forth in this Article. Also, if a Company makes an estimation that is higher than the provisional Premium billed but is less than the final Premium, interest will not accrue. If the Premium payment is not received from a Company when it is due, an interest charge will accrue on a daily basis until the payment is received. Interest will also accrue on Premiums resulting from submissions or resubmissions finalized after December 1 of the Contract Year. An interest credit will be applied for any Premium which is overpaid as either an estimate or as a provisional Premium. Interest shall not be credited past December 1 of the Contract Year. The applicable interest rate for interest credits will be the average rate earned by the SBA for the FHCF for the first four months of the Contract Year. The applicable interest rate for interest charges will accrue at this rate plus 5%.

ARTICLE X - REPORTS AND REMITTANCES

(1) **Exposures**

(a) If the Company writes Covered Policies before June 1 of the Contract Year, the Company shall report to the SBA, unless otherwise provided in Rule 19-8.029, F.A.C., no later than the statutorily required date of September 1 of the Contract Year, by ZIP Code or other limited geographical area as specified by the SBA, its insured values under Covered Policies as of June 30 of the Contract Year as outlined in the annual reporting of insured values form, FHCF-D1A (Data Call) adopted for the Contract Year under Rule 19-8.029, F.A.C., and other data or information in the format specified by the SBA.

(b) If the Company first begins writing Covered Policies on or after June 1 but prior to December 1 of the Contract Year, the Company shall report to the SBA, no later than February 1 of the

Contract Year, by ZIP Code or other limited geographical area as specified by the SBA, its insured values under Covered Policies as of November 30 of the Contract Year as outlined in the Supplemental Instructions for New Participants section of the Data Call adopted for the Contract Year under Rule 19-8.029, F.A.C., and other data or information in the format specified by the SBA.

(c) If the Company first begins writing Covered Policies on December 1 through and including May 31 of the Contract Year, the Company shall not report its exposure data for the Contract Year to the SBA.

(d) The requirement that a report is due on a certain date means that the report shall be received by the SBA no later than 4 p.m. Eastern Time on the due date. If the applicable due date is a Saturday, Sunday or legal holiday, then the actual due date will be the day immediately following the applicable due date which is not a Saturday, Sunday or legal holiday. For purposes of the timeliness of the submission, neither the United States Postal Service postmark nor a postage meter date is in any way determinative. Reports sent to the FHCF Administrator in Minneapolis, Minnesota, will be returned to the sender. Reports not in the physical possession of the SBA by 4 p.m., Eastern Time, on the applicable due date are late.

(2) **Reimbursement Premium**

(a) If the Company writes Covered Policies before June 1 of the Contract Year, the Company shall pay the FHCF its Reimbursement Premium in installments due on or before August 1, October 1, and December 1 of the Contract Year in amounts to be determined by the FHCF. However, if the Company's Reimbursement Premium for the prior Contract Year was less than $5,000, the Company's full provisional Reimbursement Premium, in an amount equal to the Reimbursement Premium paid in the prior year, shall be due in full on or before August 1 of the Contract Year. The Company will be invoiced for amounts due, if any, beyond the provisional Reimbursement Premium payment, on or before December 1 of the Contract Year.

(b) If the Company is under administrative supervision, or if any control or oversight of the Company has been transferred through any legal or regulatory action to a state regulator or court appointed receiver or rehabilitator (referred to in the aggregate as "state action"):

1. The full annual provisional Reimbursement Premium as billed and any outstanding balances will be due and payable on August 1, or the date that such State action occurs after August 1 of the Contract Year.

2. Failure by such Company to pay the full annual provisional Reimbursement Premium as specified in 1. above by the applicable due date(s) shall result in the 45% coverage level being deemed for the complete Contract Year regardless of the level selected for the Company through the execution of this Contract and regardless of whether a hurricane event occurred or triggered coverage.

3. The provisions required in 1. and 2. above will not apply when the state regulator, receiver, or rehabilitator provides a letter of assurance to the FHCF that the Company will have the resources and will pay the full Reimbursement Premium for the coverage level selected through the execution of this Contract.

4. When control or oversight has been transferred, in whole or in part, through a legal or regulatory action, the controlling management of the Company shall specify by August 1 or as soon thereafter as possible (but not to exceed two weeks after any regulatory or legal action) in a letter to the FHCF as to the Company's intentions to either pay the full FHCF Reimbursement Premium as specified in 1. above, to default to the 45% coverage being deemed as specified in 2. above, or to provide the assurances as specified in 3. above.

(c) A New Participant that first begins writing Covered Policies on or after June 1 but prior to December 1 of the Contract Year shall pay the FHCF a provisional Reimbursement Premium of

$1,000 upon execution of this Contract. The Administrator shall calculate the Company's actual Reimbursement Premium for the period based on its actual exposure as of November 30 of the Contract Year, as reported on or before February 1 of the Contract Year. To recognize that New Participants have limited exposure during this period, the actual Premium as determined by processing the Company's exposure data shall then be divided in half, the provisional Premium shall be credited, and the resulting amount shall be the total Premium due for the Company for the remainder of the Contract Year. However, if that amount is less than $1,000, then the Company shall pay $1,000. The Premium payment is due no later than April 1 of the Contract Year. The Company's Retention and coverage will be determined based on the total Premium due as calculated above.

(d) A New Participant that first begins writing Covered Policies on or after December 1 through and including May 31 of the Contract Year shall pay the FHCF a Reimbursement Premium of $1,000 upon execution of this Contract.

(e) The requirement that the Reimbursement Premium is due on a certain date means that the Premium shall be remitted by wire transfer or ACH and shall have been credited to the FHCF's account at its bank in Tampa, Florida, as set out on the invoice sent to the Company, on the due date applicable to the particular installment. If the applicable due date is a Saturday, Sunday or legal holiday, then the actual due date will be the day immediately following the applicable due date which is not a Saturday, Sunday or legal holiday. Reimbursement Premiums not credited to the FHCF's account on the applicable due date are late.

(f) Except as required by Section 215.555(7)(c), Florida Statutes, or as described in the following sentence, Reimbursement Premiums, together with earnings thereon, received in a given Contract Year will be used only to pay for ~~losses~~ Losses attributable to Covered Events occurring in that Contract Year or for ~~losses~~ Losses attributable to Covered Events in subsequent Contract Years and will not be used to pay for past ~~losses~~ Losses or for debt service on post-event revenue bonds issued pursuant to Section 215.555(6)(a)1., Florida Statutes. Reimbursement Premiums and earnings thereon may be used for payments relating to such revenue bonds in the event emergency assessments are insufficient. If Reimbursement Premiums or earnings thereon are used for debt service on post-event revenue bonds, then the amount of the Reimbursement Premiums or earnings thereon so used shall be returned, without interest, to the Fund when emergency assessments or other legally available funds remain available after making payment relating to the post-event revenue bonds and any other purposes for which emergency assessments were levied.

(3) **~~Claims and~~ Losses**

(a) **In General**

~~Claims and losses~~ Losses resulting from ~~Loss Occurrences~~a Covered Event commencing during the Contract Year shall be reported by the Company and reimbursed by the FHCF as provided herein and in accordance with the Statute, this Contract, and any rules adopted pursuant to the Statute. For a Company participating in a quota share primary insurance agreement(s) with Citizens Property Insurance Corporation Coastal Account, Citizens and the Company shall report only their respective portion of ~~losses~~ Losses under the quota share primary insurance agreement(s). Pursuant to Section 215.555(4)(c), Florida Statutes, the SBA is obligated to pay for ~~losses~~ Losses not to exceed the Actual Claims-Paying Capacity of the FHCF, up to the limit in accordance with Section 215.555(4)(c)1., Florida Statutes, for any one Contract Year.

~~1. If the Company is in non-compliance with Section 215.555, Florida Statutes for any Contract Year, including deadlines for sending in Contracts, addenda or attachments to Contracts, Data Call submissions or resubmissions, loss reports, or in responding to SBA exam requirements, the SBA reserves the right to withhold any payments or advances until such time the Company becomes compliant.~~

(b) **Loss Reports**

1. At the direction of the SBA, the Company shall report its projected Ultimate Net Loss from each ~~Loss Occurrence~~Covered Event to provide information to the SBA in determining any potential liability for possible reimbursable ~~losses~~ Losses under the Contract on the Interim Loss Report, Form FHCF-L1A, adopted for the Contract Year under Rule 19-8.029, F.A.C. Interim Loss Reports (including subsequent Interim Loss Reports if required by the SBA) will be due in no less than fourteen days from the date of the notice from the SBA that such a report is required.
2. FHCF ~~loss~~ reimbursements will be issued based on Ultimate Net Loss information reported by the Company on the Proof of Loss Report, Form FHCF-L1B, adopted for the Contract Year under Rule 19-8.029, F.A.C.
   a. To qualify for reimbursement, the Proof of Loss Report must have the ~~original or~~ electronic signatures of two executive officers authorized by the Company to sign or submit the report.
   b. The Company must also submit a ~~detailed claims listing (as outlined on the Proof of Loss Report)~~ Detailed Claims Listing, Form FHCF-DCL, adopted for the Contract Year under Rule 19-8.029, F.A.C., at the same time it submits its first Proof of Loss Report for a specific Covered Event that qualifies the Company for reimbursement under that Covered Event, and should be prepared to supply a ~~detailed claims listing~~ Detailed Claims Listing for any subsequent Proof of Loss Report upon request.
   c. While ~~a~~ the Company may submit a Proof of Loss Report requesting reimbursement at any time following a ~~Loss Occurrence~~Covered Event, ~~all Companies~~ the Company shall submit a mandatory Proof of Loss Report for each ~~Loss Occurrence~~Covered Event no earlier than December 1 and no later than December 31 of the Contract Year during which the Covered Event~~(s)~~ occurs using the most current data available, regardless of the amount of Ultimate Net Loss or the amount of ~~loss~~ reimbursements or advances already received. ~~Reports may be faxed only if the Company does not qualify for a reimbursement.~~
   d. For the Proof of Loss Reports due by December 31 of the Contract Year, and the required subsequent quarterly and annual reports required under subparagraphs 3. and 4. below, the Company shall submit its Proof of Loss Reports by each quarter-end or year-end using the most current data available. However, the date of such data shall not be more than sixty days prior to the applicable quarter-end or year-end date.
3. Updated Proof of Loss Reports for each ~~Loss Occurrence~~Covered Event are due quarterly thereafter until all ~~claims and losses~~ Losses resulting from a ~~Loss Occurrence~~Covered Event are fully discharged including any adjustments to such ~~losses~~ Losses due to salvage or other recoveries, or the Company has received its full coverage under the Contract Year in which the ~~Loss Occurrence(s)~~Covered Event occurred. Guidelines follow:
   a. Quarterly Proof of Loss Reports are due by March 31 from ~~an insurer~~ a Company whose ~~losses~~ Losses exceed, or are expected to exceed, 50% of its FHCF Retention for a specific ~~Loss Occurrence(s)~~Covered Event.
   b. Quarterly Proof of Loss Reports are due by June 30 from ~~an insurer~~ a Company whose ~~losses~~ Losses exceed, or are expected to exceed, 75% of its FHCF Retention for a specific ~~Loss Occurrence(s).~~Covered Event.
   c. Quarterly Proof of Loss Reports are due by September 30 and quarterly thereafter from ~~an insurer~~ a Company whose ~~losses~~Losses exceed, or are expected to exceed, its FHCF Retention for a specific ~~Loss Occurrence(s)~~Covered Event.

   If the Company's Retention must be recalculated as the result of an exposure resubmission, and if the recalculated Retention changes the FHCF's reimbursement obligations, then the

Company shall submit additional Proof of Loss Reports for recalculation of the FHCF's obligations.

4. Annually after December 31 of the Contract Year, all Companies shall submit a mandatory year-end Proof of Loss Report for each ~~Loss Occurrence~~Covered Event, as applicable, using the most current data available, accompanied by a ~~detailed claims listing~~ Detailed Claims Listing~~(as outlined on the Proof of Loss Report)~~. This Proof of Loss Report shall be filed no earlier than December 1 and no later than December 31 of each year and shall continue until the earlier of the commutation process described in (3)(d) below or until all ~~claims and losses~~Losses resulting from the ~~Loss Occurrence~~Covered Event are fully discharged including any adjustments to such ~~losses~~Losses due to salvage or other recoveries.
5. The SBA, except as noted below, will determine and pay, within 30 days or as soon as practicable after receiving Proof of Loss Reports, the reimbursement amount due based on ~~losses~~ Losses paid by the Company to date and adjustments to this amount based on subsequent quarterly information. The adjustments to reimbursement amounts shall require the SBA to pay, or the Company to return, amounts reflecting the most recent determination of ~~losses~~Losses.
   a. The SBA shall have the right to consult with all relevant regulatory agencies to seek all relevant information, and shall consider any other factors deemed relevant, prior to the issuance of reimbursements.
   b. The SBA shall require commercial self-insurance funds established under Section 624.462, Florida Statutes, to submit contractor receipts to support paid ~~losses~~ Losses reported on a Proof of Loss Report, and the SBA may hire an independent consultant to confirm ~~losses~~Losses, prior to the issuance of reimbursements.
   c. The SBA shall have the right to conduct a ~~claims~~ loss examination prior to the issuance of any advances or reimbursements ~~submitted~~ requested by Companies that have been placed under regulatory supervision by a State or where control has been transferred through any legal or regulatory proceeding to a state regulator or court appointed receiver or rehabilitator.
6. All Proof of Loss Reports received will be compared with the FHCF's exposure data to establish the facial reasonableness of the reports. The SBA may also review the results of current and prior Contract Year exposure and loss examinations to determine the reasonableness of the reported ~~losses~~Losses. Except as noted in paragraph 4. above, Companies meeting these tests for reasonableness will be scheduled for reimbursement. Companies not meeting these tests for reasonableness will be handled on a case-by-case basis and will be contacted to provide specific information regarding their individual book of business. The discovery of errors in a Company's reported exposure under the Data Call may require a resubmission of the current Contract Year Data Call which, as the Data Call impacts the Company's Premium, Retention, and coverage for the Contract Year, will be required before the Company's request for reimbursement or an advance will be fully processed by the Administrator.

(c) **Loss Reimbursement Calculations**

1. In general, the Company's paid Ultimate Net Losses must exceed its full FHCF Retention for a specific Covered Event before any reimbursement is payable from the FHCF for that Covered Event. As described in Article V(28)(b), Retention adjustments will be made on or after January 1 of the Contract Year. No interest is payable on additional payments to the Company due to this type of Retention adjustment. Each Company, including entities created pursuant to Section 627.351(6), Florida Statutes, ~~sustaining~~ incurring reimbursable ~~losses~~ Losses will receive the amount of reimbursement due under the individual

Company's Contract up to the amount of the Company's payout. If more than one Covered Event occurs in any one Contract Year, any reimbursements due from the FHCF shall take into account the Company's Retention for each Covered Event. However, the Company's reimbursements from the FHCF for all Covered Events occurring during the Contract Year shall not exceed, in aggregate, the Projected Payout Multiple or Payout Multiple, as applicable, times the individual Company's Reimbursement Premium for the Contract Year.

2. ~~In determining reimbursements under this Contract, the SBA shall reimburse each of the Companies, including entities created pursuant to Section 627.351(6), Florida Statutes, for the amount (if any) of reimbursement due under the individual Company's Contract, but not to exceed for all Loss Occurrences, an amount equal to the Projected Payout Multiple or the Payout Multiple, as applicable, times the individual Company's Reimbursement Premium for the Contract Year.~~

~~3.~~2. Reserve established. When a Covered Event occurs in a subsequent Contract Year when reimbursable ~~losses~~ Losses are still being paid for a Covered Event in a previous Contract Year, the SBA will establish a reserve for the outstanding reimbursable ~~losses~~ Losses for the previous Contract Year, based on the length of time the ~~losses~~ Losses have been outstanding, the amount of ~~losses~~ Losses already paid, the percentage of incurred ~~losses~~ Losses still unpaid, and any other factors specific to the loss development of the Covered Events involved.

(d) **Commutation**

1. Not less than 36 months or more than 60 months after the end of the Contract Year, the Company shall file a final Proof of Loss Report(s), with the exception of Companies having no reportable ~~losses~~ Losses as described in paragraph (3)(d)1.a. below. Otherwise, the final Proof of Loss Report(s) is required as specified in paragraph (3)(d)1.b. below. The Company and SBA may mutually agree to initiate commutation after 36 months and prior to 60 months after the end of the Contract Year. The commutation negotiations shall begin at the later of 60 months after the end of the Contract Year or upon completion of the FHCF loss examination for the Company and the resolution of all outstanding examination issues.

   a. If the Company's most recently submitted Proof of Loss Report(s) indicates that it has no ~~losses~~Losses resulting from ~~a Loss Occurrence(s)~~Covered Events during the Contract Year, the SBA shall after 36 months request that the Company execute a final commutation agreement. The final commutation agreement shall constitute a complete and final release of all obligations of the SBA with respect to ~~all claims and losses~~Losses. If the Company chooses not to execute a final commutation agreement, the SBA shall be released from all obligations 60 months following the end of the Contract Year if no Proof of Loss Report~~(s)~~ indicating reimbursable ~~losses~~ Losses ~~have~~ had been filed and the commutation shall be deemed concluded. However during this time, if the Company determines that it does have ~~losses~~Losses to report for FHCF reimbursement, the Company must submit an updated Proof of Loss Report~~(s)~~ prior to the end of 60 months after the Contract Year and the Company shall be required to follow the commutation provisions and time frames otherwise specified in this section.

   b. If the Company has submitted a Proof of Loss Report~~(s)~~ indicating that it does have ~~losses~~ Losses resulting from a ~~Loss Occurrence(s)~~ Covered Event during the Contract Year, the SBA may require the Company to submit within 30 days an updated, current Proof of Loss Report~~(s)~~ for each ~~Loss Occurrence~~Covered Event during the Contract Year. The Proof of Loss Report~~(s)~~ must include all paid ~~losses~~ Losses as well as all outstanding ~~losses~~ Losses and incurred but not reported ~~losses~~Losses, which are not finally settled and which may be reimbursable ~~losses~~ Losses under this Contract, and must be accompanied by supporting documentation (at a minimum an adjuster's summary report or equivalent details) and a copy of a written opinion on the present value of the outstanding ~~losses~~ Losses and incurred but not reported ~~losses~~ Losses by the Company's certifying actuary. Failure of the Company to provide an updated current Proof of Loss Report~~(s)~~, supporting documentation, and an opinion by the date requested by the SBA may result in referral to the Office of Insurance Regulation for a violation of the Contract. Increases in reported paid, outstanding, or incurred but not reported ~~losses~~ Losses on original or corrected Proof of Loss Report filings received later than 60 months after the end of the Contract Year shall not be eligible for reimbursement or commutation.

2. Determining the present value of outstanding ~~claims and losses~~ Losses.

   a. If the Company exceeds or expects to exceed its Retention, the Company and the SBA or their respective representatives shall attempt, by mutual agreement, to agree upon the present value of all outstanding ~~claims and losses~~Losses, both reported and incurred but not reported, resulting from ~~Loss Occurrences~~Covered Events during the Contract Year. Payment by the SBA of its portion of any amount or amounts so mutually agreed and certified by the Company's certifying actuary shall constitute a complete and final release of the SBA in respect of all ~~claims and~~ ~~losses~~Losses, both reported and unreported, under this Contract.

   b. If agreement on present value cannot be reached within 90 days of the FHCF's receipt of the final Proof of Loss Report~~(s)~~ and supporting documentation, the Company and the SBA may mutually appoint an actuary, adjuster, or appraiser to investigate and determine such ~~claims or losses~~ Losses. If both parties then agree, the SBA shall pay its portion of the amount so determined to be the present value of such ~~claims or losses~~ Losses.

   c. If the parties fail to agree, then any difference shall be settled by a panel of three actuaries, as provided in this paragraph.

      i. One actuary shall be chosen by each party, and the third actuary shall be chosen by those two actuaries. If either party does not appoint an actuary within 30 days, the other party may appoint two actuaries. If the two actuaries fail to agree on the selection of an independent third actuary within 30 days of their appointment, each of them shall name two, of whom the other shall decline one and the decision shall be made by drawing lots.

      ii. All of the actuaries shall be regularly engaged in the valuation of property claims and losses and shall be members of the Casualty Actuarial Society and of the American Academy of Actuaries.

      iii. None of the actuaries shall be under the control of either party to this Contract.

      iv. Each party shall submit its case to the panel in writing on the 30th day after the appointment of the third actuary. Following the submission of the case to the panel, the parties are prohibited from providing any further information or other communication except at the request of the panel. Such responses to requests from the panel must be in writing and simultaneously provided to the other party and all members of the panel, except that the panel may require the response to be provided in a meeting or teleconference attended by both parties and all members of the panel.

      v. The decision in writing of any two actuaries, when filed with the parties hereto, shall be final and binding on both parties.

   d. The reasonable and customary expense of the actuaries and of the commutation (as a result of b. and c. above) shall be equally divided between the two parties. Said commutation shall take place in Tallahassee, Florida, unless some other place is mutually agreed upon by the Company and the SBA.

(4) **Advances**

(a) The SBA may make advances for loss reimbursements as defined herein, at market interest rates, to the Company in accordance with Section 215.555(4)(e), Florida Statutes. An advance is an early reimbursement which allows the Company to continue to pay claims in a timely manner. Advances will be made based on the Company's paid and reported outstanding ~~losses~~ Losses for Covered Policies (excluding all incurred but not reported ~~[IBNR] losses~~Losses) as reported on a Proof of Loss Report, and shall include Loss Adjustment Expense Reimbursement as calculated by the FHCF. In order to be eligible for an advance, the Company must submit its exposure data for the Contract Year as required under paragraph (1) of this Article. Except as noted below, advances, if approved, will be made as soon as practicable after the SBA receives a written request, signed by two officers of the Company, for an advance of a specific amount and any other information required for the specific type of advance under subparagraphs (c) and (e) below. All reimbursements due to ~~a~~the Company shall be offset against any amount of outstanding advances plus the interest due thereon.

(b) For advances or excess advances, which are advances that are in excess of the amount to which the Company is entitled, the market interest rate shall be the prime rate as published in the Wall Street Journal on the first business day of the Contract Year. This rate will be adjusted annually on the first business day of each subsequent Contract Year, regardless of whether the Company executes subsequent Contracts. In addition to the prime rate, an additional 5% interest charge will apply on excess advances. All interest charged will commence on the date the SBA issues a check for an advance and will cease on the date upon which the FHCF has received the Company's Proof of Loss Report~~(s)~~ for the Covered Event~~(s)~~ for which the Company qualifies for reimbursement~~(s)~~. If such reimbursement~~(s) are~~ is less than the amount of outstanding advances~~(s)~~ issued to the Company, interest will continue to accrue on the outstanding balance of the advances~~(s)~~ until subsequent Proof of Loss Reports qualify the Company for reimbursement under any Covered Event equal to or exceeding the amount of any outstanding advances~~(s)~~. Interest shall be billed on a periodic basis. If it is determined that the Company received funds in excess of those to which it was entitled, the interest as to those sums will not cease on the date of the receipt of the Proof of Loss Report but will continue until the Company reimburses the FHCF for the overpayment.

(c) If the Company has an outstanding advance balance as of December 31 of this or any other Contract Year, the Company is required to have an actuary certify outstanding and incurred but not reported ~~losses~~ Losses as reported on the applicable December Proof of Loss Report.

(d) The specific type of advances enumerated in Section 215.555, Florida Statutes, follow.

1. Advances to Companies to prevent insolvency, as defined under Article XIV.

   a. Section 215.555(4)(e)1., Florida Statutes, provides that the SBA shall advance to the Company amounts necessary to maintain the solvency of the Company, up to 50 percent of the SBA's estimate of the reimbursement due to the Company.

   b. In addition to the requirements outlined in subparagraph (4)(a) above, the requirements for an advance to a Company to prevent insolvency are that the Company demonstrates it is likely to qualify for reimbursement and that the immediate receipt of moneys from the SBA is likely to prevent the Company from becoming insolvent, and the Company provides the following information:

      i. Current assets;

      ii. Current liabilities other than liabilities due to the Covered Event;

      iii. Current surplus as to policyholders;

iv. Estimate of other expected liabilities not due to the Covered Event; and

v. Amount of reinsurance available to pay claims for the Covered Event under other reinsurance treaties.

c. The SBA's final decision regarding an application for an advance to prevent insolvency shall be based on whether or not, considering the totality of the circumstances, including the SBA's obligations to provide reimbursement for all Covered Events occurring during the Contract Year, granting an advance is essential to allowing the entity to continue to pay additional claims for a Covered Event in a timely manner.

2. Advances to entities created pursuant to Section 627.351(6), Florida Statutes.

a. Section 215.555(4)(e)2., Florida Statutes, provides that the SBA may advance to an entity created pursuant to Section 627.351(6), Florida Statutes, up to 90% of the lesser of the SBA's estimate of the reimbursement due or the entity's share of the actual aggregate Reimbursement Premium for that Contract Year, multiplied by the current available liquid assets of the FHCF.

b. In addition to the requirements outlined in subparagraph (4)(a) above, the requirements for an advance to entities created pursuant to Section 627.351(6), Florida Statutes, are that the entity must demonstrate to the SBA that the advance is essential to allow the entity to pay claims for a Covered Event.

3. Advances to limited apportionment companies.

Section 215.555(4)(e)3., Florida Statutes, provides that the SBA may advance the amount of estimated reimbursement payable to limited apportionment companies.

(e) In determining whether or not to grant an advance and the amount of an advance, the SBA:

1. Shall determine whether its assets available for the payment of obligations are sufficient and sufficiently liquid to fulfill its obligations to other Companies prior to granting an advance;
2. Shall review and consider all the information submitted by such Companies;
3. Shall review such Companies' compliance with all requirements of Section 215.555, Florida Statutes;
4. Shall consult with all relevant regulatory agencies to seek all relevant information;
5. Shall review the damage caused by the Covered Event and when that Covered Event occurred;
6. Shall consider whether the Company has substantially exhausted amounts previously advanced;
7. Shall consider any other factors deemed relevant; and
8. Shall require commercial self-insurance funds established under section 624.462, Florida Statutes, to submit a copy of written estimates of expenses in support of the amount of advance requested.

(f) Any amount advanced by the SBA shall be used by the Company only to pay claims of its policyholders for the Covered Event ~~or Covered Events~~ which ~~have~~ has precipitated the immediate need to continue to pay additional claims as they become due.

~~(5) **Delinquent Payments**~~

~~Failure to submit a payment when due is a violation of the terms of this Contract and Section 215.555, Florida Statutes. Interest on late payments shall be due as set forth in Article VIII(2) and Article IX(2).~~

~~(6)~~(5) **Inadequate Data Submissions**

If exposure data or other information required to be reported by the Company under the terms of this Contract is not received by the FHCF in the format specified by the FHCF or is inadequate to the extent that the FHCF requires resubmission of data, the Company will be required to pay the FHCF a resubmission fee of $1,000 for resubmissions that are not a result of an examination by the SBA. If a resubmission is necessary as a result of an examination report issued by the SBA, the first resubmission fee will be $2,000. If the Company's examination-required resubmission is inadequate and the SBA requires an additional resubmission(s), the resubmission fee for each subsequent resubmission shall be $2,000. A resubmission of exposure data may delay the processing of the Company's request for reimbursement or an advance.

~~(7) **Delinquent Submissions**~~
~~Failure to submit an exposure submission, resubmission, loss report, or commutation documentation when due is a violation of the terms of this Contract and Section 215.555, Florida Statutes.~~

~~(8)~~(6) **Confidential Information/Trade Secret Information**
Pursuant to the provisions of Section 215.557, Florida Statutes, the reports of insured values under Covered Policies by ZIP Code submitted to the SBA pursuant to Section 215.555, Florida Statutes, are confidential and exempt from the provisions of Section 119.07(1), Florida Statutes, and Section 24(a), Art. I of the State Constitution. If other information submitted by the Company to the FHCF could reasonably be ruled a "trade secret" as defined in Section 812.081, Florida Statutes, such information must be clearly marked "Trade Secret Information."

ARTICLE XI - TAXES

In consideration of the terms under which this Contract is issued, the Company agrees to make no deduction in respect of the Premium herein when making premium tax returns to the appropriate authorities. Should any taxes be levied on the Company in respect of the Premium herein, the Company agrees to make no claim upon the SBA for reimbursement in respect of such taxes.

ARTICLE XII - ERRORS AND OMISSIONS

Any inadvertent delay, omission, or error on the part of the SBA shall not be held to relieve the Company from any liability which would attach to it hereunder if such delay, omission, or error had not been made.

ARTICLE XIII - INSPECTION OF RECORDS

The Company shall allow the SBA to inspect, examine, and verify, at reasonable times, all records of the Company relating to the Covered Policies under this Contract, including Company files concerning claims, ~~losses~~Losses, or legal proceedings regarding subrogation or claims recoveries which involve this Contract, including premium, loss records and reports involving exposure data or ~~losses~~ Losses under Covered Policies. This right by the SBA to inspect, examine, and verify shall survive the completion and closure of an exposure examination or loss examination file and the termination of the Contract. The Company shall have no right to re-open an exposure or loss ~~reimbursement~~ examination once closed and the findings have been accepted by the Company; any re-opening shall be at the sole discretion of the SBA. If the State Board of Administration Finance Corporation ~~(formerly known as the FHCF Finance Corporation)~~ has issued revenue bonds and relied upon the exposure and ~~loss~~ Loss data submitted and certified by the Company as accurate to determine the amount of bonding needed, the SBA may choose not to require, or accept, a resubmission if the resubmission will result in additional reimbursements to the Company. The SBA may require any discovered errors, inadvertent omissions, and typographical errors associated with the data reporting of insured values, discovered prior to the closing of the file and acceptance of the examination findings by the Company, to be corrected to reflect the proper values. The Company shall retain its records in accordance with the requirements for records retention regarding exposure reports and claims reports outlined herein, and in any administrative rules adopted pursuant to

Section 215.555, Florida Statutes. Companies writing covered collateral protection policies, as defined in definition (10)(d) of Article V, must be able to provide documentation that the policy covers personal residences, protects both the borrower's and lender's interest, and that the coverage is in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowner's policy.

(1) **Purpose of FHCF Examination**

The purpose of the examinations conducted by the SBA is to evaluate the accuracy of the FHCF exposure or ~~loss~~ Loss data reported by the Company. However, due to the limited nature of the examination, it cannot be relied upon as an assurance that a ~~company's~~ Company's data is reported accurately or in its entirety. The ~~company~~ Company should not rely on the FHCF to identify every type of reporting error in its data. In addition, the reporting requirements are subject to change each Contract Year so it is the Company's responsibility to be familiar with the applicable Contract Year requirements and to incorporate any changes into its data for that Contract Year. It is also the Company's responsibility to ensure that its data is reported accurately and to comply with Florida Statutes and any applicable rules when reporting exposure data. The examination report is not intended to provide a legal determination of the Company's compliance.

(2) **Examination Requirements for Exposure Verification**

The Company shall retain complete and accurate records, in policy level detail, of all exposure data submitted to the SBA in any Contract Year until the SBA has completed its examination of the Company's exposure submissions. The Company shall also retain complete and accurate records of any completed exposure examination for any Contract Year in which the Company incurred ~~losses~~Losses until the completion of the loss reimbursement examination and commutation for that Contract Year. The records to be retained are outlined in the Data Call adopted for the Contract Year under Rule 19-8.029, F.A.C. A complete list of records to be retained for the exposure examination is set forth in Form FHCF-EAP1, adopted for the Contract Year under Rule 19-8.030, F.A.C.

(3) **Examination Requirements for Loss Reports**

The Company shall retain complete and accurate records of all reported ~~losses~~ Losses and/or advances submitted to the SBA until the SBA has completed its examination of the Company's reimbursable ~~losses~~ Losses and commutation for the Contract Year (if applicable) has been concluded. The records to be retained are set forth as part of the Proof of Loss Report, Form FHCF-L1B, adopted for the Contract Year under Rule 19-8.029, F.A.C., and Form FHCF-LAP1, adopted for the Contract Year under Rule 19-8.030, F.A.C.

(4) **Examination Procedures**

(a) The FHCF will send an examination notice to the Company providing the commencement date of the examination, the site of the examination, any accommodation requirements of the examiner, and the reports and data which must be assembled by the Company and forwarded to the FHCF upon request. The Company shall be prepared to choose one location in which to be examined, unless otherwise specified by the SBA.

(b) The reports and data are required to be forwarded to the FHCF as set forth in an examination notice letter. The information is then forwarded to the examiner. If the FHCF receives accurate and complete records as requested, the examiner will contact the Company to inform the Company as to what policies or other documentation will be required once the examiner is on site. Any records not required to be provided to the examiner in advance shall be made available at the time the examiner arrives on site. Any records to support reported exposure or ~~losses~~ Losses which are provided after the examiner has left the work-site will, at the SBA's discretion, result in an additional examination of exposure and/or ~~loss~~ Loss records or an extension or expansion of the examination already in progress. All costs associated with such additional examination or with the extension or expansion of the original examination shall be borne by the Company.

(c) At the conclusion of the examiner's work and the management review of the examiner's report, findings, recommendations, and work papers, the FHCF will forward an examination report to the Company and require a response from the Company by a date certain as to the examination findings and recommendations, if any.

(d) If the Company accepts the examination findings and recommendations, and there is no recommendation for additional information, the examination report will be finalized and the exam file closed.

(e) If the Company disputes the examiner's findings, the areas in dispute will be resolved by a meeting or a conference call between the Company and FHCF management.

(f) 1. If the recommendation of the examiner is to resubmit the Company's exposure data for the Contract Year in question, then the FHCF will send the Company a letter outlining the process for resubmission and including a deadline to resubmit. Once the resubmission is received, the FHCF's Administrator calculates a revised Reimbursement Premium for the Contract Year which has been examined. The SBA shall then review the resubmission with respect to the examiner's findings, and accept the resubmission or contact the Company with any questions regarding the resubmission. Once the SBA has accepted the resubmission as a sufficient response to the examiner's findings, the exam is closed.

2. If the recommendation of the examiner is to give the Company the option to either resubmit the exposure data or to pay the estimated Premium difference, then the FHCF will send the Company a letter outlining the process for resubmission or for paying the estimated Premium difference and including a deadline for the resubmission or the payment to be received by the FHCF's Administrator. If the Company chooses to resubmit, the same procedures outlined in Article XIII~~(3)(f)1.~~(4) apply.

(g) If the recommendation of the examiner is to update the Company's Proof of Loss Report(s) for the Contract Year under review, the FHCF will send the Company a letter outlining the process for submitting the Proof of Loss Report(s) and including a deadline to file. Once the Proof of Loss Report(s) is received by the FHCF Administrator, the FHCF's Administrator will calculate a revised reimbursement. The SBA shall then review the submitted Proof of Loss Report(s) with respect to the examiner's findings, and accept the Proof of Loss Report(s) as filed or contact the Company with any questions. Once the SBA has accepted the corrected Proof of Loss Report(s) as a sufficient response to the examiner's findings, the exam is closed.

(h) The examiner's list of errors is made available in the examination report sent to the Company. Given that the examination was based on a sample of the Company's policies or claims rather than the whole universe of the Company's Covered Policies or reported claims, the error list is not intended to provide a complete list of errors but is intended to indicate what information needs to be reviewed and corrected throughout the Company's book of Covered Policy business or claims information to ensure more complete and accurate reporting to the FHCF.

(4) **Costs of the Examinations**
The costs of the examinations shall be borne by the SBA. However, in order to remove any incentive for a Company to delay preparations for an examination, the SBA shall be reimbursed by the Company for any examination expenses incurred in addition to the usual and customary costs, which additional expenses were incurred as a result of the Company's failure, despite proper notice, to be prepared for the examination or as a result of a Company's failure to provide requested information. All requested information must be complete and accurate.

ARTICLE XIV – OFFSETS

The SBA reserves the right to offset amounts payable to the SBA from the Company, including amounts payable under the Reimbursement Contract for any Contract Year and also including the Company's full

Premium for the current Contract Year (regardless of installment due dates), against any (1) premium refunds under any Contract Year, (2) reimbursement or advance amounts, or (3) amounts agreed to in a commutation agreement, which are due and payable to the Company from the SBA as a result of the liability of the SBA.

ARTICLE XV - INSOLVENCY OF THE COMPANY

Company shall notify the FHCF immediately upon becoming insolvent. Except as otherwise provided below, no ~~covered loss~~ reimbursements will be made until the FHCF has completed and closed its examination of the insolvent Company's ~~losses~~Losses, unless an agreement is entered into by the court appointed receiver specifying that all data and computer systems required for FHCF exposure and loss examinations will be maintained until completion of the Company's exposure and loss examinations. Except as otherwise provided below, in order to account for potential erroneous reporting, the SBA shall hold back 25% of requested ~~loss~~ reimbursements until the exposure and loss examinations for the Company are completed. Only those ~~losses~~ Losses supported by the examination will be reimbursed. Pursuant to Section 215.555(4)(g), Florida Statutes, the FHCF is required to pay the "net amount of all reimbursement moneys" due an insolvent insurer to the Florida Insurance Guaranty Association (FIGA) for the benefit of Florida policyholders. For the purpose of this Contract, a Company is insolvent when an order of liquidation with a finding of insolvency has been entered by a court of competent jurisdiction. In light of the need for an immediate infusion of funds to enable policyholders of insolvent companies to be paid for their claims, the SBA may enter into agreements with FIGA allowing exposure and loss examinations to take place immediately without the usual notice and response time limitations and allowing the FHCF to make ~~loss~~ reimbursements (net of any amounts payable to the SBA from the Company or FIGA) to FIGA before the examinations are completed and before the response time expires for claims filing by reinsurers and financial institutions, which have a priority interest in those funds pursuant to Section 215.555(4)(g), Florida Statutes. Such agreements must ensure the availability of the necessary records and adequate security must be provided so that if the FHCF determines that it overpaid FIGA on behalf of the Company, or if claims are filed by reinsurers or financial institutions having a priority interest in these funds, that the funds will be repaid to the FHCF by FIGA within a reasonable time.

ARTICLE XVI - TERMINATION

The FHCF and the obligations of both parties under this Contract can be terminated only as may be provided by law or applicable rules.

ARTICLE XVII - VIOLATIONS

(1) **Statutory Provisions**

(a) ~~Pursuant to the provisions of~~ Section 215.555(10), Florida Statutes, provides that any violation of ~~the terms of this Contract by the Company~~ Section 215.555, Florida Statutes, or of rules adopted under that section, constitutes a violation of the Florida Insurance Code~~ of the State of Florida~~. This Contract has been adopted as part of Rule 19-8.010, Florida Administrative Code, under the authority of that section of Florida Statutes.

(b) ~~Pursuant to the provisions of~~ Section 215.555(11), Florida Statutes, authorizes the SBA ~~is authorized~~ to take any action necessary to enforce ~~any administrative rules adopted pursuant to Section 215.555, Florida Statutes,~~ the rules and the provisions and requirements of this Contract, required by and adopted pursuant to Section 215.555, Florida Statutes.

(2) Noncompliance

(a) As used in this Article, the term "noncompliance" means the failure of the Company to meet any applicable requirement of Section 215.555, Florida Statutes, or of any rule adopted under the

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Formatted: Indent: Left: 0.25", Hanging: 0.25" authority of that section of Florida Statutes, including, but not limited to, any failure to meet a deadline for an FHCF payment, Data Call submissions or resubmissions, Loss reporting or commutation documentation, or a deadline related to SBA examination requirements. The Company remains in a state of noncompliance as long as the Company fails to meet the applicable requirement(s).

(b) If the Company is in a state of noncompliance, the SBA reserves the right to withhold any payments or advances due the Company until the SBA determines that the Company is no longer in a state of noncompliance.

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ARTICLE XVIII - APPLICABLE LAW

This Contract shall be governed by and construed according to the laws of the State of Florida in respect of any matter relating to or arising out of this Contract.

ARTICLE XIX – REIMBURSEMENT CONTRACT ELECTIONS

(1) **Reimbursement Percentage**

For purposes of determining reimbursement (if any) due the Company under this Contract and in accordance with the Statute, the Company has the option to elect a 45% or 75% or 90% reimbursement percentage under this Contract. If the Company is a member of an NAIC group, all members must elect the same reimbursement percentage, and the individual executing this Contract on behalf of the Company, by placing his or her initials in the box under (a) below, affirms that the Company has elected the same reimbursement percentage as all members of its NAIC group. If the Company is an entity created pursuant to Section 627.351, Florida Statutes, the Company must elect the 90% reimbursement percentage. The Company shall not be permitted to change its reimbursement percentage during the Contract Year. The Company shall be permitted to change its reimbursement percentage at the beginning of a new Contract Year, but may not reduce its reimbursement percentage if a Covered Event required the issuance of revenue bonds, until the bonds are no longer outstanding.

The Reimbursement Percentage elected by the Company for the prior Contract Year effective June 1, ~~2015~~ 2016 was as follows: «Legal_Name» - «~~2015~~2016_Coverage_Option»

(a) **NAIC Group Affirmation**: Initial the following box if the Company is part of an NAIC Group:

(b) **Reimbursement Percentage Election**: The Company hereby elects the following Reimbursement Percentage for the Contract Year from 12:00:01 a.m., Eastern Time, June 1, ~~2016~~2017, to 12:00 a.m., Eastern Time, May 31, ~~2017~~2018, (the individual executing this Contract on behalf of the Company shall place his or her initials in the box to the left of the percentage elected for the Company):

	45%	**OR**		**75%**	**OR**		**90%**

(2) **Additional Living Expense (ALE) Written as Time Element Coverage**

If your Company writes Covered Policies that provide ALE coverage on a time element basis (i.e., coverage is based on a specific period of time as opposed to a stated dollar limit), you must initial the 'Yes – Time Element ALE' box below. If your Company does not write time element ALE coverage, initial 'No – Time Element ALE' box below.

	OR	
Yes – Time Element ALE		**No – Time Element ALE**

ARTICLE XX – SIGNATURES

Approved by:

Florida Hurricane Catastrophe Fund
By: State Board of Administration of the State of Florida

By: ____ ____________________________
Ashbel C. Williams Date
Executive Director & CIO

Approved as to legality:

By: ____ ____________________________
Date

Authority to sign on behalf of the Company:

The person signing this Contract on behalf of the Company hereby represents that he or she is an officer of the Company, acting within his or her authority to enter into this Contract on behalf of the Company,with the requisite authority to bind the Company and make the representations on behalf of the Company as set forth in this Contract.

____
«Legal_Name»

____
~~Typed/~~Printed Name and Title

By: ____ ____________________________
Signature Date

DRAFT – August 22, 2016

ADDENDUM NO. 1
to
REIMBURSEMENT CONTRACT
Effective: June 1, ~~2016~~2017
(Contract)

Between

Citizens Property Insurance Corporation
(Citizens or Company)

NAIC #

and

THE STATE BOARD OF ADMINISTRATION OF THE STATE OF FLORIDA (SBA) WHICH ADMINISTERS THE FLORIDA HURRICANE CATASTROPHE FUND (FHCF)

It is Hereby Agreed, effective at 12:00:01 a.m., Eastern Time, June 1, ~~2016~~2017, that this Contract shall be amended as follows:

CITIZENS COVERAGE OF POLICIES OF LIQUIDATED INSURERS PURSUANT TO SECTION 215.555(5)(e), FLORIDA STATUTES.

If an insurer is placed in liquidation under Chapter 631, pursuant to Section 627.351(6), Florida Statutes, and Citizens Property Insurance Corporation (~~“~~Citizens~~”~~) provides coverage for Covered Policies of such liquidated insurer, Section 215.555(5)(e), Florida Statutes, provides that Citizens may, subject to provisions below, obtain coverage for such policies under its Reimbursement Contract with the FHCF or accept an assignment of the liquidated insurer's Reimbursement Contract with the FHCF. Prior to the date that Citizens takes a transfer of policies from a liquidated insurer, Citizens shall select one of these options using Appendix A of Addendum No. 1 and submit to the FHCF as instructed.

PROVIDING COVERAGE FOR A LIQUIDATED INSURER'S POLICIES UNDER CITIZENS' FHCF REIMBURSEMENT CONTRACT

(1) If a Covered Event has occurred prior to the transfer of policies from a liquidated insurer to Citizens, Citizens must accept an assignment of such liquidated insurer's FHCF Reimbursement Contract and cannot cover such policies under Citizens' Reimbursement Contract. Only in those situations where a Covered Event has not occurred shall Citizens be able to obtain coverage under its own FHCF Reimbursement Contract for those policies transferred to Citizens as a result of a liquidation.

(2) Responsibilities relating to the transfer of the liquidated insurer's Covered Policies to Citizens:

(a) Citizens shall accurately report the exposure and loss data related to Covered Policies transferred from a liquidated insurer to Citizens.

1. For a transfer of a liquidated insurer's Covered Policies that occurs on or before June 30, ~~2016~~2017, Citizens shall report the exposure in effect for such policies as of June 30, ~~2016~~2017. If any such policies renewed with Citizens on or before June 30, ~~2016~~2017, Citizens shall include the exposure for those polices as part of its Form FHCF-D1A (Data Call) submission due September 1, ~~2016~~2017.
2. For transfers of Covered Policies from a liquidated insurer to Citizens after June 30, ~~2016~~2017, Citizens shall report exposure in effect for such policies as of the date of the transfer and the FHCF shall treat all such policies as if they were in effect as of June 30, ~~2016~~2017.
3. For purposes of reporting ~~losses~~ Losses to the FHCF, Citizens shall report all ~~losses~~ Losses including those associated with Covered Policies transferred from liquidated insurers on Forms FHCF-L1A and FHCF-L1B as required under the Reimbursement Contract. Citizens shall retain separate data files for examination purposes for ~~losses~~ Losses on Covered Policies transferred from each liquidated insurer.

(b) Citizens shall report the exposure associated with Covered Policies from each liquidated insurer on a separate Data Call, which must be completed in full and must identify the liquidated insurer from whom the policies were transferred and to which the Data Call relates. The Data Call for each liquidated insurer where Covered Policies are transferred to Citizens is due on September 1, ~~2016~~2017, or a maximum of 60 days from the date of transfer, whichever is later.

(c) The FHCF Reimbursement Premium for all Covered Policies transferred from a liquidated insurer to Citizens shall be due on December 1, ~~2016~~2017, or within 15 days of being invoiced by the FHCF, whichever is later. The FHCF Reimbursement Premium associated with the transferred Covered Policies shall be itemized by Citizens for each liquidated insurer, but the total Reimbursement Premium resulting from the reporting of exposure on Citizens Covered Policies and the Reimbursement Premium associated with Covered Policies transferred to Citizens from liquidated insurers shall be combined to determine Citizens' retention and its share of the FHCF's capacity.

(d) An administrative fee of $1,000 shall apply to each resubmission of exposure data for resubmissions that are not a result of an examination by the SBA. If a resubmission is necessary as a result of an examination report issued by the SBA, the first resubmission fee will be $2,000. If the first examination-required resubmission is inadequate and the SBA requires an additional resubmission(s), the resubmission fee for each subsequent resubmission shall be $2,000. Resubmission fees shall be invoiced along with the Reimbursement Premium billing discussed in (c) above.

(e) Citizens shall ensure that the books and records related to the Covered Policies transferred from a liquidated insurer are preserved and accessible to the FHCF for its exposure and loss examinations. Citizens shall retain data related to the FHCF examinations as required in Forms FHCF-D1A, FHCF-EAP1, and FHCF-LAP1 for the exposure transferred from each liquidated insurer.

(3) The Covered Policies of a liquidated insurer transferred to Citizens on the date of such transfer shall be treated as if they were on Citizens' books and records as of June 30, ~~2016~~2017. Citizens' ~~2016~~ 2017 FHCF Reimbursement Premium shall be the aggregate premium based on its direct business and all business associated with Covered Policies of a liquidated insurer transferred to Citizens. Citizens' FHCF retention and limit of coverage shall be based on this aggregate Reimbursement Premium.

CITIZENS' ACCEPTANCE OF AN ASSIGNMENT OF A LIQUIDATED INSURER'S FHCF REIMBURSEMENT CONTRACT

(1) Responsibilities relating to Assigned Reimbursement Contracts:

(a) Citizens, pursuant to Section 215.555(5)(e), Florida Statutes, has the rights and duties of the liquidated insurer beginning on the date it first provides coverage for such transferred Covered Policies.

(b) Citizens is responsible for the Reimbursement Premiums due under the assigned Reimbursement Contract(s). Should any Reimbursement Premium be owed at the time paid ~~losses~~ Losses for Covered Policies under the assigned Reimbursement Contract exceed the ~~retention~~ Retention under the assigned Reimbursement Contract, all Reimbursement Premiums (as well as any applicable fees and interest) shall be offset before the issuance of any reimbursement payment.

(c) Citizens has the responsibility to report all exposure and loss information for Covered Policies under the assigned Reimbursement Contracts separately for each assigned Reimbursement Contract pursuant to the reporting requirements specified in the Reimbursement Contract. If the liquidated insurer has already submitted the required Data Call, Citizens has the responsibility of filing any resubmissions as necessary.

(d) Citizens has the responsibility to ensure that the books and records related to the assigned Reimbursement Contract are preserved and accessible to the FHCF for its exposure and loss examinations. Citizens has the responsibility to retain data related to FHCF examinations as required in FHCF-D1A, FHCF-EAP1, and FHCF-LAP1 for each assigned Reimbursement Contract.

(2) Citizens will not be reimbursed by the FHCF for any ~~losses~~ Losses occurring prior to the date it first provides coverage for such transferred policies. Reimbursements for those ~~losses~~ Losses shall be made to the insurer, the receiver, or the Florida Insurance Guaranty Association ~~(FIGA)~~, as provided by statute.

Approved by:

~~Florida Hurricane Catastrophe Fund, By:~~ State Board of Administration of the State of Florida

By: ______________________________ ____________________
Ashbel C. Williams Date
Executive Director & CIO

Approved as to legality:

By: ______________________________ ____________________
Date

____
Company

By: ______________________________ ____________________
~~Typed/~~Printed Name and Title Date

DRAFT – August 22, 2016

APPENDIX A TO ADDENDUM NO. 1
to
REIMBURSEMENT CONTRACT
Effective: June 1, ~~2016~~2017
(Contract)

between

Citizens Property Insurance Corporation
(Citizens or Company)

NAIC #

and

THE STATE BOARD OF ADMINISTRATION OF THE STATE OF FLORIDA (SBA) WHICH ADMINISTERS THE FLORIDA HURRICANE CATASTROPHE FUND (FHCF)

Pursuant to Section 215.555(5) (e), Florida Statutes

With reference to

____
~~(~~Name of Liquidated Insurer (~~“~~Liquidated Insurer~~”~~)

We, the undersigned, being executive officers of Citizens Property Insurance Corporation (~~“~~Citizens~~”~~), acting within our authority, hereby make the following election with reference to the Liquidated Insurer named above:

(Check appropriate box and provide date of transfer below):

☐ Citizens elects to obtain FHCF coverage for the Liquidated Insurer’s Covered Policies by including such ~~covered~~ Covered ~~policies~~ Policies under Citizens’ ~~2016~~ 2017 FHCF Reimbursement Contract.

Date policies transferred to Citizens:____________________

☐ Citizens elects to obtain FHCF coverage for the Liquidated Insurer’s Covered Policies by accepting an assignment of the Liquidated Insurer’s ~~2016~~ 2017 FHCF Reimbursement Contract.

Date policies transferred to Citizens:____________________

By: ______________________________	By: ______________________________
Typed Name: ______________________	Typed Name: ______________________
Title: ____________________________	Title: ____________________________
Date: ____________________________	Date: ____________________________

RETURN COMPLETED FORM TO:
Paragon Strategic Solutions Inc.
8200 Tower, 5600 West 83rd Street, Suite 1100
Minneapolis, MN 55437

Curriculum Vitae

Lorilee A. Medders

Last Revised: June 05, 2015

General Information

University address: Florida Catastrophic Storm Risk Management Center
Risk Management and Insurance
College of Business
Rovetta Building B Room 233A
Florida State University
Tallahassee, Florida 32306-1110

E-mail address: lmedders@business.fsu.edu

Web sites: www.business.fsu.edu; www.stormrisk.org

Professional Preparation

1995 Ph.D. in Business, Georgia State University, Atlanta, GA. Major: Risk Management and Insurance. Economics of risk and uncertainty, decision sciences/probability theory/statistics. Supervisor: Martin F. Grace, J.D., Ph.D.

Lorilee Ann Medders. (1995). *The Value of Workers' Compensation Insurance Incentives in Reducing Occupation Injuries and Illnesses in the Presence of Moral Hazard*. Unpublished doctoral dissertation, Georgia State University, Atlanta, GA.

1994 M.S., Georgia State University, Atlanta, GA. Major: Risk Management & Insurance. corporate risk management; property/liability insurance.

1990 B.S.C.B., University of Alabama, Tuscaloosa, AL. Major: finance. statistics, risk management/insurance. Magna cum laude.

Nondegree Education and Training

1998 Comprehensive training course on the concepts, principles, and application of the skills of mediation, Resolution Resources Corporation, Atlanta, GA.

Professional Experience

2013–present	Director, Florida Catastrophic Storm Risk Management Center, Florida State University.
2013–present	Research Faculty II, Risk Management/ Insurance, Real Estate & Legal Studies, Florida State University.
2012–2013	Associate in, Risk Management/Insurance, Florida State University. Research faculty member 100% within the Florida Catastrophic Storm Risk Management Center.
2012–2013	Co-Director, Florida Catastrophic Storm Risk Management Center, Florida State University.
2009–2012	Assistant In, Risk Management and Insurance, Florida State University.
2009–2012	Associate Director, Florida Catastrophic Storm Risk Management Center, Florida State University.
2008	Researcher, Risk Management and Insurance, Florida State University.
2008	Director of External Relations, Director of Undergraduate Programs, Assistant Professor, Department of Risk Management and Insurance, Georgia State University.
2007	Professor of Global Risk Management, Consortium of Universities for International Masters of Business Administration, Asolo, Italy.
2005–2007	Director of Student & External Affairs, Director of Undergraduate Programs, Assistant Professor, Department of Risk Management & Insurance, Georgia State University.
2001–2005	Director of Undergraduate Program, Assistant Professor, Department of Risk Management and Insurance, Georgia State University.
2000–2001	Assistant Professor, Department of Risk Management and Insurance, Georgia State University.
1999–2000	Visiting Assistant Professor of RMI, Department of Risk Management and Insurance, Georgia State University.
1999	Manager of Decision Solutions, Research and Development, Aon RiskConsole, Marietta Georgia. Managed three-person team in an approximate 25-employee, privately-held risk management information

system firm. Designed and directed decision consulting efforts for firm's clients and prospective clients.

1998–1999 Adjunct Professor of RMI, Department of Risk Management and Insurance, Georgia State University.

1998 Senior Systems Consultant, Aon RiskConsole. Designed and directed decision consulting efforts for firm's mostly corporate risk management department clients and prospective clients. The firm's only consultant, I designed cost-allocation decision tools, loss forecasts, insurance policy gap analyses, and loss control & expense reports through VBA coding within a dual Sequel/Oracle based information system. Reported to VP for Research & Development.

1994–1998 Assistant Professor of Finance, Department of Finance and Economics, Georgia Southern University.

1993–1994 Graduate Teaching Assistant, Department of Risk Management and Insurance, Georgia State University.

1990–1992 Graduate Research Assistant, Center for Risk Management & Insurance Research, Georgia State University.

1990 Acturial Intern, Liberty National Life Insurance Company. Worked in the health insurance area of the actuarial department. Updated relative value tables used in claims payment. Conducted policy analysis to evaluate loss ratios for blocks of policies and made recommendations to AVP for corrective measures if loss ratios were deemed too high.

Visiting Professorship(s)

1999–2000 Visiting Assistant Professor of RMI at Georgia State University.

Honors, Awards, and Prizes

RMIR Award for Best Article, American Risk and Insurance Association (2015).
Scholarship to 2010 Summer Institute for the Advanced Study of Disaster and Risk, Beijing Normal University, Beijing, China (2010).
Nominee for Robinson College of Business Faculty Service Award, Georgia State University (2006).
Top 5 Professor, Georgia State University Freshman Learning Community (2004).
Alpha Kappa Psi Honorary Advisor & Member, Georgia State University (2001).
Gamma Iota Sigma Gamma Star, Zeta Chapter- Gamma Iota Sigma (2001).
2000-2002 Gamma Iota Sigma Faculty Advisor Award, Georgia State University (2000).

Anita Benedetti Student Involvement Program Scholarship, Risk & Insurance Management Society (1994).
1993-1994 Vice President, Doctoral Fellows, Georgia State University (1993).
Beta Gamma Sigma business honorary, Beta Gamma Sigma (1990).
Omicron Delta Epsilon economics honorary, Omicron Delta Epsilon (1990).
Outstanding Insurance Student Award, University of Alabama (1990).
1988-1990 College of Commerce & Business Administrations scholarships, University of Alabama (1988).

Fellowship(s)

Helen C. Leith Doctoral Fellowship, Georgia State University (1990–1994).

Current Membership in Professional Organizations

American Risk and Insurance Association
International Insurance Society
International Society of Catastrophe Managers
Risk and Insurance Management Society (Educational Member)
Society for Business Ethics
Southern Risk and Insurance Association

Teaching

Received above-average, excellent or superior ratings from department chair at every annual review for teaching performance, 1999-2008, at Georgia State University. Officially commended by department chair for teaching effectiveness for every section of every course taught in every semester, Georgia State University, 1999-2006. Received perfect teacher performance ratings in annual performance evaluation from department chair for two consecutive years, Georgia Southern University, 1997, 1998.

Courses Taught

International Risk Management (RMI5087)
Risk in Business & Society (RMI 2302)
Law and Risk Management (RMI5906)
Risk Management/Insurance (RMI3011)
Directed Individual Study (RMI5906)
Seminar in Risk and Its Control (RMI4308)
Special Topics in Risk Management (RMI4308)
Orientation to Georgia State University (GSU1010)
Corporate Risk Management (RMI4300)
Risk Management Modeling (RMI8050)
Risk Modeling (RMI3750)
Global Risk Management (MBA 8880)
Insurer Operations/Strategy (RMI4700)

Principles of Risk and Insurance (RMI3500)
Perspectives on Risk Management & Insurance (RMI8000)
Current Issues in Risk Management & Insurance (RMI4980)
Employee Benefits (RMI4530)
Property & Casualty Insurance (RMI4020)
Life Insurance (RMI4010)
Corporation Finance (FINC3131)
Personal & Personnel Risk Management (FINC4532)
Property & Liability Risk Management (FINC4534)
Enterprise Risk Management (FINC3134)
Corporation Finance (MBA8050)

New Course Development

Risk in Business & Society (Co-developed) (2013)
International Risk Management (2011)
Risk Modeling (2006)

Curriculum Development

Led and coordinated a faculty team of 3 (including self) to restructure undergraduate risk management curriculum (7 courses) at Georgia State University (2006)

Doctoral Committee Member

Widen Holly, doctoral candidate. [Ms. Widen is conducting research on tornado vulnerability factors]

Supervision of Student Research Not Related to Thesis or Dissertation

Jones, A. G. (Sep 2014–present).

Lyman, L. (Aug–Dec 2014).

Lyman, L. (Aug 2013–May 2014).

Lyman, L. (Aug 2012–May 2013).

Additional Teaching Not Reported Elsewhere

Medders, L. A. (2000–2008). *Supervised more than 20 directed readings / independent studies for undergraduate and graduate students*. Georgia State University.

Medders, L. A. (1993). *Statistics for the MBA Program*. Georgia State University College of Continuing Education.

Florida State Courses Coordinated/ Taught as a Volunteer

Karlinsky, F., & Medders, L. (2015). *Law & Risk Management: Offered during Spring, 2015 (2 credit hours). Course coordination and team teaching experience: Coordinating and lecturing on an interdisciplinary basis. My individual lectures are on the topics of reinsurance and catastrophe modeling to FSU graduate students in law and business*. Florida State School of Law.

Karlinsky, F. E., & Medders, L. A. (2014). *Law & Risk Management: Offered during Spring, 2014 (2 credit hours). Course coordination and team teaching experience: Coordinated and lectured on an interdisciplinary basis. Lectured individually on the topics of reinsurance and catastrophe modeling to FSU graduate students in law and business*. Florida State University College of Law.

Karlinsky, F. E., & Medders, L. A. (2013). *Law & Risk Management: Offered during Spring, 2013 (2 credit hours). Team teaching experience: Co-coordinated course and lectured on the topics of reinsurance and catastrophe modeling to FSU graduate students in law and business*. The Florida State University School of Law.

Teaching-Learning Projects for State of Florida

Medders, L. (2012–2013). *Development of risk and catastrophe risk modeling online teaching-learning modules for State of Florida*. State of Florida.

Research and Original Creative Work

As researcher for whom 100% of effort and responsibilities lie within a research center established and primarily funded by the State of Florida, the primary research priority is applied public policy research devoted to Florida policy questions and/ or challenges (and that of states and regions facing similar policy issues). Thus, the primary research output is not necessarily publishable in academic journals. The secondary research focus is public outreach oriented, thus presentations in a variety of venues are important to achieving research outcomes. The final research focus is on publication of scholarly work in academic journals.

Program of Research and/or Focus of Original Creative Work

As director of the Florida Catastrophic Storm Risk Management Center, the primary research program is devoted to the Center's research program. The Florida Catastrophic Storm Risk Management Center was established by the Florida Legislature in 2007. Housed within the Department of Risk Management/Insurance, Real Estate & Legal Studies in the College of Business, the Center supports the state's ability to prepare for, respond to, and recover from catastrophic storms. Specifically, the Center: •Coordinates and disseminates research efforts that are expected to have an immediate impact on policy and practices related to catastrophic storm preparedness. •Coordinates and disseminates information related to catastrophic storm risk management, including but not limited to research and information that benefits businesses, consumers and public policy makers. •Facilitates Florida's preparedness and responsiveness to catastrophic storms and collaborates with other public and private institutions. •Organizes and sponsors conferences, symposia and workshops to educate consumers and policymakers.

Publications

Invited Journal Articles

Schneider, L. A. (2003). The Changing International Insurance Marketplace. *Insurance Chronicle (ICFAI)*, 27-43.

Refereed Journal Articles

Gatzlaff, D., McCullough, K., Medders, L., & Nyce, C. (submitted). Revealed Information and the Demand for Hurricane Mitigation Features. *Real Estate Economics*. Manuscript submitted for publication, 32 pages.

Medders, L., Maroney, P., & Nyce, C. (submitted). Public Policy and Regulation to Reduce Underlying Risks: Two Insurance-Mitigation Strategies Following the 2006 Coastal Property Insurance Crisis. *Journal of Insurance Regulation*. Manuscript submitted for publication, 34 pages.

Medders, L., Karl, B., & Maroney, P. (submitted). The Effects of Reveled Information on Catastrophe Loss Projection Models' Characterization of Risk: Damage Vulnerability Evidence from Florida. *Risk Analysis*. Manuscript submitted for publication, 32 pages.

Medders, L. A., Nyce, C. M., & Karl, J. B. (2014). Market Implications of Public Policy Interventions: The Case of Florida's Property Insurance Market. *Risk Management and Insurance Review*, *17(2)*, 183-214.

Prum, D., & Medders, L. A. (2012). The Bonds that Tie: Will a Performance Bond Require that a Surety Deliver a Certified Green Building? *Hastings Business Law Journal*, *9(1)*, 1-44.

Medders, L. A. (2011). Improving the Affordability of Property Mitigation: Innovative Ideas from the Energy Sector. *CPCU eJournal*, 1-19. Retrieved from http://www.cpcusociety.org/file_depot/0-10000000/0-10000/3267/conman/CPCUeJournalSeptember11art1.pdf

Born, P., Dumm, R., Grace, M. F., Medders, L. A., & Nyce, C. M. (2011). Money, Mitigation and Residual Markets: Findings from a Symposium on Catastrophic Risk Management. *Journal of Insurance Regulation*, *30*, 287.

Medders, L. A., Jaeger, V., & McCullough, K. A. (2011). Tale of Two Regions: Natural Catastrophe Insurance and Regulation in the United States and the European Union. *Journal of Insurance Regulation*, *30*, 171.

Schneider, L. A., & Shrivastava, S. (2008). The Global Gaming of Energy Supply and Pricing: Evidence and Implications for the Global Economy. *Global Studies Journal*, *1(2)*, 35-38.

Invited Monographs

Medders, L. A. (in press). Sound Off for Sound Homes: Homeowner Perspectives on Wildfire and Wind [Monograph]. *Insurance Research Council*, 80 pages.

Invited Monograph Chapters

Medders, L. (contract). *"Re-Modeling for Catastrophes"*. Manuscript under contract for publication, London: Clear Path Analysis.

Refereed Proceedings

Schneider, L. A. (1998). Compliance, Liability and Ethics within a Business Decision Modeling Framework. In *Southeast Decision Sciences Institute Proceedings* (pp. 183-185). Roanoke, VA.

Schneider, H. C., & Schneider, L. A. (1997). The Effectiveness of Abductive Networks for the Prediction of Workers' Compensation. In *Southeast Decision Sciences Institute* (pp. 237-239). Atlanta, GA.

Nonrefereed Proceedings

Schneider, L. A. (2006). The Evolution of Learning Beyond the Classroom. In *National Resource Center's Students in Transition Conference*. St. Louis, MO.

Presentations

Invited Papers at Conferences

Schneider, L. A. (presented 2008, September). *The Gaming of Energy Supply and Pricing: Risk Management Implications*. Paper presented at Atlanta-CPCU Monthly Meeting, Georgia Chapter-Chartered Property-Casualty Underwriters, Atlanta, GA. (State)

Schneider, L. A. (presented 2007, May). *Insurance Industry Trends*. Paper presented at KPMG Partners & Managers Training Conference, KPMG, LLP, Dallas, TX. (National)

Schneider, L. A. (presented 2006, June). *Emerging Global Risks*. Paper presented at KPMG Partners & Managers Training Conference, KPMG, LLP, San Diego, CA. (National)

Schneider, L. A. (presented 1998, April). *Young Risk Management Professionals: RMI Program Survey Results*. Paper presented at Risk & Insurance Management Society Annual Conference, Risk & Insurance Management Society, San Diego, CA. (National)

Invited Papers at Symposia

Medders, L. A. (presented 2009, September). The Role of Private Capital in Funding Catastrophic Risks. In *Society for Insurance Research Annual Symposium*. Symposium conducted at the meeting of Society for Insurance, Orlando, FL. (National)

Schneider, L. A. (presented 2009, May). Accessing Capital for Catastrophic Storm Funding: Role of the Private Capital Markets. In Patrick F. Maroney (Chair), *Florida Catastrophic Storm Risk Management Center Symposium*. Symposium conducted at the meeting of Florida Catastrophic Storm Risk Management Center, FSU - Tallahassee, FL. (State)

Schneider, L. A. (presented 2009, May). The Role of Capital Markets in Funding Catastrophic Risks. In *Florida Catastrophic Storm Risk Management Center Symposium*. Symposium conducted at the meeting of Department of Risk Management and Insurance, Florida State University. (Local)

Refereed Papers at Conferences

Medders, L., Karl, B., & Maroney, P. (accepted). *The Effects of Revealed Information on Catastrophe Loss Projection Models' Characterization of Risk: Damage Vulnerability Evidence from Florida*. Paper to be presented at 2015 Joint Annual Meetings of ARIA and WRIEC, American Risk and Insurance Association and World Risk and Insurance Economics Congress, Munich, Germany. (International)

Medders, L., Bass, C., & McCullough, K. (presented 2014, November). *Multi-Peril Evidence of Risk Perceptions and Mitigating Behaviors*. Paper presented at Annual Meeting, Southern Risk & Insurance Association, Charleston, SC. (Regional)

Medders, L., McCullough, K., & Bass, C. (presented 2014, August). *Does the Peril Matter? Multi-Peril Evidence on the Risk and Mitigation Perceptions & Behaviors*. Paper presented at American Risk & Insurance Association Annual Research Meetings, American Risk & Insurance Association, Seattle, WA. (National)

Gatzlaff, D., McCullough, K., Medders, L. A., & Nyce, C. (presented 2014, January). *Revealed Information and the Demand for Hurricane Mitigation Features*. Paper presented at AREUEA-ASSA Meetings, AREUEA-ASSA, Philadelphia, PA. (National)

Gatzlaff, D., McCullough, K., Medders, L. A., & Nyce, C. (presented 2013, November). *Revealed Information and the Demand for Hurricane Mitigation Features*. Paper presented at Southern Risk and Insurance Association 2013 Meetings, Southern Risk and Insurance Association, Orlando, FL. (Regional)

Gatzlaff, D., McCullough, K., Medders, L. A., & Nyce, C. (presented 2013, August). *Revealed Information and the Demand for Hurricane Mitigation Features*. Paper presented at American Risk and Insurance Association 2013 Meetings, American Risk and Insurance Association, Washington, DC. (National)

Maroney, P. F., Medders, L. A., & Nyce, C. M. (presented 2013, January). *Catastrophe Models and the Value of Seconday Modifiers*. Paper presented at 2013 Annual Meetings, Western Risk and Insurance Association, Las Vegas, NV. (Regional)

Gatzlaff, D., McCullough, K. M., Medders, L. A., & Nyce, C. M. (presented 2012, November). *Home Values and Revealed Mitigation Information*. Paper presented at 2012 Annual Meetings, Southern Risk and Insurance Association, Savannah, Georgia. (Regional)

Maroney, P. F., Medders, L. A., & Nyce, C. M. (presented 2012, November). *Windstorm Mitigation Financing Options*. Paper presented at 2012 Annual Meetings, Southern Risk and Insurance Association, Savannah, GA. (Regional)

Medders, L. A., Maroney, P. F., & Nyce, C. M. (presented 2012, January). *The Mitigation Credits Problem*. Paper presented at 2012 Annual Meetings, Western Risk and Insurance Association, Hawaii. (Regional)

Medders, L. A., Maroney, P. F., & Nyce, C. M. (presented 2011, November). *Solutions to Managing Windstorm Exposure*. Paper presented at 2011 Annual Meetings, Southern Risk and Insurance Association, New Orleans, LA. (Regional)

Medders, L. A., & Maroney, P. (presented 2011, January). *Windstorm Mitigation: Improving Affordability through Local Governments*. Paper presented at 2011 Annual Meetings, Western Risk and Insurance Association, Santa Barbara, California. (Regional)

Medders, L. A., Maroney, P., & Nyce, C. (presented 2010, November). *Windstorm Mitigation: Home Hardening versus Premium Reduction, Are the Goals Compatible?* Paper presented at 2010 Annual Meetings, Southern Risk and Insurance Association, Charleston, SC. (Regional)

Schneider, L. A., Maroney, P., & Nyce, C. (presented 2010, January). *Windstorm Mitigation: Incentives to Promote Policyholder Participation*. Paper presented at 2010 Annual Meetings, Western Risk and Insurance Association, Napa, California. (Regional)

Schneider, L. A., Maroney, P., & Nyce, C. (presented 2009, November). *Who's Gonna Pay When My House Flies Away? A Study of P&C Insurance Capacity in Hurricane-Exposed States*. Paper presented at 2009 Annual Meetings, Southern Risk and Insurance Association, Orlando, FL. (Regional)

Schneider, L. A., Maroney, P., & Nyce, C. (presented 2009, November). *Windstorm Mitigation Credits: The Effects on Solvency and Insurance Availability"*. Paper presented at 2009 Annual Meetings, Southern Risk and Insurance Association, Orlando, FL. (Regional)

Schneider, L. A. (presented 2009, September). *The Availability & Capacity of Private Capital for Florida Catastrophic Storm Funding*. Paper presented at 2009 Annual Meetings, Society for Insurance Research, Orlando, FL. (Regional)

Schneider, L. A., & Shrivastava, S. (presented 2008, May). *The Gaming of Energy Supply and Pricing: Risk Management Implications*. Paper presented at 2008 Meetings, Global Studies Conference, Chicago, IL. (National)

Schneider, L. A. (presented 2006, November). *The Evolution of Learning Beyond the Classroom*. Paper presented at National Resource Center's Students in Transition Conference, National Resource Center, St. Louis MO. (National)

Schneider, L. A. (presented 2003, January). *RMI Academic Program Assessment: A Portfolio of Assessment Tools*. Paper presented at 2003 Annual Meetings, Western Risk and Insurance Association, Maui, HS. (Regional)

Schneider, L. A. (presented 2002, August). *The Multinational Tax Strategy Game: Impact on Cost-of-Risk Allocation*. Paper presented at 2002 Annual Meetings, American Risk and Insurance Association, Montreal, QC, Canada. (National)

Schneider, L. A. (presented 2002, January). *Academic Program Assessment*. Paper presented at 2002 Annual Meetings, Western Risk and Insurance Association, San Diego, CA. (Regional)

Schneider, L. A. (presented 2001, August). *Toward Optimal Cost-of-Risk Allocation*. Paper presented at 2001 Annual Meetings, American Risk and Insurance Association, Baltimore, MD. (National)

Schneider, L. A. (presented 2001, January). *E-Business Risk Survey*. Paper presented at 2001 Annual Meetings, Western Risk and Insurance Association, Santa Barbara, CA. (Regional)

Schneider, L. A. (presented 2000, August). *E-Business Risk: Areas for Potential Research*. Paper presented at 2000 Annual Meetings, American Risk and Insurance Association. (National)

Schneider, L. A. (presented 2000, January). *Risk-e-Business: The Risks, Their Management and Areas for Research*. Paper presented at 2000 Annual Meetings, Western Risk and Insurance Association, Monterey, CA. (Regional)

Schneider, L. A. (presented 1998, February). *Compliance, Liability and Ethics within a Business Decision Modeling Framework*. Paper presented at 1998 Annual Meetings, Southeast Decision Sciences Institute, Roanoke, VA. (Regional)

Schneider, L. A., & Schneider, H. C. (presented 1997, February). *The Effectiveness of Abductive Networks for the Prediction of Workers' Compensation Losses*. Paper presented at 1997 Annual Meetings, Southeast Decision Sciences Institute, Atlanta, GA. (Regional)

Medders, L. A. (presented 1994, August). *The Value of Workers' Compensation Insurance Incentives in Reducing Occupational Injuries and Illnesses in the Presence of Moral Hazard*. Paper presented at 1994 Annual Meetings, American Risk and Insurance Association, Toronto, ON. (National)

Medders, L. A. (presented 1993, August). *The Effect of Self-Insurance on Workers' Compensation Injury Rates*. Paper presented at 1993 Annual Meetings, American Risk and Insurance Association, San Francisco, CA. (National)

Medders, L. A., Kim, H. S., & Kwon, W. J. (presented 1992, November). *The Impact of Framing on Insurance Demand and Choices*. Paper presented at 1992 Annual Meetings, Southern Risk and Insurance Association, Tampa, FL. (Regional)

Medders, L. A. (presented 1991, November). *U.S. Policy on Free Trade in Insurance vis-à-vis OECD Codes*. Paper presented at 1991 Annual Meetings, Southern Risk and Insurance Association, Williamsburg, VA. (Regional)

Refereed Papers at Symposia

Schneider, L. A. (presented 2009, May). Accessing Capital for Catastrophic Storm Funding: Role of the Private Capital Markets. In *Florida Catastrophic Storm Risk Management*

Center Symposium. Symposium conducted at the meeting of FSU- Catastrophic Storm Risk and Management Center. (Local)

Invited Keynote and Plenary Presentations at Conferences

Medders, L. (accepted). *Update on the Work of the Florida Catastrophic Storm Risk Management Center*. Plenary presentation to be given at Florida Hurricane Catastrophe Fund Participating Insurers Workshop, Florida Hurricane Catastrophe Fund, Orlando, FL. (State)

Medders, L. (accepted). *What Are We Doing about Resiliency?* Keynote presentation to be given at Florida Hurricane Catastrophe Fund Participating Insurers Workshop, Florida Hurricane Catastrophe Fund, Orlando, FL. (State)

Medders, L., Burke, D., Kading, B., & Nicholson, J. (presented 2015, January). *The Florida Hurricane Catastrophe Fund*. Plenary presentation at Insurance Summit, Florida Chamber of Commerce, Orlando, Florida. (State)

Medders, L. (presented 2014, October). *Catastrophe Modeling: Increasing Knowledge and Uncertainty*. Plenary presentation at Insurance Conference on Financial Reporting, Thomas Howell Ferguson, Winter Park, Florida. (Regional)

Medders, L. (presented 2014, June). *An Update on the Work of the Florida Catastrophic Storm Risk Management Center*. Plenary presentation at Florida Hurricane Catastrophe Fund Participating Insurers Workshop, Florida Hurricane Catastrophe Fund, Buena Vista, FL. (State)

Medders, L. A. (presented 2014, April). *Catastrophe Models: Are We Really Getting Better Information?* Plenary presentation at Coastal Retreat, East Carolina University, Greenville, NC. (Regional)

Medders, L. A. (presented 2014, April). *Flood Insurance Issues*. Plenary presentation at National Hurricane Conference, National Hurricane Conference, LLC, Orlando, FL. (National)

Medders, L. A. (presented 2013, June). *Update from the Florida Catastrophic Storm Risk Management Center: The First 5 Years and Beyond*. Plenary presentation at 2013 Florida Hurricane Catastrophe Fund Workshop, Florida Hurricane Catastrophe Fund, Orlando, FL. (State)

Medders, L. A. (presented 2012, May). *deja vu: Revisiting the 1995 Collins Center Report on Hurricane Insurance*. Plenary presentation at Florida Hurricane Catastrophe Fund 2012 Workshop, Florida Hurricane Catastrophe Fund, Orlando, FL. (State)

Medders, L. A. (presented 2012, April). *Weather and the Work of the Florida Catastrophic Storm Risk Management Center*. Keynote presentation at Thomasville Chapter-Rotary Club Monthly Meeting, Rotary Club International, Thomasville, GA. (Local)

Invited Presentations at Conferences

Medders, L. (accepted). *Coastal Property Risk Challenges*. Presentation to be given at James K. Ruble Mega Seminar, National Alliance for Insurance Education and Research, Orlando, FL. (National)

Medders, L. (presented 2014, June). *Property Insurance Challenges in Coastal Markets*. Presentation at James K. Ruble Mega Seminar, National Alliance for Insurance Education & Research, Orlando, FL. (National)

Medders, L. A., Urcia, Y., Morse, S., & Thomas, D. (presented 2014, April). *Bridging the Generational Gap: Leveraging the Powerful Strength of Gen Y*. Presentation at RIMS Conference 2014, Risk & Insurance Management Society, Denver, CO. (International)

Medders, L. A. (presented 2014, January). *Markets, Money and Mitigation Continued*. Presentation at The 2014 State of the Florida Insurance Market Summit, Colodny, Fass, Talenfeld, Karlinsky, Abate & Webb, P.A, Amelia Island, FL. (Regional)

Medders, L. A. (presented 2014, January). *The Florida Hurricane Catastrophe Fund*. Presentation at Florida Chamber of Commerce 7th Annual Insurance Summit, Florida Chamber of Commerce, Orlando, FL. (State)

Medders, L. A. (presented 2013, October). *Extracting Better Information from Catastrophe Loss Models*. Presentation at 3rd Annual Florida Insurance Conference on Financial Reporting, Thomas Howell Ferguson, Orlando, FL. (Regional)

Medders, L. A. (presented 2013, February). *Personality, Virtue and Ethics*. Presentation at 2013 RIMS Educational Conference, Atlanta Chapter - Risk & Insurance Management Society, Atlanta, GA. (State)

Medders, L. A. (presented 2013, January). *Florida: Finding the Right Marriage of Money, Markets and Mitigation*. Presentation at 2013 Florida Insurance Summit, Colodny, Fass, Talenfeld, Karlinsky, Abate & Webb, P.A, Amelia Island, Florida. (State)

Medders, L. A. (presented 2012, November). *CAT MODELING: What's Coming in Predictive Analytics? The Evolution of Risk Modeling Processes and Uses*. Presentation at Florida Chamber of Commerce 6th Annual Insurance Summit, Florida Chamber of Commerce, Orlando, FL. (State)

Medders, L. A. (presented 2012, October). *The Future of Catastrophe Modeling*. Presentation at 2nd Annual Florida Insurance Conference on Financial Reporting, Thomas Howell Ferguson, Orlando, FL. (State)

Medders, L. A. (presented 2012, June). *Recommendations for Solving Coastal Insurance Market Problems*. Presentation at James K. Ruble Mega Seminar, The National Alliance for Insurance Education and Research, Orlando, FL. (National)

Medders, L. A. (presented 2012, June). *The Property Reinsurance Environment*. Presentation at James K. Ruble Mega Seminar, The National Alliance for Insurance Education and Research, Orlando, FL. (National)

Medders, L. A., & Maroney, P. (presented 2012, March). *The Florida Catastrophic Storm Risk Management Center & the Florida Commission on Hurricane Loss Projection Methodology*. Presentation at 2012 State of the Florida Insurance Market Summit, Colodny, Fass, Talenfeld, Karlinsky & Abate, P.A, Amelia Island, FL. (State)

Medders, L. A. (presented 2011, December). *Catastrophe Models and the Florida Commission on Hurricane Loss Projection Methodology*. Presentation at Education Session III, Governor Bentley's Affordable Homeowners Insurance Commission, Montgomery, AL. (Regional)

Medders, L. A. (presented 2011, November). *Catastrophe Models and the Florida Commission on Hurricane Loss Projection Methodology*. Presentation at Southeastern Legislative Conference, State Farm Insurance, New Orleans, LA. (Regional)

Medders, L. A. (presented 2011, February). *Does Character and/or Virtue Have a DNA Structure?* Presentation at 2011 RIMS Educational Conference, Atlanta Chapter-Risk & Insurance Management Society, Atlanta, GA. (State)

Schneider, L. A. (presented 2010, February). *Leadership in Extraordinary Times: Ethics in America & American Ethics*. Presentation at 2010 RIMS Educational Conference, Atlanta Chapter - Risk & Insurance Management Society, Atlanta, GA. (State)

Schneider, L. A. (presented 2009, February). *Ethics in America*. Presentation at 2009 RIMS Educational Conference, Atlanta Chapter - Risk & Insurance Management Society, Atlanta, GA. (State)

Schneider, L. A. (presented 2008, January). *The Gaming of (Nearly) Everything*. Presentation at 2008 RIMS Educational Conference, Atlanta Chapter-Risk and Insurance Management Society, Atlanta, GA. (State)

Schneider, L. A. (presented 2007, February). *Intergenerational Ethics*. Presentation at 2007 RIMS Educational Conference, Atlanta Chapter-Risk and Insurance Management Society, Atlanta, GA. (State)

Schneider, L. A. (presented 2003, January). *Ethics: Virtues & Values*. Presentation at 2003 RIMS Educational Conference, Atlanta Chapter-Risk & Insurance Management Society, Atlanta, GA. (State)

Schneider, L. A. (presented 1996, August). *Risk Management Education*. Presentation at Florida Chapters- Risk and Insurance Management Society Educational Conference, Risk and Insurance Management Society, Naples, FL. (Regional)

Invited Presentations at Symposia

Lane, R., Medders, L., & Nielsen, M. (presented 2014, October). Advancements and Challenges in Modeling. In Center for Insurance Policy and Research (Chair), *Implications for Increasing Catastrophe Volatility on Insurers and Consumers*. Presentation at the meeting of National Association of Insurance Comissioners, Kansas City, Missouri. (National)

Medders, L. (presented 2014, September). Risk Modeling: Increasing Information and Uncertainty. In *Entrepreneurial Insurance Symposium*. Presentation at the meeting of MarketScout and the National Alliance for Insurance Education and Research, Dallas, Texas. (International)

Refereed Presentations at Conferences

Medders, L. A. (presented 2012, April). *The Florida Catastrophic Storm Risk Management Center Update*. Presentation at 30th Conference on Hurricanes & Tropical Meteorology, American Meteorological Society, Ponte Vedra, FL. (National)

Medders, L. A. (presented 2011, June). *Catastrophes: Implications for the International Insurance Community*. Presentation at International Insurance Society Meetings, International Insurance Society, Toronto, Canada. (International)

Medders, L. A., & Maroney, P. (presented 2011, May). *Florida Catastrophic Strom Risk Management Center Update*. Presentation at 11th Annual Participating Insurers Workshop, Florida Hurricane Catastrophic Fund. (State)

Medders, L. A. (presented 2011, April). *Who Pays the Financial Cost of Hurricanes?* Presentation at National Hurricane Conference, National Ocean and Atmospheric Administration, Atlanta, GA. (National)

Refereed Presentations at Symposia

Medders, L. A. (presented 2010, November). Cost and Pricing Collaboration in Insurance. In *IBM Smarter Industries Symposium*. Presentation at the meeting of Insurance Industry Leadership Exchange. (International)

Nonrefereed Presentations at Conferences

Schneider, L. A. (presented 2002, November). *The Future of Risk Management and Insurance Education*. Presentation at Conference of Insurance Professionals of Middle Georgia, Insurance Professionals of Middle Georgia, Macon, GA. (State)

Schneider, L. A. (presented 2002, October). *State of the RMI Department Program Report*. Presentation at Fall Board Meeting, educational Foundation, Inc, Atlanta, GA. (State)

Medders, L. A. (presented 1998). *Agency Ethics*. Presentation at Agents' Quarterly Luncheon, Middle Georgia Chapter of Chartered Property & Casualty Underwriters. (Regional)

Schneider, L. A. (presented 1997, May). *The Need for Communication Improvements Between Risk Management and Safety Functions within Organizations*. Presentation at Spring 1997 Conference, American Society of Safety Engineers- Savannah Chapter, Savannah, GA. (Regional)

Schneider, L. A. (presented 1997, March). *The Future Underwriter's Skill Set*. Presentation at CLU Meeting, Society of the Clergy of Life Underwriters, Swainsboro, GA. (State)

Invited Workshops

Medders, L. (accepted). *Risk Modeling on the Value Principle*. Workshop to be delivered at Germania Insurance Company, Austin, TX. (National)

Refereed Workshops

Ballen, D., Medders, L. A., Chen, C., & Kousky, C. (2013, July). *Expectations Unmet: Can Incentives for Disaster Adaptation and Mitigation Work Effectively?* Workshop delivered at Natural Hazards Center Workshop, Broomfield, CO. (International)

Medders, L. A., & Maroney, P. (2012, March). *Strength in Numbers: How Collaboration Propels Mitigation*. Workshop delivered at National Hurricane Conference, Orlando, FL. (National)

Invited Lectures and Readings of Original Work

Medders, L. A. (2013, March). *Catastrophe Modeling & Mitigation: Part 1*. Delivered at AmRisc, LP and National Alliance for Insurance Education, Houston, TX. (National)

Schneider, L. A. (2009, March). *A Primer on Risk Modeling for Use in Reinsurance*. Delivered at Horst Jannot Visiting Fellows, Georgia State University, Atlanta, GA. (International)

Schneider, L. A. (2008). *Statistics Primer for Insurance and Risk Management*. Delivered at Texas Farm Bureau Executive Development Program, Georgia State University. (Regional)

Schneider, L. A. (2003, May). *Cost-of-risk allocation*. Delivered at Center for Enterprise Risk Management & Assurance Services, Atlanta, GA. (Regional)

Schneider, L. A. (2002). *Juggling Productivity & Worker Safety*. Delivered at Robert C. Bowden Company, Marietta, GA. (Local)

Schneider, L. A. (2001). *Applications of Simulation to Risk Management*. Delivered at Munich Re International Visiting Fellows Program, Georgia State University. (International)

Schneider, L. A. (2001). *Field visits for the study of U.S. risk management*. Delivered at Munich Re International Visiting Fellows, Georgia State University. (International)

Schneider, L. A. (2000, February). *Georgia State University's Risk Management & Insurance Programs*. Delivered at Independent Insurance Agents of Georgia, Atlanta, GA. (Local)

Schneider, L. A. (2000). *Field Visits for the study of U.S. risk management*. Delivered at Munich Re International Visiting Fellows, Georgia State University. (International)

Schneider, L. A. (1999). *Field visits for the study of U.S. insurance practice*. Delivered at Korean Insurance Visitors, Georgia State University. (Local)

Schneider, L. A. (1998). *ARM 54, 55 and 56 Exams: A Series of Prep Courses*. Delivered at American Risk Management, Savannah, GA. (Local)

Schneider, L. A. (1998). *State of Georgia P&C licensing course*. Delivered at Georgia State University- College of Continuing Education. (Local)

Medders, L. A. (1993). *Statistics primer for entering graduate students*. Delivered at Georgia State University- College of Continuing Education. (Local)

Medders, L. A., Prisock, C., & Young, G. (1991, May). *Loss Forecasting*. Delivered at A Joint Venture of Southern Company Services and Georgia State University, Atlanta, GA. (International)

Contracts and Grants

Contracts and Grants Funded

Medders, L. (PI). (Jul 2014–Jun 2015). *Florida Catastrophic Storm Risk Management Center*. Funded by Department of Financial Services. Total award $1,500,000.

Medders, L. (PI). (Jul 2013–Jun 2014). *Florida Catastrophic Storm Risk Management Center*. Funded by Department of Financial Services. Total award $750,000.

Maroney, P. (PI), & Medders, L. (Co-PI). (Jul 2012–Jun 2013). *Florida Catastrophic Storm Risk Management Center*. Funded by Department of Financial Services. Total award $350,000.

Medders, Lorilee A. (PI), & Maroney, Patrick F (Co-PI). (Nov 2011–Jun 2012). *Facilitating Public Outreach through Collaboration among Professionals Integral to Hurricane Mitigation Promotion Efforts*. Funded by Florida Division of Emergency Management. (12RC-5S-13-00-22-297). Total award $130,000.

Medders, Lorilee A. (PI), Maroney, P. F., & Nyce, C. M. (Mar 2011–Jun 2011). *Helping Local Governments Design Financing Programs for Residential Wind Mitigation and Home Hardening Projects*. Funded by Florida Division of Emergency Management. Total award $100,000.

Maroney, P., Medders (nee Schneider), L. A., & Nyce, C. (Jan 2010–Mar 2010). *Hurricane Inspection System Study*. Funded by Florida Department of Financial Services. Total award $200,000.

Medders, Lorilee A. (PI), Maroney, Patrick F (Co-PI), & Nyce, Charles M (Co-PI). (Jan 2010–Jun 2010). *Home Hardening Incentives Program*. Funded by Florida Division of Emergency Management. (10-RC-26-13-00-22-21). Total award $75,000.

Medders, Lorilee A. (PI). (Sep 2007–Jun 2012). *Florida Catastrophic Storm Risk Management*. Funded by Florida Department of Financial Services. Total award $4,195,055.

Contracts and Grants Pending

Medders, L. (PI). (2015). *Florida Catastrophic Storm Risk Management Center*. Submitted to Florida Legislature.

Harrington, J., Medders, Lorilee (Co-PI), Stefanova, L., Takatsuka, Y., & Ye, M. (Dec 2014). *Economic Impact of Climate Change and Residents' Decision Making of Mobility in Coastal Areas*. Submitted to National Science Foundation.

Catastrophe Research -- Full Working Papers Not under Submission

Medders, L., Bass, C., & McCullough, K. (2015). *Does the Peril Matter? Multi-Peril Evidence on the Risk and Mitigation Perceptions and Behaviors of Homeowners in 12 U.S. Communities*.

Catastrophe, Resiliency and Sustainability Research Initiative

Medders, L. (PI). (2015). *The EARNEST Initiative: Economic Architecture for Resilient Neighborhoods and Ensurance of Sustainable Thriving*. Collaborative effort with Florida Catastrophic Storm Risk Management Center as lead.

Collaboration, Coordination and Dissemination of Public Policy Projects

Medders, L. (2014–2015). *A Financial Contingency Plan for the State of Florida: Economic Sustainability in a "Worst-Worst-Case" Catastrophe*.

Medders, L. (PI), & Bass, C. (2014–2015). *The State of Florida's Property Insurance Market 2015*.

Medders, L. (PI), Maroney, P., & Jones, A. (2014–2015). *State of Florida Building Inventory: Identification and Analysis of Secondary Building Characteristics*. Florida Legislature, Governor, Cabinet and Division of Risk Management.

Medders, L. (2013). *The Florida Hurricane Catastrophe Fund: Alternative Methods for Managing the Size*. Florida Legislature, Governor, Cabinet Officers.

Medders, L. (PI), & Maroney, P. (2013–2014). *State University Building Inventory: Identification and Analysis of Secondary Building Characteristics of Florida's Universities*. Florida Legislature.

Medders, L. (PI), & Nyce, C. (2013–2014). *The State of Florida's Property Insurance Market 2014*.

Maroney, P. (PI), & Medders, L. (2012–2013). *Florida's Coastal University Stormworthiness*. Florida Legislature.

Medders, L. (PI), Maroney, P., & Nyce, C. (2012–2013). *The State of Florida's Property Insurance Market, 2nd Report*.

Medders, L. (2011–2012). *Facilitating Public Outreach through Collaboration among Professionals Integral to Hurricane Mitigation Promotion Efforts*. Florida Division of Emergency Management.

Maroney, P. (PI), Medders, L., & Nyce, C. (2011). *The State of Florida's Property Insurance Market, 1st Report*.

Medders, L. (2011). *Helping Local Governments Design Financing Programs for Residential Wind Mitigation and Home Hardening Projects*. Florida Division of Emergency Management.

Maroney, P. (PI), Medders, L., & Nyce, C. (2010). *Hurricane Inspection System Study*. Florida Legislature, Florida Department of Financial Services.

Maroney, P. (PI), Medders, L., & Nyce, C. (2010). *Wind Mitigation Credits Study*. Florida Legislature.

Medders, L. (2010). *Home Hardening Incentives Program*. Florida Division of Emergency Management.

Coordination and Support of Others' Catastrophe Research Projects as Center Director

Baker, E. (2014). *Determining How Floridians Decide Whether to Evacuate When a Hurricane Threatens*.

Cocke, S., Dukhovskoy, D., Morey, S., Powell, M., Weisberg, M., Zheng, L., & Huang, Y. (2012–2014). *Landfalling Hurricane Wind and Storm Surge Behavior*.

Watson, C., Johnson, M., & Dumm, R. (2012–2013). *The Impact of Geographic Diversity on the Viability of Hurricane Catastrophe Insurance*.

General RMI -- Full Working Papers not under Submission

Medders, L., & Feldhaus, W. (2008–2012). *Global Risk and Tax Strategy: Impact on Risk Financing and Cost-of-Risk Allocation*.

Medders, L. (2007–2013). *Toward Optimal Cost-of-Risk Allocation*.

Research Projects not Specifically Categorized

Medders, L. (2015). *Windstorm Mitigation: The Effects on Solvency and Insurance Availability and the Impact on Incentives to Harden Structures*.

Medders, L. A. (2013). *We're Leaving and We're Not Coming Back: Case Studies of Adverse Selection in the Jumbo and Middle Markets for Insurance*.

Medders, L. A. (2011). *On the Value of Reputation in a Global Economy*.

Service

Florida State University

FSU Department Service

Faculty Advisor, Women in Real Estate (2014–present).

Member, RMI Scholarship Committee (2009–present).

Member, RMI Textbook Committee (2009–present).

FSU Institute or Center Service

Director, Florida Catastrophic Storm Risk Management Center (2013–present).

Member, Florida Climate Institute (2012–present).

Associate Director, Florida Catastrophic Storm Risk Management Center (2009–2013).

The Profession

Guest Reviewer for Refereed Journals

Journal of Insurance Issues (1995–present).

Risk Analysis (2010–11).

Journal of Insurance Regulation (2009–10).

Journal of Risk and Insurance (2003).

Journal of Risk and Insurance (2003).

Geneva Papers on Risk & Insurance Theory (2002).

Service to Professional Associations

Secretary/Treasurer, Southern Risk and Insurance Association (2013–present).

Teaching Resources Committee, American Risk and Insurance Association (2011–present).

Board of Directors, Southern Risk and Insurance Association (2010–present).

Quoted in "Thought Leaders from Industry, Government, and Academia Reach Consensus on Mitigation", Griffith Insurance Education Foundation (2011).

Quoted in "The State of Smarter Insurance, Smarter Industries" Symposium, IBM Corporation (2011).

Interviewee, Bankrate.com (2011).

Discussant, Parimutuel Insurance for Hedging Against Catastrophe Risks, American Risk & Insurance Association (2009).

Faculty Liaison to Conference Planning Committee, Atlanta-RIMS Educational Conference, Risk & Insurance Management Society (2006–2008).

Conference Planning Committee Member, Atlanta-RIMS Educational Conference, Risk & Insurance Management Society (2005).

Evaluated Life Office Management Association (LOMA) courses for university credit, Life Office Management Association (2004).

Coordinated and moderated an ethics session, Atlanta-RIMS Educational Conference, Risk & Insurance Management Society (2004).

Presented a perspective on mergers and acquisitions within the insurance industry, Atlanta-RIMS luncheon, Risk & Insurance Management Society (2004).

Chair of Program Subcommittee, Conference Planning Committee Member, Atlanta-RIMS Educational Conference, Risk & Insurance Management Society (2004).

Coordinator & Speaker, Atlanta-RIMS Educational Conference, Risk & Insurance Management Society (2003).

Conference Planning Committee Member, Atlanta-RIMS Educational Conference, Risk & Insurance Management Society (2003).

Membership Committee, American Risk & Insurance Association (2003).

Member, Board of Directors, Southern Risk and Insurance Association (2000–2003).

Coordinator & Moderator, "The Ethics of Negotiation," Atlanta "I" Day, Georgia Chapter, CPCU (2002).

Session Moderator, Society for Business Ethics Annual Meeting, Society for Business Ethics (2002).

Quoted, Business Insurance (2002).

Hosting Faculty Advisor, Gamma Iota Sigma National Management Conference (2001).

Member, National Board of Trustee, Gamma iota Sigma (2000–2001).

Session Moderator, American Risk and Insurance Annual Meeting, American Risk and Insurance (2000).

Session Co-coordinator, Risk & Insurance Management Society Annual Conference- Professors and Instructors of Risk Management, Risk & Insurance Management Society (1999).

Session Co-Coordinator, Risk & Insurance Management Society Annual Conference, "Professors and Instructors of Risk Management", Risk & Insurance Management Society (1998).

Member, Kulp-Wright Book Award Committee, American Risk and Insurance Association (1998).

Discussant, Eastern Finance Association Annual Meeting, Eastern Finance Association (1995).

Moderator, Southern Risk and Insurance Association Annual Meeting, Southern Risk and Insurance Association (1994).

Discussant, Southern Risk and Insurance Association Annual Meeting, Southern Risk and Insurance Association (1994).

Service to Other Universities

Member, *RMI Department's Educational Foundation, Inc., Program Liaison Committee, Georgia State University* (1999–present).

Coordinator, *RMI Undergraduate Program Assessment, Georgia State University* (2005–2008).

Coordinator, *RMI Undergraduate Program, Georgia State University* (2000–2008).

Director of External Affairs, *RMI Department, Georgia State University* (2008).

Trustee, *RMI Department's Educational Foundation, Inc., Georgia State University* (2008).

Undergraduate RMI Student Advisor, *Georgia State University* (2000–2008).

Faculty Advisor, *Zeta Chapter-Gamma Iota Sigma, Georgia State University* (2000–2008).

Member, *RMI Department Scholarship Committee, Georgia State University* (1999–2008).

Director of Student Affairs, All RMI programs – undergraduate and graduate, *Georgia State University* (2005–2007).

Director of External Affairs, *RMI Department, Georgia State University* (2005–2007).

Faculty Representative, field visit to Southern Company with Munich Re International Visiting Fellows, *Georgia State University* (1999–2007).

Member, Faculty Senate, *Georgia State University* (2005–2006).

Faculty Panelist, *Incept Feshman Orientation Program, Georgia State University* (2001–2006).

Chair, *RMI Faculty-Alumni Liaison Committee, Georgia State University* (2002–2006).

Member, *RMI Department Executive Committee, Georgia State University* (2001–2006).

Chair, *RMI Department Internship Committee, Georgia State University* (1999–2005).

Coordinator, *RMI Department, Student Placement, Georgia State University* (1999–2005).

Coordinator, *RMI Department, Student Placement, Georgia State University* (1999–2005).

Member, *RMI Undergraduate Curriculum Revision Committee, Georgia State University* (2003–2004).

Member, *RMI Department Marketing Committee, Georgia State University* (2001–2004).

Member, *RMI Department Undergraduate Program Marketing Subcommittee, Georgia State University* (2001–2004).

Guest Lecturer, *"Law and Society" Freshman Learning Community, Georgia State University* (1999–2004).

Coordinator, *New York Life Minority Scholarship Program, Georgia State University* (1999–2004).

Member, *RMI Department Vision Committee (temporary committee), Georgia State University* (2002–2003).

Inaugural "Undergraduate Risk Management Program Survey", *Georgia State University* (2000).

Faculty Senate Representative, *Student Government Association, Georgia Southern University* (1998).

Member, *Faculty Senate, Georgia Southern University* (1996–1998).

Founder and Advisor, *Southern Risk Management Society, Georgia Southern University* (1996–1998).

Member, *University Admissions Committee of Faculty Senate, Georgia Southern University* (1996–1998).

Member, *College of Business Internship Committee, Georgia Southern University* (1995–1998).

Member, *College of Business Scholarship Committee, Georgia Southern University* (1995–1998).

Member, *Finance & Economics Department Curriculum Committee, Georgia Southern University* (1995–1998).

Advisor, *Undergraduate Finance-Risk Management Student Advisor, Georgia Southern University* (1995–1998).

Member, *Finance & Economics Department Scholarship Committee, Georgia Southern* (1994–1998).

The Community

Member, Board of Directors, Sustainable Tallahassee (2015–present).

Member, Green Investments Committee, Sustainable Tallahassee (2015–present).

Member, Green Businesses Committee, Sustainable Tallahassee (2015–present).

Member, Program Planning Committee, American Risk and Insurance Association (2014–present).

Member, Board of Directors, American Association of Water Distribution and Management (2014–present).

Chair, Florida Commission on Hurricane Loss Projection Methodology, State Board of Administration (2013–present).

Executive Committee Member, Florida Commission on Hurricane Loss Projection Methodology, State Board of Administration (2011–present).

Member, Colonial Dames of the XVII Century, John Lee of Nansemond Chapter (2011–present).

Member, Meteorological Standards Committee, Florida Commission on Hurricane Loss Projection Methodology, State Board of Administration (2011–present).

Member, Acceptability Process Committee, Florida Commission on Hurricane Loss Projection Methodology, State Board of Administration (2011–present).

Chair, Statistical Standards Committee, Florida Commission on Hurricane Loss Projection Methodology, State Board of Administration (2011–present).

Member, Daughters of the American Revolution, Fort Peachtree Chapter (2009–present).

Statistics Expert Member, Florida Commission on Hurricane Loss Projection Methodology, Florida Commission on Hurricane Loss Projection Methodology, State Board of Administration (2009–present).

Acting Chair, Florida Commission on Hurricane Loss Projection Methodology, State Board of Administration (2012).

Vice Chair, Florida Commission on Hurricane Loss Projection Methodology, State Board of Administration (2011–2012).

Chair, Board of Directors, Board of Directors, Centered Fitness Corporation (2004–2010).

Course Evaluator, Life Office Management Association (2005).

Member, Board of Directors, Board of Directors, Body Central, LLC (Pilates-based exercise studio) (2001–2004).

Advisory, Risk-mapping, Georgia School Board Association (2001).

Advisory, Loss control strategies to reduce school violence, Willis, Texas School District (2001).

Consultation

National Specialty Insurance Company. (2015).

Globe Life & Accident Insurance Company. (2014).

McConnaughhay, Duffy, Coonrod, Pope & Weaver, P.A. Insurance coverage expert advisement (2012).

Florida Consumer Action Network. Evaluation of data resulting from Florida Office of Insurance Regulation 2011 PIP Data Call (2011).

AGL Resources. Review of company's risk management and insurance programs (2010).

Inferential Focus, Inc. Contract-based research and writing for strategic change detection firm (2002–2009).

Southern Company. Multiple consulting projects including property loss retention analysis and catastrophic risk financing solutions (2001–2007).

Euston, LTD. Contract-based writing for UK insurance training firm (2006).

Federal Home Loan Bank of Atlanta. Consultant on reputation risk management plan (2006).

Schmidt Consulting. Review of draft, Georgia School Board Association Risk Management Handbook (2001–2002).

Georgia Board of Education Trustees. Risk mapping and profiling (2001).

Willis Texas Independent School District (L.J. Burroughs). Consulting Report prepared, "Managing the Risk of School Violence" (2001).

Infometrics, Inc. Credit risk management modeling (1994–2001).

Risk Laboratories, LLC. Consulting Report "The Analysis Functions of the Riskfolio", prepared inlcuding other organizations; The Walt Disney Company, Media One Group, Cox Enterprises, Hudson Bay Company, Trizec-Hahn, and Microsooft Corporation, Dallas, TX (1999).

Risk Laboratories, LLC, Marietta, GA. "Decision Support for Cost Allocation", Consulting Report prepared (1999).

Risk Laboratories, LLC. Cost allocation decision support systems (1998).

Savannah-Chatham County schools, Savannah, GA. "Risk Profiling", Consulting Report prepared (1998).

Walt Disney Company risk management department. Claims control analysis (1997).

Ogeechee Area Hospice, Statesboro, GA. "Risk Management: Strategic Evaluation", consulting report prepared for organization (1996).

S. N. Potter Insurance Agency. Evaluation of a) Commercial General Liability insurance policy coverage and b) errors & ommissions liability (1994).

Fund Raising not Reported Elsewhere

Medders, L. (2014–2018). *Minimum of $12,000 recurring annual financial support (minimum total commitment of $60,000) for the Florida Catastrophic Storm Risk Management Center Foundation*. Thomas Howell Ferguson.

Medders, L. (2013–2014). *$40,000 one-time contribution from the Insurance Research Council to the Florida Catastrophic Storm Risk Management Center Foundation*. Insurance Research Council.

Medders, L. (2010–2011). *$100,000 one-time contribution commitment from the Willis Research Network to the Florida Catastrophic Storm Risk Management Center Foundation*. Willis Research Network.

Florida Commission on Hurricane Loss Projection Methodology Members

6/13/16

Name	Phone	Represents	Fax	Address
Anne T. Bert	(850) 413-1340 (850) 694-1054 cell anne.bert@sbafla.com	Florida Hurricane Catastrophe Fund	(850) 413-1344	Florida State Board of Administration 1801 Hermitage Boulevard, Suite 100 Tallahassee, Florida 32308
Patricia H. Born Appointed by CFO Atwater 1/5/15	(850) 644-7884 pborn@cob.fsu.edu	Insurance Finance Expert	(850) 644-4077	Florida State University College of Business, 233E RBB Tallahassee, Florida 32306
Barry J. Gilway	(904) 208-7493 Barbara Walker 513-3744 barry.gilway@citizensfla.com	Citizens Property Insurance Corporation	(850) 513-3940	Citizens Property Insurance Corporation 2312 Killearn Center Boulevard Tallahassee, Florida 32312
Sha'Ron James Appointed by CFO Atwater 8/3/15	(850) 413-5923 Camille Rawls 413-5923 sha'ron.james@myfloridacfo.com	Insurance Consumer Advocate	(850) 487-0453	Florida Department of Financial Services 200 East Gaines Street (mail) Claude Pepper Building, Room 776 (hand delivery) Tallahassee, Florida 32399
Bryan Koon	(850) 413-9969 bryan.koon@em.myflorida.com	Director Division of Emergency Management	(850) 488-1016	FL Department of Community Affairs Sadowsky Building, Room 120 2555 Shumard Oak Boulevard Tallahassee, Florida 32399
Robert H. Lee Appointed by Director OIR Altmaier, 6/13/16	(850) 413-5360 robert.lee@floir.com	OIR Actuary	(850) 922-3865	Florida Office of Insurance Regulation 200 East Gaines Street, Larson Building Tallahassee, Florida 32399
Minchong Mao Appointed by CFO Atwater 1/5/15	(309) 735-0664 (309) 846-5644 cell Minchong.mao.jawd@statefarm.com	Industry Actuary	(309) 766-5021	State Farm Insurance Companies One State Farm Plaza Bloomington, Illinois 61710
Lorilee Medders, Chair Appointed by CFO Atwater 1/5/15	(850) 645-8393 (404) 316-8089 cell lmedders@cob.fsu.edu	Statistics Expert	(850) 645-8391	Florida State University College of Business, 112 RBB 821 Academic Way Tallahassee, Florida 32306
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Vacant Appointed by Governor Scott,		Licensed Professional Structural Engineer		

MINUTES
INVESTMENT ADVISORY COUNCIL
June 8, 2016

A meeting of the Investment Advisory Council (IAC) was held on Wednesday, June 8, 2016, in the Hermitage Room of the State Board of Administration of Florida (SBA), Tallahassee, Florida. The attached transcript of the June 8, 2016 meeting is hereby incorporated into these minutes by this reference.

Members Present:	**Michael Price, Chair** **Peter Collins, Vice Chair** **Chuck Cobb (via telephone)** **Bobby Jones (via telephone)** **Vinny Olmstead (via telephone)** **Gary Wendt**
SBA Employees:	**Ash Williams, Executive Director & CIO** **Lamar Taylor** **John Bradley** **Joan Haseman** **Daniel Beard** **Walter Kelleher** **Tim Taylor** **Alison Romano** **Katy Wojciechowski** **Steve Spook** **Trent Webster** **Michael McCauley**
Consultants:	**Kristen Doyle, Aon Hewitt** **Sheila Ryan, Cambridge Associates**

WELCOME/CALL TO ORDER/APPROVAL OF MINUTES

Mr. Michael Price, Chair, called the meeting to order at 12:15 P.M. He asked for a motion to approve the minutes from the March 30, 2016 IAC meeting. Mr. Peter Collins made a motion to approve the minutes; the motion was seconded by Mr. Gary Wendt. The minutes were approved.

OPENING REMARKS/ REPORTS

Mr. Ash Williams, Executive Director and Chief Investment Officer, provided a brief summary of year-to-date performance of the FRS Trust Fund, reported that the proposed SBA budget had been adopted, and noted the retirement of the SBA Inspector General (and transition of those duties to the SBA's General Counsel on an interim basis) and the hiring of a new Chief Audit Executive.

PRIVATE EQUITY ASSET CLASS REVIEW

Mr. John Bradley, Senior Investment Officer – Strategic Investments and Private Equity – provided a detailed presentation of the asset class discussing policy target allocation, benchmarks, staffing, investment sourcing, diligence, monitoring, portfolio construction, strategies and interaction with the asset class consultant, Cambridge Associates. Mr. Bradley also discussed new initiatives, asset class cash flow and performance and answered questions from IAC members.

Ms. Sheila Ryan, Cambridge Associates, discussed the current market environment for private equity and performance for the asset class as compared to benchmarks and other Cambridge clients, indicating performance on an absolute and relative basis has been strong. Ms. Ryan answered questions from IAC members. Ms. Ryan, Mr. Bradley and Mr. Williams answered questions from IAC members regarding SBA investments in private equity general partnerships.

DEFINED CONTRIBUTION PROGRAM REVIEW

Ms. Joan Haseman, Chief of Defined Contribution Programs, introduced the Defined Contribution Program staff members as well as the Director and Deputy Director of the Division of Retirement. Ms. Haseman provided an overview of the FRS Pension Plan and the FRS Investment Plan, explaining some similarities and differences between the two plans. She discussed initial choice, day-to-day administration, and governance, as well as employers and employees.

Mr. Daniel Beard, Director of Administration – Defined Contribution Programs – provided a snapshot of the FRS Investment Plan detailing total assets, distributions, members, and retirees. He discussed the three Investment Plan administration service providers and provided a summary of their responsibilities. In addition, Mr. Beard provided statistics on choice, membership growth, and administration.

Mr. Walter Kelleher, Director of Educational Services – Defined Contribution Programs – discussed the Financial Guidance Program Service Providers, as well as their responsibilities. He elaborated on the different information and education resources available to members through the program, including telephone, the website (which now has a chat feature), print resources, videos, workshops and webcasts, and provided information on usage.

Ms. Haseman briefly discussed fund options available in the Investment Plan, the demographics of the members, as well as market conditions and performance.

Ms. Kristen Doyle, Aon Hewitt, discussed performance of the Investment Plan, noting that performance has been consistently strong, with the Investment Plan outperforming the Total Plan Aggregate Benchmark over the trailing three-, five-, and ten-year periods. Ms. Doyle compared the FRS Investment Plan's available options to a universe of other defined contribution plans, indicating that the FRS options compared favorably. She concluded by discussing the changing defined contribution marketplace.

SIO UPDATES AND MAJOR MANDATE PERFORMANCE REVIEW

Each of the Senior Investment Officers of Global Equity, Fixed Income, Real Estate and Strategic Investments provided an update on the performance of their respective asset classes over the last quarter and trailing time periods and discussed general market conditions. Questions from IAC members were asked and answered.

Ms. Doyle provided an overview of SBA major mandates and their performance, including presentations on the Pension Plan, the Florida Hurricane Catastrophe Fund, and the Lawton Chiles Endowment Fund. Ms. Doyle stated that Pension Plan fund performance has been good relative to peers.

IAC COMPENSATION SUBCOMMITTEE UPDATE AND APPROVAL OF COMPENSATION SUBCOMMITTEE'S NOMINATION OF VINNY OLMSTEAD

Mr. Vinny Olmstead, the Attorney General's IAC appointee, was nominated and unanimously approved to serve on the IAC Compensation Subcommittee.

AUDIENCE COMMENTS/2016 MEETING DATES/CLOSING REMARKS/ADJOURN

There were no audience comments. During closing remarks, Mr. Williams and IAC members discussed the funded status of the FRS and the role of the IAC in presenting macro structural issues to policy decision makers.

The meeting was adjourned at 2:55 P.M.

Michael Price, Chair

9-1-16

Date

STATE BOARD OF ADMINISTRATION OF FLORIDA

INVESTMENT ADVISORY COUNCIL MEETING

WEDNESDAY, JUNE 8, 2016
12:15 P.M. - 2:55 P.M.

1801 HERMITAGE BOULEVARD
HERMITAGE ROOM, FIRST FLOOR
TALLAHASSEE, FLORIDA

REPORTED BY: JO LANGSTON
Registered Professional Reporter

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APPEARANCES

IAC MEMBERS:

MICHAEL PRICE
GARY WENDT
PETER COLLINS
CHUCK COBB (telephonically)
BOBBY JONES (telephonically)
VINNY OLMSTEAD (telephonically)

SBA EMPLOYEES:

ASH WILLIAMS, EXECUTIVE DIRECTOR
LAMAR TAYLOR
MICHAEL McCAULEY
TRENT WEBSTER
STEVE SPOOK
KATY WOJCIECHOWSKI
ALISON ROMANO
TIM TAYLOR
JOHN BRADLEY
JOAN HASEMAN
DANIEL BEARD
WALTER KELLEHER
JOHN KUCZWANSKI

CONSULTANTS:

KRISTEN DOYLE - (Aon Hewitt)
SHEILA RYAN - (Cambridge Associates)

INVESTMENT ADVISORY COUNCIL MEETING

* * *

MR. PRICE: I'd like to call the meeting to order. It's 12:15. Thank you. Our first order of business is to approve the minutes. Could I get a motion to approve the minutes? They're in the book. Peter or Gary?

MR. COLLINS: Motion.

MR. PRICE: Second?

MR. WENDT: So moved.

MR. PRICE: Thank you. Minutes are approved. Ash, would you like to make some opening remarks for today's session? Thank you.

MR. WILLIAMS: Yes. Thank you. A couple of things. As usual, we'll open with an up-to-the-minute performance update. As of the close on the 7th, yesterday, the Florida Retirement System Trust Fund fiscal year to date is up 1.72 percent. That's 66 basis points ahead of target.

Interesting to note, during the month of June we had a historically very, very large cash payout for what is called DROP, which is a program that allows people who reach retirement age to go ahead and declare their retirement, start taking the benefit, but the benefit is accrued in a savings account on their

behalf. You can be in this program up to five years, and then you're required to separate from employment and take the payout.

When benefit reform was done back in 2011, one of the things that was done was to change the interest rate on the DROP program to a market-based interest rate. It had previously been statutorily set at a flat 6 percent, which obviously in that environment was overly rich.

That triggered a stampede of people to get into DROP before the rate dropped. And we're now seeing the echo of that stampede in the form of the payouts. So between the beginning and the end of the month of June, we're paying out over a billion dollars in cash for those DROP payments. But we've managed that exposure thoughtfully over a period of time so that we had the money but had some of it equitized over time so we weren't completely out of the market either.

The other thing I would add, a couple of things I would touch on. Budget-wise, the SBA had its budget adopted as proposed back during the early part of May. We thank you and the comp subcommittee members for your work on that, and we'll touch on that a little bit later. But suffice it to say we're on track and we appreciate the support there. Related to that point is the fact that the team is stable. The investment team is very solid and in good shape.

We've had a couple of changes in the organization beyond the investment team. Our inspector general has retired. We'll keep you posted as to the process for permanently replacing the IG. And in the interim Maureen Hazen, our general counsel, is serving as inspector general, which she's done before.

We also have a new chief audit executive, Kim Stirner. Kim has worked for the board for a while, has private sector experience with EY, also worked for the state auditor general and actually worked at the board for a brief period some years ago. So she's a welcome addition and is doing a fine job.

So unless anyone has questions, we've got plenty of meat in the report, no need for me to run out the clock. Thank you.

MR. PRICE: Any questions? Thank you. John. John Bradley is going to discuss his private equity portfolio, which I've been through, and I've got follow-up. I don't know if, Peter and Gary, you received a breakdown of all the private equity funds we're here in, but it's here if you want it. I have a copy here. John, if you want to go ahead, please.

MR. BRADLEY: Thank you. I'm John Bradley, senior

investment officer of strategic investments and private equity, and my focus is on the private equity portfolio. And on my right here is Sheila Ryan from Cambridge Associates. Cambridge is an our asset class consultant.

So I thought I'd start today with the agenda and what I planned on covering. And I know everyone has received and read the materials. So if it's okay, I was going to proceed pretty quickly through the first half of the presentation and really focus my time on the second half, addressing three questions. So how do we approach portfolio construction, what is in the portfolio and how has it performed. So I'll move pretty quickly through this.

Out asset class, we have a target of 6 percent of the total fund. We currently sit at 6.2 percent, or at target. Here we can see our internal asset class goals and objectives. I think the only one I'd point out would be the last one, which is a focus on the number of managers or GPs in the portfolio, and in particular keeping that number low, which really imposes discipline on the team and plays a really big role in how we construct the portfolio.

We have two benchmarks in the asset class. Our primary benchmark is the global equity asset class benchmark plus a 300 basis point premium. This is an opportunity cost benchmark and really measures the decision to allocate dollars to private equity.

Our secondary benchmark is today the Cambridge Associates benchmark. And this really measures the effectiveness in selecting managers. So are we selecting top funds and is our process, is it working.

We have a staff of six, two senior PMs, two PMs, one senior analyst and myself as SIO. I mentioned Cambridge Associates is our asset class consultants, and they help us and provide support and assistance with the program, including things such as market research, help sourcing new fund ideas. And then in addition to the full diligence that our internal team does for our funds, Cambridge also does their own independent due diligence on our investments.

Here's a chart of our process. There's four components to it. First is the annual investment plan. Our aim here is really just focusing our resources and efforts on areas of need within the portfolio, or what are the most attractive areas within our markets. And so there's a number of tools we use when putting this together, including our portfolio construction model, a heat map of where we're ranking investment areas by areas of attractiveness, where you can see here, and

also building a focus list of GPs that we want to proactively target over the next few years. And so almost every investment we make --

MR. WENDT: Quick question. Do you come up with these targeted areas you want to focus on because you're low in those areas in current investment or just because you think that's a better way to go?

MR. BRADLEY: That's a great question. There's two factors, which is what's our exposure to this area and then is it attractive. And so a green, high priority, would be somewhere that we think is attractive and we feel we're underexposed. The medium priority would be, we think it's attractive but we like our exposure, so we might not want to add to it. And then low priority would be we don't like the area and either we're overexposed or at our exposure. It's a combination of those two.

MR. WENDT: I would think the small buyout area would be hard for you to put a lot of money in. I don't know.

MR. BRADLEY: It is. Slowly we've built up. I think we'll go through it later. We've built up from, I think, seven or nine GPs to 20. And so it's taken about a five-year period. We still like it. We still think there's great returns there. And you'll probably see us add a handful of new funds. But it is slow in adding them, and it is tough to put large dollars to work there.

And so with sourcing, almost everything we do is the result of proactive sourcing. And so we truly are targeting these GPs years in advance of their fund-raisings, trying to build relationships with them and ultimately gain allocations.

The only other thing here, we always like to show our deal funnel. You can see here we said no to 98 percent of the new GP funds that we reviewed during the year, only investing with three GPs new to the program in 2015.

MR. WENDT: I'm sorry to keep interrupting. But that seemed like a very small number of hits for the number you started out with. Are you counting in that 163 everything that comes over the transom? Bulk mail?

MR. BRADLEY: Yeah. So we're logging and we're running a diligence process on every fund that we see.

MR. PRICE: Is that all incoming or outgoing? Is it you looking for people or a lot of people come in because there's a lot of money here?

MR. BRADLEY: It's both. But it's probably 90 percent incoming and inbound. And then probably 95 percent of what we see falls out on the first

screening, which it just doesn't fit. We don't like the strategy or the performance isn't what we would expect.

MR. WENDT: It seems like you must be spending a lot of time, from 163 down to three.

MR. BRADLEY: We have templates. So if a GP were to reach out to us and say, I'm raising a fund, we'd like you to take a look at it, we then e-mail them a template and say, Fill this out. Here's the areas that we want to see be populated.

That goes every Monday in our staff meeting, whatever new came in, in front of the full team, and we'll quickly triage it and go through. And, again, most things fall out just because of the strategy, the size.

MR. WENDT: But would that be counted as one of the 163?

MR. BRADLEY: That would be one, yes.

MR. WENDT: Okay.

MR. BRADLEY: Here's our due diligence process. I know we've gone through this pretty extensively at last year's meeting and at prior meetings. The only thing here I would note in our process is that its components haven't changed. I think it remains effective, consistent and repeatable, and I think most importantly we'll see, when looking at our performance later, I think the process is working.

Here we see the actual due diligence process. The step I mentioned, the first stage would be the fund overview. And so that would probably be where 90 percent of these funds fall out before they even get to the process of coming into the offices or us taking a phone call.

Here we can see some of the tools that we use. We went through these again last year, but it's a due diligence questionnaire, our portfolio company data sheet, as well as a legal terms checklist.

So here's legal. I was going to spend a few minutes, if that's okay, on our legal process. I think what's important to note is that our review of fund terms starts very early in the process. So key terms for us, such as management fee, preferred return, fee offsets and others can be found in that very first step.

MR. PRICE: Is this all done in-house?

MR. BRADLEY: This is, correct. We do have external counsel when we get further along in the process, but for the most part it's done in-house. And so all those key terms are in the initial fund overview. And so before our team even agrees to take a

phone call with a GP or a meeting, we are reviewing the fund terms to make sure that they're a market and we're not wasting our time.

And as I mentioned, as we progress and get closer to make an investment, we will then engage both internal and external counsel for a full legal review. And then our private equity staff will also do our own review of the legal documents. And here we're really focused on business terms and alignment of interest in things such as investment limitations, key person provisions and management fees, which we'll discuss in a moment, and then offsets to those fees.

We also utilize a side letter to address needs that are specific to us as the SBA. I always like to think of our side letter in terms of three categories. We have statutory needs. We have SBA specific needs, and we also have PE asset class needs. And so statutory needs would be things that are required of us under Florida Statutes, such as confidentiality restrictions. We have a prohibition on Cuba. And so were a GP to make an investment in a company in Cuba, we would then need the ability and we would have the ability within our side letter to opt out.

MR. PRICE: Is that going to be reviewed at some point in time?

MR. BRADLEY: Ash. I don't know. I have no idea.
MR. WILLIAMS: Do you want to take that, Lamar?
MR. TAYLOR: The question was --
MR. PRICE: The prohibition, will that be reviewed?
MR. TAYLOR: Well, we'll look at it to some degree. Our statute is tied to federal law. So if federal law increases or permits greater exposure, then our state law would also. So right now it's sort of married to the federal requirements.
MR. COLLINS: And does it basically say that we can't have investments in Cuban companies or Cuban businesses?
MR. TAYLOR: I believe, again, being tied to the federal law, it says we can't invest in those companies that we would -- that at a federal level we'd be prohibited from investing in or that are violating federal law or violating a presidential executive order.
MR. COLLINS: Well, there's a lot of those these days. So I don't know if we can constantly stay on top of that one.
MR. TAYLOR: Fortunately there's not very many people that want to invest in Cuba right now, but that could change.

MR. WENDT: There's not much to invest in in Cuba. But Iran, on the other hand, I think you're free now, aren't you? There should be a lot of stuff you could get into in Iran. Looking at that?
MR. BRADLEY: We are not doing that.
MR. WENDT: All right. Good.
MR. BRADLEY: Right answer. So those would be the statutory needs. We also have SBA specific needs. These generally relate more to reporting and compliance matters. And then there's private equity asset class specific needs. Again, these are more business terms, such as advisory board seats. And so we hold a seat on the advisory board of the vast majority of funds we invest in. And then co-investment rights as well would be something we'd find in our side letter.
So here's a fee chart, and this chart generally shows the fee schedule for the different types of funds we invest in, what we would consider is kind of market today. You can see fund of funds is the grouping on the right, and then direct GPs would be the grouping on the left. We are at or in most cases below the bottom of the range across the majority of these categories. And I would say we absolutely use our size and our stature as an LP to negotiate the best economics possible.

Last fiscal year we paid a total of $127 million in fees and expenses, which equals 150 basis points of NAV. And I'd like to make the point, too, that our focus at the asset class has always been on alignment and the appropriateness of the fees that are being charged. And so to put a point on this, you know, there are funds in the market, funds in our portfolio where, based on their size, based on their strategy, structure, number of employees, number of offices, et cetera, can show why a 2 percent management fee makes sense, why we can get comfortable with that.

On the other hand, I'd say there are funds where, based on every single one of those same measures, really couldn't justify a 50 basis point fee. And so for us it's not simply 50 basis points is good, 200 basis points is bad. It really is making sure is the fee appropriate, does it incentivize the right behavior, and then ultimately, at the end of the day, what's the net return we're receiving from this GP or expecting to receive.

MR. PRICE: And what's the 127 million?

MR. BRADLEY: That would be total fees and expenses. So that would include all partnership, all organizational expenses.

MR. PRICE: Including promotes.

MR. BRADLEY: That would not include the carry.

MR. PRICE: Do you know what the carry you paid would be?

MR. BRADLEY: I don't have that with me.

MR. PRICE: Thank you. I didn't think it included the carry.

MR. COBB: Michael, this is Chuck Cobb. I have two requests. First, could we get direction of what page we're looking at of the document that was sent to us? And then the second request would be, who is at the meeting and who is on the phone?

MR. PRICE: So you're behind Tab 3-C. You're on about page 10 or so of the private equity discussion book, and John Bradley has been presenting.

MR. COBB: That's what I have, and I can't find the fee page.

MR. BRADLEY: I think the fees might be slide 15, page 15 or 16 of the private equity. I think page 16.

MR. COBB: Thank you. Got it. And who's there and who's on the phone?

MR. JONES: Bobby Jones is on the phone.

MR. PRICE: Bob Jones is on the phone, right?

MR. WILLIAMS: Bobby Jones and Vinny Olmstead are on the phone. And then we have, in addition to Michael Price, Gary Wendt and Peter Collins and the SBA staff here in Tallahassee.

MR. COBB: Thank you, Ash.

MR. BRADLEY: So we'll move on. I think the next slide will be slide 17, for those on the phone, which is our monitoring efforts. And I won't read through the list. I would only note that we are very active with our funds.

So next I'm going to move to the next slide, portfolio construction. And so I'd say here our team, we're very focused on portfolio construction. Everything we do is driven by or looked at through the lens of portfolio construction. Really it's how do our GPs complement each other, how do they fit together, are we positioned to take advantage of opportunities or inefficiencies in the market, and if we're not, what do we need to do to get there.

And so there's really four things that drives this. First, our goals and objectives, which we saw earlier. Our investment beliefs also drive our portfolio construction, as you would imagine. So we believe that there's value in sector specialization. Cambridge has done a lot of work, backing that up with data, that deep domain knowledge does lead to better returns. We also believe that the smaller end of the market provides a better opportunity, also recognizing

that there's much more volatility in that area of the market, so manager selection is much more important.

We have constraints that impact our portfolio construction. So two of our biggest would be resources and size. And so the size of our staff limits the number of GPs each team member can effectively cover while still staying in the market and sourcing new relationships.

And also our size as a $150 billion pension fund and $15 billion PE program is a constraint for us. And so what you won't see us doing is investing $2 million into a fund. We're committing somewhere between one and a half and 2 billion a year. Our minimum commitment today is probably around 25 million, with a lower limit on fund size around 250 million. And we're averaging, across all of our funds, roughly a little north of 100 million for fund commitments.

And then lastly our benchmark. We're very aware of our benchmark, and while we do not manage to it, we know we're judged against it, so we're always mindful in considering our weightings and our GPs' weightings to each sector, so we know what bets they're taking versus the benchmark.

So there are four main strategies within our portfolio; buyouts and growth equity, venture capital, distressed, turnaround investing, and then secondary funds. Here we are -- and for those on the phone, I'm on the allocation and target slide, with the donut chart. So here you can see our current allocations to these four sub-strategies, as well as our targets, which is on the far right, the red column. The only real recent change to the target allocation -- and it's recent in that we did it a little over a year ago -- was we moved our venture capital allocation down from 15 percent to 10 and increased our distressed allocation from 10 percent to 15 percent.

MR. WENDT: What proportion of this is in fund of funds?

MR. BRADLEY: So our venture is predominantly in fund of funds or separate accounts. Distressed and secondary are all direct GPs. And our buyout exposure is -- there's no active fund of funds in that, but we do have some NAV from older, small buyout fund of funds that's rolling off. And so our fund of funds, it's mainly in the venture portfolio.

I guess maybe it's worth mentioning, what sticks out here is our venture allocations, our exposure to venture today at 21 percent is high, at least for us and at least relative to our new target of 10 percent. And there's a few things that are driving this.

So, one, we've been very active sellers of funds in the secondary market, none of which have been venture funds. And so this has naturally caused that venture allocation to increase. And then, two, our venture portfolio has experienced really good performance as of late. And so that NAV appreciation has caused that exposure to rise. And I'll show this on the next slide, but what we haven't been doing and what we don't do is we haven't been overcommitting to venture. We've been committing at a pace based on our allocation.

MR. PRICE: So would you be aware, for instance -- and I know your venture funds are, you said, largely fund of funds, which I think are somewhat through Silicon Valley Bank.

MR. BRADLEY: Correct. They're one of our fund of fund managers.

MR. PRICE: Right. Would you be aware, for instance, if you owned Uber?

MR. BRADLEY: We would be.

MR. PRICE: And what percent of one of your venture funds might be invested in Uber at the current 60-something billion dollar mark?

MR. BRADLEY: That's a good question. So we have Uber a few ways in the portfolio. We also have it through some growth equity funds as well. Do you know who the venture --

MS. RYAN: Yeah. I mean, it's going to be -- at that valuation, I don't think there's a whole lot of exposure. I think there's been more of the buyout funds have been participating at those -- I know General Atlantic came in at those types of valuations. Most of the venture exposure is going to be earlier, earlier on.

MR. PRICE: But it would be marked in the funds at the latest valuation.

MS. RYAN: Oh, yeah, you're going to benefit.

MR. PRICE: So my question is, how much money do you have in Uber if you saw through all your funds combined?

MR. BRADLEY: So today it's currently -- it's our largest position in the portfolio.

MR. PRICE: That's what I'm getting at. So keep going. Is it a billion dollar position?

MR. BRADLEY: No, no. I think it's --

MR. PRICE: Is it a $500 million position?

MR. BRADLEY: No. I think it's 150. I don't have the -- it's almost -- it's almost 70 basis points of our NAV.

MR. PRICE: Of 6 billion.

MR. BRADLEY: Of 6 billion, yes. And if I were to estimate or guess what valuation we're in in Uber, it's probably -- half of it was probably in the $6 billion round, and so that's a 10X increase there. And then the other half would be in venture funds, which are much, much better valuations.

MR. PRICE: So do you have secondary market bids for some of the venture funds that are carrying Uber at the marked-up numbers? Could you sell, for instance, a private equity fund at 107 percent of NAV because they own Uber?

MR. BRADLEY: We could sell the fund of fund that's holding it. So we don't have the ability to break that fund of fund structure and to pull GPs out. We could sell the fund of fund. Unfortunately, the fund of fund secondary market today gets an additional discount applied to it because it's a fund of fund. But what I would say is we've actively looked at that market, done work there to see can we realize some of this valuation ourselves. And the answer today at least is we don't think pricing reflects the value.

So here we can see our commitment pacing for the next three fiscal years. This is just an estimate, kind of an educated guess based on the expected fund-raisings of our existing GPs. And that would be those that we would expect to re-up with, based on everything that we know today, as well as a few new funds that we've been targeting.

And so you see here we're averaging, based on again our estimates, $1.8 billion over the next three years per year, which is in line with the modeling we've done to maintain our 6 percent allocation within the total fund.

MR. WENDT: In the last three years, though, I think you've had more cash come in than go out. Do you expect that to happen in the next three years?

MR. BRADLEY: I would think in the current market we should still be cash flow positive. Although, I think that is -- it won't nearly be what it was the last three years. And so a lot of the things in the portfolio that were ready to be sold, able to be sold have been realized.

Through this time period, I would think, you know, what we've been averaging is kind of a net neutral, and so that would be our expectations.

MR. COBB: Michael, I have a question on allocation compared to fees. In the fees we show a high percentage of our funds having an 8 percent pref return before the carried interest. Would that track pretty similar to the eight and a half billion of net

asset values you have to date that we can say maybe three-quarters of our funds have a pref of 8 percent?

MR. BRADLEY: Absolutely, yeah. And even in our venture portfolio, the venture fund of funds have a preferred return. So the number would be probably a little north of three-quarters, if I were to guess.

MS. RYAN: Yeah.

MR. COBB: Thank you.

MR. BRADLEY: So now I was going to move into each of the different sub-strategies, the four sub-strategies that we mentioned. And I was going to start with the buyout portfolio. We have a target of 55 percent of our portfolio dedicated to buyout funds. And so we can see here on the small pie chart on the right, it's broken down as 40 percent to small buyout, 35 percent to middle market and 25 percent to large buyout.

So I've moved onto the next page, slide 22, which shows the actual buyout portfolio, including all the GPs broken down by the different size categories. And I think I've mentioned this in the past, that we classify our GPs based on the size of the company that they target, not by the size of the fund that they raise.

And so, for us, large buyout would be GPs targeting companies with enterprise values greater than $750 million. Middle market would be EVs between 750 and 250. And then small buyout would be funds targeting companies at enterprise values less than 250 million.

You can also see, I think it's the first bullet point under each segment, we also target a certain number of GPs in each portfolio. And so based on this, we could say we were likely to see some future consolidation in both large and middle market, maybe a few GPs in each group, and then likely some additions to our small buyout portfolio.

The portfolio today, if we look through to just the buyout portfolio and the underlying assets, they're fairly balanced by size, almost equally weighted between all three groupings. Information technology and consumer discretionary make up our managers' largest sector allocations, while the U.S. still dominates their geographic allocation.

Next we'll move to the venture portfolio. So the portfolio today is managed through four fund of fund and/or separate account relationships. Those are shown in the first bullet point. The portfolio today is heavily weighted towards IT at 80 percent. And that 80 percent is split pretty evenly between IT focused on

the enterprise and IT focused on the consumer.

By stage, which is at the bottom right, we have oriented the portfolio towards the early stage, which we would define as C through series A rounds. We really like this construction. Do you have the chart of valuations?

MS. RYAN: Yeah.

MR. BRADLEY: So we can look at that later in the Cambridge presentation. But we really like this construction, as we think valuations in the early stage venture have historically been much more stable than have the late stage rounds. That's especially true today. And so we think avoiding this late stage as much as we possibly can will absolutely serve us well.

MR. OLMSTEAD: This is Vinny Olmstead. A couple of quick questions. Do you see yourself looking more, when you evaluate the fund of funds or their approach, looking more at selected issues? I get more general IT, but health care is going through a pretty big metamorphosis. So as you're going through your selections of these guys, are looking down at the industry level on more exposure from venture or from buyout or any of the four that you look at?

MR. BRADLEY: Yeah, we absolutely do. With our fund of funds we're a little bit limited, I guess, in how they view their portfolio construction, but we do have some separate accounts where we have a little more active role in selecting GPs. And so there we are looking -- frankly, today we would look at health care and say, as you mentioned, it's undergone a lot of reorganization, so is it now a time to maybe add some health care exposure into the portfolio. And so we would do a lot of that on our own through those separate accounts.

MR. OLMSTEAD: And you commented that you're going more early stage than late stage. Any glimmers of what the rationale is? I was just curious, your rationale on going early versus later.

MR. BRADLEY: I think it's almost entirely just driven by valuations. I think we've seen an influx from our venture funds of raising these late stage kind of follow-on funds. And frankly, when we see 30 of them come in in a week, we figure that might be a time to step back from this. And so it's both of those. It's valuations, and then we just think a little too much capital has probably gone into that area.

MR. OLMSTEAD: Makes sense. Thanks.

MR. BRADLEY: So here's our distressed/turnaround portfolio. As I mentioned, this is also an area that we will look to grow over time. All of these GPs here,

they focus on control investing, and they all have focuses on creating value through operational improvements. I think it's important to note that this is not a distressed debt trading strategy. And so while these GPs will use a variety of measures and avenues to invest in companies, including buying debt, were they to buy debt, it would be with a mind of identifying a fulcrum security and then converting to majority equity ownership in the event of a default.

And then lastly we have our secondary portfolio. This makes up about 6 percent of our asset class NAV today. There's three active GPs in this portfolio. These are very diversified portfolios. Through these GPs, we hold indirect secondary positions in over a thousand different private equity funds.

I would note today, I think we've mentioned it earlier, but the market is very competitive in the secondary market. Pricing is at historic highs, or at least was at historic highs. We have seen some pullback in pricing, some volatility in the equity markets earlier in the year. But it still is a competitive, highly priced environment for secondaries.

MR. COBB: Mr. Chairman, I have another question, maybe for Ash.

MR. PRICE: Sure.

MR. COBB: The question relates to the dividing line between the distressed equities that our strategic team has and the distressed approach that our private equity guys have.

MR. BRADLEY: So I can -- I think, Ambassador, we would strictly look -- and, again, we're focused on guys who might be buying debt but it's for an eye of controlling the company out of a bankruptcy process or a default and then ultimately applying private equity techniques to grow and add value, whereas anything that a GP or a fund would look towards, buying debt at distressed prices and ultimately trading out of it when the prices would go up would be something that Trent would do in his asset class, in strategic, and that they do actively do.

MR. WEBSTER: Ambassador, this is Trent. That's correct. So the way you think about it in private equity it's distressed for control. And in strategic it might be distressed for control or it might not be. It might not be conversion to equity. It might be. It just depends.

MR. BRADLEY: And then so regardless of who sourced a deal in that market, my team and Trent's team would then look and say, where is it most appropriate? If we like it, let's find a home for it. Whose asset

class would it fit best in?

MR. WILLIAMS: Ambassador, this is Ash. There's another synergy there, and that is, the link across the two is Cambridge Associates as a specialty consulting firm. And you also can see situations in which you have private equity firms that have distressed credit expertise. Take an Apollo, would be a good example.

MR. COBB: Thank you. That's helpful.

MR. BRADLEY: So I'm on slide 27. It's titled Total Sector Exposure. And so this would just be the sector breakdown for our entire portfolio. On the left is the private equity portfolio. The middle column would be our secondary benchmark, or the Cambridge private equity benchmark. And then the right would be our public market or primary benchmark.

You can see, as you would expect, we look very similar to the Cambridge private equity benchmark. Both Cambridge and our portfolio have large overweights to technology and underweights to financials relative to that global benchmark.

MR. JONES: John, this is Bobby Jones. On the secondary portfolio, because of our ownership in Lexington Partners, do we get the first look at some of their deals?

MR. BRADLEY: We don't. We participate as every other LP would in their secondary funds. We do have co-investment rights with Lexington in their secondary deals, but it would follow the limited partnership agreement, and we would have no special rights as it relates to Lexington.

MR. JONES: Okay. Thank you.

MR. BRADLEY: So here we see the geographic exposure to the portfolio. We look fairly different to both the Cambridge and the public market benchmark. We remain overweight North America, and the U.S. in particular. I think we've said this a lot, but the U.S. is, in our opinion at least, the best, biggest, most developed PE market in the world. And we will likely remain overweight the U.S. until we really feel that returns in these other markets and emerging markets, that we're really getting compensated for what we think is the increased risk we're taking. And I do think we're actually getting there. I think we're seeing these markets look more attractive. We're just not quite there yet.

This next slide is our GP exposures. You can see about 60 percent of our NAV is concentrated within these 15 firms. Lexington Partners is our largest exposure at 12 percent of the portfolio. This is split across two separate strategies, so 78 percent of that

lies within our co-investment program, which is managed by Lexington, and then 22 percent of that Lexington exposure would be in their secondary products.

MR. COLLINS: John, is some of this exposure limited either by the GP or just from our lack of a long-term relationship, or how much of it is you just keeping it down because -- you know, just looking at some of those names, you'd think Blackstone would be a higher number. Right?

MR. BRADLEY: So this is by NAV, and so some of our more successful GPs that distribute capital back, right, they necessarily then go down because we're looking at it by asset value. But if we look five years ago, this chart would probably all have ones next to that. And so we have been actively trying to concentrate. But to your point, we are limited with some funds, where we try to say, I'd like to commit 200 million to your fund, and what we're told back at the close is, You've been allocated 180, you've been allocated 150.

And so what this would tell me, I think to your point, is we can probably concentrate the portfolio even more than we have. I think we're getting there.

So I guess to wrap up portfolio construction, I think over the last five years, we've been very focused on it. We have been actively managing our portfolio. We've increased exposure to small funds. We've reduced our mega fund exposure and large fund exposure. We have been focusing on GPs that have the ability to drive value through operations and GPs who are sector specialists.

And then the final point, we have been actively and strategically using the secondary market to both help facilitate some of these transitions as well as realize some value at what we think are very attractive valuations in the secondary market.

MR. COLLINS: What's the minimum size fund you would go into?

MR. BRADLEY: To date, it's been 250.

MR. COLLINS: And you don't want to be more than what percent of the fund at that level?

MR. BRADLEY: I think the GP would rather us not be more than 25 percent, because then it triggers some ERISA standards that they don't want. So we would be happy being 25 percent. We'd be happy being 50. The reality is that GPs that we find at that level that we like have other LPs. It's usually a battle between how much money can I get in --

MR. COLLINS: So when you say you're going into these smaller funds, it's all the way down to, say,

250 million.

MR. BRADLEY: Correct.

MR. COLLINS: Okay.

MR. BRADLEY: So our program, I think it's much more like a cargo ship than a speedboat. It's really hard from us to change directions quickly, which makes it hard to really see meaningful changes, when we meet quarter over quarter, in the portfolio. So this slide slows a look-back five years, kind of a then-to-now look at the portfolio, which I think is at least pretty powerful in showing the work we've done.

And so obviously today we're larger, at eight and a half billion in NAV, but we're more concentrated. So five years ago we had 59 active relationships. Today we have 49, 16 of which are new, that were not included in that 59 number, which is a delta of about 26 GPs, which is a turnover of almost half the portfolio.

We had five years ago 16 large mega buyout GPs that were a third of our total NAV. Today that number has been cut in half. They represent 18 percent. We had seven small buyout funds. Today there are 16. So we've doubled that number. The same with the sector focused GPs, more than doubling.

And then the European portfolio, we've done a lot of work. Five years ago we had ten large pan-European

GPs. I think there were probably 12 in the market. And so if you named them, we were likely an investor with them. Today we've cut that number down to three, and we have six smaller regional GPs in the portfolio. So a much, we think, better portfolio construction in Europe.

And then, finally, new initiatives, kind of where are we headed. I think we still have a lot of work to do. I think we could absolutely continue to reduce the number of GPs in the portfolio and concentrate our dollars behind our highest conviction GPs. We'll also see more investments in the small buyout portfolio and distressed portfolio.

And on the emerging markets, I think we're going to continue to do a lot of work there, get to know the GPs. But as I mentioned, I think meaningful commitments for us are likely a few years away in those markets.

I was going to now move into the performance of the program, so how have we done. So since inception, the asset class, we've committed 20 billion to 192 funds. Of that, 13.6 has been called to date. And we have received back 11.7 billion in distributions, which gives us a DPI, which is distributed to paid-in capital ratio of .86x. So we've received 86 cents on the

dollar for every dollar that we've invested.

And we have remaining in the portfolio eight and a half billion in remaining NAV, which gives us a total multiple of one and a half X and a value creation to date of $6.6 billion.

Here's our cash flow history. Cash flow continues to remain strong. Last year was a record year for us for distributions and also a record year for net distributions, at a positive $737 million. We've been self-funding for the last three years, which is always nice to see. But I guess what I'd say is it's also something I think we should expect, you should expect, we should expect from our GPs, which is to see more capital being called from our portfolio in periods of lower valuations or after dislocations.

As we can see here in the years after the financial crisis, our GPs were net buyers, as they should be. We would also expect then more capital to be distributed when valuations are rich, which would be the current market that we're in today, which is the case. Our GPs have been net sellers, as they should be.

Overall, here's our overall performance. It's been strong over all time periods. We've exceeded the benchmark over the three year, ten year and since inception time periods, and then we've matched or equaled it over the last five years.

MR. COLLINS: How are you doing in the one year? How are you measuring that?

MR. BRADLEY: We calculate the IRR of the program over the one year period, as well as the benchmark. I mean, that's why I didn't really mention it, because it's, in our world, meaningless. But it is a data point that we calculate. I think what it does do is kind of point to where are we going.

And so seeing that one year number, we would expect, one, given the performance of the asset class and the benchmark, that that should roll in and we should have a good medium-term performance from that.

MR. COLLINS: I guess what I meant is, do you-all have a custom questionnaire that you send out to your GPs, or how are you getting those returns from them? You're just going through whatever your -- whatever the report is that they're putting out?

MR. BRADLEY: Yeah. I mean, we would just simply -- it would be the 12/31 -- in this case, the 12/31/14 NAV, plus all cash flows in the interim, and then we would use the official audited 12/31/15 NAV to calculate that one year return.

MR. COBB: I have a question on the Cambridge

benchmark. It's not clear. Is that for ten years or one year or since inception? What is the benchmark comparing to?

MS. RYAN: It's really meant to be an apples-to-apples comparison, so it's over those same time periods. So for the one year number, that's our benchmark. Same kind of process. We're looking at all the underlying cash flows of our underlying benchmark for that one year period.

MR. BRADLEY: Although, Ambassador, on the overall performance chart, that's our primary benchmark. So this is the public market plus benchmark on this page. And then on the following page I guess, if we look at performance by sub-strategy, where we show the Cambridge benchmark, that would be the benchmark of those specific strategies as a since inception benchmark. So you would compare that with the since inception column.

MR. COBB: That's my question. Thank you.

MR. BRADLEY: And so here I think we -- this is a slide we use at our quarterly meetings, but -- so not much has changed, only that every sub-strategy within the portfolio, except for our non-U.S. growth equity, has contributed to our since inception outperformance versus the benchmark. Our distressed and secondary portfolios have been our better longer-term strategies in terms of performance. And venture and U.S. growth equity and non-U.S. growth equity, so our growth strategies have been our better performers over the short and medium terms, which is what we would expect, given secondary and distressed guys do better in periods of low valuations or dislocations, and our growth strategies do well later in the cycle, when growth is slowing and valuations are high.

So I've moved on to the sub-strategy performance, slide 37. Here we can see our DPIs, our distributed to paid-in multiples, as well as our TVPIs, our total value to paid-in multiples. The green bar is the total value. And I think what this would show is that, while cyclical, our performance has been pretty consistent across strategies over the long-term.

The DPIs, or the blue bar, those aren't as consistent across strategies. Some of this is due to the maturity of these strategies. So our two most mature strategies in the asset class have been U.S. buyouts and secondaries. Both of those have a DPI of one, which is nice to see. However, if we looked at venture on the far left, you can see there is the largest gap between the total value and what's been distributed.

As I mentioned, we've seen a lot of NAV appreciation in this portfolio but have really yet to see a lot of this value distributed. This gap should narrow or it has to narrow. Our only hope is that it narrows because the blue bar goes up and not the total value of the portfolio comes down.

And then my final slide shows the performance of our portfolio and our funds by vintage year. I like this chart, so I saved it for last. I think it really speaks to our ability to select GPs and really tells me that our process and all the refinements that we've made to that process over time are working.

And so, again, the green bar would be our portfolio return for that specific vintage year. The blue square would be the Cambridge benchmark return for that vintage year. And so what we can see is we've done very well in picking GPs. We've outperformed the benchmark 71 percent of the time since inception. And then fund selection has been particularly strong as of late, outperforming the benchmark in eight of the last nine years. So that's all I had. I know Sheila --

MR. PRICE: I think that's very impressive, John. Thank you very much. Sheila, would you like to --

MS. RYAN: Yeah, sure. I just had a few slides, a couple on the market environment and just a couple on

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performance and exposure. So I'll just go through them fairly quickly. So if we turn to the slide that says, Private Equity Has Delivered Strong Performance, what this is showing in the blue bars are the benchmark private equity returns. The sort of darker blue is the kind of average mean return for our overall benchmarks on the private equity, U.S. private equity side. And the light blue bar is the return for just the top two quartiles.

So you'll see there's a pretty big differential here. And this gets at, you know, manager selection. And so our goal is to always strive to get managers in those top two quartiles because you really do get paid for that.

MR. PRICE: Can I interrupt for one second?

MS. RYAN: Sure.

MR. PRICE: If you go back to John's presentation, when you look at your SI Cambridge benchmarks, which are all much lower than the light blue and the darker blue bars here, why is there a difference? Because you're using -- your benchmarks are 8.6, 9.6, 6 and 9, and here you're at 20.

MR. BRADLEY: The one on our page would be relative to our strategy. So it would include the time period --

MR. PRICE: But that much of a difference?

MS. RYAN: Yeah. It's going to be -- this is going to be -- and this is updated through September. We have the December numbers, but they just came out on a finalized basis. Yeah. So this going to be an average. The numbers for the portfolio are like John said. It's going to be very customized to reflect the specific vintages and the specific strategies. And it can be quite a big difference.

And this is just the U.S. private equity portfolio. So there will be differences, whether it's an energy fund or whether it's a growth fund.

MR. PRICE: Right. This is buyout. This is all. This first page is private equity, venture, buyout, the whole gamut, correct?

MS. RYAN: This page right here is U.S. private equity.

MR. PRICE: But all types.

MS. RYAN: Yeah. This will include energy private equity. This will include some growth equity. It doesn't include venture. Venture is on the next page. But, yeah, this is going to be a very diversified, broad perspective on U.S. private equity.

MR. BRADLEY: I think the comparable number would be the 9.2, the total PE asset class, which is about a

15 year number, which would compare to the ten and a half. Although, when you roll up each sub-strategy, some of these strategies aren't actually 15 year --

MR. PRICE: I see. Your light blue is the top half.

MS. RYAN: Exactly. So I guess the point of this slide was to say performance for this asset class has been very solid, and just to highlight the difference between, you know, getting the average return versus getting in those top two quartiles. And this gets back at John's earlier slide about that funnel and, you know, why he's being and why we're being so picky. And it's because you really do get paid in this asset class to be super, super picky.

And that's why we're trying to concentrate those managers in the higher quality groups and be really, really picky when we're sifting through the constant inquiry of groups that are looking, looking for capital.

MR. COLLINS: Do you have a list of our managers and the vintage years and what quartile that fund is in?

MS. RYAN: Yes, we do.

MR. COLLINS: Those specific funds that we own?

MR. BRADLEY: Yes. Michael, I think he has the

list. What that doesn't include is the quartile, but that's something we could easily add to that.

MR. COLLINS: Got you.

MS. RYAN: Yeah. We update this information on a quarterly basis. And you really need to focus on -- one of the studies that we did is you really need to wait for a fund to be in about its sixth or seventh year for that quartile to have meaning, because otherwise, before then -- and we've looked at all the data in our database. Before then it really bounces around a lot. So quarter-to-quarter volatility in the quartile ranking will be pretty big until you get that kind of stability in the sixth to seventh year.

The next slide is really just the same story, but this is for U.S. venture capital only. So, once again, very strong performance for the asset class. And you'll see once again a big differential between the kind of average return in that kind of dark green versus the top two quartiles in the light green. And then the public market benchmarks are in the gray there. So we're excited about these asset classes. They've delivered some great returns.

As I think most people in this room are well aware, valuations are frothy across both public markets and private markets. And what this is showing here in

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the blue bars, this is capital raised or capital commitments. And the green line is the average purchase price multiple, and the orange line is the average leverage ratio.

And this is looking at U.S. private equity kind of generically speaking. So it's going to be weighted more heavily towards the large cap end of the market, because that's where more of the absolute dollars are going in. And you'll see here that the purchase price multiples are above the highs that we saw back in 2007, and leverage ratios are right around there as well. They haven't exceeded. They're pretty much hovering around similar levels.

So we are all very well aware of what's going on in this environment, which is why we've been tilting the portfolio away from these sort of more generic large-end buyouts towards some of these smaller niche-ier plays, but also specialist firms that can provide differentiated underwriting and differentiated kind of value add to these companies.

We talked some bit, John talked a bit about valuations in the venture capital market. And this slide shows you what's going on. The sort of yellow-ish line on the top is late stage venture. And I think we've seen all the stories about the unicorns.

I think there's something like 166 unicorns, Uber, Airbnb, Snapchat, Pinterest, et cetera.

And what's driving this is I think the fear of missing out. And a lot of companies have just been able to attract capital at some really high valuations because managers, fund managers, asset managers are afraid of missing that opportunity to be in that next unicorn.

So we are explicitly doing what we can to avoid this high end of the market. Obviously, we want to sell into this and not buy into it at these levels. And you'll see down on the bottom of this chart those blue lines and a green line. That's where the early stage and the sort of -- a little bit of the expansion stage capital is being put to work. So big, big differentials there.

We continue, despite venture having this kind of expensive kind of price ticket on it, early stage venture continues to have attractive valuation dynamics, which is where we're focused.

This slide is really talking about, once again, what John was referring to earlier. We've got a lot of NAV in the venture capital portfolio, and we are patiently -- I guess maybe I'm not so patient. I know John would love to see more distribution activity as well. But you'll see that green bar is the distributed to paid-in multiple. And we've seen the valuations go higher with that sort of orange-colored line. But there's a big gap between this total value, which is being captured in the NAV, and the actual distributed capital.

So we are anxious and patient. Unfortunately, being invested through these fund of funds, we have limited flexibility to force the exit. And by the way, this is not just in your portfolio. We're seeing this across all of my portfolios, who may or may not be invested in fund of funds. Your ability to force that manager to sell their position is really just quite limited.

The next slide is a bit of an eye trap, and I'm sure we've seen all these quilts before. And this is a quilt chart for the private asset classes as a whole. And it's just showing through various vintage years, ranking the top performing all the way down to the lowest performing asset class within that given vintage. So you'll see venture capital in the dark blue at the top, energy at the bottom.

And a couple of key takeaways here is that it's important to be diversified in this asset class to take advantage of these cycles. It's also important to be

mindful of where the valuations are so that you can take advantage when an asset has underperformed and has a lot of distress, like energy today, where we're currently looking to add some more exposure, pending good manager ideas, and in venture, where we've taken the foot off the accelerator, so to speak, because of where returns have been. So being mindful of this, but also it's important to have exposure across these asset classes.

I won't belabor these slides. John pretty much covered performance. But overall, strong portfolio performance of 12 percent, outperforming the benchmark over the last ten years. John showed you a very similar chart here on a total value to paid-in. This is a sort of same chart but showing IRRs. And you'll see over the last ten years all the sectors have been contributing to strong results.

The exposure to the non-U.S. growth equity and non-U.S. buyouts is less mature. And so that's why it's more showing up in terms of the performance numbers over the last three years as that exposure has been growing.

This is a performance chart relative to other Cambridge clients. And you'll see the sample size in the bottom box, roughly 300 clients, comparing the

Florida portfolio to all of these clients that we track performance on. Over ten years, the portfolio was ranked in the top quartile, and over the five, three and one year periods, in the second quartile. So very strong performance across a universe of 300 other clients that we work with and track --

MR. PRICE: Out of state, large state plans, are we in line at 6 percent, plus or minus, of assets?

MS. RYAN: Yeah, I think that's about right. I mean, I think the numbers we see are going to range between 5 to 10 percent.

MR. PRICE: Do you see state funds drifting higher because of the good performance in the last few years?

MS. RYAN: Yeah. I think they're drifting higher for a couple of reasons. Number one, the outlook for public equities, the outlook for fixed income. So, yes, we are seeing increasing in allocations, and we're seeing increased allocations on the private credit, the strategic type side as well, for all of those factors. People look around and they say, Where can we get returns? There's a seven and a half percent target. We're not going to get there just by owning more equities and owning more fixed income.

John mentioned earlier a little bit about pacing. We're currently at the 6 percent target. And the next

page is just showing, we model out once a year. And we can update it more often than that. But typically we look at this once a year and say, okay, what sort of pacing going forward makes sense for us to maintain the exposure. So somewhere in that one and a half to two billion, and we're targeting somewhere around 1.75 billion.

We expect that some of this venture capital NAV that's kind of built up, as that burns off, that little bit of an overshoot that we're seeing will come back in line. But we're comfortable that the pacing activity makes sense, and we'll maintain the exposure at the 6 percent level.

Earlier on, John showed you a breakout in terms of the sector exposure across the portfolio. And technology is a fairly large component of that exposure. It's also a fairly large component of our benchmark exposures. So it's pretty much in line with the benchmarks. But given what's going on in the tech markets, where valuations have increased, we did take a closer look through on the technology exposure. And you can see that here. About half of it or so is in early to late stage venture and a little bit under half to buyouts.

And the good news is that it's fairly seasoned.

About a third of it is to funds that are greater than or equal to seven years old. So hopefully we'll be able to take advantage on the sale side of some pretty lofty valuations in the technology markets. And most of it is in North America.

We also took a look through on the venture portfolio, trying to get a better sense for when we can expect liquidity on the portfolio. And a couple of months ago what we did was we went through and actually called up and spoke with the GPs and asked them to look through their portfolios and give us forecasts for their portfolios.

So this is forecasted liquidity for the venture portfolio as provided by the GPs. And the good news is about 37, almost 40 percent of the NAV is seasoned by four years or more. Managers are forecasting about a quarter of the NAV will become liquid by the end of 2017 and another quarter in the subsequent two years. So about half of this is expected to come back in terms of liquidity in the next year or two. And that will help with this fairly significant NAV that we have right now to venture. So this was just kind of a helpful look-through on expected liquidity of that portfolio.

MR. OLMSTEAD: Quick question if it's okay.

MS. RYAN: Sure.

MR. OLMSTEAD: In your experience over the years, how accurate have they been on predicting the forecasted liquidity?

MS. RYAN: Yeah. I can't say that we've actually studied something like that. And, frankly, I can't say that we've actually gone back historically and asked that type of a question. I think the environment that we're in is a little bit unique, given the huge difference between early stage and these late stage unicorn valuations.

But I would expect, if they're saying 50 percent is going to come back, you know, maybe it's realistic to assume 30 to 40 percent of that is going to come back. But companies are staying private longer. That said, we've got quite a bit of seasoning in this portfolio, as you can see the exposure by age chart. And that's where we're going to expect the liquidity to come through on some of that more seasoned stuff, the four to six, the six to eight, the eight-plus years.

MR. OLMSTEAD: Thank you.

MS. RYAN: And then the last look-through that we did was on the energy side, just given what's going on in the energy markets. Energy exposure accounts for about 8 percent of NAV. So we don't have a ton of exposure, but we do have, you know, a decent amount. We are actively looking to see if we can find some GPs to add a little bit more exposure here, just given the distressed environment that we're in. The exposures are generally in line with the energy benchmarks that we have. And good news is that we are underweight services relative to our benchmark. The services side of the market has been hit extremely hard, and we have limited exposure there.

MR. COLLINS: Can I ask a question about the energy side?

MR. PRICE: Yeah. And I was going to ask, too, also, because I didn't think you were that large in energy. Did you say 6 or --

MR. COLLINS: Eight.

MR. PRICE: Eight percent of about 8 or 9 billion, right? So call it 700 or 800 million. I was looking through the list.

MR. COLLINS: Down towards the bottom on that first page, you'll see a lot of that, EnerVest and EnCap.

MR. PRICE: And that's portfolio value?

MS. RYAN: NAV, yeah.

MR. BRADLEY: I think the other thing about our energy portfolio is we have about 42 percent, I think

was the number, of all of our commitments in energy remain --

MR. PRICE: Undrawn.

MS. RYAN: Right.

MR. COLLINS: That was my question, when you were talking about looking for new GPs. So from my understanding right now, the values are great, which you would say, great, let's go buy them. But few people are willing to trade at those values. So what we're seeing, in my own investing and others, is that lack of ability to put that capital out in current funds. And so it's stymieing people from being able to raise new funds. And groups like us aren't going to go with a brand new group that's raised and said, Hey, we can do this.

So just curious as to what your discussions are with your current managers about that pacing of capital drawdown and if there's any discussion about reducing the size of the overall fund at this point.

MR. BRADLEY: I think we would share your sentiment. So within our portfolio over the last six to nine months, capital calls for new investments have been almost zero.

MR. COLLINS: Right.

MR. BRADLEY: We have, though, had I believe two

GPs back, and we just re-upped with a GP in the energy sector that we quite like and has been able to find transactions. I think that closed maybe a month or two ago. But we're actively saying, let's find guys that we think can create value, guys that have done well through the commodity cycle, guys who are operators.

But to your point, there's not a lot of them out there. But we're right now forming those relationships, digging through the funds, asking them, When are you going to be back, kind of trying to maybe piece everyone and place everyone in our forward calendar.

MR. COLLINS: Do you see yourself -- normally you would want to increase your exposure to the area, right, and maybe even go up above 8 percent. But there again, are you going to be able to do it, because stuff is just not trading and people aren't calling the capital and the money is not getting to work?

MR. BRADLEY: Yeah, I mean, I think we will, but I think the majority of our energy funds, they stage in the capital. So they'll make a commitment to a management team and a base in a specific play of maybe $100 million, and then 10 million of that is funded up front, and then as they hit milestones, they'll bleed in that capital.

So what we're seeing today is a lot of the unfunded is actually in existing investments waiting for the economics to make sense to drill the hole, to produce the oil. So those funds will be -- they should be back in market, even absent some large capital outflow, to raise new money, to go after new opportunities.

But I think, as we look today, with oil at $52 almost, the price at least seems to be coming back a lot quicker than we expected and that many of our managers also forecasted.

MS. RYAN: But the banks have been repricing these borrowing base facilities, and that's been driving some real needs to raise some capital. So that's where we're hearing most of the deal flow is coming from. And the color we got was that the bid/ask spreads, you know, three, four, six months ago were just too wide, that nobody was willing to transact.

But now that the banks are forcing people's hands, there's stuff that's getting done. But I would agree it's not a ton of volume, but it's certainly more than it was because of what the banks are doing.

MR. BRADLEY: We also see a lot of hedging rolling off this year. And so a lot of these groups have been hedged through 2016. And so as that rolls off, we would think and would expect that the need to actually transact will become important for these guys.

MS. RYAN: And that's all I had.

MR. PRICE: Thank you very much. Would you talk a little bit about -- can you just, for the record, tell the story of your involvement with Lexington and Trent, just so everyone is aware of it on this side of the table and on the phone?

MR. BRADLEY: So our investments with Lexington I mentioned are through our secondary portfolio, with some Lexington products as well as our co-investment program. We also own, in Trent's group, a stake in the GP of Lexington.

MR. PRICE: So Lexington looks like an outsized investment, but I wanted you to point out the fact that maybe one of the reasons it's outsized is you're one of -- a 9.9 percent holder in the GP; is that correct?

MR. BRADLEY: Correct. But also they've done very well for us, and performance has been good. Our co-investment program, they've run that since the inception of it. There's that piece, but ultimately it's been a great --

MR. PRICE: Is that the only GP interest you have?

MR. WEBSTER: No. We have one other in Providence.

MR. PRICE: In Providence Equity?

MR. WEBSTER: Yes.

MR. WILLIAMS: But it's smaller. I think one other thing about the Lexington investment that's interesting is, from a distribution standpoint, the net invested capital is relatively low in that one because the distributions are good and regular because you're buying more mature interests. So in terms of an effective generator of return and liquidity, it's truly been exceptional.

MR. PRICE: Any questions about the private equity book? If not, I'd like to move on to the next discussion, which is Joan on the defined contribution program review. Thanks, Joan.

MS. HASEMAN: Good afternoon. Very quickly, I'll just give an overview of what our plan is today. We're going to go through some quick introductions so you know who the members of our team are. Dan Beard, who is our director of administration, will be discussing the administration of the investment plan, as well as plan choice. Walter Kelleher, the director of educational services, will be discussing the financial guidance program and the role that it plays in our office.

In the audience today is Mini Watson. She is our director of policy, risk management and compliance. She oversees all of the complaints that may be filed in relationship to the plan or in the FRS as they come through our office. And I also would like to acknowledge in the audience Elizabeth Stevens, who is the state retirement director, newly appointed with Dan Drake's retirement. And with her is Shirley Beauford, who has just been appointed as the deputy director, both of which we work very closely with. The Division of Retirement is an integral part of our success, and we appreciate the strong relationship that we have with them.

Very quickly, just to remind everyone, the Florida Retirement System is made up of two primary plans. We have the traditional defined benefit plan and of course the defined contribution plan, which is a 401(a), which is employer contributions only. Both plans are funded by mandatory employer and employee contributions.

The DB plan, or the defined benefit plan, has been in existence since early 1970. And the defined contribution plan was initially rolled out in 2002. The assets that I had as of March, I believe, was 142 billion for the DB plan and 8.8 billion for the investment plan.

As you may recall, all new employees at the time

of hire make an initial choice between the two plans. If they fail to make a choice, they will default into the pension plan. The Division of Retirement is responsible for the overall day-to-day administration of the defined benefit plan, and the state board is responsible for the day-to-day administration of the investment plan and the financial guidance program.

Just a quick shot of what our governance looks like. Obviously, the statute passed. It was given to the State Board of Administration, delegated to the executive director and to the deputy executive director and then to our office.

MR. COLLINS: Mr. Chairman, can I ask a question?

MR. PRICE: Please.

MR. COLLINS: I'm interested, if they don't select, they default into the pension plan, out of -- I'm sure you keep statistics on it. But say out of five people or ten people, whatever your statistic is better using as the denominator, how many people choose contribution versus default into the pension plan?

MS. HASEMAN: Dan will actually review that, Mr. Collins. But on just the top of my head, about 24 percent of our members will actively choose the investment plan.

MR. COLLINS: Okay.

MS. HASEMAN: Very quickly, just our organizational chart, just to give you an idea. We're a very small organization. Our role really is to oversee the outsourcing of the plan's administration. We actually are responsible for making sure that everything is working according to contracts that have been put in place as mandated by statute.

The Florida Retirement System has about a little over 1,000 employers, understanding that the State of Florida is -- state employees are recognized as only one of the agencies. Obviously, the largest is our school boards. Even though they're only showing 67 districts, they are the majority of our members, schoolteachers.

And I'm going to ask Dan now to kind of take over and discuss the administration and an overview of how it all comes together.

MR. BEARD: Thank you. Good afternoon. Currently -- and these figures are as of March 31 -- we have about 8.8 billion in assets. For distributions -- and this is from inception to date -- we've had 9.49 billion that have been distributed to investment plan members. That breaks down to 61 percent that have been rolled over, or 5.79 billion, and then 39 percent have been lump sum, which is 3.7 billion.

Membership, we have 168,000 members. Of that, 117,000 are active members and then 50,000 are inactive, and those are members who have terminated employment but still have funds in the plan. Retirees, we've had 102,000 that have retired inception to date. For our active membership, we have about 64 percent that are female, 36 percent that are male. The average age is age 47. The average account balance is 55,352, and then the average years of service is 5.9 years.

MR. WENDT: Question. Once a person elects to go into the investment plan or defined contribution plan, can they change their mind every year and go back into the defined benefit program?

MR. BEARD: As Joan mentioned, all new hires, all employees have two elections. When they --

MR. WENDT: Okay. Now I'm a year into it now.

MR. BEARD: They have two elections. One election they have to use approximately five months after they're hired, or six months after they're hired. And then they one additional election, where they can switch from one plan to the other, that they have to use anytime during their working career.

MR. WENDT: Okay. Some statistics came through. They aren't in this book, but it was in one of the recent things that Ash sent out. It was surprising that 50 percent of all the people default in the pension plan. Fifty percent don't even bother to make a choice.

MS. HASEMAN: That number is probably a little bit higher.

MR. COLLINS: That's the question I asked. It was 70-something percent, because 24 percent choose contribution. The rest just go.

MS. HASEMAN: Yeah. Probably about 17 to 18 percent are actively electing to go into the pension plan, and the balance of them are not making a choice.

MR. COLLINS: So a follow-up point on that. So they get two elections.

MR. BEARD: Yes.

MR. COLLINS: Second election can be at any time that they're employed.

MR. BEARD: Yes.

MR. COLLINS: Right? So let's say that I'm a 25-year employee. I start today. I go into defined contribution, select my products and everything. Twenty-five years down the road, I'm six months, a year before retirement. My defined contribution plan is not looking so good. I can go into the pension fund?

MR. BEARD: You can use your one-time second election, switch back to the pension plan. But there's

a caveat to that. You have to buy back into the pension plan.

MR. COLLINS: Okay, good. Great. I just was worried about our contingent liability.

MR. BEARD: So who are our service providers? When the law went into effect, everything had to be outsourced. So one of our service providers is Aon Hewitt. Aon Hewitt is our FRS plan choice administrator. So they receive all the choice for our new hires. Then they also are the record keeper or the investment plan administrator. So they get the money. They deposit it to the funds that are chosen. They also perform all distributions and mail out all the quarterly statements. And then they also provide the self-directed brokerage account. That's provided through Aon Hewitt as well.

BNY Mellon, they're our custodian bank. They also handle our benefit disbursements. So a member will call Aon Hewitt to request that distribution. They will then communicate that to BNY Mellon, who will actually either issue the paper check or do the direct deposit. BNY Mellon also, our custody separate accounts. We have one separate account now. And starting July 1, we'll have an additional three separate accounts.

The Division of Retirement, we have an interagency agreement with them. They are the pension plan administrator. They also handle all payroll reporting. So all the 1,000 participating employers send their payroll data, both salary and contributions, to the Division of Retirement. The Division of Retirement then takes that and forwards the investment plan data to Aon Hewitt, who is the record keeper.

They also handle the health insurance subsidy program for both plans, pension plan and investment plan. And they also administer the disability and in-line-of-duty death benefits for investment plan members.

This slide touches on a couple of previous questions we had about the choice statistics. And you have the statistics from fiscal year 2010-11 all the way through March of this fiscal year. You can see five years ago the default rate was about 53 percent. It's increased to this past fiscal year to be about 60 percent. Sixty percent default, those are members who never make a choice. Then we have 17 percent who choose the pension plan and then another 23 percent who actively choose the investment plan. We have about 60,000 new hires a year.

Our membership growth, currently we're at 168,161.

But if you look five years ago, we were at 136,661. So we've added about 32,000 members within that five-year span.

Some quick statistics. Aon Hewitt, who is our record keeper and investment plan administrator -- and this is for this fiscal year through March 31. They've processed about 1,039,000 member contributions. These are deposits to member accounts, totaling about 282 million. They've also mailed out about 162,000 average quarterly statements each quarter, mailed about 994,000 personalized communications. And then they've received about 78,000 telephone calls from members.

For BNY Mellon, who is our custodian, they've mailed about 10,578 distribution checks, and they've also direct deposited 31,218 payments. And then assets that are under custody is about 8.8 billion.

Does anyone have any questions on what I've covered? Thank you.

MR. KELLEHER: I'm Walter Kelleher, director of educational services. And as far as the education program for members in the Florida Retirement System, once again, we have a number of providers that are available. EY you may be familiar with, Ernst & Young, that's the acronym that we use for them, they're the financial planners. They're available to pension plan members and investment plan members. The big selling point for Ernst & Young, or EY, is they provide unbiased financial planning guidance for members. Members can call up, speak to them. We have approximately 280,000 calls going to Ernst & Young per year.

One of the things they also do for us is they do workshops all over the state. This year we're going to average around 600 workshops, educate around 18,000 people. And we also do webcasts of those workshops. And we actually do them here at the SBA. We broadcast them all over the state. And we do 16 of those per year.

Another vendor that we've got is Financial Engines. They provide some of the online tools that we've got. And I'll show you a couple of slides in a minute. One of them is the choice service. So if someone wants to figure out which plan is best for me, we've actually got some tools that will assist the member in choosing which plan may be the best choice for them. And then also, regarding the second election, does it make sense for me to switch from the current plan I'm in to the other plan, we've got a tool that does that also.

And, lastly, Financial Engines provides a tool,

it's called the advisor service. And it gives members information on -- once again, we've got slides on that also -- about how should I allocate my money if I'm in the investment plan, or if I've got outside assets, how should I allocate those monies also.

We also have a contract with Aon Communications. They do the design, printing, focus groups for us. We also have a contract with MetLife. As you may or may not be familiar, in a defined contribution plan, one of the biggest dangers is outliving your money. We have a contract with MetLife, who can provide fixed or deferred lifetime annuities for members.

MS. HASEMAN: Just as a note here, I wanted to mention also that Financial Engines is a fiduciary to the plan, and it's through -- EY is the one that will communicate the findings under -- if a member calls and asks, Can you help me with the advisor service, that advice is considered a fiduciary advice, under the current new DOL rule, as well as just under the contract with us.

MR. KELLEHER: Financial guidance program, we've got a number of different resources. Telephone, as we've mentioned, MyFRS.com, the website, print resources, videos, workshops, webcasts. A couple of statistics on the financial guidance program. Number of phone calls to Ernst & Young last year, EY, 281,000. Financial planning workshops, 494. 18,000 people throughout the whole state attended those workshops. Website hits, around 2.1 million. And one of the things that we've recent introduced, this is on the website, a chat feature, which is really popular, around 26,000 chats that we had last year.

If you see in the box on the bottom there, this is the number of annuities that we've sold in the past year, 17 annuities. That's around $1.5 million. And since inception, we've sold 74 total annuities in the program.

The website, highly popular. As I said, 2.1 million hits. When people want information on the investment products in the investment plan, we have Lipper profiles for each one of the products. Members can go out there and see that information. They can call online or call and speak to members, or call and speak to Ernst & Young or Aon Hewitt. They can print out this information and mail it to members also.

MR. COLLINS: Do they see their balances in their account through the website?

MR. KELLEHER: Yes, sir. This next is, when someone logs into the MyFRS.com, the first page they see is what we call custom home. And the first item in

that first box is going to show their balance. So if they're in the investment plan, that's going to show them.

MR. COLLINS: And that's a previous day mark to market balance?

MR. KELLEHER: It's from the previous day, that's correct. And if they click on the button, it's the red box up in the top, it will actually shoot them over to the Aon Hewitt site, where then they can look at all the information regarding the funds they're in. If they want to trade from one fund to the other, that's where they would do it.

The other neat thing about this thing, it's kind of what we call a dashboard, a single page dashboard. They can also see what is their retirement outlook, how much money am I going to have in retirement. So it's doing some projections based on Financial Engines.

One of the other things that we do for pension plan members that log in is actually show their service credit instead of their balance here.

I mentioned this service that we have available, it's called the advisor service. It's free of charge for pension plan members and investment plan members. We have preloaded data from all these members. And what it can do is it can project forecasts. How much

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are you actually going to have in retirement? Also estimates, what's the likelihood of you reaching your retirement goals? And, lastly, it provides free investment guidance. How should I allocate the money in my plan?

And this next screen actually shows you, gives an example of what it looks like. I know it's kind of hard to see. But if you see your current investment allocations, what it's saying is this person is currently 100 percent invested in the U.S. large cap equity. The Financial Engine tool comes back and says, Based on everything you've told me, your age that you want to retire, your risk profile, we think you ought to change that allocation from 100 percent in this fund to this breakout of 20 percent in this fund, 26 percent in that fund. The member can take it or leave it. But it's an unbiased look at their account, and members can act on that directly from this page.

We also do some forecasts. Should I consider working longer? What does that impact have on my retirement income later on when I retire? We also do retirement income forecasts. What does it look like if I stay where I'm at in the current investment versus using the new allocation that you've chosen? And in this case it shows that it would be a positive impact

for this person.

The other neat thing about this tool is you can actually link outside accounts. So it's got a data aggregation feature. So, for example, if I'm in the State's deferred comp account, I can link my nationwide account. Every day when I log in, it's not only calculating my FRS benefit, it's also pulling in my deferred comp. It's also calculating a Social Security estimate, and it's giving you basically a total picture on what your retirement outlook looks like.

You'd asked about a feature here, on the second election, can someone do a second election. Yes. And we've actually got a tool. It's called the second election choice service. Someone can log in, and what it will do is it will come back and say, If you stay in the pension plan, here's how much money you can get at retirement, versus if you switch, say, to the investment plan, here's how much you could get, giving people, front and center, here's the dollar impact if you make that switch.

The other thing that some people do is -- Ernst & Young actually uses this service a lot when members call in, because we get a lot of calls from people saying, Hey, I'm considering making a second election. Should I do it or not? They'll pull up this tool and actually run it for the member and either come back and say, Hey, it makes sense or it doesn't make sense. That's all I had.

MR. PRICE: Thank you. That's very impressive, Walter.

MS. HASEMAN: One of the things I wanted to add is, for investment plan members, once they go through the advisor service, they actually can link that advice over to Aon Hewitt, who can implement it for them with just a click of a button. It's a very powerful tool and one that we're very proud of and I think very effective for our members.

MR. PRICE: Are there any insurance products sold or distributed through your network of plan participants?

MS. HASEMAN: No. MetLife is our annuity provider, and that is the only insurance product that we provide under the plan. I'm assuming you're thinking stable value or wrap or GIC. We do not.

And that leads right into this. This is what we offer under the investment plan. We rolled this structure out in 2014 after a very thorough review and a presentation to the advisory council.

Very quickly, we have moved to a more white labeled structure, which is much more flexible for us,

allows us to add and take out investment managers without adversely impacting our investment members.

Additionally, we do still have three non-white labeled funds, and of course the new suite of our customized white labeled retirement date funds, of which we have several of our managers. I just wanted to note for you that we have at least three of our managers and soon to be five, plus two others is seven, who are actually both in the investment plan and provide services to the DB side of the house. So we have been able to leverage relationships with the defined benefit side to the investment plan as well.

This is just a quick look at our breakdown by asset class. Again, I want to remind you, this is based on our members' investments. Quite a large section is still in our retirement date funds, which speaks well of, if you didn't make a selection, you ended up in a target date fund, which is an appropriate selection and it's the default fund option for them.

This is a breakdown of who makes up these funds by investment manager. For example, under the enhanced bond fund we have an active Prudential core conservative at 50 percent and of course a passive index fund at 50 percent.

This is a breakout of the current -- and I think you've seen this slide in the past, where our members are as far as our current retirement date funds. As expected, we're seeing quite large amounts in our older, you know, further-out funds. These are our younger members who probably defaulted into this fund if they didn't make an active choice.

And just to give you an idea of the allocations by age, I don't think this would be a surprise to any of you as you review it. Our younger members, under 35, obviously in a larger allocation to stocks. A lot of this is based on the target date funds because a lot of our younger members don't move out once you put them in, which is what we are pleased to see, that we're not seeing a lot of younger members in low earning investments.

This is to give you an idea of how many of our members sometimes don't read what we give them or don't use the tools that we provide them. As you can see, we actually have .02 percent of our members in every one of our 21 funds. So they have a little bit of everything, thinking, I'm sure, that they're diversifying. We did try one year to actually reach out to the membership who were in this group, and we got some very strong push-back, that they were very annoyed that we thought that we needed to tell them

what to do.

MR. COLLINS: Say that again. I'm not understanding that.

MS. HASEMAN: Well, there are probably a handful of people, less than 150, that are in every one of the funds, all ten target date funds, and every one of the white labeled funds.

MR. COLLINS: Really?

MS. HASEMAN: Yes, yes. Their quarterly statements are probably the longest ones we print. Yeah. And we actually did try reaching out to them about four years ago when we first started seeing this phenomenon. And they did not think it was very nice of us, that we actually were looking at what they were doing and how dare we call them and tell them we thought they might want to rethink that.

This is the allocations by gender. Again, obviously, as Dan mentioned, our largest membership is female. But I think one of the positives to this is that our retirement date funds holds a larger segment of their investments, which is probably a very good thing. Our men obviously feel like they can do better in the SDBA than our women, as well as the domestic equities and international equities.

Total fund asset allocations by age and gender.

Again, I think this displays that the target date funds are doing what we want them to do for our members who are not into doing it for themselves. And this is just a breakdown of the allocations across our retirement date funds. This is provided through Aon Hewitt, who is our target date fund consultant, who helps us make sure that we're looking at our demographics, making sure that we're allocating appropriately across the spectrum.

This is just a quick overview, and I'm sure it will be discussed in a little bit. I think maybe, Kristen, you'll be taking care of this. It's just our fees. In all cases our fees are below the average, which I think speaks well of it, the structure and how we put it together.

This is just a narrative or an illustration of what's impacting performance for us over the last year. It's not a surprise, commodities, equity market volatility, energy, rates from the Feds, or lack thereof. And then very hard to read, but there's our performance. And segueing over to Kristen, who will now pick it up, or will in a minute.

We wanted to give you an idea of what we do and what our next steps are for us. We're hiring three new investment managers who will slip into our target date

funds. This was based on a recommendation from our consultants.

MR. COLLINS: Send a memo to those people that are in every fund that --

MS. HASEMAN: They won't see these. They won't even know they're there. We're actually trying to diversify away from some tilting that we had for growth and value. So that's what precipitated that search. Allocation changes to the new investment managers. This is done on an annual basis, looking at the glide path and determining whether any changes or recommended changes needed to be made.

Working on initiatives, we will be reducing the default rate, or trying to. It's a very uphill battle doing so, given the benefits under the investment plan. But we are redesigning our new hire kits to simplify it. We conducted focus groups this past fall. A lot of what we heard was TMI, too much to read, too much to look at. I'm not interested in doing anything. So we're trying to find a way to actually connect with some of them through social media, developing a microsite.

Implement electronic delivery of our investment plan statements and transaction confirmations, exploring the delivery of our PIN, which is the only way a member who calls can take a distribution from their plan.

We are implementing the in-line-of-duty death benefits for our special risk class members. You'll recall that this passed legislation this past spring, and working with the Division, we're ready to go on July 1.

We'll be making the FRS website more mobile friendly, reviewing all of our publications, trying to simplify and update the content, give it a new look and feel, and finalizing a recommendation and looking at whether or not private real estate would be an appropriate vehicle in the retirement date funds, and finalizing whether or not an alternative investment vehicle would be appropriate as well.

One of the things we will be engaging Aon Hewitt to look at is a best practice review, are we doing what we need to do as far as our investment fund lineup. We've been in it two years now with the new lineup. Are we doing what we should? And that will begin sometime after the new year. And with that, I'll turn it over the Kristen. Any questions? Thank you.

MS. DOYLE: Thanks. So you've heard a lot about the investment plan, so I will be brief. On an annual basis, we take a little bit of a deeper dive into the

program, give you a view of the fund options that are available to participants and the structure of those. I'm going to focus mainly on the structure of the program.

And this is a pretty high level, so what Joan mentioned that we will be working with staff on will be much more detailed than what you see today. But the key observations are here. So just at a high level, the investment plan does offer a diverse set of investment options, and we look for that across asset types, investment strategies or styles and risk and return profiles to ensure that participants that are not using the target retirement date funds can build a diversified portfolio.

Also we want to see low cost options available for participants. So those are passive options. Those are available in the plan. And then we also look for a high utilization of retirement date funds, which we see in this plan. Over 40 percent of participants, as you saw from one of Joan's slides, are in the target retirement date funds. And we prefer that because obviously that's an institutional style asset allocation that's rebalanced for them on a periodic basis, and so it takes out that decision-making.

And then in terms of performance, I present performance for this plan on a quarterly basis, and it's consistently been strong, meaning that the active options in the plan are continuing to outperform collectively their own respective benchmarks.

So investment structure is one of the most -- we believe one of the most important aspects of a DC plan because it's really the structure of the plan that drives the decision-making that participants have in terms of their asset allocation. And we believe that a good structure can actually drive positive decision-making.

So you can see that structure articulated here that the FRS investment plan has adopted. And we've seen participants make better investment decisions if you associate various tiers within the plan with a certain type of investor. So you can see here a custom retirement date fund would be for a novice or a disinterested investor. So if I deem myself that that describes me, then I'm going to go into the target retirement date fund, and then so on, all the way down to the brokerage window, which is for a very active or skilled investor.

So the number of fund options is also very important in terms of structure. Obviously too many options confuses participants and actually disengages

them from making good choices. Not having enough doesn't allow them to build a well-diversified program, so having a mix -- or having a good balance between too many and not enough. And at 12 investment options, that's very much within best practices and in line with other peer plans.

We already looked at asset allocation, so I won't spend a lot of time here, but 42 percent are in the target date funds. We would expect that number to increase as more and more continue to default into the target retirement date funds. The balance is here, so you can see that the -- there's about 14 percent in the passive options. So that's a pretty healthy allocation to the lowest cost options in the plan. And then the balance is in the actively managed options and the brokerage window.

So the brokerage window is relatively new. But at 4 percent, that's very much in line with what we see in terms of adoption rate for brokerage windows across the DC marketplace.

And then here, we compare the investment plan's available options to a universe of other DC plans, just to see -- we did this as kind of a test to see if there's anything that's missing. And as you can see here, there's very little in terms of options available in the FRS plan that are not available in other plans. Joan mentioned that we're going to start to look at potentially having a real estate fund in the target retirement date funds. So real estate and other illiquid alternative investments have, in terms of interest, have been growing in the DC marketplace. But there are obviously a lot of challenges to that, daily liquidity, daily valuation and other things. So that's why you see that number very, very low.

And then again wanting to have options across the risk and return spectrum. This is not the only way to measure whether you have the right level of diversification, but it's one way. And this is just a risk/return chart. So these are the retirement date funds. You can see that they range from low risk, low return, for those presumably, hopefully, that are closest to retirement, up to the riskier end for those that are younger and have more time to invest. And then a similar picture for the passive options and then for the active options.

And then in terms of fees, so you have about 40 percent of the population that's invested in your active options. So we want to make sure that the fees are as competitive as possible and at the scale that the FRS investment plan is at. We want to make sure

that we're in institutional funds at the lowest cost. And similar to the data that Joan showed, the investment options all have a lower expense ratio. So participants are paying very, very low fees compared to the rest of the mutual fund industry for the active options.

And then performance here at the total fund level. So over the longer-term time periods, consistently outperforming their respective benchmarks, as I already mentioned.

And then I just wanted to touch very briefly on this slide. So this actually is really not -- this isn't specific to the FRS investment plan, but it kind of gives you a picture of where the DC marketplace is headed. So what are we focused on now and what do we think we need to be focused on moving forward as these plans become more sophisticated, as they grow in size and have larger participant bases.

So just to touch on a few. So accumulation has been a huge topic over the last couple of years. There's been a huge push to try to get participants to increase their balances, to increase their contributions, because we know that investment return is important, but accumulation is even more important. So getting participants to increase their contributions has been a big push.

And then going forward into the future, as we get the accumulation, then what happens when you retire with that particular balance and how do you kind of turn that into a DB-like, defined-benefit-like annuity over the lifetime of your retirement.

A couple of other things. Communication. You just heard about all of the specific targeted communication and education that the FRS investment plan is providing. And that is something that we've seen grow and become more sophisticated over the last couple of years as well, and we will continue to see that.

Investment options, fewer, more focused, more institutional in nature. That goes to the white label funds that we have here. So participants aren't making manager decisions, that your staff and consultants that have the expertise are making those manager decisions.

And then the last thing that I will touch on is fees. So this is obviously a really big topic in the DC marketplace. As we've seen more transparency, we've seen this sort of unbundling of admin fees and investment management fees. And so there's a fixed cost for the administration, that's per participant, and there's the investment management fees. So having

more transparency and unbundling those components has been very beneficial to participants in terms of getting fees to a manageable level and also helping them recognize what are the fees that they're paying for their programs.

And these are a lot of the topics that you would see us cover in our best practices review of the program that we'll do sometime this year. Happy to take any questions.

MR. PRICE: Thank you, Kristen. Thank you, Joan.

MR. WENDT: I have a question for Ash.

MR. PRICE: Yes, Gary.

MR. WENDT: I think the defined benefit program has an implied rate of return in it, doesn't it? And isn't it 7 percent?

MR. WILLIAMS: The implied rate of return concept you're talking about, which is currently 7.62, is an actuarially assumed rate of return that the legislature sets for appropriations purposes. It has nothing to do with the benefit expectation of the beneficiary, because by definition what drives the benefit in a defined benefit plan is a formula that's years of service times some accumulation level times average final compensation. Whereas in a defined contribution plan, what's defined is the amount of money going in, and then of course what you would get out of it is a function of the compounding of that money over time through investments.

MR. WENDT: I don't know whether -- I maybe can't ask this question correctly. But it would seem today, if there is an implied return of 7 percent or so, 7.62, in the defined benefit program, it would be very difficult to match that in today's world.

MR. WILLIAMS: I think you're right. We don't disagree.

MR. WENDT: Okay. So you have a tough job selling this stuff here.

MR. PRICE: Any other questions? The next agenda item is a review of our major mandates. Kristen, I think it's going to be your job; is that right?

MS. DOYLE: I will wrap it up with a quick performance update at the end, but I think you're going to hear from each of the SIOs.

MR. PRICE: Each individual segment. So, Tim, would you like to start on global equity?

MR. TAYLOR: Yes, sir, absolutely. My name is Tim Taylor. I'm joined by my colleague Alison Romano. We are senior investment officers in global equity. Our benchmark rose one quarter of 1 percent in the first quarter of 2016. If we just left it at that, that

wouldn't do the quarter justice. If you'll turn in the hard copy material to page three, I'll also display this graphically up on the screen. So this, what I'll call an innocent-looking return hides a tremendously volatile quarter of two extremes, fear and then risk on. Fear ruled until February 11th, and it was real easy to identify this turn in the market. And then it was risk on through the end of the quarter.

Equity markets sold off. People came back from holiday, and everybody started selling. Markets were off 12, 13, 14 percent, fears of a global economic slowdown, in particular China, falling commodity prices and also worries about banking stocks worldwide. However, the markets rallied back, gained all of that back and a little bit more, to finish positively. Commodity prices increased, particularly oil, iron ore. Central banks' announcements were viewed very well with respect to the ECB and also China, and somewhat positive economic news in the U.S.

Perhaps most notably -- and you'll see this on the graph -- emerging markets was the best performing region, rising 5 percent. I think it's notable because for a long time emerging markets have lagged all of the (inaudible).

Page four, this is an attempt to show you a very basic, how the global equity asset class is structured. And we try to diversify our asset class in a diversified manner such that it will outperform in a variety of market conditions. The left side are some items, descriptive when fear took hold early in Q1. And then if you look at the right side, under risk on, indicate reasons cited for the surging market beginning on February 11th.

The lower portion of page four displays some strategies present in the global equity asset class. When markets are weak, defensive active managers should preserve capital by focusing on low beta stocks or those with high yields or stocks with stable earnings. On the other hand, when markets are strong and rising, managers geared to a cyclical recovery or focusing on growing companies should meet or exceed the benchmark.

So our aggregate also includes fundamental and quantitatively driven managers. We have core. We have growth. We have a value focus in terms of style. All of this is consistent with structuring a diversified asset class.

That said, Q1 was a very difficult environment for active managers. Our portfolio was not immune. And you can see our performance on page five. Global equity's active managers generally trailed their

benchmarks in Q1, and our asset class underperformed by nine basis points. That said, global equity remains ahead of its benchmark on a fiscal year to date basis and for all other periods ending March 31st, 2016.

So with this background in mind, this environment in mind, Alison is going to take over and begin discussing the primary drivers of global equity performance. And this is on page six in the handout.

MS. ROMANO: So as Tim mentioned, this is a very difficult type of environment for our active managers, and we'll break down within the aggregates what worked and didn't work. I would like to emphasize, our passive management, both internal and external, continued to deliver as expected. So despite the market volatility, they are delivering, and it's important to have that ballast in this environment. Our international and global managers continue to do well. And we did face challenges with our U.S. active management. And I will delve into that in a bit more detail momentarily.

A couple of points to make. A good sort of microcosm of what we do is our a global aggregate. We have a number of managers here which are quite defensive. So we saw through that February 11 time frame, those managers did incredibly well. And when the market turned, they didn't give back all that much. And, therefore, we're seeing very strong numbers, as you can see here, from our dedicated global managers, up 2.6 percent for the year over the benchmark.

Likewise, our foreign developed standard managers are doing well. They tend to like quality and growth, and having that exposure over the year paid off, and being underweight, for instance, Japan and European financials in the early part of the year paid off.

Emerging markets, it's a very clear story here. China. The way our managers are positioned in China drives the results. And they are underweight China, and they also select -- have very specific criteria for selecting names they do hold in China, and those did well. That led to the outperformance of our emerging market aggregate.

Now on the U.S. side, a couple of points to make. It is negative. We have much less exposure to active management on the U.S. side. And you can see that in the weights. So we have, for instance, 19 percent, over 19 percent with active management in our foreign managers, large cap, and only 7 percent with our U.S. managers. The other point I'd make is that we have far fewer managers. So we don't get a diversification benefit, as we do with our foreign managers. So you

will see more volatile returns because we lose some diversification benefit.

With that in mind, the reason that we have underperformed in the large cap active side, we have a manager we've been with a very long time, just pure factor headwinds. The process had worked until this past year. We have no reason to believe it won't work in the future, but it impacted performance. We also have a concentrated manager that had some very idiosyncratic risk. And I point to these two, again, because that really did influence that negative 4 percent one year active return.

On the small cap side, it's very much a story of our growth managers. In this market, even in an up market, earners, defensive growth were favored, and we tend to have growth managers that lean more toward the high end of growth and future growth type opportunities. So we saw some negative returns there.

All that being said, we are very focused on these aggregates and understanding what's going on here. We have already made some changes and we continue to evaluate the space, but we will continue to be patient where patience is merited.

And finally I would just add, on the currency program, although showing a negative number for the one year, since inception, it continues to be additive to the asset class, exceeding our expectations in terms of risk to reward and risk contribution in terms of lowering the risk of the overall --

MR. PRICE: The currency program is hedging foreign investments simply or trading?

MS. ROMANO: The currency program is purely an active strategy.

MR. PRICE: With a macro manager.

MS. ROMANO: With currency-focused managers. Turning to the next slide, some accomplishments we'd like to highlight for this year to date. As we discussed in our last quarterly meeting, we were going to launch and now we officially have launched our factor index strategy, taking advantage of factors which we think can outperform the market cap weighted index. Launched it in May officially. A very short time period, but so far it is performing as expected. Again, leveraging our internal capabilities.

We continue to provide liquidity. Two billion dollars through April were raised in our group. And we take advantage of those opportunities to rebalance among our managers. So we monitor the performance, what the managers are contributing. And we use that as a guide as to where to raise that liquidity.

Finally, I would like to highlight some changes we've made on the operations side to improve and drive alpha. We continue to make great strides in customizing the tools that we use, both with external managers and internally, to really understand what's driving the risk, what's driving the returns, how are we positioned, how are we structured.

And I have to compliment our team on the developments that they have made there, because that is going to help us, going forward, make better decisions. We also are very focused on costs, particularly with trading. And we have moved to one transaction cost analysis provider to monitor both equity and foreign currency cost.

And, finally, we are invested in a lot of countries around the world. And over time we have seen a continued increase in changing regulation, changing tax schemes. And we have a great team within global equity and across the board who are constantly evolving and making sure that we are keeping track of that. And we couldn't do what we are doing with separate accounts if we didn't have a strong team there. And they continue to make efforts to make sure that that happens so we can drive alpha. That's all I had. Are there any questions for Tim or I?

MR. PRICE: Thank you. Katy, do you want to go with fixed income?

MS. WOJCIECHOWSKI: I just have a couple of quick comments on the market. I always think it bears repeating that we are the sleep well at night category. So that said, our returns through the end of March were 2.20. Fiscal year to date through the end of May were actually 3.09. So sleeping well, but not --

MR. COBB: Whoever is speaking, we cannot hear.

MS. WOJCIECHOWSKI: I'm sorry. I'll try and speak into the mike better. Is that better?

So year to date, fiscal year to date through end of May was 3.09. Returns much improved. We had the same -- the same chart would apply to risk on, risk off that global equity showed you. Through February and March, active management was very challenged, but passive management kind of won the day.

We have provided good returns across all periods. And even with -- and I'm going to top you, Alison. We provided about two and a half billion of liquidity this year and about 5 billion for the fiscal year to date. And when you think about the fact that we are only 20 percent of the portfolio, that's a big chunk of change to come up with.

MR. COLLINS: She's trying to one-up you, Alison.

MS. WOJCIECHOWSKI: I believe I said that. On the next page, you'll see our risk is pretty low. This is at the same time that we dropped from 50 percent in passive, which theoretically has zero active risk, to 40 percent in passive. So it just -- it speaks to the fact that all of our active managers are playing it pretty close to the vest as well. So we currently have about 30 basis points of active risk, which is really pretty low when you think about it.

We did take opportunities, if you can look on the next page, with the -- that's the OAS chart on the left, so option adjusted spreads that were available. We saw a big backup in February. Remember Tim's chart showing the risk off until it was risk on. So we did pick up our bets on credit at that point, but it was very tactical because we kind of feel a little bit nervous about where we are in the business cycle. So we've actually let that run off a bit.

My top chart, though, shows you assets that have been purchased by central banks. And I point that out because today is the first day that we're starting to see ECB purchases of credit, corporate credit. So InBev, Telefonica, Renault, big purchases already. And we'll continue to see that most likely.

Bottom right you can see just total demand, the green chart, so increase -- if you think about insurance companies, sovereign funds around the globe, the need for credit and the available credit. When you think of the things that are getting scooped up by central banks around the globe, there's not a lot available. So every new issue we see, it continues to be very well received. We have to make sure we get as much allocation as we can, because it's also a challenge to buy things in the secondary market. So we continue to work on outlets for that.

And then just a couple of quick comments. As we look forward, you'll see on the bottom, bottom right, kind of demand throughout the globe. That's just the same thing I highlighted on the previous chart. On the bottom left, you look at the -- and I thought this was an interesting idea, the amount of debt outstanding, and that when you think of the yields available, so currently the ten year U.S. Treasury is at 1.70 plus, 1.70 and change. Yesterday the ten year Bund went below five basis points again. So not a lot of yield available in the world to pay for things. Think about it that way. So that's on our mind, how do we come up with that.

Also you have to think, all right -- I'm going to jump forward to one chart on the next page. We've seen

total return come from both coupon, which I just told you there's not a lot available in the world, and price appreciation. With the ten year at 1.70, you're not going to get much out of price appreciation. So you have to look at, okay, what's the yield on the index. And think about around 2 percent is about what you can expect, with about a three and change year duration. So not a lot of excitement going on there going forward.

So the things that we're thinking about is kind of protection at this point. Things that we worry about, the Fed, obviously. I have a Coca-Cola bet, which I'm probably losing, that the Fed is going to hike in June. That's, I'm pretty sure, off the table. The market would tell you it's absolutely off the table, zero percent, only 60 percent priced in through December, so -- actually through Feb. of '17. So not much expectation that the Fed is going to raise a lot.

Brexit, which is coming up very soon, polls say slightly more likely to happen. Don't know. The election. And with regards to the election, you have to price in what are the -- you know, look at the likely candidates, the presumptive candidates, and very trade unfriendly on one side. So think about that. And then, as you mentioned, China. So those are kind of the big things that we're putting into our portfolio.

MR. PRICE: Thank you very much. What's your largest position?

MS. WOJCIECHOWSKI: U.S. Treasuries, just by nature. Sixty percent of our benchmark -- and don't forget we're all investment grade or primarily investment grade. Sixty percent in Treasuries, mortgages and agencies.

MR. PRICE: Thank you very much. Steve, real estate. We left off at the last meeting with a discussion about the real estate fund and left off with a discussion of whether it was levered enough. I think we were at 17 percent leverage against the underlying properties. And we got from Townsend a report discussing the impact of leverage. Didn't get too deep into it. But I thought maybe if you commented on the portfolio and then we'd follow up a little bit with the leverage discussion, if that's okay.

MR. SPOOK: Okay. Good afternoon and thank you. The last time I presented we did a deep dive, March 30th of this year. And there were several comments and then a presentation. I mentioned that -- and this was focused on the direct owned, or what we call our principal investments portfolio -- that

leverage was at about 17.9 percent. I think it's important to note that activity since 12/31, which the numbers were based on, 12/31 of '15, we've had acquisitions and we've had dispositions and we've had refinancings. And pretty much every disposition -- and we've had a couple of big ones -- have been unlevered assets. And every acquisition that we've made since year-end has been a levered asset.

Then you bake in transactions that may not have closed yet but are in process right now, either being marketed for sale or we're actively in due diligence to buy them. So you bake all that in, and that 17.9 percent loan to value goes up to 21.9 percent. Now, our benchmark, the ODCE, is at 21.1 percent. So we're actually in excess of that.

If you look at the total real estate portfolio, which is not just principal investments or direct owned investments, but you include our commingled funds, so our total private real estate portfolio, we go up to 24.9 percent. And that's as of 12/31/15, so actually a little higher now.

So I think we agree with you that debt is very attractive today. We still have limits per policy and per risk budget, so we can't go crazy on it, but we do agree it's a good time to be increasing it at this time.

MR. PRICE: Thank you. Would you like to continue with a portfolio discussion?

MR. SPOOK: Sure. Given that we, Lynne Gray, Mike Fogliano and myself just did a deep dive, I'll keep this one pretty short. So on the first page we've got the total real estate portfolio performance. You can see over all periods we outperformed. That would look the same if we went back ten years and since inception.

On the next page is our principal investments or direct owned portfolio, and we outperformed in all periods there, too, versus the primary benchmark. We equaled it for the one year versus the ODCE, which is basically a secondary benchmark, because the primary benchmark is a blend.

Going to the next page, the externally managed portfolio, which is REITs and commingled funds, we outperformed for the three year and the five year versus the primary benchmark, underperformed for the one year. That's a little bit misleading because the benchmark is 10 percent REITs, and the externally managed portfolio has 20 percent REITs in it. Absolute returns for REITs were terrible last year. We have a target of 10 percent for the total asset class. It's just this portfolio is where the entire 10 percent

resides.

And just to show you on the next page where we are by sector allocation, we're very close to our 80/20 target, at 81 percent core, 19 percent non-core. And it's showing 9.4 percent real estate allocation to the total defined benefit program. As of today, it was actually 9.3 percent.

Going to the next page, we show property type diversification. The only areas where we're above benchmark exposure is apartments, which we actually don't mind because at this point in the cycle it's pretty defensive. So that's a position we like. And other, which includes ag, student housing, medical office buildings and senior housing, which again at this point in the cycle we think is good to be overweight there, being theoretically countercyclical.

MR. COLLINS: Can I ask a question?

MR. PRICE: Sure, Peter.

MR. COLLINS: On your office exposure, do you-all spend some time with Townsend or do you do it on your own, looking at the longer-term trend there on office, or are there certain markets where you're looking at longer trends and you're just saying, you know what, we're lowering this, or this isn't the way the next ten years are going to go?

I happen to agree with your underweight, but I'm wondering if that's a conscious decision on your part or if that's just where you are today.

MR. SPOOK: We do spend a lot of time, not just with Townsend, but with all our managers and with the research that we get, looking at trends both in open office design, is that something -- you know, hoteling, traditional office design. You know, is that hoteling, where nobody even has a work station, they just come in and plug in their laptop, is that an enduring trend?

So that's all stuff that we have to understand because that affects the kind of forward plate that you look at when you're buying a building or making a decision to sell a building.

As to markets, yes, we spend a lot of time analyzing that. Just to use an example, if I were to buy office in Atlanta, I wouldn't anticipate that being a ten year hold. That's a trading market. It's too easy to build there. If I bought office in Los Angeles and New York, I would buy it anticipating a ten year hold. So we look at all those different trends.

Being underweight office right now is really more a function of our high exposure to -- 12 percent exposure to other, which has very little exposure in the benchmark, and through commingled funds. So in our

direct owned portfolio, I think you'd see that we are a little bit overweight versus office, but I don't have that breakdown with me here.

MR. COLLINS: Overweight other versus office?

MR. SPOOK: Office versus the benchmark.

MR. COLLINS: In your direct owned.

MR. SPOOK: In the direct owned. So a lot of this underweight is being driven by our commingled fund (inaudible).

And the next page is our geographic diversification. We're fairly in line with the benchmark, with a little bit of exposure, overexposure to the western region, which we don't mind. But we're working on that through a potential marketing of a large asset.

This next page is intended to show the type of cash flow the asset class generates. In periods where you see large in-flows or large out-flows, it's either the result of an acquisition, a disposition, or generally you see the biggest cash flows at quarter end when we get distributions.

Some commentary on this page, on the real estate market environment, I could go through each point here, but the gist is that real estate fundamentals are strong. At the same time, certain metrics, such as cap rates and price per square foot and price per unit are all extremely rich. So essentially this means we've got to buy more carefully than ever before, sell opportunistically, which we have been doing, focus on asset selection and focus on growing NOI at the existing properties.

And, finally, the last page, I show recent activity, which is activity since I last reported to the IAC. We had no new acquisitions, although we do have a closing tomorrow on a new 80 percent pre-leased development in Denver. And we had two successful dispositions, both high-rise multifamily in Chicago.

MR. COBB: Steve, excuse me. This is Chuck Cobb. I'm going to have to get off the phone now. I'm in an airplane. So thank you very much, and I'm sorry I have to sign off. Talk to everybody soon. Bye.

MR. SPOOK: Safe travels.

MR. WILLIAMS: Thanks, Ambassador.

MR. COLLINS: So the one you're closing is in Denver?

MR. SPOOK: We have a closing tomorrow in Denver on a development site. The building is 80 percent pre-leased.

MR. COLLINS: Have they started construction?

MR. SPOOK: Not yet.

MR. COLLINS: Is it office?

MR. SPOOK: Office. But it's largely de-risk, 80 percent, great location.

MR. COLLINS: How big is the deal?

MR. SPOOK: It's about, just over 300,000 square feet. And we have several other -- we have two properties currently being marketed for sale, and another property is being prepared for marketing.

Under commingled fund commitments, we made one European opportunistic commitment, 100 million. And today we're closing on another European value add commitment. That's all I have, unless there are any questions.

MR. PRICE: Any questions on real estate? Thank you very much, Steve. Trent, would you like to discuss our strategic and private equity investments?

MR. WEBSTER: As soon as I figure out how to use this. There we go. So just as a quick reminder, we are the alternative asset class. We're here to generate a real return of 5 percent, to diversify the FRS, to provide a hedge against inflation and to invest opportunistically.

We go to the next page and we look at the strategic investments portfolio. This is by sub-strategy. The blue part of the graph, that's debt.

And the pink part of the graph, that's equity. Now, at the beginning of the first half of the third fiscal quarter, we were getting very excited because everything was going down, and we started calling our managers and saying, We might be interested in doing something with you, because we've been shrinking that blue and pink part of the pie for the last few years, and we were hoping maybe we could start expanding it again. But markets rallied, and so our managers were a little disappointed.

The green part is real assets. That's about 20 percent of the portfolio. The purple part of the graph is what we call diversifying strategies. These are low correlation strategies. So Tim had mentioned earlier that markets were down about 12, 13 percent by the middle of February. We canvassed our managers to get an approximation of how we thought we were doing in our diversifying strategies, and we were up 1 percent while the market was tanking down. So that was working as we had wanted it.

The yellow part is what we call flexible mandates. That's mostly multi-strategy and event-driven hedge funds. And if we can't find a classification for something, we put that into special situations.

We lagged our benchmark slightly in the quarter.

We were down 21 basis points compared to down 15 basis points for the benchmark. We have beaten our benchmark on a one, three and five year basis, and actually since inception as well. We also look at ourselves relative to a 5 percent premium over CPI. This is consistent with our long-term policy objective of generating a real return of 5 percent over time. We lagged both in the quarter and on the one year. We have outperformed on a three and five year basis, and we lagged since inception.

Go to the next page. On recent activity, $485 million went out the door. We've had net cash outflows of $1.1 billion. So we'd like to thank Katy and Tim and Alison for being a liquidity supplier to us. We hired five new funds during the quarter, with investment activity of 675 million. And this quarter we've actually hired three new funds. So we've closed on another fund since we sent this presentation out. So we've had investment activity of $450 million in this quarter.

In our own internal processes, when we are looking to invest in a new strategy, we have to get it -- we have to present a white -- or write a white paper, then present it to the various bodies internally. So we recently wrote a white paper on insurance. And if we go back to here, we would include insurance in that diversifying strategies, because insurance tends to be uncorrelated with most asset markets. We currently do not -- we don't really like insurance right now as an investment opportunity, but that can change over time.

MR. PRICE: This is, what, setting up a reinsurance company in Bermuda as a side pocket to a current Bermuda insurer, a sidecar?

MR. WEBSTER: Well, it could be a wide range of things, from cat bonds to sidecars to industry loss warrants. But the idea would be to access a variety of different insurance markets. Most people think of that as reinsurance. But we have talked to firms about participating in buying blocks of runoff insurance, for example, which can be attractive at times. So we haven't done anything on that yet, but we're getting this approved, and then we're going to wait. And when insurance markets get attractive, then we would move into it.

MR. WILLIAMS: The key to that area now, as Trent said, is there's so much capital chasing yield that the returns aren't what we think would make them desirable. But it's better to learn the space and the players and be ready to go when the time is go, and that way you know what to do when it's appropriate to do anything.

MR. PRICE: And this would be a nonassessable equity type investment. You wouldn't be insuring anyone. You would be financing an insurance or reinsurance company.

MR. WEBSTER: Yeah. We would be financing a structure which would be involved in it. And that could be through the cat bond market. It could be doing just the bonds. It could be setting up a corporation. You know, we would be doing it through some sort of fund structure, is what we would be doing it through.

MR. COLLINS: One more question.

MR. PRICE: Sure.

MR. COLLINS: So is that one where -- let's say that you devote $100 million to it. Do you have additional exposure beyond the $100 million if there's -- or are you signing up for certain tranches or losses? Would you limit, I should say, would you limit your exposure?

MR. WEBSTER: Yes. So this page doesn't change a whole lot. We do think that -- this is the market opportunities page, for people on the phone. We do think that there are some very interesting opportunities arising in energy. Sheila and John had mentioned some of the stuff that was going on in energy earlier. We're starting to see things shake out on the credit side. So because of the contraction of capital in energy, both in the high yield market and also in the banks reducing their borrowing lines, we're starting to see energy companies coming to our managers at quite attractive terms.

And there's a pretty big arbitrage, from what we understand, between the public and private markets. We haven't dedicated a lot of money into energy and commodities, but it is something that looks quite interesting right now. We also think there could be some opportunities in dislocated credit that is being driven by some regulatory actions. But as you can see, most of this stuff is somewhat episodic and nichey as opposed to broad beta opportunities because asset prices remain elevated. That's all I had. Are there any questions?

MR. PRICE: Thank you, Trent. Thanks very much. Kristen, do you want to go over the mandates briefly?

MS. DOYLE: Yes, I will. Thank you. So I'll start with the pension plan. So this is just a snapshot of asset allocation, which indicates that the actual allocations for each of the asset classes are in line with their target allocations as of March 31st. Here's performance through March 31st. You just heard

a lot about the individual performance of the asset classes, but just as a summary, so the pension fund relative to the performance benchmark, which is a weighted average of the underlying benchmarks for each of the asset classes, just slight underperformance for the quarter. Outperformance over the one year period, although the absolute return was flat.

There was some downside protection that was afforded to the FRS during the one year period. And a lot of that came from private equity, from real estate and from strategic investments, where you saw positive returns, and fixed income, too, where you saw positive returns for the quarter, as opposed to -- or for the year, as opposed to the negative equity returns that we experienced during that period.

And then over all other trailing time periods, outperforming the performance benchmark, with just a little bit of underperformance relative to that absolute nominal target rate of return over the 10 and the 15 year period. But we like to look at that measurement over even longer periods. And you can see the continued outperformance of the pension fund relative to that absolute nominal target rate of return over the 20, 25 and 30 year periods.

And then relative to peers. So there was a question earlier about how does your asset allocation look relative to our peers. So this is the top 10 defined benefit plans in the U.S. And just to point out a couple of comparisons. So the FRS continues to remain a bit overweight to global equity, a little bit underweight to fixed income and a bit underweight to alternatives. But as we know, we're moving towards a higher allocation to strategic, which will help to shrink that difference, and we've also grown in the real estate asset class as well.

And then in terms of performance, performance has been good relative to peers. So either at the median relative to the universe or better in terms of return compared to those peers. Any questions on performance for the pension?

I'm going to skip, if you don't mind, to the CAT Fund, since we already talked about the investment plan. So the CAT Fund continuing to earn low absolute returns in the low yield environment that we are in, just slight underperformance relative to the performance benchmark over the quarter and the one year period, but outperformance over all other periods.

And then Lawton Chiles, you see here, again, outperformance relative to the performance benchmark over all trailing periods, with a negative return for

the one year period. Again, Lawton Chiles is highly allocated to global equities, and so that's what's driving the negative absolute performance. And I wasn't going to cover the Florida PRIME either, since we already did a deep dive.

MR. PRICE: Are you finished?

MS. DOYLE: Yes. Sorry.

MR. PRICE: Thank you very much. The next item on the agenda, Ash, is a discussion of the compensation subcommittee and the nomination of Vinny Olmstead to join the compensation subcommittee.

MR. WILLIAMS: Yes. And by way of background, the comp subcommittee did a telephonic meeting on 21 April '16, in which Mr. Olmstead participated, and I believe a couple of other members dialed in as well. Peter did. Bobby did. And what we did was basically give you an update of where we are with implementation and tee up what we're trying to do in our budget. You very helpfully embraced what we were doing, which in turn was recognized by the trustees and reflected in their adoption of the budget as proposed.

One of the things we needed to correct is to be sure that the attorney general has a representative on the comp subcommittee. And given that Mr. Olmstead is the general's current nominee on the IAC, pending

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filling of another vacancy, or two, yeah, we thought it would be appropriate to have him join the committee, but the IAC needs to make the decision.

MR. PRICE: Excellent idea. So to make that decision, we have a vote.

MR. WENDT: So moved.

MR. COLLINS: Second.

MR. JONES: Second.

MR. PRICE: It's moved, seconded twice. All approve?

(Ayes)

MR. PRICE: Congratulations, Vinny.

MR. OLMSTEAD: Thank you.

MR. PRICE: There is no further business on the agenda. I'd just like to say, I continue to be very impressed with the work that the SIOs do and their staffs do. We deep dove into real estate, private equity. In real estate we got down to, what was it, pistachio problems and pecan problems in California and how it affected last year's yield? Seriously, we did. And wherever I tried to test valuations, they came up accurate. And, you know, I'm totally satisfied with the work being done in-house here.

So I tell you, you have terrific people, Ash. And the results prove it out. So I have no further

business. If there's any other further business.

MR. WENDT: I have --

MR. PRICE: Gary.

MR. WENDT: -- a question, I guess, or an observation maybe. And I would agree with the quality of the work being done by everybody. There's one chart that I pulled out of here that I'd like to start with to ask this question.

In the last 30 years we have exceeded our target rate of return on average for those 30 years. And yet if I recall, we can only cover our liabilities by 80 percent with what we have. Okay. Now, this year, because we are, as our policy has said, we are mainly in things called global equities and fixed income, which is 80 percent of our portfolio between those two, I think, we are not going to earn 7 percent or 8 percent this year. The world has changed.

So is anybody paying attention to that, and are we as a group, are we supposed to just sit here and listen to information being thrown at us, or are we supposed to do something about the change in the world that's happened to us?

MR. WILLIAMS: It unquestionably is a changed world, and I'm going to answer your question on several levels. Our responsibility is the investment side of this, which is deploying the assets. The funding and the setting of the objectives is up to the legislature, and the setting of the benefits is up to the legislature.

Now, the other thing that's a variable that's reflected in that history of funding is, in the way the question was asked, there was an implied -- and it's a reasonable implication -- link between current funding and the fact that we outperformed the absolute return and the nominal return assumptions for a --

MR. WENDT: Thirty years.

MR. WILLIAMS: -- 30 year period. But more recently that's been challenged in certain time periods, 10 years, 15 years, one year, et cetera. But there's more to it than that, because the fund was significantly overfunded in the late nineties and peaked out at a funding level of 118 percent.

And the legislature made the decision back then that the better use of capital, instead of continuing that high level of funding, would be deliberately to provide contribution holidays for the member employers in the Florida Retirement System, draw down the funding level. So over a period of a decade about $12 billion in contribution holidays were provided for member employers, deliberately drawing down the funding level

of the fund to a little over 100 percent, about 108 percent, I believe, in 2007.

Then when the downturn came, on a mark to market basis, you immediately had some underfunding, which was exacerbated by three consecutive years, the only three consecutive years in the history of the Florida Retirement System where the legislature did not fully fund the system, because they were broke. So that's part of what got us where we are.

To your point, though, we write a letter every year to a group that meets in the fall called the Actuarial Estimating Committee that sets the parameters by which the actuarial analysis is done. One of those parameters is the investment return assumption. And we have been saying for -- I want to say I think we're in our fourth year now, exactly what you just pointed out. This is a tough environment. What used to be a 7.75 percent assumption is perhaps too aggressive and should be reduced.

There was no change in the assumption for the first three years we wrote that letter, and then there was a 10 basis point reduction. So we're currently at 7.65. Over the years, the return assumption has been as high as 8 percent or even higher, I believe. And it's waffled around. And the same tension exists in public retirement funds, where there's a hardwiring between the investment return assumption and, because of the way public accounting works, the net present value of the liabilities, which in turn means there's a hardwiring between the investment return assumption and the cash contributions for the employers. So that's the tension that causes there to be some reticence.

MR. WENDT: Well, you've given a very long history lesson or something, but I'm not worried about all that. Thank you though. We now know and I don't think anyone here expects that we're going to earn 7 percent, given the way our portfolio is structured, in the next few years. Everyone may know we're going to go back to the old days, but I don't think so.

And so instead of being 80 percent of the liability covered, we're going to go backwards. We're going to go down. And I'm just wondering whether we, who sit here and listen to enormous amounts of information once a quarter, should be doing anything about the macro issue here, or do we just let you write that letter every year and keep our fingers crossed?

MR. COLLINS: Maybe we should have him deliver the letter.

MR. WENDT: You know, Illinois can't be far behind.

MR. COLLINS: Don't go there.

MR. WENDT: So what should we do? If you're saying we're not responsible for doing anything, fine. I'm ready to go home anyway. But are we supposed to be addressing these questions with the people who are the politicians in this country, in this state, and letting them know that they need to be thinking about this, they need to be doing something about this?

MR. WILLIAMS: Well, I think our trustees are well aware of that, and we've been clear in our communications. Legislative bodies are a different branch of government, and they have their own priorities. I would say, too, that on the actuarial work, remember we did an update in the last meeting of where we are actuarially. And my recollection is that the intermediate-term trend on our actuarial status is actually mildly positive.

MR. WENDT: But it had assumptions in it about returns which are not going to happen.

MS. DOYLE: But it actually assumes -- sorry to interrupt.

MR. WILLIAMS: Go ahead.

MS. DOYLE: It assumes a lower -- it doesn't assume a 7.65 percent investment return. It assumed about a median of 7 percent. And it still shows that positive trajectory in the funded status, even though you're not going to hit that expected rate of -- the actuarial stated rate of return. That assumes that the legislature makes the contributions as well, but -- sorry to interrupt again.

MR. WILLIAMS: Fair point. So bottom line is, as I recall in that analysis, we had a probability of roughly 50 percent that we would meet or exceed our target. And that's over a period -- I want to say we were looking 15 years forward on that, was the measurement period.

MS. DOYLE: Yes.

MR. WILLIAMS: And what really matters in these sorts of plans is an even longer period. That said, obviously the conservative thing to do is dial back the number. And if you look at what corporations have done, in the past few years, where they've had high levels of cash, many of them, Ford Motor is a great example, have made massive cash contributions to their pension plans to buy down those liabilities, reflecting the lower return environment.

MR. COLLINS: How much is 100 basis points in actuarially assumed return in terms of dollars that the legislature would have to put in?

MR. WILLIAMS: I don't remember the answer to

that. That's a John Benton question. He would have that right off the top of his head.

MR. COLLINS: Is it 5 billion?

MR. WILLIAMS: No.

MR. COLLINS: Is it 1 billion?

MR. WILLIAMS: No. I'm going to say it's maybe a hundred or two million. Does that sound about right?

MS. DOYLE: I thought we maybe did this stress test in our last AL study, but we didn't. But I can get that pretty easily. I can work with John and get that for you. It makes an impact, obviously. And there was a lot of debate at the last conference around that exact topic.

MR. COLLINS: Who are these people? Is it economists?

MR. WILLIAMS: It's basically the legislative budgeting office, the Division of Retirement. And we're a resource as well. And they use an outside actuary, Milliman.

MS. DOYLE: Do you mind if I make one more point? This group does review asset allocation every single year, to kind of get to your question about shouldn't we be talking about the macro issues. And that's the context within which we talk about those macro issues. And a couple of years ago we did make a change to the asset allocation. We increased risk a little bit, took down the allocation to fixed income a little bit and allocated some more assets to real estate and strategic investments. So I would argue that that was a deliberate move on the part of this group to address some of those --

MR. WENDT: We put one toe in a river that's roaring by at 40,000 gallons a second. Anyway, I shouldn't worry. Why should I worry about this? I'm an old man collecting Social Security. And if the pensioners in the future don't have enough money, I did my best.

MR. COLLINS: Unfortunately, I mean, like you said, this debate has been going on a long time in a lot of other states. And I think Florida has perennially been in the top five probably of funded pension funds.

MR. WENDT: Yeah, we're doing well.

MR. COLLINS: That's how bad the rest of the --

MR. WENDT: Maybe we should stay there. I'd like to stay there.

MR. COLLINS: I would, too.

MR. WENDT: That was the only question I had, Mr. Chairman.

MR. PRICE: Thank you, Mr. Wendt. Is there any

other business anyone has? Ash? Thank you very much.

MR. WILLIAMS: Thank you-all.

(Whereupon, the meeting was concluded at 2:55 p.m.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, Jo Langston, Registered Professional Reporter, do hereby certify that the foregoing pages 3 through 124, both inclusive, comprise a true and correct transcript of the proceeding; that said proceeding was taken by me stenographically and transcribed by me as it now appears; that I am not a relative or employee or attorney or counsel of the parties, or a relative or employee of such attorney or counsel, nor am I interested in this proceeding or its outcome.

IN WITNESS WHEREOF, I have hereunto set my hand this 27th day of June 2016.

Jo Langston

JO LANGSTON
Registered Professional Reporter

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MEMORANDUM

To: Board of Trustees

From: Mark Peterson, Chairman
Participant Local Government Advisory Council (PLGAC)

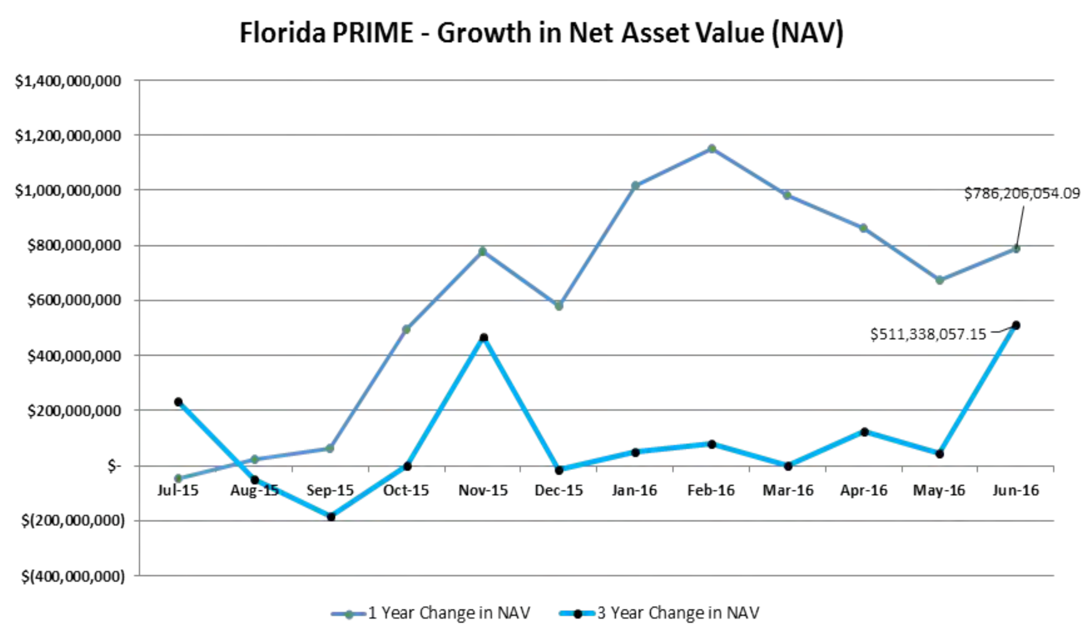
Date: September 1, 2016

Subject: Quarterly Update – Florida PRIME™

The Participant Local Government Advisory Council (the "Council") last met on June 8, 2016 and will meet next on September 22, 2016. Over the prior quarter, the Council continued to oversee the operations and investment management of Florida PRIME.

CASH FLOWS / PERFORMANCE

- **During fiscal year 2016, the pool's net asset value grew by 11.2 percent, or approximately $786 million.**
- During the 2nd quarter of 2016, Florida PRIME™ delivered an aggregate $12.7 million in investment earnings. During fiscal year 2016, the pool distributed $34.1 million in investment earnings.
- Over the quarter ending June 30, 2016 participant deposits totaled $2.7 billion; participant withdrawals totaled $3.5 billion; providing a net decrease in the fund's net asset value (NAV) of approximately $693.2 million.



- Performance of Florida PRIME™ has been consistently strong over short-term and long-term time periods. For the period ending June 30, 2016, Florida PRIME™ generated *excess* returns (performance above the pool's benchmark) of approximately 20 basis points (0.20 percent) over the last 12 months, 14 basis points (0.14 percent) over the last three years, and 16 basis points (0.16 percent) over the last five years. Since the beginning of 2015, and through the five year period ending June 30, 2016, Florida PRIME™ was ranked as the highest performing investment vehicle among all registered money market funds within iMoneyNet's First Tier Institutional Fund Universe.

POOL CHARACTERISTICS

- As of June 30, 2016, the total market value of Florida PRIME™ was approximately $7.8 billion, approximately $0.8 billion higher than the same period in 2015.
- As of June 30, 2016, the investment pool had a seven-day SEC Yield equal to 0.64 percent, a Weighted Average Maturity (WAM) equal to 38.8 days, and a Weighted Average Life (WAL or Spread WAM) equal to 58.7 days.

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Date: August 22, 2016

To: Board of Trustees

From: Kimberly Ferrell, Audit Committee Chair KF

Subject: Quarterly Audit Committee Report

The State Board of Administration's (SBA) Audit Committee met on August 22, 2016 and discussed the following:

I. Charters

We performed the annual review of the Audit Committee and the Office of Internal Audit (OIA) charters:

A. Audit Committee charter: A proposed revised Audit Committee charter is attached to this report for the Board's approval.

B. OIA charter: We approved the revised OIA charter.

II. Audits and Assessments

We reviewed and discussed the following:

A. Results of the following assessments by Ernst & Young:

1. Follow-up assessment of Charles River Investment Management Solution (CRD) trading module and post-implementation assessment related to CRD compliance module
2. Follow-up assessment of the SBA's Disaster Recovery Plan

All recommendations from these assessments have been implemented, except one which is partially implemented.

B. OIA presented the results of the following reports issued:

1. Annual Quality Assurance Self-Assessment: OIA generally conforms to the Institute of Internal Audit (IIA) Standards, the Code of Ethics and the Definition of Internal Auditing
2. Trust Services Operational Audit: Seven findings identified, five were closed prior to issuance of the report and two are in progress.
3. Fourth Quarter Follow-Up: Closed 13 management action plans.

III. Executive Director/Chief Investment Officer Presentation

A. Mr. Williams gave an overview of the FRS fund performance and status.

APPENDIX 2
STATUS OF RECOMMENDATIONS
AS OF AUGUST 22, 2016

IV. Request for Quote (RFQ) for the audits of the financial statements of the Florida Hurricane Catastrophe Fund (FHCF) and the SBA Finance Corporation and to perform agreed-upon procedures or SSAE 16 over the controls of the FHCF's third party service provider

A. The Audit Committee reviewed and approved the draft RFQ, the proposed members of the evaluation team and the proposed universe of providers to solicit responses

B. We also reviewed and approved the proposed changes to the protocols for engaging and overseeing external audits.

V. Status of Invitation to Negotiate (ITN) for FRS Pension Trust Fund and Investment Plan Trust Fund Financial Statement Audits

A. Crowe Horwath was selected as the auditors for the FRS audits. SBA is in the process of negotiating the contract with Crowe.

VI. Internal Audit

A. The Audit Committee reviewed and approved the revised OIA Annual Audit Plan for the fiscal year 2016-17.

B. We received an annual update on the following:
1. OIA began sending client surveys for FY 2015-16 and presented the results from the surveys for eight projects issued during the fiscal year.
2. The OIA professional staff completed the required training and development for the fiscal year 2015-16.

C. We received a quarterly update on the following:
1. Status of 2015-16 Annual Audit Plan: All planned work is complete.
2. Status of 2016-17 Annual Audit Plan: Planned work is on schedule.
3. Status of 2016-17 OIA department goals
4. Status of Open Management Action Plans/Recommendations – See Appendices 1 and 2

VII. Risk Management and Compliance (RMC)

The CRCO provided the following updates:

A. No compliance issues to report.

B. The new Manager of ERM was introduced.

C. The annual risk assessment will be performed in collaboration with OIA. Our annual risk assessment will be performed in December 2016.

APPENDIX 1
STATUS OF MANAGEMENT ACTION PLANS
AS OF AUGUST 22, 2016

1. OPEN MANAGEMENT ACTION PLANS BY YEAR & RISK RATING

Year	High (Risk Rating)	Medium (Risk Rating)	Low (Risk Rating)	Total (Risk Rating)	%
2013			1	**1**	2.7%
2015	4	10	3	**17**	45.9%
2016	2	5	12	**19**	51.4%
	6	15	16		100%
	16%	41%	43%		

2. DETAILS OF MANAGEMENT ACTION PLANS

Report Title	Report Date	High (Risk Rating)	Medium (Risk Rating)	Low (Risk Rating)	Total (Risk Rating)	NYI (Status)	PIRP (Status)	OTV (Status)	Total (Status)	%
Strategic Investments Operational Audit (OIA)	08/05/2013			1	**1**			1	**1**	2.7%
Operational Audit of the SBA's Procurement and Contract Monitoring (Auditor General)	01/09/2015		1	2	**3**			3	**3**	8.1%
Network Security Assessment 2015 (Ernst & Young)	02/13/2015		2		**2**		1	1	**2**	5.4%
Post-implementation assessment of the Charles River Investment Management Solution (Ernst & Young)	02/13/2015	1			**1**		1		**1**	2.7%
Travel Services Operational Audit (OIA)	02/13/2015		2	1	**3**	3			**3**	8.1%
Data Loss Prevention Assessment 2015 (Ernst & Young)	02/19/2015		1		**1**	1			**1**	2.7%
Florida PRIME Application Access Controls Audit (OIA)	07/10/2015	2	1		**3**	3			**3**	8.1%
Accounts Payable Continuous Audit (OIA)	08/07/2015		2		**2**	2			**2**	5.4%
WIRE Application Access Controls Audit (OIA)	11/09/2015	1	1		**2**	2			**2**	5.4%
Fixed Income Trading Activities Operational Audit (OIA)	01/29/2016		1	1	**2**	1	1		**2**	5.4%
Network Security Assessment 2016 (Ernst & Young)	04/29/2016	1	3	11	**15**	4		11	**15**	40.6%
Trust Services Operational Audit (OIA)	07/25/2016	1	1		**2**	2			**2**	5.4%
		6	15	16		18	3	16		100%

Management Action Plans relating to findings from audits performed by internal or external auditors.
The OIA monitors and performs follow-up procedures on these recommendations in accordance with the IIA Standard 2500.A1. In certain cases, follow-up procedures are performed by external auditors.

Legend:

- **NYI - Not Yet Implemented**
- **PIRP - Partially Implemented and the Remainder is in Progress**
- **OTV - OIA to Verify**

APPENDIX 2
STATUS OF RECOMMENDATIONS
AS OF AUGUST 22, 2016

DETAILS OF OPEN RECOMMENDATIONS

Report Title	Report Date	Status: IMP	Status: Total	%
Office of Defined Contribution Programs Advisory Engagement (OIA)	03/02/16	1	1	100%
		1		100%

Advisory recommendations made by OIA or external consultants resulting from an assessment of a program or activity such as governance, risk management, compliance, ethics, disaster recovery preparedness program, etc. The OIA monitors the disposition of these recommendations in accordance with the IIA Standard 2500.C1.

Legend:
IMP - Implemented, as represented by SBA management

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CHARTER OF THE AUDIT COMMITTEE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA

A. PURPOSE:

Acting pursuant to Section 215.44(2)(c), Florida Statutes, the Board of Trustees ("Board") of the State Board of Administration (SBA) has established an Audit Committee (the "Committee") whose purpose is to assist the board in fulfilling its oversight responsibilities. The Committee shall serve as an independent and objective party to monitor processes for financial reporting, internal controls and risk assessment, audit processes, and compliance with laws, rules, and regulations.

B. AUTHORITY:

The Committee's authority comes from Section 215.44(2)(c), Florida Statutes and from the Board. The Committee has the authority to direct the Board's independent external auditors, the SBA's Chief Audit Executive ("CAE") or the SBA's Office of Internal Audit ("OIA") staff to conduct an audit, review, and/or a special investigation into any matters within the scope of the Committee's responsibility.

C. MEMBERSHIP:

The Committee shall consist of three (3) members appointed by the Board. Members shall be appointed for four (4) year terms. A vacancy shall be filled for the remainder of the unexpired term. Per statute, the persons appointed must have relevant knowledge and expertise as determined by the ~~board~~Board.

The Committee will annually elect its chair and vice chair from its membership by majority vote of the members. A member may not be elected to consecutive terms as chair or vice chair.

Each Committee member will be independent and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee and will be required to complete an annual independence statement.

D. MEMBERSHIP QUALIFICATIONS:

The Committee members are appointed by the Board pursuant to ~~s.~~Section 215.44(1)(c), Florida Statutes. At the time of his or her appointment, each member shall be independent and financially literate according to the following standards:

1. Each member must meet the independence ~~requirement~~requirements of the United States Securities and Exchange Commission (SEC) with respect to the activities and funds of the State Board of Administration.
2. Each member must be able to read and understand fundamental financial statements, including balance sheet, income statement and statement of cash flows and have working familiarity with financial practices applicable to fiduciary trust, banking, brokerage, asset management or other similar financial services operations.

The Board shall consider the following guidelines when appointing members to ensure the ~~Audit~~ Committee, as an entity, has the collective knowledge, skills, and abilities necessary to accomplish its statutory mission. Members must possess one or more of the following attributes:

1. Financial expertise as defined in the “audit committee financial expert” corporate governance rules and regulations of the SEC.
2. Investment literacy consistent with a current working knowledge of investment products commonly used by institutional investors.
3. Knowledge and experience in the practice of internal and/or external auditing, including familiarity with current auditing standards.

The Board shall endeavor to ensure at least one member is deemed to meet the requirements of an “audit committee financial expert” as defined by the corporate governance rules and regulations of the SEC, to the extent practical.

E. MEETINGS AND COMMUNICATIONS:

The Committee shall meet four (4) times annually, or more frequently as deemed necessary by the Committee. All Committee members are expected to attend each meeting in person or via teleconference or video conference. The Committee may not conduct any meeting with fewer than three (3) members present. The Committee may ask members of the SBA management or others to attend meetings and provide pertinent information as necessary. The CAE, in conjunction with the Committee chair and the Executive Director & CIO, will ensure that meeting agendas and appropriate briefing materials are prepared and provided in advance to ~~members~~the Committee and SBA management. Minutes of all Committee meetings will be prepared and approved.

The Committee is subject to Florida's Government in the Sunshine Law (Sunshine Law) as set forth in Chapter 286, Florida Statutes. The Sunshine Law extends to all discussions and deliberations as well as any formal action taken by the Committee. The law is applicable to any gathering, whether formal or casual, of two or more members of the Committee to discuss some matter on which foreseeable action will be taken. Reasonable public notice must be given for all such gatherings. In the event any meeting or portion thereof would reveal information that specifically is made exempt under the Sunshine Law, the Committee either may hold a separate closed meeting to discuss the exempted information or the Committee can close the portion of the publicly noticed meeting in which the exempted information is discussed but will notify the public of such closed meeting in a manner advised by the SBA's General Counsel (or his or her designee). The Committee will make an audio or other recording in the manner advised by the SBA's General Counsel (or his or her designee) of all or any portion of a meeting that is closed because of such exemption.

F. REPORTING RESPONSIBILITIES:

The Committee shall report periodically, but no less than quarterly, to the Board and the Executive Director & CIO of the SBA regarding the Committee activities, issues, and recommendations.

G. DUTIES AND RESPONSIBILITIES:

The primary duties and responsibilities of the Committee are to:

1. Financial Reporting

- Review the annual financial statements of all Trust Funds required to be audited and any certification, report, opinion, or review rendered by internal or external auditors.

- Inquire as to the external auditors' independent qualitative judgments about the appropriateness, not just the acceptability, of the accounting principles and clarity of financial disclosures practices used or proposed to be adopted by SBA.

- Inquire as to the external auditors' views about whether management's choices of accounting principles are conservative, moderate or aggressive from the perspective of income, asset and liability recognition, and whether those principles are common practices or a minority practice.

- Review, in consultation with the external auditors and the CAE, the integrity of SBA's financial reporting processes.

2. Internal Controls and Risk Assessment

- Review OIA or external evaluation of the effectiveness of the SBA's process for assessing significant risks or exposures and the steps management has taken to monitor and control such risks, including internal controls.

- Review significant findings and recommendations of the auditors (internal and external) with management's responses, including the timetable for implementation of recommendations to correct weaknesses in the internal controls.

- Review with the independent auditors, CAE and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the SBA and review any significant recommendations for the improvement of such internal control procedures or particular areas where more effective controls or procedures are desirable.

3. Compliance

- Review OIA or external provider's evaluation of the effectiveness of the system for ensuring compliance with laws, rules, regulations, policies, and procedures and the results of management's investigation and follow-up of any instances of noncompliance.

- Review the findings of any examinations by regulatory agencies.

- Review information from management and legal counsel regarding compliance matters.

- Review reports on compliance activities from the Chief Risk and Compliance Officer.

- Review the results of the externally commissioned governance, risk and compliance review as it pertains to compliance activities.

4. Enterprise Risk Management

- Review quarterly reports on enterprise risk management activities from the Chief Risk and Compliance Officer.

- Review the results of the externally commissioned governance, risk and compliance review as it pertains to enterprise risk management activities.

5. Internal Audit

- Review and approve annually, in consultation with the Executive Director & CIO and the CAE, the OIA Charter, annual audit plan, budget, staffing, and organizational structure of the internal audit department. Confirm and assure the independence and objectivity of the OIA.

- Receive internal audit reports and a progress report on the approved annual audit plan on a periodic basis.

- Assist the Board in decisions regarding the appointment and removal of the CAE.

- Review periodic internal and no less frequently than every five years self-assessment with independent external validation of quality assurance reviews required by the Standards.

6. External Audit

- Search, select, and engage external audit firms by approving:
  - Scope of work for competitive solicitations
  - Selection process
  - ~~Final engagement letters (for execution by the Executive Director & CIO)~~
  - External audit firms selected by the evaluation team chaired by the CAE or the CAE's designee)

- Meet, as needed, with the representatives of the Auditor General and other external auditors regarding the proposed scope and approach of their external auditing functions and subsequently the results of their audit of the SBA.

- Meet, as needed, with representatives of OPPAGA regarding its review of the performance of the SBA.

- Review with management the results of all audits, including any difficulties encountered by the auditors or disputes with management during the course of their audit. External auditors will be consulted, as needed.

7. Other Responsibilities

- Review and assess the adequacy of the Committee Charter no less than annually, and request Board approval for the proposed changes.

- Commission a SBA governance, risk management and compliance (GRC) program evaluation and performance improvement analysis (including the assessment of the utilization and effectiveness of both the internal and external audit functions) to be performed by an external provider no less frequently than every three years and incorporating input from SBA management.

- Directing the CAE to conduct investigations into any matters within its scope of responsibility and obtaining advice and assistance from outside legal, accounting, or other advisers, as necessary, to perform its duties and responsibilities.

While the Committee has the responsibilities and the authority as set forth in Section 215.44(2)(c), Florida Statutes, and this Charter, it is not the responsibility of the Committee to plan or conduct individual audits, reviews and/or investigations, to attest to the SBA's financial information or condition, to resolve disagreements, or to assume responsibility for compliance with laws, rules, regulations, policies, procedures, the Employee Handbook, or the Code of Ethics.

STATE BOARD OF ADMINISTRATION
OF FLORIDA

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CHARTER OF THE AUDIT COMMITTEE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA

A. PURPOSE:

Acting pursuant to Section 215.44(2)(c), Florida Statutes, the Board of Trustees ("Board") of the State Board of Administration (SBA) has established an Audit Committee (the "Committee") whose purpose is to assist the board in fulfilling its oversight responsibilities. The Committee shall serve as an independent and objective party to monitor processes for financial reporting, internal controls and risk assessment, audit processes, and compliance with laws, rules, and regulations.

B. AUTHORITY:

The Committee's authority comes from Section 215.44(2)(c), Florida Statutes and from the Board. The Committee has the authority to direct the Board's independent external auditors, the SBA's Chief Audit Executive ("CAE") or the SBA's Office of Internal Audit ("OIA") staff to conduct an audit, review, and/or a special investigation into any matters within the scope of the Committee's responsibility.

C. MEMBERSHIP:

The Committee shall consist of three (3) members appointed by the Board. Members shall be appointed for four (4) year terms. A vacancy shall be filled for the remainder of the unexpired term. Per statute, the persons appointed must have relevant knowledge and expertise as determined by the Board.

The Committee will annually elect its chair and vice chair from its membership by majority vote of the members. A member may not be elected to consecutive terms as chair or vice chair.

Each Committee member will be independent and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee and will be required to complete an annual independence statement.

D. MEMBERSHIP QUALIFICATIONS:

The Committee members are appointed by the Board pursuant to Section 215.44(1)(c), Florida Statutes. At the time of his or her appointment, each member shall be independent and financially literate according to the following standards:

1. Each member must meet the independence requirements of the United States Securities and Exchange Commission (SEC) with respect to the activities and funds of the State Board of Administration.
2. Each member must be able to read and understand fundamental financial statements, including balance sheet, income statement and statement of cash flows and have working familiarity with financial practices applicable to fiduciary trust, banking, brokerage, asset management or other similar financial services operations.

The Board shall consider the following guidelines when appointing members to ensure the Committee, as an entity, has the collective knowledge, skills, and abilities necessary to accomplish its statutory mission. Members must possess one or more of the following attributes:

1. Financial expertise as defined in the "audit committee financial expert" corporate governance rules and regulations of the SEC.
2. Investment literacy consistent with a current working knowledge of investment products commonly used by institutional investors.
3. Knowledge and experience in the practice of internal and/or external auditing, including familiarity with current auditing standards.

The Board shall endeavor to ensure at least one member is deemed to meet the requirements of an "audit committee financial expert" as defined by the corporate governance rules and regulations of the SEC, to the extent practical.

E. MEETINGS AND COMMUNICATIONS:

The Committee shall meet four (4) times annually, or more frequently as deemed necessary by the Committee. All Committee members are expected to attend each meeting in person or via teleconference or video conference. The Committee may not conduct any meeting with fewer than three (3) members present. The Committee may ask members of the SBA management or others to attend meetings and provide pertinent information as necessary. The CAE, in conjunction with the Committee chair and the Executive Director & CIO, will ensure that meeting agendas and appropriate briefing materials are prepared and provided in advance to the Committee and SBA management. Minutes of all Committee meetings will be prepared and approved.

The Committee is subject to Florida's Government in the Sunshine Law (Sunshine Law) as set forth in Chapter 286, Florida Statutes. The Sunshine Law extends to all discussions and deliberations as well as any formal action taken by the Committee. The law is applicable to any gathering, whether formal or casual, of two or more members of the Committee to discuss some matter on which foreseeable action will be taken. Reasonable public notice must be given for all such gatherings. In the event any meeting or portion thereof would reveal information that specifically is made exempt under the Sunshine Law, the Committee either may hold a separate closed meeting to discuss the exempted information or the Committee can close the portion of the publicly noticed meeting in which the exempted information is discussed but will notify the public of such closed meeting in a manner advised by the SBA's General Counsel (or his or her designee). The Committee will make an audio or other recording in the manner advised by the SBA's General Counsel (or his or her designee) of all or any portion of a meeting that is closed because of such exemption.

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- Inquire as to the external auditors' views about whether management's choices of accounting principles are conservative, moderate or aggressive from the perspective of income, asset and liability recognition, and whether those principles are common practices or a minority practice.

- Review, in consultation with the external auditors and the CAE, the integrity of SBA's financial reporting processes.

2. Internal Controls and Risk Assessment

- Review OIA or external evaluation of the effectiveness of the SBA's process for assessing significant risks or exposures and the steps management has taken to monitor and control such risks, including internal controls.

- Review significant findings and recommendations of the auditors (internal and external) with management's responses, including the timetable for implementation of recommendations to correct weaknesses in the internal controls.

- Review with the independent auditors, CAE and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the SBA and review any significant recommendations for the improvement of such internal control procedures or particular areas where more effective controls or procedures are desirable.

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- Review OIA or external provider's evaluation of the effectiveness of the system for ensuring compliance with laws, rules, regulations, policies, and procedures and the results of management's investigation and follow-up of any instances of noncompliance.

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- Assist the Board in decisions regarding the appointment and removal of the CAE.

- Review periodic internal and no less frequently than every five years self-assessment with independent external validation of quality assurance reviews required by the Standards.

6. External Audit

- Search, select, and engage external audit firms by approving:
  - Scope of work for competitive solicitations
  - Selection process
  - External audit firms selected by the evaluation team chaired by the CAE or the CAE's designee)

- Meet, as needed, with the representatives of the Auditor General and other external auditors regarding the proposed scope and approach of their external auditing functions and subsequently the results of their audit of the SBA.

- Meet, as needed, with representatives of OPPAGA regarding its review of the performance of the SBA.

- Review with management the results of all audits, including any difficulties encountered by the auditors or disputes with management during the course of their audit. External auditors will be consulted, as needed.

7. Other Responsibilities

- Review and assess the adequacy of the Committee Charter no less than annually, and request Board approval for the proposed changes.

- Commission a SBA governance, risk management and compliance (GRC) program evaluation and performance improvement analysis (including the assessment of the utilization and effectiveness of both the internal and external audit functions) to be performed by an external provider no less frequently than every three years and incorporating input from SBA management.

- Directing the CAE to conduct investigations into any matters within its scope of responsibility and obtaining advice and assistance from outside legal, accounting, or other advisers, as necessary, to perform its duties and responsibilities.

While the Committee has the responsibilities and the authority as set forth in Section 215.44(2)(c), Florida Statutes, and this Charter, it is not the responsibility of the Committee to plan or conduct individual audits, reviews and/or investigations, to attest to the SBA's financial information or condition, to resolve disagreements, or to assume responsibility for compliance with laws, rules, regulations, policies, procedures, the Employee Handbook, or the Code of Ethics.

STATE BOARD OF ADMINISTRATION
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MEMORANDUM

To: Ash Williams

From: Michael McCauley

Date: September 6, 2016

Subject: Quarterly Standing Report - 2Q 2016 / Investment Programs & Governance

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GLOBAL EQUITY PROXY VOTING & OPERATIONS

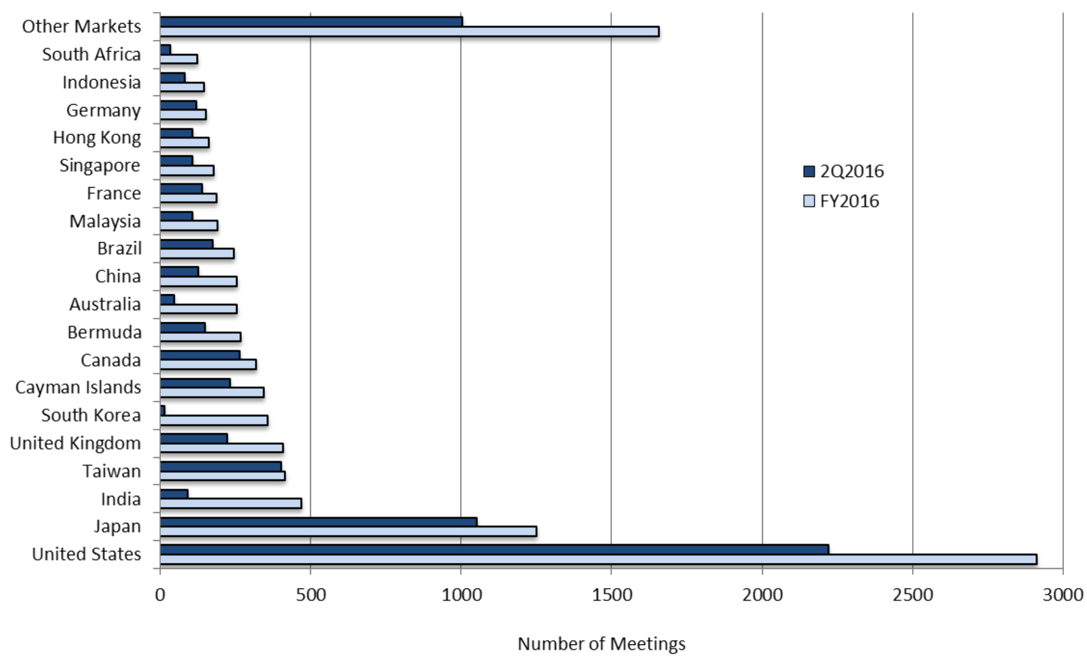
The SBA cast votes at over 10,300 public companies, voting more than 97,000 individual ballot items during the 2016 proxy season. Individual voting items included director elections, audit firm ratification, executive compensation plans, merger & acquisitions, and a variety of other management and shareowner proposals. Across all voting items, the SBA voted 76.5 percent "For'', 20.2 percent "Against", 3.1 percent "Withheld", and 0.2 percent "Abstained" or "Did Not Vote" (due to various local market regulations or liquidity restrictions placed on voted shares). Of all votes cast, 22.2 percent were "Against" the management-recommended-vote (up from 19.4 percent during the same period last year). Among all global proxy votes, the SBA cast at least one dissenting vote at 7,689 annual shareowner meetings, or 74.6 percent of all meetings. The table below provides major statistics on the SBA's proxy voting activities during the most recent quarter ending on June 30, 2016:

Votes in Favor / All Ballot Items 77.1%	**Votes with Management's Recommendations** 78.3%
Total Shareowner Proposal Votes 1,640	**Total Eligible Ballot Items** 71,126
% of Meetings with ≥ 1 Against Votes 78.2%	**Total Eligible Proxies** 6,708

CORPORATE GOVERNANCE & PROXY VOTING OVERSIGHT GROUP

The most recent meeting of the Corporate Governance & Proxy Voting Oversight Group (Proxy Committee) was on June 21st, and the Committee is scheduled to meet next on September 26th. The Proxy Committee continues to discuss ongoing governance issues including the volume and trends for recent SBA proxy votes, company-specific voting scenarios, corporate governance policies, governance-related investment factors, major regulatory developments and individual company research related to the Protecting Florida's Investments Act (PFIA) and other statutory investment requirements.

The SBA actively engages portfolio companies throughout the year, addressing corporate governance concerns and seeking opportunities to improve alignment with the interests of our beneficiaries. Highlights from the 2016 proxy season included the continued record adoption of proxy access by U.S. companies, record high votes of dissent on pay packages for executives in the United Kingdom, and strong gains in the level of independence among Japanese boards of directors. Votes were cast within 81 countries, with the top five countries comprised of the United States (2,913 votes), Japan (1,251), India (470), Taiwan (416), and the United Kingdom (409). The chart below provides total meeting counts for each market in which the SBA has invested and cast proxy votes during the most recent quarter and full fiscal year ending June 30, 2016:



ANNUAL CORPORATE GOVERNANCE POLICY REVIEW

The SBA reviews and updates when necessary its Corporate Governance Principles and Proxy Voting Guidelines. This year, we streamlined the document and revised many of the guidelines in order to simplify some of the language and provide a broad view of what elements are material to staff when making proxy voting decisions. We also consolidated guidance on some voting resolutions where possible to avoid redundancy and reorganized the proposal types into five main categories, described below:

- Board of Directors—these voting items concern the election of the board members, as well as chairmanship and committee service, and the processes that govern the frequency, setting and outcome of elections.

- Investor Protection—these voting items impact the ability of shareowners to access information needed to make prudent decisions about ownership and to exercise their rights to influence the board, election processes, and governance structure of the company.

- Corporate Structure—these proposals include corporate restructurings, capital structure changes, changes to the articles of incorporation and other various operational items. While some topics are considered routine, they are not inconsequential. Some have profound impact on shareowner value and rights.

- Compensation—compensation is an area that merits particular oversight from investors, as it exemplifies the delicate principal-agent relationship between shareowners and directors. Directors create compensation plans, often with the assistance of compensation consultants, which aim to motivate performance and retain management, but the plans can be very complex. Properly evaluating compensation plans is an important shareowner duty.

- Business Conduct—these proposals cover risks such as product safety, environmental impact, and human rights abuses. We support these proposals when their adoption seems prudent in light of the current circumstances and the proposed actions may reasonably be considered to have a cost-effective, protective impact on shareowner value.

NOTABLE RESEARCH & GOVERNANCE TRENDS

Shareowner Activism

In its first half 2016 report, the shareowner activism research firm Activist Insight ('AI') reported that 30 board seats were gained by activists at U.S. companies following proxy contests resolved through June 30, 2016. AI found a 17 percent increase year-over-year in the number of companies publicly subjected to activist demands, and a 35 percent increase in the number of companies publicly targeted by activist short-sellers. On a global basis, the Financial and Services sectors as well as small capitalization firms (i.e., those with between $250 million and $2 billion in market value) have received the highest level of interest among activists through the first half of the year.

Mutual Fund Director Tenure

Survey data from consultant Management Practice Inc. shows that independent directors are serving on mutual fund boards of directors (or trustees) for an average of 12 years—up from an average of nine years in 1996. The average age of a mutual fund director stands at 66 years old. According to MSCI ESG Research, board members among the companies in the S&P 500 index serve for approximately 8 years and have an average age of 63. Similar to board members at public and private companies, mutual-fund directors select and monitor executive managers tasked with providing investment management responsibilities over shareowners funds. Some critics of higher mutual fund director tenure believe the trend is a symptom of a deficient corporate governance framework, with poor succession planning and insufficient levels of independence. Although mutual fund directors govern a fund's money managers, they typically do not pick individual investments. In 2015, mutual fund directors received median annual compensation of $87,188. Given the retail orientation and widely dispersed investor base, achieving shareowner approval via director elections is relatively more difficult for mutual funds when compared to publicly traded firms. Although required by the Investment Company Act of 1940, the SEC has not implemented prescriptive regulations covering director tenure, age limits or other requirements.

Passive Investors More Likely to be Active Owners

Researchers analyzed whether the growing proportion of passive investors has influenced the campaigns, tactics, and success of activist investors. The study found that activists are more likely to pursue changes to corporate control (e.g., direct board representation) and to forego more incremental changes to corporate policies (e.g., via shareholder proposals) when a larger share of a company's stock is owned by passively-managed (indexed) investors. Higher passive ownership was associated with an increase in hostile and costly tactics like proxy contests, with subsequent higher probability of the activist achieving board representation or the sale of a targeted company. The study's authors stated, "our findings suggest that the increasingly large ownership stakes of passive institutional investors mitigate free-rider problems associated with certain forms of intervention and ultimately increase the likelihood of success by activists."

Sustainability Factors

The number of shareowner proposals filed on sustainability issues since 1999 has almost tripled. Using recently published accounting standards, researchers classified 2,665 shareowner proposals addressing environmental, social and governance (ESG) issues as either financially "material" or "immaterial." The study is one of many that attempt to analyze how proposals on material versus immaterial issues affect firms' subsequent ESG performance and stock market valuation. Although the study found that 58 percent of the shareowner proposals reviewed were filed on immaterial issues, filing shareowner proposals was indeed found to be an effective method to improve the performance of the company. Many such investor proposals do not receive majority levels of support. Nonetheless, the study found improvements occurring across both material and immaterial issues, with proposals on material issues associated with subsequent increases in firm value. The authors stated, "We show that companies increase performance on immaterial issues because of agency problems, low awareness of the materiality of ESG issues, and attempts to divert attention from poor performance on material issues."

Executive Compensation

In a recent study by MSCI, companies that awarded their Chief Executive Officers (CEOs) higher equity incentives were found to have below-median stock returns. The MSCI analysis included a sample of 429 large-cap U.S. companies with executive compensation data from 2006 to 2015. Study authors stated, "On a 10-year cumulative basis, total shareholder returns of those companies whose total summary pay (the level that must be disclosed in the summary tables of proxy statements) was *below t*heir sector median *outperformed* those companies where pay *exceeded* the sector median by as much as 39%." MSCI plans to augment the study in the future by incorporating additional forms of "realizable" or "realized" compensation, making adjustments for performance and vesting conditions. The study also noted that current SEC regulations do not require companies to report total summary incentive pay over a CEO's entire tenure, making it difficult for investors to gauge the effectiveness of incentive frameworks and the overall pay-for-performance relationship.

ACTIVE OWNERSHIP & CORPORATE ENGAGEMENT

From late May through early September, SBA staff conducted engagement meetings with several companies owned within Florida Retirement System (FRS) portfolios, including Regions Financial Corporation, Red Electrica, and Time Warner.

In early August, the Council of Institutional Investors sent letters to almost 200 large-capitalization U.S. companies with plurality voting standards. The Council letters encourage each firm to adopt majority-voting standards—requiring a simple majority of shareowners to approve a director's election to the board. While most large companies elect directors by majority vote, thousands of smaller companies still use plurality voting. In the letter, Council Executive Director Ken Bertsch wrote that with plurality standards, uncontested directors can "win elections upon receiving one favorable vote." The SBA's corporate governance and proxy voting guidelines strongly supports the use of legally-binding majority voting election standards across all public equity markets.

LEADERSHIP & SPEAKING EVENTS

Staff periodically participates in and often is an invited presenter at investor and other governance conferences. Typically these events include significant involvement by corporate directors, senior members of management, and other key investor or regulatory stakeholders. The following items detail involvement at events that occurred recently:

- On June 13th, SBA staff co-signed a letter from over two dozen members of the Council of Institutional Investors (CII) to the U.S. House Financial Service Committee related to the 'Corporate Governance Reform and Transparency Act of 2016 (HR 5311)'. In the middle of May, SBA staff submitted written testimony on the same proposed legislation. CII's letter provided additional commentary to the Committee detailing how the proposed legislation could "weaken public company corporate governance in the United States; lessen the fiduciary obligation of proxy advisors to investor clients; and reorient any surviving proxy advisors to serve companies rather than investors."

- During late July, SBA staff participated as a member of the selection jury for a joint United Nations Environmental Program (UNEP) and Principles for Responsible Investment (PRI) academic research project titled, "Examining Factors of Success for Investor-Company Engagement on ESG Issues." The research is designed to bridge academic research with input from investment practitioners. The PRI invited 'Expressions of Interest' (EoI) for research examining which factors create successful investor-company engagement on environmental, social and governance (ESG) issues. The research is designed to address the following key questions: 1) How can investors and companies have a constructive engagement on ESG issues?; and 2) How effective are investor collaborations in conducting engagements with companies on ESG issues and influencing corporate behavior? The project is expected to start in August 2016 and be completed within 12 months. Specific areas of focus for the research include the type and size of shareowner activities, level of expertise by investor representatives, corporate ESG reporting, and group collaboration efforts.

- On September 1, 2016, SBA staff co-signed a letter from over two dozen members of the Council of Institutional Investors (CII) to the U.S. Senate Committee on Banking, Housing, and Urban Affairs related to the same proposed legislation highlighted in CII's June 13th letter to the House of Representatives.

HIGHLIGHTED PROXY VOTES

Stada Arzneimittel AG (Germany)—for the August 26th shareowner meeting, which lasted over 14 hours, the SBA voted shares in a rare vote for the German equity market at drug maker Stada Arzneimittel AG. An activist investment manager, Active Ownership Capital, sought to remove four incumbent directors from the supervisory board including both its Chairman and Vice-Chairman. The dissident investor's efforts were supported by a second activist manager, Wyser-Pratte Management, which has an extensive track record in targeting firms in France and several other countries within Europe. The company's performance has been relatively poor compared to direct peer firms across several dimensions, leading the SBA to support half of Active Ownership Capital's director proposals. The new nominees are viewed to improve the supervisory board's independence, lower its average director tenure and strengthen industry experience. The SBA also voted against the company's remuneration system due to outsized levels of pay coupled with poor disclosure and insufficient independence on the compensation subcommittee. The company has reported that its Chairman was ousted and five new members had been appointed to the supervisory board. The pay plan was also voted down by shareowners during the marathon meeting, receiving approval from only 1 in 4 of Stada's investors. Surprisingly, none of the director nominees received a majority level of support, an issue that Active Ownership Capital is reportedly pursuing legally.

WPP plc (Jersey)—for their June 8th meeting, the SBA voted against the approval of the company's remuneration framework due to outsized relative-pay levels and above market incentive caps. Over 30 percent of all other shareowners voted against the pay structure, up from just over 20 percent in 2015. Although not legally incorporated in the UK, WPP chose to follow similar regulations that require UK firms to submit their remuneration reports for non-binding shareowner approval each year and also to receive binding shareowner approval every three years. The SBA voted against one individual director due to a low attendance rate, but supported all other management items. The company's performance has exceeded the FTSE All-Share index and direct peers over the last 1, 3, and 5 year time periods. The pay vote at WPP was one of several annual meetings during the 2016 proxy season in the UK with high opposition to pay practices. The following table indicates dissent levels on corporate pay practices at UK firms during 2016 (the SBA voted AGAINST the pay plans at all six companies).

***Anglo-American*—42% of investors voted AGAINST** Large increase in annual and bonus award.	***British Petroleum (BP)*—59% of investors voted AGAINST** Pay package included a 20 percent rise for CEO despite a loss of $5.2 billion in net income.
***Royal Dutch Shell*—14% of investors voted AGAINST** Above market pay with large bonus component.	***Shire*—49% of investors voted AGAINST** Base pay of CEO increased by 25 percent, leading to above market pay within industry.
***Smith & Nephew*—53% of investors voted AGAINST** Despite missing return target, 60 executives awarded bonuses.	***WPP*—33% of investors voted AGAINST** CEO received a one year pay raise of 65 percent.

Source: Wall Street Journal, SBA voting disclosure.

Ashford Hospitality Prime (United States)—for their June 10th meeting, the SBA voted against the full board of Ashford Hospitality Prime, a real estate investment trust (REIT), due to material concerns surrounding director qualifications, related party transactions, and poor long-term performance. The company has made substantial investments in a hedge fund run by the CEO and also made contractual arrangements to use the same fund to provide administrative and asset acquisition services for the REIT. Shortly after the dissident investor campaign was made public, the REIT's board approved the issuance of nearly 4.4 million "penny-preferred" shares with voting rights, representing 13.3 percent of the company's voting shares. These new preferred shares were distributed to holders of units in the company's operating partnership. The firm also successfully sued its 3rd largest shareowner, Sessa Capital, in an attempt to block a proxy contest. Most investors view the firm's executives as conflicted and believe the full board has not fulfilled its fiduciary responsibility to shareowners. None of the seven director nominees up for re-election to the board received a majority level of support from investors. All directors received less than 38 percent support from shareowners—one of the lowest aggregate support levels for any U.S. company in history. John Petry, Sessa Capital's principal investment officer, stated, "We believe this is the first time that stockholders holding a majority of the outstanding stock of a New York Stock Exchange company withheld votes from an entire board of directors." Common in such scenarios, directors are required to submit their resignation given the low voting support. Unfortunately, the board typically does not accept such offers of resignation and the same director(s) are nominated anew to serve on the board.

In late summer, Ashford Hospitality Prime announced plans to reform its corporate governance framework in response to the historic vote of no confidence across all incumbent directors. As part of the governance reforms, the board has agreed to adopt a majority voting standard in the election of directors, adopt a proxy access mechanism, and several other adjustments to its executive compensation structure. The board demoted the CEO and will also appoint two new directors. Since the inception of being a publicly-traded company, Ashford lost 31 percent of its value through the date of the last shareowner meeting. Since mid-June, the company's stock has performed better, rising by over 11 percent through late August. Ashford is currently entertaining a takeover offer from the Weisman Group.

Facebook (United States)—on June 15th, 2016, the SBA voted its 4.1 million shares of Facebook, Inc. in accordance with SBA voting policies. The SBA withheld support from several directors due to concerns surrounding the proposal to establish a new class of non-voting stock not in the best interests of shareowners; specifically, director members of the Special Committee overseeing the reclassification proposal did not adequately perform their duties. The SBA voted against several executive compensation-related management proposals tied to the reclassification ballot item, and also voted against several director compensation items required by prior investor litigation. Most notably, the SBA voted against a management proposal to establish a new Class C capital stock (i.e., "triple-class" stock structure) and related management proposals. Finally, several investor proposals were supported—all advisory—improving reporting of board oversight of political contribution and lobbying practices, improving gender pay disclosures, improving sustainability reporting, and a proposal to recapitalize all stock to have a one-share/one-vote structure. The SBA voted with management on all remaining items, including the external auditor and the company's executive compensation practices. As noted by one of the SBA's external proxy advisors, "While the company formed a special committee of independent directors when evaluating the company's new capital structure [sic] as discussed in Item 7A, the committee failed to faithfully represent the interests of the holders of Class A stock in negotiating a self-interested transaction that was brought to the board by the controlling shareholder. Though the company has presented shareholders a proposal to create a new class of stock, there is no approval carve-out requiring majority support of Class A shareholders." A second proxy advisor stated, "Since the Company's initial public offering, shareholders have been well aware of their limited ability to influence the Company's board and Mr. Zuckerberg. We also believe that few would begrudge the Company (especially Mark Zuckerberg, who is almost universally acknowledged as a technology visionary) the benefit of the doubt when it comes to setting the Company's strategic direction and creating shareholder value over the long-term. Nonetheless, given our general opposition to unequal voting rights and the likelihood that the gulf between economic and voting rights will only expand over time under this new structure, we find the reclassification (and the board's complicity in approving it) to be, from a governance perspective, detrimental to shareholders, not to mention unnecessary given the existing voting structure. Despite the inevitable approval of the reclassification due to Mr. Zuckerberg's control, we believe shareholders should voice their discontent with the change."

Volkswagen (Germany)—for the June 22nd shareowner meeting, the SBA voted all of its shares against the members of the German carmaker's supervisory and management boards. The SBA also supported shareowner proposals submitted by German shareowner association DSW and by the Luxembourg-based investor advisory firm Deminor Recovery Services asking for the launch of an external investigation in Volkswagen's boards' oversight of the 2015 emissions scandal. Both investor proposals seek to determine whether the members of the boards acted in breach of their fiduciary duties. The SBA supported a ballot item approving the distribution of income and dividends to ordinary and preferred shareowners, despite the company’s continued financial struggle. It was reported that members of the Porsche and Piech families, which control about 52 percent of Volkswagen's voting shares, signaled their opposition to the dividend payout. And British activist investor The Children's Investment Fund Management (TCI) recently launched a campaign for a reduction in Volkswagen's labor costs and for a review of the carmaker's management compensation policies, which the firms has since promised to evaluate further. Shares in the German carmaker have lost approximately a quarter of their value over the last 12 months.

Ultratech (United States)—on July 19th, the SBA voted the dissident proxy card in support of all nominees. Neuberger Berman, the company’s 4th largest shareowner, launched a proxy contest at Ultratech in March, ultimately winning two seats on the board. Just days after the contested election, the firm announced efforts to complete a $60 million share buyback plan, originally approved in 2014. In the three years ending July 19th, the company’s stock price had decline by almost 15 percent. In a little over two months since the new directors were elected to the board, the share price has risen by over 4 percent.

GLOBAL REGULATORY & MARKET DEVELOPMENTS

France—the National Assembly approved a new transparency, anticorruption and economic modernization bill, dubbed “Sapin II” after Finance Minister Michel Sapin. The new law will require legally binding say-on-pay votes at listed French companies in 2017. Under the new law, shareowners will pre-approve or reject compensation plans including stock options and deferred salaries for both senior executives and all board directors. The new law is a direct result of problems at government-owned firms including Renault and PSA Peugeot Citroën during the last couple of years. Existing regulations in the French code of corporate governance, the AFEP-MEDEF, already includes a ‘comply-or-explain’ best practice for French companies to adhere to say-on-pay votes.

Japan

In July, the Tokyo Stock Exchange (TSE) published an update to its prior report on the appointment of independent directors at TSE-listed Japanese companies. As of July 2016, the TSE report indicated that: 1) 79.7 percent of the 1st Section (largest market cap) firms appointed two or more independent directors, an increase of over 31 percent from the prior year; and 2) 97.1 percent of the 1st Section firms appointed independent directors, an increase of over 10 percent from the prior year. A key driver of the significant increase in the level of independent directors is the policy change by Institutional Shareholder Services (ISS) to recommend for its clients to vote against the top executive(s) if the board will not include at least two outside directors on its board. Although many foreign investors had already developed similar policies, the ISS policy amendment caused many domestic institutional investors to change their internal proxy voting guidelines this year. Another driver of governance reforms has been the further implementation of Japan’s Corporate Governance Code. Japanese firms continue to struggle in their efforts to improve corporate performance, specifically their return-on-equity (ROE) figures.

On July 28th, the Government Pension Investment Fund (GPIF) established two new global investor working groups: 1) a Business and Asset Owner’s Forum; and 2) a Global Asset Owner’s Forum. The SBA was appointed as a new member of the Asset Owner’s Forum and will share its experience and policies with staff of the GPIF as they continued to develop their internal program. The Forum is intended to act “as a venue of sustainable exchange of opinions with non-Japanese asset owners which have made advanced approach in ESG investments.” The GPIF stated, “We will utilize their sophisticated expertise and also feed discussions with non-Japanese asset owners to companies and our external asset managers.”

Malaysia
On March 24th, the Bursa Malaysia announced a significant set of amended listing rules including a move to full voting-by-poll for all resolutions at annual general meetings. Previously, only related party transactions had to be voted by poll. The new rule will apply for all meetings dated on or after July 1, 2016.

United States
On June 27th, the Securities and Exchange Commission (SEC) moved to require energy companies to disclose payments to governments for extracting oil, gas and minerals. The rule enforces Section 1504 of the 2010 Dodd-Frank Act, affecting over 700 companies with such activities. The SEC's press release stated the new rules, "are intended to further the statutory objective to advance U.S. foreign policy interests by promoting greater transparency about payments related to resource extraction." The final rules define commercial development of oil, natural gas, or minerals as exploration, extraction, processing, and export, or the acquisition of a license for any such activity. The rules define "not de minimis" as any payment, whether a single payment or a series of related payments, which equals or exceeds $100,000 during the same fiscal year. Payments that must be disclosed are: taxes; royalties; fees (including license fees); production entitlements; bonuses; dividends; payments for infrastructure improvements; and, if required by law or contract, community and social responsibility payments. Affected companies are required to comply with the rules starting with their fiscal year ending no earlier than September 30, 2018.

On July 1st, 2016, the SEC approved a change to the listing rules of the NASDAQ stock market, requiring listed companies to publicly disclose payments made by third parties to any directors or director candidates in connection with their candidacy for, and/or their service on, company boards of directors. Such payments are referred to as "golden leashes" and are typically paid to director nominees by activist investors. Although comprehensive in scope, the new rule does not apply to the reimbursement of expenses incurred in connection with a director's candidacy. Other exchanges, such as the New York Stock Exchange (NYSE), may enact similar listing standards in the future. The new rule is in response to payments made by activist investors to director nominees in order to recruit experienced candidates. In an SEC filing, NASDAQ described its rationale for the new rule: "The proposed rule to require listed companies to disclose third party compensation and payments in connection with board service is intended to provide meaningful information to investors and to address potential concerns with undisclosed compensation schemes without creating unnecessary burdens on directors or those making the payments."

STATE BOARD OF ADMINISTRATION
OF FLORIDA

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MEMORANDUM

To: Ashbel C. Williams, Executive Director & CIO

From: Maureen M. Hazen, General Counsel Maureen M. Hazen

Date: August 31, 2016

Subject: Office of General Counsel: Standing Report
For Period May 12, 2016 – August 26, 2016

SBA Agreements.

During the period covered by this report, the General Counsel's Office drafted, reviewed and negotiated: (i) 50 new agreements – including 5 Private Equity investments, 6 Strategic Investments, 7 Real Estate investments and/or investment management agreements, and 2 new invest management agreements for the FRS Investment Plan; (ii) 182 contract amendments, addenda or renewals; and (iii) 11 contract or related terminations.

SBA Litigation.

(a) Passive. As of August 26, 2016, the SBA was monitoring (as an actual or putative passive member of the class) 565 securities class actions. From May 1, 2015 – July 31, 2016, the SBA collected recoveries in the amount of $1,151,851.51 as a passive member in 35 securities class actions.

(b) Active.

(i) *In re Tribune* Litigation. On January 24, 2012, the SBA was served a complaint (along with other defendants) now pending in the U.S. Bankruptcy Court, Southern District of New York by the Official Committee of Unsecured Creditors of the Tribune Company alleging damages for fraudulent conveyance and requesting the return of proceeds received by all defendant investors in a leveraged buy-out of the Tribune Company (which subsequently declared bankruptcy). Pursuant to a plan approved in the bankruptcy proceeding, the claim was transferred to the U.S. District Court, Southern District of New York (the "Court") and consolidated with additional parallel cases for multi-district litigation. The SBA received approximately $11 million in connection with this leveraged buy-out. Several amended complaints have been filed in the action in which the SBA was originally served in January, 2012 (the "FitzSimons Action"), and the parties are awaiting the Court's ruling on a global motion to dismiss. If the Fitzsimmons Action survives the global motion to dismiss, the Court has indicated that it will hear individualized motions, such as sovereign immunity. If necessary, the SBA will seek dismissal on sovereign immunity grounds at the appropriate time.

(c) FRS Investment Plan. During the period from May 12, 2016 through August 26, 2016, the General Counsel's Office monitored and/or managed the following cases for the Florida Retirement System Investment Plan (the "Investment Plan"). The SBA issued eight (8) Final Orders, received notice of filing of ten (10) new cases, and continued to litigate fourteen (14) cases that were pending during the periods covered by previous reports, including defending one (1) appellate case and two (2) cases in front of DOAH.

Other Matters.

(a) Public Records. During the period covered by this report, the General Counsel's Office received 25 new public records requests and provided responses to 26 requests. As of the date of this report, the General Counsel's Office continues to work on 3 open requests.

(b) SBA Rules.

(i) Rule 19-9.001- Investment Policy Statement- Amendment: Effective December 30, 2015: This rule was officially amended to adopt the most recent version of the Investment Policy Statement which was approved by the Trustees for the Florida Retirement System Investment Plan. Neither OFARR nor JAPC suggested any changes, and no hearing was requested by the public. The rule amendments also provide information as to how a copy of the Investment Policy Statement may be obtained by the public.

(ii) Rule Chapter 19-11: Amendments to Rules 19-11.001-Definitions; 19-11.002-Beneficiary Designations and Distributions for FRS Investment Plan; 19-11.003-Distributions from FRS Investment Plan Accounts; 19-11.004- Excessive Trading in the FRS Investment Plan; 19-11.005- FRS Investment Plan Complaint Procedures; 19-11.006- Enrollment Procedures for New Hires; 19-11.007-Second Election Enrollment Procedures for the FRS Retirement Programs; 19-11.008- Forfeitures; 19-11.011- Employer and Employee Contributions and ABO or Present Value Transfer Procedures; 19-11.012-Rollovers or Plan to Plan Transfers to or from the FRS Investment Plan; 19-11.013-FRS Investment Plan Self-Directed Brokerage Account: Effective December 30, 2015, various amendments to these rules became effective. These amendments serve to adopt the latest versions of the FRS Investment Plan forms that have been incorporated by reference in the various rules, such as the beneficiary designation form, the various enrollment forms, the second election forms and the rollover forms. Further, other amendments clarify certain information as to procedures and update the names of the default investment vehicles in situations in which members failed to designate their selected funds. The changes all were non-substantive- i.e. the adopted changes involve adopting new forms and making a few clarifications.

(iii) Rules 19-13.001- Roles and Responsibilities of the State Board of Administration of Florida; and Rule 19-13.004- Role and Responsibilities of Third Party Vendors- Amendments: Effective December 30, 2015, amendments to these two rules became effective. The amendments serve to update certain information regarding the duties and responsibilities of the SBA and its third party vendors concerning the FRS Investment Plan. The amendments also note that the ten (10) Target Date Funds (TDF) have replaced the three balanced fund options. None of the changes were substantive.

(iv) Rule 19-7.002- Investment Policy Statements- Amendments: Effective February 1, 2016: This rule was amended to adopt the revised Investment Policy Statement for the Local Government Surplus Funds Trust Fund and further to delete all references to the Investment Policy Statement for the Fund B Surplus Funds Trust Fund (Non-Qualified) which now has been liquidated and no longer is in existence. In November 2015, a Notice of Proposed Rule was filed with OFARR, and then one week later, the notice was filed in the Florida Administrative Weekly and with JAPC. No comments were received from any person. The rule was filed for adoption, and the amendments now are effective.

(v) Rule 19-4.0035- Florida Retirement System Defined Benefit Plan Investment Policy Statement- Amendment: Effective February 1, 2016, this rule was amended to adopt the most recent version of the Investment Policy Statement for the FRS Defined Benefit Plan. In November 2015, a Notice of Proposed Rule was filed with OFARR, and then one week later, the notice was filed in the Florida Administrative Weekly and with JAPC. No comments were received from any person. The rule was filed for adoption, and the amendments now are effective.

STATE BOARD OF ADMINISTRATION
OF FLORIDA

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32317-3300

MEMORANDUM

DATED: August 31, 2016

TO: Board of Trustees

FROM: Maureen M. Hazen, General Counsel & Acting Inspector General Maureen M. Hazen

SUBJECT: Quarterly Report on SBA Inspector General Activities

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The SBA Inspector General (IG) is responsible for serving as the organization's ethics officer; conducting internal investigations; overseeing investment protection principles (IPP) compliance; and handling special projects as directed by the Executive Director & CIO.

Ethics and Training

- Mandatory ethics training and certification of compliance are required for all SBA employees on an annual basis. The on-line training covers gifts, conflicts of interest, financial disclosure, outside employment, lobbyist/principal restrictions, honorarium related events, etc. In addition to ethics training, mandatory training is annually required for all employees in the areas of sexual harassment, information security, personal investment activity and insider training. In 2016, SBA employees were also required to complete training courses for public records and the Sunshine Law. (These courses are required every other year.) The deadline for completion of the courses was June 30, 2016, and all SBA employees are in compliance.

- During the period of May 18, 2016 through August 30, 2016, no instances were reported to the Inspector General concerning non-compliance with the SBA gift policy.

Investment Protection Principles Compliance

In September 2002, the Trustees of the SBA adopted Investment Protection Principles (IPPs) for broker-dealers and investment managers in the wake of Wall Street scandals involving tainted equity research and conflicts of interest. The IPPs are geared toward promoting independence, transparency and regulatory compliance, and adherence to the highest standards of ethics and professionalism. On an annual basis, written certification is required from equity, fixed income and real estate investment managers and broker-dealers. Additionally, annual certifications have been developed for the investment services related consulting firms engaged by the SBA. These consulting firms are required to certify their compliance with certain independence and disclosure principles.

The compliance results of the investment managers and consultants were reported in the previous quarter report.

Certification forms for broker-dealers were disseminated to the applicable firms in April 2016. All but two of the broker-dealers completed and returned their IPP certification forms for the 2015 reporting period, and SBA staff continues to follow-up with these broker-dealers. An analysis of the 2015 certifications indicates full compliance with the IPP's by the broker-dealers.

Investment Advisory Council Disclosures

As per Section 215.444, Florida Statutes, all current IAC members are required to complete an annual Conflict Disclosure Statement. All of the current IAC members have completed and returned their disclosure statement this year.

SBA Fraud Hotline

Since July 2006, The Network Inc. has been the independent provider of SBA Fraud Hotline services. Through an 800 number, SBA employees may anonymously report tips or information related to fraud, theft, or financial misconduct. The telephone number and information is prominently displayed on the SBA intranet home page. Additionally, the hotline information is available on the SBA internet site as part of the SBA Internal Control and Fraud Policy. To date, no complaints or tips have been received by the Hotline for 2016 (except for testing purposes).

Financial Disclosure Forms

The Commission on Ethics requires certain state employees and officials who meet the reporting requirement to file an annual Financial Disclosure Form. All SBA employees who met this requirement have filed a Financial Disclosure Form with the Commission on Ethics for the year ending December 31, 2015, as well as all new employees hired during 2016.

Xc: Ash Williams

STATE BOARD OF ADMINISTRATION
OF FLORIDA

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DATE: August 29, 2016

TO: Ash Williams, Executive Director & CIO

FROM: Karen Chandler, Chief Risk & Compliance Officer

SUBJECT: Trustee Update – September 2016

The role of the Risk Management and Compliance (RMC) unit is to assist the Executive Director & CIO in maintaining an appropriate and effective risk management and compliance program to identify, monitor and mitigate key investment and operational risks. RMC plays a critical role in developing and enhancing the enterprise-wide system of internal controls. RMC proactively works with the Executive Director & CIO and designees to ensure issues are promptly and thoroughly addressed by management.

SBA senior management has created a culture of risk management and compliance through the governance structure, allocation of budgetary resources, policies and associated training and awareness. Management is committed to ethical practices and to serving the best interests of the SBA's clients. The SBA's mission statement further supports this culture: *"To provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary and professional standards."*

The following is a brief status report of RMC activities and initiatives completed or in progress during the period May 18, 2016 through August 29, 2016:

- No material compliance exceptions were reported during the period.

- The SBA Strategic Plan for fiscal year 2016-17 was finalized in June. This process is facilitated by RMC, with collaboration among all senior management. Further refinement of Governance, Risk and Compliance (GRC) processes across the organization remains a strategic objective.

- The Risk and Compliance Committee (RCC) met on August 1, 2016 and reviewed the residual risks in comparison to risk appetites for risks defined in the ERM Framework. There were no changes in risk levels or management action plans. The next risk assessment survey will begin in November, and will transition the SBA from a semi-annual risk assessment survey to an annual survey. As the RCC meets quarterly and keeps a close watch on risk levels and trends, the move to an annual assessment will allow increased focus on the effectiveness of mitigation plans. The annual risk assessment also allows for closer alignment to the annual strategic planning and budgeting processes.

- Phase II of the Charles River compliance module implementation is complete and has been reviewed by an external auditor. As a result of these efforts led by RMC, the SBA now has enhanced reporting functionality and expanded capability in testing compliance on the internally managed Global Equity portfolios. Used in conjunction with the Charles River trading platform, the compliance module enhancements are designed to be consistent with industry best practices. The external auditor concluded controls are in place and operating effectively.

- With Marcia Main's promotion to Director of Enterprise Risk Management, we have attracted a highly qualified external candidate to fill Marcia's previous role of Manager of Enterprise Risk and Control, Carolyn McGriff. Carolyn joins the SBA from the Department of Economic Opportunity where she served as Director of Auditing with Office of Inspector General for the last 10 years. Carolyn also has an extensive background including financial reporting, accounting, and over 20 years of experience in assessing risk and controls at various regional workforce boards, state agencies, colleges, and universities. She is a Florida licensed Certified Public Accountant and a Certified Government Financial Manager. Carolyn earned her MBA from Florida State University.

- The maintenance of the Total Fund Risk Model (TFRM) used as one tool to evaluate investment risk based on portfolio holdings has transitioned from RMC to the Investment Policy & Asset Allocation unit. In addition to her primary responsibility of ensuring SBA performance data integrity, Angie Millard, Manager of Performance and Risk Analytics, has also been responsible for the maintenance of the TFRM. Angie is transitioning from her role in RMC to IPAA over a six-month period which began July 1, 2016. RMC staff will continue to utilize the model, generating investment risk reporting and evaluating results of the TFRM as part of the Enterprise Risk Management function but will no longer have responsibility for underlying data integrity.

- Based on the criticality of the Performance and Risk Analytics function, we have replaced a vacant performance analyst position with a new Manager of Quantitative Investment Analysis. This position has been filled with an internal candidate, Deanna Wasson, who currently serves as an SBA Accounting Control Manager, primarily focused on private market investments. Deanna has been with the SBA Accounting department since 2007, and brings significant expertise to this new role. Previously, Deanna worked for the Florida Prepaid College Board as a financial analyst and also worked as a private sector accountant. Deanna is a Florida licensed Certified Public Accountant and earned her MBA from Western State College of Colorado. Deanna begins her new role in RMC on September 7, 2016. Due to the increasing need for performance related analytical skill based on strategic priorities, we have reallocated a position from the External Investment Oversight function in RMC to the Performance and Risk Analytics function. This position is currently being advertised and will primarily focus on highly technical processes such as report automation and enhancing quantitative investment analysis models.

State Board of Administration of Florida

Major Mandate Review
Second Quarter 2016

Aon
Empower Results®

Table of Contents

Executive Summary

- The major mandates outperformed their respective benchmarks over all longer time periods through June 30, 2016.
- The Pension Plan matched its Performance Benchmark during the second quarter, while outperforming over the trailing one-, three-, five-, ten-, and fifteen-year time periods.
  - Global Equity has been a consistent source of value added over all trailing time periods. Fixed Income, Real Estate, Private Equity and Strategic Investments have also added value over the trailing three- and five-year periods.
- Over the trailing three-, five-, and ten-year periods, the Pension Plan's return ranked in the top half of the TUCS Top Ten Defined Benefit Plan universe.
- The FRS Investment Plan underperformed the Total Plan Aggregate Benchmark during the second quarter and the trailing one-year period, but has outperformed over longer-term periods including the trailing three-, five-, and ten-year periods.
- The Lawton Chiles Endowment Fund underperformed its benchmark during the second quarter and over the one-year period, while outperforming over the trailing three-, five-, and ten-year periods, primarily due to strong global equity performance.
- The CAT Funds underperformed their benchmarks during the second quarter and trailing one-year, while outperforming over the trailing three-, five-, and ten-year time periods.
- Florida PRIME continued to outperform its respective benchmark over both short and long time periods.

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Pension Plan: Executive Summary

- The Pension Plan assets totaled $141.4 billion as of June 30, 2016 which represents a $0.3 billion decrease since last quarter.
- The Pension Plan, when measured against the Performance Benchmark, matched the benchmark during the second quarter and outperformed over the trailing one-, three-, five-, ten-, and fifteen-year periods.
- Relative to the Absolute Nominal Target Rate of Return, the Pension Plan underperformed over trailing one-, ten-, and fifteen-year periods, but has outperformed over the trailing three-, five-, twenty-, twenty-five-, and thirty-year time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
  - Public market asset class investments do not significantly deviate from their broad market-based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
  - Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type, and investment strategy.
  - Asset allocation is monitored on a daily basis to ensure that the actual asset allocation of the Pension Plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Aon Hewitt Investment Consulting and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

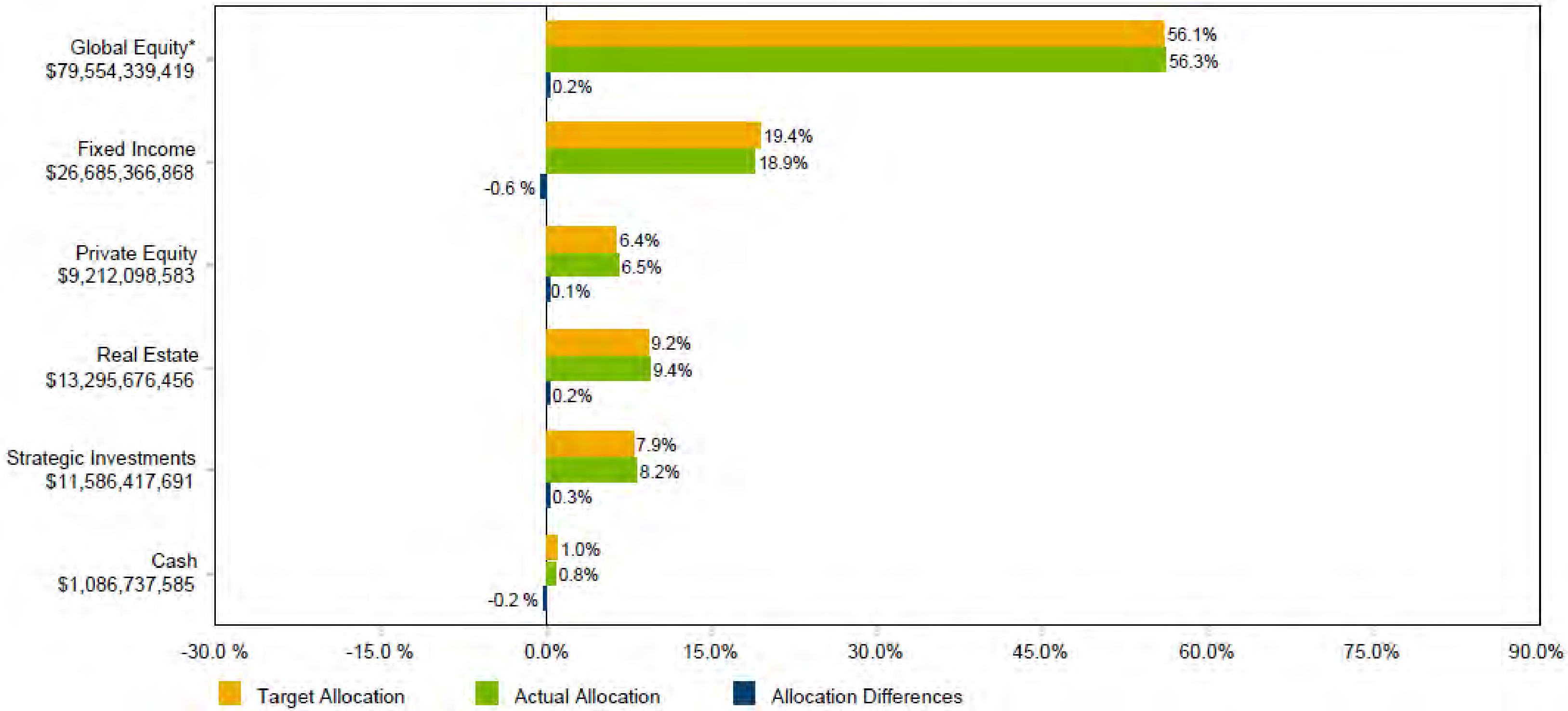
FRS Pension Plan Change in Market Value
Periods Ending 6/30/2016

Summary of Cash Flows	Second Quarter	Fiscal YTD*
Beginning Market Value	$141,696,925,039	$147,972,946,329
+/- Net Contributions/(Withdrawals)	($2,183,615,446)	($7,302,549,121)
Investment Earnings	$1,907,327,008	$750,239,393
= Ending Market Value	$141,420,636,601	$ 141,420,636,601
Net Change	($276,288,438)	($6,552,309,728)

*Period July 2015 – June 2016

Asset Allocation as of 6/30/2016
Total Fund Assets = $141.4 Billion

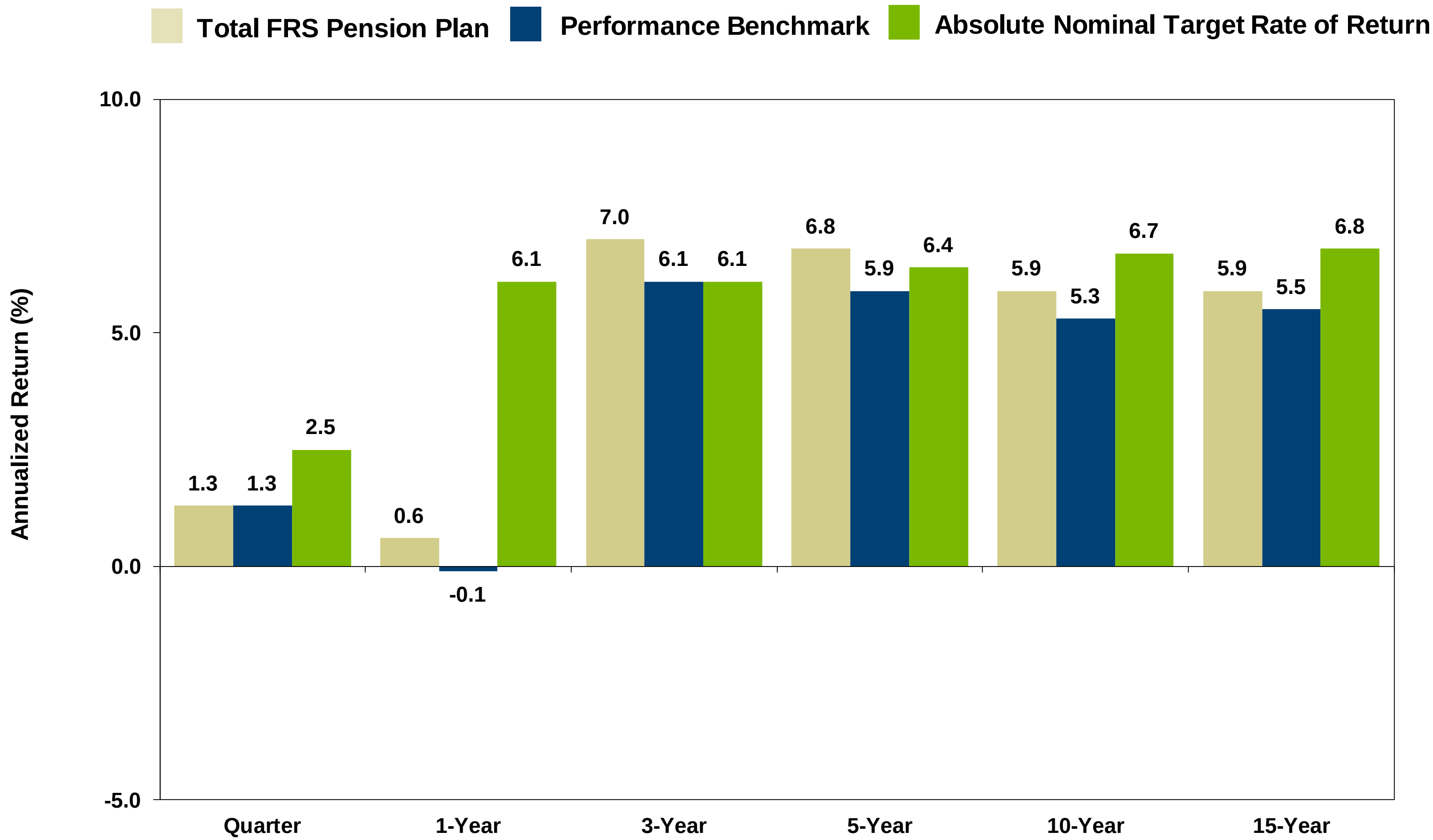
	Market Value ($)	Current Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund	141,420,636,601	100.0	100.0		
Global Equity*	79,554,339,419	56.3	56.1	45.0	70.0
Fixed Income	26,685,366,868	18.9	19.4	10.0	26.0
Private Equity	9,212,098,583	6.5	6.4	2.0	9.0
Real Estate	13,295,676,456	9.4	9.2	4.0	16.0
Strategic Investments	11,586,417,691	8.2	7.9	0.0	16.0
Cash	1,086,737,585	0.8	1.0	0.3	5.0



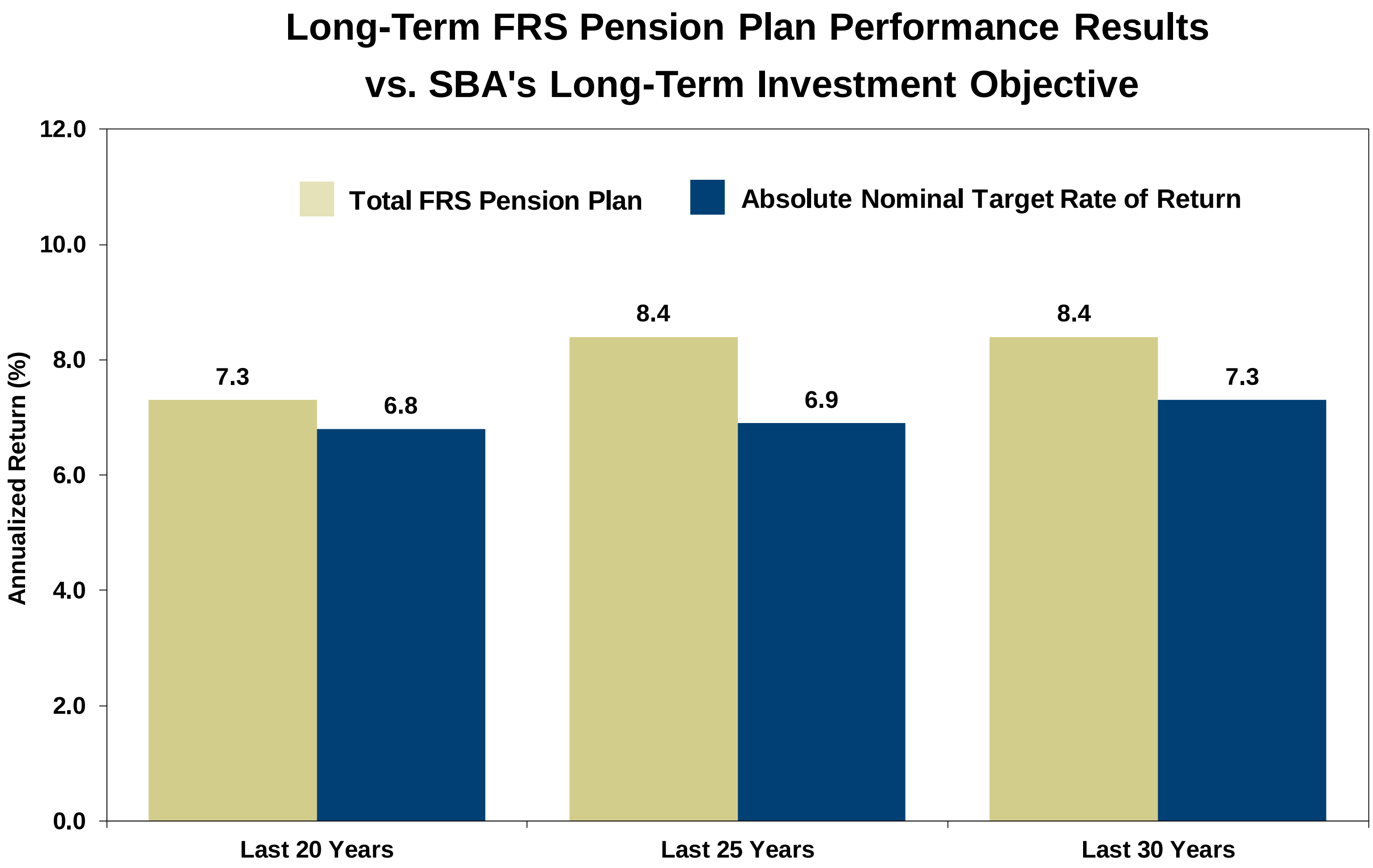
* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

Empower Results®

FRS Pension Plan Investment Results
Periods Ending 6/30/2016

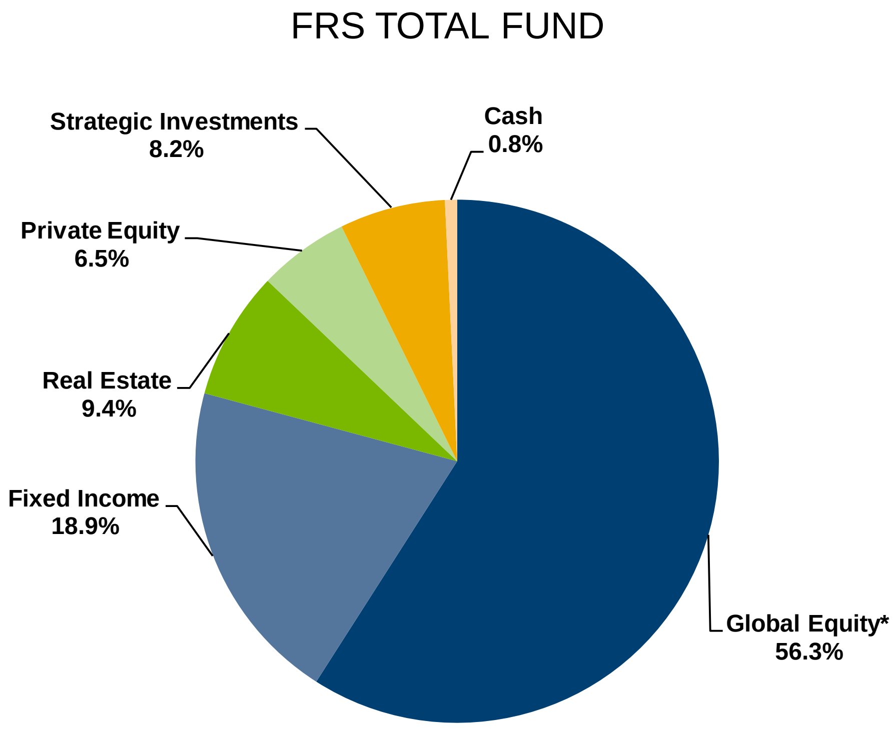


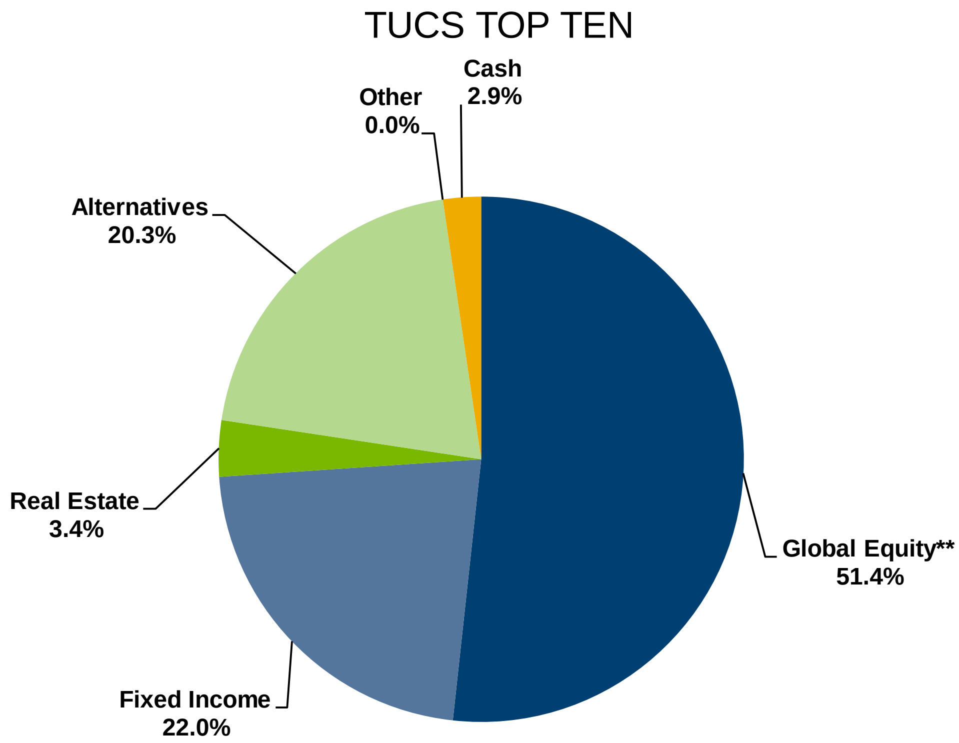
FRS Pension Plan Investment Results
Periods Ending 6/30/2016



Comparison of Asset Allocation (TUCS Top Ten)
As of 6/30/2016

FRS Pension Plan vs. Top Ten Defined Benefit Plans



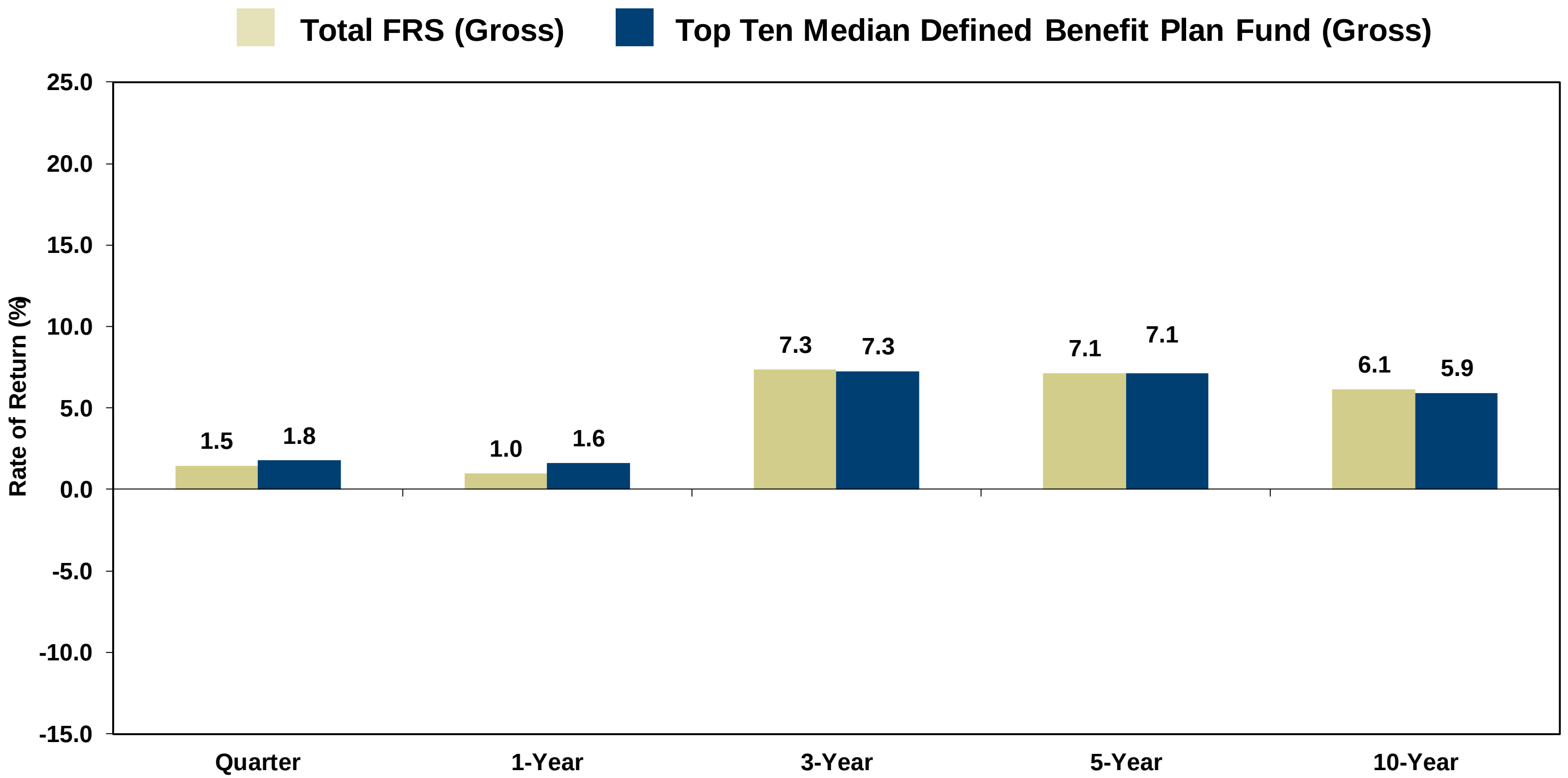


*Global Equity Allocation: 26.4% Domestic Equities; 23.6% Foreign Equities; 5.3% Global Equities; 1.0% Global Equity Liquidity Account. Percentages are of the Total FRS Fund.

**Global Equity Allocation: 33.0% Domestic Equities; 18.4% Foreign Equities.

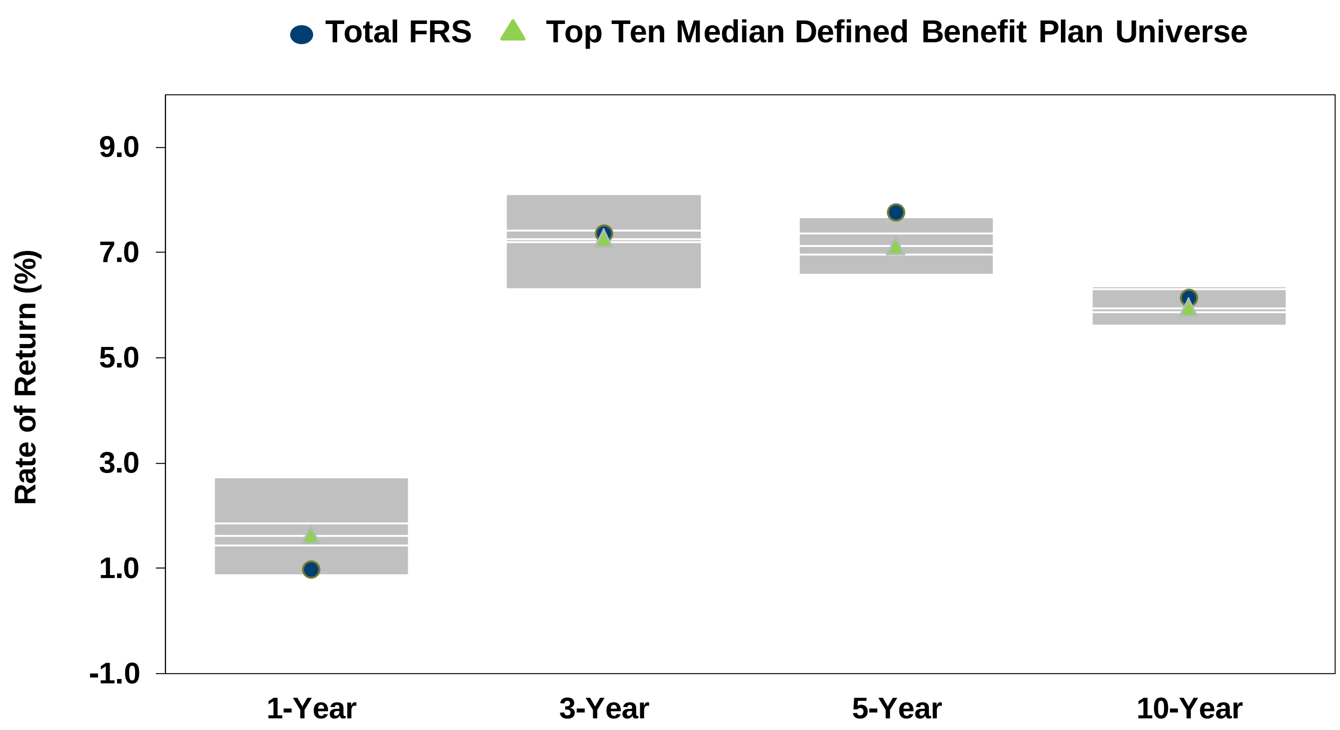
Note: The TUCS Top Ten Universe includes $1,314.5 billion in total assets. The median fund size was $129.4 billion and the average fund size was $131.4 billion.

FRS Results Relative to TUCS Top Ten Defined Benefit Plans Periods Ending 6/30/2016



Note: The TUCS Top Ten Universe includes $1,314.5 billion in total assets. The median fund size was $129.4 billion and the average fund size was $131.4 billion.

Top Ten Defined Benefit Plans FRS Universe Comparison (TUCS) Periods Ending 6/30/2016



FRS Percentile Ranking	87	37	50	37

Note: The TUCS Top Ten Universe includes $1,314.5 billion in total assets. The median fund size was $129.4 billion and the average fund size was $131.4 billion.

Investment Plan: Executive Summary

- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark over the trailing three-, five-, and ten-year periods. This suggests strong relative performance of the underlying fund options in which participants are investing.

- The FRS Investment Plan's total expense ratio is slightly higher, on average, when compared to a defined contribution peer group and is lower than the average corporate and public defined benefit plan, based on year-end 2014 data.

- Management fees are lower than the median as represented by Morningstar's mutual fund universe for every investment category.

- The FRS Investment Plan offers an appropriate number of fund options that span the risk and return spectrum.

- The Investment Policy Statement is revisited periodically to ensure that the structure and guidelines of the FRS Investment Plan are appropriate, taking into consideration the FRS Investment Plan's goals and objectives.

Total Investment Plan Returns & Cost

Periods Ending 6/30/2016*

	One-Year	Three-Year	Five-Year	Ten-Year
FRS Investment Plan	**-0.9%**	**5.5%**	**5.5%**	**4.9%**
*Total Plan Aggregate Benchmark***	-0.4	5.4	5.4	4.5
FRS Investment Plan vs. Total Plan Aggregate Benchmark	-0.5	0.1	0.1	0.4

Periods Ending 12/31/2014***

	Five-Year Average Return****	Five-Year Net Value Added	Expense Ratio
FRS Investment Plan	**8.0%**	**0.1%**	**0.37%*******
Peer Group	9.3	0.0	0.28
FRS Investment Plan vs. Peer Group	-1.3	0.1	0.09

*Returns shown are net of fees.

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

***Source: 2014 CEM Benchmarking Report. Peer group for the Five-Year Average Return and Value Added represents the U.S. Median plan return based on the CEM 2014 Survey that included 138 U.S. defined contribution plans with assets ranging from $60 million to $47.6 billion. Peer group for the Expense Ratio represents a custom peer group for FSBA of 18 DC plans including corporate and public plans with assets between $2.1 - $15.9 billion.

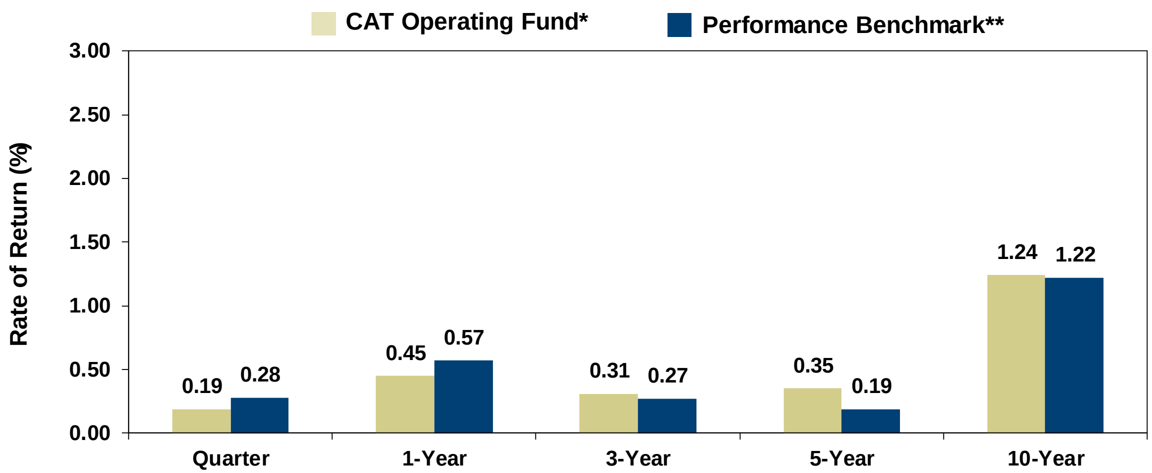
****Returns shown are gross of fees.

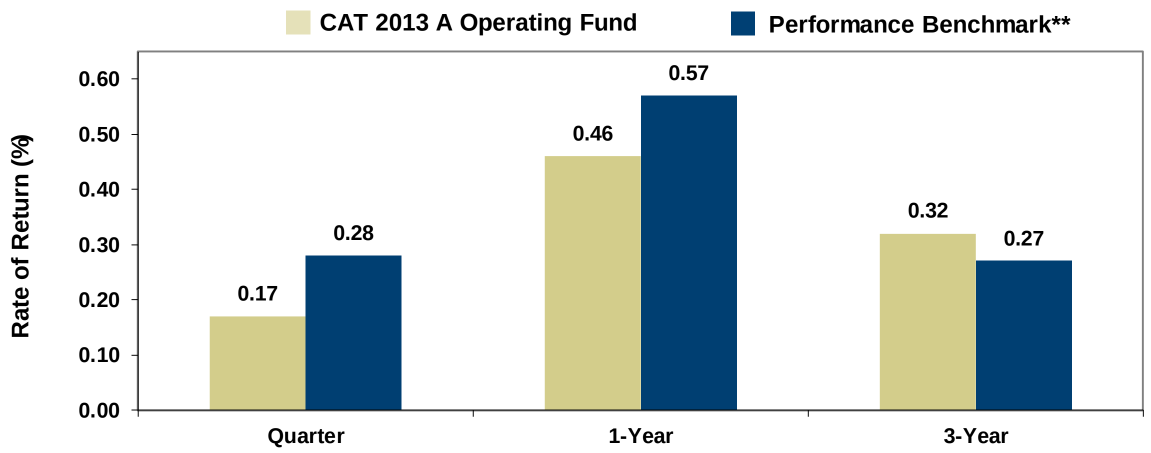
*****The total FRS Investment Plan expense ratio includes investment management fees, as well as administration, communication and education costs. These latter costs are not charged to FRS Investment Plan members; however, these and similar costs may be charged to members of plans within the peer group utilized above.

CAT Fund: Executive Summary

- Performance on both an absolute and relative basis has been somewhat weak over the short-term periods, with the CAT Funds trailing their benchmarks during the second quarter and trailing one-year time period. However, over the long-term periods, performance has been strong, with the Funds outperforming over the trailing three-, five-, and ten-year time periods.
- The CAT Funds are adequately diversified across issuers within the short-term bond market.
- The Investment Policy Statement appropriately constrains the CAT Funds to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Adequate liquidity exists to address the cash flow obligations of the CAT Funds.
- The Investment Policy Statement is revisited periodically to ensure that the structure and guidelines of the CAT Funds are appropriate, taking into consideration the CAT Funds' goals and objectives.

CAT Funds Investment Results
Periods Ending 6/30/2016





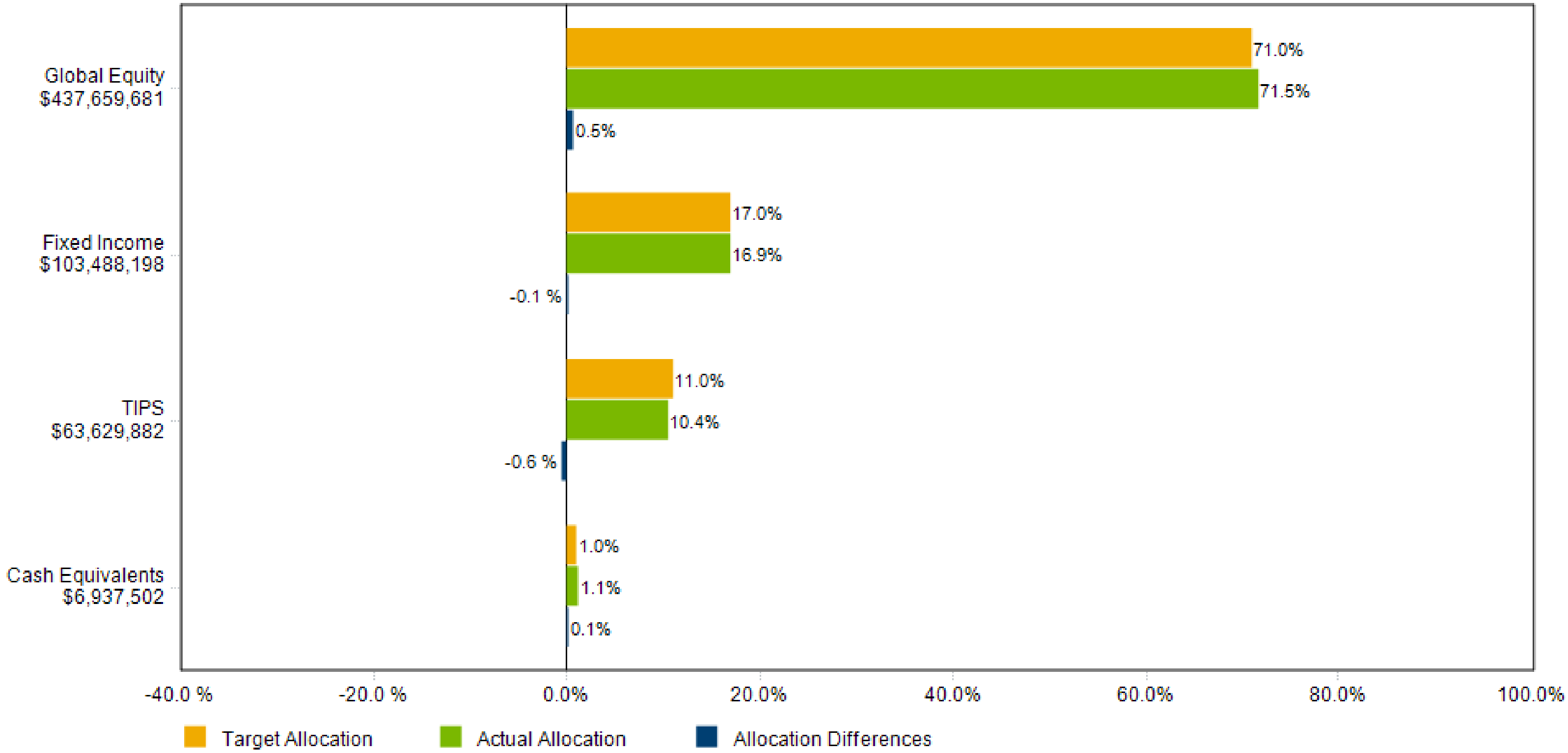
*CAT Operating Fund: Beginning March 2008, the returns for the CAT Fund reflect marked-to-market returns. Prior to that time, cost-based returns are used.
**Performance Benchmark: The CAT Fund was benchmarked to the IBC First Tier through February 2008. From March 2008 to December 2009, it was the Merrill Lynch 1-Month LIBOR. From January 2010 to June 2010, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. From July 2010 to September 2014, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Net Index. Effective October 2014, it is a blend of the average of the Merrill Lynch 1-Yr US Treasury Bill Index and the iMoneyNet First Tier Institutional Money Market Funds Net Index.

Lawton Chiles Endowment Fund: Executive Summary

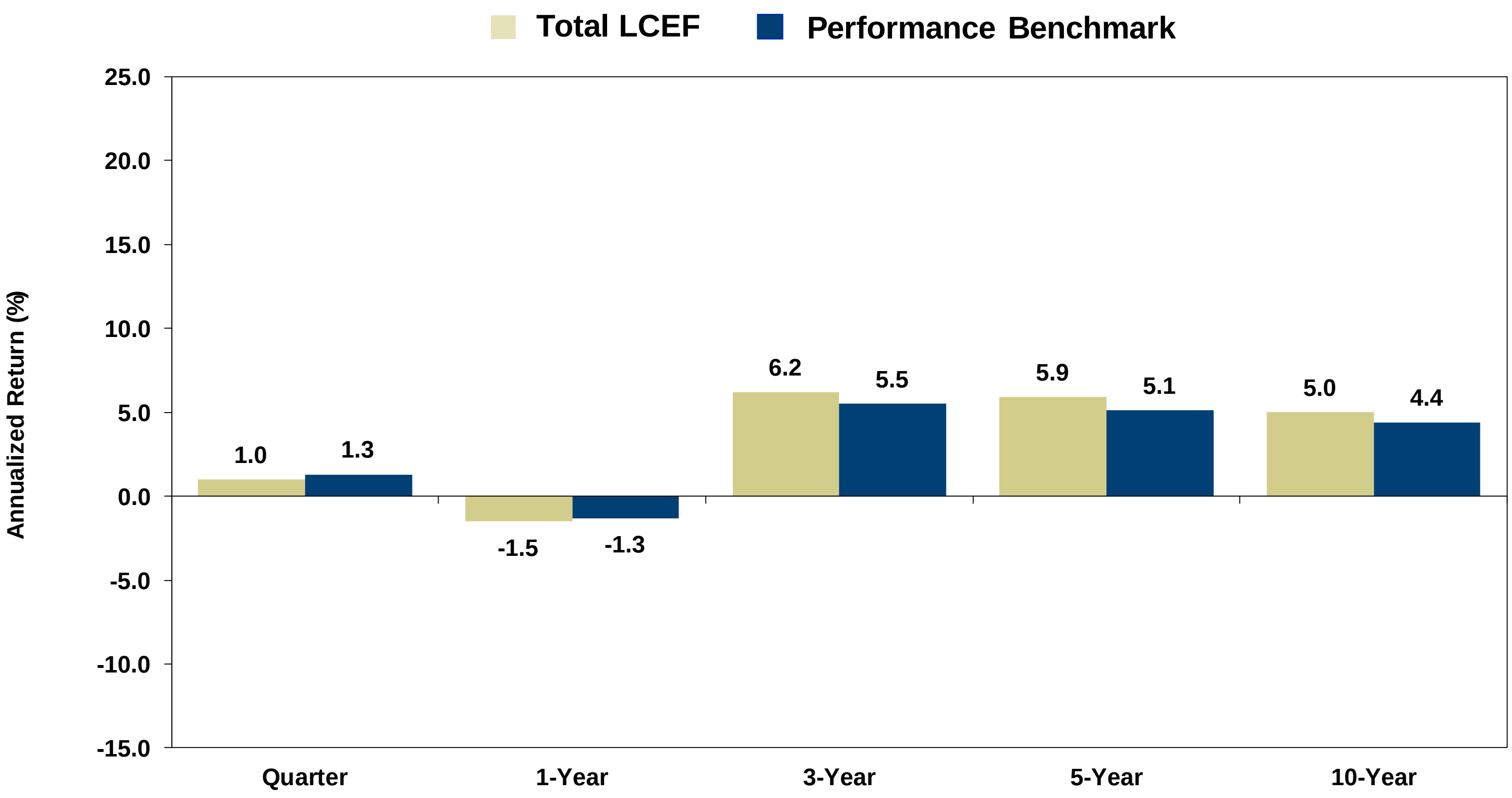
- Established in July 1999, the Lawton Chiles Endowment Fund (LCEF) was created to provide a source of funding for child health and welfare programs, elder programs and research related to tobacco use.
  - The investment objective is to preserve the real value of the net contributed principal and provide annual cash flows for appropriation.
  - The Endowment's investments are diversified across various asset classes including global equity, fixed income, inflation-indexed bonds (TIPS) and cash.
- The Endowment assets totaled $611.7 million as of June 30, 2016.
- The Endowment's return trailed its Target during the second quarter and the trailing one-year time period, while outperforming its Target during the trailing three-, five-, and ten-year time periods.

Asset Allocation as of 6/30/2016
Total LCEF Assets = $611.7 Million

	Market Value ($)	Current Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)
LCEF Total Fund	611,715,263	100.0	100.0		
Global Equity	437,659,681	71.5	71.0	61.0	81.0
Fixed Income	103,488,198	16.9	17.0	12.0	22.0
TIPS	63,629,882	10.4	11.0	6.0	16.0
Cash Equivalents	6,937,502	1.1	1.0	0.0	10.0



LCEF Investment Results
Periods Ending 6/30/2016



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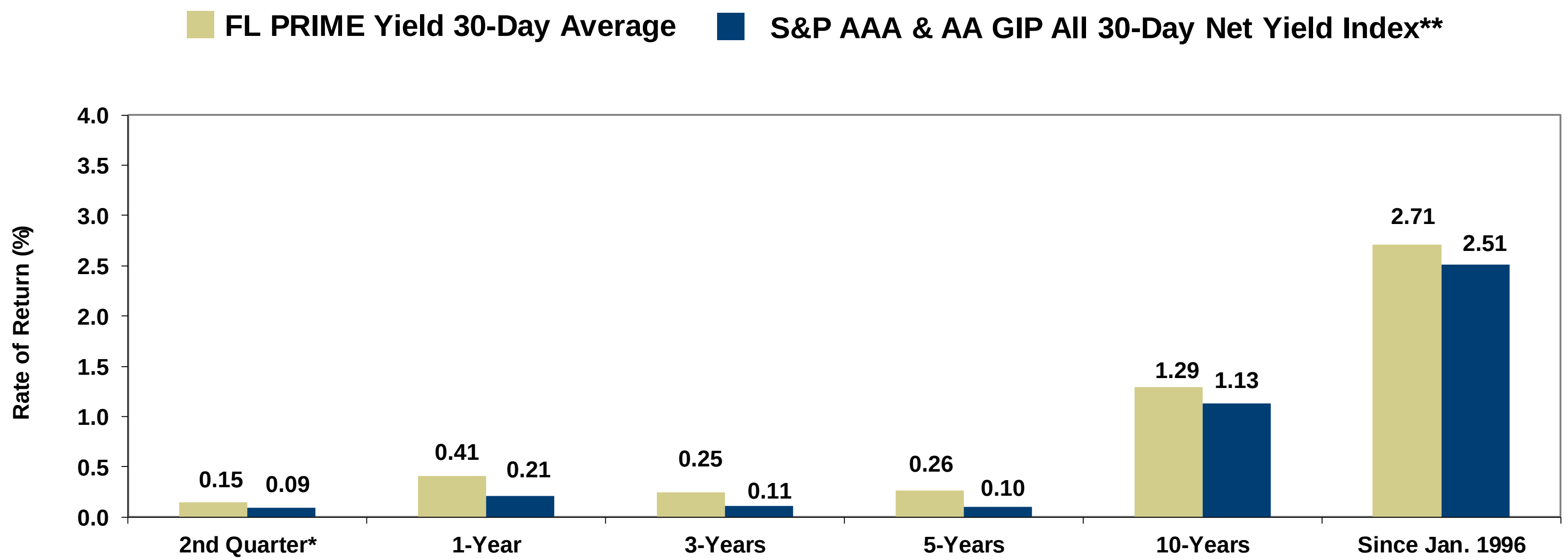
Florida PRIME: Executive Summary

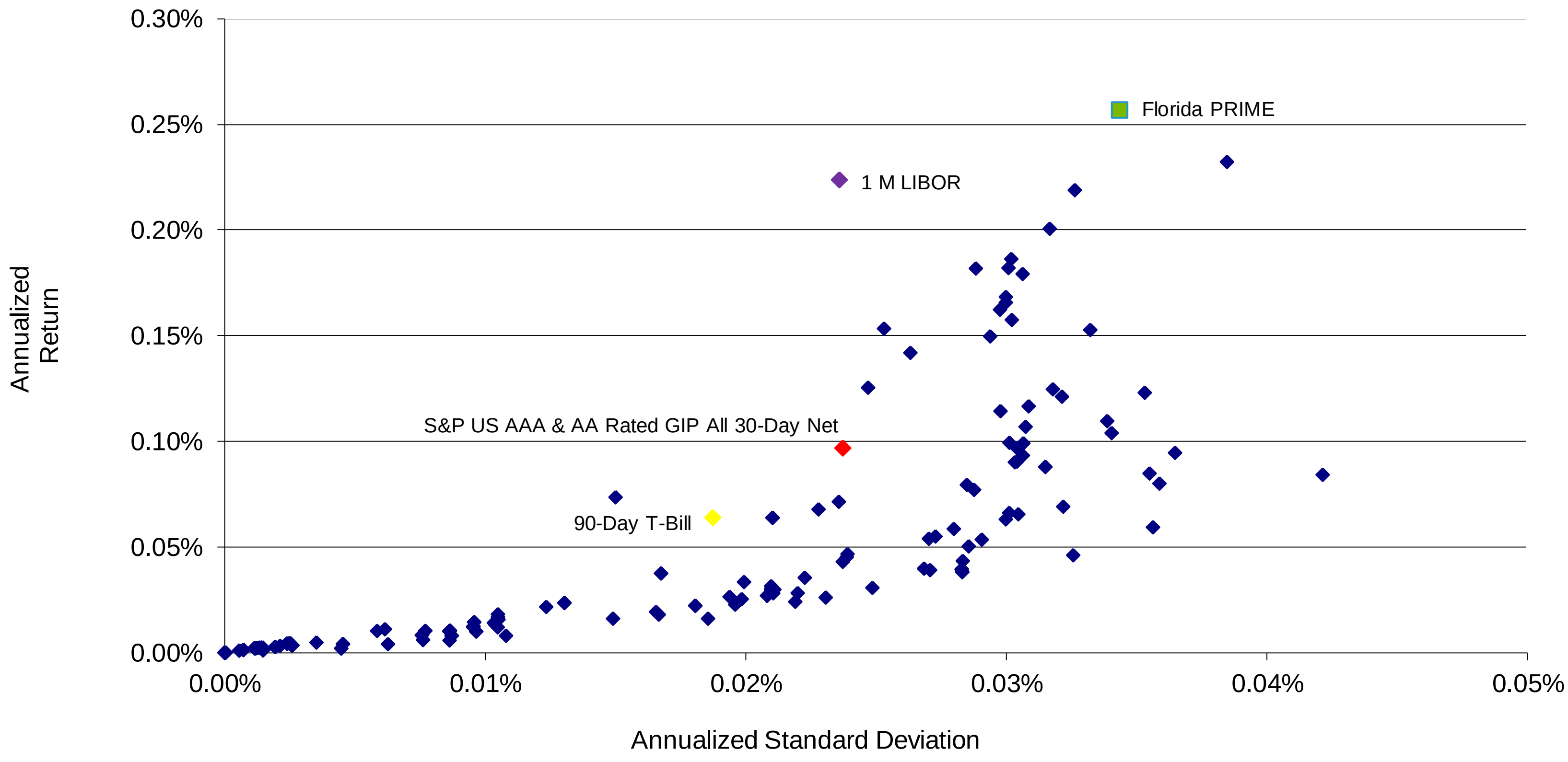
- The purpose of Florida PRIME is safety, liquidity, and competitive returns with minimal risk for participants.
- The Investment Policy Statement appropriately constrains Florida PRIME to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Florida PRIME is adequately diversified across issuers within the short-term bond market, and adequate liquidity exists to address the cash flow obligations of Florida PRIME.
- Performance of Florida PRIME, on both an absolute and relative basis, has been strong over short- and long-term time periods.
- As of June 30, 2016, the total market value of Florida PRIME was $7.9 billion.
- Aon Hewitt Investment Consulting, in conjunction with SBA staff, compiles an annual best practices report that includes a full review of the Investment Policy Statement, operational items, and investment structure for Florida PRIME.

Florida PRIME Investment Results
Periods Ending 6/30/2016

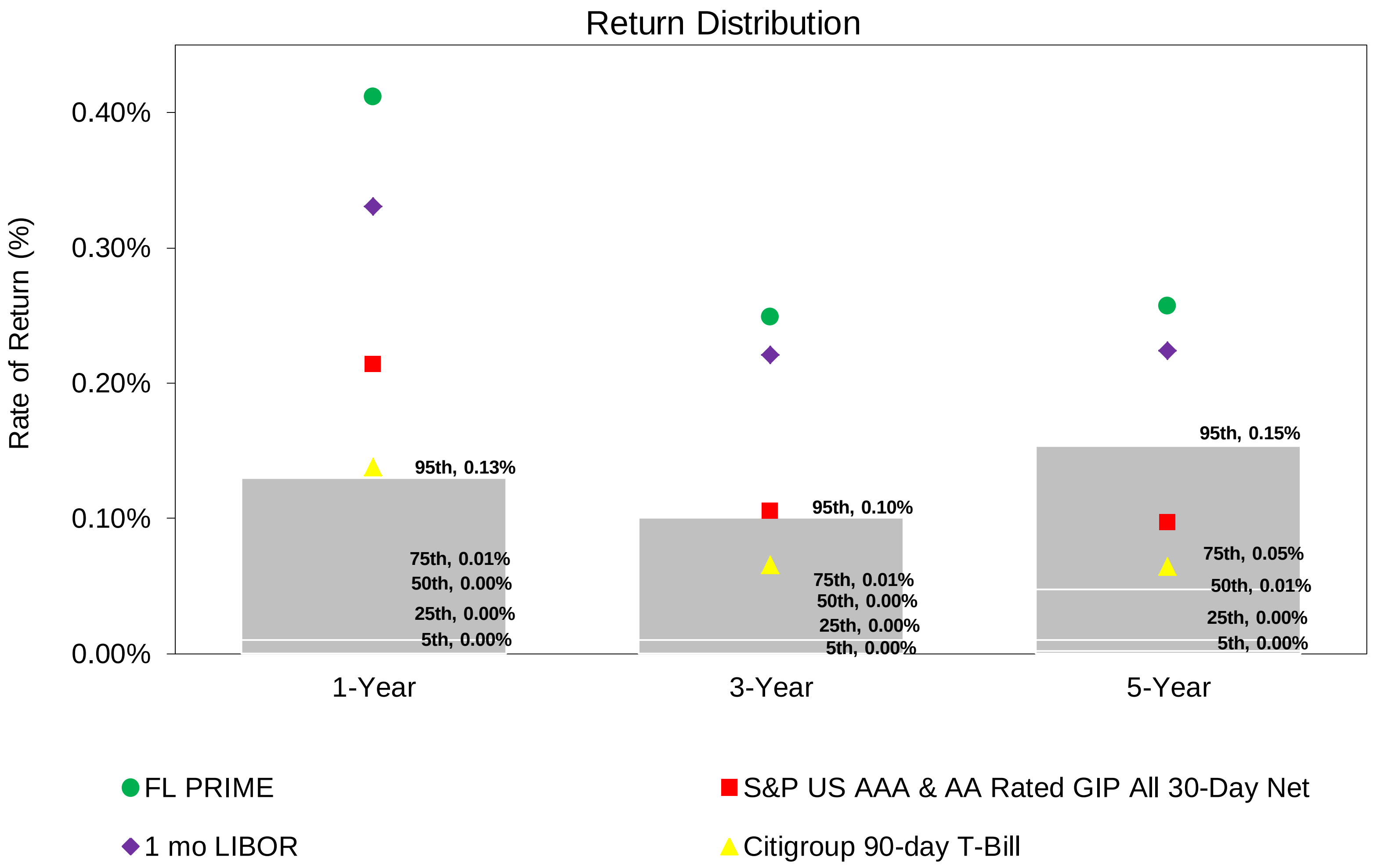


*Returns less than one year are not annualized.
**S&P AAA & AA GIP All 30-Day Net Yield Index for all time periods shown.

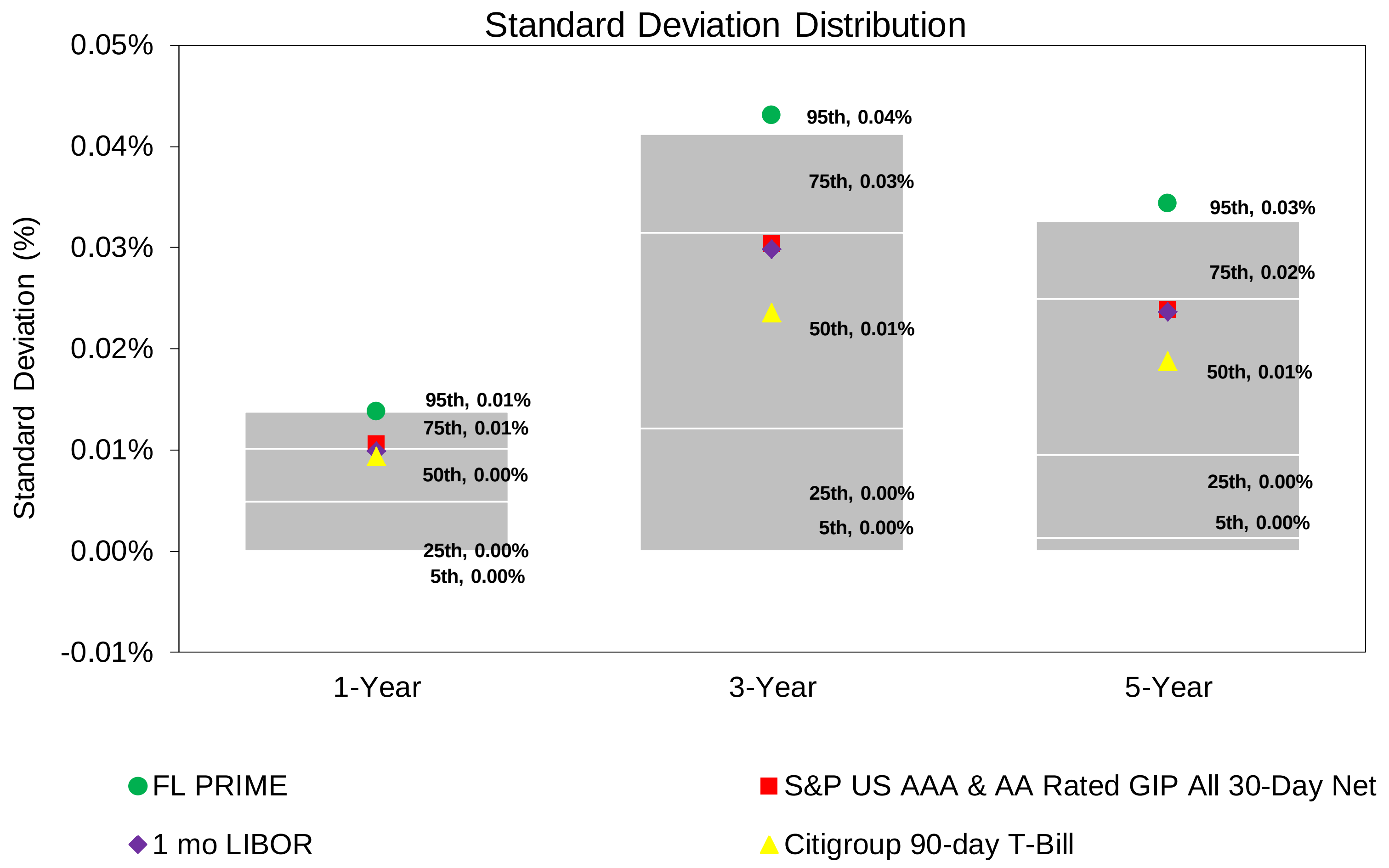
Florida PRIME Risk vs. Return
5 Years Ending 6/30/2016



Return Distribution
Periods Ending 6/30/2016



Standard Deviation Distribution
Periods Ending 6/30/2016



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Empower Results®

Appendix

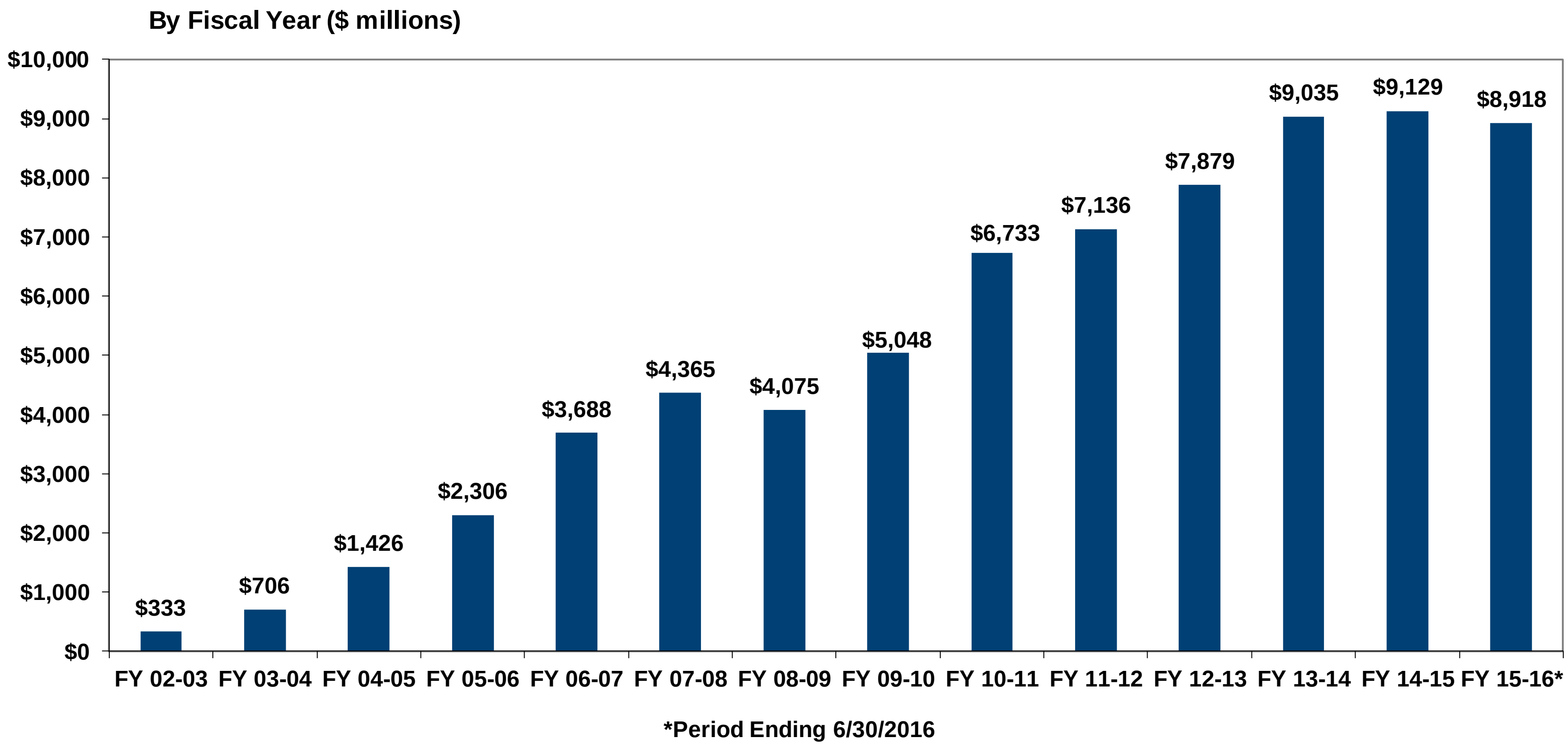
FRS Investment Plan Costs

Investment Category	Investment Plan Fee*	Average Mutual Fund Fee**
Large Cap Equity	0.18%	0.83%
Small-Mid Cap Equity	0.66%	1.02%
International Equity	0.32%	0.99%
Diversified Bonds	0.15%	0.60%
Target Date	0.11%	0.61%
Money Market	0.06%	0.14%

*Average fee of multiple products in category as of 6/30/2016.

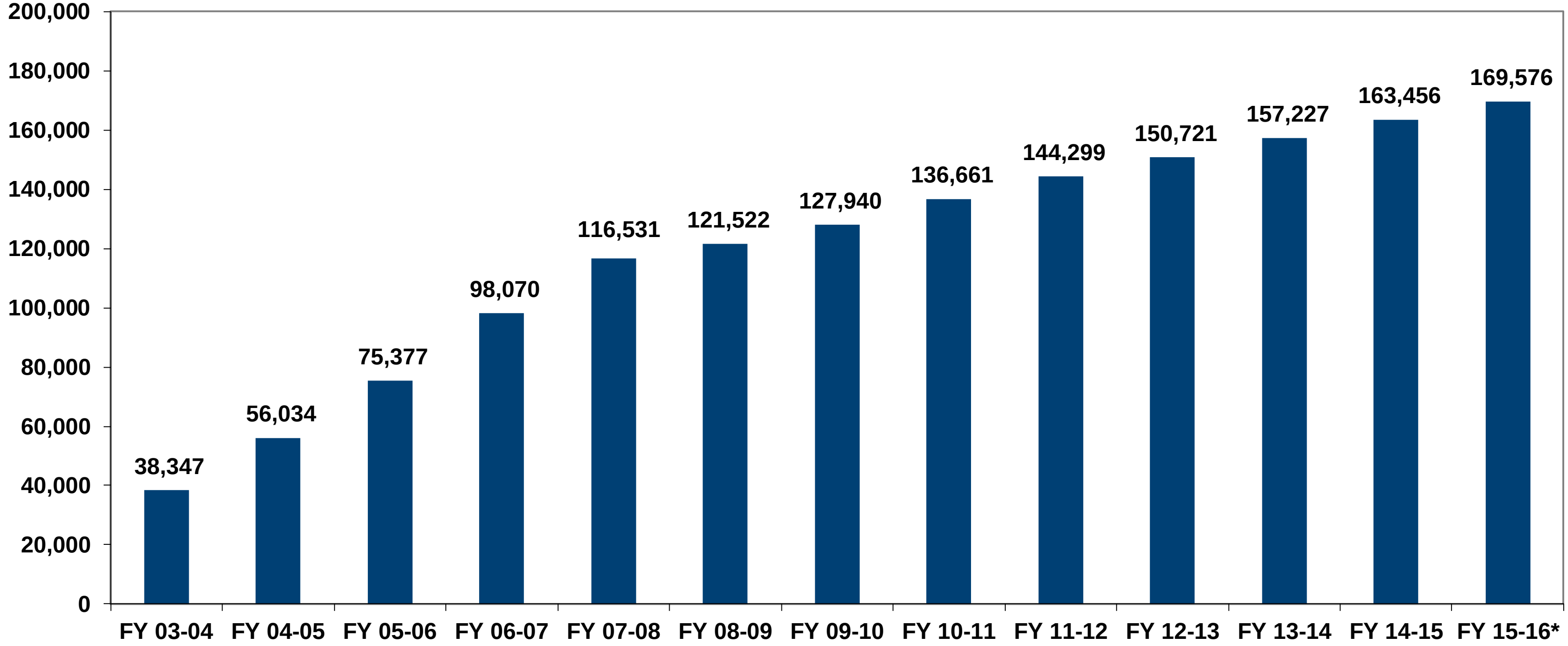
**Source: AHIC's annual mutual fund expense analysis as of 12/31/2015.

Investment Plan Fiscal Year End Assets Under Management



Source: Investment Plan Administrator

Investment Plan Membership



***Period Ending 6/30/2016**

Source: Investment Plan Administrator

Florida Hurricane Catastrophe Fund Background

- 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.
- Both the CAT Fund (Operating Fund) and the CAT 2013 A Fund are internally managed portfolios benchmarked to a blend of the average of the Merrill Lynch 1-Yr US Treasury Bill Index and the iMoneyNet First Tier Institutional Money Market Funds Net Index.
- As of June 30, 2016, the total value of all FHCF accounts was $15.3 billion.

CAT Operating Fund Characteristics
Period Ending 6/30/2016

Effective Maturity Schedule	
O/N* - 14 Days	11.2%
15 - 30 Days	11.8
31 - 60 Days	8.5
61 - 90 Days	11.5
91 - 120 Days	4.9
121 - 150 Days	2.1
151 - 180 Days	6.7
181 - 210 Days	3.3
211 - 240 Days	2.0
241 - 270 Days	2.0
271 - 300 Days	3.8
301 - 365 Days	0.6
366 - 732 Days	18.1
733 - 1,098 Days	12.3
1,099 - 1,875 Days	1.2
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
AAA	54.4%
AA	20.0
A	25.5
Total % of Portfolio:	**100.0%**

*O/N stands for overnight.

CAT 2013 A Fund Characteristics
Period Ending 6/30/2016

Effective Maturity Schedule	
O/N* - 14 Days	9.4%
15 - 30 Days	3.9
31 - 60 Days	10.7
61 - 90 Days	12.7
91 - 120 Days	7.1
121 - 150 Days	3.4
151 - 180 Days	3.5
181 - 210 Days	5.0
211 - 240 Days	1.7
241 - 270 Days	1.7
271 - 300 Days	0.0
301 - 365 Days	5.0
366 - 732 Days	16.8
733 - 1,098 Days	17.5
1,099 - 1,875 Days	1.7
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
AAA	69.8%
AA	11.3
A	18.9
Total % of Portfolio:	**100.0%**

*O/N stands for overnight.

CAT 2016 A Fund Characteristics
Period Ending 6/30/2016

Effective Maturity Schedule	
O/N* - 14 Days	10.4%
15 - 30 Days	5.0
31 - 60 Days	7.5
61 - 90 Days	16.4
91 - 120 Days	8.2
121 - 150 Days	4.2
151 - 180 Days	0.0
181 - 210 Days	0.0
211 - 240 Days	4.2
241 - 270 Days	2.9
271 - 300 Days	4.2
301 - 365 Days	4.2
366 - 732 Days	18.3
733 - 1,098 Days	12.5
1,099 - 1,875 Days	2.1
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
AAA	77.5%
AA	2.1
A	20.4
Total % of Portfolio:	**100.0%**

*O/N stands for overnight.

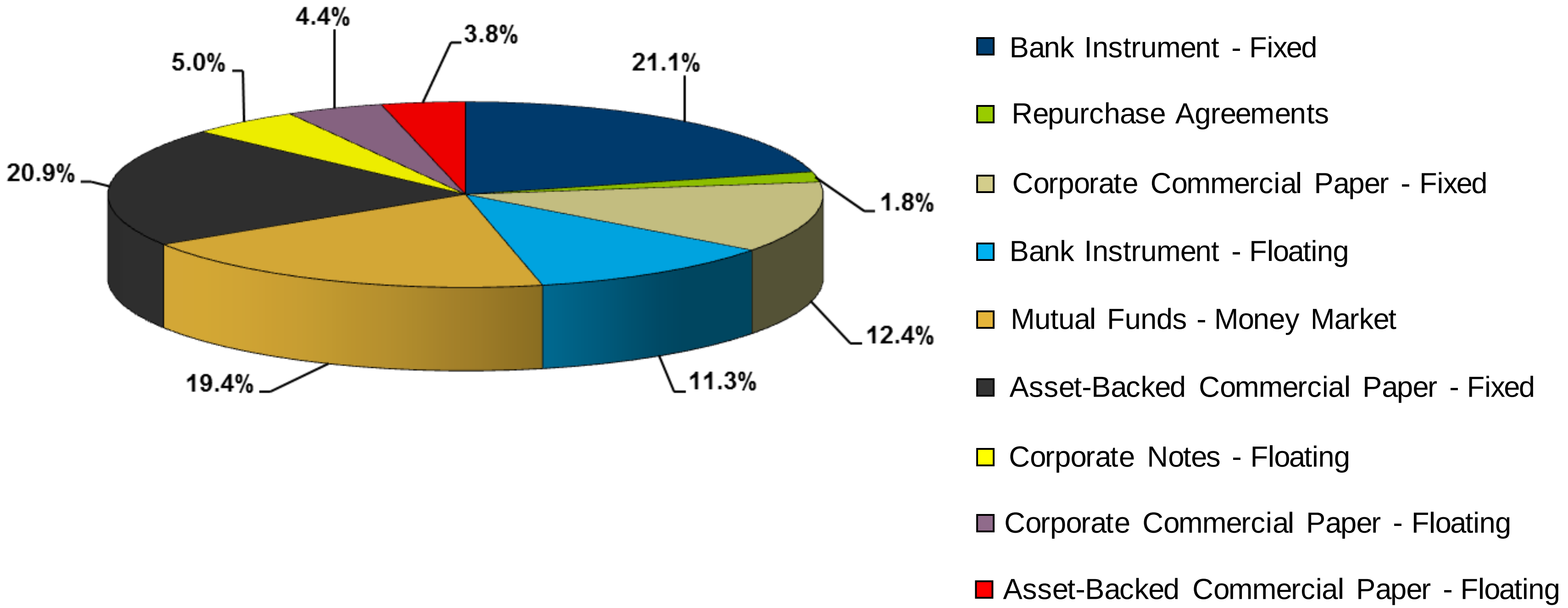
Florida PRIME Characteristics
Quarter Ending 6/30/2016

Cash Flows as of 6/30/2016	Second Quarter	Fiscal YTD*
Opening Balance	$8,482,609,066	$7,003,224,923
Participant Deposits	$2,772,505,707	$16,338,019,151
Gross Earnings	$12,727,359	$34,140,669
Participant Withdrawals	($3,478,411,156)	($15,585,314,196)
Fees	$0	($639,570)
Closing Balance (6/30/2016)	$7,789,430,976	$7,789,430,976
Change	**($693,178,090)**	**$786,206,053**

*Period July 2015 – June 2016

Florida PRIME Characteristics
Quarter Ending 6/30/2016

Portfolio Composition



Florida PRIME Characteristics
Period Ending 6/30/2016

Effective Maturity Schedule	
1-7 Days	39.5%
8 - 30 Days	17.2%
31 - 90 Days	34.4%
91 - 180 Days	6.7%
181+ Days	2.2%
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
A-1+	59.9%
A-1	40.1%
Total % of Portfolio:	**100.0%**

State Board of Administration of Florida

Major Mandate Review
Second Quarter 2016

Empower Results®

Table of Contents

Empower Results®

Executive Summary

- The major mandates outperformed their respective benchmarks over all longer time periods through June 30, 2016.
- The Pension Plan matched its Performance Benchmark during the second quarter, while outperforming over the trailing one-, three-, five-, ten-, and fifteen-year time periods.
  - Global Equity has been a consistent source of value added over all trailing time periods. Fixed Income, Real Estate, Private Equity and Strategic Investments have also added value over the trailing three- and five-year periods.
- Over the trailing three-, five-, and ten-year periods, the Pension Plan's return ranked in the top half of the TUCS Top Ten Defined Benefit Plan universe.
- The FRS Investment Plan underperformed the Total Plan Aggregate Benchmark during the second quarter and the trailing one-year period, but has outperformed over longer-term periods including the trailing three-, five-, and ten-year periods.
- The Lawton Chiles Endowment Fund underperformed its benchmark during the second quarter and over the one-year period, while outperforming over the trailing three-, five-, and ten-year periods, primarily due to strong global equity performance.
- The CAT Funds underperformed their benchmarks during the second quarter and trailing one-year, while outperforming over the trailing three-, five-, and ten-year time periods.
- Florida PRIME continued to outperform its respective benchmark over both short and long time periods.

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Pension Plan: Executive Summary

- The Pension Plan assets totaled $141.4 billion as of June 30, 2016 which represents a $0.3 billion decrease since last quarter.
- The Pension Plan, when measured against the Performance Benchmark, matched the benchmark during the second quarter and outperformed over the trailing one-, three-, five-, ten-, and fifteen-year periods.
- Relative to the Absolute Nominal Target Rate of Return, the Pension Plan underperformed over trailing one-, ten-, and fifteen-year periods, but has outperformed over the trailing three-, five-, twenty-, twenty-five-, and thirty-year time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
  - Public market asset class investments do not significantly deviate from their broad market-based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
  - Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type, and investment strategy.
  - Asset allocation is monitored on a daily basis to ensure that the actual asset allocation of the Pension Plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Aon Hewitt Investment Consulting and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

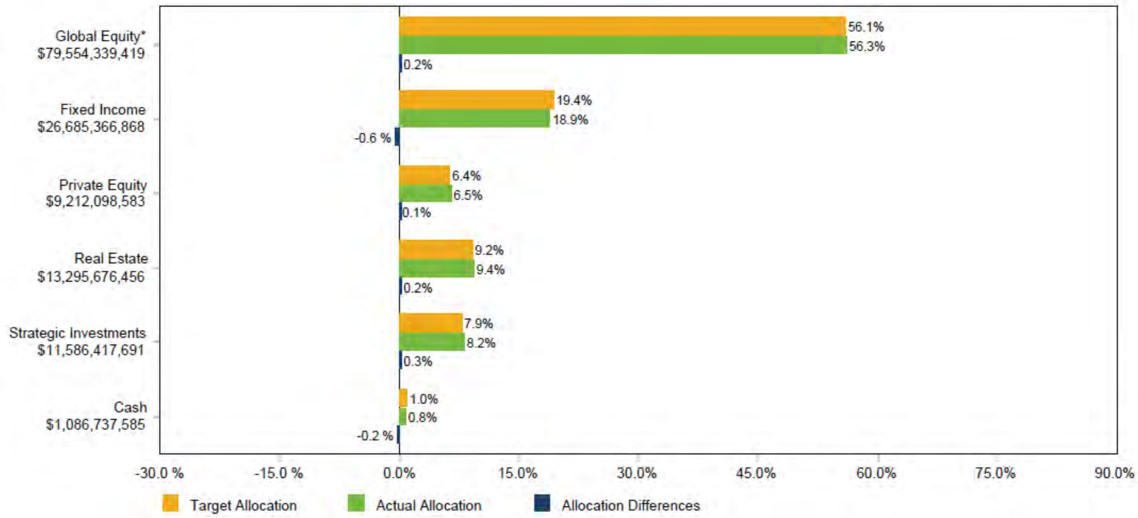
FRS Pension Plan Change in Market Value Periods Ending 6/30/2016

Summary of Cash Flows		
	Second Quarter	**Fiscal YTD***
Beginning Market Value	$141,696,925,039	$147,972,946,329
+/- Net Contributions/(Withdrawals)	($2,183,615,446)	($7,302,549,121)
Investment Earnings	$1,907,327,008	$750,239,393
= Ending Market Value	$141,420,636,601	$ 141,420,636,601
Net Change	($276,288,438)	($6,552,309,728)

*Period July 2015 – June 2016

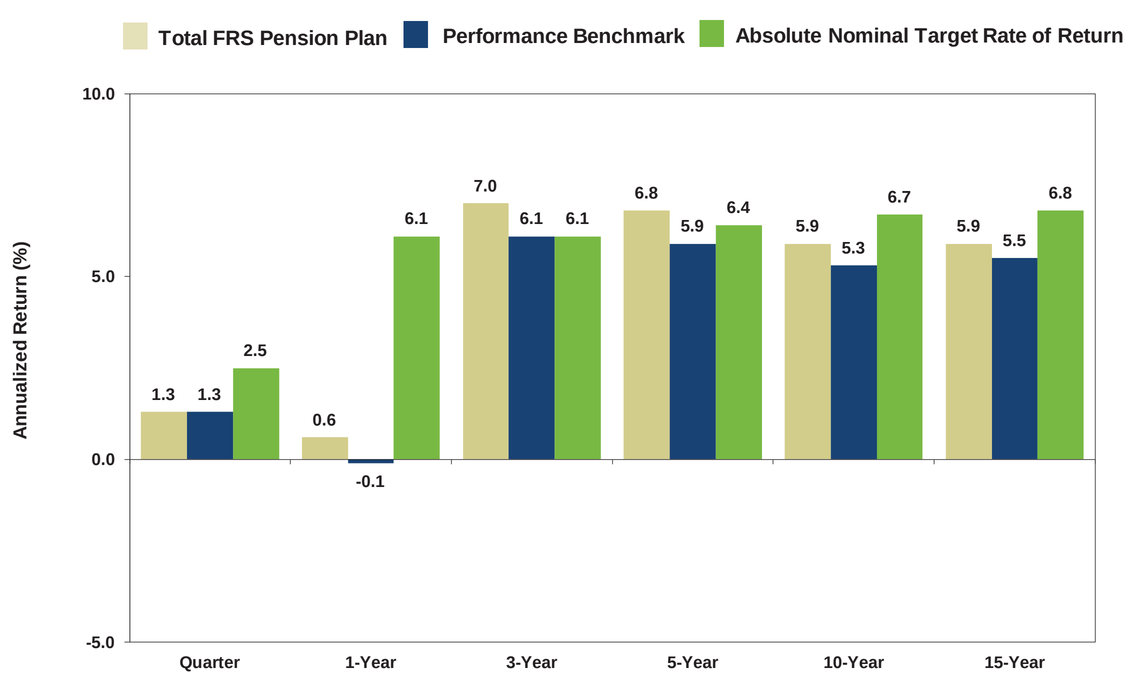
Asset Allocation as of 6/30/2016
Total Fund Assets = $141.4 Billion

	Market Value ($)	Current Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund	141,420,636,601	100.0	100.0		
Global Equity*	79,554,339,419	56.3	56.1	45.0	70.0
Fixed Income	26,685,366,868	18.9	19.4	10.0	26.0
Private Equity	9,212,098,583	6.5	6.4	2.0	9.0
Real Estate	13,295,676,456	9.4	9.2	4.0	16.0
Strategic Investments	11,586,417,691	8.2	7.9	0.0	16.0
Cash	1,086,737,585	0.8	1.0	0.3	5.0



* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

FRS Pension Plan Investment Results
Periods Ending 6/30/2016



FRS Pension Plan Investment Results
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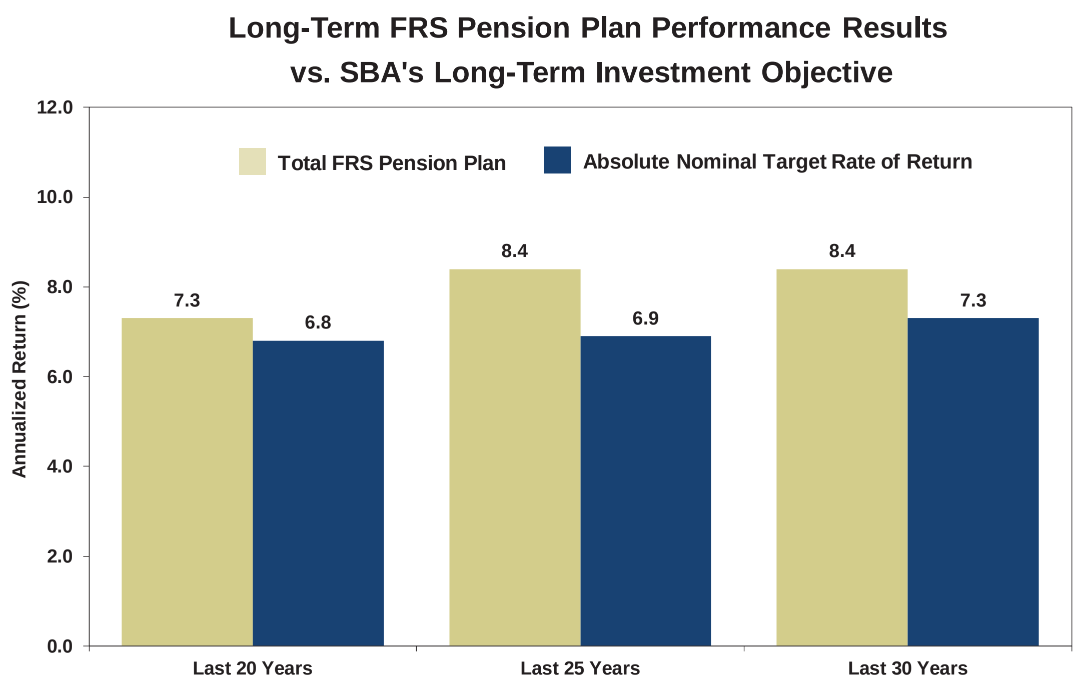
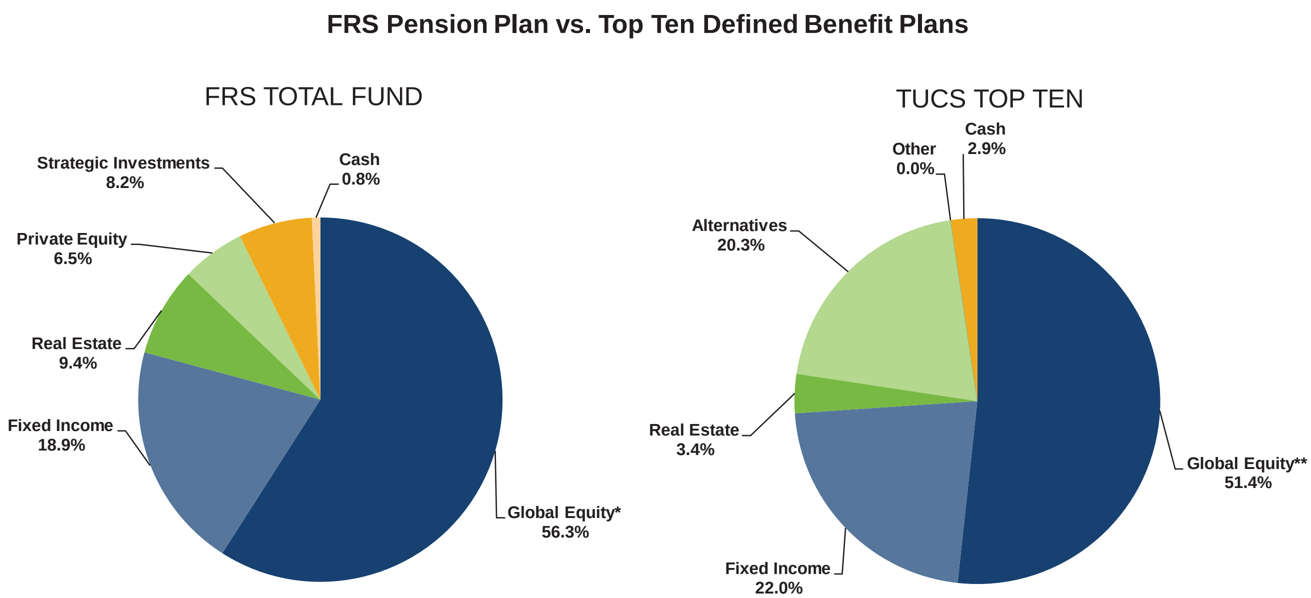


Comparison of Asset Allocation (TUCS Top Ten)
As of 6/30/2016

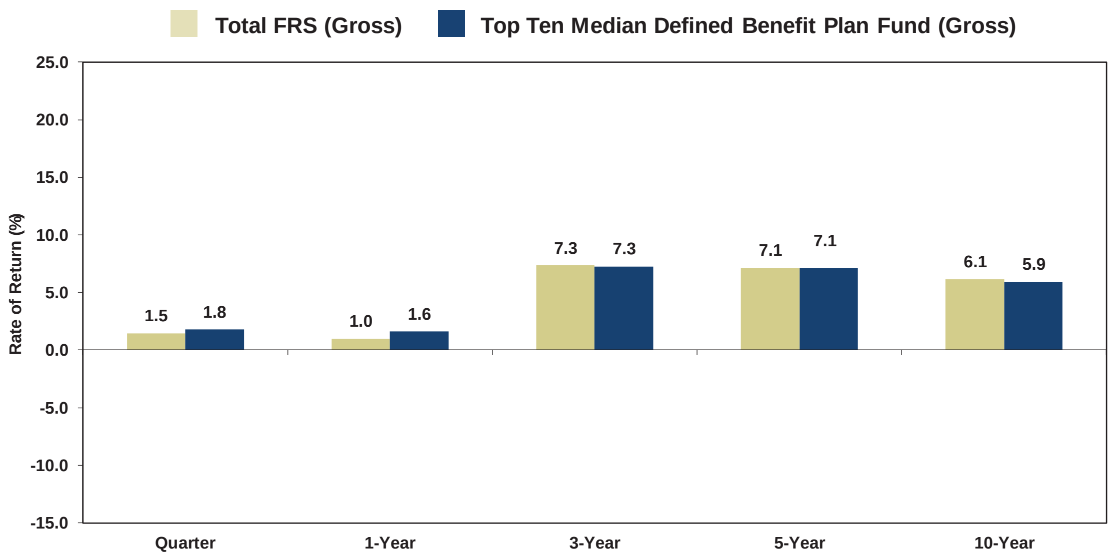


*Global Equity Allocation: 26.4% Domestic Equities; 23.6% Foreign Equities; 5.3% Global Equities; 1.0% Global Equity Liquidity Account. Percentages are of the Total FRS Fund.

**Global Equity Allocation: 33.0% Domestic Equities; 18.4% Foreign Equities.

Note: The TUCS Top Ten Universe includes $1,314.5 billion in total assets. The median fund size was $129.4 billion and the average fund size was $131.4 billion.

FRS Results Relative to TUCS Top Ten Defined Benefit Plans Periods Ending 6/30/2016



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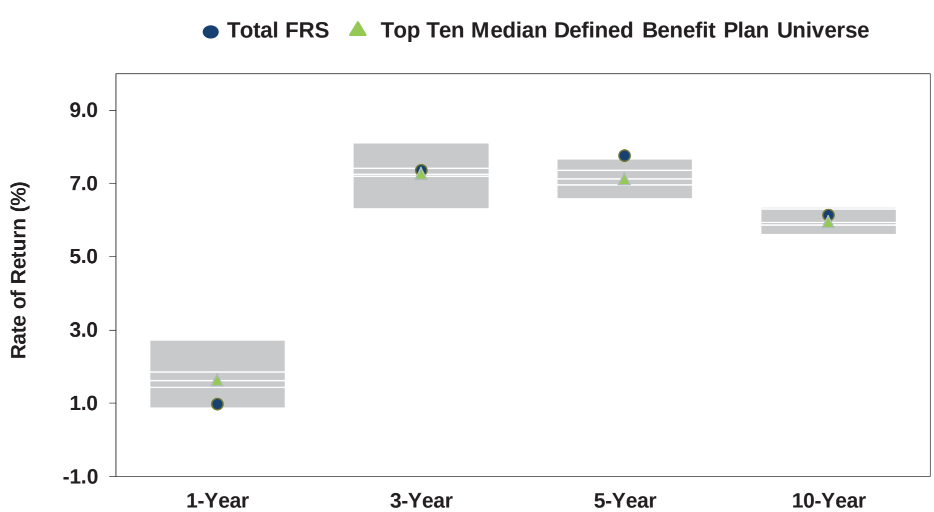
Top Ten Defined Benefit Plans FRS Universe Comparison (TUCS) Periods Ending 6/30/2016



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- Management fees are lower than the median as represented by Morningstar's mutual fund universe for every investment category.

- The FRS Investment Plan offers an appropriate number of fund options that span the risk and return spectrum.

- The Investment Policy Statement is revisited periodically to ensure that the structure and guidelines of the FRS Investment Plan are appropriate, taking into consideration the FRS Investment Plan's goals and objectives.

Total Investment Plan Returns & Cost

Periods Ending 6/30/2016*

	One-Year	Three-Year	Five-Year	Ten-Year
FRS Investment Plan	**-0.9%**	**5.5%**	**5.5%**	**4.9%**
*Total Plan Aggregate Benchmark***	-0.4	5.4	5.4	4.5
FRS Investment Plan vs. Total Plan Aggregate Benchmark	-0.5	0.1	0.1	0.4

Periods Ending 12/31/2014***

	Five-Year Average Return****	Five-Year Net Value Added	Expense Ratio
FRS Investment Plan	**8.0%**	**0.1%**	**0.37%*******
Peer Group	9.3	0.0	0.28
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*Returns shown are net of fees.
**Aggregate benchmark returns are an average of the individual portfolio benchmark returns at their actual weights.
***Source: 2014 CEM Benchmarking Report. Peer group for the Five-Year Average Return and Value Added represents the U.S. Median plan return based on the CEM 2014 Survey that included 138 U.S. defined contribution plans with assets ranging from $60 million to $47.6 billion. Peer group for the Expense Ratio represents a custom peer group for FSBA of 18 DC plans including corporate and public plans with assets between $2.1 - $15.9 billion.
****Returns shown are gross of fees.
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CAT Fund: Executive Summary

- Performance on both an absolute and relative basis has been somewhat weak over the short-term periods, with the CAT Funds trailing their benchmarks during the second quarter and trailing one-year time period. However, over the long-term periods, performance has been strong, with the Funds outperforming over the trailing three-, five-, and ten-year time periods.
- The CAT Funds are adequately diversified across issuers within the short-term bond market.
- The Investment Policy Statement appropriately constrains the CAT Funds to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Adequate liquidity exists to address the cash flow obligations of the CAT Funds.
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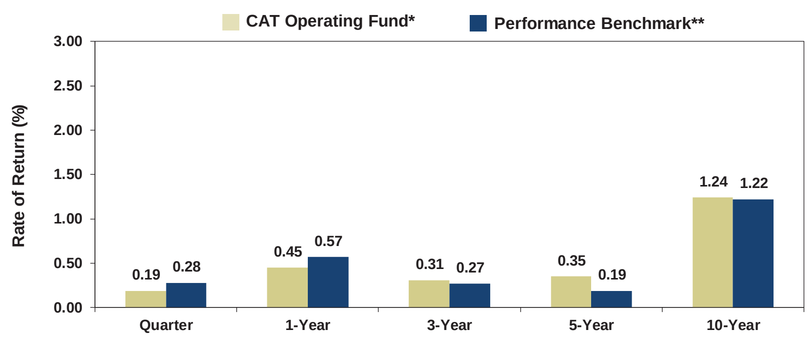
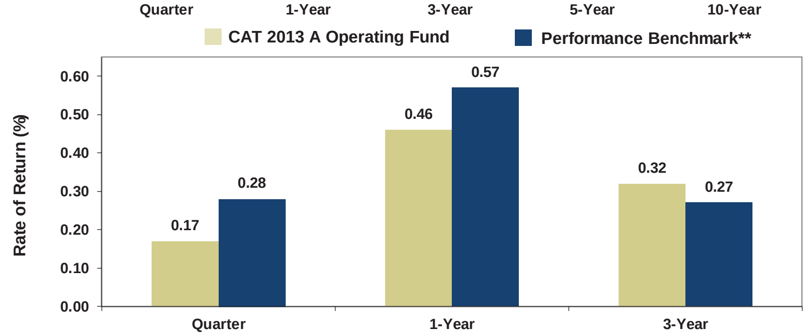
CAT Funds Investment Results
Periods Ending 6/30/2016





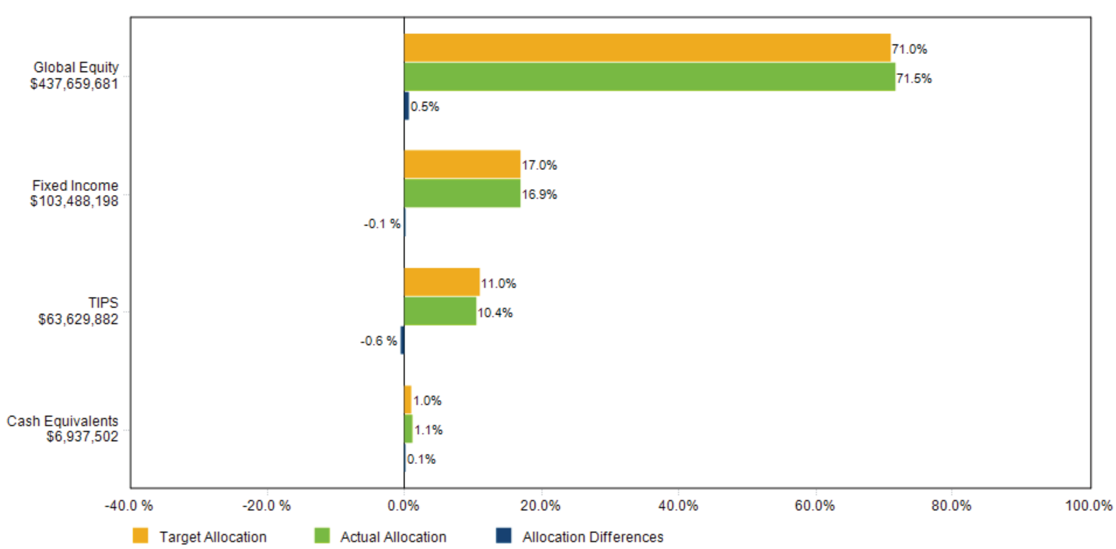
*CAT Operating Fund: Beginning March 2008, the returns for the CAT Fund reflect marked-to-market returns. Prior to that time, cost-based returns are used.
**Performance Benchmark: The CAT Fund was benchmarked to the IBC First Tier through February 2008. From March 2008 to December 2009, it was the Merrill Lynch 1-Month LIBOR. From January 2010 to June 2010, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. From July 2010 to September 2014, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Net Index. Effective October 2014, it is a blend of the average of the Merrill Lynch 1-Yr US Treasury Bill Index and the iMoneyNet First Tier Institutional Money Market Funds Net Index.

Lawton Chiles Endowment Fund: Executive Summary

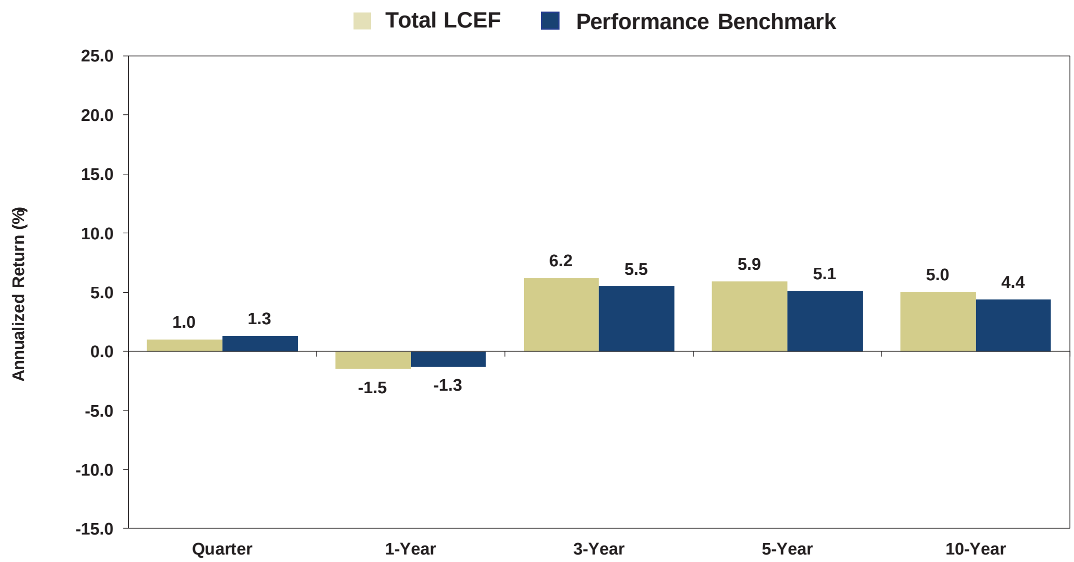
- Established in July 1999, the Lawton Chiles Endowment Fund (LCEF) was created to provide a source of funding for child health and welfare programs, elder programs and research related to tobacco use.
  - The investment objective is to preserve the real value of the net contributed principal and provide annual cash flows for appropriation.
  - The Endowment's investments are diversified across various asset classes including global equity, fixed income, inflation-indexed bonds (TIPS) and cash.
- The Endowment assets totaled $611.7 million as of June 30, 2016.
- The Endowment's return trailed its Target during the second quarter and the trailing one-year time period, while outperforming its Target during the trailing three-, five-, and ten-year time periods.

Asset Allocation as of 6/30/2016
Total LCEF Assets = $611.7 Million

	Market Value ($)	Current Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)
LCEF Total Fund	611,715,263	100.0	100.0		
Global Equity	437,659,681	71.5	71.0	61.0	81.0
Fixed Income	103,488,198	16.9	17.0	12.0	22.0
TIPS	63,629,882	10.4	11.0	6.0	16.0
Cash Equivalents	6,937,502	1.1	1.0	0.0	10.0



LCEF Investment Results
Periods Ending 6/30/2016



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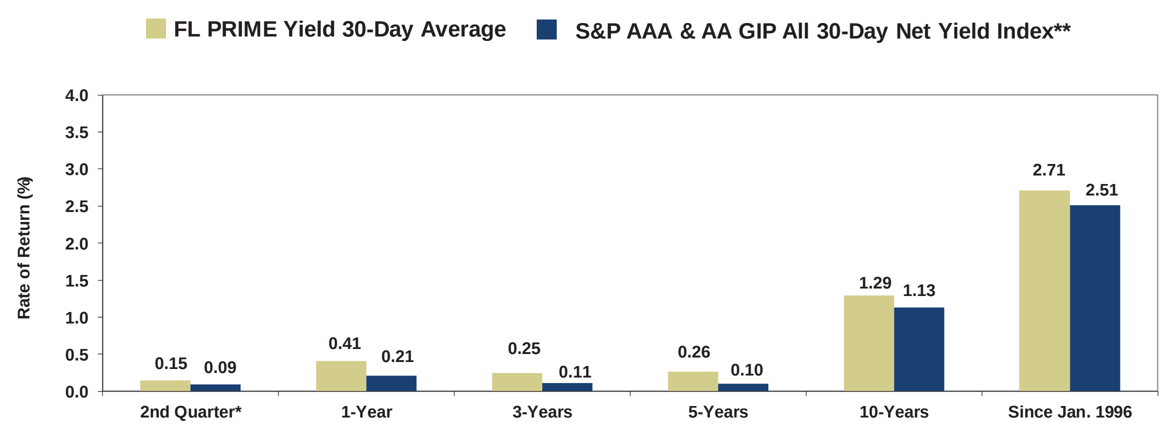
Florida PRIME: Executive Summary

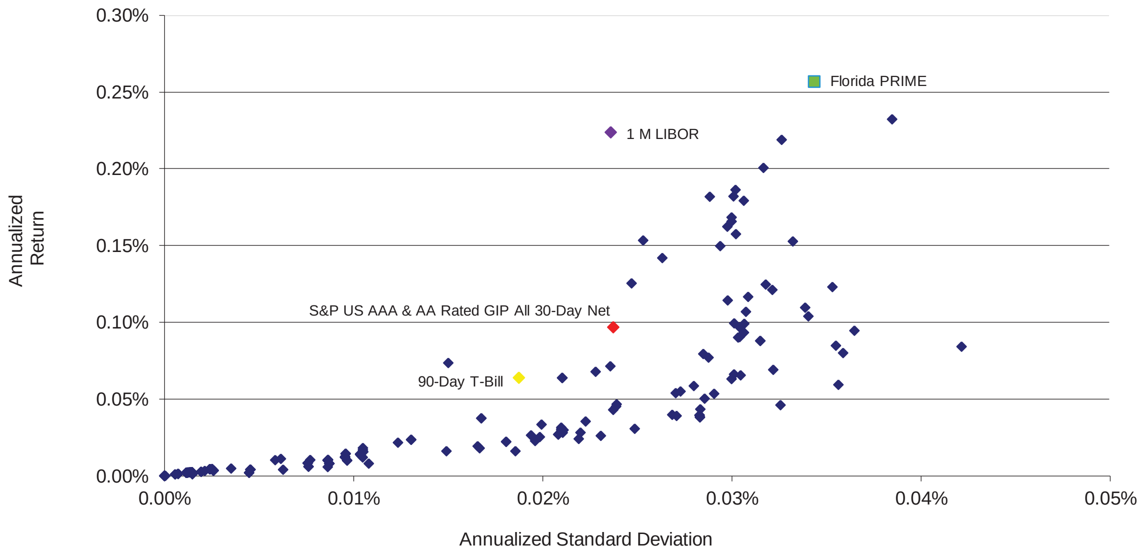
- The purpose of Florida PRIME is safety, liquidity, and competitive returns with minimal risk for participants.
- The Investment Policy Statement appropriately constrains Florida PRIME to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Florida PRIME is adequately diversified across issuers within the short-term bond market, and adequate liquidity exists to address the cash flow obligations of Florida PRIME.
- Performance of Florida PRIME, on both an absolute and relative basis, has been strong over short- and long-term time periods.
- As of June 30, 2016, the total market value of Florida PRIME was $7.9 billion.
- Aon Hewitt Investment Consulting, in conjunction with SBA staff, compiles an annual best practices report that includes a full review of the Investment Policy Statement, operational items, and investment structure for Florida PRIME.

Florida PRIME Investment Results
Periods Ending 6/30/2016

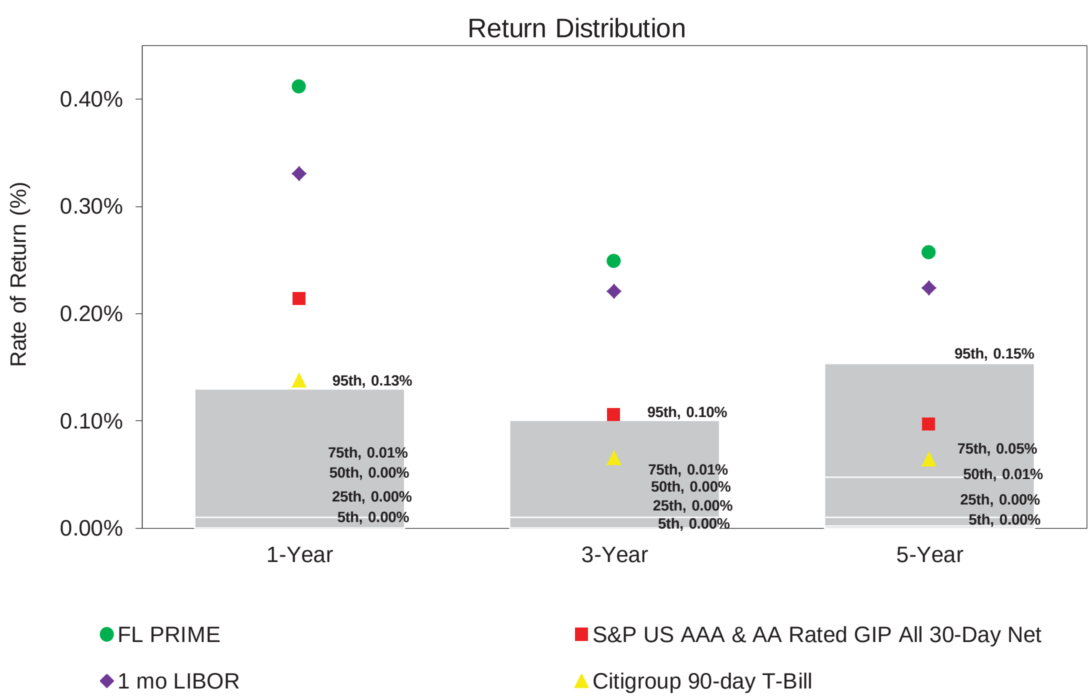


*Returns less than one year are not annualized.
**S&P AAA & AA GIP All 30-Day Net Yield Index for all time periods shown.

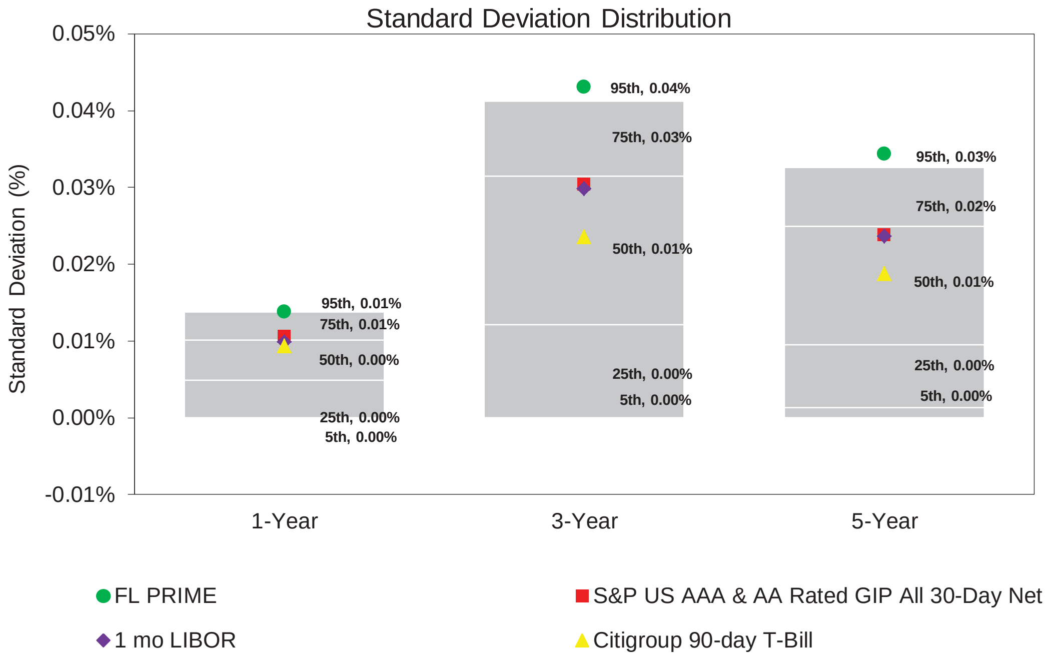
Florida PRIME Risk vs. Return
5 Years Ending 6/30/2016



Return Distribution
Periods Ending 6/30/2016



Standard Deviation Distribution
Periods Ending 6/30/2016



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Appendix

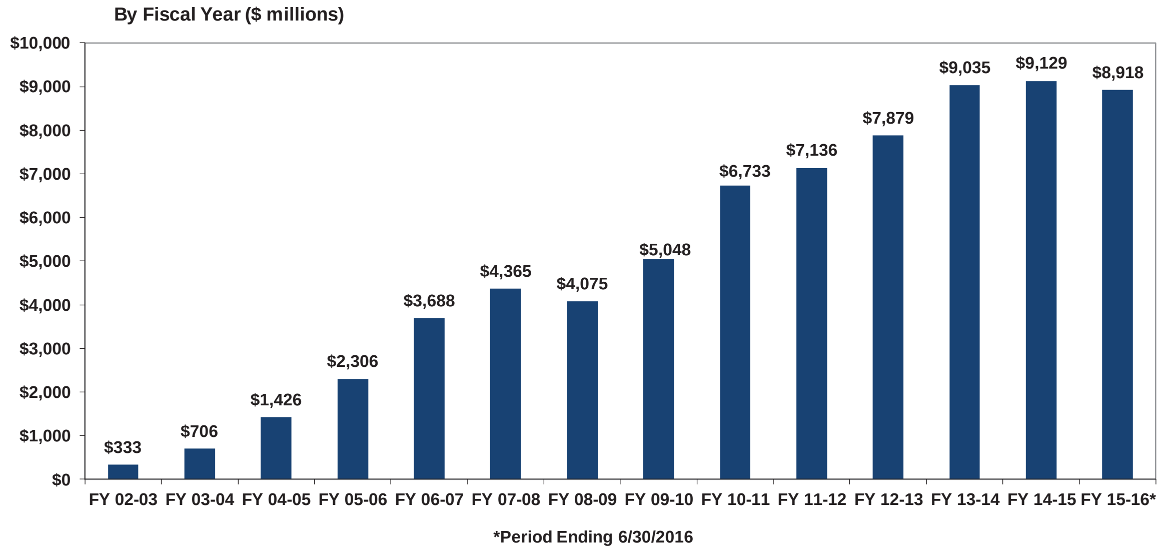
FRS Investment Plan Costs

Investment Category	Investment Plan Fee*	Average Mutual Fund Fee**
Large Cap Equity	0.18%	0.83%
Small-Mid Cap Equity	0.66%	1.02%
International Equity	0.32%	0.99%
Diversified Bonds	0.15%	0.60%
Target Date	0.11%	0.61%
Money Market	0.06%	0.14%

*Average fee of multiple products in category as of 6/30/2016.

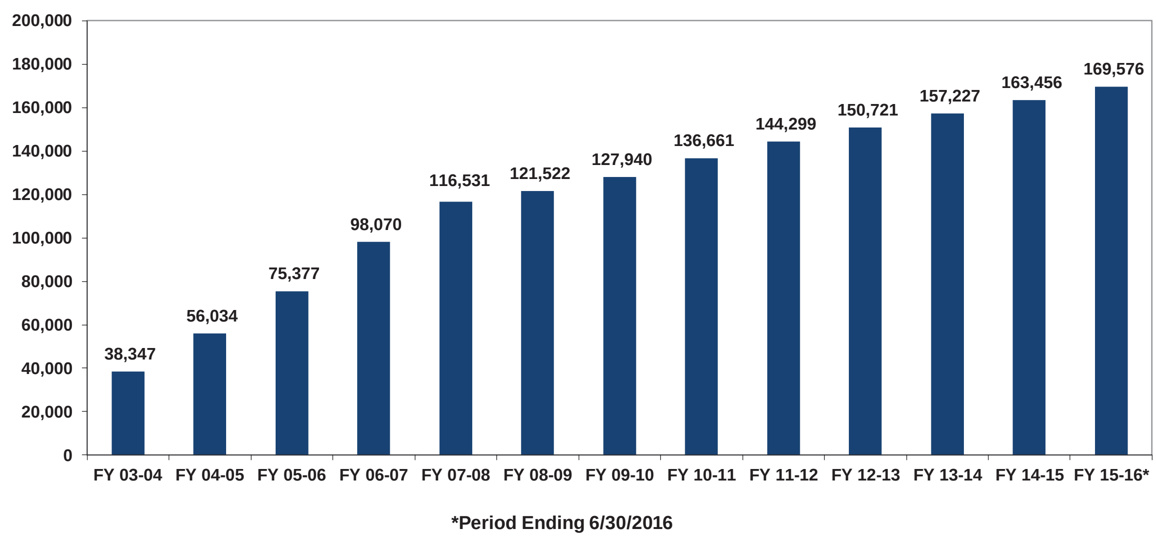
**Source: AHIC's annual mutual fund expense analysis as of 12/31/2015.

Investment Plan Fiscal Year End Assets Under Management



Source: Investment Plan Administrator

Investment Plan Membership



Source: Investment Plan Administrator

Florida Hurricane Catastrophe Fund Background

- 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.
- Both the CAT Fund (Operating Fund) and the CAT 2013 A Fund are internally managed portfolios benchmarked to a blend of the average of the Merrill Lynch 1-Yr US Treasury Bill Index and the iMoneyNet First Tier Institutional Money Market Funds Net Index.
- As of June 30, 2016, the total value of all FHCF accounts was $15.3 billion.

CAT Operating Fund Characteristics
Period Ending 6/30/2016

Effective Maturity Schedule	
O/N* - 14 Days	11.2%
15 - 30 Days	11.8
31 - 60 Days	8.5
61 - 90 Days	11.5
91 - 120 Days	4.9
121 - 150 Days	2.1
151 - 180 Days	6.7
181 - 210 Days	3.3
211 - 240 Days	2.0
241 - 270 Days	2.0
271 - 300 Days	3.8
301 - 365 Days	0.6
366 - 732 Days	18.1
733 - 1,098 Days	12.3
1,099 - 1,875 Days	1.2
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
AAA	54.4%
AA	20.0
A	25.5
Total % of Portfolio:	**100.0%**

*O/N stands for overnight.

CAT 2013 A Fund Characteristics
Period Ending 6/30/2016

Effective Maturity Schedule	
O/N* - 14 Days	9.4%
15 - 30 Days	3.9
31 - 60 Days	10.7
61 - 90 Days	12.7
91 - 120 Days	7.1
121 - 150 Days	3.4
151 - 180 Days	3.5
181 - 210 Days	5.0
211 - 240 Days	1.7
241 - 270 Days	1.7
271 - 300 Days	0.0
301 - 365 Days	5.0
366 - 732 Days	16.8
733 - 1,098 Days	17.5
1,099 - 1,875 Days	1.7
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
AAA	69.8%
AA	11.3
A	18.9
Total % of Portfolio:	**100.0%**

*O/N stands for overnight.

CAT 2016 A Fund Characteristics
Period Ending 6/30/2016

Effective Maturity Schedule	
O/N* - 14 Days	10.4%
15 - 30 Days	5.0
31 - 60 Days	7.5
61 - 90 Days	16.4
91 - 120 Days	8.2
121 - 150 Days	4.2
151 - 180 Days	0.0
181 - 210 Days	0.0
211 - 240 Days	4.2
241 - 270 Days	2.9
271 - 300 Days	4.2
301 - 365 Days	4.2
366 - 732 Days	18.3
733 - 1,098 Days	12.5
1,099 - 1,875 Days	2.1
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
AAA	77.5%
AA	2.1
A	20.4
Total % of Portfolio:	**100.0%**

*O/N stands for overnight.

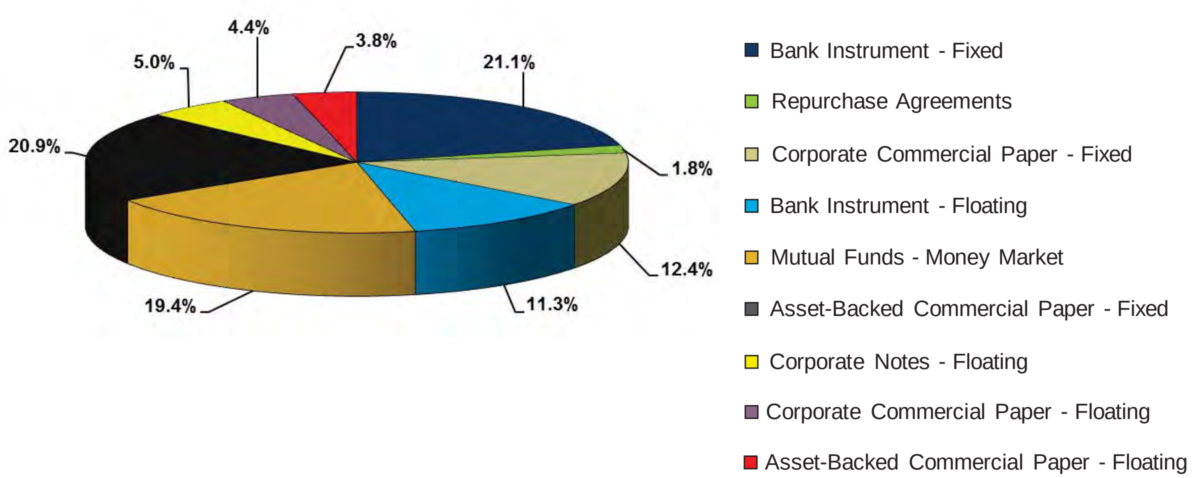
Florida PRIME Characteristics
Quarter Ending 6/30/2016

Cash Flows as of 6/30/2016	Second Quarter	Fiscal YTD*
Opening Balance	$8,482,609,066	$7,003,224,923
Participant Deposits	$2,772,505,707	$16,338,019,151
Gross Earnings	$12,727,359	$34,140,669
Participant Withdrawals	($3,478,411,156)	($15,585,314,196)
Fees	$0	($639,570)
Closing Balance (6/30/2016)	$7,789,430,976	$7,789,430,976
Change	**($693,178,090)**	**$786,206,053**

*Period July 2015 – June 2016

Florida PRIME Characteristics
Quarter Ending 6/30/2016

Portfolio Composition



Florida PRIME Characteristics
Period Ending 6/30/2016

Effective Maturity Schedule	
1-7 Days	39.5%
8 - 30 Days	17.2%
31 - 90 Days	34.4%
91 - 180 Days	6.7%
181+ Days	2.2%
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
A-1+	59.9%
A-1	40.1%
Total % of Portfolio:	**100.0%**

FRS Pension Plan | Second Quarter 2016

Quarterly Investment Review

Visit the Aon Hewitt Retirement and Investment Blog *(http://retirementandinvestmentblog.aon.com); sharing our best thinking.*

GREENWICH ASSOCIATES Greenwich Quality Leader 2015

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Table of Contents

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Market Environment

Market Highlights

Returns of the Major Capital Markets

Periods Ending 06/30/2016

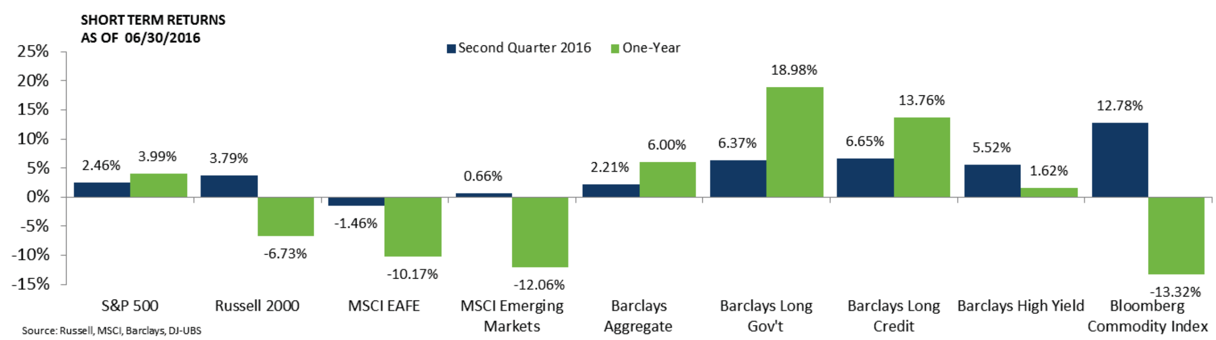
	Second Quarter	Year-to-Date	1-Year	3-Year[1]	5-Year[1]	10-Year[1]
Equity						
MSCI All Country World IMI	1.06%	1.36%	-3.87%	6.13%	5.43%	4.48%
MSCI All Country World	0.99%	1.23%	-3.73%	6.03%	5.38%	4.26%
Dow Jones U.S. Total Stock Market	2.61%	3.55%	2.04%	10.99%	11.54%	7.49%
Russell 3000	2.63%	3.62%	2.14%	11.13%	11.60%	7.40%
S&P 500	2.46%	3.84%	3.99%	11.66%	12.10%	7.42%
Russell 2000	3.79%	2.22%	-6.73%	7.09%	8.35%	6.20%
MSCI All Country World ex-U.S. IMI	-0.68%	-0.91%	-9.61%	1.65%	0.39%	2.16%
MSCI All Country World ex-U.S.	-0.64%	-1.02%	-10.24%	1.16%	0.10%	1.87%
MSCI EAFE	-1.46%	-4.42%	-10.17%	2.06%	1.68%	1.58%
MSCI EAFE (Local Currency)	-0.74%	-7.21%	-10.19%	5.78%	6.21%	2.10%
MSCI Emerging Markets	0.66%	6.41%	-12.06%	-1.56%	-3.78%	3.54%
Fixed Income						
Barclays Global Aggregate	2.89%	8.96%	8.87%	2.80%	1.77%	4.40%
Barclays Aggregate	2.21%	5.31%	6.00%	4.06%	3.77%	5.14%
Barclays Long Gov't	6.37%	14.94%	18.98%	10.38%	10.17%	8.69%
Barclays Long Credit	6.65%	13.93%	13.76%	8.70%	8.45%	8.14%
Barclays Long Gov't/Credit	6.55%	14.33%	15.72%	9.32%	9.18%	8.42%
Barclays US TIPS	1.71%	6.24%	4.36%	2.32%	2.64%	4.75%
Barclays High Yield	5.52%	9.06%	1.62%	4.19%	5.85%	7.56%
Citi Group Non-U.S. WGBI	4.04%	13.50%	13.85%	2.36%	0.31%	3.97%
JP Morgan EMBI Global (Emerging Markets)	5.40%	10.90%	10.32%	6.44%	6.25%	7.91%
Commodities						
Bloomberg Commodity Index	12.78%	13.25%	-13.32%	-10.55%	-10.82%	-5.59%
Goldman Sachs Commodity Index	12.67%	9.86%	-26.08%	-19.81%	-14.03%	-10.18%
Hedge Funds						
HFRI Fund-Weighted Composite[2]	2.25%	1.63%	-1.97%	3.05%	2.46%	3.62%
HFRI Fund of Funds[2]	0.75%	-2.40%	-5.23%	1.98%	1.67%	1.60%
Real Estate						
NAREIT U.S. Equity REITS	6.96%	13.38%	24.04%	13.58%	12.60%	7.45%
NCREIF NFI - ODCE[3]	2.13%	4.36%	11.82%	13.00%	12.71%	6.17%
Private Equity						
Burgiss Private iQ Global Private Equity[4]	1.26%	6.37%	6.37%	11.97%	11.22%	10.78%
Infrastructure						
Macquarie Global Infrastructure - North America	8.45%	25.05%	16.26%	10.77%	11.02%	8.69%

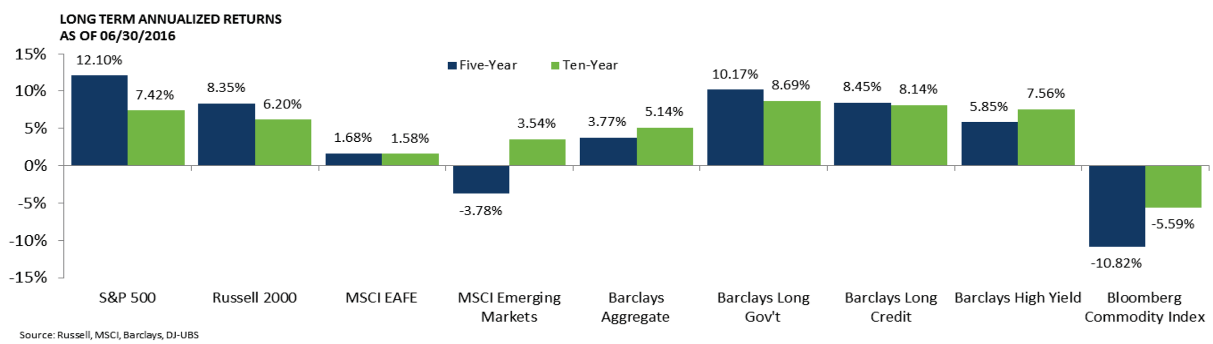
MSCI Indices show net returns.
All other indices show total returns.

[1] Periods are annualized.
[2] Latest 5 months of HFR data are estimated by HFR and may change in the future.
[3] Second quarter results are preliminary.
[4] Source: Burgiss Private iQ. Benchmark is as of 12/31/2015.

Empower Results®

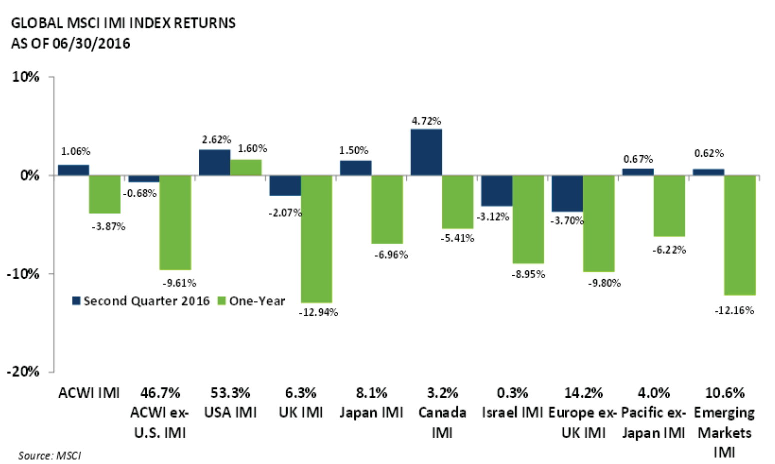
Market Highlights





Empower Results®

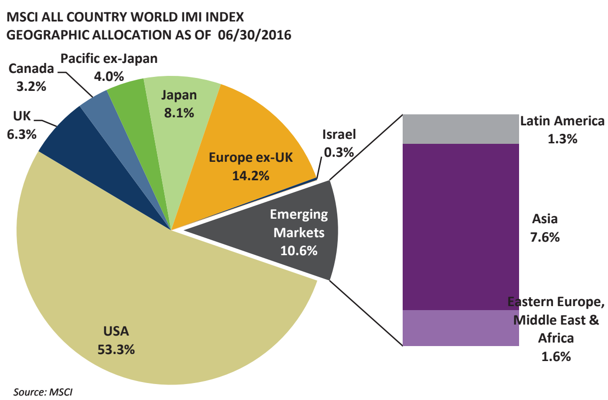
Global Equity Markets

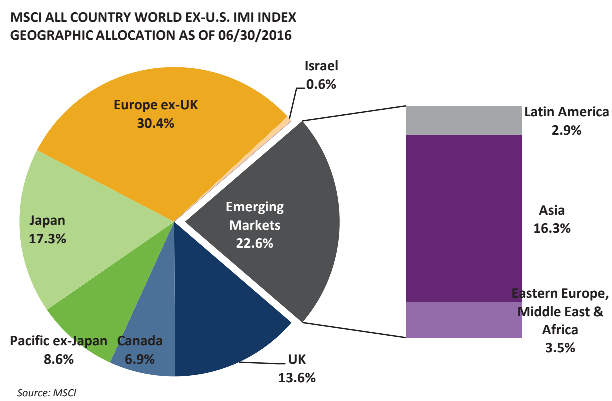


- Despite falling on the news of “Brexit” (the decision by the UK public to leave the EU), global equities rebounded somewhat after a volatile first quarter.
- Global equity markets returned 1.06% in Q2 2016 with notable differences in regional returns. Canada continued to be the best performer with a return of 4.72% in Q2 2016.

AON Empower Results®

Global Equity Markets

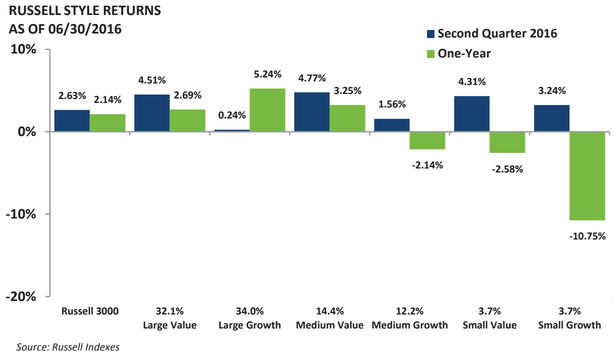


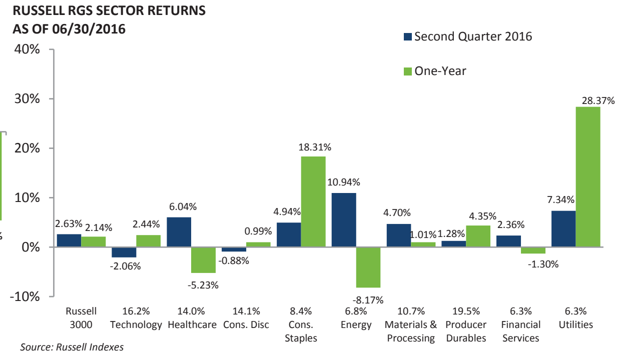


- The two exhibits on this slide illustrate the percentage that each country/region represents of the global equity market as measured by the MSCI All Country World IMI Index and the MSCI All Country World ex-U.S. IMI Index.

AON Empower Results®

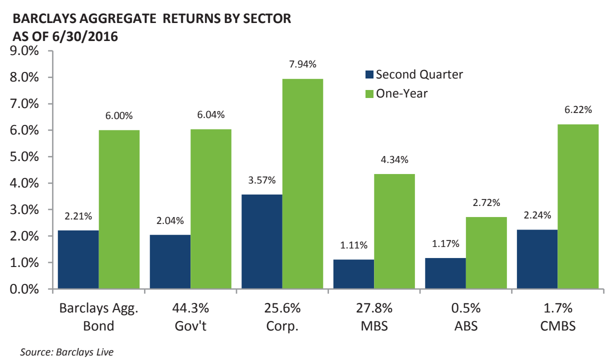
U.S. Equity Markets

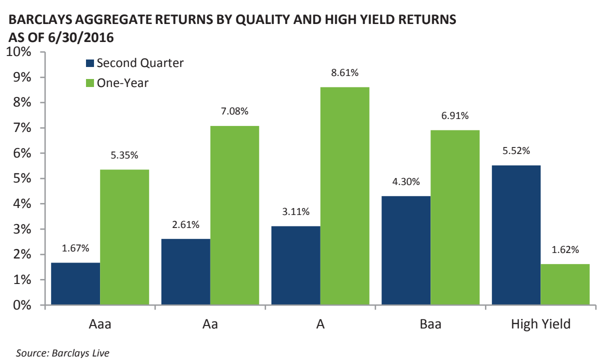




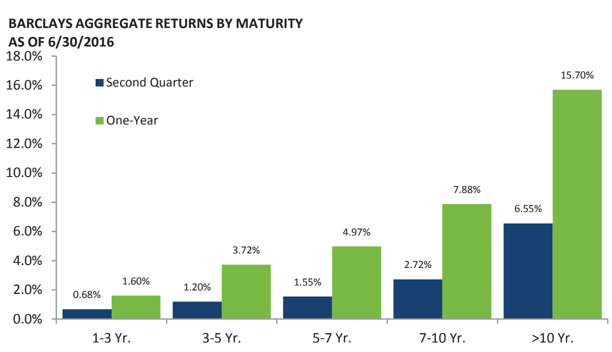
- The Russell 3000 Index returned 2.63% during the second quarter and returned 2.14% over the one-year period.
- During the second quarter, the energy sector was the strongest performer, posting returns of 10.94%. The technology and consumer discretionary sectors were the weakest performers, producing returns of -2.06% and -0.88%, respectively.
- Performance across the market capitalization spectrum was positive over the quarter. Medium cap stocks outperformed both the larger and smaller segments in Value stocks. Small cap stocks outperformed the other segments in Growth stocks. Value stocks outperformed Growth stocks across the capitalizations.

U.S. Fixed Income Markets

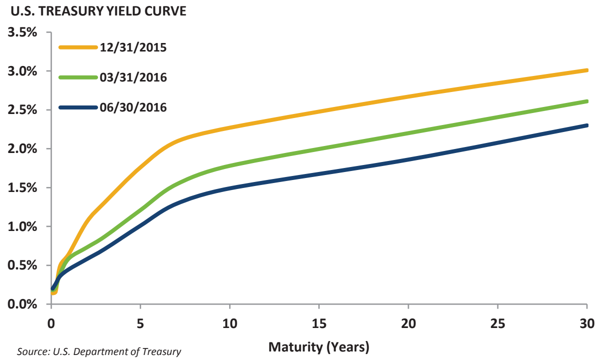


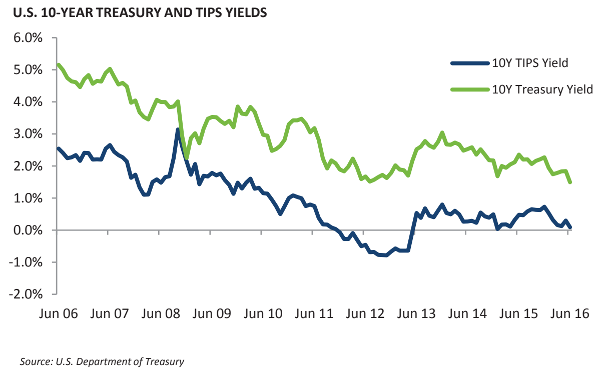


- The Barclays Aggregate Bond Index returned 2.21% in the second quarter. Corporate bonds were the strongest performing index segment, returning the most at 3.57%.
- High yield bonds outperformed all the other investment grade corporate bonds in all different credit qualities.
- Longer duration bonds outperformed shorter duration bonds.



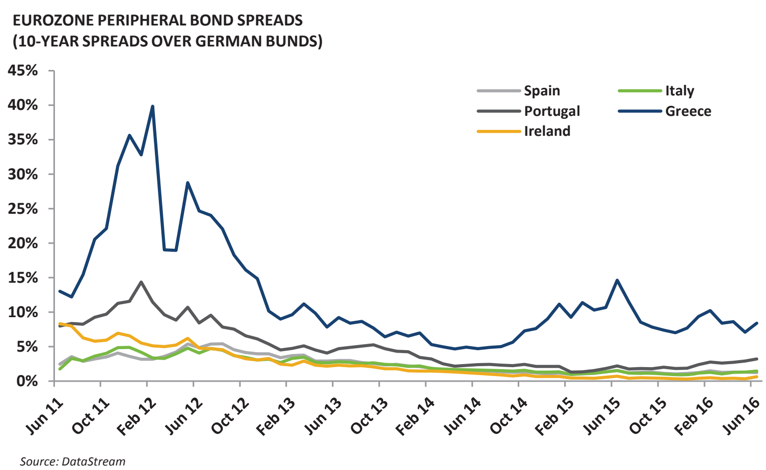
U.S. Fixed Income Markets





- The Treasury yield curve shifted downwards over the second quarter with yields falling across most maturities. The yield curve flattened over the quarter, driven by long maturity bonds falling.
- The results of the "Brexit" referendum were the main drivers behind the collapse of yields over the quarter.
- The 10-year U.S. Treasury yield ended the quarter at 1.49%, 29 basis points lower than its level at the beginning of the quarter.
- The 10-year TIPS yield fell by 7 basis points over the quarter and ended the period at 0.09%.

European Fixed Income Markets



- In the Eurozone, bond spreads widened during the second quarter of 2016 with core bond yields falling and the peripheral bond yields being mixed. German bund yields fell to negative territory towards the end of the quarter as investors sought safe haven bonds amid growth concerns caused by Brexit.

- Italian government bond yields rose sharply in the beginning of the quarter driven by the country's troubled banking sector due to a heavy load of non-performing loans on their balance sheets. Portuguese bond yields rose over concerns of the country's sovereign debt losing its last investment grade credit rating, which would result in the country's debt being disqualified from the European Central Bank's asset-purchase program.

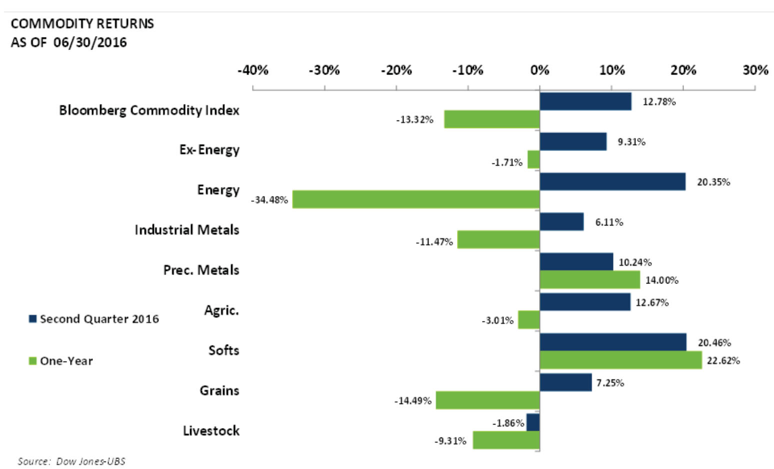
Credit Spreads

Spread (bps)	06/30/2016	03/31/2016	06/30/2015	Quarterly Change (bps)	1-Year Change (bps)
U.S. Aggregate	55	56	51	-1	4
Long Gov't	3	4	4	-1	-1
Long Credit	215	223	202	-8	13
Long Gov't/Credit	130	136	128	-6	2
MBS	27	22	26	5	1
CMBS	98	109	101	-11	-3
ABS	61	74	62	-13	-1
Corporate	156	163	145	-7	11
High Yield	594	656	476	-62	118
Global Emerging Markets	345	382	328	-37	17

Source: Barclays Live

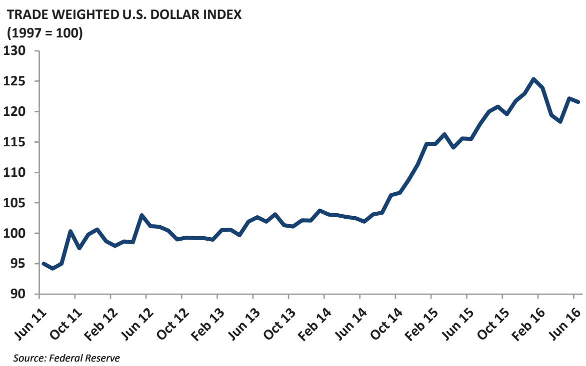
- During the second quarter, credit spreads fell across all the areas of the bond market with the exception of MBS spreads.
- High yield spreads (-62 basis points) fell by the most over the quarter, followed by Global Emerging Markets spreads (-37 basis points) and ABS (-13 basis points).

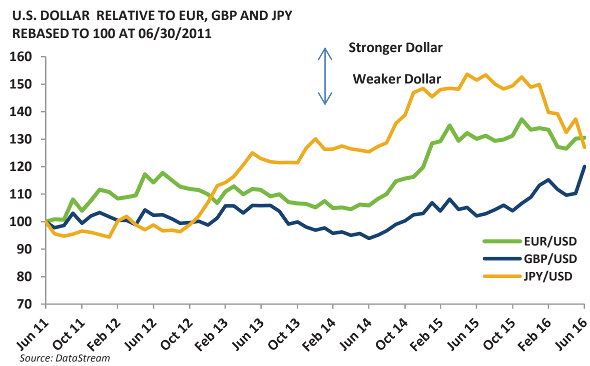
Commodities



- The Bloomberg Commodity Index rose during the second quarter returning 12.78%.
- Over the quarter, the best performing segment was softs with a return 20.46%.
- Livestock was the worst performing sector during the quarter with a return of -1.86%.

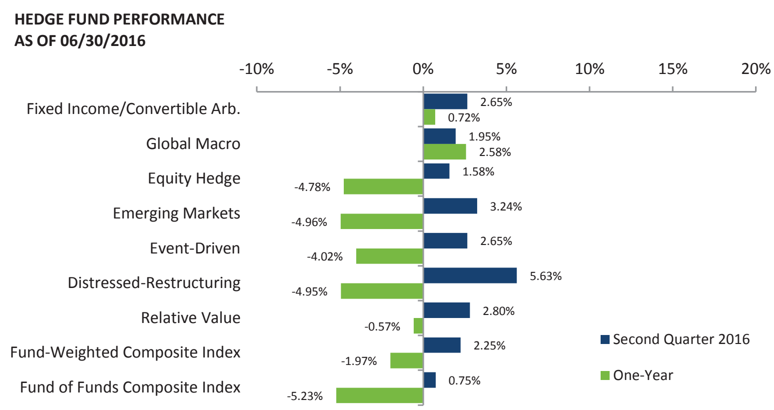
Currency





- As measured through the broad trade weighted U.S. dollar index, the U.S. dollar strengthened during the quarter.
- The US dollar appreciated sharply against the pound and the euro but depreciated against the yen. The pound weakened on confirmation of Brexit and ensuing speculation over a cut by the Bank of England (BOE). The yen appreciated sharply against the dollar as the Bank of Japan (BOJ) kept the monetary policy unchanged over the quarter, contrary to expectations.

Hedge Fund

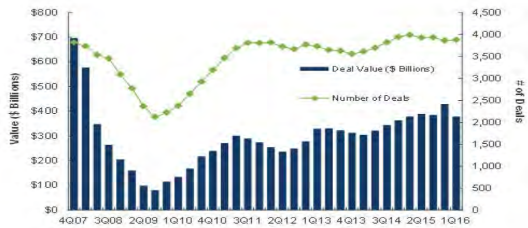


Note: Latest 5 months of HFR data are estimated by HFR and may change in the future.
Source: HFR

- Hedge fund performance was positive over the quarter.
- The HFRI Fund-Weighted Composite Index and the HFRI Fund of Funds Composite Index produced returns of 2.25% and 0.75%, respectively, during the quarter.
- Distressed-Restructuring was the best performer, with a return of 5.63% in the second quarter.

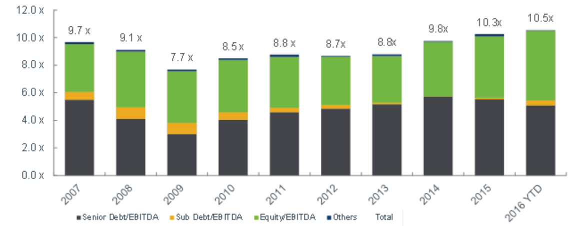
Private Equity Market Overview – First Quarter 2016

LTM Global Private Equity-Backed Buyout Deal Volume



Source: Preqin

Purchase Price Multiples



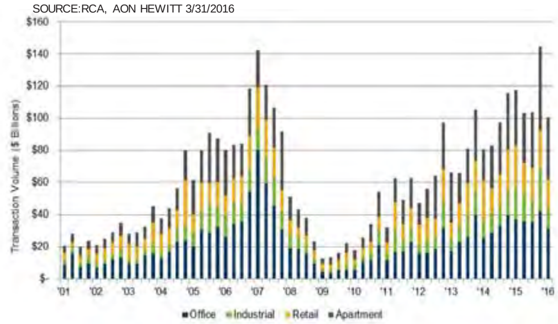
Source: S&P

- **Fundraising:** In 1Q 2016, $102.3 billion was raised by 207 funds, which was down 15.6% and 6.5% on a capital basis compared to the prior quarter and same period last year, respectively. On an LTM basis, private equity fundraising totaled $449.5 billion, which although down slightly quarter over quarter (1.6%), remained well above the five year annual average of $391.0 billion. Dry powder was up 7.0% compared to 4Q 2015's peak of $1.1 trillion and remained well above the five year average level of $911.1 billion [1].
- **Buyout:** Global private equity-backed buyout deals totaled just $52.0 billion in the first quarter, which was down 62.4% and 37.3% from the prior quarter and five year quarterly average, respectively. This marked the lowest quarterly total since 1Q 2012, which saw $43.6 billion in volume [1]. First quarter entry multiples for all transaction sizes stood at 10.5x EBITDA, up from 4Q 2015 and full year 2015 levels of 10.1x and 10.3x, respectively, despite middle market purchase prices matching their lowest quarterly total since 1Q 2014 (8.3x EBITDA) [2]. The average purchase price multiple across all European transaction sizes increased to 9.8x from 9.6x a year ago on an LTM basis. Purchase prices for both transactions of €1.0 billion or more, as well as transactions between €500.0 million and €1.0 billion increased quarter over quarter to 10.5x [2]. Globally, exit value totaled $68.6 billion on 379 deals in 1Q 2016, down 9.0% and 15.6%, respectively, from 4Q 2015 [1].
- **Venture:** $12.1 billion of capital was deployed across 969 deals in the first quarter compared to 1,021 deals totaling $12.0 billion in 4Q 2015 [3]. This was 11.3% lower than 1Q 2015 on a capital basis, but remains well above the five year quarterly average level of $9.9 billion. There were just six venture-backed initial public offerings in 1Q 2016, which was down from 16 in 4Q 2015 and marked the lowest number observed since 3Q 2011. The number of M&A transactions totaled 79 deals, representing decreases of 24.8% and 18.6% compared to 4Q 2015 and 1Q 2015, respectively [4].
- **Mezzanine:** After a strong year in 2015, fundraising slowed during the first quarter with three funds closing on $1.2 billion in capital. This was down considerably compared to 1Q 2015's five year quarterly high of $11.7 billion raised by 13 funds. Estimated dry powder was $41.6 billion at the end of 1Q 2016, down 5.0% from 4Q 2015 [1]. Fundraising remains competitive with an estimated 77 funds in market targeting $34.3 billion of commitments in addition to continued market participation from private lending platforms and business development companies (BDCs) [1].
- **Distressed Debt:** 26 issuers defaulted on a total $15.7 billion during the first quarter, contributing to the LTM U.S. high-yield default rate of approximately 3.4% [5]. Default rates are expected to rise further in 2016 due to ongoing developments and challenges in the energy and mining/minerals sectors [5]. Distressed debt and bankruptcy restructuring activity totaled $25.4 billion in 1Q 2016, up 16.0% from the same period a year ago. U.S. activity accounted for $7.7 billion, representing approximately a 61.0% increase from 1Q 2015 [6].
- **Secondaries:** Five funds raised $3.9 billion during the first quarter, down from $8.1 billion by six funds in 4Q 2015. On an LTM basis, secondary capital raised totaled $24.3 billion, up from the $21.4 billion five year annual average, but below 1Q 2015's LTM total of $26.4 billion [1]. The average discount rate for all private equity sectors increased quarter over quarter from 8.5% to 8.9%, but remains very favorable for potential sellers [7].
- **Infrastructure:** $14.6 billion of capital was raised by 10 funds in 1Q 2016 compared to $5.0 billion of capital closed on by 13 partnerships in 4Q 2015. At the end of the quarter, dry powder stood at a record $124.0 billion, up from last quarter's total of $109.0 billion [1]. Infrastructure managers completed 224 deals with an estimated aggregate deal value of $102.0 billion in 1Q 2016 compared to 218 deals totaling $93.2 billion a quarter ago [1].
- **Natural Resources:** During 1Q 2016, three funds closed on $0.6 billion compared to 12 funds totaling $4.7 billion in 4Q 2015. Energy and utilities industry managers completed 47 deals totaling a reported $4.6 billion during 1Q 2016, up roughly 21.1% from 4Q 2015 on a total reported value basis [1].

Sources: [1] Preqin [2] UBS [3] Standard & Poor's [4] Aon Hewitt Investment Consulting [5] Thomson Reuters [6] Fitch Ratings [7] PWC / National Venture Capital Association (NVCA) MoneyTree Report [8] Thomson Reuters and NVCA [9] Cooley Venture Financing Report [10] Federal Reserve [11] U.S. Energy Information Administration [12] Bloomberg
Notes: FY: Fiscal year ended 12/31; YTD: Year to date; LTM: Last twelve months (aka trailing twelve months); PPM: Purchase Price Multiples: Total Purchase Price / EBITDA.

AON Empower Results®

U.S. Commercial Real Estate Markets



- U.S. real estate is now in a fairly mature stage of its cycle, with sector returns expected to be roughly in line with long-term averages this year. That said, real estate fundamentals remain positive and are expected to continue to support above average income growth across most property types. Pricing, meanwhile, is experiencing investor uncertainty due to current pricing levels and multiple global events. Attractive relative net operating income growth is expected to be the leading driver of returns at this point in the U.S. cycle.
- U.S. Core real estate returned 2.13%* this quarter, which is roughly in line with first quarter but down 126 bps on a year-over-year (YOY) basis. Year to date performance is now more closely aligned with the sector's long run average. The income return (1.12%) again outpaced appreciation (1.01%), illustrating our expectation that net income growth will be a larger driver of returns at this mature point in the real estate cycle.
- Non-Core investments with vintage years of 2009 or more recent are generally performing in line with initial projections. Return expectations for new capital deployed, meanwhile, continue to decline slightly as the real estate cycle matures further.
- The U.S. REIT sector gained 7.0% in second quarter (FTSE NAREIT Equity REIT Index); marking a 13.4% gain year-to-date (YTD). Operating fundamentals and asset values remained strong, with U.S. REITs ending the quarter trading at premiums to NAVs. This represents an abrupt turnaround from 1Q, when REITs trading at discount to NAVs were signaling a disconnect with private market fundamentals. The lower global yields following Brexit has made the U.S. property market a favorable place for stability and yield. Significant volatility is expected to remain in public market pricing.
- U.S. pricing uncertainty remains elevated as evident by declining property transactions YTD. In second quarter U.S. sales volumes continued to post declines (data available through May), at similar levels to first quarter. While still elevated volume wise, sales are down on average 35% YOY. Pricing, however, continues to hold fairly steady, with cap rates rising only slightly from Q1. The decline in volume demonstrates differing price expectations between buyers and sellers, which is likely to eventually drive pricing lower. Capital remains plentiful, however, with numerous sources available for debt and equity capital.
- The long term impact of Brexit on U.S. real estate remains uncertain. To date, the fallout from Brexit for the U.S. has been minimal besides the declining risk of rising U.S. interest rates. Brexit could potentially spur the growth of foreign investment in U.S. real estate, attracted to the market for its perceived stability and liquidity. The UK market, meanwhile, is struggling with uncertainty that has driven several open-end real estate funds to suspend redemption requests.
- At this point in the real estate cycle it is important to incorporate risk mitigation strategies into a portfolio structure. Preferred equity and debt structures are important considerations to help mitigate medium term cyclical risks.

*Indicates preliminary NFI-ODCE data gross of fees

AON Empower Results®

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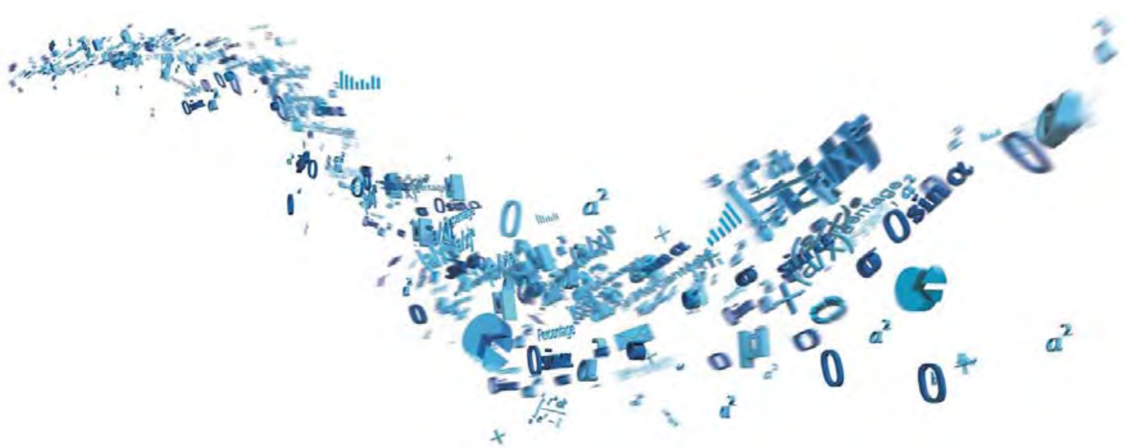


Total Fund

As of June 30, 2016

Highlights

Executive Summary

- Performance of the Pension Plan, when measured against the Performance Benchmark, has been strong over short- and long-term time periods.
- Performance relative to peers is also competitive over short- and long-term time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
- Public market asset class investments do not significantly deviate from their broad market based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
- Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type, or investment strategy.
- Asset allocation is monitored on a daily basis to ensure the actual asset allocation of the plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Aon Hewitt Investment Consulting and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

Performance Highlights

- During the second quarter, the Total Fund matched the Performance Benchmark. Over the trailing one-, three-, five-, and ten-year periods, the Total Fund outperformed the Performance Benchmark.

Asset Allocation

- The Fund assets total $141.4 billion as of June 30, 2016, which represents a $0.3 billion decrease since last quarter.
- Actual allocations for all asset classes were within their respective policy ranges at quarter-end.
- The Fund was overweight to global equity, private equity, real estate, and strategic investments with corresponding underweights to fixed income and cash.

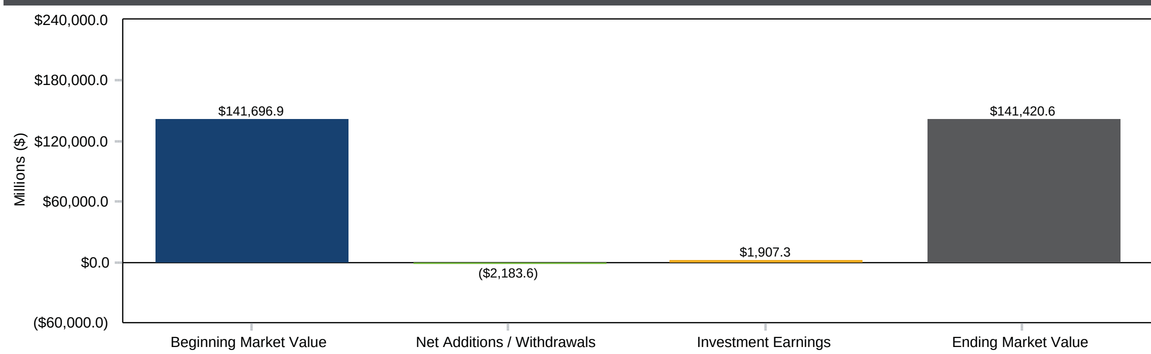
Aon Empower Results

Total Fund

As of June 30, 2016

Total Plan Asset Summary

Change in Market Value
From April 1, 2016 to June 30, 2016



Summary of Cash Flow

	1 Quarter	Fiscal YTD*
Total Fund		
Beginning Market Value	141,696,925,039	147,972,946,329
+ Additions / Withdrawals	-2,183,615,446	-7,302,549,121
+ Investment Earnings	1,907,327,008	750,239,393
= Ending Market Value	141,420,636,601	141,420,636,601

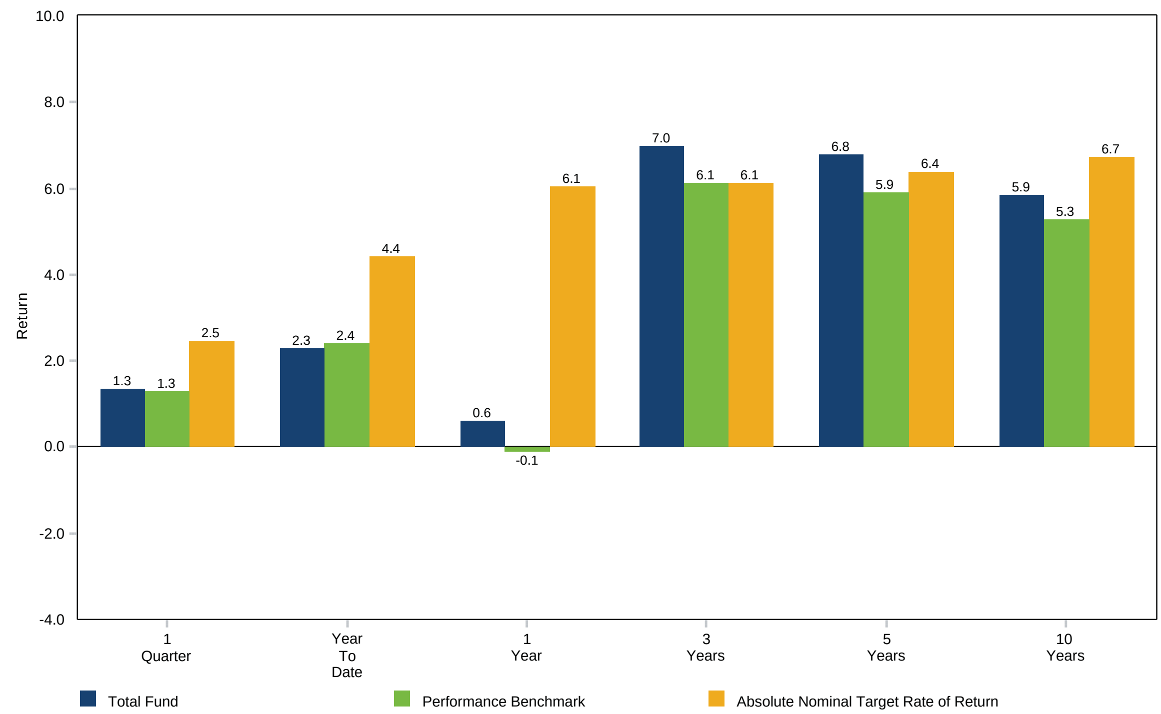
*Period July 2015 - June 2016

Aon Empower Results

Total Fund As of June 30, 2016

Total Plan Performance Summary

Return Summary



Aon Empower Results®

As of June 30, 2016

Asset Allocation & Performance

	Allocation			Performance(%)					
	Market Value ($)	%	Policy(%)	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years
Total Fund	141,420,636,601	100.0	100.0	1.3 (78)	2.3 (71)	0.6 (33)	7.0 (15)	6.8 (17)	5.9 (19)
Performance Benchmark				1.3 (80)	2.4 (64)	-0.1 (48)	6.1 (48)	5.9 (55)	5.3 (53)
Absolute Nominal Target Rate of Return				2.5 (9)	4.4 (6)	6.1 (1)	6.1 (48)	6.4 (37)	6.7 (1)
Global Equity*	79,554,339,419	56.3	56.1	1.1	1.3	-3.1	6.8	6.5	5.1
Asset Class Target				1.1	1.3	-3.8	6.2	5.5	4.4
Domestic Equities	37,357,710,691	26.4		2.3 (67)	2.8 (65)	1.2 (34)	10.9 (16)	11.5 (20)	7.4 (19)
Asset Class Target				2.6 (44)	3.6 (42)	2.1 (17)	11.1 (12)	11.6 (20)	7.4 (21)
Foreign Equities	33,382,133,308	23.6		-0.2 (31)	-0.4 (43)	-8.1 (25)	2.5 (43)	1.8 (37)	3.4 (15)
Asset Class Target				-0.7 (70)	-1.0 (57)	-9.6 (66)	1.7 (64)	0.5 (80)	2.2 (52)
Global Equities	7,497,507,759	5.3		1.0	1.9	-0.6	7.4	6.7	4.6
Benchmark				1.0	0.8	-3.0	6.7	6.2	4.7
Fixed Income	26,685,366,868	18.9	19.4	1.6 (92)	3.9 (88)	4.3 (67)	3.4 (76)	3.6 (76)	5.2 (45)
Asset Class Target				1.4 (95)	3.8 (89)	4.4 (65)	3.2 (79)	3.2 (84)	4.9 (79)
Private Equity	9,212,098,583	6.5	6.4	1.3	3.0	7.4	13.8	11.8	8.5
Asset Class Target				1.9	3.5	-0.8	9.7	11.9	9.8
Real Estate	13,295,676,456	9.4	9.2	2.1 (37)	5.7 (32)	12.7 (15)	13.2 (19)	13.4 (14)	7.1
Asset Class Target				2.1 (35)	5.6 (32)	12.8 (15)	12.3 (42)	11.9 (41)	5.1
Strategic Investments	11,586,417,691	8.2	7.9	1.9	1.7	1.8	7.2	8.2	
Short-Term Target				1.4	1.2	1.1	5.0	5.6	
Cash	1,086,737,585	0.8	1.0	0.1	0.2	0.3	0.3	0.3	0.4
iMoneyNet First Tier Institutional Money Market Funds Net Index				0.1	0.1	0.2	0.1	0.1	1.2

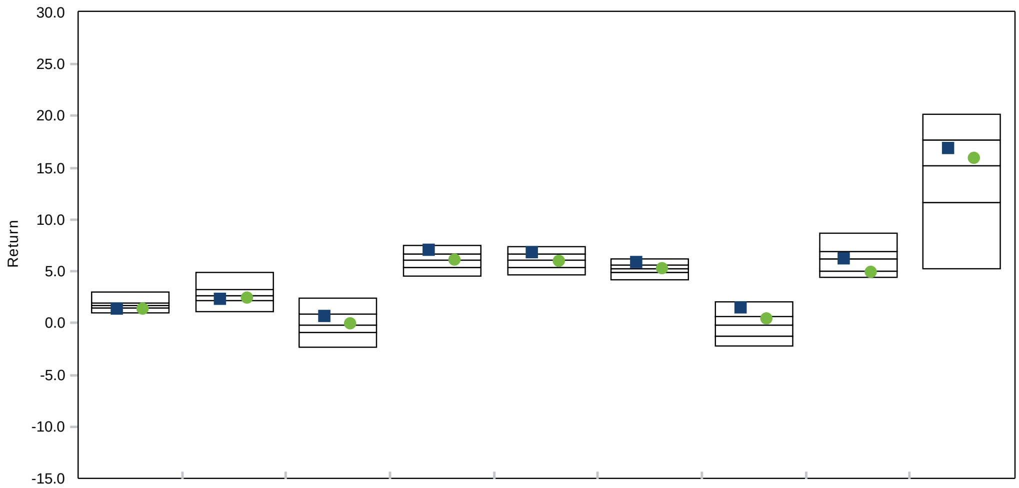
Benchmark and universe descriptions can be found in the Appendix.
* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

Aon Empower Results®

As of June 30, 2016

Plan Sponsor Peer Group Analysis

All Public Plans > $1B-Total Fund



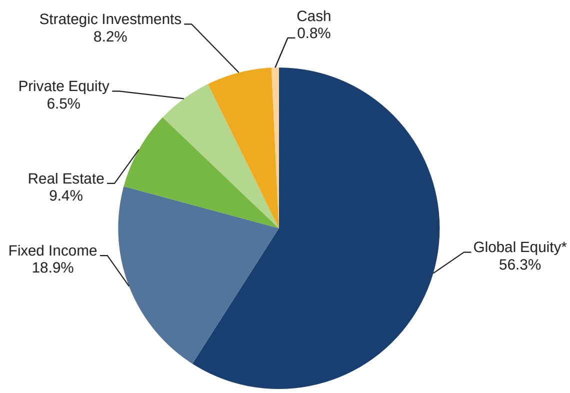
	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	2015	2014	2013
■ Total Fund	1.3 (78)	2.3 (71)	0.6 (33)	7.0 (15)	6.8 (17)	5.9 (19)	1.5 (12)	6.2 (47)	16.9 (32)
● Performance Benchmark	1.3 (80)	2.4 (64)	-0.1 (48)	6.1 (48)	5.9 (55)	5.3 (53)	0.3 (32)	4.9 (81)	15.9 (40)
5th Percentile	3.0	4.9	2.4	7.5	7.4	6.2	2.0	8.7	20.2
1st Quartile	2.0	3.2	0.9	6.7	6.6	5.6	0.6	7.0	17.6
Median	1.7	2.7	-0.2	6.0	6.0	5.3	-0.2	6.1	15.2
3rd Quartile	1.4	2.2	-0.9	5.3	5.4	4.9	-1.2	5.0	11.6
95th Percentile	1.0	1.1	-2.3	4.6	4.7	4.2	-2.2	4.4	5.2
Population	84	83	83	82	81	73	93	77	66

Parentheses contain percentile rankings.

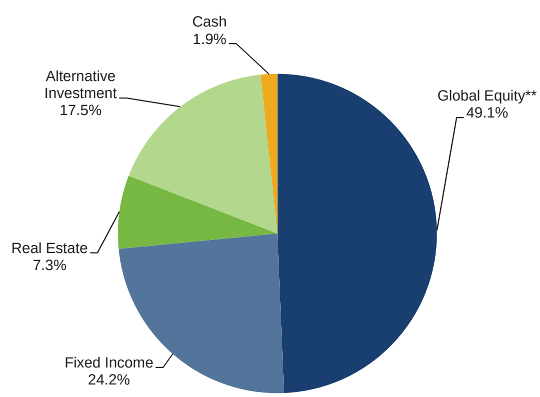
Total Fund **As of June 30, 2016**

Universe Asset Allocation Comparison

Total Fund



BNY Mellon Public Funds > $1B Net Universe

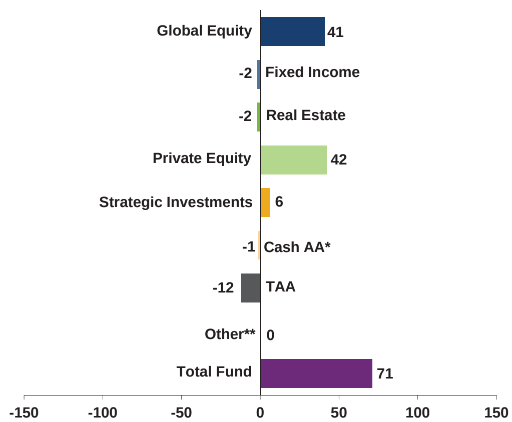


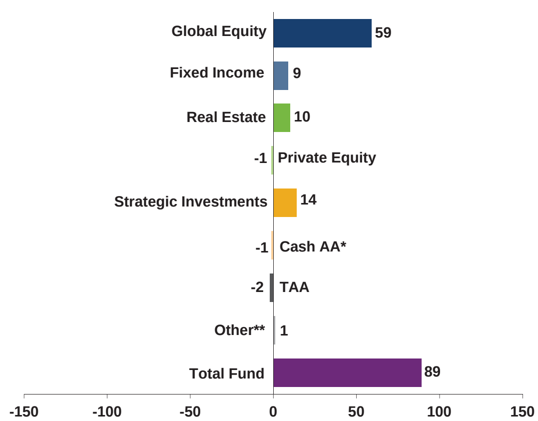
*Global Equity Allocation: 26.4% Domestic Equities; 23.6% Foreign Equities; 5.3% Global Equities; 1.0% Global Equity Liquidity Account. Percentages are of the Total FRS Fund.

**Global Equity Allocation: 29.0% Domestic Equities; 20.2% Foreign Equities.

Total Fund As of June 30, 2016

Attribution





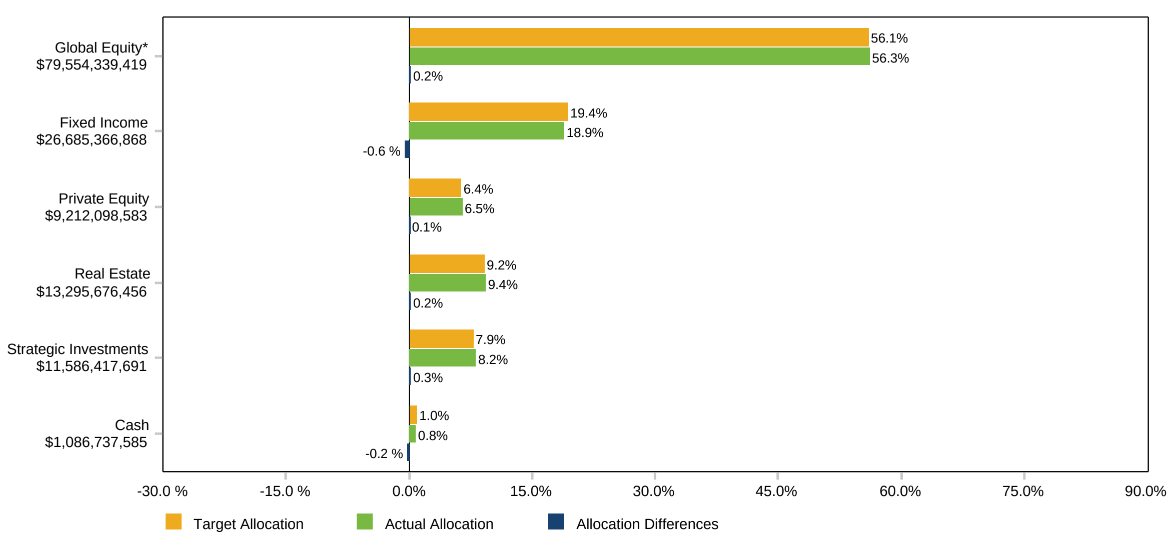
*Cash AA includes Cash and Central Custody, Securities Lending Account income from 12/2009 to 3/2013 and unrealized gains and losses on securities lending collateral beginning June 2013, TF STIPFRS NAV Adjustment Account, and the Cash Expense Account.

**Other includes legacy accounts and unexplained differences due to methodology.

Total Fund As of June 30, 2016

Asset Allocation Compliance

	Market Value ($)	Current Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund	141,420,636,601	100.0	100.0		
Global Equity*	79,554,339,419	56.3	56.1	45.0	70.0
Fixed Income	26,685,366,868	18.9	19.4	10.0	26.0
Private Equity	9,212,098,583	6.5	6.4	2.0	9.0
Real Estate	13,295,676,456	9.4	9.2	4.0	16.0
Strategic Investments	11,586,417,691	8.2	7.9	0.0	16.0
Cash	1,086,737,585	0.8	1.0	0.3	5.0



* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

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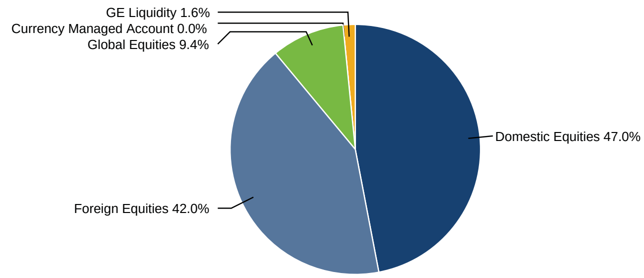
Global Equity

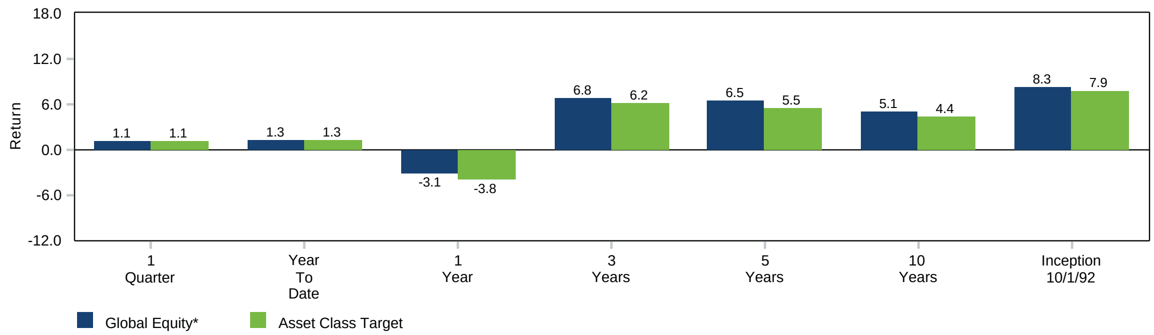
Global Equity* Portfolio Overview

Current Allocation

June 30, 2016 : $79,**554**M



Return Summary



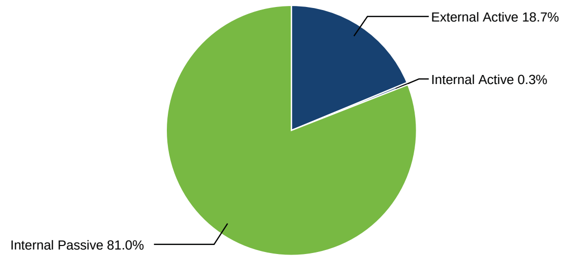
* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

Domestic Equities

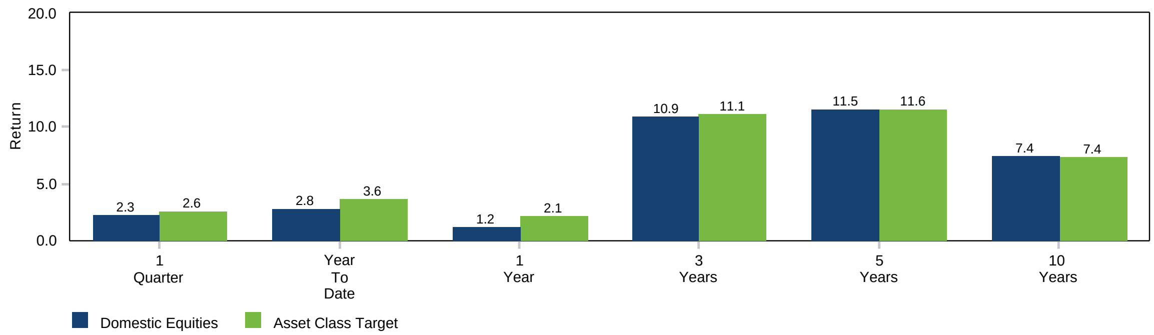
Domestic Equities Portfolio Overview

Current Allocation

June 30, 2016 : $37,358M

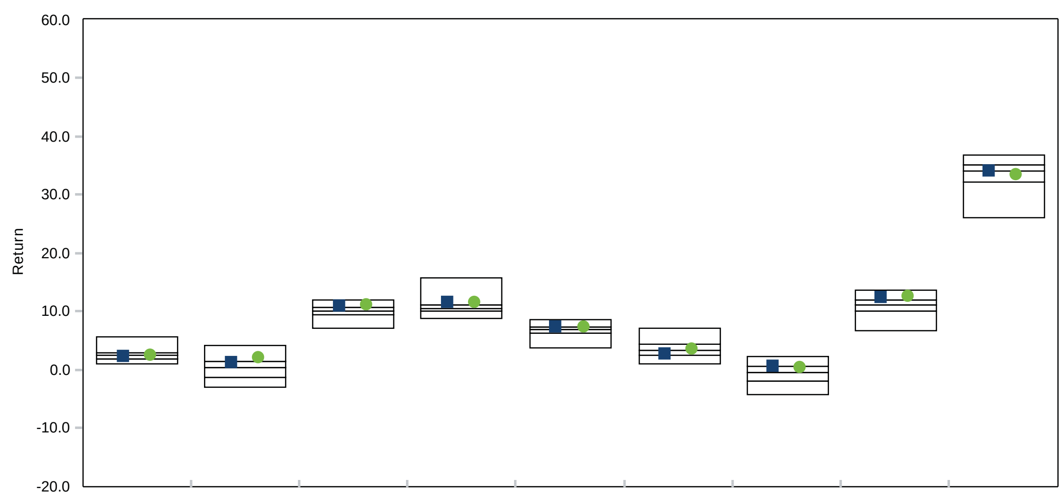


Return Summary



Plan Sponsor Peer Group Analysis

All Public Plans > $1B-US Equity Segment



	1 Quarter	1 Year	3 Years	5 Years	10 Years	Year To Date	2015	2014	2013
■ Domestic Equities	2.3 (67)	1.2 (34)	10.9 (16)	11.5 (20)	7.4 (19)	2.8 (65)	0.6 (24)	12.4 (18)	34.1 (50)
● Asset Class Target	2.6 (44)	2.1 (17)	11.1 (12)	11.6 (20)	7.4 (21)	3.6 (42)	0.5 (27)	12.6 (18)	33.6 (52)
5th Percentile	5.7	4.2	12.0	15.9	8.7	7.2	2.3	13.6	36.9
1st Quartile	2.9	1.5	10.8	11.2	7.3	4.5	0.5	12.0	35.1
Median	2.5	0.4	10.1	10.6	7.0	3.3	-0.3	11.1	34.0
3rd Quartile	1.9	-1.2	9.4	10.1	6.4	2.5	-1.8	10.1	32.3
95th Percentile	1.0	-3.0	7.1	8.9	3.8	1.1	-4.2	6.8	26.1
Population	71	70	63	52	32	71	63	39	34

Parentheses contain percentile rankings.

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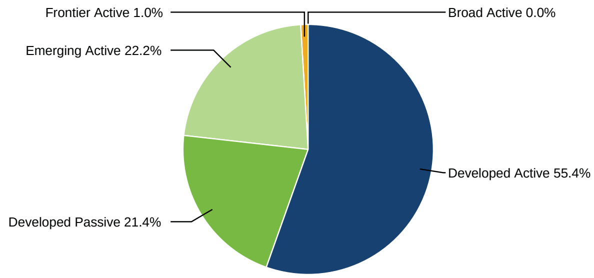
Foreign Equities

Foreign Equities As of June 30, 2016

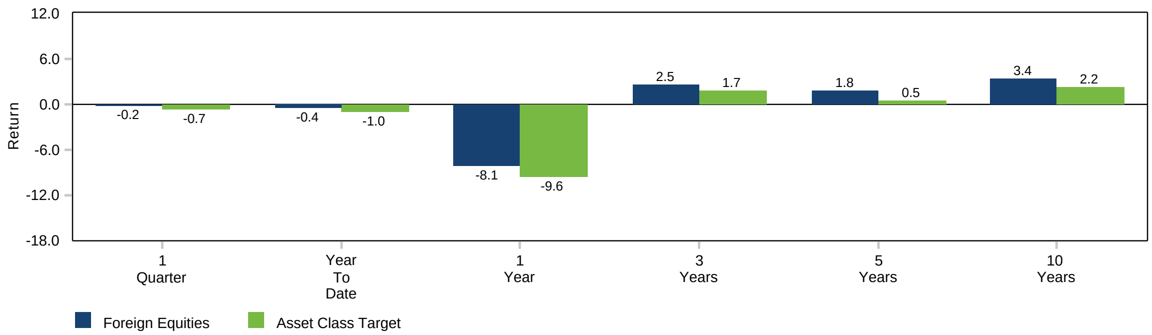
Foreign Equities Portfolio Overview

Current Allocation

June 30, 2016 : $33,382M



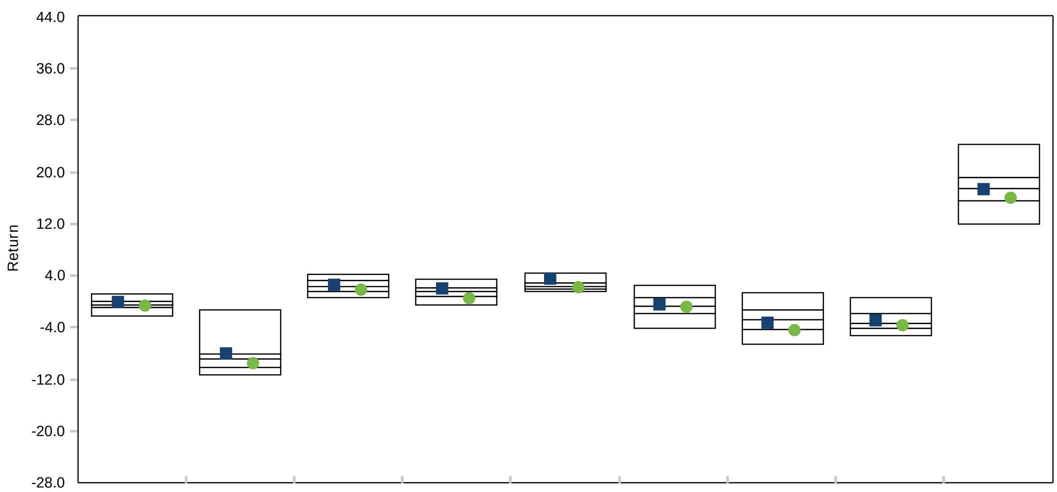
Return Summary



As of June 30, 2016

Plan Sponsor Peer Group Analysis

All Public Plans > $1B-Intl. Equity Segment



	1 Quarter	1 Year	3 Years	5 Years	10 Years	Year To Date	2015	2014	2013
■ Foreign Equities	-0.2 (31)	-8.1 (25)	2.5 (43)	1.8 (37)	3.4 (15)	-0.4 (43)	-3.4 (57)	-3.0 (39)	17.4 (55)
● Asset Class Target	-0.7 (70)	-9.6 (66)	1.7 (64)	0.5 (80)	2.2 (52)	-1.0 (57)	-4.5 (79)	-3.7 (68)	16.0 (74)
5th Percentile	1.2	-1.2	4.3	3.4	4.3	2.5	1.3	0.7	24.2
1st Quartile	0.0	-8.2	3.2	2.2	2.9	0.7	-1.3	-1.9	19.2
Median	-0.4	-8.9	2.3	1.5	2.3	-0.7	-2.8	-3.4	17.4
3rd Quartile	-0.9	-10.1	1.5	0.8	1.9	-1.9	-4.3	-4.1	15.6
95th Percentile	-2.3	-11.3	0.6	-0.6	1.5	-4.2	-6.6	-5.2	12.0
Population	67	65	58	45	30	67	59	38	33

Parentheses contain percentile rankings.

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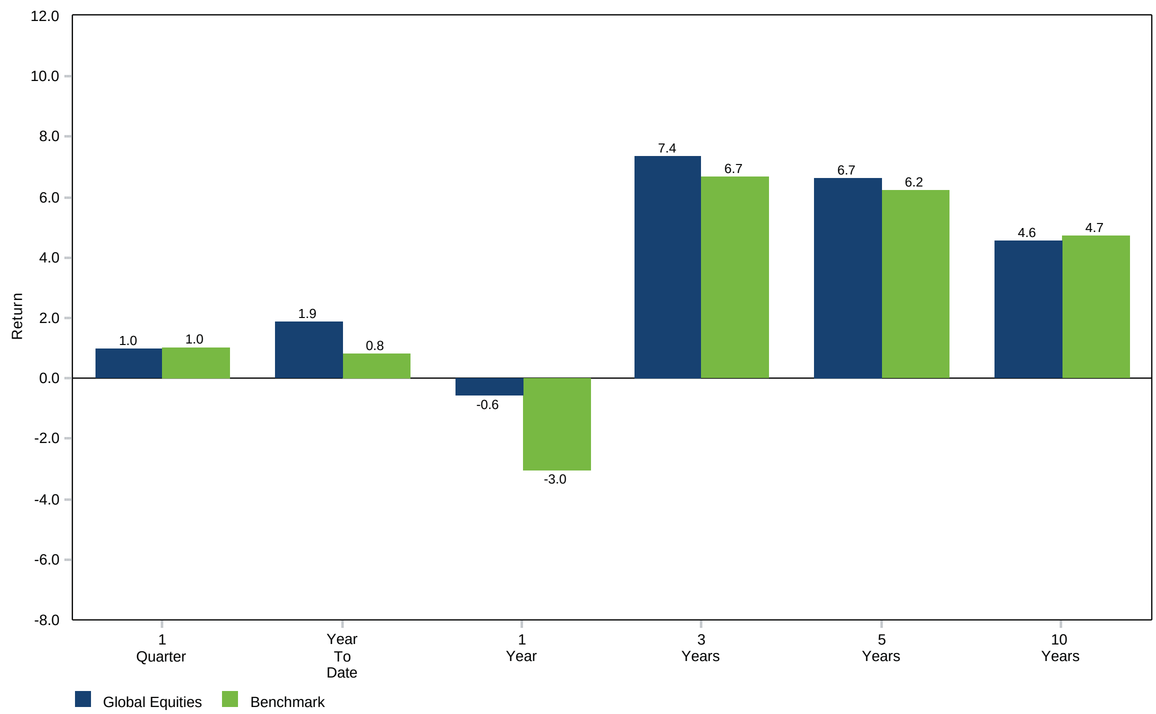
Global Equities

Global Equities Performance Summary

Return Summary

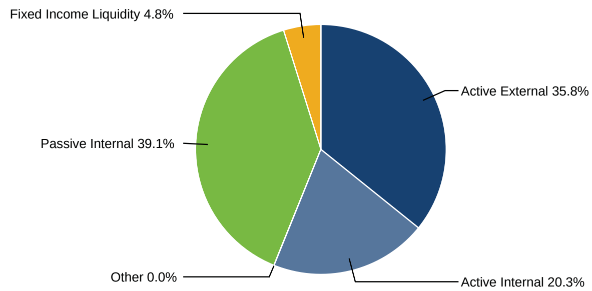


Fixed Income

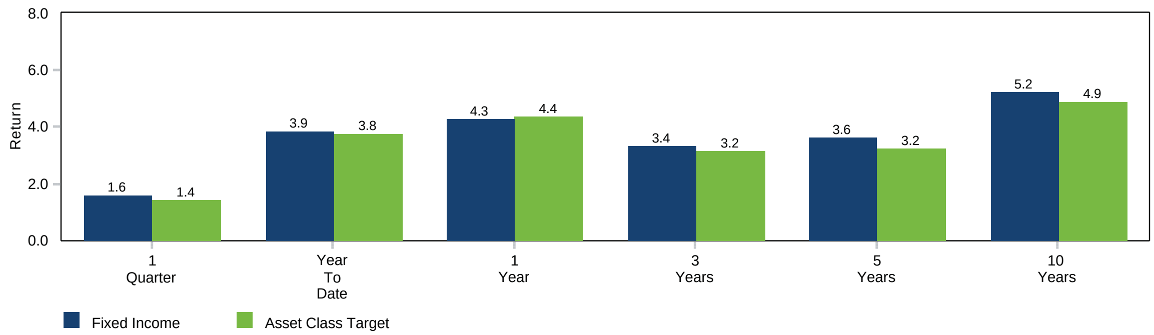
Fixed Income Portfolio Overview

Current Allocation

June 30, 2016 : $26,685M

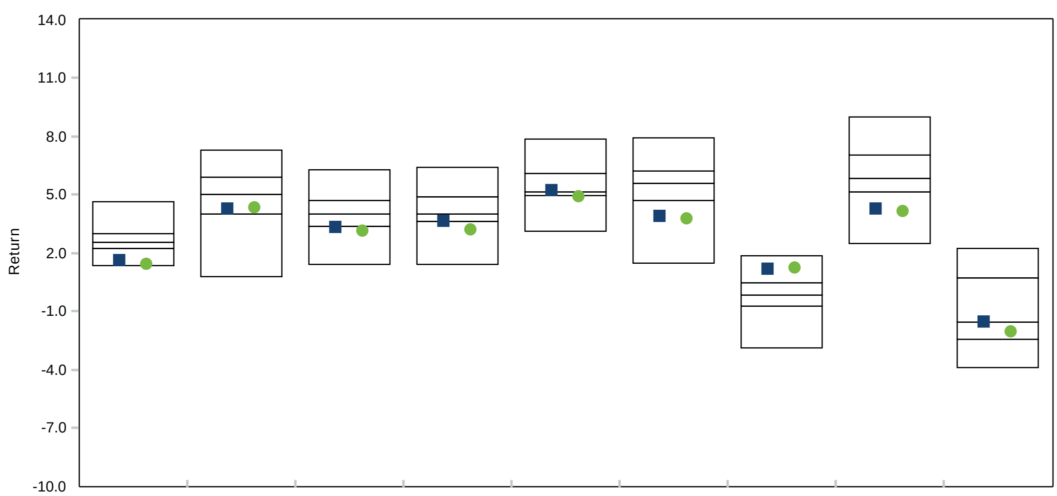


Return Summary



Plan Sponsor Peer Group Analysis

All Public Plans > $1B-US Fixed Income Segment



	1 Quarter	1 Year	3 Years	5 Years	10 Years	Year To Date	2015	2014	2013
■ Fixed Income	1.6 (92)	4.3 (67)	3.4 (76)	3.6 (76)	5.2 (45)	3.9 (88)	1.2 (9)	4.3 (86)	-1.5 (50)
● Asset Class Target	1.4 (95)	4.4 (65)	3.2 (79)	3.2 (84)	4.9 (79)	3.8 (89)	1.2 (9)	4.1 (87)	-2.1 (67)
5th Percentile	4.6	7.3	6.3	6.4	7.9	8.0	1.8	9.0	2.3
1st Quartile	3.0	5.9	4.7	4.9	6.1	6.2	0.5	7.1	0.7
Median	2.6	5.0	4.0	4.0	5.2	5.6	-0.1	5.9	-1.5
3rd Quartile	2.2	4.0	3.4	3.7	5.0	4.7	-0.7	5.2	-2.4
95th Percentile	1.4	0.8	1.4	1.4	3.2	1.5	-2.9	2.5	-3.9
Population	62	61	57	47	27	62	55	39	36

Parentheses contain percentile rankings.

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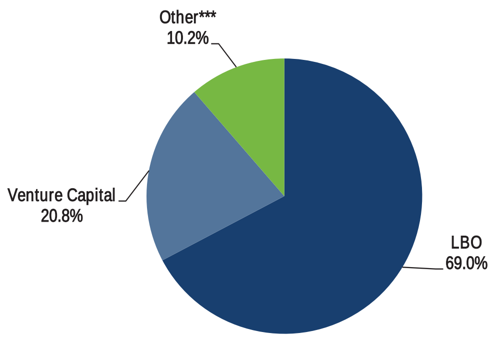
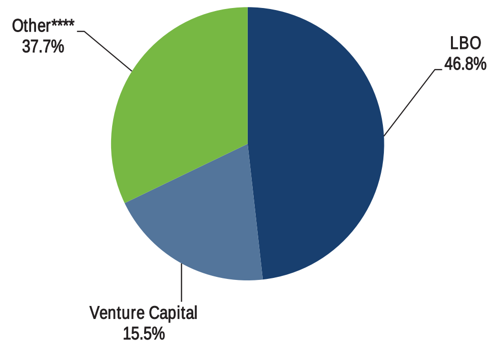
Private Equity

Overview

FRS Private Equity by Market Value*



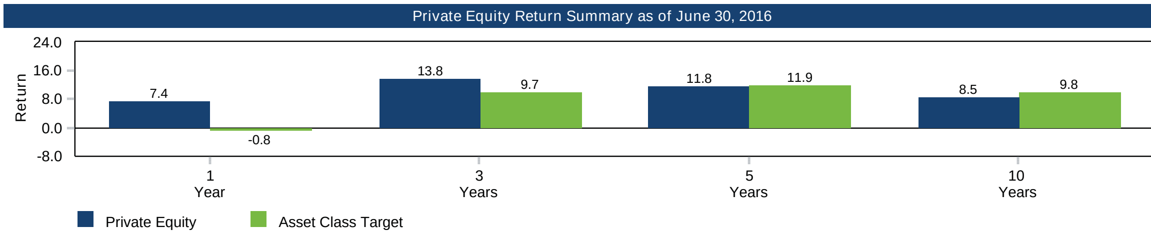
Preqin Private Equity Strategies by Market Value**



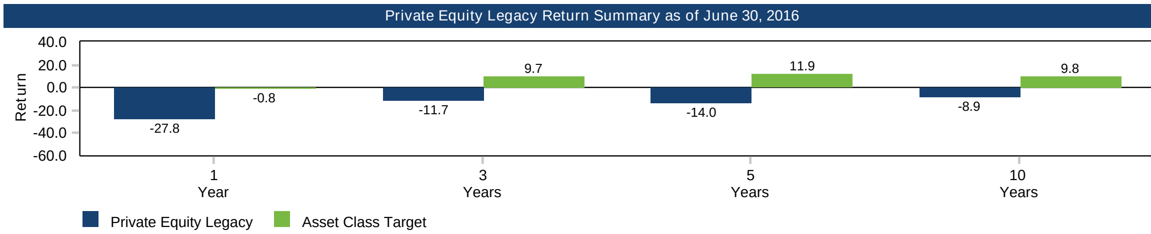
*Allocation data is as of June 30, 2016.
**Allocation data is as of June 30, 2015, from the Preqin database.
***Other for the FRS Private Equity consists of Growth Capital, Secondary, PE Cash, and PE Transition.
****Other for the Preqin data consists of Distressed PE, Growth, Mezzanine, and other Private Equity/Special Situations.
Preqin universe is comprised of 10,000 private equity funds representing $3.8 trillion.

Time-Weighted Investment Results

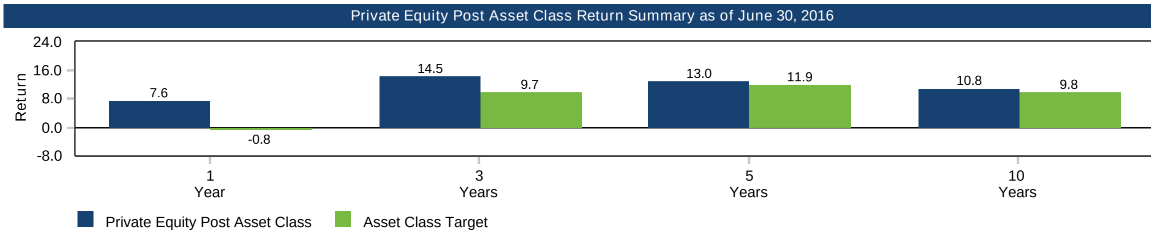
Private Equity Return Summary as of June 30, 2016



Private Equity Legacy Return Summary as of June 30, 2016



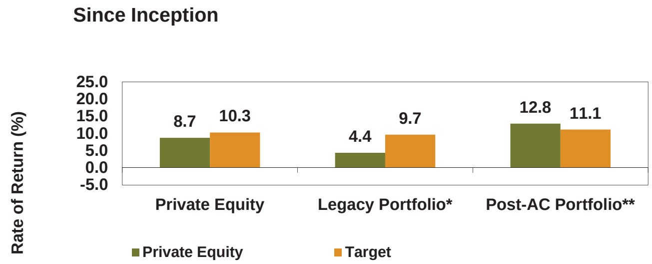
Private Equity Post Asset Class Return Summary as of June 30, 2016



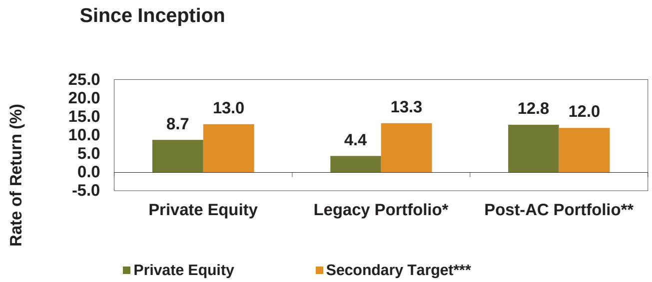
Private Equity

Dollar-Weighted Investment Results

As of June 30, 2016



As of June 30, 2016

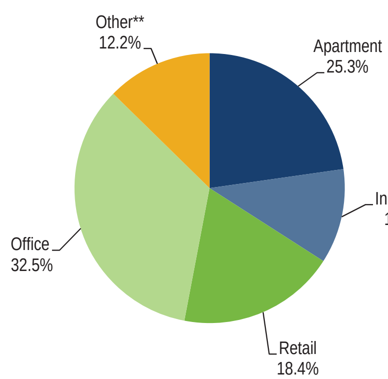


*The Inception Date for the Legacy Portfolio is January 1989.
**The Inception Date for the Post-AC Portfolio is September 2000.
***The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index based on actual ABAL weights. Secondary Target data is on a quarterly lag.

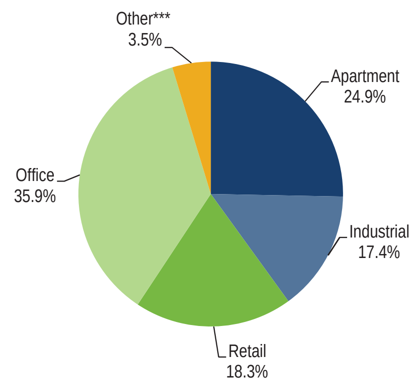
Real Estate

Overview

FRS*



NFI-ODCE Index*

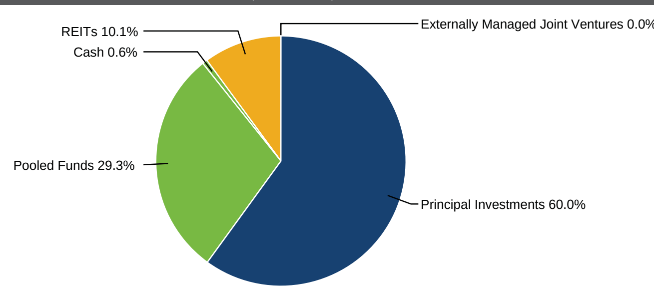


*Property Allocation data is as of June 30, 2016. The FRS chart includes only the FRS private real estate assets. Property type information for the REIT portfolios is not included.
**Other for the FRS consists of Hotel, Land, Preferred Equity, Agriculture, Self-Storage and Senior Housing.
***Other for the NFI-ODCE Index consists of Hotel, Senior Living, Health Care, Mixed Use, Single Family Residential, Parking, Timber/Agriculture, Land and Infrastructure.

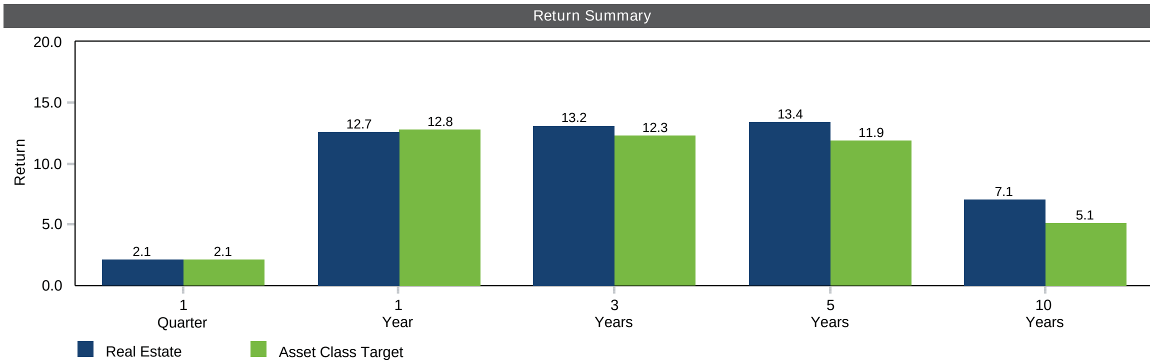
Real Estate Portfolio Overview

Current Allocation

June 30, 2016 : $13,296M

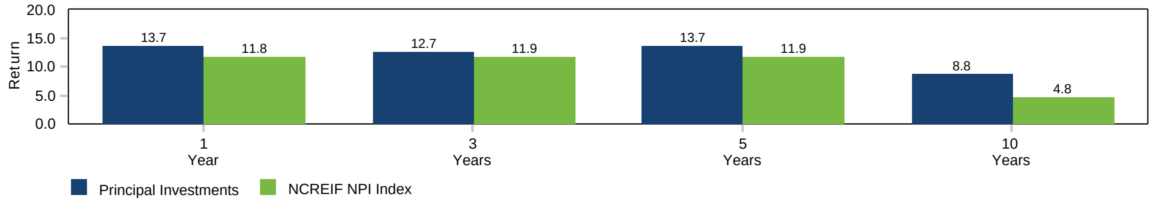


Return Summary

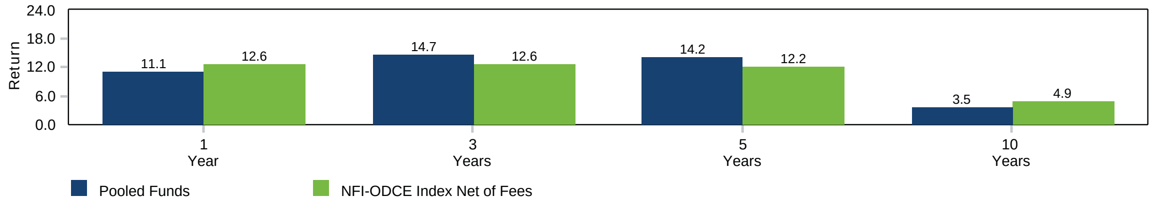


Real Estate

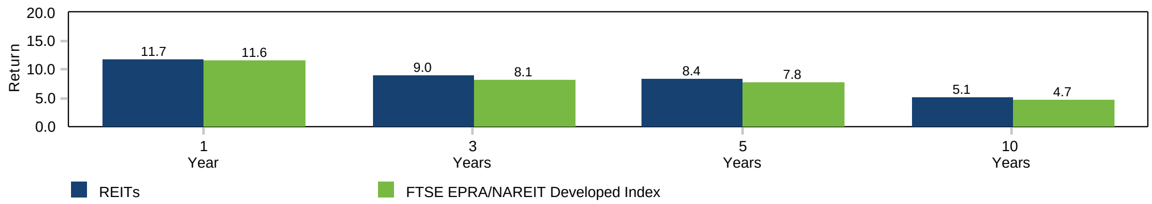
Principal Investments Return Summary as of June 30, 2016



Pooled Funds Return Summary as of June 30, 2016



REITs Return Summary as of June 30, 2016

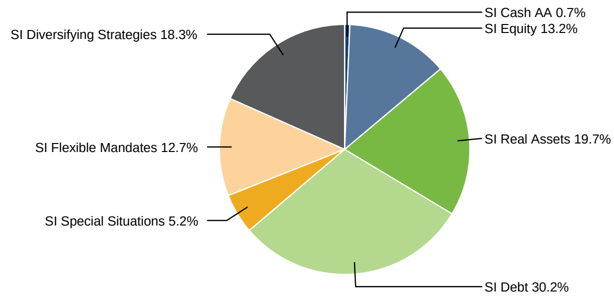


Strategic Investments

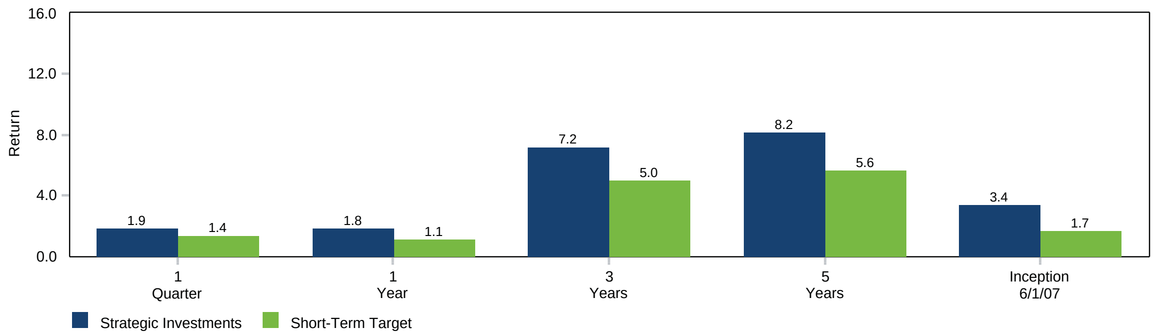
Strategic Investments Portfolio Overview

Current Allocation

June 30, 2016 : $11,586M



Return Summary

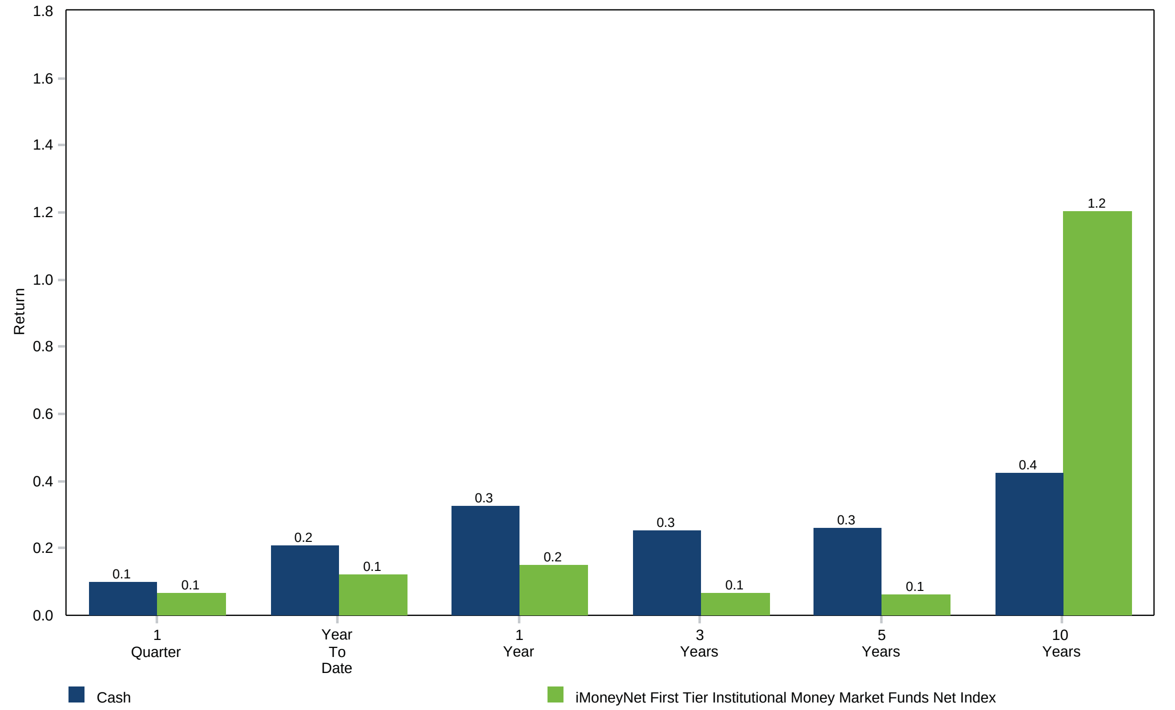


Cash

Cash As of June 30, 2016

Cash Performance Summary

Return Summary



Appendix

Total FRS Assets

Performance Benchmark - A combination of the Global Equity Target, the Barclays Capital U.S. Intermediate Aggregate Index, the Private Equity Target Index, the Real Estate Investments Target Index, the Strategic Investments Target Benchmark, and the iMoneyNet First Tier Institutional Money Market Funds Net Index. The short-term target policy allocations to the Strategic Investments, Real Estate and Private Equity asset classes are floating and based on the actual average monthly balance of the Global Equity asset class. Please refer to section VII. Performance Measurement in the FRS Defined Benefit Plan Investment Policy Statement for more details on the calculation of the Performance Benchmark. Prior to October 1, 2013, the Performance benchmark was a combination of the Global Equity Target, the Barclays Aggregate Bond Index, the Private Equity Target Index, the Real Estate Investments Target Index, the Strategic Investments Target Benchmark, and the iMoneyNet First Tier Institutional Money Market Funds Net Index. The short-term target policy allocations to the Strategic Investments, Real Estate and Private Equity asset classes are floating and based on the actual average monthly balance of the Global Equity asset class. Prior to July 2010, the Performance Benchmark was a combination of the Russell 3000 Index, the Foreign Equity Target Index, the Strategic Investments Target Benchmark, the Barclays Aggregate Bond Index, the Real Estate Investments Target Index, the Private Equity Target Index, the Barclays U.S. High Yield Ba/B 2% Issuer Capped Index, and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. During this time, the short-term target policy allocations to Strategic Investments, Real Estate and Private Equity asset classes were floating and based on the actual average monthly balance of the Strategic Investments, Real Estate and Private Equity asset classes. The target weights shown for Real Estate and Private Equity were the allocations that the asset classes were centered around. The actual target weight floated around this target month to month based on changes in asset values.

Total Global Equity

Performance Benchmark - A custom version of the MSCI All Country World Investable Market Index, adjusted to exclude companies divested under the provisions of the Protecting Florida's Investments Act (PFIA). Prior to July 2010, the asset class benchmark is a weighted average of the underlying Domestic Equities, Foreign Equities and Global Equities historical benchmarks.

Total Domestic Equities

Performance Benchmark - The Russell 3000 Index. Prior to July 1, 2002, the benchmark was the Wilshire 2500 Stock Index. Prior to January 1, 2001, the benchmark was the Wilshire 2500 Stock Index ex-Tobacco. Prior to May 1, 1997, the benchmark was the Wilshire 2500 Stock Index. Prior to September 1, 1994, the benchmark was the S&P 500 Stock Index.

Total Foreign Equities

Performance Benchmark - A custom version of the MSCI ACWI ex-U.S. Investable Market Index adjusted to exclude companies divested under the PFIA. Prior to April 1, 2008, it was the MSCI All Country World Index ex-U.S. Investable Market Index. Prior to September 24, 2007, the target was the MSCI All Country World ex-U.S. Free Index. Prior to November 1, 1999, the benchmark was 85% MSCI Europe, Australasia and Far East (EAFE) Foreign Stock Index and 15% IFCI Emerging Markets Index with a half weight in Malaysia. Prior to March 31, 1995, the benchmark was the EAFE Index.

Total Global Equities

Performance Benchmark - Aggregated based on each underlying manager's individual benchmark. The calculation accounts for the actual weight and the benchmark return. The benchmarks used for the underlying managers include both the MSCI FSB All Country World ex-Sudan ex-Iran Net Index and MSCI FSB All Country World ex-Sudan ex-Iran Net Investable Market Index (IMI).

Total Fixed Income

Performance Benchmark - The Barclays Capital U.S. Intermediate Aggregate Index. Prior to October 1, 2013, it was the Barclays U.S. Aggregate Bond Index. Prior to June 1, 2007, it was the Fixed Income Management Aggregate (FIMA). Prior to July 1, 1999, the benchmark was the Florida High Yield Extended Duration Index. Prior to July 31, 1997, the benchmark was the Florida Extended Duration Index. Prior to July 1, 1989, the Salomon Brothers Broad Investment-Grade Bond Index was the benchmark. For calendar year 1985, the performance benchmark was 70% Shearson Lehman Extended Duration and 30% Salomon Brothers Mortgage Index.

Total Private Equity

Performance Benchmark - The MSCI All Country World Investable Market Index (ACWI IMI), adjusted to reflect the provisions of the Protecting Florida's Investments Act, plus a fixed premium return of 300 basis points per annum. Prior to July 1, 2014, the benchmark was the domestic equities target index return (Russell 3000 Index) plus a fixed premium return of 300 basis points per annum. Prior to July 1, 2010, it was the domestic equities target index return plus a fixed premium return of 450 basis points per annum. Prior to November 1, 1999, Private Equities was part of the Domestic Equities asset class and its benchmark was the domestic equities target index return plus 750 basis points.

Total Real Estate

Performance Benchmark - The core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index- Open-ended Diversified Core Equity, net of fees, weighted at 76.5%, and the non-core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index- Open-ended Diversified Core Equity, net of fees, weighted at 13.5%, plus a fixed return premium of 150 basis points per annum, and the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on non-resident institutional investors, weighted at 10%. Prior to July 1, 2014, the benchmark was a combination of 90% NCREIF ODCE Index, net of fees, and 10% FTSE EPRA/NAREIT Developed Index, net of fees. Prior to July 1, 2010, it was a combination of 90% NCREIF ODCE Index, gross of fees, and 10% Dow Jones U.S. Select RESI. Prior to June 1, 2007, it was the Consumer Price Index plus 450 basis points annually. Prior to July 1, 2003, the benchmark was the Dow Jones U.S. Select Real Estate Securities Index Un-Levered. Prior to November 1, 1999, the benchmark was the Russell-NCREIF Property Index.

Total Strategic Investments

Performance Benchmark - Long-term, 5% plus the contemporaneous rate of inflation or CPI. Short-term, a weighted aggregation of individual portfolio level benchmarks.

Total Cash

Performance Benchmark - The iMoneyNet First Tier Institutional Money Market Funds Net Index. Prior to July 1, 2010, it was the iMoneyNet First Tier Institutional Money Market Funds Gross Index. Prior to June 1, 2007, it was the return of the Merrill Lynch 90-Day (Auction Average) Treasury Bill Yield Index.

Appendix

Description of Benchmarks

Barclays Capital U.S. Intermediate Aggregate Bond Index - A market value-weighted index consisting of U.S. Treasury securities, corporate bonds and mortgage-related and asset-backed securities with one to ten years to maturity and an outstanding par value of $250 million or greater.

Consumer Price Index (CPI) - The CPI, an index consisting of a fixed basket of goods bought by the typical consumer and used to measure consumer inflation.

FTSE EPRA/NAREIT Developed Index - An index designed to represent general trends in eligible real estate equities worldwide. Relevant real estate activities are defined as the ownership, disposure and development of income-producing real estate. This index covers the four primary core asset classes (Industrial, Retail, Office, and Apartment).

iMoneyNet First Tier Institutional Money Market Funds Net Index - An average of non-governmental institutional funds that do not hold any second tier securities. It includes money market mutual funds, net of fees, that invest in commercial paper, bank obligations and short-term investments in the highest ratings category and is open to corporations and fiduciaries only.

MSCI All Country World Investable Market Index - A free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets. This investable market index contains constituents from the large, mid, and small cap size segments and targets a coverage range around 99% of free-float adjusted market capitalization.

NCREIF ODCE Property Index - The NCREIF ODCE is a capitalization-weighted, gross of fee, time-weighted return index. The index is a summation of open-end funds, which NCREIF defines as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, subject to contribution and/or redemption requests.

Russell 3000 Index - A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This represents most publicly traded, liquid U.S. stocks.

Appendix

Description of Universes

Total Fund - A universe comprised of 77 total fund portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics and Investment Metrics. Aggregate assets in the universe comprised $1.2 trillion as of quarter-end and the average market value was $15.4 billion.

Domestic Equity - A universe comprised of 67 total domestic equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $278.6 billion as of quarter-end and the average market value was $3.7 billion.

Foreign Equity - A universe comprised of 65 total international equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $215.8 billion as of quarter-end and the average market value was $2.8 billion.

Fixed Income - A universe comprised of 58 total fixed income portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $274.4 billion as of quarter-end and the average market value was $3.6 billion.

Real Estate - A universe comprised of 46 total real estate portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $76.8 billion as of quarter-end and the average market value was $997.0 million.

Private Equity - An appropriate universe for private equity is unavailable.

Strategic Investments - An appropriate universe for strategic investments is unavailable.

Appendix

Explanation of Exhibits

Quarterly and Cumulative Excess Performance - The vertical axis, excess return, is a measure of fund performance less the return of the primary benchmark. The horizontal axis represents the time series. The quarterly bars represent the underlying funds' relative performance for the quarter.

Ratio of Cumulative Wealth Graph - An illustration of a portfolio's cumulative, un-annualized performance relative to that of its benchmark. An upward-sloping line indicates superior fund performance versus its benchmark. Conversely, a downward-sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

Performance Comparison - Plan Sponsor Peer Group Analysis - An illustration of the distribution of returns for a particular asset class. The component's return is indicated by the circle and its performance benchmark by the triangle. The top and bottom borders represent the 5th and 95th percentiles, respectively. The solid line indicates the median while the dotted lines represent the 25th and 75th percentiles.

Notes and Disclaimers

Disclaimers:

- Please review this report and notify Aon Hewitt Investment Consulting (AHIC) with any issues or questions you may have with respect to investment performance or any other matter set forth herein.
- The client portfolio market value data presented in this report have been obtained from the custodian. AHIC believes the information to be accurate but has not conducted any type of additional audits to ensure the information's accuracy and cannot warrant its accuracy or completeness.
- The mutual fund information found in this report is provided by Lipper Inc. and AHIC cannot warrant its accuracy or timeliness.
- Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

Notes:

- The rates of return contained in this report are shown on a net-of-fees basis unless otherwise noted. Returns for periods longer than one year are annualized.
- Universe percentiles are based upon an ordering system in which 1 is the best ranking and 100 is the worst ranking.
- Due to rounding throughout the report, percentage totals displayed may not sum up to 100.0%. Additionally, individual fund totals in dollar terms may not sum up to the plan totals.

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FRS Investment Plan | Second Quarter 2016

Quarterly Investment Review

Visit the Aon Hewitt Retirement and Investment Blog (http://retirementandinvestmentblog.aon.com); sharing our best thinking.

GREENWICH ASSOCIATES Greenwich Quality Leader 2015

AON Empower Results®

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Empower Results®

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FRS Investment Plan

As of June 30, 2016

Asset Allocation & Performance

	Allocation		Performance(%)					
	Market Value ($)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years
FRS Investment Plan	8,918,162,327	100.0	1.7	2.5	-0.9	5.5	5.5	4.9
Total Plan Aggregate Benchmark			1.8	3.1	-0.4	5.4	5.4	4.5
Retirement Date	3,785,610,569	42.4						
FRS Retirement Income Fund	374,752,710	4.2	2.3 (6)	4.6 (1)	0.7 (40)	3.7 (81)	3.8 (75)	-
Retirement Income Custom Index			2.0 (12)	4.5 (1)	1.3 (28)	3.3 (90)	3.5 (83)	-
FRS 2015 Retirement Date Fund	349,386,054	3.9	2.2 (18)	4.5 (17)	0.4 (73)	4.0 (88)	4.0 (93)	-
2015 Retirement Custom Index			2.0 (57)	4.3 (21)	1.0 (54)	3.7 (98)	3.8 (97)	-
FRS 2020 Retirement Date Fund	565,238,346	6.3	2.0 (48)	4.0 (30)	-0.1 (68)	4.7 (79)	4.7 (76)	-
2020 Retirement Custom Index			1.9 (73)	3.8 (34)	0.3 (57)	4.4 (85)	4.5 (84)	-
FRS 2025 Retirement Date Fund	562,226,782	6.3	1.9 (72)	3.6 (43)	-0.4 (56)	5.4 (83)	5.4 (74)	-
2025 Retirement Custom Index			1.7 (86)	3.4 (49)	-0.3 (55)	5.1 (88)	5.2 (89)	-
FRS 2030 Retirement Date Fund	499,414,095	5.6	1.7 (80)	3.2 (46)	-0.8 (52)	6.1 (74)	6.0 (57)	-
2030 Retirement Custom Index			1.6 (85)	3.0 (54)	-1.0 (52)	5.9 (78)	5.9 (73)	-
FRS 2035 Retirement Date Fund	451,195,517	5.1	1.6 (77)	2.9 (45)	-1.7 (47)	6.6 (50)	6.6 (49)	-
2035 Retirement Custom Index			1.5 (87)	2.7 (50)	-1.8 (51)	6.3 (69)	6.4 (52)	-
FRS 2040 Retirement Date Fund	381,779,887	4.3	1.5 (80)	2.7 (41)	-2.0 (50)	6.6 (67)	6.6 (52)	-
2040 Retirement Custom Index			1.4 (81)	2.4 (51)	-2.2 (54)	6.3 (77)	6.4 (54)	-
FRS 2045 Retirement Date Fund	359,065,418	4.0	1.4 (81)	2.7 (37)	-2.0 (43)	6.6 (72)	6.6 (52)	-
2045 Retirement Custom Index			1.4 (82)	2.3 (49)	-2.4 (49)	6.3 (80)	6.4 (66)	-
FRS 2050 Retirement Date Fund	186,169,273	2.1	1.4 (77)	2.7 (41)	-2.1 (43)	6.5 (74)	6.6 (48)	-
2050 Retirement Custom Index			1.4 (78)	2.3 (51)	-2.4 (50)	6.3 (85)	6.4 (60)	-
FRS 2055 Retirement Date Fund	56,382,488	0.6	1.4 (74)	2.7 (36)	-2.0 (38)	6.5 (74)	-	-
2055 Retirement Custom Index			1.4 (77)	2.3 (47)	-2.4 (50)	6.3 (90)	-	-

As of June 30, 2016

Asset Allocation & Performance

	Allocation		Performance(%)					
	Market Value ($)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years
Cash	1,010,977,088	11.3	0.1 (1)	0.3 (1)	0.4 (1)	0.2 (1)	0.3 (1)	1.2 (5)
FRS Money Market Fund	1,010,977,088	11.3	0.1 (1)	0.3 (1)	0.4 (1)	0.2 (1)	0.3 (1)	1.2 (5)
iMoneyNet 1st Tier Institutional Net Index			0.1 (30)	0.1 (30)	0.2 (26)	0.1 (23)	0.1 (23)	1.2 (7)
Real Assets	93,539,670	1.0						
FRS Real Assets Fund	93,539,670	1.0	3.7	5.8	-2.9	0.0	0.4	-
FRS Custom Real Assets Index			3.0	5.9	-0.2	0.5	-0.1	-
Fixed Income	724,601,820	8.1	2.5 (6)	5.6 (3)	5.3 (1)	3.9 (3)	3.8 (3)	5.5 (9)
Total Bond Index			2.4 (6)	5.4 (3)	4.9 (1)	3.7 (6)	3.6 (10)	5.1 (13)
FRS U.S. Bond Enhanced Index Fund	261,146,011	2.9	2.3 (34)	5.4 (36)	6.2 (37)	4.2 (34)	3.9 (40)	5.4 (43)
Barclays Aggregate Index			2.2 (35)	5.3 (38)	6.0 (42)	4.1 (34)	3.8 (41)	5.1 (49)
FIAM Intermediate Duration Pool Fund	124,392,214	1.4	2.0 (7)	4.6 (6)	4.7 (2)	3.3 (10)	3.3 (19)	4.6 (21)
Barclays Intermediate Aggregate			1.4 (36)	3.8 (20)	4.4 (5)	3.2 (11)	3.0 (33)	4.7 (21)
FRS Core Plus Fixed Income Fund	339,063,596	3.8	2.8 (-)	6.0 (-)	5.5 (-)	4.4 (-)	4.7 (-)	-
FRS Custom Core-Plus Fixed Income Index			2.6 (-)	5.8 (-)	5.2 (-)	4.4 (-)	4.7 (-)	-
Domestic Equity	2,323,873,505	26.1	2.4 (31)	2.7 (35)	0.6 (26)	10.8 (29)	11.2 (26)	7.7 (22)
Total U.S. Equities Index			2.9 (21)	4.1 (21)	1.2 (21)	10.5 (32)	11.0 (28)	7.3 (33)
FRS U.S. Stock Market Index Fund	736,325,530	8.3	2.6 (25)	3.7 (26)	2.3 (30)	11.2 (33)	11.7 (25)	7.5 (30)
Russell 3000 Index			2.6 (25)	3.6 (27)	2.1 (31)	11.1 (34)	11.6 (27)	7.4 (32)
FRS U.S. Large Cap Equity Fund	818,204,286	9.2	1.3 (-)	-1.3 (-)	-2.3 (-)	11.0 (-)	11.2 (-)	-
Russell 1000 Index			2.5 (-)	3.7 (-)	2.9 (-)	11.5 (-)	11.9 (-)	-
FRS U.S. Small/Mid Cap Equity Fund	769,343,690	8.6	3.0 (-)	4.5 (-)	-0.2 (-)	10.0 (-)	10.7 (-)	-
FRS Custom Small/Mid Cap Index			4.0 (-)	5.7 (-)	-2.1 (-)	7.0 (-)	7.8 (-)	-

As of June 30, 2016

Asset Allocation & Performance

	Allocation		Performance(%)					
	Market Value ($)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years
International/Global Equity	610,036,760	6.8	-0.3 (56)	-0.5 (52)	-8.4 (42)	3.3 (30)	2.7 (26)	3.3 (34)
Total Foreign and Global Equities Index			-0.4 (58)	-0.6 (52)	-8.8 (44)	2.6 (39)	1.9 (35)	2.0 (59)
FRS Foreign Stock Index Fund	229,878,043	2.6	-0.5 (58)	-0.1 (49)	-9.6 (52)	2.4 (42)	1.7 (38)	2.0 (59)
MSCI All Country World ex-U.S. IMI Index			-0.7 (62)	-0.9 (54)	-9.6 (53)	2.1 (46)	1.4 (43)	1.7 (67)
American Funds New Perspective Fund	231,015,544	2.6	0.8 (58)	-1.6 (73)	-1.6 (31)	8.2 (22)	8.0 (17)	7.0 (18)
MSCI All Country World Index Net			1.0 (56)	1.2 (51)	-3.7 (46)	6.0 (48)	5.7 (46)	4.0 (55)
American Funds Euro-Pacific Growth Fund	149,143,173	1.7	-0.3 (44)	-2.6 (34)	-9.6 (34)	3.8 (2)	2.5 (6)	4.0 (2)
MSCI All Country World ex-U.S. Index			-0.4 (45)	-0.7 (23)	-9.8 (37)	1.6 (38)	0.6 (69)	1.5 (55)
FRS Self-Dir Brokerage Acct	369,522,914	4.1						

The returns for the Retirement Date Funds, Real Assets Fund, Core Plus Fixed Income Fund, U.S. Large Cap Equity Fund, and U.S. Small/Mid Cap Equity Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.
Note: The SDBA opened for members on 1/2/14. No performance calculations will be made for the SDBA.

As of June 30, 2016

Asset Allocation & Performance

	Performance(%)								
	2015	2014	2013	2012	2011	2010	2009	2008	2007
FRS Investment Plan	-0.9	4.9	15.2	10.5	0.7	10.6	18.4	-23.2	7.8
Total Plan Aggregate Benchmark	-1.3	4.9	14.6	9.7	0.9	10.2	16.8	-23.4	6.1
Retirement Date									
FRS Retirement Income Fund	-2.6 (100)	4.4 (83)	3.5 (96)	10.7 (56)	3.4 (9)	11.5 (52)	20.0 (82)	-	-
Retirement Income Custom Index	-1.8 (95)	3.6 (90)	3.4 (96)	8.5 (74)	5.0 (1)	9.9 (80)	19.1 (84)	-	-
FRS 2015 Retirement Date Fund	-2.5 (98)	4.4 (76)	5.5 (86)	11.3 (43)	2.1 (20)	11.5 (62)	21.8 (67)	-	-
2015 Retirement Custom Index	-1.8 (92)	3.7 (92)	5.7 (85)	9.6 (88)	3.2 (1)	10.4 (85)	22.2 (65)	-	-
FRS 2020 Retirement Date Fund	-2.1 (92)	4.4 (79)	9.6 (75)	12.4 (38)	0.6 (38)	12.2 (64)	24.5 (55)	-	-
2020 Retirement Custom Index	-1.6 (82)	3.9 (88)	9.7 (75)	11.0 (74)	1.5 (21)	11.2 (86)	24.2 (58)	-	-
FRS 2025 Retirement Date Fund	-1.7 (80)	4.5 (86)	13.7 (74)	13.5 (43)	-0.7 (35)	12.5 (88)	26.4 (64)	-	-
2025 Retirement Custom Index	-1.5 (75)	4.2 (91)	13.8 (74)	12.4 (73)	-0.3 (26)	11.8 (93)	26.3 (65)	-	-
FRS 2030 Retirement Date Fund	-1.3 (60)	4.5 (83)	18.1 (54)	14.6 (34)	-2.1 (50)	13.0 (86)	29.0 (48)	-	-
2030 Retirement Custom Index	-1.5 (63)	4.4 (83)	18.2 (52)	13.8 (53)	-2.0 (49)	12.5 (91)	29.2 (47)	-	-
FRS 2035 Retirement Date Fund	-1.4 (46)	4.4 (84)	22.0 (38)	15.8 (23)	-3.0 (46)	13.7 (80)	29.8 (58)	-	-
2035 Retirement Custom Index	-1.7 (63)	4.3 (85)	22.0 (38)	15.2 (46)	-3.1 (47)	13.3 (89)	30.1 (57)	-	-
FRS 2040 Retirement Date Fund	-1.4 (52)	4.4 (83)	22.3 (48)	15.8 (36)	-3.0 (38)	13.7 (79)	29.8 (54)	-	-
2040 Retirement Custom Index	-1.7 (66)	4.3 (84)	22.4 (48)	15.2 (50)	-3.1 (38)	13.3 (85)	30.1 (53)	-	-
FRS 2045 Retirement Date Fund	-1.5 (48)	4.4 (82)	22.3 (60)	15.8 (38)	-3.0 (26)	13.7 (86)	29.8 (65)	-	-
2045 Retirement Custom Index	-1.7 (59)	4.3 (83)	22.4 (60)	15.2 (68)	-3.1 (26)	13.3 (89)	30.1 (63)	-	-
FRS 2050 Retirement Date Fund	-1.5 (55)	4.4 (82)	22.3 (53)	15.8 (36)	-3.0 (20)	13.7 (84)	29.8 (73)	-	-
2050 Retirement Custom Index	-1.7 (62)	4.3 (82)	22.4 (53)	15.2 (58)	-3.1 (20)	13.3 (87)	30.1 (70)	-	-
FRS 2055 Retirement Date Fund	-1.4 (54)	4.4 (80)	22.3 (73)	15.8 (45)	-	-	-	-	-
2055 Retirement Custom Index	-1.7 (68)	4.3 (80)	22.4 (72)	15.2 (75)	-	-	-	-	-

As of June 30, 2016

Asset Allocation & Performance

	Performance(%)								
	2015	2014	2013	2012	2011	2010	2009	2008	2007
Cash	0.2 (4)	0.1 (1)	0.2 (1)	0.3 (1)	0.2 (1)	0.3 (2)	0.3 (34)	2.4 (41)	5.4 (1)
FRS Money Market Fund	0.2 (4)	0.1 (1)	0.2 (1)	0.3 (1)	0.2 (1)	0.3 (2)	0.3 (34)	2.4 (41)	5.4 (1)
iMoneyNet 1st Tier Institutional Net Index	0.0 (26)	0.0 (23)	0.0 (23)	0.1 (23)	0.1 (23)	0.2 (7)	0.7 (3)	3.0 (5)	5.4 (1)
Real Assets									
FRS Real Assets Fund	-7.9	3.2	-9.1	9.1	7.4	11.7	16.0	-	-
FRS Custom Real Assets Index	-5.0	1.8	-8.9	6.6	4.6	13.0	17.2	-	-
Fixed Income	0.3 (77)	4.7 (3)	-1.1 (86)	6.0 (41)	6.7 (1)	7.6 (32)	11.7 (60)	1.4 (47)	6.9 (14)
Total Bond Index	0.1 (85)	4.9 (2)	-1.2 (88)	4.8 (66)	7.4 (1)	7.0 (39)	8.9 (82)	1.9 (45)	6.5 (22)
FRS U.S. Bond Enhanced Index Fund	0.7 (33)	6.2 (35)	-2.0 (16)	4.4 (14)	7.9 (67)	6.7 (48)	6.5 (6)	5.9 (87)	7.2 (64)
Barclays Aggregate Index	0.5 (43)	6.0 (36)	-2.0 (17)	4.2 (15)	7.8 (67)	6.5 (49)	5.9 (7)	5.2 (89)	7.0 (67)
FIAM Intermediate Duration Pool Fund	0.9 (33)	3.4 (22)	-0.5 (63)	4.9 (63)	5.9 (12)	7.0 (38)	11.9 (59)	-1.7 (52)	6.0 (35)
Barclays Intermediate Aggregate	1.2 (19)	4.1 (6)	-1.0 (84)	3.6 (83)	6.0 (11)	6.1 (53)	6.5 (90)	4.9 (7)	7.0 (13)
FRS Core Plus Fixed Income Fund	0.1 (47)	4.6 (87)	0.8 (20)	11.1 (16)	4.6 (89)	10.1 (28)	21.6 (20)	-	-
FRS Custom Core-Plus Fixed Income Index	0.2 (43)	5.1 (79)	0.8 (20)	7.8 (51)	7.6 (32)	9.1 (42)	18.7 (32)	-	-
Domestic Equity	0.7 (34)	11.5 (43)	35.2 (44)	16.9 (34)	0.3 (36)	20.4 (25)	30.9 (53)	-36.5 (32)	5.2 (59)
Total U.S. Equities Index	-0.5 (45)	11.1 (47)	34.0 (55)	16.5 (36)	-0.1 (38)	19.3 (31)	28.4 (66)	-36.5 (31)	3.3 (70)
FRS U.S. Stock Market Index Fund	0.6 (49)	12.6 (34)	33.6 (40)	16.5 (39)	1.0 (40)	17.1 (16)	28.6 (49)	-37.2 (50)	5.2 (65)
Russell 3000 Index	0.5 (50)	12.6 (34)	33.6 (40)	16.4 (40)	1.0 (40)	16.9 (18)	28.3 (50)	-37.3 (53)	5.1 (66)
FRS U.S. Large Cap Equity Fund	2.7 (30)	12.8 (42)	36.4 (22)	17.2 (24)	1.2 (44)	17.8 (19)	30.5 (36)	-	-
Russell 1000 Index	0.9 (43)	13.2 (33)	33.1 (47)	16.4 (31)	1.5 (41)	16.1 (31)	28.4 (43)	-	-
FRS U.S. Small/Mid Cap Equity Fund	-1.1 (37)	8.6 (29)	37.1 (44)	18.7 (25)	-0.9 (37)	29.6 (25)	37.0 (42)	-	-
FRS Custom Small/Mid Cap Index	-4.2 (71)	7.7 (34)	22.0 (98)	15.3 (52)	1.1 (21)	21.3 (86)	26.4 (86)	-	-

As of June 30, 2016

Asset Allocation & Performance

	Performance(%)								
	2015	2014	2013	2012	2011	2010	2009	2008	2007
International/Global Equity	-2.6 (47)	-3.2 (42)	21.6 (33)	18.6 (53)	-11.3 (23)	10.1 (73)	34.8 (63)	-40.9 (19)	15.0 (47)
Total Foreign and Global Equities Index	-4.4 (55)	-3.0 (40)	20.6 (39)	16.6 (72)	-11.3 (22)	10.1 (73)	32.4 (69)	-42.8 (30)	11.3 (65)
FRS Foreign Stock Index Fund	-4.4 (55)	-4.5 (54)	20.5 (39)	17.6 (63)	-11.8 (27)	9.2 (77)	32.3 (70)	-42.5 (28)	12.7 (57)
MSCI All Country World ex-U.S. IMI Index	-4.6 (55)	-4.2 (50)	21.0 (36)	16.4 (72)	-12.2 (30)	8.9 (78)	33.7 (67)	-43.6 (35)	12.4 (59)
American Funds New Perspective Fund	5.6 (12)	3.7 (42)	27.1 (41)	21.0 (15)	-7.4 (45)	13.0 (55)	37.7 (44)	-37.7 (30)	16.3 (35)
MSCI All Country World Index Net	-2.4 (54)	4.2 (38)	22.8 (61)	16.3 (39)	-5.5 (34)	11.8 (61)	30.0 (66)	-40.7 (43)	9.0 (57)
American Funds Euro-Pacific Growth Fund	-0.5 (20)	-2.3 (7)	20.6 (46)	19.6 (25)	-13.3 (66)	9.8 (28)	39.6 (6)	-40.3 (16)	19.3 (5)
MSCI All Country World ex-U.S. Index	-5.3 (83)	-3.4 (9)	15.8 (74)	17.4 (59)	-13.3 (68)	11.6 (13)	32.5 (32)	-43.1 (70)	11.6 (56)
FRS Self-Dir Brokerage Acct									

The returns for the Retirement Date Funds, Real Assets Fund, Core Plus Fixed Income Fund, U.S. Large Cap Equity Fund, and U.S. Small/Mid Cap Equity Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.
Note: The SDBA opened for members on 1/2/14. No performance calculations will be made for the SDBA.

FRS Investment Plan **As of June 30, 2016**

Asset Allocation

Asset Allocation as of 6/30/2016	U.S. Equity	Non-U.S. Equity	U.S. Fixed Income	Real Assets	Cash	Brokerage	Total	% of Total
FRS Retirement Income Fund	59,585,681	53,589,638	134,910,976	126,666,416			374,752,710	4.2%
FRS 2015 Retirement Date Fund	67,431,508	58,696,857	117,044,328	106,213,360			349,386,054	3.9%
FRS 2020 Retirement Date Fund	145,266,255	128,309,104	178,615,317	113,047,669			565,238,346	6.3%
FRS 2025 Retirement Date Fund	176,539,209	155,736,819	160,234,633	69,716,121			562,226,782	6.3%
FRS 2030 Retirement Date Fund	181,786,730	158,813,682	122,356,453	36,457,229			499,414,095	5.6%
FRS 2035 Retirement Date Fund	181,380,598	160,174,408	90,690,299	18,950,212			451,195,517	5.1%
FRS 2040 Retirement Date Fund	166,074,251	147,748,816	59,939,442	8,017,378			381,779,887	4.3%
FRS 2045 Retirement Date Fund	163,733,830	144,344,298	42,369,719	8,617,570			359,065,418	4.0%
FRS 2050 Retirement Date Fund	84,893,188	74,840,048	21,967,974	4,468,063			186,169,273	2.1%
FRS 2055 Retirement Date Fund	25,710,415	22,665,760	6,653,134	1,353,180			56,382,488	0.6%
Total Retirement Date Funds	**$ 1,252,401,666**	**$ 1,104,919,430**	**$ 934,782,275**	**$ 493,507,197**	**$ -**	**$ -**	**$ 3,785,610,569**	**42.4%**
FRS Money Market Fund					1,010,977,088		1,010,977,088	11.3%
Total Cash	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,010,977,088**	**$ -**	**$ 1,010,977,088**	**11.3%**
FRS Real Assets Fund				93,539,670	-		93,539,670	1.0%
Total Real Assets	**$ -**	**$ -**	**$ -**	**$ 93,539,670**	**$ -**	**$ -**	**$ 93,539,670**	**1.0%**
FRS U.S. Bond Enhanced Index Fund			261,146,011				261,146,011	2.9%
FIAM Intermediate Duration Pool Fund			124,392,214				124,392,214	1.4%
FRS Core Plus Fixed Income Fund			339,063,596				339,063,596	3.8%
Total Fixed Income	**$ -**	**$ -**	**$ 724,601,820**	**$ -**	**$ -**	**$ -**	**$ 724,601,820**	**8.1%**
FRS U.S. Stock Market Index Fund	736,325,530						736,325,530	8.3%
FRS U.S. Large Cap Equity Fund	818,204,286						818,204,286	9.2%
FRS U.S. Small/Mid Cap Equity Fund	769,343,690						769,343,690	8.6%
Total Domestic Equity	**$ 2,323,873,505**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2,323,873,505**	**26.1%**
FRS Foreign Stock Index Fund		229,878,043					229,878,043	2.6%
American Funds New Perspective Fund		231,015,544					231,015,544	2.6%
American Funds Euro-Pacific Growth Fund		149,143,173					149,143,173	1.7%
Total International/Global Equity	**$ -**	**$ 610,036,760**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 610,036,760**	**6.8%**
FRS Self-Dir Brokerage Acct						369,522,914	369,522,914	4.1%
Total Self-Dir Brokerage Acct						**$ 369,522,914**	**$ 369,522,914**	**4.1%**
Total Portfolio	**$ 3,576,275,172**	**$ 1,714,956,190**	**$ 1,659,384,096**	**$ 587,046,867**	**$ 1,010,977,088**	**$ 369,522,914**	**$ 8,918,162,327**	**100.0%**
Percent of Total	**40.10%**	**19.23%**	**18.61%**	**6.58%**	**11.34%**	**4.14%**	**100.0%**	

The returns for the Retirement Date Funds, Real Assets Fund, Core Plus Fixed Income Fund, U.S. Large Cap Equity Fund, and U.S. Small/Mid Cap Equity Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.
Note: The SDBA opened for members on 1/2/14. No performance calculations will be made for the SDBA.

As of June 30, 2016

Multi Timeperiod Statistics

	3 Years Return	3 Years Standard Deviation	3 Years Sharpe Ratio	3 Years Tracking Error	3 Years Information Ratio	3 Years Up Market Capture	3 Years Down Market Capture
FRS Investment Plan	5.50	7.65	0.73	0.48	0.26	100.46	99.15
FRS Retirement Income Fund	3.74	5.28	0.71	1.39	0.32	109.13	106.31
FRS 2015 Retirement Date Fund	3.99	5.72	0.70	1.17	0.27	106.13	104.52
FRS 2020 Retirement Date Fund	4.69	6.62	0.71	0.86	0.35	104.71	103.36
FRS 2025 Retirement Date Fund	5.38	7.49	0.73	0.61	0.43	101.41	98.86
FRS 2030 Retirement Date Fund	6.06	8.45	0.73	0.47	0.39	100.77	99.16
FRS 2035 Retirement Date Fund	6.57	9.58	0.70	0.49	0.44	100.98	99.42
FRS 2040 Retirement Date Fund	6.56	9.93	0.68	0.54	0.42	100.60	98.79
FRS 2045 Retirement Date Fund	6.55	10.01	0.68	0.65	0.40	100.16	97.77
FRS 2050 Retirement Date Fund	6.54	10.02	0.67	0.63	0.40	100.21	97.93
FRS 2055 Retirement Date Fund	6.55	10.02	0.67	0.63	0.41	100.22	97.90
FRS Money Market Fund	0.24	0.04	5.19	0.02	10.29	355.85	N/A
FRS Real Assets Fund	0.02	6.51	0.02	2.00	-0.22	116.27	123.65
FRS U.S. Bond Enhanced Index Fund	4.22	2.66	1.54	0.10	1.48	102.20	98.95
FIAM Intermediate Duration Pool Fund	3.31	2.09	1.53	0.64	0.11	104.01	108.05
FRS Core Plus Fixed Income Fund	4.44	2.98	1.45	0.62	0.05	106.68	119.58
FRS U.S. Stock Market Index Fund	11.22	11.47	0.98	0.04	2.15	100.24	99.70
FRS U.S. Large Cap Equity Fund	10.97	12.60	0.88	3.12	-0.10	101.92	106.99
FRS U.S. Small/Mid Cap Equity Fund	9.97	13.29	0.78	2.32	1.22	111.43	97.90
FRS Foreign Stock Index Fund	2.38	12.97	0.24	1.49	0.17	97.76	95.80
American Funds New Perspective Fund	8.21	11.76	0.72	2.87	0.71	103.12	88.86
American Funds Euro-Pacific Growth Fund	3.77	11.79	0.36	4.16	0.46	89.87	76.71

The returns for the Retirement Date Funds, Real Assets Fund, Core Plus Fixed Income Fund, U.S. Large Cap Equity Fund, and U.S. Small/Mid Cap Equity Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

As of June 30, 2016

Multi Timeperiod Statistics

	5 Years Return	5 Years Standard Deviation	5 Years Sharpe Ratio	5 Years Tracking Error	5 Years Information Ratio	5 Years Up Market Capture	5 Years Down Market Capture
FRS Investment Plan	5.50	7.63	0.73	0.48	0.30	101.13	100.04
FRS Retirement Income Fund	3.84	5.88	0.65	2.61	0.14	115.86	120.02
FRS 2015 Retirement Date Fund	4.04	6.44	0.63	1.95	0.13	109.60	111.82
FRS 2020 Retirement Date Fund	4.69	7.49	0.64	1.35	0.16	107.02	108.53
FRS 2025 Retirement Date Fund	5.37	8.54	0.65	0.77	0.28	102.73	101.96
FRS 2030 Retirement Date Fund	6.04	9.74	0.64	0.57	0.30	100.43	98.98
FRS 2035 Retirement Date Fund	6.60	10.98	0.63	0.63	0.29	100.09	98.53
FRS 2040 Retirement Date Fund	6.60	11.16	0.62	0.66	0.29	99.90	98.21
FRS 2045 Retirement Date Fund	6.60	11.20	0.62	0.71	0.30	99.66	97.68
FRS 2050 Retirement Date Fund	6.59	11.21	0.62	0.70	0.29	99.69	97.76
FRS 2055 Retirement Date Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FRS Money Market Fund	0.25	0.03	5.94	0.02	11.87	403.89	N/A
FRS Real Assets Fund	0.44	7.02	0.08	2.28	0.24	105.64	99.87
FRS U.S. Bond Enhanced Index Fund	3.91	2.79	1.36	0.14	1.08	102.10	98.89
FIAM Intermediate Duration Pool Fund	3.30	2.20	1.45	0.63	0.52	112.45	114.90
FRS Core Plus Fixed Income Fund	4.69	3.66	1.25	1.33	0.01	114.35	143.94
FRS U.S. Stock Market Index Fund	11.68	12.56	0.94	0.05	1.54	100.19	99.73
FRS U.S. Large Cap Equity Fund	11.20	13.66	0.84	2.99	-0.15	103.94	111.99
FRS U.S. Small/Mid Cap Equity Fund	10.71	15.52	0.73	4.17	0.73	122.88	114.38
FRS Foreign Stock Index Fund	1.67	14.76	0.18	1.83	0.14	97.37	95.71
American Funds New Perspective Fund	8.00	13.02	0.65	2.72	0.79	103.00	89.45
American Funds Euro-Pacific Growth Fund	2.50	14.29	0.24	3.79	0.46	92.08	82.56

The returns for the Retirement Date Funds, Real Assets Fund, Core Plus Fixed Income Fund, U.S. Large Cap Equity Fund, and U.S. Small/Mid Cap Equity Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

Empower Results®

Appendix

Empower Results®

Benchmark Descriptions

Retirement Date Benchmarks - A weighted average composite of the underlying components' benchmarks for each fund.

iMoneyNet 1st Tier Institutional Net Index - An index made up of the entire universe of money market mutual funds. The index currently represents over 1,300 funds, or approximately 99 percent of all money fund assets.

FRS Custom Real Assets Index - A monthly weighted composite of underlying indices for each TIPS and Real Assets fund. These indices include Barclays U.S. TIPS Index, MSCI World-AC World Index and the Bloomberg Commodity Index, Total Return Index.

Total Bond Index - A weighted average composite of the underlying benchmarks for each bond fund.

Barclays Aggregate Bond Index - A market value-weighted index consisting of government bonds, SEC-registered corporate bonds and mortgage-related and asset-backed securities with at least one year to maturity and an outstanding par value of $250 million or greater. This index is a broad measure of the performance of the investment grade U.S. fixed income market.

Barclays Intermediate Aggregate Bond Index - A market value-weighted index consisting of U.S. Treasury securities, corporate bonds and mortgage-related and asset-backed securities with one to ten years to maturity and an outstanding par value of $250 million or greater.

FRS Custom Core-Plus Fixed Income Index - A monthly rebalanced blend of 80% Barclays U.S. Aggregate Bond Index and 20% Barclays U.S. High Yield Ba/B 1% Issuer Constrained Index.

Total U.S. Equities Index - A weighted average composite of the underlying benchmarks for each domestic equity fund.

Russell 3000 Index - A capitalization-weighted index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

Russell 1000 Index - An index that measures the performance of the largest 1,000 stocks contained in the Russell 3000 Index.

FRS Custom Small/Mid Cap Index - A monthly rebalanced blend of 45% S&P 400 Index, 30% Russell 2000 Index and 25% Russell 2000 Value Index.

Total Foreign and Global Equities Index - A weighted average composite of the underlying benchmarks for each foreign and global equity fund.

MSCI All Country World ex-U.S. IMI Index - A capitalization-weighted index of stocks representing 22 developed country stock markets and 23 emerging countries, excluding the U.S. market.

MSCI All Country World Index - A capitalization-weighted index of stocks representing approximately 46 developed and emerging countries, including the U.S. and Canadian markets.

MSCI All Country World ex-U.S. Index - A capitalization-weighted index consisting of 23 developed and 21 emerging countries, but excluding the U.S.

Descriptions of Universes

Retirement Date Funds - Target date universes calculated and provided by Lipper.

FRS Money Market Fund - A money market universe calculated and provided by Lipper.

FRS U.S. Bond Enhanced Index Fund - A long-term bond fixed income universe calculated and provided by Lipper.

FIAM Intermediate Duration Pool Fund - A broad intermediate-term fixed income universe calculated and provided by Lipper.

FRS Core Plus Fixed Income Fund - A core plus bond fixed income universe calculated and provided by Lipper.

FRS U.S. Stock Market Index Fund - A large cap blend universe calculated and provided by Lipper.

FRS U.S. Large Cap Equity Fund - A large cap universe calculated and provided by Lipper.

FRS U.S. Small/Mid Cap Equity Fund - A small/mid cap universe calculated and provided by Lipper.

FRS Foreign Stock Index Fund - A foreign blend universe calculated and provided by Lipper.

American Funds New Perspective Fund - A global stock universe calculated and provided by Lipper.

American Funds Euro-Pacific Growth Fund - A foreign large blend universe calculated and provided by Lipper.

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Lawton Chiles Endowment Fund | Second Quarter 2016

Quarterly Investment Review

Visit the Aon Hewitt Retirement and Investment Blog (http://retirementandinvestmentblog.aon.com); sharing our best thinking.

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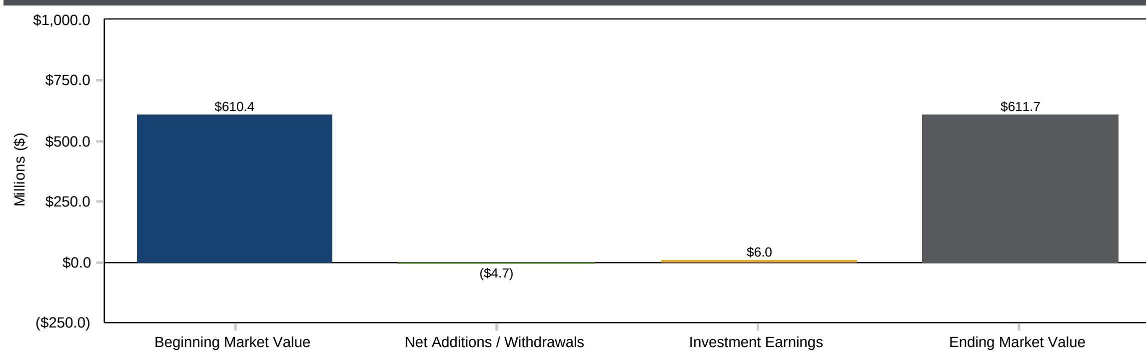
LCEF Total Fund

LCEF Total Fund As of June 30, 2016

Total Plan Asset Summary

Change in Market Value
From April 1, 2016 to June 30, 2016



Summary of Cash Flow

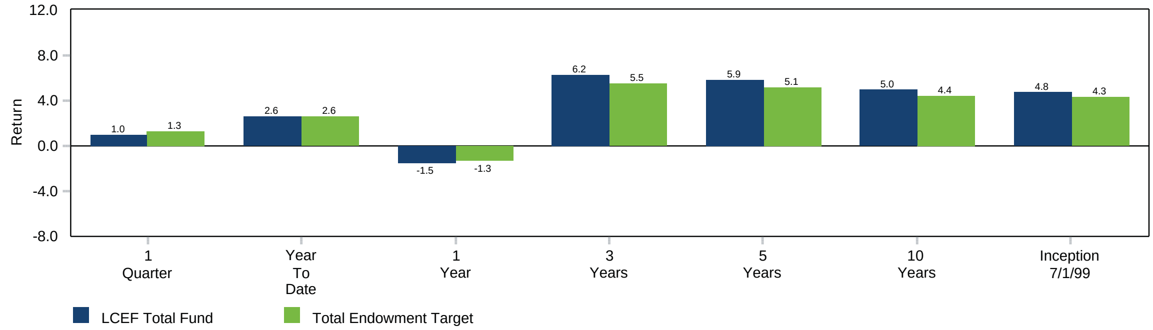
	1 Quarter	Fiscal YTD*
LCEF Total Fund		
Beginning Market Value	610,429,851	625,706,661
+ Additions / Withdrawals	-4,715,000	-4,715,000
+ Investment Earnings	6,000,412	-9,276,398
= Ending Market Value	611,715,263	611,715,263

*Period July 2015 - June 2016

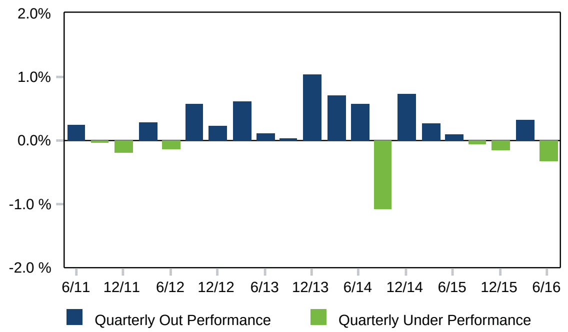
LCEF Total Fund As of June 30, 2016

Total Plan Performance Summary

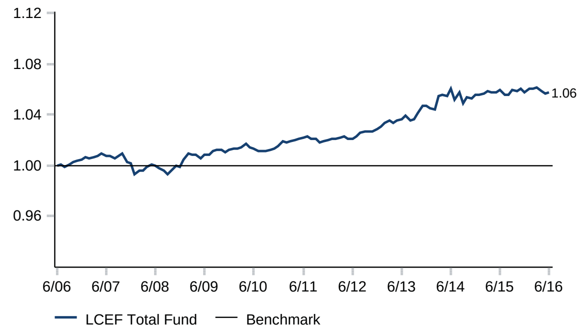
Return Summary



Quarterly Excess Performance



Ratio of Cumulative Wealth - 10 Years



As of June 30, 2016

Asset Allocation & Performance

	Allocation			Performance(%)					
	Market Value ($)	%	Policy(%)	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years
LCEF Total Fund	611,715,263	100.0	100.0	1.0 (73)	2.6 (29)	-1.5 (48)	6.2 (23)	5.9 (40)	5.0 (47)
Total Endowment Target				1.3 (57)	2.6 (29)	-1.3 (45)	5.5 (39)	5.1 (62)	4.4 (70)
Global Equity*	437,659,681	71.5	71.0	0.6	1.5	-3.9	7.3	8.3	5.8
Global Equity Target				1.0	1.3	-4.1	6.2	7.1	5.2
Fixed Income	103,488,198	16.9	17.0	2.2 (43)	5.4 (27)	6.1 (11)	4.1 (20)	3.9 (31)	5.2 (41)
Barclays Aggregate Index				2.2 (43)	5.3 (33)	6.0 (12)	4.1 (21)	3.8 (36)	5.1 (41)
TIPS	63,629,882	10.4	11.0	1.7	6.3	4.4	2.3	2.7	5.0
Barclays U.S. TIPS				1.7	6.2	4.4	2.3	2.6	4.7
Cash Equivalents	6,937,502	1.1	1.0	0.2	0.3	0.4	0.4	0.5	1.6
S&P US AAA & AA Rated GIP 30D Net Yield Index				0.1	0.2	0.2	0.1	0.1	1.1

Benchmark and universe descriptions are provided in the Appendix.
*Global Equity became an asset class in September 2012 by merging the Domestic Equities and Foreign Equities asset classes. The return series prior to September 2012 is a weighted average of Domestic Equities' and Foreign Equities' historical performance.

As of June 30, 2016

Calendar Year Performance

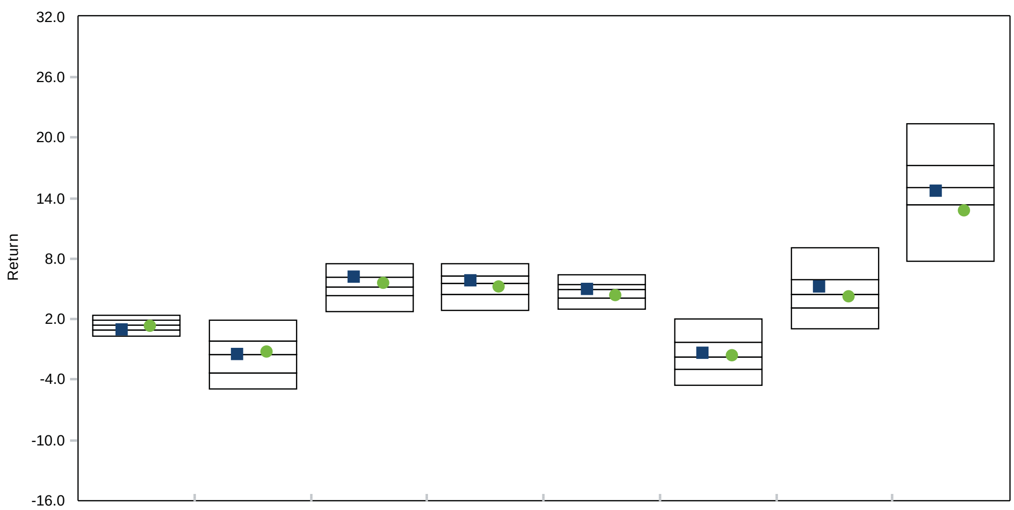
	Performance(%)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
LCEF Total Fund	-1.4 (43)	5.2 (39)	14.7 (54)	13.2 (20)	1.9 (14)	14.0 (13)	21.2 (49)	-29.2 (75)	6.3 (85)	15.0 (18)
Total Endowment Target	-1.6 (46)	4.3 (53)	12.8 (78)	12.2 (47)	1.5 (16)	13.7 (16)	19.6 (60)	-28.9 (73)	6.5 (81)	14.0 (32)
Global Equity*	-1.9	5.3	27.1	20.4	-1.1	17.0	30.8	-39.6	6.8	17.4
Global Equity Target	-2.4	3.9	24.1	19.4	-2.2	16.1	30.5	-39.2	7.2	17.8
Fixed Income	0.6 (31)	6.0 (24)	-1.8 (73)	4.6 (83)	7.6 (37)	7.0 (74)	4.6 (96)	5.8 (5)	7.3 (40)	4.4 (33)
Barclays Aggregate Index	0.5 (33)	6.0 (25)	-2.0 (75)	4.2 (89)	7.8 (35)	6.5 (77)	5.9 (87)	5.2 (15)	7.0 (51)	4.3 (35)
TIPS	-1.2	3.5	-8.7	7.2	13.6	6.1	13.3	-2.0	12.4	0.8
Barclays U.S. TIPS	-1.4	3.6	-8.6	7.0	13.6	6.3	11.4	-2.4	11.6	0.4
Cash Equivalents	0.5	0.2	0.2	1.3	0.1	2.0	2.6	0.5	5.4	5.2
S&P US AAA & AA Rated GIP 30D Net Yield Index	0.1	0.0	0.1	0.1	0.2	0.3	0.7	2.3	4.7	5.1

*Global Equity became an asset class in September 2012 by merging the Domestic Equities and Foreign Equities asset classes. The return series prior to September 2012 is a weighted average of Domestic Equities' and Foreign Equities' historical performance.

As of June 30, 2016

Plan Sponsor Peer Group Analysis

All Endowments-Total Fund

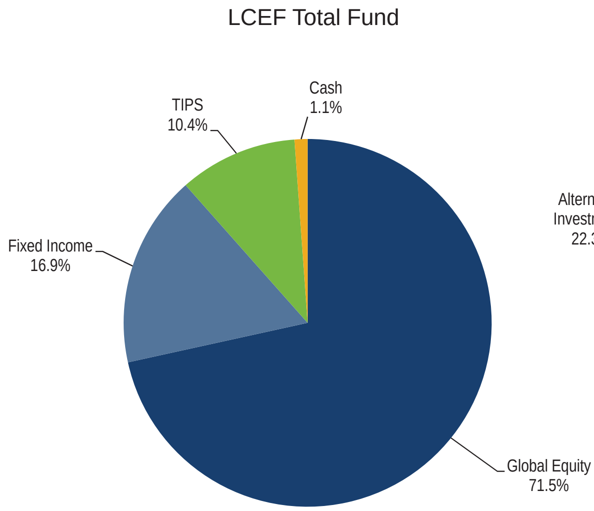


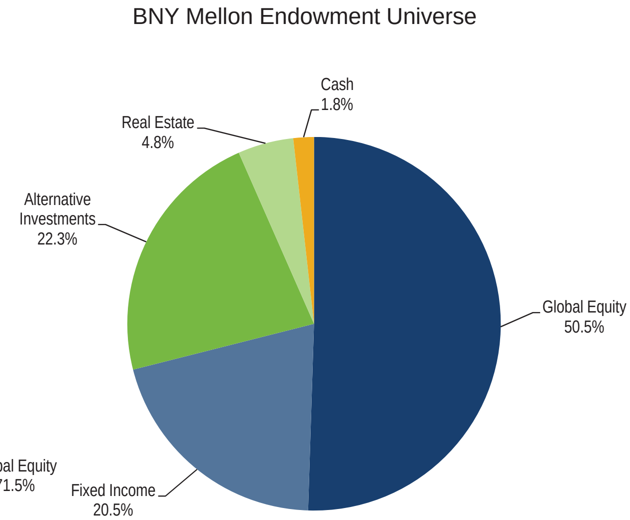
	1 Quarter	1 Year	3 Years	5 Years	10 Years	2015	2014	2013
■ LCEF Total Fund	1.0 (73)	-1.5 (48)	6.2 (23)	5.9 (40)	5.0 (47)	-1.4 (43)	5.2 (39)	14.7 (54)
● Total Endowment Target	1.3 (57)	-1.3 (45)	5.5 (39)	5.1 (62)	4.4 (70)	-1.6 (46)	4.3 (53)	12.8 (78)
5th Percentile	2.4	2.0	7.6	7.5	6.4	2.0	9.1	21.4
1st Quartile	1.9	-0.2	6.1	6.3	5.5	-0.3	6.0	17.2
Median	1.4	-1.5	5.2	5.6	4.9	-1.7	4.4	15.1
3rd Quartile	0.9	-3.3	4.3	4.5	4.1	-3.0	3.1	13.3
95th Percentile	0.3	-5.0	2.7	2.9	3.0	-4.5	1.1	7.8
Population	191	186	173	158	122	308	297	292

Parentheses contain percentile rankings.

LCEF Total Fund As of June 30, 2016

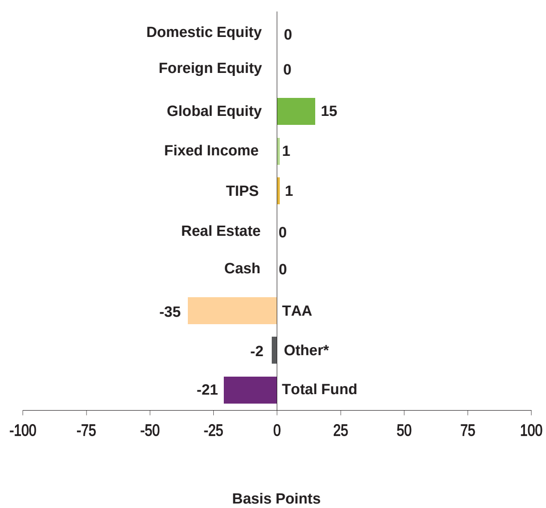
Universe Asset Allocation Comparison



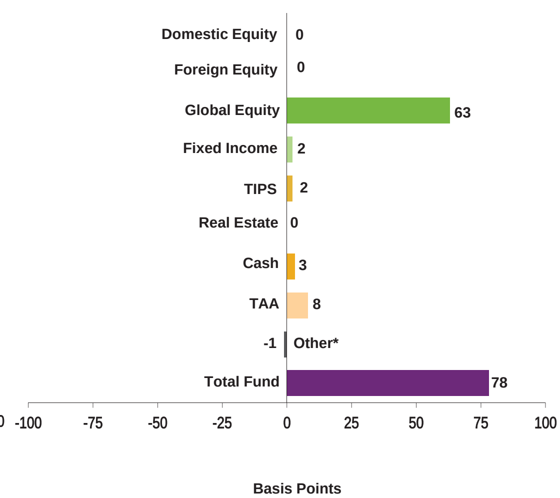


LCEF Total Fund As of June 30, 2016

Attribution



1-Year Ending 6/30/2016



5-Year Ending 6/30/2016

*Other includes differences between official performance value added due to methodology and extraordinary payouts.

Appendix

As of June 30, 2016

Benchmark Descriptions

LCEF Total Fund

Total Endowment Target - A weighted blend of the individual asset class target benchmarks.

Total Global Equity

MSCI ACWI IMI ex-Tobacco - From 7/1/2014 forward, a custom version of the MSCI ACWI IMI excluding tobacco-related companies. From 10/1/2013 to 6/30/2014, a custom version of the MSCI ACWI IMI adjusted to reflect a 55% fixed weight in the MSCI USA IMI and a 45% fixed weight in the MSCI ACWI ex-USA IMI, and excluding certain equities of tobacco-related companies. From 9/1/2012 to 9/30/2013, a custom version of the MSCI ACWI IMI excluding tobacco-related companies. Prior to 9/1/2012, the benchmark is a weighted average of both the Domestic Equities and Foreign Equities historical benchmarks.

Total Domestic Equities

Russell 3000 Index ex-Tobacco - Prior to 9/1/2012, an index that measures the performance of the 3,000 stocks that make up the Russell 1000 and Russell 2000 Indices, while excluding tobacco companies.

Total Foreign Equities

MSCI ACWI ex-US IMI ex-Tobacco - Prior to 9/1/2012, a capitalization-weighted index representing 44 countries, but excluding the United States. The index includes 23 developed and 21 emerging market countries, and excludes tobacco companies.

Total Fixed Income

Barclays Aggregate Bond Index - A market value-weighted index consisting of the Barclays Credit, Government, and Mortgage-Backed Securities Indices. The index also includes credit card, auto, and home equity loan-backed securities. This index is the broadest available measure of the aggregate investment grade U.S. fixed income market.

Total TIPS

Barclays U.S. TIPS - A market value-weighted index consisting of U.S. Treasury Inflation-Protected Securities with one or more years remaining until maturity with total outstanding issue size of $500 million or more.

Total Cash Equivalents

S&P U.S. AAA & AA Rated GIP 30-Day Net Yield Index - An unmanaged, net-of-fees, market index representative of the Local Government Investment Pool. On 10/1/2011, the S&P U.S. AAA & AA Rated GIP 30-Day Net Yield Index replaced the S&P U.S. AAA & AA Rated GIP 30-Day Gross Yield Index, which was previously used from 4/30/08 - 9/30/11. Prior to 4/30/08, it was the average 3-month T-bill rate.

Universe Descriptions

LCEF Total Fund
A universe comprised of 155 total endowment portfolio returns, net of fees, calculated and provided by BNY Mellon Performance & Risk Analytics and Investment Metrics. Aggregate assets in the universe comprised $410.1 billion as of quarter-end and the average market value was $1.1 billion.

Total Fixed Income
A universe comprised of 39 total fixed income portfolio returns, net of fees, of endowment plans calculated and provided by BNY Mellon Performance & Risk Analytics and Investment Metrics. Aggregate assets in the universe comprised $20.8 billion as of quarter-end and the average market value was $107.6 million.

Explanation of Exhibits

Quarterly and Cumulative Excess Performance - The vertical axis, excess return, is a measure of fund performance less the return of the primary benchmark. The horizontal axis represents the time series. The quarterly bars represent the underlying funds' relative performance for the quarter.

Ratio of Cumulative Wealth Graph - An illustration of a portfolio's cumulative, un-annualized performance relative to that of its benchmark. An upward-sloping line indicates superior fund performance versus its benchmark. Conversely, a downward-sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

Performance Comparison - Plan Sponsor Peer Group Analysis - An illustration of the distribution of returns for a particular asset class. The component's return is indicated by the circle and its performance benchmark by the triangle. The top and bottom borders represent the 5th and 95th percentiles, respectively. The solid line indicates the median while the dotted lines represent the 25th and 75th percentiles.

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