

MEETING OF THE STATE BOARD OF ADMINISTRATION

**GOVERNOR SCOTT AS CHAIRMAN
CHIEF FINANCIAL OFFICER ATWATER
ATTORNEY GENERAL BONDI**

May 23, 2017

To View Agenda Items, Click on the Following Link:

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AGENDA

ITEM 1. REQUEST APPROVAL OF THE MINUTES OF THE APRIL 11, 2017 CABINET MEETING.

(See Attachment 1)

ACTION REQUIRED

ITEM 2. REQUEST APPROVAL OF THE REAPPOINTMENT OF GARY PRICE TO THE PARTICIPANT LOCAL GOVERNMENT ADVISORY COUNCIL

(See Attachment 2)

ACTION REQUIRED

ITEM 3. FOR CONSIDERATION: FLORIDA HURRICANE CATASTROPHE FUND STATUS REPORT.

(See Attachment 3)

FOR DISCUSSION

ITEM 4. REQUEST APPROVAL OF THE STATE BOARD OF ADMINISTRATION'S PROPOSED BUDGETS FOR FISCAL YEAR 2017-2018: (1) STATE BOARD OF ADMINISTRATION; (2) FRS INVESTMENT PLAN; (3) FLORIDA HURRICANE CATASTROPHE FUND; (4) DIVISION OF BOND FINANCE; AND, (5) FLORIDA PREPAID COLLEGE BOARD.

(See Attachment 4)

ACTION REQUIRED

STATE OF FLORIDA
OFFICE OF THE GOVERNOR AND CABINET

IN RE: CABINET MEETING

CABINET: GOVERNOR RICK SCOTT
ATTORNEY GENERAL PAM BONDI
COMMISSIONER ADAM PUTNAM
CFO JEFF ATWATER

DATE: APRIL 11, 2017

TIME: 9:00 A.M. - 12:15 P.M.

LOCATION: CABINET MEETING ROOM
LOWER LEVEL, THE CAPITOL
TALLAHASSEE, FLORIDA

REPORTED BY: YVONNE LAFLAMME, FPR
COURT REPORTER and
NOTARY PUBLIC

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* * * *

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

MR. WILLIAMS: Good morning, Governor, Cabinet members. By way of our usual update, as of the close of the markets on April 10, Florida Retirement System Trust Fund was up 9.6 percent, fiscal year-to-date. We're flat to benchmark.

The fund stands at \$149.5 billion. That's \$8.2 billion larger than it was at the onset of the fiscal year and that's net of five and a half billion in distributions.

With that, request approval of the minutes of our March 14 meeting, please.

GOVERNOR SCOTT: Is there a motion?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Comments or objections? Hearing none, the motion carries.

MR. WILLIAMS: Thank you.

Item 2. Request approval of fiscal sufficiency in an amount not exceeding \$75 million State of Florida Department of Transportation

Turnpike Revenue Refunding Bonds.

GOVERNOR SCOTT: We're doing 2, 3 and 4.

Is there a motion on Items 2, 3 and 4?

COMMISSIONER PUTNAM: So moved.

GOVERNOR SCOTT: Is there a second?

ATTORNEY GENERAL BONDI: Second.

GOVERNOR SCOTT: Comments or objections? Hearing none, the motion carries.

Item 5.

MR. WILLIAMS: Thank you. Item 5 requests approval of the State Board of Administrations 2017 Corporate Governance principles and voting guidelines. There are no new guidelines. We have a few refinements on existing ones to clarify them.

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? Hearing none, the motion carries.

MR. WILLIAMS: Thank you. Items 6 and 7 go together. They involve the 2017/'18 Florida Hurricane Catastrophe Fund reimbursement premium formula. Item 6 is the formula itself and Item 7

1 is the request to file notice of proposed rule for
2 the formula.

3 The formula has followed the statutory
4 criteria that we've used going back, really, to the
5 inception of the fund, and the key elements of it
6 that are actuarially sound, and it be developed by
7 a third-party under contract to the SBA. We
8 followed both those guidelines, as always.

9 This has already been taken up in public
10 proceedings twice; first, on the 23rd of March
11 where it came before the Florida Hurricane
12 Catastrophe Fund Advisory Council and was
13 recommended; and second, in a rule development
14 workshop we held on March 24th.

15 Again, no objections came forward. So
16 presuming you approve these two items -- number
17 one, will adopt the formula; number two will give
18 us authority to go forward and file a notice to go
19 forward which affords yet another public
20 opportunity for input.

21 GOVERNOR SCOTT: Is there a motion on Items 6
22 and 7?

23 ATTORNEY GENERAL BONDI: So moved.

24 GOVERNOR SCOTT: Is there a second?

25 CFO ATWATER: Second.

1 GOVERNOR SCOTT: Comments or objections.

2 Hearing none.

3 MR. WILLIAMS: Thank you.

4 GOVERNOR SCOTT: Thanks, Ash.

5 That concludes today's meeting. Our next
6 meeting is May 23.

7 And I want to just finish by thanking CFO Jeff
8 Atwater for an unbelievable job, and we look
9 forward to seeing you have unbelievable success at
10 FAU.

11 CFO ATWATER: Thank you, Governor.

12 (Thereupon, Cabinet meeting concluded.)
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CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

April 7, 2017

Mr. Gary B. Price, Jr.
Fifth Avenue Advisors
3003 Tamiami Trl. North, Suite 410
Naples, FL 34103

Dear Mr. Price:

Pursuant to Section 218.409, Florida Statutes, it is my pleasure to reappoint you to serve on the State Board of Administration Participant Local Government Advisory Council. Your term of appointment is effective immediately and expires on April 7, 2020.

Thank you for your willingness to continue serving.

Sincerely,


Jeff Atwater
Chief Financial Officer

/kd
c: Ash Williams

627 - Thank You for your Service to Florida! J

*Gary B. Price, Jr.
3120 Leeward Lane
Naples, Florida 34103
239-404-0731 (cell)
239-262-0745 (office)*

Gary Price's Biography

Mr. Price grew up in Granville, Ohio. His parents owned and operated a real estate development company. Mr. Price graduated from The Ohio State University with a BSBA in Real Estate and Urban Analysis. While attending OSU, he was also a four-year varsity athlete. Mr. Price spent the last 20 years helping clients manage their wealth, focusing on being an advocate for families. His passion is serving families and helping them create plans to preserve family wealth for multiple generations. He is a Principal/Founder of Fifth Avenue Advisors in Naples.

Mr. Price's public service started in 2001 when he was appointed to the Planning Advisory Board for the City of Naples. He was appointed to a vacant seat on the Naples City Council in September 2005. He then was elected twice to the same office in February 2006 and 2010. Mr. Price is currently the Vice Mayor. He has served as the Chairman of the City's pension board for four years. He is the past Chairman of the Community Redevelopment Agency as well as chair of the Metropolitan Planning Organization.

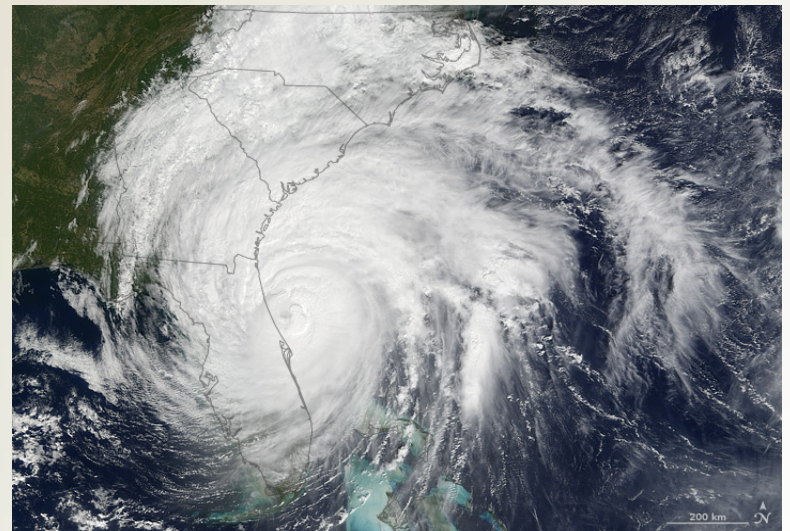
He has been a leader in all areas of budget and pension reform for the City of Naples. His latest accomplishment is helping the City come to an agreement with the police to reform their pension, the first voluntary pension reform for police in the State of Florida. Mr. Price has been instrumental in achieving significant savings totaling \$120 million dollars in the City of Naples over the next 30 years. He worked diligently to have the Council keep the millage rate fixed for the past three years, making it one of the lowest millage rates in the country.

He is the Founder and President of the Institute for Sustainable Pensions. Mr. Price believes that cities in Florida are facing historic decisions related to budgets and pension obligations. His combination of being an elected official, chair of the pension board and an accomplished financial professional allows him to be uniquely qualified to help cities with their decisions. His passion is helping elected officials process all the information regarding reform options and make good decisions for their constituents.

Mr. Price has been married to his wife Kim for 21 years and they have two children ages 17 and 15. He is an instrument rated private pilot. His greatest joy is his faith and family.

2016 Hurricane Season

- After ten years with no land-falling hurricanes in Florida, Hurricanes Hermine and Matthew caused damage in 2016
- As Hurricane Matthew approached, Floridians faced potential catastrophic damages
- Most damaging winds stayed off-shore
- No loss FHCF reimbursement requests received to date
- Minimal, if any, payouts expected for Hurricanes Hermine and Matthew



FHCF Current Position

- Strongest financial position ever
 - \$17.6 B liquid resources to fund \$17 B maximum liability
 - \$14.9 B projected cash balance
 - \$2.7 B in pre-event bonds outstanding, maturing annually from 2018 - 2021
- No post-event bonds outstanding
- Emergency assessments terminated for policies post January 2015
- Liquidity needs have been addressed with cash and pre-event bonds
- FHCF rates expected to decrease 2.29% on average for upcoming contract year
- No compelling need for additional liquid resources to fund single season exposure
- But there is opportunity for improvement

Not Drawn to Scale.

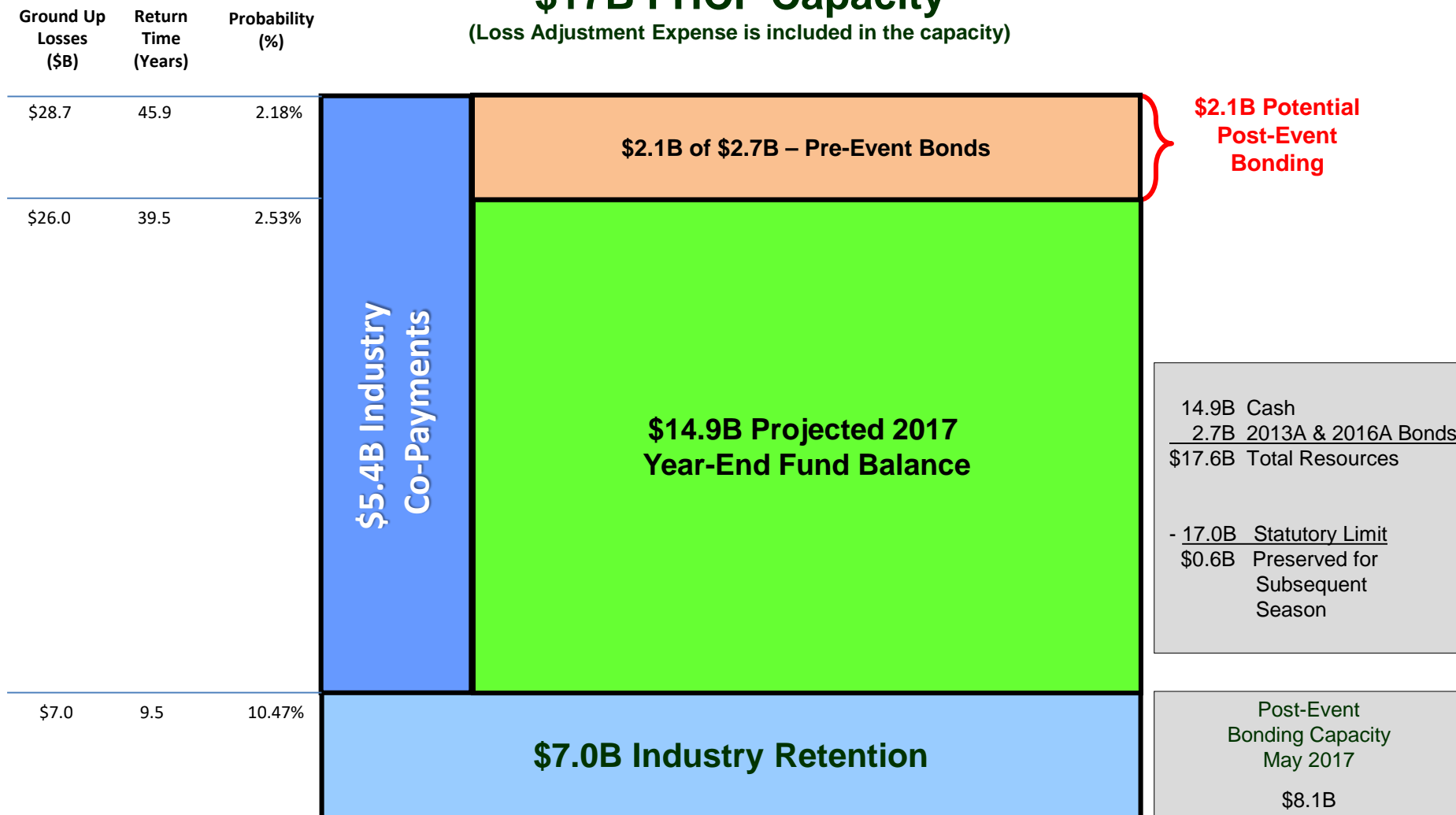
2017/2018 Contract Year

Not Official
(For Illustrative
Purposes Only)

as of May 3, 2017

\$17B FHCF Capacity

(Loss Adjustment Expense is included in the capacity)



Represents industry losses. FHCF probabilities are lower at the top loss levels and higher at the lower loss levels. All insurers would need to reach their maximum coverage limit in order to exhaust the last billion of FHCF Coverage. Insurers can trigger coverage below the industry retention.

Individual company retentions are their share of the industry retention.

Opportunities for Improvement

- The Fund continuously evaluates cost-effective opportunities to:
 - Optimize capital structure for the current contract year
 - Accumulate or preserve capital for subsequent contract years (historically this opportunity has not been economically viable)

Optimize Capital Structure for Current Contract Year

- **Optimal Capital Structure**

- Four main sources of capital for the Fund
 - Cash (Reimbursement Premium)
 - Pre-Event Debt
 - Post-Event Debt
 - Risk Transfer
- Ideally, cost of capital is borne by those who primarily benefit, namely residential homeowners
- Post-event debt allocates cost beyond homeowners to a broader group of Florida consumers
- Pre-event debt temporarily allocates cost to homeowners until an event
- Only cash and risk transfer optimally and permanently allocate cost to those who benefit

Optimize Capital Structure for Current Contract Year

- **Why Risk Transfer Now?**
 - Minimal impact, if any, on the Florida reinsurance market
 - Optimizes the Fund's capital structure by allocating cost to those who benefit and transfers risk away from Florida consumers
 - Cost/benefit favorably compares to other capital source alternatives at relevant attachment points
 - Minimum impact on declining FHCF Rates for upcoming contract year

Accumulate or Preserve Capital for Subsequent Contract Year

- Under Florida Statutes, it is appropriate for the Board to consider the Fund's claims-paying capacity for subsequent contract years
- Subsequent contract year's estimated claims-paying capacity is \$9.3B* to fund a \$17B maximum liability (assuming \$8.1 B in post-event bonding capacity)
 - Leaves a potential shortfall of \$7.7B
- Risk transfer provides an opportunity to reduce the risk of potential shortfall
- Risk transfer preserves current capital for subsequent contract years and optimizes subsequent contract year claims paying ability at the point when any losses exceed the attachment point

**Assumes exhaustion of \$17.0B in currently available liquid resources. Subsequent season capacity of \$9.3 B is comprised of \$1.1B in reimbursement premiums, \$100 million in remaining pre-event bonds (will ultimately be replaced with post-event bonds if used) and \$8.1B in post-event bonding capacity.*

Risk Transfer

- **Pros**

- Transfers risk outside Florida, away from the Florida consumer
- Reduces dependency on debt capital markets
- Allocates cost to those who primarily benefit by reducing or eliminating the probability of emergency assessments
- Currently lower lifetime cost, relative to pre-event financing

- **Cons**

- Short term
- Higher annual cost, relative to pre-event financing at relevant attachment points
- Low probability to trigger

Doing Nothing *is* an Option

- The Fund is in its best financial position ever for the upcoming hurricane season
- Risk of losses reaching the level of burdening Florida consumers is approximately 2.5%
- No current out-of-pocket cost to the Fund

Risk Transfer Impact

Preliminary Estimates:	No Action	Reinsurance \$1 B Attachment \$10.5 B	Reinsurance \$1 B Attachment \$11.5 B	Reinsurance \$1 B Attachment \$12.5 B
		1 in 28 years	1 in 32 years	1 in 37 years
Attachment point	NA	3.31%	2.91%	2.53%
Expected loss rate	NA	6.70%-7.03%	6.12%-6.42%	5.55%-5.82%
Premium rate on line	NA	\$67.0-\$70.3	\$61.2-\$64.2	\$55.5-\$58.2
Gross cost (in millions)	NA	\$68.7	\$62.7	\$56.9
Gross cost (in millions) Midpoint	NA	-\$29.4	-\$25.7	-\$22.1
Ceded loss (in millions)	NA	\$39.3	\$37.0	\$34.8
Net cost (in millions) *	NA	42.8%	40.9%	38.8%
Ceded loss % premium	NA	2.8%	2.7%	2.6%
FHCF rate impact from reinsurance *	0.0%	0.4%	0.3%	0.2%
FHCF overall rate impact	-2.3%	\$0.88	\$0.65	\$0.42
Overall impact on residential premium	-\$5			

Note: Reinsurance pricing estimates are based on modeled ceded expected loss and volatility for each respective reinsurance layer.

* Includes the net impact of the adjustment factors in the 2017 rate making formula report.

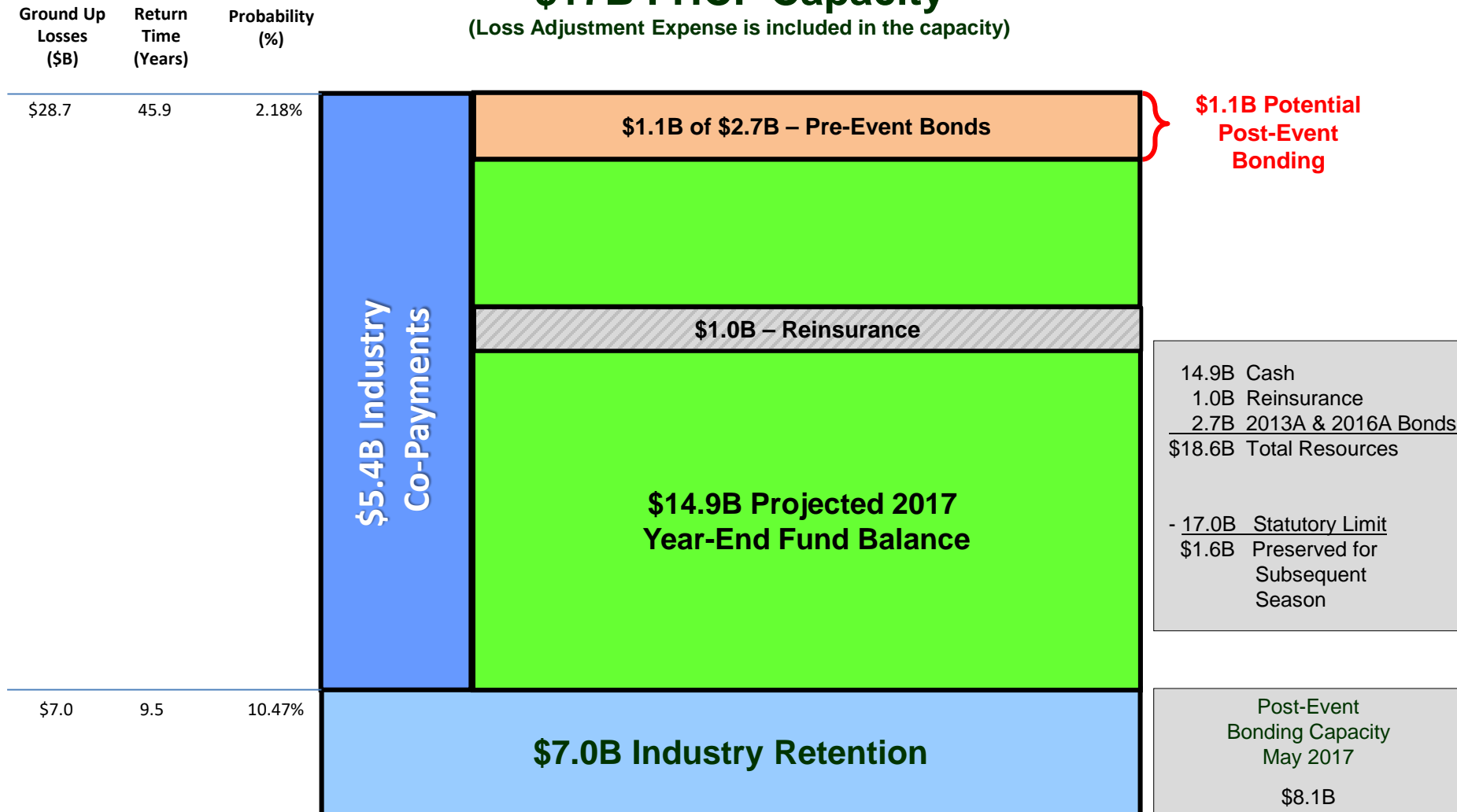
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\$17B FHCF Capacity (Loss Adjustment Expense is included in the capacity)

as of May 3, 2017



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Individual company retentions are their share of the industry retention.



State Board of Administration FY 2017-18 Proposed Budget

SBA Operations
FRS Investment Plan
Florida Hurricane Catastrophe Fund

Division of Bond Finance
Florida Prepaid College Board

May 23, 2017

State Board of Administration FY 2017-18 Proposed Budget

SBA Operating Budget
May 23, 2017

SBA Proposed Budget FY 2017-18

Asset Management

- Assets Under Management (AUM)

- \$189 billion AUM as of February 28, 2017 (est. market value)

- Pension Fund net asset value (as of 04/25/17) has risen \$68.1 billion since the 03/09/09 bottom despite \$46.6 billion in payouts (net of contributions), so fund investments have returned \$114.7 billion over last 8 years.
 - Value added by the SBA vs. its benchmark during that period was \$6.7 billion.

- 33 Mandates

Mandate	% of Total
FRS Pension Plan	78%
FRS Investment Plan	5%
Florida PRIME	6%
30 Other Mandates	<u>11%</u>
	100%

SBA Proposed Budget FY 2017-18

SBA Performance

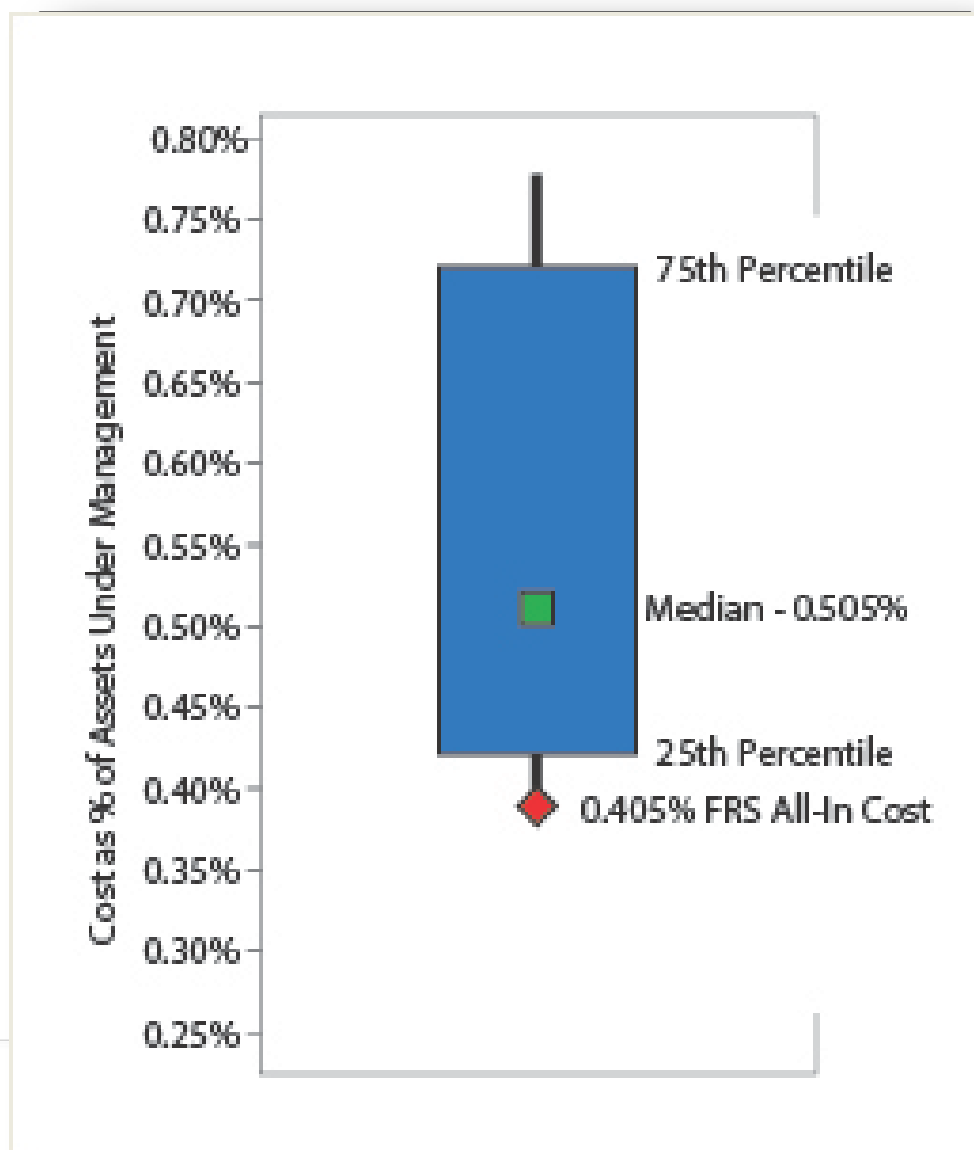
- Three factors determine Pension Plan's long-term financial health
 - Solid long-term investment performance
 - Receipt of actuarially required annual contributions
 - Responsible benefit package
- SBA's record of long-term investment performance is solid
 - Approximately \$2 of every \$3 paid to a retiree has come from investment gains, not from taxpayers or participants through contributions
 - Every dollar earned through investment performance is a dollar saved by Florida's taxpayers

CEM Benchmarking Study Background

- SBA's total investment management costs and return are benchmarked against peers annually through CEM study.
- Cost is major determinant of net investment performance
- Study includes all costs charged against portfolio performance

CEM Benchmarking Study

Background



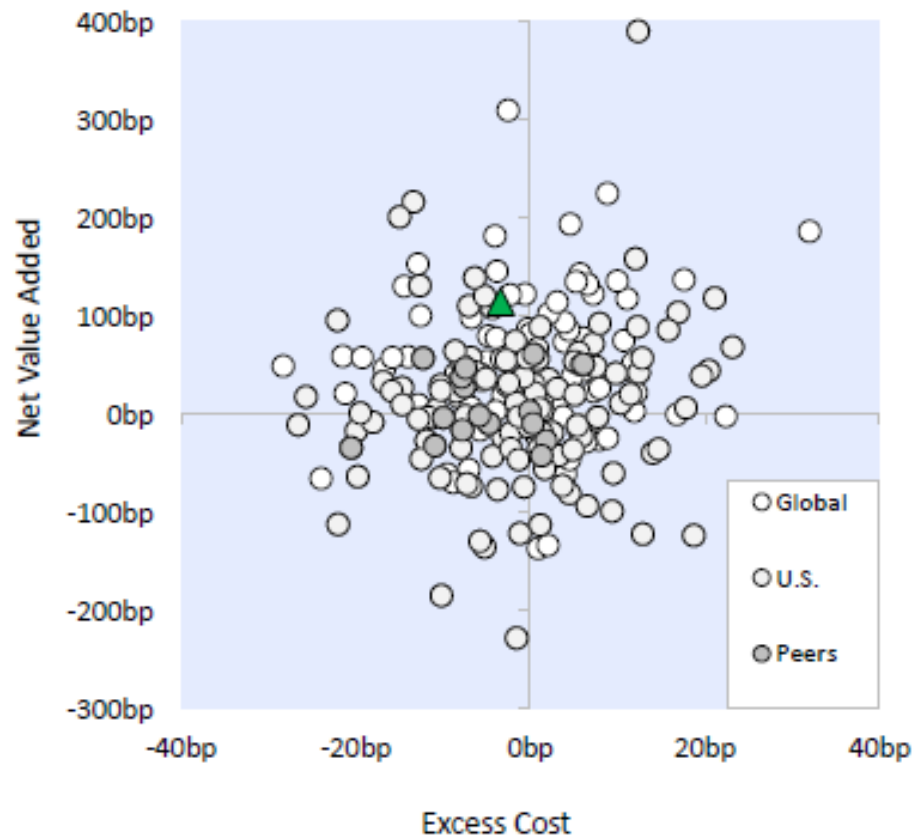
At 40.5 basis points (0.405%), the SBA's all-in cost for managing the FRS Pension Plan was among the lowest in its peer group for the calendar year 2015 study. This marks the fourth time in as many years that the SBA's all-in cost ranked at or near the bottom of its peer group.

Note: The SBA's all-in cost is lower than 87% of its peers. The bottom 10% of costs is 40.0 basis points.

CEM Benchmarking Study Background

5-year net value added versus excess cost

(Your 5-year: net value added 114.4 bps, cost savings 3.3 bps *)



* Your 5-year cost savings of 3 basis points is the average of your cost savings for the past 5 years.

Source: CEM Benchmarking, Inc.

CEM evaluates:

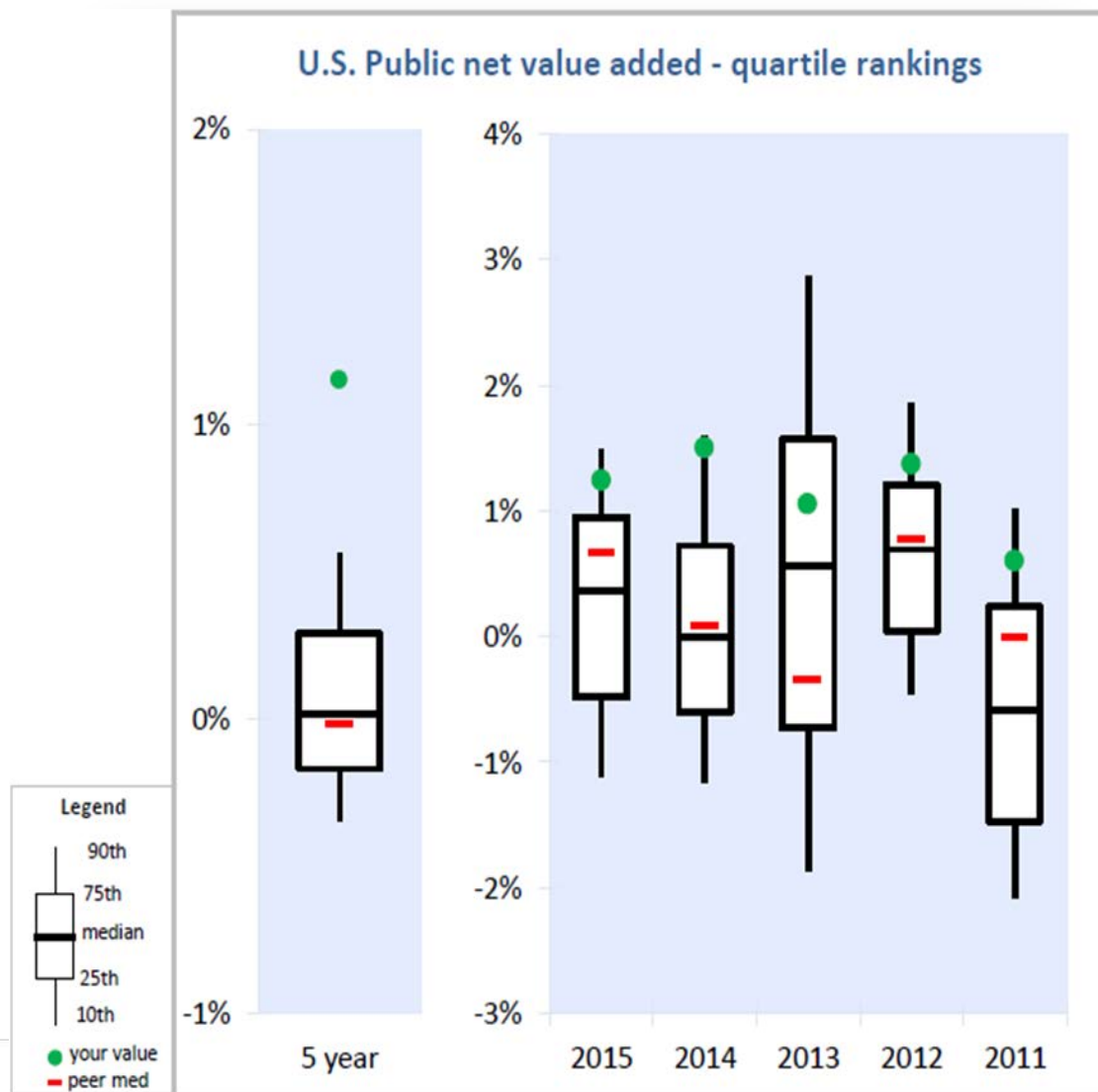
- Value Added
(Performance vs.
Benchmark)
- Risk
- Costs

SBA's 5-yr performance
placed in most favorable
quadrant

- Positive value added at
low cost

CEM Benchmarking Study

Background



Source: CEM Benchmarking, Inc.

CEM evaluates:

- Value Added (Performance vs. Benchmark)
- Risk
- Costs

SBA's 5-year net value added of 102 bps far outpaces peers

- Ranked in 98th percentile for 3, 4 and 5-year periods
- 5-year net value added translates into \$8.9 billion in cumulative benefit to the FRS above median fund return

SBA Proposed Budget FY 2017-18

Cost Effectiveness

- SBA's ability to manage a significant portion of assets in-house is major driver of cost effectiveness
 - Growing percentage (currently 43%) of FRS assets are managed in-house by SBA staff (as of February 2017)
- Thus, strategic emphasis on staff recruitment, development and retention, and technology support, including enhanced information security, automated compliance and risk analytics
- Demographics of organization reveal importance and urgency of succession planning, mentoring and providing career development opportunities
 - 47 FTEs (23% of workforce) are in DROP now or eligible to retire within the next 3 years
 - 24 of these hold management positions (25% of all managers)

SBA Proposed Budget FY 2017-18

Strategic Priorities

Progress achieved as a direct result of strategic budgeting:

- Holistically designed policy and managed assets with respect to evolving market environment, benefit and regulatory reform, funding policy, and liquidity needs
- Implemented and enhanced programs for recruiting, developing and retaining qualified staff
- Improved information management and sharing, collaboration and process efficiency
- Enhanced resilience of the SBA to timely respond to a variety of incidents/risks, appropriately and effectively
- Aligned the long-term resource plan to future business requirements
- Continued to refine Governance, Risk, and Compliance programs

SBA Proposed Budget FY 2017-18

Total Budget \$46.8 Million

- 5.9% increase requested over FY 2016-17 budget of \$44.1 million
- 7.4% increase in AUM (estimated) this fiscal year so SBA service fees will cover increased costs. Costs per dollar under management have been stable.
- Budget Composition

Budget Category	Dollars (M)	% of Total
Salaries and Benefits	\$28.9	62%
Other Personal/Contractual Services	11.5	25%
Expense	5.8	12%
Capital Outlay	0.6	1%
Total	\$46.8	100%

SBA Proposed Budget FY 2017-18

Cost Drivers

- Rigorous control environment and technological and physical infrastructure expected of a high-performing, trusted institutional investment service provider
 - Significant planned upgrade to existing enterprise resource management software and systems to enable enhanced vendor and contract management and reporting
 - Replacement of unsupported document management system for contracts and vendor payments
 - Continued enhancements and maintenance of Information Technology and physical security measures
- Increased in-house investment management, though cost-effective, continues to require additional information technology resources, infrastructure improvements and security enhancements
- Mandatory oversight reporting requirements – e.g., Triennial Governance Risk and Compliance Assessment

SBA Proposed Budget FY 2016-17

In-House Investment Management

	Internal		External	
Date	%	\$ in Bill.	%	\$ in Bill.
12/31/2016	42.90%	\$63.76	57.10%	\$84.78
12/31/2015	42.70%	\$60.59	57.30%	\$81.43
12/31/2014	42.60%	\$62.39	57.40%	\$84.18
12/31/2013	42.30%	\$60.77	57.70%	\$83.02
12/31/2012	41.50%	\$53.33	58.50%	\$75.29
12/31/2011	43.40%	\$51.30	56.60%	\$66.94
12/31/2010	36.30%	\$45.10	63.70%	\$79.11

SBA Proposed Budget FY 2017-18

Cost Drivers

- Continued competitive labor market for talented staff
 - Impacts new positions and existing staff
 - Requires proactive management of human capital risk
 - Compensation
 - Training/development
 - Succession planning/Talent management
- Increased benefit rates/premiums (determined by Legislature)
 - Legislative increases in retirement contribution rates for new and existing staff

SBA Proposed Budget FY 2017-18

One Proposed New Position

Information Security (1 FTE):

- ***Information Security Manager*** within Information Technology to centralize information and data security activities and better align SBA's information security practices with leading industry standards. Currently, SBA information security activities are decentralized among existing IT staff. The addition of a dedicated information security position and the centralization of these activities was also recommended by the SBA's Office of Internal Audit after a recent advisory engagement.

SBA Proposed Budget FY 2017-18

Increase By Category

- Salaries \$1,100,000
 - \$100,000 Salary rate for 1 new position
 - \$900,000 Recruitment and retention salary rate to reduce human capital risk
 - Equivalent of 5.0% of FY2016-17 salaries
 - \$100,000 adjustment to Incentive Reserve to ensure reserve for maximum potential payout will cover liability
 - Incentive Program recommended by the Investment Advisory Council (IAC) and approved by the Trustees
 - Funding for awards may be triggered by pension fund's outperformance vs. its benchmark
 - Initial performance measurement period was 7/1/15-6/30/16
 - Second half of FY15/16 awards to be paid in 17-18, and first half of FY 16-17 performance period, if earned, payable over 2 years
 - 50% in Fall 2017 and 50% deferred until Fall 2018
 - \$250,000 Leave Liability resources to meet retirement/termination payouts

SBA Proposed Budget FY 2016-17

Increase By Category

- Compensation program recommended by the Investment Advisory Council (IAC) and approved by the Trustees
 - Ensures alignment with interests of stakeholders
 - Linked to business strategy and key performance indicators
 - Establishes competitive objective (median of appropriate public fund peers)
 - Differentiated awards that reflect employees' relative contributions
 - Includes incentive component for key positions
- Current Recruitment and Retention request is second installment of a three-year effort to move to midpoint of 2016 salaries

SBA Proposed Budget FY 2017-18

Increase/(Decrease) By Category

- Benefits \$189,951

Increase of \$189,951 (2.7%) driven by one new position request combined with health insurance premium and employer retirement rate contribution changes adopted during the 2017 Legislative Session.

- Other Personal/Contractual Services \$1,474,457

Overall increase of \$1,474,457 (14.8%) driven primarily (\$1.2 million) by upgrades to critical SBA enterprise software solutions, specifically the SBA's Enterprise Resource Management solution (PeopleSoft) and the SBA's investment portfolio accounting software (Eagle). An additional significant driver (\$400,000) is the Triennial Governance, Risk and Compliance assessment mandated in the SBA's Audit Committee Charter. These and other increases related to increased costs of internal trading platforms were offset by price concessions from the SBA's Total Fund Risk Model provider (\$75,000), reduced external audit fees (\$20,500), and reduced scope of planned relationship management software implementation (\$125,000).

SBA Proposed Budget FY 2017-18

Increase/(Decrease) By Category

- Expense (-\$76,883)

Overall decrease of \$76,883 (-1.3%) achieved by minor reductions in repairs and maintenance, travel, training, office materials, supplies and equipment, netted against a 2% annual rent increase.

- \$38,096 (-3.1%) decrease in building and computer equipment maintenance costs due to recent building renovations and deferral of equipment purchases
- \$42,064 (2%) annual rent escalation increase
- \$15,100 (-5.3%) decrease in communications due to renegotiating internet access rates from secondary ISP, repricing cable package and elimination of certain cable and phone services throughout the building
- \$6,139 (-8.1%) decrease in freight and postage due to increasing use of electronic filings and transmission and bulk mailings
- \$64,851 (-15.7%) decrease in office materials, supplies and equipment due to deferral of supply purchases and better management of supplies

- Other Capital Outlay (-\$89,450)

Overall decrease of \$89,450 (-12.4%) due to absorption of non-recurring equipment purchases in FY 16-17 budget year, including new storage area network

SBA Proposed Budget FY 2017-18

Proposed Funding Plan

- F.S. 215.515 provides that SBA may make reasonable charges for investment services
- No change in current fee structure
 - Florida PRIME - 1.0 bps
 - Bond Trusteeship – 1.0 bps
 - Other Assets – 2.25 bps
- Revenue for FY2017-18 is estimated to be \$42.6M
- To the extent actual operating costs exceed service fees, difference will be drawn from the SBA Administrative Trust Fund.

Revenue Source	Fee Structure	Fee Base (\$B)	Revenue (\$M)	% of Total Revenue
FRS Pension Plan & Others	2.25 bps	\$172	\$38.7	91%
Florida PRIME	1.0 bps	\$10	\$1.0	2%
Bond Trusteeship	1.0 bps	\$17	\$1.7	4%
Others	Fixed Fees	n/a	<u>\$1.2</u>	<u>3%</u>
			\$42.6	100%

SBA Proposed Budget FY 2017-2018

SBA Budget Detail By Line Item

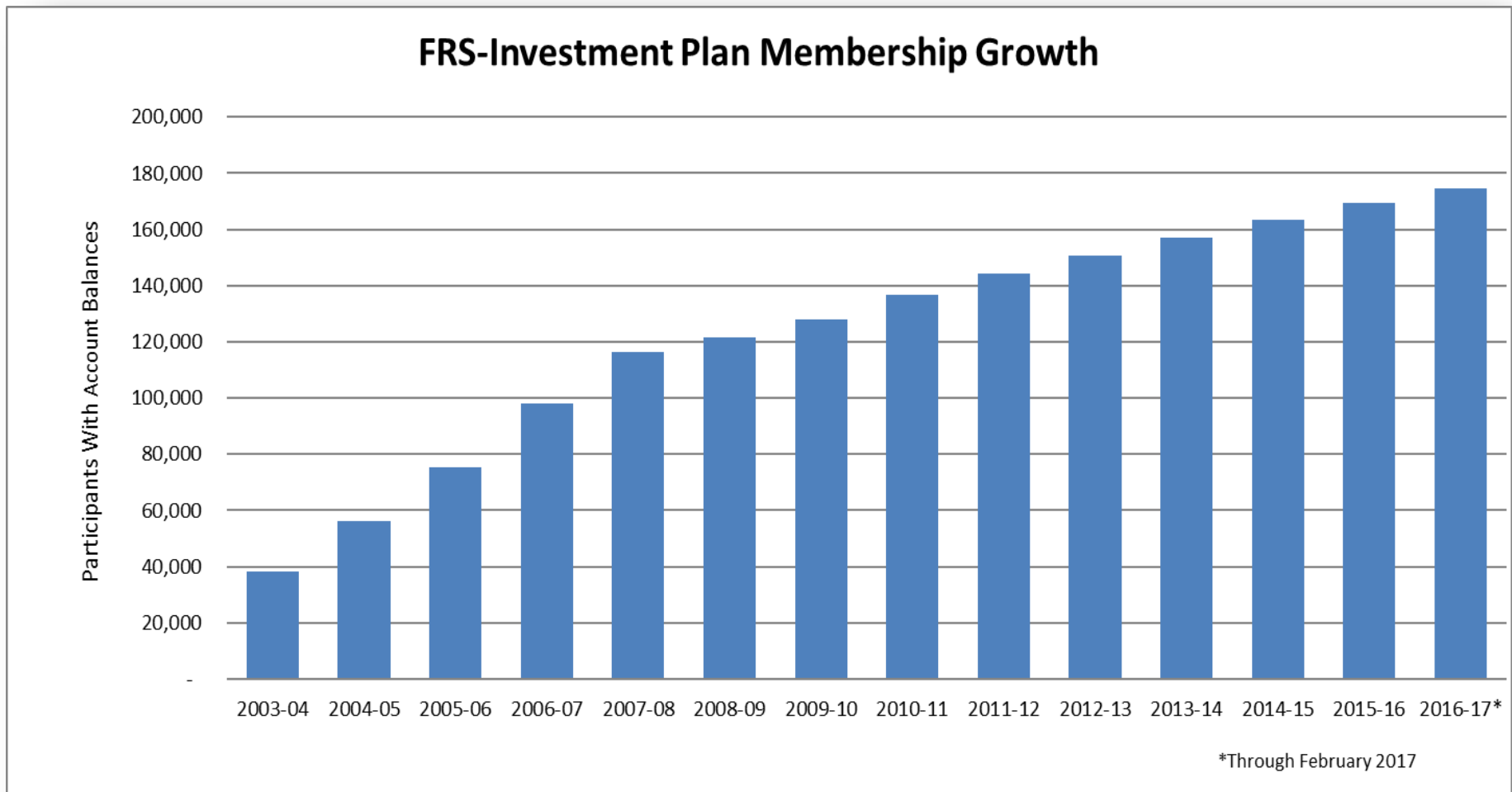
Description	Fiscal Year 2016-2017	Fiscal Year 2017-2018	% Change
FTE	200.75	201.75	
Salary & Benefits	27,585,793	28,877,517	4.7%
Salary Subtotal	20,502,898	21,602,898	5.4%
Salaries	17,427,898	18,277,898	
Recruitment & Retention Rate	750,000	900,000	
Leave Liability Payments & Incentive Reserve	2,250,000	2,350,000	
Moving Expense Stipend	75,000	75,000	
Benefit Subtotal	7,082,895	7,274,618	2.7%
Social Security	1,409,659	1,498,014	
Retirement	1,946,250	2,048,071	
Health Insurance	3,461,333	3,461,333	
Life insurance	8,721	8,764	
Disability Insurance	7,261	7,391	
Dental Insurance	249,670	251,046	
Other Personal/Contractual Svcs	9,986,403	11,460,860	14.8%
Temporary Employment	180,050	175,000	
Other Contractual Services	9,806,353	11,285,860	
Expense	5,855,063	5,778,180	-1.3%
Repairs & Maintenance	1,224,186	1,186,090	
Rental of Building/Equipment	2,143,297	2,185,361	
Travel	1,089,978	1,083,572	
Training	190,345	190,345	
Communications	286,900	271,800	
Freight & Postage	76,139	70,000	
Insurance & Surety Bonds	62,355	74,000	
Ofc Materials/Supplies/Equipment	411,989	347,138	
Other Charges & Obligations	317,374	317,374	
Printing	40,500	40,500	
Unemployment Compensation	12,000	12,000	
Other Capital Outlay	721,050	631,600	-12.4%
Network Security/IT Equipment	721,050	631,600	
TOTALS	44,148,309	46,748,156	5.9%

FRS Investment Plan
Proposed FY 2017-18 Budget
May 23, 2017

FRS Investment Plan Budget Overview

- Projected Investment Plan (IP) budget totals \$31.3 million for FY 2017-18, resulting in a \$1.2 million increase from the FY 2016-17 budget of \$30.1 million
- Plan expenses are funded from 2 sources:
 1. Proposed operating budget - \$25.4 million
 - Funded by 6 bps of employer payroll (est. \$17.7 million) and drawdown from the IP Administrative Trust Fund (est. \$7.7 million)
 2. Forfeiture Account - \$5.9 million (est.)
 - Funded by forfeitures from employer contributions and benefits transferred from the Pension Plan to IP member accounts that do not vest
 - Only plan expenses that meet IRS criteria can be paid from this account
- Forfeiture Account 6/30/18 (projected) balance < \$10,000

FRS-Investment Plan Membership Growth



FRS Investment Plan

Total Budget

Description	Fiscal Year 2016-2017	Fiscal Year 2017-2018	% Change
FTE	7	7	
Salaries & Benefits	\$1,182,776	\$1,235,541	4.5%
Salary Subtotal	\$898,609	\$936,040	4.2%
Salaries	748,609	748,609	
Recruitment & Retention		37,430	
Leave Liability Payments & Incentive Reserve	150,000	150,000	
Benefits Subtotal	\$284,166	\$299,501	5.4%
Social Security	66,429	67,223	
Retirement	79,044	87,161	
Health Insurance	128,486	134,911	
Life Insurance	301	301	
Disability Insurance	276	276	
Dental Insurance	9,630	9,630	
Other Personal/Contractual Svcs.	\$22,873,694	\$23,922,472	4.6%
Temporary Employment	20,000	20,000	
Other Contractual Services	22,853,694	23,902,472	
Expense	\$250,830	\$224,100	-10.7%
Repairs & Maintenance	83,000	83,000	
Rental of Building/Equipment	54,455	60,000	
Travel	67,900	38,300	
Agency Directed Training	0	0	
Insurance & Surety Bonds	1,000	1,250	
Ofc Materials/Supplies/Equipment	6,700	4,000	
Other Charges & Obligations	15,775	16,550	
Printing	22,000	21,000	
Other Capital Outlay	\$13,000	\$13,000	0.0%
IT Equipment	13,000	13,000	
Total Proposed Operating Budget	\$24,320,300	\$25,395,113	4.4%
Projected Spending from Forfeiture Account*	5,900,000	5,900,000	0.0%
TOTAL INVESTMENT PLAN BUDGET	\$30,220,300	\$31,295,113	3.6%

* The SBA is requesting authority to spend up to the amount in forfeiture funds realized, which may be more or less than the \$5,900,000 estimated for 2017-18. To the extent actual forfeiture funds realized differs from the amount estimated, the difference will be spent from or retained in the operating budget as the case may be.

NOTES:

- Total Investment Plan Expenses estimated at \$31.3M for FY2018, an increase of \$1.1M (3.6%) over FY2017.
- Expenditures from Administrative Trust Fund (operating budget) estimated at \$25.4M (4.4% increase over FY2017), plus projected expenditures of \$5.9M (0% increase from FY2017) from Forfeiture Account.
- Salary budget includes \$37,430 (5.0%) Recruitment & Retention salary rate to mitigate human capital risk; and Leave Liability & Incentive Reserve resources to fully fund potential incentive reserve, and leave expenses for retiring/terminating staff.
- Health insurance premiums and employer retirement contribution rates adopted during the 2017 Legislative session.

Florida Hurricane Catastrophe Fund

Proposed FY 2017-18 Budget

May 23, 2017

Florida Hurricane Catastrophe Fund

Budget Detail By Line Item

Description	Fiscal Year 2016-2017	Fiscal Year 2017-2018	% Change
FTE	13	13	
Salaries & Benefits	\$1,823,157	\$1,866,279	2.4%
Salary Subtotal	\$1,338,788	\$1,361,668	1.7%
Salaries	1,160,017	1,207,588	
Recruitment & Retention Rate	47,572	60,379	
Leave Liability Payments	93,700	93,700	
Moving Expense	37,500	0	
Benefit Subtotal	\$484,369	\$504,611	4.2%
Social Security	93,389	96,777	
Retirement	133,326	138,298	
Health Insurance	238,618	250,548	
Life Insurance	648	648	
Disability Insurance	461	456	
Dental Insurance	17,928	17,884	
Other Personal/Contractual Svcs	\$5,442,326	\$5,569,016	2.3%
Temporary Employment	31,120	31,120	
Other Contractual Services	5,411,206	5,537,896	
Expense	\$477,147	\$487,982	2.3%
Repairs & Maintenance	500	500	
Rental of Building/Equipment	98,283	100,235	
Travel (excl Methodology Commission)	96,700	94,700	
Agency Directed Training	0	3,250	
Methodology Commission Travel	248,214	260,047	
Insurance & Surety Bonds	2,000	2,000	
Ofc Materials/Supplies/Equipment	16,500	11,500	
Other Charges & Obligations	8,950	8,950	
Printing	6,000	6,800	
Other Capital Outlay	\$5,000	\$9,000	80.0%
IT Equipment	5,000	9,000	
TOTAL BUDGET	\$7,747,630	\$7,932,277	2.4%

NOTES:

- Total Proposed Operating Budget of \$7.9M is \$185,000 higher (2.4%) than FY2016-17. It assumes no major storms triggering new losses in FY2018.
- Total Budget is less than 1% of projected annual insurer contract premiums, which fund these expenses.
- Salary budget increase of \$22,900 (1.7%) includes a Recruitment and Retention rate pool of \$60,379 (5% of salaries), which is offset by a \$37,500 reduction due to elimination of moving expense stipend budget that is no longer needed.
- Increased employer paid retirement contribution rates and health insurance premium increases adopted by the 2016 Legislature.
- \$126,690 (2.3%) increase in Other Personal/ Contractual Services for anticipated increased cost for outsourced administration to include additional SSAE-18 reporting, as well as expected increases financial advisory fees due to elimination of contingency options. These changes were offset by decreases in executive recruitment services.
- \$10,835 (2.3%) increase in Expenses due to annual rent escalations, and increased travel for Methodology Commission members to adopt new flood standards.
- \$4,000 (80%) increased to replace aging computer equipment.

Division of Bond Finance
Proposed FY 2017-18 Budget
May 23, 2017

Division of Bond Finance

Budget Detail By Line Item

Description	Fiscal Year 2016-2017	Fiscal Year 2017-2018	% Change
Salaries & Benefits (17 FTE)	\$2,606,785	\$2,700,452	3.6%
Salary Subtotal	\$1,967,321	\$2,066,055	5.0%
Salaries	1,634,392	1,704,671	
Recruitment & Retention Rate	70,279	85,234	
Leave Liability Payments & Incentive Reserve	262,650	276,150	
Benefits Subtotal	\$639,464	\$634,398	-0.8%
Social Security	143,370	144,907	
Retirement	181,439	195,962	
Health Insurance	291,756	271,474	
Life insurance	730	730	
Disability Insurance	545	545	
Dental Insurance	21,624	20,779	
Contractual Svcs	\$2,334,685	\$2,181,455	-6.6%
Temporary Employment	45,600	45,600	
Other Contractual Services	2,289,085	2,135,855	
Expense	\$463,539	\$445,918	-3.8%
Repairs & Maintenance	9,200	9,200	
Rental of Building/Equipment	210,085	188,392	
Travel	67,000	67,000	
Communication	52,520	53,370	
Freght/Postage	21,000	21,000	
Insurance & Surety Bonds	3,231	3,177	
Ofc Materials/Supplies/Equipment	31,115	31,115	
Other Charges & Obligations	9,289	9,589	
Printing	60,100	63,075	
Other Capital Outlay	\$28,000	\$28,000	0.0%
Furniture/Equipment/Books	28,000	28,000	
TOTALS	\$5,433,010	\$5,355,825	-1.4%

NOTES:

- Proposed Budget of \$5.36M represents a decrease of \$77,320 (1.4%) over the FY2016-17 Budget.
- Budget is based on 25 potential bond issues, 8.7% more than the 23 bond issues planned for the current fiscal year.
- No new positions requested. Salary budget includes Recruitment & Retention salary rate of \$85,234 (5.0%) to mitigate human capital risk, and \$267,650 to fund the approved incentive compensation program.
- Employer paid retirement contribution rates and health insurance premium increases adopted by the 2017 Legislature.
- \$153,230 (6.6%) decrease to Other Personal/Contractual Services primarily due to decrease in rating agency fees due to the implementation of a new rating schedule by one of the rating agencies.

Florida Prepaid College Board
Proposed FY 2017-18 Budget
May 23, 2017

Florida Prepaid College Board

Budget Detail By Line Item

Description	Fiscal Year 2016-2017	Fiscal Year 2017-2018	% Change
Salaries & Benefits (20 FTE)	\$2,666,490	\$2,743,818	2.90%
Salary Subtotal	\$1,946,089	\$2,023,417	3.97%
Salaries	1,819,298	1,899,530	
Recruitment & Retention Rate	80,232	77,328	
Leave Liability Payments & Incentive Reserve	46,559	46,559	
Benefit Subtotal	\$720,401	\$720,401	0.00%
Social Security	135,679	135,679	
Retirement	190,106	190,106	
Health Insurance	365,177	365,177	
Life insurance	902	902	
Disability Insurance	582	582	
Dental Insurance	27,954	27,954	
Other Personal Services	\$17,893,757	\$18,149,507	1.43%
Temporary Employment	36,000	36,000	
Other Contractual Services	17,857,757	18,113,507	
Expense	\$321,961	\$335,361	4.16%
Repairs & Maintenance	5,000	5,000	
Rental of Building/Equipment	121,850	135,250	
Travel	40,740	40,740	
Communications	73,500	73,500	
Freight & Postage	4,705	4,705	
Insurance & Surety Bonds	15,000	15,000	
Ofc Materials/Supplies/Equipment	10,666	10,666	
Other Charges & Obligations	10,000	10,000	
Printing	40,500	40,500	
Other Capital Outlay	\$41,100	\$41,100	0.00%
Furniture/Equipment/Books	41,100	41,100	
TOTALS	\$20,923,308	\$21,269,786	1.66%

NOTES:

- Proposed Budget of \$21.2M represents a 1.66% increase over the FY2016-17 budget.
- The Florida Prepaid College Board approved the budget on March 30, 2017, including any subsequent benefit changes adopted by the 2017 Legislature in the General Appropriations Act.
- \$77,328 (2.9% of Salaries and Benefits) Salary Recruitment and Retention resources to mitigate human capital risk.
- \$255,750 (1.43%) increase in Other Contractual Services
 - Actuarial increase of \$70,750 as previously agreed to in new contract terms effective July 1, 2017
 - Records Administrator fee increase of \$185,000 for plans anticipated to be purchased during the 2017-18 Open Enrollment period
- \$13,400 (4.16%) Expense increase due to contractual rent increase

Authority & Governance

- State Board of Administration
- FRS Investment Plan
- Florida Hurricane Catastrophe Fund
- Division of Bond Finance
- Florida Prepaid College Board

State Board of Administration

Authority & Governance

The original State Board of Administration (SBA) was created by statute in 1929 as the fiscal agent for counties and special road and bridge districts for the purpose of paying debt service on their bonds. The SBA was later established as a constitutional body corporate in 1942 by Section 16 of Article IX of the 1885 Constitution of the State of Florida, for the purpose of administering the Second Gas Tax for the benefit of Florida counties and county road bonds. As a result of a constitutional amendment, effective January 2003, the Governor as chairman, the Chief Financial Officer as treasurer, and the Attorney General as secretary serve as the three-member body corporate, collectively known as the Board of Trustees.

The Trustees have statutory authority to invest assets and discharge their duties in accordance with the limitations on investments as outlined in section 215.47, Florida Statutes, and in compliance with certain federal fiduciary standards of loyalty, care and prudence that are incorporated into sections 121.4501(15), 215.44(2)(a) and 215.27(10), Florida Statutes. The Trustees appoint the Executive Director & Chief Investment Officer (CIO), review his/her performance and compensation on an annual basis, establish broad policy guidelines (e.g., Investment Policy Statements) and delegate the daily administrative and investment authority to the SBA Executive Director & Chief Investment Officer, who is held to the same fiduciary standards as the Trustees. On February 9, 2012 the role of the SBA Chief Risk & Compliance Officer was codified through Investment Policy Statements approved by the Trustees. The SBA Executive Director & CIO appoints the Chief Risk & Compliance Officer, whose selection, compensation, and termination requires affirmation by the Board. An Investment Advisory Council (IAC) appointed by the Trustees provides advice on investment policy and strategy, and a Participant Local Government Advisory Council (PLGAC) provides advice on the administration of Florida PRIME (formerly known as the Local Government Investment Pool).

Section 215.44(2), Florida Statutes provides for an Audit Committee appointed by the Trustees to assist them in fulfilling oversight responsibilities, serving as an independent and objective party to monitor processes for financial reporting, internal controls, risk assessment, audit processes, and compliance with laws, rules, and regulations, plus directing the efforts of the Board's independent external auditors and the Board's internal audit staff. The Chief Audit Executive reports functionally to the Audit Committee and administratively to the SBA Executive Director & CIO. The SBA Executive Director & CIO authorizes salary changes for the Chief Audit Executive in consultation with the Audit Committee. In addition to the oversight of the Trustees and various advisory groups, the SBA is subject to review by the Auditor General of Florida, Office of Program Policy Analysis & Government Accountability, Office of Internal Audit, Office of Inspector General, Chief Risk & Compliance Office, and the Florida Legislature. The Florida Legislature provides for the operational flexibility required to meet the SBA's specialized responsibilities and fiduciary duties, relative to other public entities. The SBA is not funded by general revenue, has a measurable bottom line and benchmarks against which success and accountability can be assessed.

Primary Purpose

The SBA fulfills a critical role for the State of Florida as a multi-asset class investment management organization investing and safeguarding assets on behalf of trust funds and a variety of state and local government entities. The SBA manages 25 different investment funds housing the assets of 33 mandates and trusts. A mandate is an investment responsibility established as a direct requirement of Florida law. Trusts are investment responsibilities allowed under law and established pursuant to a trust agreement with a client. The SBA invests in all major public and private market asset classes, including U.S. and international stocks and bonds, inflation-protected securities, direct-owned real estate, private equity limited partnerships, and other opportunistic and strategic investments.

Major asset management responsibilities include:

- The FRS Pension Plan trust fund, one of the world's largest and financially healthiest public pension funds.
- The FRS Investment Plan, a defined contribution 401(k)-like alternative to the FRS Pension Plan (originally created under the 2000 Public Employee Optional Retirement Program [PEORP] legislation).
- Florida PRIME (formerly the Local Government Investment Pool), a money market pool with primary investment objectives, in priority order, of safety, liquidity, and competitive returns with minimization of risks. All units of local government in Florida may invest their surplus operating funds in Florida PRIME.

- Investment of the operating funds and other financial resources of the Florida Hurricane Catastrophe Fund and related entities.
- The Lawton Chiles Endowment Fund (LCEF), which originated from tobacco litigation settlement monies as a perpetual source of enhanced funding for Florida health maintenance and research programs related to tobacco use.

Additional responsibilities that do not directly involve asset management include:

- Providing retirement planning support to approximately 630,000 active members of the Florida Retirement System through the MyFRS Financial Guidance Program originating under the 2000 PEORP legislation.
- Administering the Florida Hurricane Catastrophe Fund (FHCF) and its associated programs, including the SBA Finance Corporation (formerly FHCF Finance Corporation) and the Insurance Capital Build-up Program.
- Serving as an investment consultant to retirement programs administered by other state agencies including the State of Florida Deferred Compensation Program and State University Optional Retirement Program.
- Administering all debt service funds for bonds issued pursuant to the State Bond Act, as well as serving as trustee and escrow agent for bonds issued by the Division of Bond Finance.
- Providing administrative support for the Division of Bond Finance and the Florida Prepaid College Board Programs.
- Providing administrative support to the Audit Committee, Investment Advisory Council, and Participant Local Government Advisory Council.

Operational Structure

The Executive Director & Chief Investment Officer and staff (200.75 total FTE) manage the day to day operations of the SBA. The SBA Executive Director & CIO approves compensation for all employees (unless otherwise stipulated herein) pursuant to authority granted in Florida Administrative Code Rule 19-3.016. The SBA staff consists primarily of executive, investment, financial/accounting, operational, and administrative professionals focused on safeguarding and prudently growing the assets of the FRS Pension Plan and the other assets entrusted to it over the long-term. The SBA is committed to providing superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards of care.

Budget Entities

The SBA Operating Budget includes resources to perform functional responsibilities for all but the following programs, which have their own legally required budgets and underlying funding sources:

- FRS Investment Plan
- Florida Hurricane Catastrophe Fund
- Division of Bond Finance (Reports to other Boards)
- Florida Prepaid College Board (Reports to other Boards)

Florida Retirement System (FRS) Investment Plan

Authority & Governance

The 2000 Florida Legislature created the FRS Investment Plan within the Florida Retirement System (FRS). The Investment Plan (operationally referred to as the Office of Defined Contribution Programs) is administered by the State Board of Administration (SBA) and is governed by the Trustees pursuant to Section 121.4501(8), F.S. The Legislature established the Investment Plan Trust Fund in Section 121.4502, F.S.

Primary Purpose

The Office of Defined Contribution Programs serves two primary purposes for the state:

- 1) The FRS Investment Plan. This is the 401(a) defined contribution plan that employees may choose in lieu of the FRS Pension Plan (the traditional defined benefit plan). Investment Plan benefits accrue in individual member accounts that are participant-directed, portable, and funded by employee and employer contributions and earnings. The Office of Defined Contribution Programs is also responsible for the FRS retirement plan choice enrollments.
- 2) The MyFRS Financial Guidance Program. These are the educational resources that support employees' choice between retirement plans and provide approximately 630,000 employees with the information necessary to make informed decisions about choices within their Plan and in preparation for retirement.

Operational Structure

The Office of Defined Contribution Programs, which includes FRS Investment Plan administrative costs and the Financial Guidance Program costs, are budgeted and accounted for separately from the SBA operating budget. Beginning its 14th full year of operations (including the initial choice period in FY 2002-2003), the SBA has been responsible for the day-to-day management of the Investment Plan and the MyFRS Financial Guidance Program within the Office of Defined Contribution Programs. The Office of Defined Contribution Programs is operationally supported by employer contribution rates adopted each fiscal year by the Florida Legislature and “forfeited account balances” accumulated in the Forfeiture Account. FRS Investment Plan expenses for recordkeeping, asset custody and educational services can be paid out of the Forfeiture Account, consistent with SBA policy and IRS requirements.

Under subsections 121.4501(6), Florida Statutes, balances are forfeited by members who take a distribution of their vested balance (which in turn forfeits the unvested balance) or terminate employment with an unvested balance and do not return to FRS employment within five years. The enacting legislation [HB 2393, found at Ch. 2000-169, Laws of Florida] required the SBA to obtain a “favorable determination letter and a favorable private letter ruling from the Internal Revenue Service.” The May 4, 2001 private letter ruling requires that the use of forfeited amounts be limited to two purposes: a) Payment of plan administrative expenses; and b) Reduction of future employer contributions to the plan. The Forfeiture Account Policy (#20-1255) states the SBA will “endeavor to annually expend the proceeds of the Forfeiture Account to pay authorized plan administrative expenses and reduce future employer contributions to the FRS Investment Plan, consistent with applicable federal and state regulation, rule and law.”

The SBA has partnered with external service providers for the majority of Investment Plan and Financial Guidance Program functions. Daily oversight and monitoring of external relationships to ensure compliance with contractual obligations, general contract administration, management of programs subject to goals and objectives established by the Trustees, and program compliance with applicable state and federal laws is performed by 7 FTE, including the Chief of Defined Contribution Programs.

Florida Hurricane Catastrophe Fund

Authority and Governance

The Florida Hurricane Catastrophe Fund (FHCF) is a tax-exempt trust fund created in November 1993 during a Special Session of the Legislature in the aftermath of Hurricane Andrew. The FHCF was created in Section 215.555, Florida Statutes with the purpose of improving the availability and affordability of property insurance in Florida by providing reimbursements to insurers for a portion of their catastrophic hurricane losses. Also included in provisions of Section 215.555 is the creation of a not for profit public benefit corporation, known as the State Board of Administration Finance Corporation governed by the Board of Directors. The FHCF is under the direction and control of the State Board of Administration (SBA), guided by the same trustee leadership of the Governor, Chief Financial Officer, and Attorney General. A nine-member Advisory Council (consisting of an actuary, a meteorologist, an engineer, a representative of insurers, a representative of insurance agents, a representative of reinsurers, and three consumers who are representative of other affected professions and industries) was established to provide the SBA with information and advice.

Funding for the administration of the FHCF is provided for in Section 215.555, Florida Statutes. Financing for the FHCF is obtained from a combination of three sources: 1) reimbursement premiums charged to participating insurers, 2) investment earnings, and 3) emergency assessments levied against all property and casualty lines of business in the state, including surplus lines, but excluding workers' compensation, federal flood, accident and health insurance, and (for losses prior to May 31, 2019) medical malpractice premiums. Monies in the FHCF may not be expended, loaned, or appropriated except to pay obligations of the FHCF from reimbursement contracts entered into under subsection (4), payment of debt service on revenue bonds issued under subsection (6), costs of the mitigation program under subsection (7), costs of procuring reinsurance, and costs of administration of the FHCF. The SBA invests the monies of the FHCF pursuant to Sections 215.44-215.52, Florida Statutes. Earnings from all investments are retained in the FHCF except for monies appropriated for mitigation which is limited to 35% of investment earnings and a minimum of \$10 million annually.

Primary Purpose

The purpose of the FHCF is to protect and advance the State's interest in maintaining insurance capacity in Florida. The FHCF program fulfills a unique and critical role for the state of Florida by serving as a state-administered reinsurance type of program and is mandatory for residential property insurers writing covered policies in the state of Florida. The FHCF functions in a public-private partnership type of role with insurers, which preserves the private sector's role as the primary risk bearer. Insurers who write residential property insurance on structures and contents in Florida are required to enter into a reimbursement contract with the SBA, to report their exposures, to pay premiums, and to report losses by calendar year-end or at other times as required by the SBA. The FHCF provides very economical coverage for insurers writing residential insurance in the state. The cost of FHCF coverage is less than the cost of private reinsurance due to the FHCF's tax-exempt status, low administrative costs, and lack of a profit or risk-load. In the event of insufficient funds to meet obligations under the reimbursement agreements, the State Board of Administration Finance Corporation has the ability to issue tax-exempt revenue bonds. The FHCF is obligated to pay losses to participating insurers only to the extent of the FHCF's actual claims-paying capacity up to a statutory limit for any single contract year.

Operational Structure

The Chief Operating Officer of the Florida Hurricane Catastrophe Fund manages the day-to-day operations of the FHCF, assisted by staff (13 total FTE). The FHCF staff manages substantial program responsibilities with additional support from external service providers. Responsibilities include, but are not limited to, proposing legislation; responding to legislative requests; implementing legislation; rulemaking; providing information to participating insurers; conducting insurer training workshops; managing and executing the Exposure and Loss Reimbursement Examination Programs; processing and approving loss reimbursement payment requests; finalizing all claims and losses through a commutation process; determining bonding capacity; issuing tax-exempt revenue bonds; collecting emergency assessments pledged to debt service; raising capital in the financial markets to increase claims paying ability; evaluating risk transfer options; executing risk transfer agreements; staffing the activities of the State Board of Administration Finance Corporation including complying with the covenants of all outstanding Bonds and Notes; preparing financial statements and revenue projections; coordinating the activities of a number of external service providers; meeting and discussing policy issues with the FHCF Advisory Council; staffing the Florida Commission on Hurricane Loss Projection Methodology, which determines and develops the standards and the review process that is the basis for evaluating hurricane models used in residential ratemaking in Florida; and administering the SBA Insurance Capital Build-up Incentive Program.

Division of Bond Finance

Authority and Governance

Statutory authority for the Division of Bond Finance is provided for in the state Constitution (primarily Articles VII and XII, the State Bond Act (s.215.57-215.83, Florida Statutes), the Bond Validation Act (chapter 75, Florida Statutes) and various implementing sections of the Florida Statutes. The Division of Bond Finance (the “Division”) was transferred to the State Board of Administration from the Department of General Services on July 1, 1992. The Division is organized into three sections that report to a Division Director, who in turn reports to a governing board consisting of the Governor and Cabinet. The three sections are Legal, Bond Programs, and Arbitrage Compliance.

Primary Purpose

The mission of the Division is to provide capital financing on behalf of state agencies and at the option of certain local agencies, typically by issuing tax-exempt bonds. The proceeds of these bonds are used to finance schools, state office buildings, roads, bridges, pollution control facilities, water treatment facilities, prisons and to acquire environmentally sensitive land. Additional Division responsibilities include structuring and conducting bond sales; collecting, maintaining and disseminating information on tax-exempt bonds issued by units of local government; administering the Private Activity Bond Allocation Program as required by federal law; coordinating the continuing annual disclosure of information relating to bonds that it issues; and monitoring tax-exempt securities it issues for compliance with federal arbitrage laws.

Operational Structure

The Division manages the Bond and Arbitrage Compliance programs with 17 FTE, including the Division Director. Fifteen of the positions are allocated to the Legal and Bond Program functions within the Division, operationally supported by the Bond Fee Trust Fund. The legal staff performs a wide range of legal services for the Division, and bond program staff performs the financial and analytical services for new and refunding bond issues. Two positions are allocated to the Arbitrage section, operationally supported by the Arbitrage Compliance Trust Fund. The Arbitrage staff is responsible for monitoring bonds issued by the Division for compliance with federal arbitrage regulations in accordance with the 1986 Tax Reform Act.

Revenue for Division programs is derived from fees charged to each state or local agency requesting services related to the sale of bond issues and fees collected in relation to the Arbitrage Compliance Program. Fees are charged in accordance with a schedule of fees adopted by the Division as required by Florida Statutes. Fees are deposited into the Bond Fee Trust Fund to support Legal and Bond Program operations and the Arbitrage Compliance Trust Fund to support the Arbitrage Program operations.

Florida Prepaid College Board

Authority and Governance

Sections 1009.97-1009.984, Florida Statutes, establish the Florida Prepaid College Board ("Board") as a corporate body with all the powers to administer the Stanley G. Tate Prepaid College Program ("Prepaid Program") and the Florida College Savings Program ("Savings Plan"). The Board also oversees two direct-support organizations – The Florida Prepaid College Foundation and Florida ABLE, Inc. For purposes of Article IV of the State Constitution, the Board is assigned to and administratively housed within the State Board of Administration (SBA) but independently exercises the powers and duties specified in the statutes.

The seven member Board is composed of the Attorney General, the Chief Financial Officer, the Chancellor of the Board of Governors, the Chancellor of the Division of Florida Colleges, or their designees, and three members appointed by the Governor. Each member appointed by the Governor serves 3-year terms and is subject to confirmation by the Senate.

Primary Purpose

The Florida Prepaid College Board is committed to helping Floridians save for higher education expenses. The Board offers plans under both the Prepaid Program and the Savings Plan to help families save for the various costs of attending college.

The Prepaid Program became operational in 1988 and allows Florida families to prepay the cost for college tuition, specified fees and dormitory housing for their children and grandchildren. When the families' children or grandchildren attend college, the Board will pay the Florida public college or university the actual fees assessed by the institution at the time of admission. Should the student elect to attend a private college, an out-of-state college or an eligible technical school, the Board will pay the value of the student's plan at the time of admission.

The Savings Plan was implemented in 2002, following federal enactment of Section 529 of the Internal Revenue Service Code. The Savings Plan allows families to defer income taxes on investment earnings, and if the earnings are used for qualified education expenses, the earnings are tax-free. Families may choose to invest in any of eleven customized investment options and decide how much and how often they want to save for college. The funds accumulated in each family's account can be used for any qualified college expense including tuition, fees, housing, books, food and even graduate or professional school, in Florida or out-of-state.

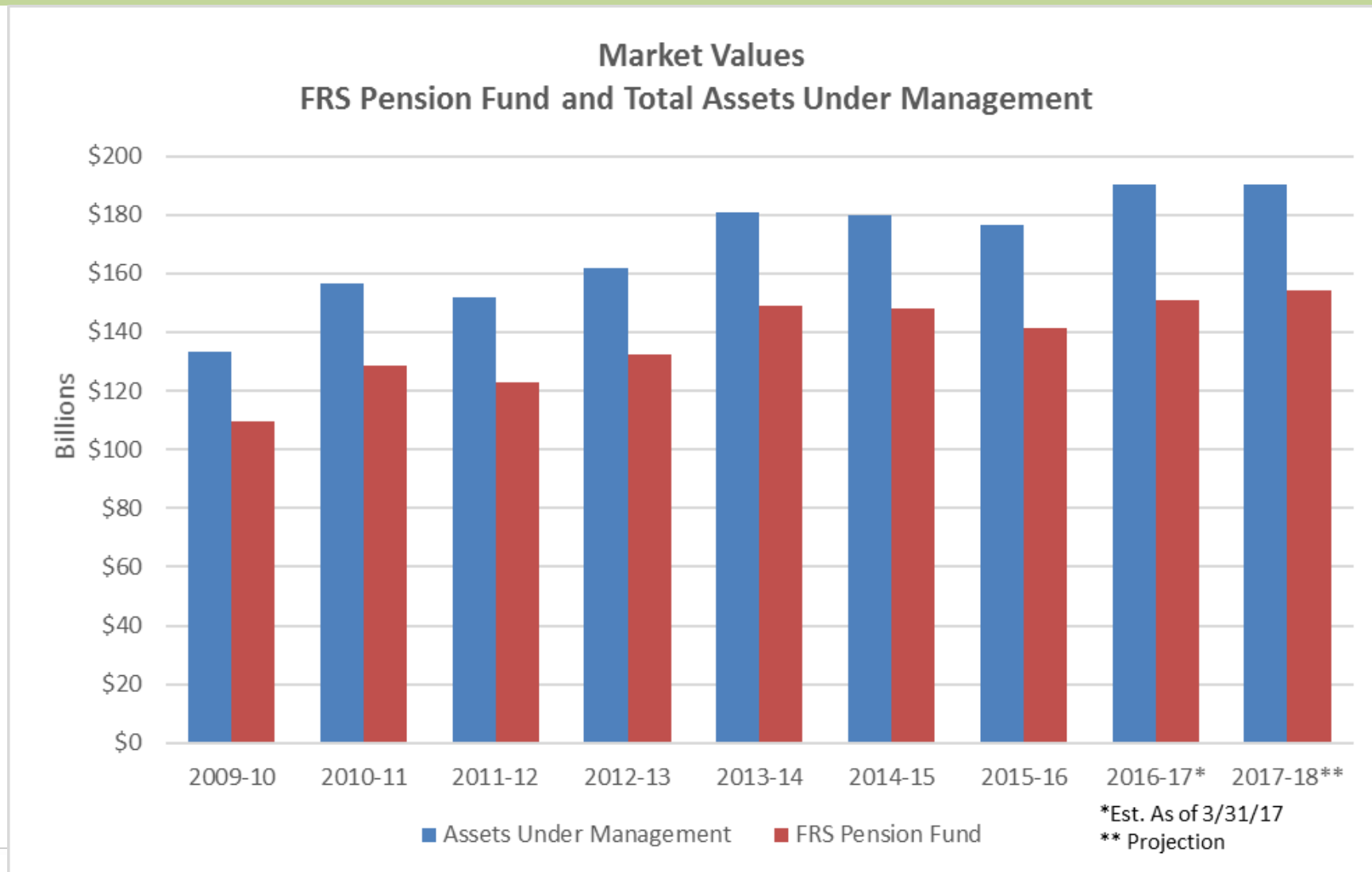
Organization Overview

The Board establishes policy and actively oversees the investment and financial performance of the programs. The Board has authorized 20 FTE, including the Executive Director to oversee the day-to-day operations of the Board and its programs.

In order to perform its responsibilities in the most effective and efficient manner, the Board contracts with various private companies to provide professional support services for both of its programs, including actuarial services, investment management services, records administration services, financial services and legal services. The Board's operational costs are funded by investment earnings and fees; it does not receive State general revenue to fund its general and administrative expenses.

SBA Proposed Budget FY 2017-18

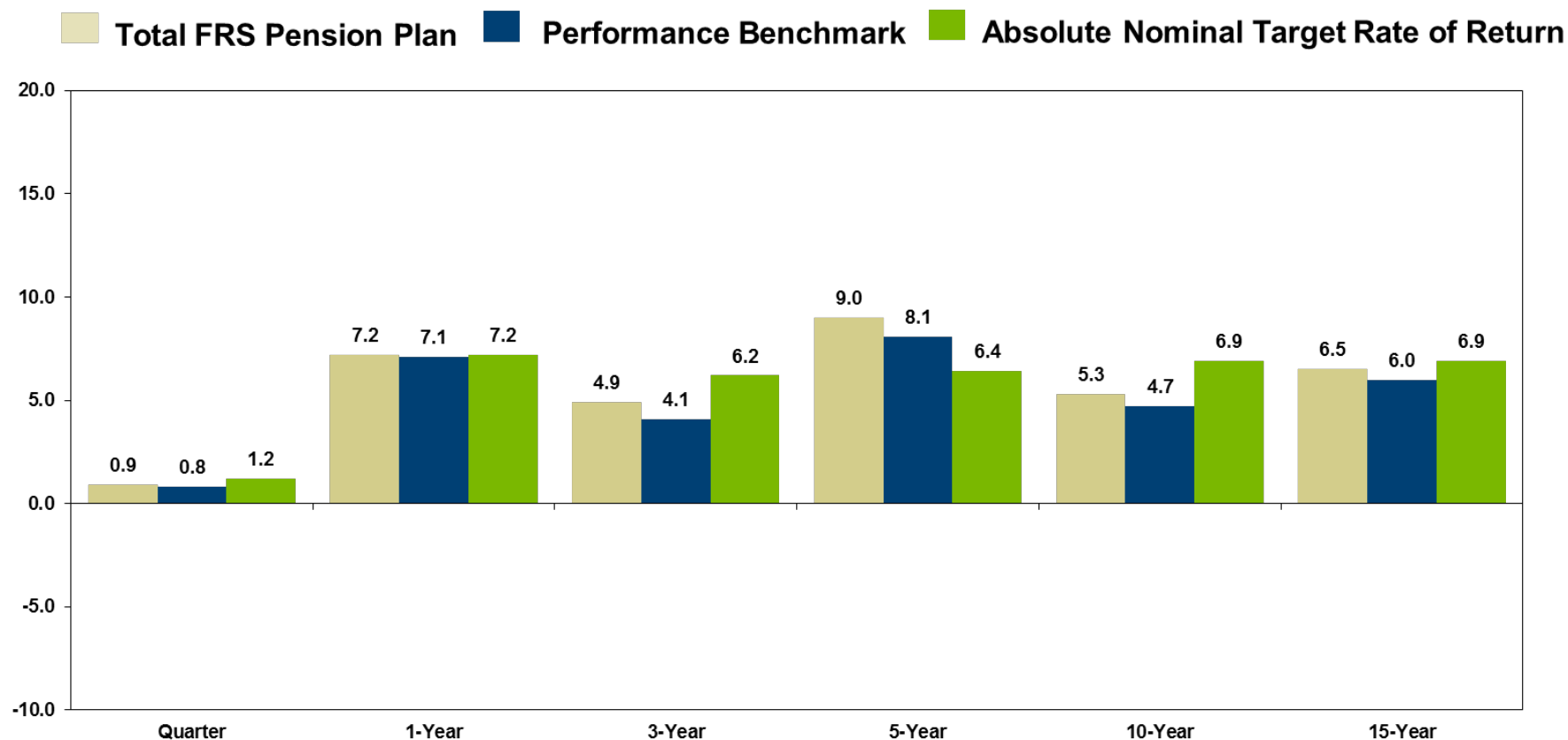
Asset Growth



SBA Proposed Budget FY 2017-18

Investment Results

FRS Pension Plan Investment Results Periods Ending 12/31/2016



Aon Hewitt | Retirement and Investment
Investment advice and consulting services provided by Aon Hewitt Investment Consulting, Inc., an Aon Company.

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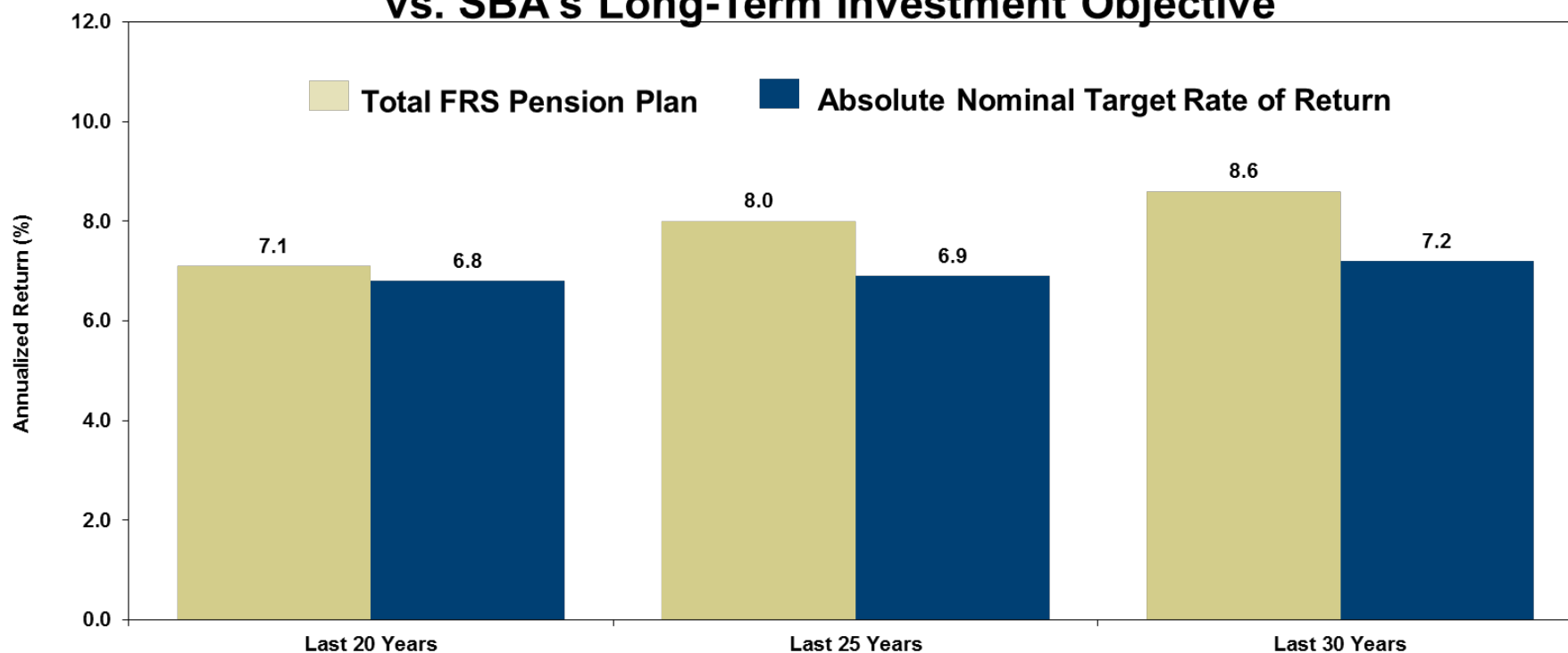
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Investment Results

FRS Pension Plan Investment Results Periods Ending 12/31/2016

Long-Term FRS Pension Plan Performance Results vs. SBA's Long-Term Investment Objective



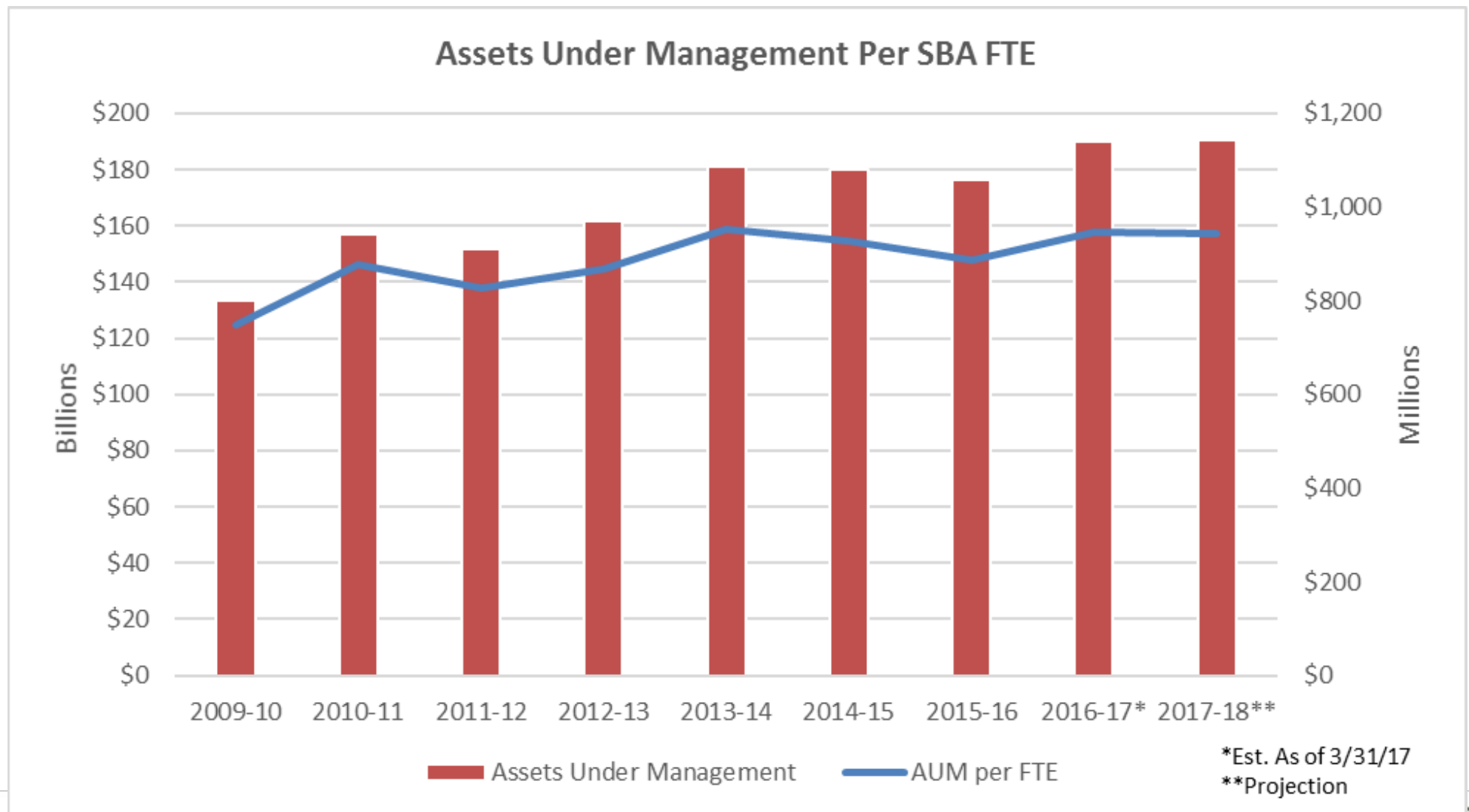
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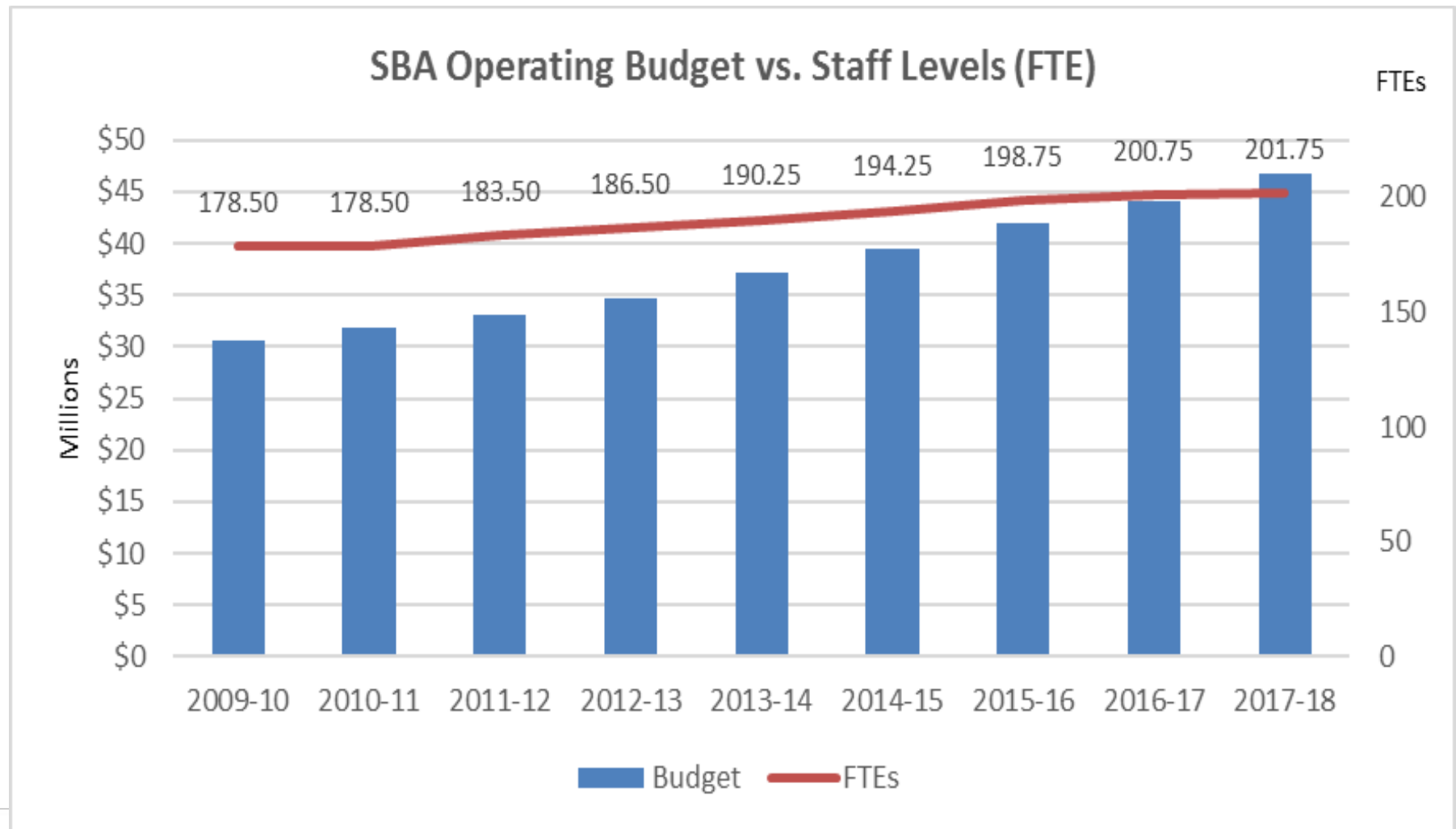
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Asset and FTE Growth are Consistent



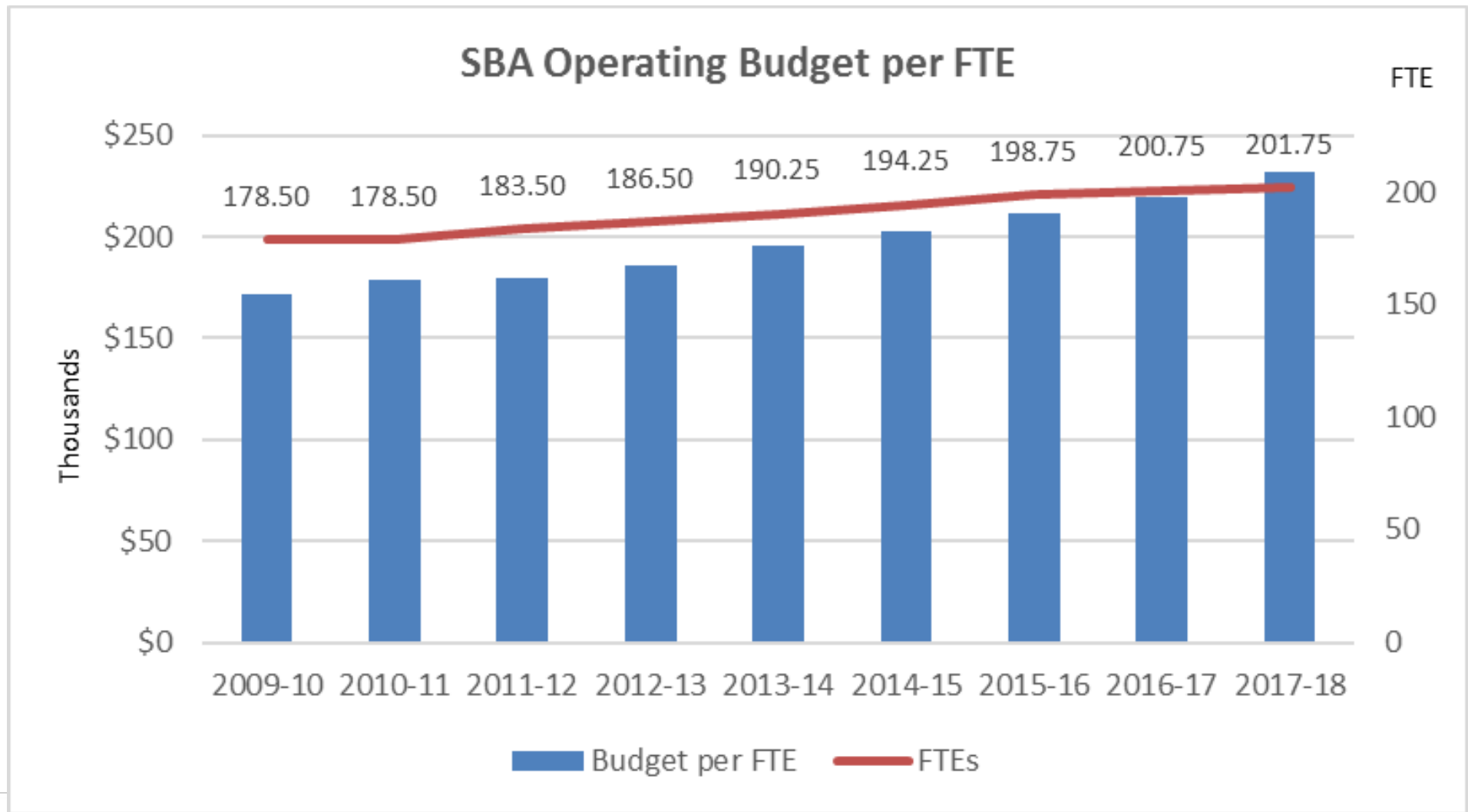
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Budget vs. Staffing Levels



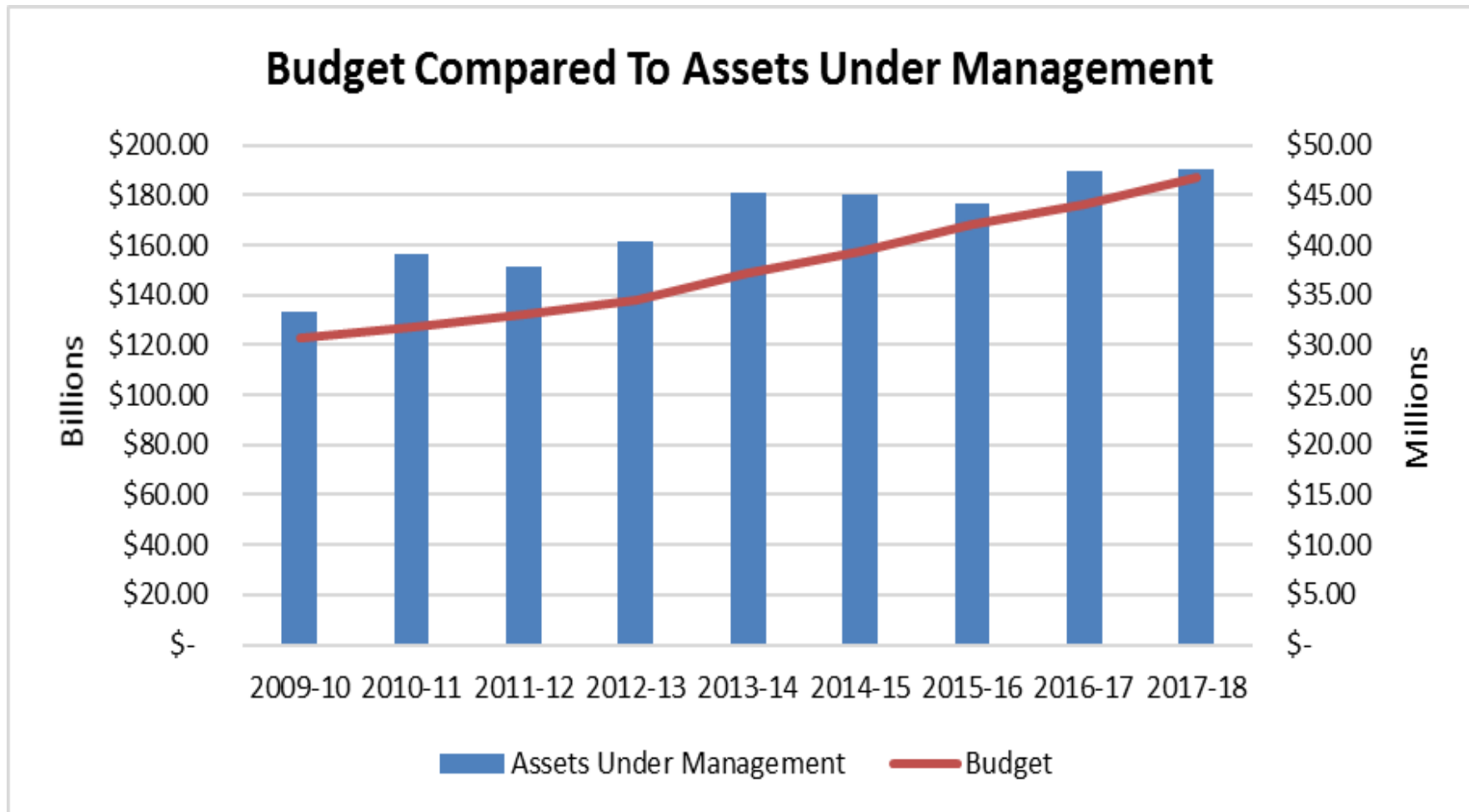
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Cost Per FTE



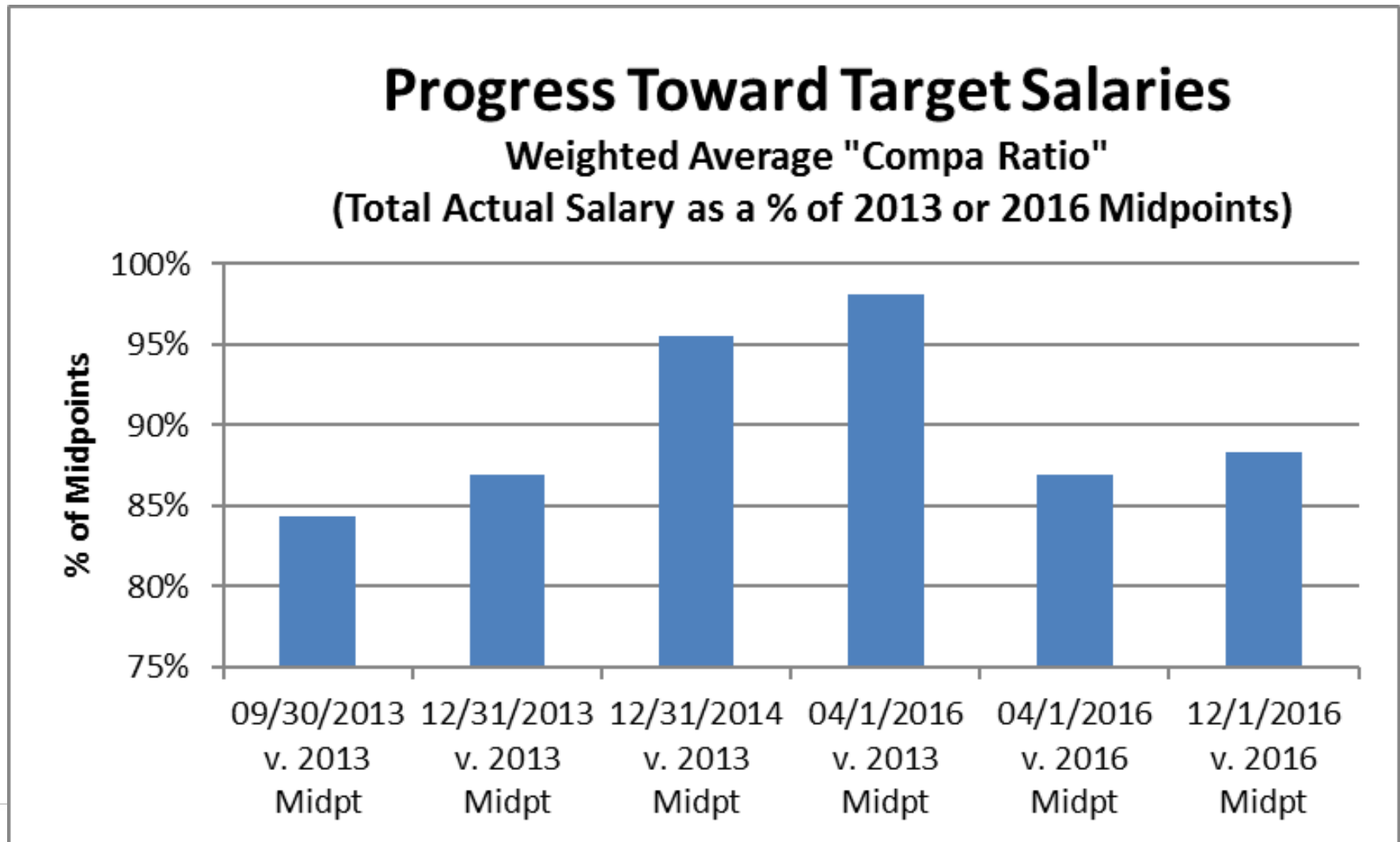
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Budget Compared to AUM



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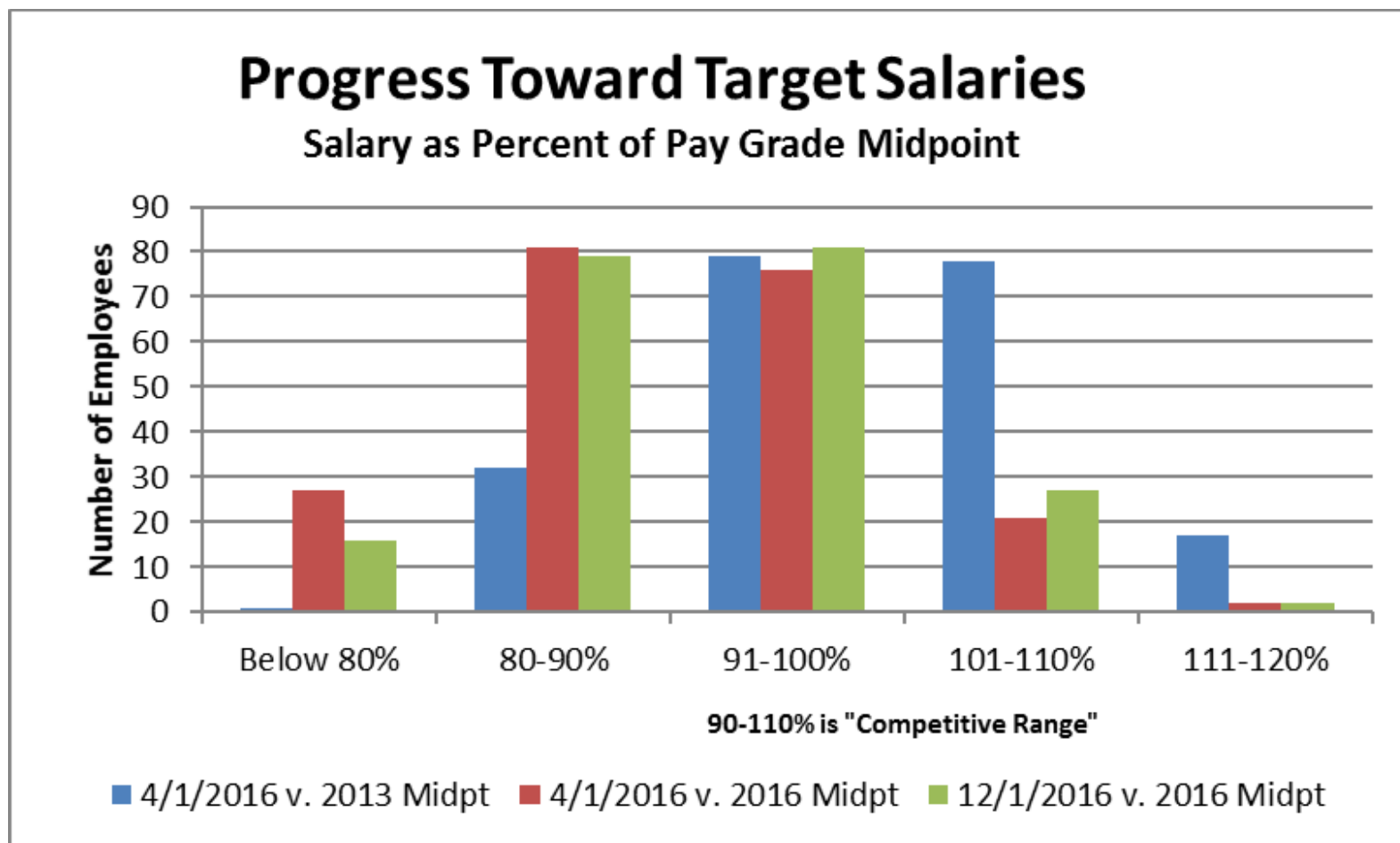
Compensation Progress



Compa Ratio compares actual position salary to market mid-point for that position

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Compensation Progress



SBA Proposed Budget FY 2017-18

Compensation Progress

