MEETING OF THE STATE BOARD OF ADMINISTRATION

GOVERNOR SCOTT AS CHAIRMAN
CHIEF FINANCIAL OFFICER ATWATER
ATTORNEY GENERAL BONDI

AUGUST 5, 2015

To View Agenda Items, Click on the Following Link:
www.sbafla.com

AGENDA

ITEM 1. **REQUEST APPROVAL OF THE JUNE 23, 2015 CABINET MEETING.**

(See Attachment 1A)

ACTION REQUIRED

ITEM 2. **REQUEST APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING $98,000,000 STATE OF FLORIDA, DEPARTMENT OF ENVIRONMENTAL PROTECTION FLORIDA FOREVER REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED).**

(See Attachment 2A)

ACTION REQUIRED

ITEM 3. **REQUEST APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING $65,000,000 STATE OF FLORIDA, STATE BOARD OF EDUCATION LOTTERY REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED).**

(See Attachment 3A)

ACTION REQUIRED

ITEM 4. REQUEST APPROVAL OF A FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $9,500,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (BROOKSIDE SQUARE).

(See Attachment 4A)

ACTION REQUIRED

ITEM 5. REQUEST APPROVAL OF A FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $4,400,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (STEVENS DUVAL APARTMENTS).

(See Attachment 5A)

ACTION REQUIRED

ITEM 6. REQUEST APPROVAL TO FILE FOR NOTICE, AN AMENDMENT WHICH WOULD REPEAL, AS UNNECESSARY, 19-7.010 FAC (POOLED INVESTMENT ACCOUNTS), AND FURTHER TO FILE THE RULE FOR REPEAL IF NO MEMBER OF THE PUBLIC TIMELY REQUESTS A RULE HEARING RELATED TO THIS RULE.

In completing the Annual Review of Existing Rules for the Office of Fiscal Accountability and Regulatory Reform (OFARR) this year, the SBA determined that Rule 19-7.010 could be repealed as unnecessary. This rule merely indicates that the rules contained in Rule Chapter 19-7 have been developed for the Local Government Surplus Funds Trust Fund. That information is self-evident from the various rules themselves. There are no significant policy issues or controversial issues connected to this rule repeal. The proposed rule repeal does not impose any burdens on businesses; does not restrict entry into a profession; does not have an impact on the availability of services to the public; does not have an impact on job retention; does not impose any restrictions on employment seekers; and does not impose any costs. No legislative ratification is required.

Refer to Attachment 6A for the proposed deleted text.

(See Attachments 6A)

ACTION REQUIRED

ITEM 7. REQUEST APPROVAL OF INCENTIVE COMPENSATION PLAN DOCUMENT FOR EXECUTIVE DIRECTOR & CIO.

The SBA is requesting approval of the legal plan document that formally implements the incentive compensation plan for the Executive Director and CIO that was approved by the Trustees during the June 23, 2015 meeting.

(See Attachment 7A)

ACTION REQUIRED

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, JUNE 23, 2015

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

REPORTED BY: NANCY S. METZKE, RPR, FPR
COURT REPORTER

C & N REPORTERS
POST OFFICE BOX 3093
TALLAHASSEE, FLORIDA 32315-3093
(850) 697-8314 / FAX (850) 697-8715
nancy@metzke.com
candnreporters.com

INDEX

INDEX

* * * *

P R O C E E D I N G S

GOVERNOR SCOTT: Good morning. Welcome to the June 23rd Cabinet meeting. To begin our meeting, I'd like to welcome Reverend Al Williams from the Bethel Missionary Baptist Church.

Please remain standing for the Pledge of Allegiance led by children from Bethel Missionary Baptist Church.

(WHEREUPON, THE INVOCATION WAS GIVEN AND THE PLEDGE OF ALLEGIANCE SAID).

* * * *

STATE BOARD OF ADMINISTRATION

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

EXECUTIVE DIRECTOR WILLIAMS: Good morning, Governor, Trustees. Thank you.

By way of update, the Florida Retirement System Trust Fund, as of last night's close, fiscal year to date is up 5.62%. That's 133 basis points above benchmark. The balance stands at $151.4 billion. That's $2.3 billion ahead of where we began the fiscal year net of distributions approximating $600 million monthly.

Additionally, I wanted to provide an update on our risk transfer initiative that you approved a while back for the Hurricane Catastrophe Fund. We have worked with our reinsurance broker, Aon Benfield. We have essentially completed the transaction for the risk transfer. We have reached agreement with 30 different reinsurers, including a couple of collateralized reinsurers.

All of the traditional reinsurers are rated A. M. Best A or better. The collateralized reinsurers have their coverage backed up by assets held in trust. We appreciate the help of the Office of Insurance Regulation in doing background on these various companies to ensure their suitability.

We have a bit of good news. While we certainly brought the agreement in bang on the cost level that was authorized, we put provisions in the contracts with the reinsurers so that if the elections for the underlying primary insurers were to change and, therefore, the risk exposure to the reinsurers would change, the benefit of those savings would accrue to us.

As of June 1, we have, in fact, seen over 25 companies change their election; and the net benefit of that, if this continues to play out as we believe it will, and we'll know with finality circa September 1, will be to reduce the cost of this risk transfer by over an additional $5 million.

GOVERNOR SCOTT: That's great.

EXECUTIVE DIRECTOR WILLIAMS: Lastly, and perhaps of greatest interest given the testimony of the day that we brought this matter before you, we have seen no evidence reported by any independent source that would suggest that our presence in the market and our consumption of this capacity has in any way impaired availability of reinsurance to any other parties or in any way adversely impacted their pricing. So we're very pleased with the outcome and still hope the wind doesn't blow; but if it does, we're better prepared than we otherwise would be.

So with that, Item 1, request approval of the minutes of the April 24 and May 5, 2015, meetings.

GOVERNOR SCOTT: Is there a motion?

ATTORNEY GENERAL BONDI: So moved.

CFO ATWATER: Second.

GOVERNOR SCOTT: Moved and seconded, show the minutes approved without objection.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 2, request approval of a fiscal determination of an amount not exceeding $10 million Florida Housing Finance Corporation multi-family mortgage revenue bonds. This is a Pinellas County multi-family residential acquisition and rehab project.

Request approval.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So move.
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 3 is another Florida Housing Finance multi-family acquisition and rehab project. It's an apartment project in Polk County.
Request approval of an amount not exceeding $4.1 million Florida Housing Finance Corporation multi-family mortgage revenue bonds.
GOVERNOR SCOTT: Is there a motion on the item?
CFO ATWATER: So moved.
GOVERNOR SCOTT: Is there a second?
ATTORNEY GENERAL BONDI: Second.
GOVERNOR SCOTT: Any comments or objections?
(NO RESPONSE).
GOVERNOR SCOTT: Hearing none, the motion carries.
EXECUTIVE DIRECTOR WILLIAMS: Thank you.
Item 4, another fiscal determination of an

amount not exceeding three and a half million dollars for the Florida Housing Finance Corporation multi-family mortgage revenue bond issuance for the Brookside Village Apartments. This is a Lee County multi-family acquisition and rehab project.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So move.

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 5, request approval of the SBA quarterly report required by the Protecting Florida's Investments Act. Very little change in this period.

With regard to Sudan, we had four companies taken off the scrutinized list and one added to the continued exam list. With regard to Iran, there were no changes.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So move.

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 6, request approval of a draft letter to the Joint Legislative Auditing Committee affirming that the SBA Trustees have reviewed and approved the monthly Florida Prime and Fund B management summary reports and actions taken, if any, to address any material impacts. There are no material impacts.

GOVERNOR SCOTT: All right. Is there a motion on the item?

ATTORNEY GENERAL BONDI: So move.

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 7, request approval of a draft letter to the Joint Legislative Auditing Committee for the annual certification of legal compliance in best investment practices for the Local Government Surplus Funds Trust Fund now known as Florida Prime as required under Florida Statutes.

At yesterday's annual joint meeting of the Participant Local Government Advisory Council and SBA's Investment Advisory Council, we heard external reviews delivered on the legal side by Lewis, Longman and Walker, legal and compliance side; and on the investment best practices side by Hewitt Ennis Knupp.

These were both received by the IAC and, per the law, we come forward and request approval to the letter of the Joint Legislative Auditing Committee certifying that we've met this obligation.

GOVERNOR SCOTT: Is there a motion on the item?

CFO ATWATER: So moved.

GOVERNOR SCOTT: Is there a second?

ATTORNEY GENERAL BONDI: Second.

GOVERNOR SCOTT: Any comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

As a follow-on item, we're requested -- we are required by law to annually reinstate the Investment Policy Statement for the Local Government Surplus Funds Trust Fund, again, now branded as Florida Prime, as you know, consistent with this review. There are no changes to the Investment Policy Statement because none were indicated necessary by the review.

Request adoption.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So move.

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 9, request approval of the appointment of a chair for the Florida Commission on Hurricane

Loss Projection Methodology as required by Florida Statutes. The candidate is Doctor Lorilee Medders, and her bio is attached for reference.

ATTORNEY GENERAL BONDI: Strong candidate.

GOVERNOR SCOTT: Is there a motion on the item?

ATTORNEY GENERAL BONDI: So move.

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 10 is the result of several years work by the IAC; SBA staff; your staff; and Mercer, our outside compensation consultant. This is the incentive compensation program update for the SBA staff, including the Executive Director.

Essentially, the comp committee of the IAC held a public meeting June 11th and made a recommendation that was brought forward to the full IAC in a public meeting yesterday. The IAC adopted unanimously the recommendations of the comp committee which, in turn, were adopted unanimously at that level.

And essentially we have brought forward to the Trustees a recommendation for a reinstatement of the SBA's incentive comp program that covers those positions with greatest and most direct impact on investment outcomes; aligns compensation and performance at both the fund level and asset class levels; conditions any award on the fund obtaining a minimum level of financial performance relative to established benchmarks and, further, on accomplishing that performance within acceptable risk parameters; defers half of any awards made under this program by one year.

So a portion would be paid up front; the other half would be paid a year out, conditioned on a person still being employed and in good standing; and further, would defer payment of any award when the annual investment return in the period in which that award came due were negative, until a period when there had been two consecutive quarters of positive fund performance.

And finally, is structured in a way that net of the cost of any incentive payments under this program, Florida would continue to be among the very lowest costs, if not the lowest cost, large pension systems in North America.

So on that basis, what I'd like to do, if I could, is have the Trustees approve this program. I can go forward under my authority -- and we're working with outside tax counsel now to complete a plan document. Since you have a deferral element here, there are tax issues related to this. There has to be a plan document in place. I can go ahead and execute that for our staff and the 61 people other than me who would be involved in this program.

And when we complete the work on that, I will come back to you with the plan document that would cover me individually, which would be the same as everyone else's, and bring that forward for approval. But on that basis, our intent is to start the measurement period with the onset of the fiscal year, July 1, 2015, concluding June 30, 2016.

Request approval.

GOVERNOR SCOTT: Okay. Is --

ATTORNEY GENERAL BONDI: Go ahead, Governor. Do you have a question?

GOVERNOR SCOTT: First off, is there a motion to approve?

ATTORNEY GENERAL BONDI: Just a question: It will be brought back to us before?

EXECUTIVE DIRECTOR WILLIAMS: The plan document for me would come back to you.

GOVERNOR SCOTT: Okay. But just -- what we're voting on is we're approving the plan?

EXECUTIVE DIRECTOR WILLIAMS: Correct.

GOVERNOR SCOTT: The overall plan, but the exact plan document for you will come back?

EXECUTIVE DIRECTOR WILLIAMS: Correct.

GOVERNOR SCOTT: Does that make sense?

ATTORNEY GENERAL BONDI: Absolutely. But you'll handle all the incentives for staff, correct?

EXECUTIVE DIRECTOR WILLIAMS: Correct. Now obviously, I can't do that for myself.

ATTORNEY GENERAL BONDI: If you're okay with it, I am.

GOVERNOR SCOTT: Yeah, I'm fine.

All right. Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: So did you do the motion? You did, right?

ATTORNEY GENERAL BONDI: I'll move.

GOVERNOR SCOTT: Okay. Any comments or

objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

EXECUTIVE DIRECTOR WILLIAMS: Thank you very much.

Item 11 is our quarterly reports, and I would offer up two things: First of all, we have the usual thorough background, including reports, from our compliance officers, General Counsel, Inspector General, Chief Audit Executive, et cetera, which collectively I would summarize as saying we are in bounds on risk; we don't have any compliance issues; we don't have any personal behavior issues, all good news.

And we have here with us today from Hewitt Ennis Knupp, Kristen Doyle, who can provide a high level brief summary of major mandate performance and offer context with peers, et cetera, benchmarks, at your pleasure.

GOVERNOR SCOTT: All right. Good morning.

MS. DOYLE: Good morning. Good morning, Trustees. It's great to be here again.

So as we typically do every quarter, I'm just going to spend a few minutes going through performance, and this is performance for all of the major mandates managed by the SBA through March 31st.

So if we look at the pension plan, this is performance relative to two benchmarks: The performance benchmark, as well as the long-term absolute return benchmark. And for all trailing periods with one exception, there's been out performance of both benchmarks.

The 15-year period, you'll see that the total fund is just slightly below the absolute return benchmark, but that is the benchmark that we like to look at over longer periods of time. And so here, looking at 20, 25, and 30 years, significant out performance relative to that benchmark.

Relative to peers, performance -- and this is the top ten defined benefit plan universe, so these are the largest defined benefit plans in the country -- performance has been in line or just slightly below the median fund, so -- but when I say "below," I mean very, very slightly below the median fund. So strong performance relative to peers as well.

Any questions on the pension?

(NO RESPONSE).

MS. DOYLE: Okay. For the investment plan, this is the defined contribution plan, performance has been strong as well, both on an absolute and a relative basis. So relative to the aggregate benchmark, out performance over all trailing periods shown here. And this is an indication that all of the underlying fund options are collectively outperforming their underlying benchmarks over all of these trailing time periods.

And we did do a deeper dive into the DC plan at the Investment Advisory Council yesterday. It talked about investment structure, fund options, number of fund options, and that type of thing. And this plan is really being managed in terms of -- according to best practices in those areas.

And then the Cat Fund -- so I've mentioned this before, that because this is a short-term bond fund, really with principal preservation and liquidity as its main investment objectives, given the low interest rate environment that we've been in, the absolute returns are relatively low; however, when we look at performance relative to the performance benchmark, performance has been very strong.

And then the Lawton Chiles Endowment Fund, continuing with the theme of strong out performance. Relative to the performance benchmark, this fund has also outperformed over all trailing periods, mainly due to the active global equity manager that manages the global equity component of this fund.

And I don't have Florida Prime here, but we did look at Florida Prime. Ash mentioned that we did a deep dive at the IAC PLGAC meeting yesterday. That performance has been strong over all trailing time periods as well, relative to other local government investment pools that are rated AAA or AA by S & P.

So overall, very good news for all of the major mandates.

GOVERNOR SCOTT: Great.

Any questions?

(NO RESPONSE).

GOVERNOR SCOTT: Thank you very much.

MS. DOYLE: Thanks.

GOVERNOR SCOTT: Thank you, Ash.

That concludes today's meeting.

Our next meeting will be August 5th at 9 a.m.

in Tallahassee.

Thank you.

(WHEREUPON, THE MEETING WAS CONCLUDED).

* * * *

CERTIFICATE

STATE OF FLORIDA)
COUNTY OF LEON)

I, NANCY S. METZKE, RPR, FPR, certify that I was authorized to and did stenographically report the foregoing proceedings and that the transcript is a true and complete record of my stenographic notes.

DATED this 3rd day of July, 2015.

____

NANCY S. METZKE, RPR, FPR
Court Reporter

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO: Ash Williams
FROM: Robert Copeland RC
SUBJECT: Fiscal Sufficiency
DATE: July 22, 2015

APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING $98,000,000 STATE OF FLORIDA, DEPARTMENT OF ENVIRONMENTAL PROTECTION FLORIDA FOREVER REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED):

The Division of Bond Finance of the State Board of Administration (the "Division"), on behalf of the Department of Environmental Protection of Florida, has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding $98,000,000 State of Florida Department of Environmental Protection, Florida Forever Revenue Refunding Bonds, Series (to be determined) (the "Bonds") for the purpose of refunding all or a portion of the outstanding Florida Forever Revenue Bonds, Series 2007A, and to pay costs associated with the issuance and sale of the Bonds. The Bonds will be issued in one or more series pursuant to the Thirteenth Subsequent Resolution adopted by the Governor and Cabinet on January 23, 2001, as amended, and the Fortieth and Forty-first Subsequent Resolutions anticipated to be adopted by the Governor and Cabinet on August 5, 2015.

The Department of Environmental Protection has heretofore issued Florida Forever Revenue Bonds and Revenue Refunding Bonds, Series 2007A through 2014A, and Everglades Restoration Revenue and Revenue Refunding Bonds, Series 2007A-B through 2013A (collectively, the "Previous Bonds"). The proposed Bonds shall be issued on parity as to source and security for payment with the Previous Bonds.

A study of this proposal and the estimates of revenue expected to accrue from the Pledged Revenues, 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 $98,000,000 STATE OF FLORIDA, DEPARTMENT OF ENVIRONMENTAL PROTECTION FLORIDA FOREVER 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 $98,000,000 State of Florida Department of Environmental Protection Florida Forever Revenue Refunding Bonds, Series (to be determined) (the "Bonds"), on behalf of and in the name of the State of Florida Department of Environmental Protection, for the purpose of refunding all or a portion of the outstanding Florida Forever Revenue Bonds, Series 2007A, and to pay costs associated with the issuance and sale of the Bonds; and,

WHEREAS, the Bonds will be issued in one or more series pursuant to the Thirteenth Subsequent Resolution adopted by the Governor and Cabinet on January 23, 2001, as amended, and the Fortieth and Forty-first Subsequent Resolutions anticipated to be adopted by the Governor and Cabinet on August 5, 2015 (collectively referred to herein as the "Resolution"); 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 Department of Environmental Protection has heretofore issued Florida Forever Revenue Bonds and Revenue Refunding Bonds, Series 2007A through 2014A, and Everglades Restoration Revenue and Revenue Refunding Bonds, Series 2007A-B through 2013A (collectively, the "Previous Bonds"); and,

WHEREAS, the proposed Bonds shall be issued on parity as to source and security for payment with the Previous Bonds; and,

WHEREAS, the proposed Bonds are secured by excise taxes required by law to be distributed pursuant to Section 201.15, Florida Statutes (the "Pledged Revenues"). The Bonds to be issued pursuant to the Resolution shall not constitute, directly or indirectly, a debt or a charge against the State of Florida, or any political subdivision thereof under the Constitution and laws of the State of Florida and shall not constitute a lien on any of the lands acquired from the proceeds of the Bonds, or any part thereof; and,

WHEREAS, all applicable requirements of Section 5.01 of the Thirteenth Subsequent Resolution, as amended, regarding the issuance of additional bonds will be met prior to the issuance of the Bonds; and,

WHEREAS, an examination of this plan of financing indicated that the same will be executed pursuant to the applicable provisions of law, and that the revenue to be used in servicing and liquidating the indebtedness to be created thereby may be reasonably expected to accrue in amounts sufficient to accomplish this purpose; and,

WHEREAS, the Division, on behalf of Department of Environmental Protection, 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 $98,000,000 State of Florida Department of Environmental Protection, Florida Forever Revenue Refunding Bonds, Series (to be determined), is hereby approved as to fiscal sufficiency.

ADOPTED August 5, 2015

STATE OF FLORIDA

DIVISION OF BOND FINANCE

OF THE STATE BOARD OF ADMINISTRATION

HERMITAGE CENTRE, SUITE 200
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

POST OFFICE BOX 13300
TALLAHASSEE, FLORIDA 32317-3300

(Address mail to P.O. Box; deliveries to street address)

TELEPHONE: (850) 488-4782
TELECOPIER: (850) 413-1315

J. BEN WATKINS III
DIRECTOR

RICK SCOTT
GOVERNOR
AS CHAIRMAN

PAM BONDI
ATTORNEY GENERAL

JEFF ATWATER
CHIEF FINANCIAL OFFICER

ADAM H. PUTNAM
COMMISSIONER OF AGRICULTURE

July 17, 2015

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

RE: Not Exceeding $98,000,000 State of Florida, Department of Environmental Protection Florida Forever 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 fiscal sufficiency approval at your board meeting on August 5, 2015.

The proposed bonds will be secured by documentary stamp taxes required to be deposited in the Land Acquisition Trust Fund, consisting of the first money available from 100% of documentary stamp tax collections. During the 2015 Legislative session, statutory changes were made to implement a constitutional amendment that was approved by the voters in 2014. The results of these amendments are an increase in the pledged documentary stamp taxes from 63.31% to 100%. The bonds will be issued on parity with the outstanding Florida Forever Revenue Bonds, Series 2007A through 2014A and the Everglades Restoration Revenue Bonds, Series 2007A-B through 2013A.

The bonds will be issued to advance refund a portion of the outstanding Florida Forever Revenue Bonds, Series 2007A, and to pay costs associated with the issuance and sale of the proposed refunding bonds. The proposed refunding bonds will only be issued if there is a savings.

The bonds will be issued in one or more series pursuant to the Thirteenth Subsequent Resolution adopted by the Governor and Cabinet on January 23, 2001, as amended, and the Fortieth and Forty-first Subsequent Resolutions which are anticipated to be adopted by the Governor and Cabinet on August 5, 2015. Drafts of the Fortieth and Forty-first resolutions will be forwarded to you when available. The Thirteenth Subsequent Resolution is not included since it has been previously sent to you.

Enclosed for your review are the following:

Enclosure 1: An estimated coverage table based upon the March 2015 Revenue Estimating Conference documentary stamp tax projections. Coverage is based upon 100% of documentary stamp taxes and existing program debt service prior to the refunding;

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

Enclosure 3: the historical documentary stamp tax collections data provided by the Office of Economic and Demographic Research of the Florida Legislature; and

Enclosure 4: the forecast for documentary stamp tax collections from the March 2015 Revenue Estimating Conference.

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

Sincerely,

J. Ben Watkins III
Director

JBW/kjn

Enclosures

cc: Anthony Doheny
Robert Copeland

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
FLORIDA FOREVER REVENUE REFUNDING BONDS
SERIES [to be determined]

ESTIMATED DEBT SERVICE AND COVERAGE TABLE

Fiscal Year Ending June 30	Projected Documentary Stamp Tax Collections (1)	Outstanding Everglades Debt Service (2)	Outstanding Florida Forever Debt Service (3) (4)	Less Federal Subsidy on BABs (5)	Total Outstanding Debt Service	Coverage
2015	$ 2,051,600,000	$ 21,975,744	$ 154,047,626	$ (4,226,575)	$ 171,796,795	11.94x
2016	2,257,600,000	21,937,454	151,168,117	(4,226,575)	168,878,996	13.37x
2017	2,430,200,000	22,145,184	151,166,679	(4,226,575)	169,085,288	14.37x
2018	2,569,700,000	22,213,448	151,176,417	(4,226,575)	169,163,290	15.19x
2019	2,661,000,000	22,270,415	150,951,744	(3,979,909)	169,242,250	15.72x
2020	2,746,200,000	22,415,433	150,697,013	(3,717,428)	169,395,018	16.21x
2021	2,822,100,000	22,347,508	150,446,569	(3,431,849)	169,362,228	16.66x
2022	2,912,000,000	22,505,812	128,635,697	(3,122,880)	148,018,629	19.67x
2023	3,021,600,000	22,613,270	117,298,513	(2,792,845)	137,118,938	22.04x
2024	3,141,600,000	22,702,911	96,804,018	(2,443,586)	117,063,343	26.84x
2025	3,270,000,000	22,810,963	96,462,132	(2,237,258)	117,035,837	27.94x
2026	3,270,000,000	14,304,192	79,388,394	(2,031,772)	91,660,813	35.68x
2027	3,270,000,000	14,398,345	57,247,113	(1,559,183)	70,086,275	46.66x
2028	3,270,000,000	6,904,153	45,330,261	(1,063,882)	51,170,531	63.90x
2029	3,270,000,000	6,838,983	20,563,345	(544,443)	26,857,884	121.75x
2030	3,270,000,000	3,498,300	-	-	3,498,300	934.74x
2031	3,270,000,000	3,498,300	-	-	3,498,300	934.74x
2032	3,270,000,000	3,498,300	-	-	3,498,300	934.74x
		$ 298,878,715	$ 1,701,383,638	$ (43,831,336)	$ 1,956,431,016	

(1) The figures in this column were based upon the March 2015 Revenue Estimating Conference for Documentary Stamp Tax forecast for fiscal years 2016 through 2025. The 2025 projection has been held constant thereafter. No assurance can be given that material differences between such projections and actual results will not occur.

(2) Includes debt service for the Everglades Bonds, Series 2007A-B (variable rate), 2008A, 2010A, 2010B and 2013A. Estimated debt service on the variable rate demand obligations is assumed at an interest rate of 3% and includes annual remarketing agent fees, liquidity fees, tender agent fees and administrative fees.

(3) Pursuant to Section 201.15(1)(a), Florida Statutes, the maximum amount that may be distributed from the documentary stamp tax collections for Florida Forever bond debt service is $300 million per year.

(4) Includes debt service for the Florida Forever Revenue Bonds, Series 2005A through 2014A. For 2015, includes $3,999,773 of accrued debt service due on refunded bonds.

(5) Total of expected federal subsidies equal to 35% of the interest payable on the Florida Forever 2010B and Everglades 2010B Taxable Build America Bonds, which are expected to be deposited in the sinking fund. The expected subsidy payments have been reduced to include the expected reductions resulting from federal sequestration.

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE: July 22, 2015

APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING $65,000,000 STATE OF FLORIDA, STATE BOARD OF EDUCATION LOTTERY REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED):

The Division of Bond Finance of the State Board of Administration of Florida (the "Division") has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding $65,000,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series (to be determined) (the "Bonds") for the purpose of refunding all or a portion of the outstanding Lottery Revenue Bonds, Series 2005A. The Bonds will be issued in one or more series pursuant to an authorizing resolution adopted by the Governor and Cabinet on December 18, 2007, as supplemented from time to time, and the Twelfth Supplemental Resolution expected to be adopted by the Governor and Cabinet on August 5, 2015, authorizing the issuance and sale of the Bonds.

The State Board of Education has heretofore issued Lottery Revenue and Revenue Refunding Bonds, Series 2005A through Series 2014A (the "Previous Bonds"). The proposed Bonds shall be issued on a parity with the Previous Bonds as to source and security for payment.

A study of this proposal and the estimates of revenue expected to accrue from the Pledged Revenues, 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 $65,000,000 STATE OF FLORIDA, STATE BOARD OF EDUCATION LOTTERY REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED)

WHEREAS, the Division of Bond Finance of the State Board of Administration of Florida (the "Division") proposes to issue an amount not exceeding $65,000,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series (to be determined) (the "Bonds") for the purpose of refunding all or a portion of the outstanding Lottery Revenue Bonds, Series 2005A; and,

WHEREAS, the Bonds will be issued pursuant to the provisions of Article VII, Section 11(d), of the Florida Constitution; Sections 1013.68, 1013.70 and 1013.737, Florida Statutes; the State Bond Act, being Sections 215.57-215.83, Florida Statutes; and other applicable provisions of law; and,

WHEREAS, the Bonds will be issued in one or more series pursuant to an authorizing resolution adopted by the Governor and Cabinet on December 18, 2007, as supplemented from time to time, and the Twelfth Supplemental Resolution expected to be adopted by the Governor and Cabinet on August 5, 2015, authorizing the issuance and sale of the Bonds (collectively, the "Authorizing Resolution"); and,

WHEREAS, the proposed Bonds shall be secured by a first lien upon the Pledged Revenues which are defined by the Authorizing Resolution as all revenues pledged pursuant to Section 24.121(2), Florida Statutes, for bonds issued pursuant to Sections 1013.68, 1013.70 and 1013.737, Florida Statutes; and,

WHEREAS, the Division has heretofore issued Lottery Revenue and Revenue Refunding Bonds, Series 2005A through Series 2014A (the "Previous Bonds"); and,

WHEREAS, the proposed Bonds shall be issued on a parity with the Previous Bonds as to source and security for payment; and,

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

WHEREAS, an examination of this plan of financing indicated that the same will be executed pursuant to the applicable provisions of law, and that the revenue to be used in servicing and liquidating the indebtedness to be created thereby may be reasonably expected to accrue in amounts sufficient to accomplish this purpose; 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 of Florida to issue an amount not exceeding $65,000,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series (to be determined), is hereby approved as to fiscal sufficiency.

ADOPTED August 5, 2015

STATE OF FLORIDA

DIVISION OF BOND FINANCE
OF THE STATE BOARD OF ADMINISTRATION

J. BEN WATKINS III
DIRECTOR

HERMITAGE CENTRE, SUITE 200
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

POST OFFICE BOX 13300
TALLAHASSEE, FLORIDA 32317-3300
(Address mail to P.O. Box; deliveries to street address)

TELEPHONE: (850) 488-4782
TELECOPIER: (850) 413-1315

July 17, 2015

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

RE: Not Exceeding $65,000,000 State of Florida, State Board of Education Lottery 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 fiscal sufficiency approval at your board meeting on August 5, 2015.

The bonds will be payable from the pledged revenues consisting of the lottery revenues deposited to the Educational Enhancement Trust Fund. The proposed bonds will be payable on a parity with the previously issued State of Florida, State Board of Education Lottery Revenue Bonds, Series 2005A through Series 2014A.

The proposed refunding bonds will be issued for the purpose of refunding all or a portion of the outstanding Lottery Revenue Bonds, Series 2005A bonds. The proposed refunding bonds will only be issued if there is a savings.

The bonds will be issued in one or more series pursuant to an authorizing resolution adopted by the Governor and Cabinet on December 18, 2007, as supplemented from time to time, and the Twelfth Supplemental Resolution expected to be adopted by the Governor and Cabinet on August 5, 2015 authorizing the issuance and sale of the bonds. The December 18, 2007 resolution has been previously provided to you.

Mr. Ashbel C. Williams
July 17, 2015
Page Two

Enclosed for your review are the following:

Enclosure 1 – an estimated coverage table for the program, without considering potential savings from the proposed refunding bonds;

Enclosure 2– an estimated debt service and savings schedule from a recent sizing of the proposed refunding bonds;

Enclosure 3– a five-year history of revenues and expenses for the Department of the Lottery for Fiscal Years 2010-2014, including lottery revenues deposited into the Educational Enhancement Trust Fund, pursuant to Section 24.121(2), Florida Statutes;

Enclosure 4– the projections of lottery revenues to be deposited to the Educational Enhancement Trust Fund as reported by the most recent Consensus Revenue Estimating Conference; and

Enclosure 5– draft copy of Twelfth Supplemental Resolution anticipated to be adopted August 5, 2015.

A draft of the fiscal sufficiency resolution should be sent to Nora Wittstruck and Ray Petty of this office for review. Should you have any questions, please contact myself, Carol or Ray of the Division at 488-4782.

Very truly yours,

J. Ben Watkins III
Director

JBW/nw

Enclosures

cc: Anthony Doheny
Robert Copeland

STATE OF FLORIDA
STATE BOARD OF EDUCATION
LOTTERY REVENUE REFUNDING BONDS
FISCAL SUFFICIENCY REQUEST FOR $65,000,000, SERIES (to be determined)

ESTIMATED DEBT SERVICE COVERAGE

Fiscal Year	Deposit to Educational Enhancement Trust Fund (1)	Outstanding Parity Debt Service	Total Estimated Debt Service	Debt Service Coverage (2)
Historical				
2009-10	$ 1,246,794,000	$ 303,446,000	$ 303,446,000	4.11x
2010-11	1,191,818,000	306,079,000	306,079,000	3.89x
2011-12	1,321,663,000	311,590,000	311,590,000	4.24x
2012-13	1,424,307,000	313,851,000	313,851,000	4.54x
2013-14	1,495,409,000	314,893,000	314,893,000	4.75x
Projected				
2014-15	$ 1,502,700,000	$ 324,223,452	$ 324,223,452	4.63x
2015-16	1,499,900,000	312,566,408	312,566,408	4.80x
2016-17	1,526,700,000	312,559,108	312,559,108	4.88x
2017-18	1,544,600,000	331,127,758	331,127,758	4.66x
2018-19	1,592,100,000	280,068,271	280,068,271	5.68x
2019-20	1,613,000,000	240,792,587	240,792,587	6.70x
2020-21	1,613,000,000	198,068,184	198,068,184	8.14x
2021-22	1,613,000,000	186,251,408	186,251,408	8.66x
2022-23	1,613,000,000	157,135,561	157,135,561	10.27x
2023-24	1,613,000,000	143,446,905	143,446,905	11.24x
2024-25	1,613,000,000	126,860,485	126,860,485	12.71x
2025-26	1,613,000,000	114,807,336	114,807,336	14.05x
2026-27	1,613,000,000	98,005,936	98,005,936	16.46x
2027-28	1,613,000,000	60,760,005	60,760,005	26.55x
2028-29	1,613,000,000	19,286,892	19,286,892	83.63x
2029-30	1,613,000,000	6,643,700	6,643,700	242.79x
2030-31	1,613,000,000	6,641,300	6,641,300	242.87x
2031-32	1,613,000,000	6,643,500	6,643,500	242.79x
		$2,925,888,796	$2,925,888,796	

(1) Pursuant to Section 24.121(2), Florida Statutes, the Lottery Revenue Bonds are payable from and secured by a first lien on the first Lottery revenues transferred to the Educational Enhancement Trust Fund. Historical revenues are from audited financial statements of the Department of the Lottery for Fiscal Years 2009-10 through 2013-14. Fiscal Year 2014-15 through 2019-20 revenues are projected from the February 26, 2015 Lottery Consensus Revenue Estimating Conference. The projections are held constant after Fiscal Year 2019-20. Projections are based on the best information available when estimates are made, and no assurance can be given that there will not be material differences relating to such amounts in the future.

(2) Debt Service Coverage is calculated by dividing "Deposit to Educational Enhancement Trust Fund" by "Estimated Total Debt Service."

SAVINGS

Board of Education
Lottery Revenue Refunding Bonds, Series 2015A
Not to Exceed Sizing

Date	Prior Debt Service	Sinking Fund Accrual	Prior Net Cash Flow	Refunding Debt Service	Savings
07/01/2016	13,438,025.00	733,256.25	12,704,768.75	11,860,887.50	843,881.25
07/01/2017	13,442,775.00		13,442,775.00	12,546,350.00	896,425.00
07/01/2018	13,441,025.00		13,441,025.00	12,539,850.00	901,175.00
07/01/2019	13,441,775.00		13,441,775.00	12,542,850.00	898,925.00
07/01/2020	668,525.00		668,525.00	588,600.00	79,925.00
07/01/2021	668,525.00		668,525.00	588,600.00	79,925.00
07/01/2022	668,525.00		668,525.00	588,600.00	79,925.00
07/01/2023	668,525.00		668,525.00	588,600.00	79,925.00
07/01/2024	16,398,525.00		16,398,525.00	15,303,600.00	1,094,925.00
	72,836,225.00	733,256.25	72,102,968.75	67,147,937.50	4,955,031.25

Savings Summary

Dated Date	10/01/2015
Delivery Date	10/01/2015
PV of savings from cash flow	4,529,974.01
Plus: Refunding funds on hand	6,091.41
Net PV Savings	4,536,065.42

BOND DEBT SERVICE

Board of Education
Lottery Revenue Refunding Bonds, Series 2015A
Not to Exceed Sizing

Dated Date	10/01/2015
Delivery Date	10/01/2015

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
01/01/2016			676,962.50	676,962.50	
07/01/2016	9,830,000	5.000%	1,353,925.00	11,183,925.00	11,860,887.50
01/01/2017			1,108,175.00	1,108,175.00	
07/01/2017	10,330,000	5.000%	1,108,175.00	11,438,175.00	12,546,350.00
01/01/2018			849,925.00	849,925.00	
07/01/2018	10,840,000	5.000%	849,925.00	11,689,925.00	12,539,850.00
01/01/2019			578,925.00	578,925.00	
07/01/2019	11,385,000	5.000%	578,925.00	11,963,925.00	12,542,850.00
01/01/2020			294,300.00	294,300.00	
07/01/2020			294,300.00	294,300.00	588,600.00
01/01/2021			294,300.00	294,300.00	
07/01/2021			294,300.00	294,300.00	588,600.00
01/01/2022			294,300.00	294,300.00	
07/01/2022			294,300.00	294,300.00	588,600.00
01/01/2023			294,300.00	294,300.00	
07/01/2023			294,300.00	294,300.00	588,600.00
01/01/2024			294,300.00	294,300.00	
07/01/2024	14,715,000	4.000%	294,300.00	15,009,300.00	15,303,600.00
	57,100,000		10,047,937.50	67,147,937.50	67,147,937.50

Historical Summary of Revenues, Expenses and Transfers to the Educational Enhancement Trust Fund

The following schedule shows the revenues, expenses and transfers to the Educational Enhancement Trust Fund for the Department for Fiscal Years 2009-10 through 2013-14, derived from the audited financial statements of the Department.

Department of the Lottery
Statement of Revenues, Expenses, Changes in Net Position and Transfers to the Educational Enhancement Trust Fund (EETF)
(In Thousands)

	2010[1]	2011[1]	2012[1]	2013[1]	2014[1]
OPERATING REVENUES:					
Ticket sales	$3,900,499	$4,008,716	$4,449,896	$5,012,996	$5,368,230
Bad debt expense[2]	(1,075)	(1,212)	(1,360)	(912)	(1,337)
Terminal game fees and miscellaneous	7,373	7,237	7,465	7,773	7,611
Retailer fees	226	199	193	206	206
Total Operating Revenues	3,907,023	4,014,940	4,456,194	5,020,063	5,374,710
OPERATING EXPENSES:					
Prizes	2,346,162	2,460,219	2,766,119	3,162,889	3,431,092
Retailer commissions	216,207	223,390	247,690	278,493	298,651
Scratch-off tickets	30,896	35,520	38,906	44,193	48,157
Terminal game fees	27,390	27,740	27,622	31,012	28,895
Advertising	34,197	33,159	33,540	37,696	37,486
Personal services	27,045	27,204	26,139	25,730	27,614
Other contractual services	7,474	8,855	8,210	6,812	7,656
Materials and supplies	2,309	1,921	1,969	2,145	1,057
Depreciation	494	310	446	270	715
Total Operating Expenses	2,692,174	2,818,318	3,150,641	3,589,240	3,881,323
INCOME FROM OPERATIONS	1,214,849	1,196,622	1,305,553	1,430,823	1,493,387
NONOPERATING REVENUES (EXPENSES)					
Interest	6,057	4,893	5,024	3,984	2,776
Securities lending income	(2,909)	3,120	3,007	2,543	1,534
Securities lending fees	(1,520)	(1,400)	(824)	(1,090)	(327)
Investment management fees	(364)	(284)	(296)	(376)	(532)
Net appreciation in fair market value of investments[3]	90,875	21,662	60,221	(13,749)	13,718
Property disposition (loss)	(4)	(15)	(4)	(60)	124
Amortization of grand prizes payable	(54,079)	(44,918)	(36,446)	(29,068)	(22,911)
Total Nonoperating Revenues (Expenses), Net	43,874	(16,942)	30,682	(37,817)	(5,618)
INCOME BEFORE OPERATING TRANSFERS	$1,258,723	$1,179,680	$1,336,235	$1,393,006	$1,487,769
TRANSFERS TO EETF					
Transfers from revenue	$1,203,024	$1,147,793	$1,286,001	$1,373,668	$1,447,521
Transfers from unclaimed prizes	43,770	44,025	35,603	50,639	47,888
TOTAL TRANSFERS TO EETF	$1,246,794	$1,191,818	$1,321,604	$1,424,307	$1,495,409

Note: numbers may not add due to rounding.

[1] Source: Department of the Lottery. Audited Financial Statements for Fiscal Years 2009-10 through 2013-14.

[2] Bad debt expense, as required by GASB, was reclassified from an operating expense to a reduction in gross revenue.

[3] Net appreciation in fair market value of investments results from implementing GASB Statement 31 to reflect fair market value of investments and represents all changes in fair value that occurred during the year. The investments are being held for Lottery prize winners. Pursuant to the Department's investment policy, such investments are held until maturity and used to pay the amounts due to lottery winners. Accordingly, any change in fair interest value is never realized. However, since the investments are restricted for grand prize winners only, these revenues are not available for transfers to the Educational Enhancement Trust Fund.

LOTTERY ESTIMATING CONFERENCE, February 26, 2015
LOTTERY SALES PROJECTIONS
SUMMARY

Ticket Sales

	Nov 2014	Feb 2015	Diff.
2012-13	5013.0	5013.0	0.0
2013-14	5368.2	5368.2	0.0
2014-15	5487.2	5551.7	64.6
2015-16	5617.9	5655.1	37.2
2016-17	5708.1	5744.8	36.8
2017-18	5776.8	5812.6	35.8
2018-19	5846.8	5881.8	35.0
2019-20	5917.1	5950.9	33.9

Other Income

	Nov 2014	Feb 2015	Diff.
2012-13	11.1	11.1	0.0
2013-14	9.8	9.8	0.0
2014-15	10.1	10.1	0.0
2015-16	10.2	10.2	0.0
2016-17	10.3	10.3	0.0
2017-18	10.4	10.4	0.0
2018-19	10.5	10.5	0.0
2019-20	10.6	10.6	0.0

Unclaimed Prizes

	Nov 2014	Feb 2015	Diff.
2012-13	37.1	37.1	0.0
2013-14	33.5	33.5	0.0
2014-15	41.4	41.8	0.5
2015-16	42.5	42.8	0.3
2016-17	43.2	43.5	0.3
2017-18	43.7	44.0	0.3
2018-19	44.3	44.6	0.3
2019-20	44.8	45.1	0.3

Distribution to EETF from Lottery Receipts

	Nov 2014	Feb 2015	Diff.
2012-13	1383.3	1383.3	0.0
2013-14	1475.0	1475.0	0.0
2014-15	1485.1	1502.7	17.6
2015-16	1491.0	1499.9	8.9
2016-17	1517.7	1526.7	9.0
2017-18	1536.2	1544.6	8.4
2018-19	1584.2	1592.1	7.9
2019-20	1605.9	1613.0	7.1

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO:	Ash Williams
FROM:	Robert Copeland RC
SUBJECT:	Fiscal Determination
DATE:	July 22, 2015

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $9,500,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (BROOKSIDE SQUARE APARTMENTS)

The Florida Housing Finance Corporation has submitted for approval as to fiscal determination a proposal to issue an amount not exceeding $9,500,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (the "Bonds") for the purpose of financing the acquisition and rehabilitation of a multifamily rental development located in Pinellas County, Florida (Brookside Square Apartments). 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 $9,500,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (BROOKSIDE SQUARE APARTMENTS)

WHEREAS, the Florida Housing Finance Corporation (the "Corporation") proposes to issue an amount not exceeding $9,500,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (the "Bonds") for the purpose of financing the acquisition and rehabilitation of a multifamily rental development located in Pinellas County, Florida (Brookside Square 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 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, (series to be designated) (Brookside Square Apartments), in an amount not exceeding $9,500,000, 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 July 22, 2015

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

July 17, 2015

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 Bonds
Not to Exceed $9,500,000 Tax-Exempt Bonds
Brookside Square 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 bond issue prepared by the Underwriter, RBC Capital Markets. Florida Housing endorses this analysis and believes it will show sufficient coverage.

This bond issue will be a Limited Public Offering. We request that this item be placed on the agenda for approval at the State Board of Administration's August 5, 2015 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

Enclosures

$5,750,000
Florida Housing Finance Corporation
Multifamily Housing Revenue Bonds

Brookside Square Apartments

Combined Debt Coverage Table

	Revenue	Bond Payments		Bond Fees		Bond DS	SAIL Loan	Fees	Fees	Debt Service		Debt Service Coverage		
	Net Operating Income (1)	Principal Bonds (2)	Interest Bonds (3) 5.00%	Issuer Fee 0.24%	Servicing, & Trustee Fee 0.294%	Total Bond Debt Service (4)	Subord Debt Service (5)	SAIL/ELI Servicing Fees	Compliance Monitoring Fees	Total Bond & Subord DS	Total Bond & Subord DS w/ Fees	Bond Debt Service DCR	Total Bond & Subord DCR	Bond Balance
														$ 5,750,000
YR 1	$ 444,300	$ 50,000	$ 287,500	$ 13,800	$ 16,876	$ 368,176	$ 44,000	$ 19,392	$ 4,728	$ 412,176	$ 436,296	1.21	1.02	$ 5,700,000
YR 2	447,280	50,000	285,000	13,680	16,730	365,410	44,000	19,392	4,870	409,410	433,671	1.22	1.03	$ 5,650,000
YR 3	450,108	55,000	282,500	13,560	16,583	367,643	44,000	19,392	5,016	411,643	436,051	1.22	1.03	$ 5,595,000
YR 4	452,776	55,000	279,750	13,428	16,421	364,599	44,000	19,392	5,166	408,599	433,158	1.24	1.05	$ 5,540,000
YR 5	455,273	60,000	277,000	13,296	16,260	366,556	44,000	19,392	5,321	410,556	435,269	1.24	1.05	$ 5,480,000
YR 6	457,590	60,000	274,000	13,152	16,084	363,236	44,000	19,392	5,481	407,236	432,109	1.26	1.06	$ 5,420,000
YR 7	459,717	65,000	271,000	13,008	15,908	364,916	44,000	19,392	5,645	408,916	433,953	1.26	1.06	$ 5,355,000
YR 8	461,641	70,000	267,750	12,852	15,717	366,319	44,000	19,392	5,815	410,319	435,526	1.26	1.06	$ 5,285,000
YR 9	463,352	75,000	264,250	12,684	15,511	367,445	44,000	19,392	5,989	411,445	436,827	1.26	1.06	$ 5,210,000
YR 10	464,839	80,000	260,500	12,504	15,291	368,295	44,000	19,392	6,169	412,295	437,856	1.26	1.06	$ 5,130,000
YR 11	466,088	85,000	256,500	12,312	15,057	368,869	44,000	19,392	6,354	412,869	438,615	1.26	1.06	$ 5,045,000
YR 12	467,087	90,000	252,250	12,108	14,807	369,165	44,000	19,392	6,545	413,165	439,102	1.27	1.06	$ 4,955,000
YR 13	467,822	95,000	247,750	11,892	14,543	369,185	44,000	19,392	6,741	413,185	439,318	1.27	1.06	$ 4,860,000
YR 14	468,281	105,000	243,000	11,664	14,264	373,928	44,000	19,392	6,943	417,928	444,263	1.25	1.05	$ 4,755,000
YR 15	468,449	105,000	237,750	11,412	13,956	368,118	44,000	19,392	7,152	412,118	438,661	1.27	1.07	$ 4,650,000
YR 16	468,310	110,000	232,500	11,160	13,648	367,308	44,000	19,392	7,366	411,308	438,066	1.27	1.07	$ 4,540,000
YR 17	467,849	115,000	227,000	10,896	13,325	366,221	44,000	19,392	7,587	410,221	437,200	1.28	1.07	$ 4,425,000
YR 18	467,051	120,000	221,250	10,620	12,987	364,857	44,000	19,392	7,815	408,857	436,064	1.28	1.07	$ 4,305,000
YR 19	465,899	125,000	215,250	10,332	12,635	363,217	44,000	19,392	8,049	407,217	434,658	1.28	1.07	$ 4,180,000
YR 20	464,376	130,000	209,000	10,032	12,268	361,300	44,000	19,392	8,291	405,300	432,983	1.29	1.07	$ 4,050,000
YR 21	462,463	135,000	202,500	9,720	11,887	359,107	44,000	19,392	8,539	403,107	431,038	1.29	1.07	$ 3,915,000
YR 22	460,142	140,000	195,750	9,396	11,491	356,637	44,000	19,392	8,795	400,637	428,824	1.29	1.07	$ 3,775,000
YR 23	457,395	145,000	188,750	9,060	11,080	353,890	44,000	19,392	9,059	397,890	426,341	1.29	1.07	$ 3,630,000
YR 24	454,200	155,000	181,500	8,712	10,654	355,866	44,000	19,392	9,331	399,866	428,589	1.28	1.06	$ 3,475,000
YR 25	450,537	155,000	173,750	8,340	10,199	347,289	44,000	19,392	9,611	391,289	420,292	1.30	1.07	$ 3,320,000
YR 26	446,386	160,000	166,000	7,968	9,744	343,712	44,000	19,392	9,899	387,712	417,004	1.30	1.07	$ 3,160,000
YR 27	441,722	170,000	158,000	7,584	9,275	344,859	44,000	19,392	10,196	388,859	418,447	1.28	1.06	$ 2,990,000
YR 28	436,525	180,000	149,500	7,176	8,776	345,452	44,000	19,392	10,502	389,452	419,346	1.26	1.04	$ 2,810,000
YR 29	430,768	185,000	140,500	6,744	8,247	340,491	44,000	19,392	10,817	384,491	414,701	1.27	1.04	$ 2,625,000
YR 30	424,429	195,000	131,250	6,300	7,704	340,254	44,000	19,392	11,142	384,254	414,788	1.25	1.02	$ 2,430,000
YR 31	417,480	205,000	121,500	5,832	7,132	339,464	44,000	19,392	11,476	383,464	414,332	1.23	1.01	$ 2,225,000
YR 32	409,896	215,000	111,250	5,340	6,530	338,120	40,563	19,392	11,820	378,684	409,896	1.21	1.00	$ 2,010,000
YR 33	401,648	225,000	100,500	4,824	5,899	336,223	33,858	19,392	12,175	370,081	401,648	1.19	1.00	$ 1,785,000
YR 34	392,709	240,000	89,250	4,284	5,239	338,773	22,004	19,392	12,540	360,777	392,709	1.16	1.00	$ 1,545,000
YR 35	383,048	250,000	77,250	3,708	4,535	335,493	15,247	19,392	12,916	350,740	383,048	1.14	1.00	$ 1,295,000
YR 36	372,635	255,000	64,750	3,108	3,801	326,659	13,280	19,392	13,304	339,939	372,635	1.14	1.00	$ 1,040,000
YR 37	361,438	255,000	52,000	2,496	3,052	312,548	15,794	19,392	13,703	328,343	361,438	1.16	1.00	$ 785,000
YR 38	349,424	260,000	39,250	1,884	2,304	303,438	12,480	19,392	14,114	315,918	349,424	1.15	1.00	$ 525,000
YR 39	336,558	260,000	26,250	1,260	1,541	289,051	13,578	19,392	14,538	302,629	336,558	1.16	1.00	$ 265,000
(4) YR 40	$ 322,807	$ 265,000	$ 13,250	$ 636	$ 778	$ 279,664	$ 8,777	19,392	14,974	$ 288,441	$ 322,807	1.15	1.00	$ -

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

(2) Based on estimated bond sinking fund schedule begining in year 2, following the 1.5 year interest only period.

(3) The Bond Interest Rate is based on current market conditions for a negotiated limited offering (5.00%).

(4) amortizing debt service. At the Optional Tender date in year 16, the borrower will satisfy the remaining balance via refinanced, 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 Bondholder will present the bonds to the trustee for cancelation and in exchange will receive an assignment of the mortgage and related collateral.

(5) Payment of the SAIL Loan debt service is contingent upon available cash flow. When excess revenues are not available to cover the full SAIL DS payment, a sweep of remaining cash flow is shown as the current payment due.

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO:	Ash Williams
FROM:	Robert Copeland
SUBJECT:	Fiscal Determination
DATE:	July 22, 2015

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $4,400,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (STEVENS DUVAL APARTMENTS)

The Florida Housing Finance Corporation has submitted for approval as to fiscal determination a proposal to issue an amount not exceeding $4,400,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (the "Bonds") for the purpose of financing the acquisition and rehabilitation of a multifamily rental development located in Duval County, Florida (Stevens Duval Apartments). 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 $4,400,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (STEVENS DUVAL APARTMENTS)

WHEREAS, the Florida Housing Finance Corporation (the "Corporation") proposes to issue an amount not exceeding $4,400,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (the "Bonds") for the purpose of financing the acquisition and rehabilitation of a multifamily rental development located in Duval County, Florida (Stevens Duval 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 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, (series to be designated) (Stevens Duval Apartments), in an amount not exceeding $4,400,000, 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 July 22, 2015

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

July 17, 2015

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 Bonds
Not to Exceed $4,400,000 Tax-Exempt Bonds
Stevens Duval 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 bond issue prepared by the Underwriter, RBC Capital Markets. Florida Housing endorses this analysis and believes it will show sufficient coverage.

This bond issue will be a Public Offering. We request that this item be placed on the agenda for approval at the State Board of Administration's August 5, 2015 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

Brantley Henderson
Assistant Director of Multifamily Programs

BH

Enclosures

Florida Housing Finance Corporation
Multifamily Housing Revenue Bonds, 2015 Series_
(Stevens Duval)

Principal Amount of Bonds Issued:	$ 4,400,000
Interest Rate:	0.450%
Assumed Initial Deposit to the Bond Fund:	$ 19,500.00

Deposit of Funds: It is assumed that the bond proceeds will be deposited at closing to the Project Fund. Immediately thereafter, the lender will wire proceeds that will be deposited to the Collateral Fund. Immediately thereafter, funds on deposit in the Project Fund will be remitted to the Lender to reimburse them for funds expended to acquire the project.

Cash Flow Report

	Funds Available to Pay Debt Service (1)				Debt Service And Fees Payable			Remaining Assets	Princ. & Intr. Debt Coverage Ratio (DCR) (2)
Date	**Cumulative Funds on Deposit In Collateral Fund**	**Cumulative Funds on Deposit In the Bond Fund**	**Earnings On Investments at 0.00%**	**Total Assets On Deposit In Indenture**	**Interest Due On Bonds**	**Principal Due On Bonds**	**Total Debt Service And Fees Payable**	**Balance Remaining In Accounts**	**P&I Debt Coverage Ratio (DCR)**
9/15/2015	$ 4,400,000.00	$ 19,500.00		$ 4,419,500.00			$ -	$ 4,419,500.00	
3/1/2016	$ 4,400,000.00	$ 19,500.00	$ -	$ 4,419,500.00	$ 9,130.00		$ 9,130.00	$ 4,410,370.00	484.0635
9/1/2016	$ 4,400,000.00	$ 10,370.00	$ -	$ 4,410,370.00	$ 9,900.00	$ 4,400,000.00	$ 4,409,900.00	$ 470.00	1.0001
Total			$ -		$ 19,030.00		$ 4,419,030.00		

Notes:

(1) At the bond closing cash proceeds from the FHLMC Loan and other sources will be deposited with the Trustee as pledged assets to fully collateralize the repayment of the Bonds as well as the payment of future anticipated debt service through to maturity.

(2) The DCR is provided to demonstrate the overall coverage of pledged assets against the total amount due at each Semi-Annual Bond Debt Service payment and upon final maturity when principal is due.

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 August 5, 2015 Cabinet Meeting: Proposed Amendments to Rule 19-7.010, F.A.C

Request Approval to File the Rule for Notice and For Repeal if No Member of the Public Timely Requests a Rule Hearing

Date: July 20, 2015

ACTION REQUESTED:

REQUEST APPROVAL TO FILE FOR NOTICE, AN AMENDMENT WHICH WOULD REPEAL, AS UNNECESSARY, RULE 19-7.010, FAC (POOLED INVESTMENT ACCOUNTS), AND FURTHER TO FILE THE RULE FOR REPEAL IF NO MEMBER OF THE PUBLIC TIMELY REQUESTS A RULE HEARING RELATED TO THIS RULE.

In completing the Annual Review of Existing Rules for OFARR this year, the SBA determined that Rule 19-7.010 could be repealed as unnecessary. This rule merely indicates that the rules contained in Rule Chapter 19-7 have been developed for the Local Government Surplus Funds Trust Fund. That information is self-evident from the various rules themselves. There are no significant policy issues or controversial issues connected to this rule repeal. The proposed rule repeal does not impose any burdens on businesses; does not restrict entry into a profession; does not have an impact on the availability of services to the public; does not have an impact on job retention; does not impose any restrictions on employment seekers; and does not impose any costs. No legislative ratification is required.

The proposed deleted text is attached.

19-7.010 Pooled Investment Accounts.

~~Rules 19-7.001 through 19-7.016, F.A.C., are developed for the Local Government Surplus Funds Trust Fund pursuant to Section 218.409, F.S.~~

Rulemaking Authority 218.405, 218.412 FS. Law Implemented Chapter 218, Part IV FS. History–New 8-24-82, Formerly 19-7.10, Amended 3-26-02, 9-5-10. Repealed ___________, 2015.

STATE BOARD OF ADMINISTRATION OF FLORIDA

INCENTIVE COMPENSATION PLAN

FOR THE EXECUTIVE DIRECTOR & CIO

(EFFECTIVE AS OF JULY 1, 2015)

STATE BOARD OF ADMINISTRATION
OF FLORIDA
INCENTIVE COMPENSATION PLAN
FOR THE EXECUTIVE DIRECTOR & CIO

TABLE OF CONTENTS

STATE BOARD OF ADMINISTRATION
OF FLORIDA
INCENTIVE COMPENSATION PLAN FOR THE EXECUTIVE DIRECTOR & CIO

Article 1. Establishment, Objectives, and Effective Date

1.1 Establishment of Plan. The State Board of Administration of Florida ("SBA") establishes this incentive compensation plan to be known as the "State Board of Administration of Florida Incentive Compensation Plan for the Executive Director & CIO" (the "Plan") on June 23, 2015.

1.2 Objectives of the Plan. The objectives of the Plan are to promote the financial success of the Florida Retirement System Trust Fund (the "Trust Fund") by implementing a performance-based incentive plan that will align Participant rewards with stakeholder goals and interests, motivate and reward the Participant for the achievement of the Trust Fund's financial objectives and other SBA objectives and assist in attracting and retaining the Participant by increasing the SBA's competitive position to be more comparable to the outside market.

1.3 Effective Date. The Plan is hereby effective as of July 1, 2015, and shall remain in effect, subject to amendment or termination as provided herein.

Article 2. Definitions

Whenever used in the Plan, the following capitalized terms shall have the meanings set forth below:

2.1 "Active Risk Compliance Exception" shall mean incurring active risk equal to or in excess of the Total Fund (primary benchmark) Trust Fund escalation standard as set forth in the Trust Fund IPS, SBA Policy 10-060 and SBA Policy 20-532, as amended from time to time, measured over the Performance Period.

2.2 "Board" shall mean the Board of Trustees of SBA.

2.3 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

2.4 "Deferred Award" shall mean the portion of an Incentive Award that is deferred and remains subject to a substantial risk of forfeiture until paid in accordance with Section 6.3.

2.5 "Disabling Conduct" shall mean:

(a) The Participant is convicted of a felony or has engaged in a dishonest act, misappropriation of funds, embezzlement, criminal conduct or common law fraud; or

(b) The Participant has engaged in any willful act or violation of SBA Policy that materially damages or materially prejudices the SBA or the Trust Fund or has engaged in conduct or activities materially damaging to the property, business or reputation of the SBA.

2.6 "Disability" shall mean a Participant (a) is unable to fulfill the duties of the position of Executive Director & CIO by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (b) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant's employer. The date of Disability shall be determined by the Board upon receipt of proof or evidence of Disability.

2.7 "Effective Date" shall mean July 1, 2015.

2.8 "Eligible Position" shall mean the Executive Director & CIO of the SBA.

2.9 "Executive Director & CIO" shall mean a permanently appointed Executive Director & CIO of SBA. For the avoidance of doubt, an Interim Executive Director & CIO shall not be entitled to be a Participant in this Plan.

2.10 "Incentive Award" shall mean all or a portion of the Incentive Opportunity earned by and granted to the Participant based on the achievement of Organizational Financial Performance and, Individual Performance as determined in accordance with Article 6.

2.11 "Incentive Opportunity" shall mean an incentive award opportunity granted to the Participant and contingent upon the achievement of designated Organizational Financial Performance and, potentially, Individual Performance and the Participant's continued services to the SBA.

2.12 "Individual Performance" shall mean performance that is measured by qualitative factors and/or individual financial or individual quantitative factors.

2.13 "Organizational Financial Performance" shall mean performance that is measured by financial and quantitative performance and attributable to the SBA as an organization and which must include performance at or in excess of the Trust Fund Value Added Threshold (as defined herein) consistent with the conditions precedent set forth in Section 5.1 of this Plan.

2.14 "Participant" shall mean an employee in the Eligible Position.

2.15 "Payment Determination Date" shall mean the date on which the SBA's independent external auditor or independent external consultant verifies the SBA's calculation of the portion of the Incentive Award attributable to Organizational Financial Performance and/or the portion of the Incentive Award attributable to Individual Performance. The SBA's calculation of Organizational Financial Performance shall be (A) based on the asset valuations presented in the Trust Fund's financial statements presented in accordance with U.S. GAAP and audited by an independent and nationally recognized auditing firm in good standing and (B) supported by an annual letter from the officer of the Master Custodian who is responsible for the Master Custodian's performance analytics affiliate or unit (or successor performance analytics provider) that reports the relevant performance metrics for the Performance Period. For the avoidance of doubt, in any Plan Year, there could be different Payment Determination Dates for the portion of the Incentive Award attributable to Organizational Financial Performance and for the portion of the Incentive Award attributable to Individual Performance.

2.16 "Performance Period" shall mean, for each Plan Year, (i) for determining Organizational Financial Performance, the most recent rolling three-year period for Trust Fund investment performance that begins on July 1 and ends on June 30; provided, however, for Plan Years ending 2016 and 2017, a shorter Performance Period will be the most recent one-year period and the most recent rolling two-year period, respectively, and (ii) for the Individual Performance, performance that begins on July 1 and ends on June 30 of every Plan Year, each subject to the provisions of Section 4.2 hereof; provided, however, in the event the Participant is newly hired from outside the SBA or promoted or transferred from within the SBA into the Eligible Position during a Plan Year, then the Performance Period for that Participant shall begin on the later of (A) the first day of the quarter following the date the Participant began employment in the Eligible Position and (B) the applicable dates in (i) and (ii) above.

2.17 "Plan" shall mean this State Board of Administration of Florida Incentive Compensation Plan for the Executive Director & CIO, as it may be amended from time to time.

2.18 "Plan Year" shall mean the SBA's fiscal year (i.e. July 1 – June 30).

2.19 "Retirement Eligible" shall mean the Participant's attainment of age 65.

2.20 "Salary" shall mean the actual gross base salary of the Participant as of the later of the beginning date of the Plan Year or the beginning date of the Participant's employment in the Eligible Position. For the avoidance of doubt, Salary excludes all incentive, bonus, health insurance premiums, retirement contributions or other compensation and other payments and reimbursements made to or on behalf of the Participant by the SBA.

2.21 "SBAA Trust Fund" shall mean the State Board of Administration Administrative Expense Trust Fund.

2.22 "Trust Fund IPS" shall mean the Florida Retirement System Defined Benefit Investment Policy Statement approved by the Trustees from time to time, pursuant to section 215.475, Fla. Stat.

2.23 "<u>Trust Fund Value Added Threshold</u>" shall mean the investment performance of the Trust Fund, determined and calculated pursuant to SBA Policies 10-062 and 20-511 and using final numbers and asset values derived from the Trust Fund's annual financial statements that are audited by the SBA's independent external auditors, that exceeds the return on the Trust Fund's total fund benchmark, determined and calculated with reference to the Target Portfolio as defined and described in the Trust Fund IPS by 5 basis points.

Article 3. <u>Administration</u>

3.1 <u>Administrative Authority</u>. Except as limited by law or by governing statutes, investment policy statements or other policies applicable to the SBA and/or the Trust Fund, and subject to the provisions herein, the Board shall have full power to interpret and administer the Plan, including to: (a) approve the size of Incentive Opportunity, Organizational Financial Performance (and categories and weightings thereof and thereunder), Individual Performance (and categories and weightings thereof and thereunder), each as may be modified in the Appendix from time to time; and the specific Incentive Award attributable only to Individual Performance ; (b) determine the terms and conditions of Incentive Awards in a manner consistent with the Plan; (c) construe and interpret the Plan and any Incentive Award or any agreement or instrument entered into under the Plan; (d) establish, amend, or waive rules and regulations for the Plan's administration and processes in a manner consistent with the Plan; and (e) amend the terms and conditions of any outstanding Incentive Award attributable solely to Individual Performance.

3.2 <u>Decisions Binding</u>. All determinations and decisions made by the Board pursuant to the provisions of the Plan and all related instructions and resolutions of the Board shall be final, conclusive, and binding on the Participant and his or her estate and beneficiaries.

Article 4. <u>Eligibility and Participation</u>

4.1 <u>Eligibility</u>. Except as provided in Section 4.2 below, the Participant shall be eligible to participate in the Plan if the Participant is employed in the Eligible Position on any day during the Plan Year.

4.2 <u>Mid-Cycle Hires and Promotions</u>. A Participant who begins employment in the Eligible Position during a Plan Year will be entitled to receive a portion of the Incentive Award pro-rated as follows: (i) if the Executive Director & CIO begins employment in the Eligible Position on or after July 1 but no later than October 1, then the Executive Director & CIO will become a Participant on October 1, and the Participant's award opportunity will be prorated to 75% of the Incentive Opportunity for such Plan Year; (ii) if the Executive Director & CIO begins employment in the Eligible Position on or after October 1 but no later than January 1, then the Executive Director & CIO will become a Participant on January 1, and the Participant's award opportunity will be prorated to 50% of the Incentive Opportunity for such Plan Year; (iii) if the Executive Director & CIO begins employment in the Eligible Position on or after January 1 but no later than April 1, the Executive Director & CIO will become a Participant on April 1, and the Participant's award opportunity will be prorated to 25% of the Incentive Opportunity for such Plan Year; (iv) if the Executive Director & CIO begins employment in the Eligible Position after April 1 of a Plan Year, he/she will not become a Participant until the beginning of the next Plan Year (assuming he or she is employed in the Eligible Position on July 1 of such next Plan Year); and (v) if the Participant leaves the Eligible Position during a Plan Year and begins employment with the SBA in a position not covered by this Plan, the Participant's Incentive Opportunity for the partial Plan Year will be prorated based on the number of completed calendar quarters worked in the Eligible Position during that Plan Year. For the avoidance of doubt, if the Participant was promoted from an SBA position that participates in any SBA incentive plan other than this Plan (the "Other Position") into the Eligible Position, the Participant shall be entitled to participate in and receive any incentive award that may be granted to the Participant during the time he or she was employed by the SBA in the Other Position, in accordance with the terms of such other award.

Article 5. Incentive Opportunity

5.1 Initial Trigger of Incentive Opportunity. Notwithstanding any other provision of this Plan or any other component of Organizational Financial Performance or Individual Performance, the Participant will not be entitled to any Incentive Award for a Plan Year unless the SBA during the Performance Period applicable to Organizational Financial Performance (i) meets or exceeds the Trust Fund Value Added Threshold and (ii) did not have an Active Risk Compliance Exception.

5.2 Assignment of Incentive Opportunity. The Eligible Position will be assigned an Incentive Opportunity expressed as a percentage of the Participant's Salary for achieving Organizational Financial Performance and Individual Performance for the Performance Period. Incentive Awards are capped at the maximum Incentive Opportunity. A range will be established for both Organizational Financial Performance and Individual Performance from a threshold to target level and from target to a maximum level for outstanding performance, and performance levels for Organizational Financial Performance that fall between ranges will be interpolated, mathematically, with no discretion by the Board. For the avoidance of doubt, as long as the conditions precedent in Section 5.1 are satisfied, the Incentive Award for Organizational Financial Performance will be calculated mathematically and will not be subject to the discretion or approval of the Board. Performance (whether Organizational Financial Performance or Individual Performance) below the threshold will earn no incentive. Performance (whether Organizational Financial Performance or Individual Performance) exceeding maximum level for each category thereunder will not earn additional Incentive Awards.

5.3 Organizational Financial Performance and Individual Performance. Prior to the start of the applicable Plan Year, the Board shall establish and set forth in an Appendix to the Plan for the upcoming Plan Year, as may be revised from time to time, which Appendix shall be attached hereto and incorporated by reference herein, the Organizational Financial Performance, the Individual Performance and certain established categories thereof, and the weightings of each of the Organizational Financial

Performance, Individual Performance and any established categories thereunder. In the event the Board does not establish or revise the Appendix prior to the start of the Plan Year, the then effective Appendix shall be deemed to be re-established and re-adopted for the upcoming Plan Year.

5.4 No Adjustments. Once established, Organizational Financial Performance, Individual Performance, the established categories thereunder and their respective weightings shall remain in effect for the applicable Plan Year, except as provided in Section 4.2. For the avoidance of doubt, if any measure under Organizational Financial Performance, Individual Performance or any established category thereunder is established as a benchmark for a Plan Year, then the measure shall be based on the asset benchmarks set forth in the Trust Fund IPS for each such relevant time period.

Article 6. Determination and Payment of Incentive Awards

6.1 Value of Incentive Awards. Subject to the terms and conditions of the Plan, the value of the Participant's Incentive Award is based upon (i) the achievement of the Organizational Financial Performance as calculated in Section 5.2 hereof, and (ii) the Board's determination of the Individual Performance based upon the criteria in the Appendix. Actual payment of any Incentive Award is contingent upon the Participant's continued employment with the SBA through the date such Incentive Award is paid, except as provided in Article 7. Except as provided in Article 7, a Participant whose employment terminates before such payment date will not be entitled to an Incentive Award.

6.2 Entitlement; Approval and Payment. The Participant shall be entitled to receive that portion of the Incentive Award that is attributable to Organizational Financial Performance as set forth in Section 5.2 hereof. The Board shall determine and approve the portion of the Incentive Award attributable to Individual Performance for the Participant. Incentive Awards (consisting of Organizational Financial Performance and the Individual Performance determined and approved by the Board) shall be paid as follows, except as otherwise set forth below: 50% of the Incentive Award will be paid to the Participant in a lump sum as soon as practicable following the Payment Determination Date, but in no event later than December 31 of that calendar year (the "Lump Sum"), and 50% of the Incentive Award will be treated as a "Deferred Award" subject to the terms of Section 6.3. For the avoidance of doubt, if the Board does not make a determination and approve the portion of the Incentive Award attributable to Individual Performance, such inaction shall not have any effect on the Payment Determination Date for the portion of the Incentive Award attributable to Organizational Financial Performance, subject to Section 7.3; provided, however, no Lump Sum payment attributable to Individual Performance shall be made after December 31 of such calendar year.

In the event the Trust Fund has a negative return on an absolute basis for the final Fiscal Year of any Performance Period, then the Lump Sum payment for the Plan Year shall be deferred ("Delayed Lump Sum"), and credited to a Deferred Award Account as provided in Section 6.3 hereof. The Participant shall not be entitled to receive the

Delayed Lump Sum payment unless and until the SBA's Performance Analytics unit, using reconciled monthly returns provided by the SBA's Master Custodian performance analytics affiliate or unit (or successor performance analytics provider), certifies that the Trust Fund earned two (2) consecutive quarters of positive returns on an absolute basis. (the "Positive Return Period"). Upon the certification of the Positive Return Period, the SBA shall pay to the Participant the Delayed Lump Sum as soon as practicable but on or before the later of the following dates (such later date collectively referred to as, the "Short-Term Deferred Date"): (i) the 15th day of the third (3rd) month following the end of the Participant's taxable year which contains the last day of the Positive Return Period or (ii) the 15th day of the third (3rd) month following the end of the Plan Year which contains the last day of the Positive Return Period.

6.3 Deferred Awards and Other Provisions.

(a) Deferred Awards will be credited to a hypothetical account ("Deferred Award Account") on the SBAA Trust Fund's books in the Participant's name as of the date that the corresponding Lump Sum is paid to the Participant. A separate Deferred Award Account (or sub-account thereof) will be established with respect to each Performance Period for which an Incentive Award is calculated. No amounts will be set aside in trust or otherwise removed from the reach of the SBA and the SBAA Trust Fund's creditors. Participants will be unsecured creditors of the SBA with respect to such amounts (and any earnings on those amounts) until actually paid.

(b) The Deferred Award Accounts will be credited monthly as of the last day of each month with an amount equal to total return otherwise earned by the SBAA Trust Fund for such Performance Period. The Deferred Award Account balance will earn the same return as the other funds in the SBAA Trust Fund and consistent with the investment guidelines for the SBAA Trust Fund. The Board may in its discretion determine an alternate return measure for Deferred Award Account balances effective for future Plan Years.

(c) The Deferred Award credited to the Participant as of the first anniversary of the Payment Determination Date on which the Deferred Award was earned, plus any unpaid earnings thereon, will be paid in a lump sum to the Participant as soon as practicable following such first anniversary date, but in no event later than December 31 of that calendar year; provided, however, that the Participant must be employed by the SBA at the time such award is paid.

(d) In the event the Trust Fund has a negative return on an absolute basis for any Fiscal Year immediately preceding the date on which a Deferred Award otherwise would be payable, then the payment of any amounts in the Deferred Award Account shall continue to be deferred ("Delayed Deferred Award"), and the Participant shall not be entitled to receive, the Delayed Deferred Award unless and until the Trust Fund has a Positive Return Period that is certified for the Trust Fund in accordance with Section 6.2. Upon the certification of such Positive Return Period, the SBA shall pay to the Participant the Delayed Deferred Award (and any earnings thereon) as soon as practicable but on or before the later of the following dates: (i) the first anniversary of the last day of the applicable Plan Year or (ii) Short-Term Deferred Date.

(e) Participants forfeit all Delayed Lump Sums, Delayed Deferred Awards and Deferred Award Accounts upon termination of employment with SBA for any reason, other than for death or Disability. In the case of termination upon death or Disability the balance of the Participant's Delayed Lump Sums, Deferred Awards and Delayed Deferred Awards shall be paid to the Participant (or in the event of death, his or her estate) as soon as practicable following the date of such termination event (i.e. the date of death or Disability), but in no event later than December 31 of the calendar year containing that date.

6.4 One-Time Vesting and Payment Upon Becoming Retirement Eligible. Notwithstanding anything to the contrary and subject to Section 7.3, upon the date the Participant becomes Retirement Eligible (the "Retirement Eligible Date") while employed in the Eligible Position and regardless of whether the Participant actually retires, the balance of the Participant's Delayed Lump Sums, Deferred Awards and Delayed Deferred Awards shall be paid to the Participant as soon as practicable following the Retirement Eligible Date, but in no event later than December 31 of the calendar year containing that date. For the avoidance of doubt, the accelerated vesting and payment provided under this Section 6.4 shall only apply, if at all, to the Participant one time and does not apply if the Participant is or becomes Retirement Eligible prior to, or during, his or her first Plan Year of participation in the Plan.

Article 7. Termination of Employment

7.1 Termination of Employment Due to Death or Disability. In the event that a Participant terminates employment due to death or Disability, the Participant (or, in the event of death, the Participant's estate) shall be entitled to the payout of the Incentive Award for the Plan Year in which termination occurred based on the SBA's achievement of Organizational Financial Performance for such Plan Year. Any earned Incentive Award shall be calculated prorata based upon the Participant's Salary paid for time worked during the Plan Year on a daily basis through the date of such termination event. Notwithstanding any negative return delay in Section 6.2 to the contrary, the Participant (or, in the event of death, the Participant's estate) shall be entitled to payment of the entire pro-rata portion of any earned Incentive Award (i.e. the Deferred Award portion) as soon as practicable following the applicable Payment Determination Date for such Plan Year, but in no event later than December 31 of the calendar year in which such termination event occurs.

7.2 Termination of Employment for Other Reasons and Other Conditions. The payment of an Incentive Award (whether Lump Sum, Delayed Lump Sum, Deferred Award or Delayed Deferred Award) is conditioned on the Participant being in continuous employment with SBA from the grant date of the Incentive Opportunity through the date of payment for that Incentive Award. In the event that a Participant incurs a termination of employment from SBA for any reason other than death or Disability the Participant's participation shall immediately end and no unpaid Incentive Award for any Plan Year shall be payable to the Participant.

7.3 Forfeiture upon Disabling Conduct. Notwithstanding anything to the contrary, if the Participant is terminated for Disabling Conduct from the SBA prior to payment of any and all Incentive Awards, including Lump Sums, Delayed Lump Sums, Deferred Awards, and Delayed Deferred Awards, the Participant will immediately and automatically, without any action on the part of the Participant or the SBA, forfeit his or her right to the payment of such awards.

Article 8. Rights of Employees

8.1 Employment. Nothing in the Plan shall interfere with or limit in any way the right of the Board to terminate the Participant's employment at any time, nor confer upon the Participant any right to continue in the employ of SBA.

8.2 Participation. The Participant shall not have the right to be selected to participate, or, having been so selected, to receive a future Incentive Award. Neither the Participant nor his or her beneficiaries shall have any right to receive a distribution under the Plan except in accordance with the terms of the Plan.

8.3 Nontransferability. No interest of any person in an Incentive Award, or right to receive a distribution under the Plan, shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor may such interest or right to receive a distribution be taken, either voluntarily or involuntarily for the satisfaction of the debts of, or other obligations or claims against, such person.

Article 9. Amendment, Modification, and Termination

The Board may at any time terminate, amend, modify, or suspend this Plan. However, following the end of a Plan Year in which there was an Incentive Award, no such termination, amendment, modification, or suspension of the Plan shall adversely affect in any material way the payment of the Incentive Award or any portion thereof without the consent of the Participant entitled to payment of the Incentive Award.

Article 10. Legal Status

10.1 Compliance with Code Section 409A. It is intended that this Plan and the Incentive Awards paid under this Plan shall be exempt from Code section 409A pursuant to the "short-term deferral" exemption under Treasury Regulation Section 1.409A-1(b)(4) (the "Short-Term Deferral Exemption"). All Incentive Awards are paid in the calendar year in which such awards are vested and, accordingly, the Incentive Awards do not constitute deferred compensation and fall outside the scope of Code section 409A. Further, in the case of a Delayed Lump Sum, Deferred Award, or Delayed Deferred Award, such amount remains continuously subject to a "substantial risk of forfeiture" at all times from the beginning of the applicable Performance Period through the last day of the additional deferral period, as described in Section 6.2 or 6.3, as applicable. As a result, each amount also is paid shortly following the date in which such award vests and falls outside the scope of Code section 409A in accordance with the Short-Term Deferral Exemption.

10.2 Compliance with Code Section 457(f). In the case of a Deferred Award, until the lapse of the additional deferral periods and payment of the Deferred Award Account in accordance with Section 6.3, such Deferred Award Account remains continuously subject to a "substantial risk of forfeiture" at all times from the beginning of the Plan Year through the applicable payment date and is not subject to income inclusion under Code section 457(f).

10.3 Compliance with ERISA. The Plan constitutes a governmental plan within the meaning of Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") as well as a "bonus program" in accordance with Department of Labor Regulation Section 2510.3-2(c) that does not constitute an "employee pension benefit plan" and, therefore, the Plan is not subject to the ERISA.

10.4 Administrative Compliance. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with the intentions set forth above in Sections 10.1, 10.2, and 10.3.

Article 11. Funding

The amounts under this Plan shall be paid from the general assets of the SBA and the SBAA Trust Fund, and the Participant shall have no right, title, or interest in or to investments, if any, which SBA or the SBAA Trust Fund may make to assist it in meeting its obligations under this Plan. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a fiduciary relationship between SBA, the SBAA Trust Fund and the Participant or any other person. To the extent that any person acquires a right to receive a payment from SBA or the SBAA Trust Fund under this Plan, such right shall be no greater than the right of an unsecured creditor.

Article 12. Withholding

SBA shall have the power and the right to deduct, withhold, or require a Participant to remit to SBA an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan.

Article 13. Successors

All obligations of SBA under the Plan with respect to Incentive Awards granted hereunder shall be binding on any successor to SBA, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the operations and/or assets of SBA.

Article 14. Legal Construction

14.1 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

14.2 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

14.3 Requirements of Law. The payments of Incentive Awards and Deferred Award Accounts under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

14.4 Governing Law. The Plan and all agreements hereunder shall be construed in accordance with and governed by the laws of the State of Florida.

IN WITNESS WHEREOF, State Board of Administration of Florida has approved and adopted this State Board of Administration of Florida Incentive Compensation Plan for the Executive Director & CIO at a public meeting of the Board on this 5th day of August, 2015.

STATE BOARD OF ADMINISTRATION OF FLORIDA

By: ________________________
Rick Scott
Dated: __________ Governor as Chairman

By: ________________________
Jeff Atwater
Dated: __________ Chief Financial Officer

By: ________________________
Pam Bondi
Dated: __________ Attorney General

APPENDIX TO

STATE BOARD OF ADMINISTRATION
OF FLORIDA

INCENTIVE COMPENSATION PLAN

FOR THE EXECUTIVE DIRECTOR & CIO

(EFFECTIVE AS OF JULY 1, 2015)

As used in this Appendix:

(i) "Maximum" shall mean 50 basis points of Value Added (as defined below).

(ii) "Target" shall mean 25 basis points of Value Added.

(iii) "Threshold" shall mean 5 basis points of Value Added.

(iv) "Value Added" shall mean the extent, in basis points, that investment performance of the Trust Fund, determined and calculated pursuant to SBA Policies 10-062 and 20-511 and using final numbers and asset values derived from the Trust Fund's annual financial statements that are audited by the SBA's independent external auditors, exceeds the return on the Trust Fund's total fund benchmark, determined and calculated with reference to the Target Portfolio described in Trust Fund IPS.

As set forth in Articles 5 and 6 of the Plan, the Incentive Opportunity shall be as follows:

Incentive as a % of Salary

	Mix	Threshold	Target	Maximum
Total Incentive Opportunity	100%	17.500%	35.000%	52.500%
Organization Financial Performance	85%	14.875%	29.750%	44.625%
Individual Performance	15%	Up to 2.625%	Up to 5.250%	Up to 7.875%

As set forth in Articles 5 and 6 of the Plan, the Incentive Opportunity shall be adjusted for instances where Value Added exceeds the Threshold but otherwise falls between the ranges set forth above. In those instances, the Incentive Opportunity as a percentage of Salary shall be interpolated mathematically in accordance with the attached table. For the avoidance of doubt, in no instance shall the Incentive Opportunity as a percentage of Salary exceed the Maximum.

Organizational Financial Performance

The Organizational Financial Performance for the Executive Director & CIO will be measured by the Value Added. There is no Incentive Opportunity for Organizational Financial Performance unless Value Added exceeds Threshold (as described in Section 5.1 of the Plan). The targeted level of Incentive Opportunity for Organizational Financial Performance for the Executive Director & CIO is Target. The Incentive Opportunity for Organizational Financial Performance is capped at Maximum, and there is no Incentive Opportunity for Value Added that exceeds Maximum.

As indicated in the above chart, Organizational Financial Performance shall constitute 85% of the Incentive Opportunity, as adjusted for instances where Value Added exceeds Threshold but otherwise fall within the ranges set forth above.

Individual Performance

Individual Performance shall be determined based on the following categories to be equally weighted, and the Board, in its discretion, may consider recommendations from the IAC that bear on the Participant's performance in these categories:

- Overall mission
- People
- Efficiencies/Infrastructure/Operations
- Interactions with the IAC, Participant Local Government Advisory Council and Audit Committee

In determining that portion of the Incentive Award attributable to Individual Performance, the maximum amount that may be awarded and approved is that percentage (up to 15% of the Incentive Opportunity – i.e. 7.875% of Salary) that corresponds to the Threshold, Target or Maximum amounts used to calculate Organizational Financial Performance (e.g. see chart above) but also including in such capped amount any interpolation therein in the event Organizational Financial Performance falls between ranges as contemplated by Section 5.2 of the Plan. [For example, if the 15 bps of value was added to the total fund benchmark for the Trust Fund (i.e. between the Threshold and the Target), the maximum of the portion of the Incentive Award attributable to Individual Performance would be 3.9375% of Salary].

Interpolation Table:

	Value Added (bps)	Defined % of Salary	Interpolated % of Salary
Threshold	5	17.50%	17.5%
	6		18.4%
	7		19.3%
	8		20.1%
	9		21.0%
	10		21.9%
	11		22.8%
	12		23.6%
	13		24.5%
	14		25.4%
	15		26.3%
	16		27.1%
	17		28.0%
	18		28.9%
	19		29.8%
	20		30.6%
	21		31.5%
	22		32.4%
	23		33.3%
	24		34.1%
Target	25	35.00%	35.0%
	26		35.7%
	27		36.4%
	28		37.1%
	29		37.8%
	30		38.5%
	31		39.2%
	32		39.9%
	33		40.6%
	34		41.3%
	35		42.0%
	36		42.7%
	37		43.4%
	38		44.1%
	39		44.8%
	40		45.5%
	41		46.2%
	42		46.9%
	43		47.6%
	44		48.3%
	45		49.0%
	46		49.7%
	47		50.4%
	48		51.1%
	49		51.8%
Max	50	52.50%	52.5%
Above	50		52.5%