

MEETING OF THE STATE BOARD OF ADMINISTRATION

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

May 5, 2015

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AGENDA - REVISED

ITEM 1. REQUEST APPROVAL OF THE MINUTES OF THE MARCH 24, 2015 MEETING.

(See Attachment 1A)

ACTION REQUIRED

ITEM 2. REQUEST APPROVAL OF A FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING \$9,250,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (SPRING MANOR APARTMENTS). THE RESOLUTION ALSO REQUESTS THAT THE STATE BOARD OF ADMINISTRATION RESCIND ITS APPROVAL OF FISCAL DETERMINATION WITH RESPECT TO THE PREVIOUSLY APPROVED BONDS AT ITS APRIL 14, 2015 MEETING.

(See Attachment 2A)

ACTION REQUIRED

ITEM 3. REQUEST APPROVAL OF THE STATE BOARD OF ADMINISTRATION'S PROPOSED BUDGETS FOR FISCAL YEAR 2015-2016: (1) STATE BOARD OF ADMINISTRATION; (2) FRS INVESTMENT PLAN; (3) FLORIDA HURRICANE CATASTROPHE FUND; (4) DIVISION OF BOND FINANCE; AND (5) FLORIDA PREPAID COLLEGE BOARD.

(See Attachment 3A) – BACKUP TO FOLLOW

ACTION REQUIRED

GOOD CAUSE ITEM.

ITEM 4. REQUEST APPROVAL OF THE REAPPOINTMENTS OF LES DANIELS AND MICHAEL PRICE, AND THE APPOINTMENT OF BOBBY JONES TO THE INVESTMENT ADVISORY COUNCIL (S. 215.444, F.S.).

(See Attachments 4A – 4C)

ACTION REQUIRED

I N D E X

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GOVERNOR SCOTT: Good morning. Good morning. I
welcome to the March 24th Cabinet meeting.

Invocation will be by Pastor Ben Keampfer.
Please remain standing after the invocation, for the
Pledge of Allegiance, by Girl Scout Troop 450.

So please stand up.

(Thereupon, Invocation was given.)

1 *****

2 STATE BOARD OF ADMINISTRATION

3 *****

4 GOVERNOR SCOTT: Next is Ash Williams with the

5 State Board of Administration.

6 Good afternoon, Ash.

7 MR. WILLIAMS: Afternoon, Governor, Cabinet

8 members. For openers, update on the fiscal year. To

9 date, the Florida Retirement System Trust Fund is up

10 3.2 percent. That's 98 basis points ahead of target;

11 leaves us with a balance of \$154 billion. That's an

12 all-time record high with the balance of Retirement

13 System Trust Fund.

14 GOVERNOR SCOTT: Ash, to get back to that. So

15 the time frame is what time frame?

16 MR. WILLIAMS: This is fiscal to date.

17 GOVERNOR SCOTT: This is as of July 1? And what

18 is the percentage?

19 MR. WILLIAMS: 3.72.

20 GOVERNOR SCOTT: Okay.

21 MR. WILLIAMS: And that puts the fund up \$1.3

22 billion fiscal year-to-date, net of 4.8 approximately

23 in distributions.

24 Item 1: Request approval of the quarterly report

25 required by the protecting Florida's Investment Act.

1 This is, of course, the legislation we had that
2 involves overseeing Sudan and Iran. And the summary
3 of the actions for the period are that, with regard to
4 Sudan, there's been one company added and two removed
5 from the scrutinized list; none added and one removed
6 from the continued observations list.

7 And with regard to Iran, same thing on the
8 scrutinized side and one added and one taken away from
9 the continued examination side. Request approval of
10 the report.

11 GOVERNOR SCOTT: Is there a motion to approve
12 Item 1?

13 ATTORNEY GENERAL BONDI: So moved.

14 GOVERNOR SCOTT: Is there a second?

15 CHIEF FINANCIAL OFFICER ATWATER: Second.

16 GOVERNOR SCOTT: Any comments or objections?
17 Hearing none, the motion carries.

18 MR. WILLIAMS: Thank you.

19 Item 2: Request approval of a draft letter to
20 the joint legislative auditing committee affirming
21 that the SBA Trustees have reviewed and approved the
22 monthly Florida Prime and Fund B Management reports
23 and have taken actions to address any material
24 impacts. There were no material impacts.

25 Request approval.

1 GOVERNOR SCOTT: Is there a motion to approve?

2 CHIEF FINANCIAL OFFICER ATWATER: So moved.

3 GOVERNOR SCOTT: Is there a second?

4 ATTORNEY GENERAL BONDI: Second.

5 GOVERNOR SCOTT: Any comments or objections?

6 Hearing none, the motion carries.

7 MR. WILLIAMS: Thank you.

8 Item 3: Request approval of a draft letter
9 certifying that the Trustees have approved the Auditor
10 General's financial report of the Local Government
11 Surplus Funds Trust Fund, now known as Florida Prime.
12 The Auditor General did not report any material
13 deficiencies.

14 Request approval.

15 GOVERNOR SCOTT: Is there a motion to approve?

16 ATTORNEY GENERAL BONDI: So moved.

17 CHIEF FINANCIAL OFFICER ATWATER: Second.

18 GOVERNOR SCOTT: Any comments or objections?

19 Hearing none, the motion carries.

20 MR. WILLIAMS: Thank you.

21 Item 4: Request approval of the reappointment of
22 Les Daniels and Michael Price to the Investment
23 Advisory Council.

24 Mr. Daniels has served for the past year as the
25 Chairman for the Investment Advisory Council and was

1 originally appointed back in 2011.

2 Likewise, Mr. Price was yesterday elected Vice
3 Chair of the Council. He, too, was appointed in 2011.
4 And I would also mention in passing that Mr. Chuck
5 Newman, who served on the council and was vice-chair
6 for a period of time, at his term expire, will not be
7 coming back in February. So I would like to recognize
8 and thank all of those individuals and request
9 approval of those two reappointments.

10 GOVERNOR SCOTT: Is there a motion to approve?

11 ATTORNEY GENERAL BONDI: So moved.

12 GOVERNOR SCOTT: Is there a second?

13 CHIEF FINANCIAL OFFICER ATWATER: Second.

14 GOVERNOR SCOTT: Any comments or objections?

15 Hearing none, the motion carries.

16 MR. WILLIAMS: Thank you.

17 Item 5: We have the quarterly reports of the
18 SBA. And what I would like to do in the interest of
19 time is recognize Mr. Rolf Engmann, (phonetic) the
20 chair of our Audit Committee who has served very, very
21 professionally and is very helpful in that role. And
22 he has a report for you that he would like to share.

23 GOVERNOR SCOTT: Thank you.

24 Thanks for doing this.

25 MR. ENGMANN: Thank you. It's been a pleasure.

1 You have very detailed report, but the big picture is
2 that we had a triennial review of governance, risk
3 management, and compliance, against the standards we
4 had established three years ago, which came about as a
5 result of Crowe Horwath reviewing the work previously
6 done by Deloitte Touche in 2007, 2009.

7 And I'm pleased to say we have provided three
8 objectives, and just to summarize them, they are to
9 measure how advanced the SBA was relative to
10 governance, risk management and compliance (GRC)
11 against the standards that were established in 2011.

12 At the time, in 2011, they considered us midway
13 through the range of possibilities. They considered
14 the SBA highly developed, and I'm pleased to announce
15 at this point, three years later, we are considered
16 advanced, which is the highest ranking you can have.

17 GOVERNOR SCOTT: Good job.

18 MR. ENGMANN: Thank you. The second objective was
19 to insure that the various lines of defense, which is
20 described in the report as management, is the first
21 line of defense. They have to embrace risk management
22 practices to be part of the management protocol which
23 is a separate effort.

24 There is a compliance function which becomes the
25 second line of defense. The third line of defense is

1 the Internal Audit Department, the Office of Internal
2 Audit. And they went through a series of evaluations
3 to determine each one was carrying out the role as
4 prescribed, and there was objectivity and independence
5 in all of the roles, so the second objective was met
6 without any exceptions.

7 Finally, they conducted a benchmark best
8 practices review of the 10 largest US public pension
9 plans, including the SBA of Florida and all but one.
10 New Jersey participated, and as a result of that
11 survey they used, the Forester model, that looks at
12 how is GRC overseeing, and it actually evaluated the
13 Board of Trustees, the various advisory councils, the
14 Audit Committee, and other governing practices like
15 risk committees in the SBA.

16 They sent out a survey. They got the surveys
17 back, and as a result of that, they were able to
18 conclude that in most parts we are either establishing
19 best practices or we are with best practices. They
20 gave the SBA eight items to consider more into the
21 future. We're in good shape right now, but as the SBA
22 continues to take on more challenges, they're kind of
23 stretching the bar a little bit for us. This is not
24 necessarily recommendations that we have to consider,
25 but we'll -- the Audit Committee will work with the

1 SBA team to continually evaluate those eight points.

2 The eighth point has to do with seven specific
3 ideas, considerations, relative to maintaining the
4 high stature of the GRC program, and we'll work
5 specifically to have that evaluated during the course
6 of the next three to six months.

7 And other than that, everything has worked out
8 well. The risk management function is highly
9 functional. It is very much used in the management,
10 day-to-day management. It's not an additional
11 function, and I'm pleased to say the Office of
12 Internal Audit also has access and there's good
13 collaboration there.

14 So I'm pleased to announce the work done by SBA,
15 the Risk and Compliance team, and the Office of
16 Internal Audit, Advisory Council, you all, and the
17 Audit Committee, we come up looking very, very well,
18 and it's substantive; it's not just a report.

19 So if you have any questions?

20 GOVERNOR SCOTT: Any questions?

21 CHIEF FINANCIAL OFFICER ATWATER: Governor,
22 Mr. Ingman, when is your last day as a volunteer of
23 the Audit Committee?

24 MR. ENGMANN: The end of next month.

25 CHIEF FINANCIAL OFFICER ATWATER: The end of next

1 month?

2 MR. ENGMANN: Yeah.

3 CHIEF FINANCIAL OFFICER ATWATER: I know the
4 Attorney General has a subcommittee that has the
5 privilege of identifying people across the State of
6 Florida. I just want to say thank you. I had the
7 privilege of knowing Rolf for many years, and he had
8 an extraordinary financial services background.

9 I think you've helped us significantly. I wish
10 you would consider staying, but I understand.

11 GOVERNOR SCOTT: Doesn't take a lot of time, does
12 it?

13 CHIEF FINANCIAL OFFICER ATWATER: Might I add, in
14 the midst of adding an extraordinary husband, father,
15 and business ventures that you've been a part of, I
16 think it's December 5th you will be ordained as a
17 Deacon in the Catholic church. So this is just an
18 incredibly admired commitment you've had for all of
19 us, a person of service, and thank you for what you've
20 done for the State of Florida.

21 MR. ENGMANN: It's been my pleasure. There's many
22 great people here, so thank you.

23 ATTORNEY GENERAL BONDI: So you're trying to keep
24 him with us instead of becoming a Deacon in a church?

25 Congratulations.

1 CHIEF FINANCIAL OFFICER ATWATER: We go so far
2 back and he has photos, and I'm trying to keep him
3 close.

4 MR. ENGMANN: We won't go there.

5 GOVERNOR SCOTT: Thank you so much. Good luck.

6 MR. WILLIAMS: All right. So moving into our
7 other --

8 GOVERNOR SCOTT: Wait, I don't think we did the
9 motion on that one. Is there a motion to accept the
10 reports?

11 ATTORNEY GENERAL BONDI: Motion.

12 CHIEF FINANCIAL OFFICER ATWATER: Second.

13 GOVERNOR SCOTT: Any comments or objections?

14 Hearing none, the motion carries.

15 Now we're at item six, right?

16 MR. WILLIAMS: Well, not exactly. Continuing
17 with item five for a minute.

18 GOVERNOR SCOTT: You have more?

19 MR. WILLIAMS: Yes. I just want to draw to the
20 trustees' attention that the normal reports that we
21 have that are quarterly reports from our Inspector
22 General, General Counsel, Chief Risk and Compliance
23 Officer, PLGAC, et cetera, are all here for your
24 review. We also have summary performance information
25 on all of our major mandates, and we have Mr. Steve

1 Cummings, the Chief Executive of Aon Hewitt, if you
2 would like a brief summary of major mandate
3 performance.

4 GOVERNOR SCOTT: I'm fine. I'm fine without it.
5 Does anybody else need it?

6 ATTORNEY GENERAL BONDI: No.

7 MR. WILLIAMS: Okay, good. In that case, moving
8 onto Item 6. Request approval of an authority to file
9 notice of proposed rules for Rules 19-8029 ensuring
10 reporting requirements, and 19-8030 of insurer
11 responsibilities. These are essentially the data
12 capture rules for the Cat fund.

13 GOVERNOR SCOTT: Is there a motion to approve?

14 CHIEF FINANCIAL OFFICER ATWATER: So moved.

15 GOVERNOR SCOTT: Is there a second?

16 ATTORNEY GENERAL BONDI: Second.

17 GOVERNOR SCOTT: Any comments or objections?
18 Hearing none, the motion carries.

19 MR. WILLIAMS: Thank you.

20 Item 7: Request approval of resolution of the
21 State Board of Administration, determining that the
22 execution of risk transfer arrangements and the
23 issuance of pre-event revenue bonds or notes in a
24 combined amount, up to but not exceeding \$2.2 billion,
25 would maximize the ability of the Florida Hurricane

1 Catastrophe Fund to meet future obligations, and
2 delegating to the Executive Director the authority to
3 consider, negotiate and execute risk transfer
4 arrangements authorized by Section 215 Florida
5 Statutes, and any aggregate of up to \$2.2 billion, and
6 likewise, directioning the State Board of
7 Administration Finance Corporation to issue pre-event
8 revenue bonds or notes in a principal amount, up to
9 but not exceeding \$2.2 billion.

10 Now, as we've discussed -- as I've discussed with
11 each of your offices, the idea here is for us to be
12 able to go into the market, take advantage --
13 potentially take advantage of historically low
14 reinsurance rates, together with the fact that the
15 Hurricane Catastrophe Fund is in the strongest
16 position it has ever been in, which means that the
17 attachment point for any risk transfer product we
18 might find attractive would be higher than it would
19 otherwise be; meaning, the probability of it being
20 attached is lower; meaning, that it's cost would be
21 cheaper.

22 That's a lot to bite off, I know, but suffice it
23 to say, we've never had the stars line up in this way,
24 and it could be that we could get an extraordinarily
25 good value on transferring risk to the private sector,

1 which ultimately could help protect Floridians from
2 cost in the event of a major wind event. This would
3 also give us the flexibility to potentially take
4 advantage of the very low interest rate environment
5 that we continue to be in to do additional pre-event
6 issuance.

7 We are not reaching the conclusion that we would
8 do either of these two things. What we would like to
9 do is go into the market through reinsurance broker
10 and really assess what we can accomplish, and what it
11 would cost; whether we think there's value there, and
12 keep your offices informed; come back to you report as
13 appropriate in public meetings and go on from there.

14 GOVERNOR SCOTT: Sure.

15 ATTORNEY GENERAL BONDI: And Ash, that was my
16 request, through the office, that you report back,
17 because it is of course \$2.2 billion; would you report
18 back to us at each Cabinet meeting as you progress in
19 this?

20 MR. WILLIAMS: Yes.

21 ATTORNEY GENERAL BONDI: As well as or staff
22 during the way?

23 MR. WILLIAMS: Sure.

24 GOVERNOR SCOTT: CFO?

25 CHIEF FINANCIAL OFFICER ATWATER: Thank you,

1 Governor.

2 To that end, let me ask about how cumbersome that
3 would be, or how challenging it might be to get the
4 best possible arrangement if the request was not just
5 that you kept in touch, but that being we'll back
6 together in two weeks. I take it final decisions
7 won't be made as to the actual negotiation but far
8 beyond or at least beyond that.

9 How much of a concern is it to the ability to
10 negotiate if, in fact, that was brought back to us
11 with a sense of, here are the rates, here would be the
12 approximate cost that would be involved in either of
13 these types of transactions before we move on?

14 MR. WILLIAMS: So that I'm sure I understand your
15 question, CFO, it is the question of whether that
16 process would in any way hinder our negotiating power?

17 CHIEF FINANCIAL OFFICER ATWATER: Yeah. What we
18 -- at least what I don't want to do is for you to
19 later say, "If I had the flexibility, I could have
20 gone out there and slam-dunked something, Atwater, but
21 you made me come back and get your approval."

22 MR. WILLIAMS: Right.

23 CHIEF FINANCIAL OFFICER ATWATER: So that's cut
24 to the chase.

25 Or say, "Look, the time line, this is going to

1 play out, we can come back to you with a pretty good
2 sense of rate and maybe a better sense of whether
3 we're going to talk about half a billion on the bond
4 side and half a billion -- and here's where we would
5 see that cost, and I get a chance to size it up and be
6 fully informed. That's what I'm asking.

7 MR. WILLIAMS: Right. And the short answer is I
8 don't have a clear answer for you. I think what I
9 would do is, obviously, we're going to your -- on the
10 side of transparency, and making sure this whole
11 process is conducted in a manner that there could be
12 no doubt in anybody's mind as to its merit, or its
13 objectivity, or accessibility, or visibility with
14 documentation, or any of those other good things.

15 So, I guess what I would say is to the extent
16 we're going through the exercise and felt we had any
17 sort of time constraint, then I would obviously advise
18 you and tell you right where we are, by way of some
19 collective written notification that's a public
20 document. And if the desire was that we wanted to
21 come back and affirm a final decision in the public
22 meeting of the body; and if the stars lined up so that
23 the timing is relative to the start of hurricane
24 season were challenging, then I would recommend a
25 special meeting. I don't know that we would be at

1 that point, but I think we can negotiate pretty hard
2 with people in whatever way we need to. So I'm not
3 sure this would handicap us to come back.

4 GOVERNOR SCOTT: You realize, I think the notice
5 requirements would require seven days notice.

6 MR. WILLIAMS: Right.

7 CHIEF FINANCIAL OFFICER ATWATER: I take it you
8 don't anticipate this coming to conclusion before the
9 first week of April Cabinet meeting?

10 MR. WILLIAMS: No, I don't see that. Because the
11 process is we've got to select a reinsurance broker
12 from our existing financial services team, put them in
13 the field. They then need to go out and conduct
14 whatever essential negotiations providers and provide
15 recommendations to us, which we then need to sit down
16 with them and analyze and understand. And to the
17 extent tactically it makes sense to go back to the
18 well at with all, I just don't know what the timing
19 would be involved in that.

20 I'm told that two other factors that make this
21 exercise appealing are: First, I've already mentioned
22 costs are lower than they've already been. That is a
23 function of the second factor, which is global
24 reinsurance capacity is larger than it has ever been
25 and as a consequence of those factors, reinsurers are

1 should we say hungry for new business and new business
2 for double credits I think is particularly desirable.

3 So I think we're going to get a lot of interest
4 and a lot of response from the industry, but until we
5 see what the numbers look like and what the terms look
6 like, I don't know whether I'll come back to you with
7 a recommendation to go forward at all. I want to see
8 what's in the card and whether we think its in the
9 public interest, and we'll advise accordingly but I
10 don't think it's going to more than 10 days. I think
11 it's more of an exercise than that.

12 CHIEF FINANCIAL OFFICER ATWATER: So we would not
13 be causing heartache to get the best rate for Florida
14 if we were to ask that we could make this decision as
15 to amount and go forward and do good work at a later
16 meeting, in the next meeting, when you might have some
17 actual numbers in front of us.

18 MR. WILLIAMS: At a minimum, I would say that at
19 the next meeting, I will give you the most thorough
20 report that I can based on what we were able to
21 accomplish. And if that report includes -- by the
22 way, now that we've really gotten into what the
23 process is going to involve: Here is what requires,
24 here is what the likely runway, and that will
25 constrain us on time given when the next scheduled

1 meeting is, vis a vis, the start of hurricane season,
2 I would advise you on that and we can collectively
3 make a decision on how to resolve it in a constructive
4 way.

5 CHIEF FINANCIAL OFFICER ATWATER: Then it's my
6 sense I would rather defer on this action now
7 knowing that. I'm okay with you going out, but I
8 would like to know more of how the playing field looks
9 before just saying let me know how the 2.2 billion
10 comes out.

11 MR. WILLIAMS: So when you say you want to defer
12 this item?

13 CHIEF FINANCIAL OFFICER ATWATER: Well, we can do
14 it one of two ways.

15 Say, go forward, I'm going to vote on this item
16 and I will before the ink is dry on --

17 ATTORNEY GENERAL BONDI: Before any final action.

18 CHIEF FINANCIAL OFFICER ATWATER: -- I would like
19 to know. I'm saying to you -- I may be the only
20 one -- I would like to know if we're going to go 600
21 million in this direction and 300 in that direction.
22 These are your price points; this is what will no put
23 to reserve but we've put that reserve somewhere else.

24 MR. WILLIAMS: That's fine with me. I just
25 wanted clear authority to go forward.

1 GOVERNOR SCOTT: Here's the way I think -- what I
2 don't want to do is I don't want to handicap you.
3 You've sort of given me an idea of where the market is
4 and where we're going to be, and we're in a stronger
5 position now than we've ever been in. And so, I'm
6 okay with giving you the authority with your knowing
7 that you're going to come back at each of these
8 meetings, and let us know, and if there's something
9 big that changes, based on what you already have told
10 me, at least -- and I assume you have told the other
11 members of this body -- that you'll come back and tell
12 us there's something that dramatically changed.

13 MR. WILLIAMS: Correct. I'm sorry. Go ahead.

14 ATTORNEY GENERAL BONDI: We're in March now and
15 hurricane season is June. And you feel -- you say
16 with the hunger in the market right now, we should be
17 fine.

18 MR. WILLIAMS: One would hope.

19 ATTORNEY GENERAL BONDI: And I believe he's
20 communicating very well with my office; I would assume
21 your offices as well. As long as you just keep us in
22 the loop, I think we're all really saying the same
23 thing. It's just a lot of money.

24 MR. WILLIAMS: I have absolutely no interest in
25 working without a net. That's a career-shortening

1 habit.

2 CHIEF FINANCIAL OFFICER ATWATER: I'm not sure we
3 are. I'm not sure we are. I'm suggesting that I
4 would like to see numbers that you're telling me.
5 This is before I say, "Cut loose and go."

6 But that may be different than the others have
7 said to you. There's a comfort level: Just keep us
8 informed. And I'm going to keep you informed, I would
9 like to vote on that.

10 MR. WILLIAMS: Trust and verify maybe a phrase --

11 ATTORNEY GENERAL BONDI: Yeah, I would like to be
12 kept informed if there's a final decision, unless it's
13 going to handicap us ultimately, and you said it will
14 not.

15 MR. WILLIAMS: I have no reason to believe at
16 this point. And at such time that I develop that
17 perception, I'll tell you immediately.

18 But again, going back to where I started, my view
19 would be we will keep you informed with a high degree
20 of specificity of exactly where we are and never seek
21 to go forward without a clear understanding of what
22 those numbers and scale and everything else are and go
23 on that basis, and I'm happy to come back to you.

24 CHIEF FINANCIAL OFFICER ATWATER: But do you --
25 this resolution provides you with the ability to not

1 only keep me informed but to close the deal without
2 any other action by me?

3 MR. WILLIAMS: As is written it probably could,
4 but it would not be my intention to do that.

5 CHIEF FINANCIAL OFFICER ATWATER: Okay. Maybe
6 now we're on the same page.

7 MR. WILLIAMS: I hear you.

8 GOVERNOR SCOTT: All right. So there's a motion.
9 So you made recommended a motion. Is anybody ready to
10 do that one or do you want to change it?

11 ATTORNEY GENERAL BONDI: That's up to you, CFO.

12 CHIEF FINANCIAL OFFICER ATWATER: Well, I think
13 we're all slightly in a slightly different place, and
14 I think that's okay that we are. I think you have --
15 I think you're right. I think there is time. I think
16 there is a market place hungry to place capital out
17 there. And you're right, if we have to be in a buying
18 place, that's a good thing for the taxpayers of
19 Florida. And consumers may ultimately get shifted the
20 burden if risks or tragedy occurs here.

21 But at this stage, I would sure be more
22 comfortable if you were to come back with something.
23 Right now we're 2.2; it could be a mix of 2.2 -- it
24 could be one billion down the middle -- what that cost
25 is going to be before I would like to say, "Okay, I'm

1 I get that;" me buying reinsurance on top of burning
2 through 11 billion before I get to it is worth me
3 doing that. That's a place I want to be sure I
4 understand the cost when doing that.

5 That does hamper you. I'm going to be honest.
6 And I'm thinking between now and the first week of
7 April or second week of April, before you would have
8 taken the transaction to completion anyways, you'll
9 have a better sense of that.

10 MR. WILLIAMS: I think that's correct. And as I
11 said, I'll report to you as soon as we know anything
12 worthy of reporting; keep you informed. I have no
13 interest, whatsoever, in going forward with you blind
14 in the transaction. This has to be transparent. I
15 understand the chain of authority, and you have my
16 commitment you're not going to have any surprises.

17 GOVERNOR SCOTT: So is there a motion?

18 CFO, do you have a motion you would like to make?

19 CHIEF FINANCIAL OFFICER ATWATER: I'm not sure
20 it's one that the rest of the Cabinet may be
21 comfortable with, but my motion would be that you
22 would please go to begin a process of seeing about
23 placing \$2.2 billion in the marketplace, but before
24 pulling the trigger, before signing a deal as to where
25 those would be placed at and the cost, that the

1 Cabinet would be informed with a chance to affirm that
2 looks like the right kind of pricing and the right
3 kind of number. That's where I'm at.

4 ATTORNEY GENERAL BONDI: I'm fine with that,
5 Governor, unless you have a problem with that.

6 GOVERNOR SCOTT: No. Go ahead.

7 MR. WILLIAMS: One clarification, I believe, the
8 way you said that, CFO, was go to the market for \$2.2
9 billion of risk transfer.

10 CHIEF FINANCIAL OFFICER ATWATER: No, sorry.
11 You're looking at different instruments here. I just
12 would like a greater sense of just, at this point in
13 March, saying 2.2 billion could be all in one place or
14 split down the middle.

15 MR. WILLIAMS: Or could be less than that.

16 CHIEF FINANCIAL OFFICER ATWATER: Or it could be
17 zero.

18 MR. WILLIAMS: It could be zero.

19 CHIEF FINANCIAL OFFICER ATWATER: It seems to me
20 that I want you to know I think that's prudent. I
21 think that's a prudent exercise to go forward. I
22 would just like to see a more defined sense of what
23 your recommendation would be. That next time I don't
24 intend on saying, "At that rate for that specific
25 dollar amount," but I would like to see what you're

1 finding and say, "This is kind of the ballpark and
2 this is how we're narrowing down. This is a sense of
3 where we would go;" I would like to see that before we
4 vote on it. I may be, again, a little maybe --

5 MR. WILLIAMS: No issue. I understand you
6 completely.

7 GOVERNOR SCOTT: Okay. So the motion, as far as
8 I heard, you have no authority other than to go out
9 and find out what the market is.

10 MR. WILLIAMS: We'll go find out.

11 GOVERNOR SCOTT: And you go find out. So if we
12 go through with CFO's motion then you'll just go out
13 and find whatever the market is, and you'll come back
14 on April 14th with telling you us where you think the
15 market is and a little better idea of how much risk
16 transfer you think makes sense. And if something
17 happens in the market before then, then, you know,
18 knowing it takes seven day's notice to have a meeting,
19 you will let us know.

20 Is that --

21 ATTORNEY GENERAL BONDI: If I may? And Ash, you
22 don't feel seven days is going to hamper you where we
23 can do this if there's going to be an emergency?
24 Seven days is okay?

25 MR. WILLIAMS: No, no, I don't think so. What

1 I'm saying is that if the process is such that by the
2 next meeting of the board we can't have this down to
3 the level of detail that we need to say, "Here's a
4 specific recommendation. Here's the product. Here's
5 the size. Here's the price." We're talking about not
6 far away at all, and we haven't even selected a
7 reinsurance broker yet.

8 So if we're not at that point, what I'm saying is
9 there's a possibility that the timing of getting to
10 closure might be out of sync with the frequency of
11 available trustees meetings; in which case, as soon as
12 we have some idea of what that time frame looks like,
13 I will advise you in a clear and visible way, and we
14 can decide at that point it can be in a special
15 meeting or what do you want to do, and we can go from
16 there.

17 GOVERNOR SCOTT: Okay. So does everybody
18 understand the motion? Is there a second?

19 ATTORNEY GENERAL BONDI: Second.

20 GOVERNOR SCOTT: Any comments or objections?
21 Hearing none, the motion carries. Anything else?

22 MR. WILLIAMS: So that leaves us in an
23 interesting spot. We normally had planned a follow-up
24 meeting of the SBA Financing Corporation to authorize
25 the debt side of this.

1 Now, given where we now are, is there a reason in
2 proceeding with that?

3 GOVERNOR SCOTT: No.

4 MR. WILLIAMS: Okay, I guess we're good.

5 GOVERNOR SCOTT: Now, you're not going to do
6 anything now and then.

7 MR. WILLIAMS: No.

8 GOVERNOR SCOTT: Between now and April 14th,
9 unless you call and tell us you need to make a
10 decision and knowing that whatever the market is
11 doing, you're not going to be able to make a decision
12 in less than seven days.

13 MR. WILLIAMS: That's fine. We have a clear
14 signal.

15 ATTORNEY GENERAL BONDI: Thanks, Ash.

16 GOVERNOR SCOTT: Thank you. That concludes the
17 meeting. The next meeting is Tuesday, April 14, at
18 9 a.m.

19 Thanks everybody.

20 (Meeting concluded at 1:30 p.m.)

**STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308**

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Determination
DATE: April 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 \$9,250,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (SPRING MANOR APARTMENTS).

The Florida Housing Finance Corporation has submitted for approval as to fiscal determination a proposal to issue an amount not exceeding \$9,250,000 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 Marion County, Florida (Spring Manor 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.

The State Board of Administration has approved the fiscal determination of an amount not exceeding \$8,750,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (Spring Manor Apartments) (the "Previously Approved Bonds") at its April 14, 2015, meeting. The Florida Housing Finance Corporation has requested the State Board of Administration to rescind its approval of fiscal determination with respect to the Previously Approved Bonds.

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 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 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. In addition, it is recommended that the State Board of Administration rescind its approval of fiscal determination with respect to the Previously Approved Bonds.

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 \$9,250,000 FLORIDA HOUSING FINANCE
CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS,
(SERIES TO BE DESIGNATED) (SPRING MANOR APARTMENTS)**

WHEREAS, the Florida Housing Finance Corporation (the "Corporation") proposes to issue an amount not exceeding \$9,250,000 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 Marion County, Florida (Spring Manor 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 Board has approved the fiscal determination of an amount not exceeding \$8,750,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (Spring Manor Apartments) (the "Previously Approved Bonds") at its April 14, 2015, meeting; and,

WHEREAS, the Corporation has requested the Board to rescind its approval of fiscal determination with respect to the Previously Approved Bonds; 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) (Spring Manor Apartments), in an amount not exceeding \$9,250,000, for the uses and purposes hereinabove set forth, it makes the fiscal determination required by Section 420.509, Florida Statutes. In addition, the approval of fiscal determination with respect to the \$8,750,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (Spring Manor Apartments) approved on April 14, 2015, is hereby rescinded.

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 May 5, 2015

April 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 \$9,250,000 Tax-Exempt Bonds
Spring Manor 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.

The State Board of Administration previously approved the Fiscal Determination for an amount not to exceed \$8,750,000 Tax Exempt Bonds for the Spring Manor Apartments (the "Previously Approved Bonds") at its April 14, 2015, meeting. Florida Housing now requests that the State Board of Administration rescind its approval of the Previously Approved Bonds.

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 May 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
Multifamily Programs Administrator

BH/jg

Enclosures

Rick Scott, Governor

Board of Directors: Bernard "Barney" Smith, Chairman • Natacha Munilla, Vice Chairman
Renier Diaz de la Portilla • Ray Dubuque • John David Hawthorne Jr. • Brian Katz • Leonard Tylka • Howard Wheeler
Bill Killingsworth, Florida Department of Economic Opportunity

Executive Director: Stephen P. Auger

Florida Housing Finance Corporation
Multifamily Housing Revenue Bonds, 2015 Series -
(Spring Manor Apartments)

Principal Amount of Bonds Issued: \$ 9,250,000
Interest Rate: 0.600%
Assumed Initial Deposit to the Bond Fund: \$ 79,500.00

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

Date	Funds Available to Pay Debt Service (1)				Debt Service And Fees Payable			Remaining Assets	Princ. & Intr. Debt Coverage Ratio (DCR) (2)
	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)
04/29/2015	\$ 9,250,000.00	\$ 79,500.00		\$ 9,329,500.00		\$ -	\$ -	\$ 9,329,500.00	
10/1/2015	\$ 9,250,000.00	\$ 79,500.00	\$ -	\$ 9,329,500.00	\$ 23,433.33	\$ -	\$ 23,433.33	\$ 9,306,066.67	398.1294
4/1/2016	\$ 9,250,000.00	\$ 56,066.67	\$ -	\$ 9,306,066.67	\$ 27,750.00	\$ -	\$ 27,750.00	\$ 9,278,316.67	335.3538
10/1/2016	\$ 9,250,000.00	\$ 28,316.67	\$ -	\$ 9,278,316.67	\$ 27,750.00	\$ 9,250,000.00	\$ 9,277,750.00	\$ 566.67	1.0001
Total		\$ 9,233.33	\$ -	\$ 9,328,933.33	\$ 78,933.33	\$ 9,250,000.00	\$ 9,328,933.33		

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 FY 2015-16 Proposed Budget

SBA Operations
FRS Investment Plan
Florida Hurricane Catastrophe Fund

Division of Bond Finance
Florida Prepaid College Board

May 5, 2015



State Board of Administration FY 2015-16 Proposed Budget

SBA Operating Budget
May 5, 2015

SBA Proposed Budget FY 2015-16

Asset Management

- Assets Under Management (AUM)
 - \$184 billion AUM as of 2/28/15

- 36 Mandates

Mandate	% of Total \$
FRS Pension Plan	81%
FRS Investment Plan	5%
Florida PRIME	4%
33 Other Mandates	10%

SBA Proposed Budget FY 2015-16

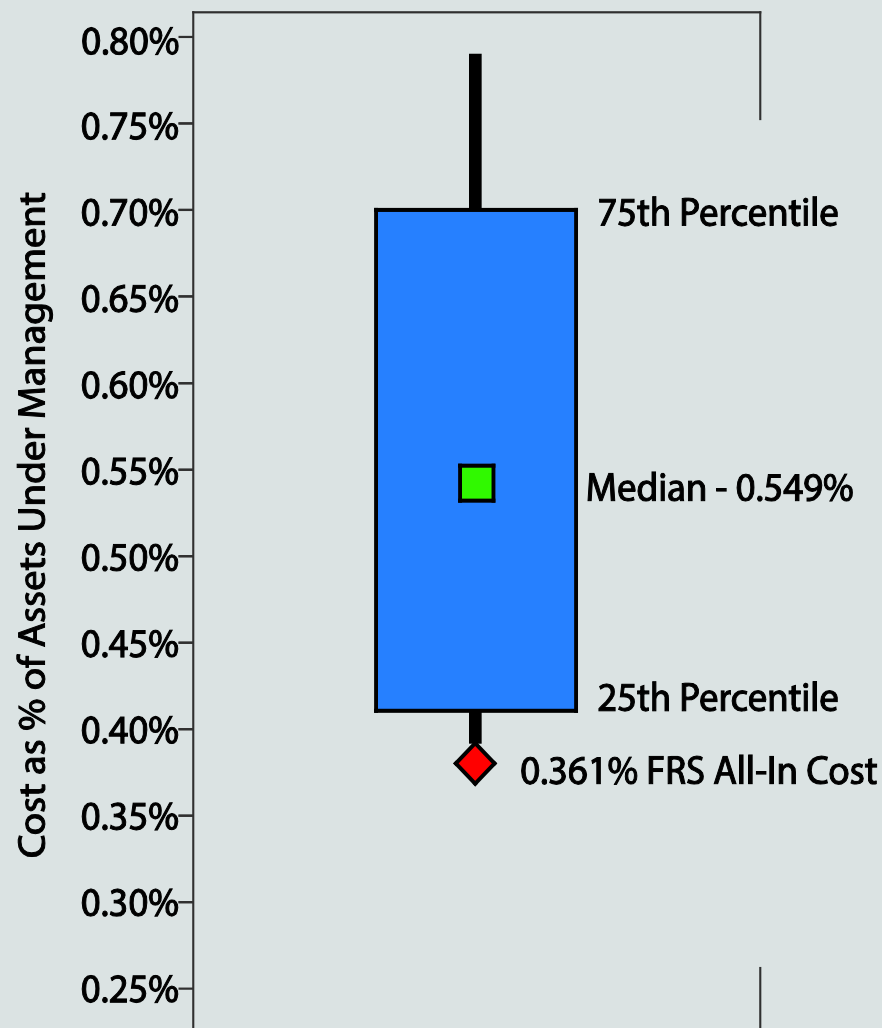
SBA Performance

- Investor Intelligence Awards: 2015 Public Pension Plan of the Year
 - Given by vote of the peer group Awards and announced at the Institutional Investor Public Funds Roundtable on March 22, 2015.
- Three legs of Pension Plan's long-term financial health
 - Solid long-term investment performance
 - Receipt of actuarially required annual contributions
 - Responsible benefit package
- SBA's record of long-term investment performance is solid
 - \$2 of every \$3 paid to a retiree has come from investment gains, not from taxpayers or participants through contributions
 - Every dollar earned through investment performance is a dollar saved by Florida's taxpayers
- Pension Fund net asset value (as of 3/31/15) has risen \$64.5 billion since 3/9/09 bottom despite \$32.4 billion in payouts (net of contributions), so fund investments have returned \$96.9 billion over last 6 years.
 - Value added by the SBA vs. its benchmark during that period was \$5.3 billion

CEM Benchmarking Study Background

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

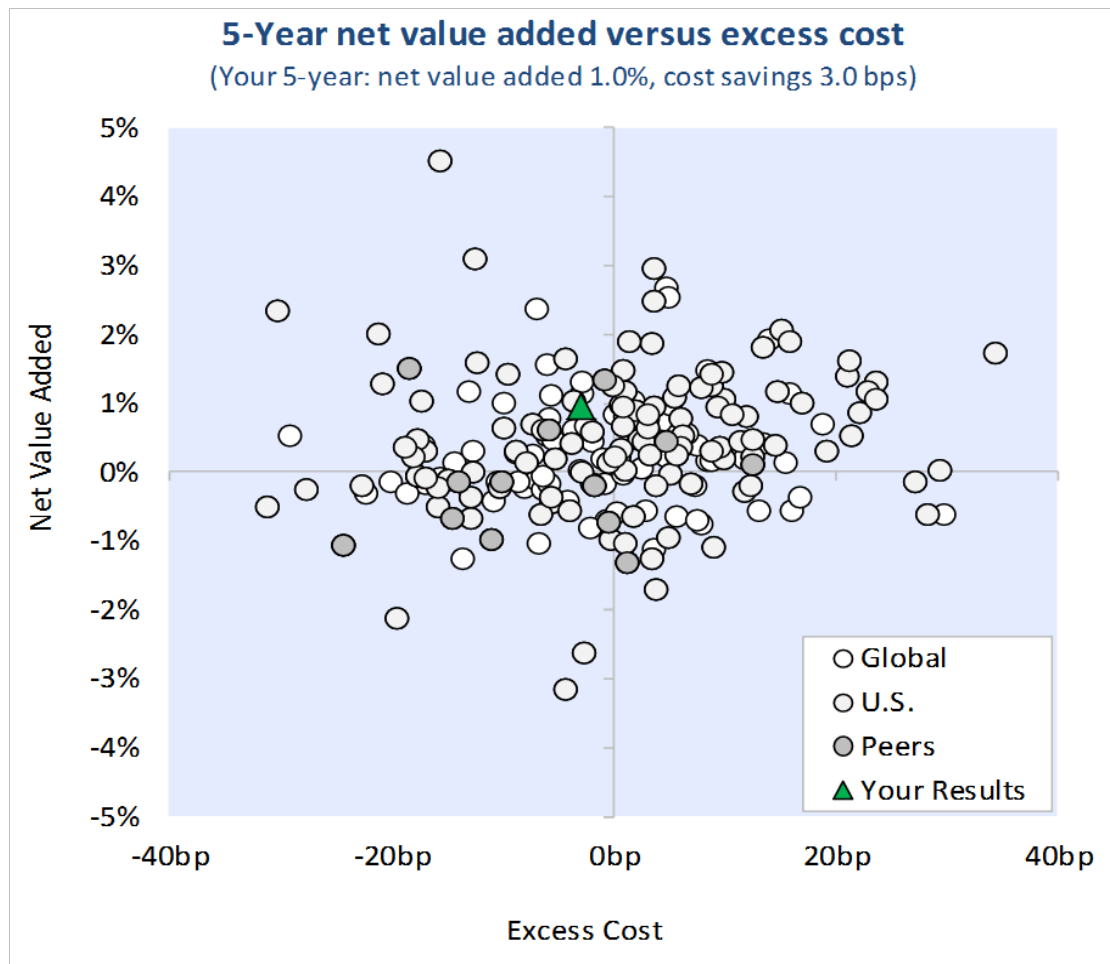
CEM Benchmarking Study Background



At 36.1 basis points (0.361%), the SBA's all-in cost for managing the FRS Pension Plan was the lowest in its peer group for calendar year 2013.

CEM Benchmarking Study

Background



Your 5-year cost savings of 3.0 basis points is the average of your cost savings for the past 5 years.

CEM evaluates:

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

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

- Positive value added at low cost

Source: CEM Benchmarking, Inc.

SBA Proposed Budget FY 2015-16

Cost Effectiveness

- SBA's ability to manage a significant portion of assets in-house is major driver of cost effectiveness
 - 43% of FRS assets are managed in-house by SBA staff
- Thus, strategic emphasis on staff recruitment, development and retention, and technology support
- Demographics of organization reveal importance and urgency of succession planning, mentoring and providing career development opportunities
 - 41 FTEs (22% of workforce) are in DROP now or eligible to retire within the next 3 years
 - 24 of these hold management positions (29% of all managers)

SBA Proposed Budget FY 2015-16

Strategic Priorities

- Holistically design policy and manage assets with respect to evolving market environment, benefit and regulatory reform, funding policy, and liquidity needs
- Implement and enhance programs for recruiting, developing and retaining qualified staff
- Develop Information Technology strategic plan/implement comprehensive information management practices
- Enhance resilience of the SBA to timely respond to a variety of incidents/risks, appropriately and effectively
- Improve organizational efficiency and allocate resources accordingly
- Continue to refine Governance, Risk and Compliance programs

SBA Proposed Budget FY 2015-16

Total Budget \$42 Million

- 6.5% increase requested over FY 2014/15 budget of \$39.4 million
- 4% increase in AUM this fiscal year (through 2/28/15) so SBA service fees will cover increased costs
- Budgeted cost per dollar under management unchanged since FY 2011/12
 - 2.2 bps on \$185 billion projected average AUM FY16

- **Composition**

Budget Category	Dollars (M)	% of Total
Salaries and Benefits	25.1	60%
Other Personal/Contractual Services	10.3	24%
Expense	5.8	14%
Capital Outlay	<u>0.8</u>	<u>2%</u>
Total	\$42.0	100%

SBA Proposed Budget FY 2015-16

Cost Drivers

- Growing number and complexity of investments
 - Reflects current policy to increase diversification, mitigate downside risk and more effectively compound capital over time
 - Growth in number of private market accounts/partnerships
 - Requires skilled staff and significant technology support
- Rigorous control environment and technological and physical infrastructure expected of a high-quality institutional investment service provider
- New regulatory burdens – e.g., Dodd-Frank compliance

SBA Proposed Budget FY 2015-16

Cost Drivers

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

SBA Proposed Budget FY 2015-16

4.5 Proposed New Positions

2 FTE for Investments

- Strategic Investments - Portfolio Manager I to enable a realignment of workload due to growth resulting from policy target allocation increase from 7% to 10%, ensuring appropriate due diligence, investment oversight, and relationship management.
- General Counsel – Assistant General Counsel to facilitate increased labor-intensive deal flow in the private markets and accommodate the increasingly shortened negotiation-to-closing windows to prevent missed investment opportunities for our stakeholders.

SBA Proposed Budget FY 2015-16

4.5 Proposed New Positions

2.5 FTE for Oversight & Control

- Internal Audit – Administrative Assistant converted from part-time temporary (OPS) to part-time permanent (.5 FTE) to provide regularly needed unit support
- Risk Management & Compliance - Sr. Investment Analyst III to oversee and monitor controls of increasing number of multi-asset class external investment managers
- Risk Management & Compliance – Administrative Assistant converted from part-time temporary (OPS) to full-time permanent to provide regularly needed unit support in managing external manager certifications, third party service providers and personal investment activity documentation

SBA Proposed Budget FY 2015-16

Increase By Category

- Salaries \$1,469,050
 - \$319,050 Salary rate for 4.5 new positions
 - \$400,000 Recruitment and retention salary rate to reduce human capital risk
 - Equivalent of 2.4% of salaries
 - \$750,000 Incentive Reserve for 50% of FY15/16 Awards under Incentive Program recommended by the Investment Advisory Council (IAC)
 - Funding for awards will be triggered by pension fund's outperformance v. its benchmark
 - Initial performance measurement period 7/1/15-6/30/16
 - Awards for FY15/16 period, if earned, payable over 2 years
 - 50% in Fall 2016 and 50% deferred until Fall 2017
 - Balance of Incentive Reserve will be requested in FY16/17 Budget

SBA Proposed Budget FY 2015-16

Increase By Category

- Compensation program recommended by the Investment Advisory Council (IAC)
 - Ensures alignment with interests of stakeholders
 - Linked to business strategy and key performance indicators
 - Establishes competitive objective (median of appropriate public fund peers)
 - Differentiated awards that reflect employees' relative contributions
 - Includes incentive component for key positions

SBA Proposed Budget FY 2015-16

Increase By Category

- Benefits \$610,295

Increase driven by new position requests combined with anticipated health and retirement rates/premiums changes under discussion/review in the 2015 Legislative Session.

- Other Personal/Contractual Services \$87,571

2015-16 Resource needs include:

- Volume driven investment data services (pricing, ratings, identifiers, etc.) cost increases
- Investment research/systems price increases
- Critical software upgrades implementation consulting

SBA Proposed Budget FY 2015-16

Increase By Category

- Expense \$307,858
 - \$61,500 (3.1%) Contractual increase in rent (\$36,000), ongoing space planning/construction modifications (\$25,000) to improve functionality of space
 - \$53,000 (5%) Due Diligence Travel increase primarily due to asset growth related to policy target asset allocation changes, global opportunity set, additional FTE, and risk/compliance oversight responsibilities
 - \$65,000 increase in Training budget for web-based IT certification courses
 - \$116,700 (9.6%) IT systems maintenance increase (software/equipment warranty expirations transitioning to maintenance phase, and increased maintenance costs on existing systems/equipment)
- Other Capital Outlay \$107,250
 - Technology hardware additions/replacements, including additional network security layer for primary and back up data centers

SBA Proposed Budget FY 2015-16

Proposed Funding Plan

- F.S. 215.515 provides that SBA operating costs are to be paid from funds it manages
- Costs are recovered through assessment of monthly fee for investment, administrative and other services provided, not through General Revenue
- No change in current fee structure
 - Florida PRIME - 1.0 bps
 - Bond Trusteeship – 1.0 bps
 - Other Assets – 2.25 bps
- Revenue for FY2015-16 is estimated to be \$42M
- To the extent actual operating costs exceed service fees, difference will be charged to the SBA Administrative Trust Fund.

Revenue Source	Fee Structure	Fee Base (\$B)	Revenue (\$M)	% of Total Revenue
FRS Pension Plan and Others	2.25 bps	\$170	\$38.4	92%
Florida PRIME	1.0 bps	\$8	0.8	2%
Bond Trusteeship	1.0 bps	\$19	1.9	4%
Others	Fixed Fee	n/a	<u>0.9</u>	<u>2%</u>
			\$42.0	100%

SBA Proposed Budget FY 2015-2016

SBA Budget Detail By Line Item

Description	Fiscal Year 2014-2015	Fiscal Year 2015-2016	% Change
FTE	194.25	198.75	
Salary & Benefits	\$22,995,223	\$25,074,568	9.0%
Salary Subtotal	\$16,930,648	\$18,399,698	8.7%
Salaries	15,829,427	16,924,698	
Recruitment & Retention Rate	776,221	400,000	
Leave Liability Payments & Incentive Reserve	250,000	1,000,000	
Moving Expense Stipend	75,000	75,000	
Benefit Subtotal	\$6,064,575	\$6,674,870	10.1%
Social Security	1,172,767	1,290,054	
Retirement	1,666,334	1,796,497	
Health Insurance	2,981,124	3,333,127	
Life insurance	10,678	11,005	
Disability Insurance	6,642	6,930	
Dental Insurance	227,030	237,257	
Other Personal/Contractual Svcs	\$10,189,171	\$10,276,742	0.9%
Temporary Employment	205,070	183,550	
Other Contractual Services	9,984,101	10,093,192	
Expense	\$5,538,071	\$5,845,929	5.6%
Repairs & Maintenance	1,217,173	1,358,936	
Rental of Building/Equipment	1,965,062	2,001,600	
Travel	1,073,866	1,127,044	
Training	90,000	155,400	
Communications	275,921	286,900	
Freight & Postage	78,000	78,000	
Insurance & Surety Bonds	57,355	57,355	
Ofc Materials/Supplies/Equipment	434,705	434,705	
Other Charges & Obligations	293,489	293,489	
Printing	40,500	40,500	
Unemployment Compensation	12,000	12,000	
Other Capital Outlay	\$726,400	\$833,650	14.8%
Network Security/IT Equipment	726,400	833,650	
TOTALS	\$39,448,865	\$42,030,888	6.5%

FRS Investment Plan
Proposed FY 2015-16 Budget
May 5, 2015

FRS Investment Plan Budget Overview

- Projected Investment Plan (IP) budget totals \$30.2 million for FY 2015-16, a 2% increase over FY 2014-15 budget of \$29.6 million
- Plan expenses are funded from 2 sources:
 - 1) Proposed operating budget - \$24 .1 million
Funded by 4 bps* of employer payroll (est. \$11.1 million) and drawdown of IP Administrative Trust Fund (est. \$14.0 million)
 - 2) Forfeiture Account - \$6 million
Funded by forfeitures from employer contributions and benefits transferred from the Pension Plan to IP member accounts that do not vest
Only plan expenses that meet IRS criteria can be paid from this account
- Forfeiture Account 6/30/16 (projected) zero balance
- Budgeted spending plan supported by less than 1 year of reserves in the IP Administrative Trust Fund (\$10.2 million est. 6/30/16)

*An increase to 5 bps from current 4 bps employer assessment rate (per Florida Statutes) for funding IP Administrative Trust Fund will be proposed during the next (2016) Legislative Session.

FRS-Investment Plan Membership Growth



FRS Investment Plan

Total Budget

Description	Fiscal Year 2014-2015	Fiscal Year 2015-2016	% Change
Salaries & Benefits (6 FTE)	\$971,608	\$994,722	2.4%
Salary Subtotal	\$732,816	\$748,765	2.2%
Salaries	661,816	661,816	
Recruitment & Retention Rate	0	15,950	
Leave Liability Payments & Incentive Reserve	71,000	71,000	
Benefits Subtotal	\$238,792	\$245,957	3.0%
Social Security	55,280	56,625	
Retirement	69,023	70,279	
Health Insurance	106,061	110,609	
Life insurance	327	327	
Disability Insurance	265	280	
Dental Insurance	7,836	7,836	
Other Personal/Contractual Svcs.	\$21,650,043	\$22,832,986	5.5%
Temporary Employment	15,000	15,000	
Other Contractual Services	21,635,043	22,817,986	
Expense	\$400,200	\$283,203	-29.2%
Repairs & Maintenance	200,100	83,000	
Rental of Building/Equipment	48,200	48,633	
Travel	101,650	101,650	
Insurance & Surety Bonds	1,000	1,000	
Ofc Materials/Supplies/Equipment	6,700	6,700	
Other Charges & Obligations	20,550	20,220	
Printing	22,000	22,000	
Other Capital Outlay	\$13,000	\$13,000	0.0%
IT Equipment	13,000	13,000	
Total Proposed Operating Budget	\$23,034,851	\$24,123,911	4.7%
Projected Spending from Forfeiture Account	6,600,000	6,100,000	-7.6%
TOITAL INVESTMENT PLAN BUDGET	\$29,634,851	\$30,223,911	2.0%

NOTES:

- Total Plan Expenses estimated at \$30.2M for FY2016, a \$600,000 (2%) increase.
- Expenditures from Administrative Trust Fund (operating budget) estimated at \$24.1M, plus projected expenditures of \$6.1M from Forfeiture Account.
- \$15,950 (2.4%) Salary Recruitment & Retention rate to mitigate human capital risk. Did not request resources for FY2014-15.
- Estimated FY 2016 legislated benefit rates/premium increase for employer retirement contribution rates and health insurance.
- \$117,100 (-59%) reduction in IT Repairs & Maintenance service costs due to a combination of discontinuing some systems support and negotiating a new vendor contract with QTS in April 2014.

Florida Hurricane Catastrophe Fund
Proposed FY 2015-16 Budget
May 5, 2015

Florida Hurricane Catastrophe Fund

Budget Detail By Line Item

Description	Fiscal Year 2014-2015	Fiscal Year 2015-2016	% Change
Salaries & Benefits (13 FTE)	\$1,526,896	\$1,643,631	7.6%
Salary Subtotal	\$1,101,825	\$1,200,017	8.2%
Salaries	1,053,933	1,080,282	
Recruitment & Retention Rate	26,348	26,035	
Leave Liability Payments & Incentive Reserve	21,543	93,700	
Benefit Subtotal	\$425,072	\$443,615	4.4%
Social Security	82,397	87,915	
Retirement	104,733	108,923	
Health Insurance	220,604	229,440	
Life Insurance	720	720	
Disability Insurance	443	443	
Dental Insurance	16,175	16,175	
Other Personal/Contractual Svcs	\$5,402,042	\$5,328,302	-1.4%
Temporary Employment	15,000	15,560	
Other Contractual Services	5,387,042	5,312,742	
Expense	\$474,358	\$464,200	-2.1%
Repairs & Maintenance	1,000	1,000	
Rental of Building/Equipment	90,858	91,700	
Travel/Training (excluding Methodology)	89,500	96,500	
Methodology Commission Travel	259,500	240,200	
Insurance & Surety Bonds	2,000	2,000	
Ofc Materials/Supplies/Equipment	17,000	17,000	
Other Charges & Obligations	8,500	8,800	
Printing	6,000	7,000	
Other Capital Outlay	\$5,000	\$5,000	0.0%
IT Equipment	5,000	5,000	
Recurring Operating Budget Total	\$7,408,296	\$7,441,133	0.4%
Non-Recurring Reinsurance Premium Ceded NTE	\$0	\$67,800,000	
TOTAL BUDGET	\$7,408,296	\$75,241,133	

NOTES:

- Total Proposed Operating Budget of \$7.4M is slightly higher (0.4%) than FY2014-15. It assumes no major storms triggering new losses in FY 2016.
- Total Budget is less than 1% of projected annual insurer contract premiums, which fund these expenses.
- \$26,035 (2.4%) Salary Recruitment & Retention rate to mitigate human capital risk. Leave Liability increase due to conclusion of DROP for senior staff member.
- Estimated FY2016 legislated benefit rates/premium increase for employer contribution rates and health insurance.
- \$73,740 (1.4%) Reduction in Other Personal/Contractual Services despite an increase in costs for the Methodology Commission to adopt standards related to flood losses.
- Includes non-recurring authority to acquire Reinsurance Premium Ceded, not to exceed \$67.8M. Negotiations pending.

Division of Bond Finance
Proposed FY 2015-16 Budget
May 5, 2015

Division of Bond Finance

Budget Detail By Line Item

Description	Fiscal Year 2014-2015	Fiscal Year 2015-2016	% Change
Salaries & Benefits (20 FTE- 3 FTE =17 FTE)	\$2,325,683	\$2,257,390	-2.9%
Salary Subtotal	\$1,713,423	\$1,642,892	-4.1%
Salaries	1,623,736	1,595,930	
Recruitment & Retention Rate	81,187	38,462	
Leave Liability Payments	8,500	8,500	
Benefits Subtotal	\$612,261	\$614,498	0.4%
Social Security	125,463	125,573	
Retirement	167,455	176,781	
Health Insurance	295,471	290,753	
Life Insurance	1,090	926	
Disability Insurance	682	675	
Dental Insurance	22,099	19,790	
Other Personal/Contractual Svcs	\$1,689,111	\$1,943,358	15.1%
Temporary Employment	30,000	45,600	
Other Contractual Svcs.-Bond Rating Svcs.	933,726	1,119,200	
Other Contractual Svcs. - Legal Svcs.	361,900	404,000	
Other Contractual Services	363,485	374,558	
Expense	\$452,460	\$447,968	-1.0%
Repairs & Maintenance	9,200	9,200	
Rental of Building/Equipment	200,158	201,965	
Travel	67,000	67,000	
Communication	51,520	51,560	
Freght/Postage	21,000	21,000	
Insurance & Surety Bonds	2,000	3,231	
Ofc Materials/Supplies/Equipment	31,043	31,043	
Other Charges & Obligations	9,039	9,169	
Printing	61,500	53,800	
Other Capital Outlay	\$31,000	\$28,000	-9.7%
IT Equipment	31,000	28,000	
TOTALS	\$4,498,253	\$4,676,716	4.0%

NOTES:

- Proposed Budget of \$4.7M represents an increase of \$178,463 (4%) over the FY2014-15 budget.
- Budget is based on 20 potential bond issues compared to the 16 bond issues included for FY 2014-15.
- \$109,000 (6.4%) FTE reduction in Salary due to elimination of three positions - two from Revenue Bond Fee TF and one from Arbitrage Compliance TF. 2015/16 FTE = 17
- \$38,462 (2.4%) Salary Recruitment & Retention rate to mitigate human capital risk.
- Benefits budget based on estimated increases to health insurance premium and employer retirement contribution rates set by the Legislature, offset by the reduction in benefits from eliminating 3 FTE.
- \$254,250 (15%) increase to Other Personal/Contractual Services primarily due to increased transaction costs associated with rating agency and bond counsel fees.

Florida Prepaid College Board
Proposed FY 2015-16 Budget
May 5, 2015

Florida Prepaid College Board

Budget Detail By Line Item

Description	Fiscal Year 2014-2015	Fiscal Year 2015-2016	% Change
Salaries & Benefits (15 FTE)	\$1,569,014	\$1,790,969	14%
Salary Subtotal	\$1,126,843	\$1,295,857	15.0%
Salaries	1,034,245	1,195,284	
Recruitment & Retention	46,039	54,014	
Leave Liability Payments	46,559	46,559	
Benefits Subtotal	\$442,171	\$495,112	12.0%
Social Security	80,224	90,723	
Retirement	114,708	128,188	
Health Insurance	228,564	256,097	
Life Insurance	763	817	
Disability Insurance	432	500	
Dental Insurance	17,481	18,787	
Other Personal Services	\$18,096,031	\$18,154,007	0.3%
Temporary Employment	36,000	36,000	
Other Contractual Services	18,060,031	18,118,007	
Expense	\$274,861	\$274,861	0.0%
Repairs & Maintenance	5,000	5,000	
Rental of Building/Equipment	84,750	84,750	
Travel	30,740	30,740	
Communications	73,500	73,500	
Freight & Postage	4,705	4,705	
Insurance & Surety Bonds	15,000	15,000	
Ofc Materials/Supplies/Equipment	10,666	10,666	
Other Charges & Obligations	10,000	10,000	
Printing	40,500	40,500	
Other Capital Outlay	\$41,100	\$41,100	0.0%
IT Equipment	41,100	41,100	
TOTALS	\$19,981,006	\$20,260,937	1.4%

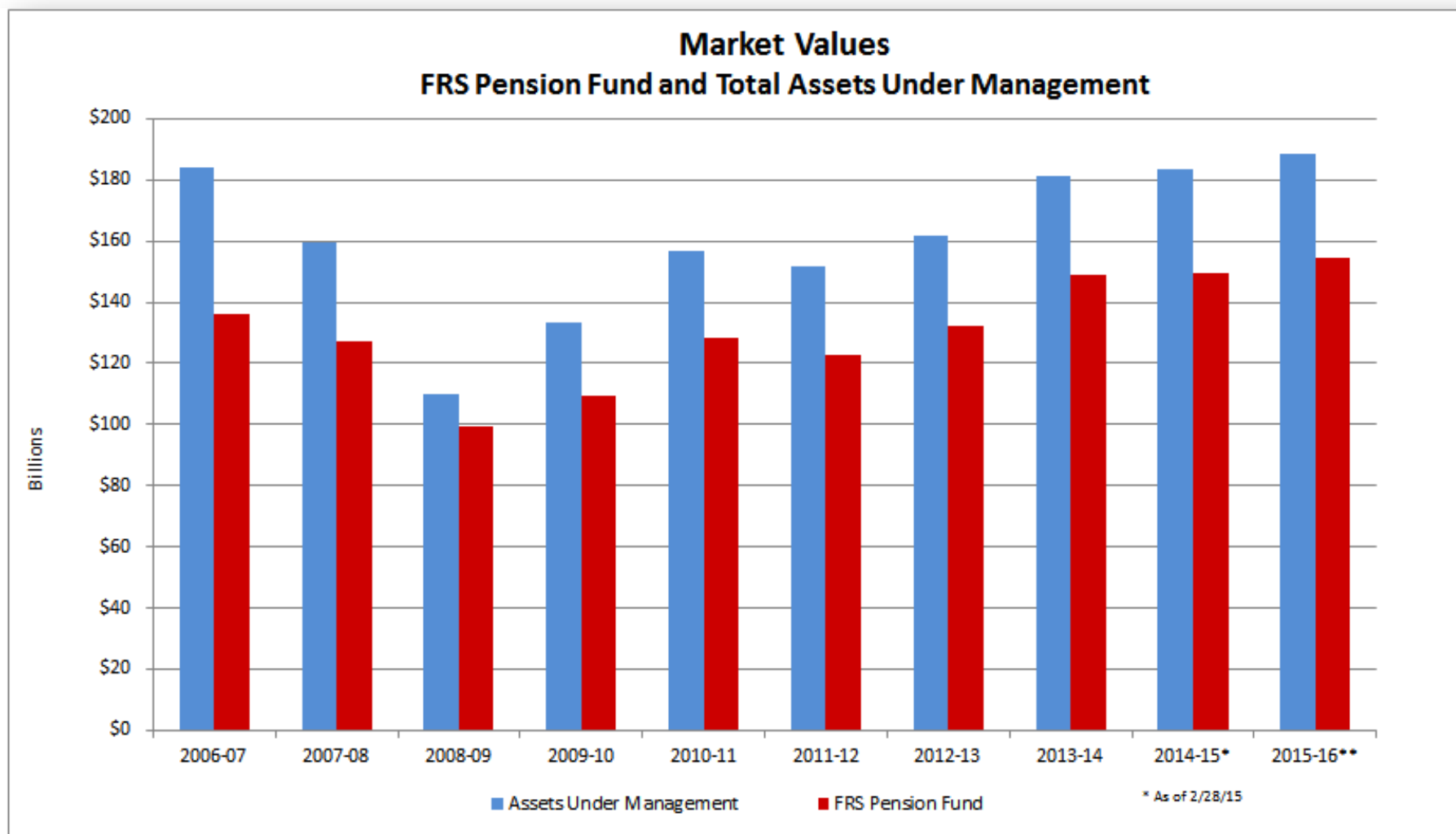
NOTES:

- Proposed Budget of \$20.3M represents a 1.4% increase over the FY2014-15 budget.
- The Florida Prepaid College Board approved the budget on March 12, 2015, including any subsequent benefit changes adopted by the 2015 Legislature in the General Appropriations Act.
- Salary budget includes \$115,000 for a new senior level position (1 FTE) to provide oversight of the new Florida ABLE program and the Florida 529 Saving program.
- \$54,014 (5%) Salary Recruitment & Retention resources as approved by the Florida Prepaid College Board to mitigate human capital risk.
- Benefits budget based on anticipated retirement contribution rates and health insurance premium increases for new and existing staff.
- Contractual increase of \$58,000 (0.32%) for an annual cost-of-living adjustment to the Audit contract and increased Actuarial services (as needed).
- No changes in Expense or OCO budget.

Additional Support Information

SBA Proposed Budget FY 2015-16

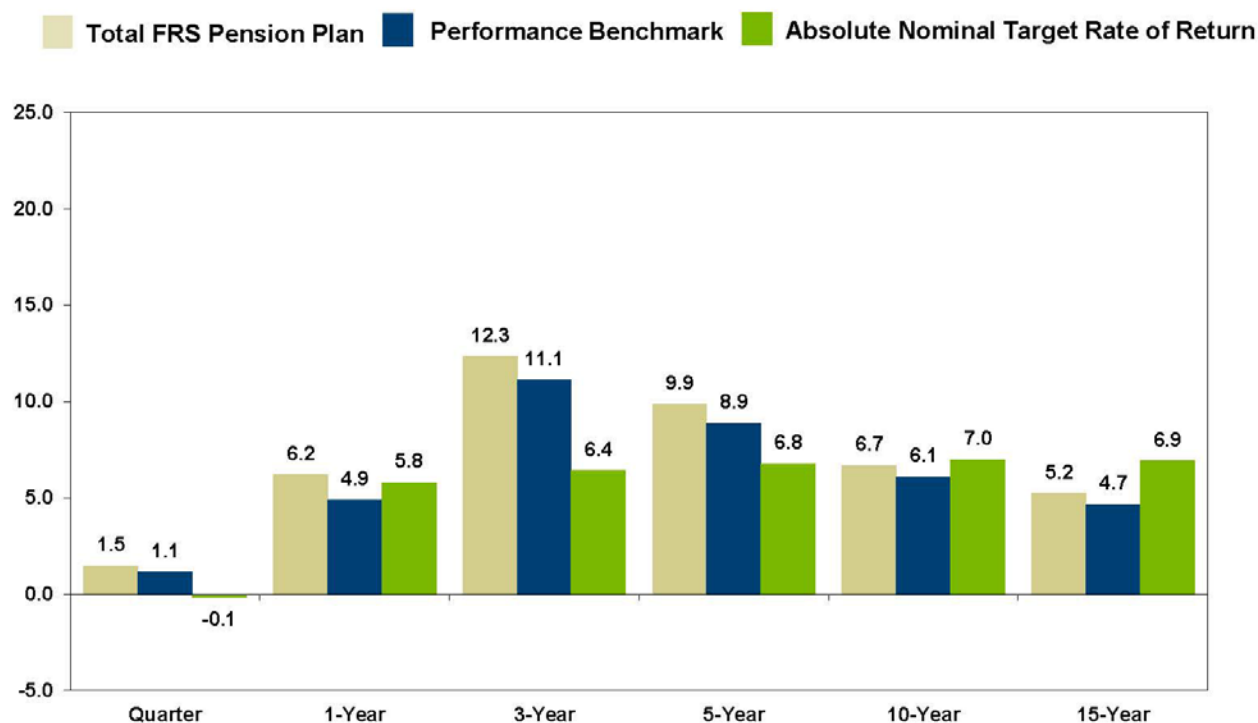
Asset Growth



SBA Proposed Budget FY 2015-16

Investment Results

FRS Pension Plan Investment Results Periods Ending 12/31/2014

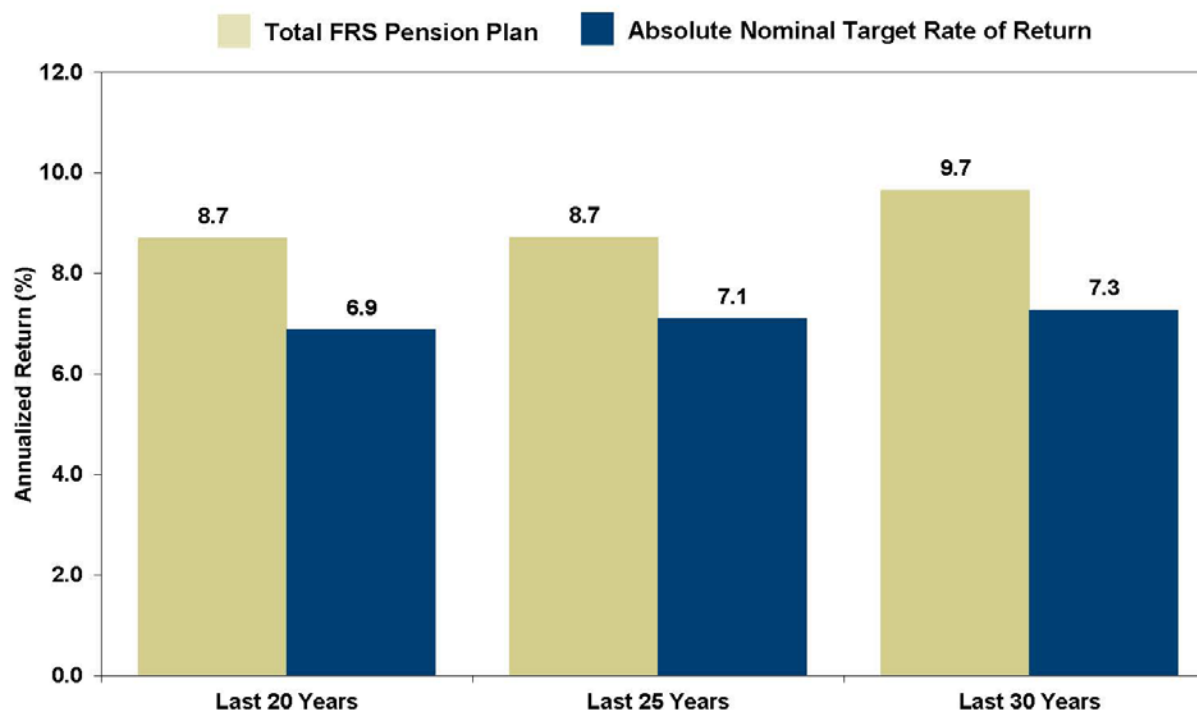


SBA Proposed Budget FY 2015-16

Investment Results

FRS Pension Plan Investment Results Periods Ending 12/31/2014

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



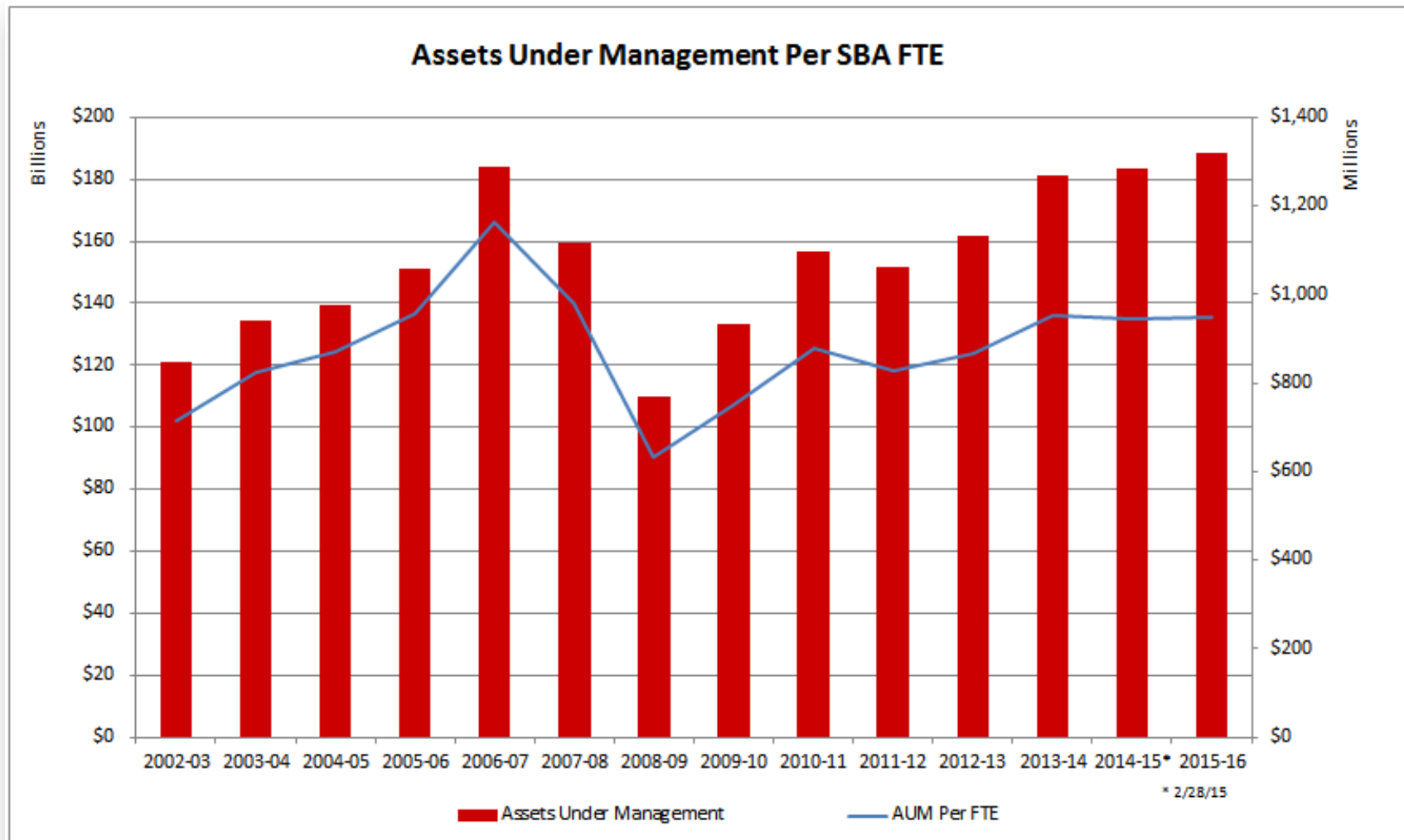
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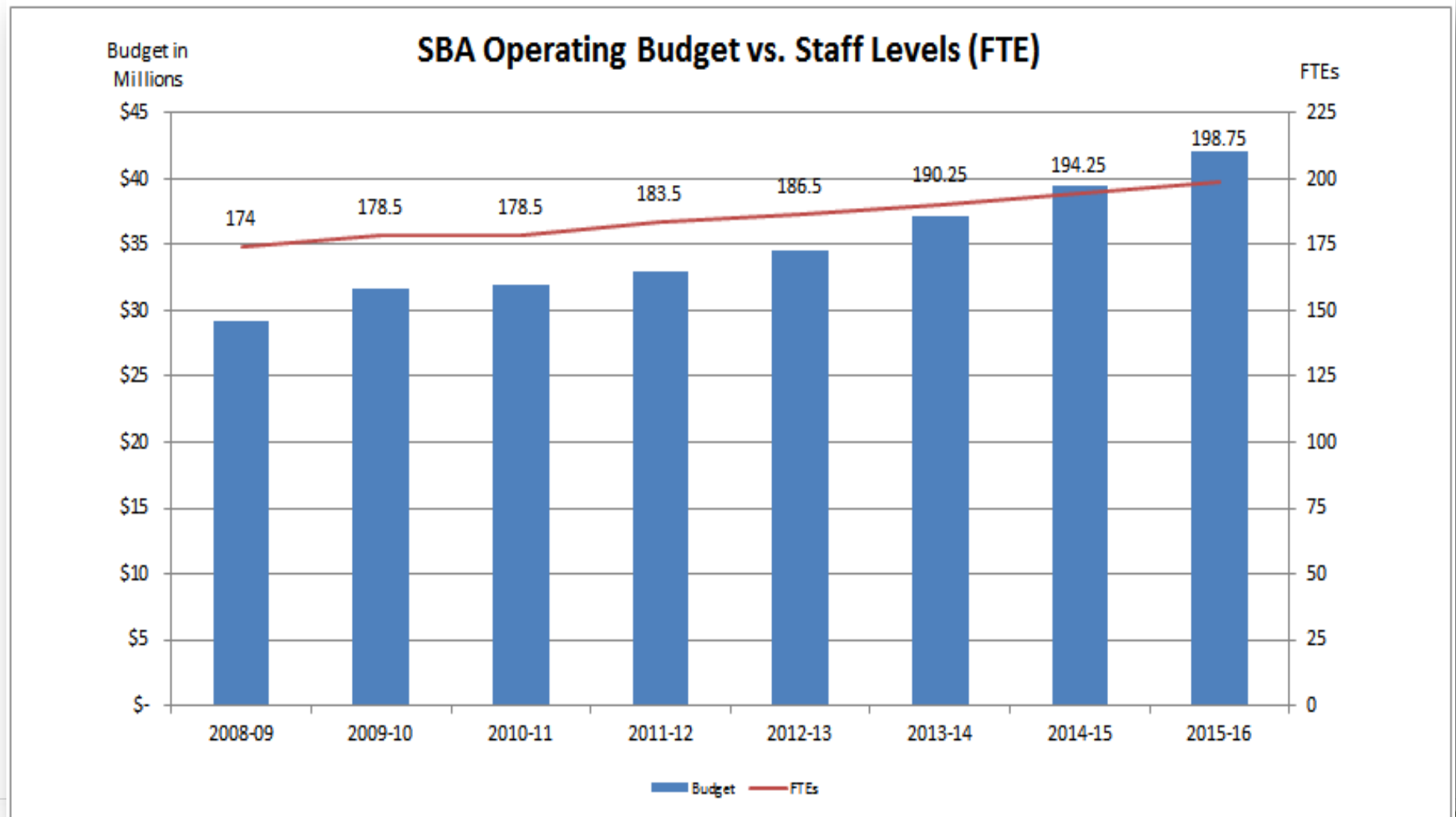
SBA Proposed Budget FY 2015-16

Asset and FTE Growth are Consistent



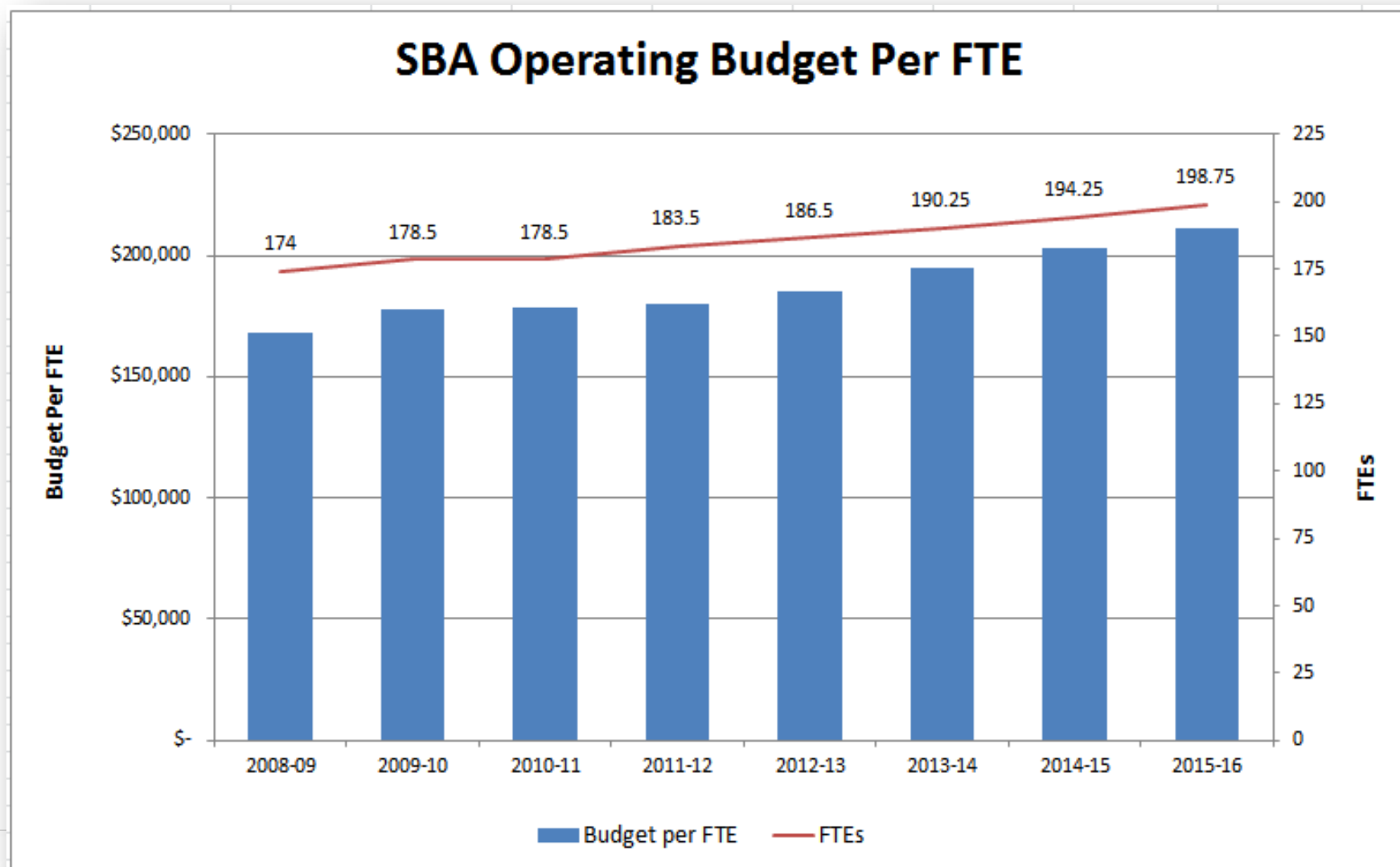
SBA Proposed Budget FY 2015-16

FTE Historical Trends



SBA Proposed Budget FY 2015-16

Cost Per FTE



Authority & Governance

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

State Board of Administration

Authority & Governance

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

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

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

Primary Purpose

The SBA fulfills a critical role for the State of Florida as a multi-asset class investment management organization investing and safeguarding assets on behalf of trust funds and a variety of state and local government entities. The SBA manages 25 different investment funds housing the assets of 36 mandates and trusts. A mandate is an investment responsibility established as a direct requirement of Florida law. Trusts are investment responsibilities allowed under law and established pursuant to a trust agreement with a client. The SBA invests in all major public and private market asset classes, including U.S. and international stocks and bonds, inflation-protected securities, direct-owned real estate, private equity limited partnerships, and other opportunistic and strategic investments.

Major asset management responsibilities include:

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

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

Additional responsibilities that do not directly involve asset management include:

- Providing retirement planning support to approximately 650,000 active members of the Florida Retirement System through the MyFRS Financial Guidance Program originating under the 2000 PEORP legislation.
- Administering the Florida Hurricane Catastrophe Fund (FHCF) and its associated programs, including the SBA Finance Corporation (formerly FHCF Finance Corporation) and the Insurance Capital Build-up Program.
- Serving as an investment consultant to retirement programs administered by other state agencies including the State of Florida Deferred Compensation Program and State University Optional Retirement Program.
- Administering all debt service funds for bonds issued pursuant to the State Bond Act, as well as serving as trustee and escrow agent for bonds issued by the Division of Bond Finance.
- Providing administrative support for the Division of Bond Finance and the Florida Prepaid College Board Programs.
- Providing administrative support to the Audit Committee, Investment Advisory Council, and Participant Local Government Advisory Council.

Operational Structure

The Executive Director & Chief Investment Officer and staff (194.25 total FTE) manage the day to day operations of the SBA. The SBA Executive Director & CIO approves compensation for all employees (unless otherwise stipulated herein) pursuant to authority granted in Florida Administrative Code Rule 19-3.016. The SBA staff consists primarily of executive, investment, financial/accounting, operational, and administrative professionals focused on safeguarding and prudently growing the assets of the FRS Pension Plan and the other assets entrusted to it over the long-term. The SBA is committed to providing superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards of care.

Budget Entities

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

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

Florida Retirement System (FRS) Investment Plan

Authority & Governance

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

Primary Purpose

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

- 1) The FRS Investment Plan. This is the 401(a) defined contribution plan that employees may choose in lieu of the FRS Pension Plan (the traditional defined benefit plan). Investment Plan benefits accrue in individual member accounts that are participant-directed, portable, and funded by employee and employer contributions and earnings. The Office of Defined Contribution Programs is also responsible for the FRS retirement plan choice enrollments.
- 2) The MyFRS Financial Guidance Program. These are the educational resources that support employees' choice between retirement plans and provide almost 650,000 employees with the information necessary to make informed decisions about choices within their Plan and in preparation for retirement.

Operational Structure

The Office of Defined Contribution Programs, which includes FRS Investment Plan administrative costs and the Financial Guidance Program costs, are budgeted and accounted for separately from the SBA operating budget. Beginning its 13th full year of operations (including the initial choice period in FY 2002-2003), the SBA has been responsible for the day-to-day management of the Investment Plan and the MyFRS Financial Guidance Program within the Office of Defined Contribution Programs. The Office of Defined Contribution Programs is operationally supported by employer contribution rates adopted each fiscal year by the Florida Legislature and "forfeited account balances" accumulated in the Forfeiture Account. FRS Investment Plan expenses for recordkeeping, asset custody and educational services can be paid out of the Forfeiture Account, consistent with SBA policy and IRS requirements.

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

The SBA has partnered with external service providers for the majority of Investment Plan and Financial Guidance Program functions. Daily oversight and monitoring of external relationships to ensure compliance with contractual obligations, general contract administration, management of programs subject to goals and objectives established by the Trustees, and program compliance with applicable state and federal laws is performed by 6 FTE, including the Senior Defined Contribution Programs Officer.

Florida Hurricane Catastrophe Fund

Authority and Governance

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

Funding for the administration of the FHCF is provided for in Section 215.555, Florida Statutes. Financing for the FHCF is obtained from a combination of three sources: 1) reimbursement premiums charged to participating insurers, 2) investment earnings, and 3) emergency assessments levied against all property and casualty lines of business in the state, including surplus lines, but excluding workers' compensation, federal flood, accident and health insurance, and (for losses prior to 2016) medical malpractice premiums. Monies in the FHCF may not be expended, loaned, or appropriated except to pay obligations of the FHCF from reimbursement contracts entered into under subsection (4), payment of debt service on revenue bonds issued under subsection (6), costs of the mitigation program under subsection (7), costs of procuring reinsurance, and costs of administration of the FHCF. The SBA invests the monies of the FHCF pursuant to Sections 215.44-215.52, Florida Statutes. Earnings from all investments are retained in the FHCF except for monies appropriated for mitigation which is limited to 35% of investment earnings and a minimum of \$10 million annually.

Primary Purpose

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

Operational Structure

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

Division of Bond Finance

Authority and Governance

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

Primary Purpose

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

Operational Structure

The Division manages the Bond and Arbitrage Compliance programs with 20 FTE, including the Division Director. Seventeen of the 20 positions are allocated to the Legal and Bond Program functions within the Division, operationally supported by the Bond Fee Trust Fund. The legal staff performs a wide range of legal services for the Division, and bond program staff performs the financial and analytical services for new and refunding bond issues. Three positions are allocated to the Arbitrage section, operationally supported by the Arbitrage Compliance Trust Fund. The Arbitrage staff is responsible for monitoring bonds issued by the Division for compliance with federal arbitrage regulations in accordance with the 1986 Tax Reform Act.

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

Florida Prepaid College Board

Authority and Governance

Sections 1009.97-1009.984, Florida Statutes, establish the Florida Prepaid College Board (the “Board”) as a corporate body with all the powers to administer the Stanley G. Tate Prepaid College Program and the Florida College Savings Program. For purposes of Article IV of the State Constitution, the Board is assigned to and administratively housed within the State Board of Administration (SBA), but independently exercises the powers and duties specified in the statutes.

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

Primary Purpose

The Florida Prepaid College Board is committed to helping Floridians save for higher education expenses. The Board offers both a prepaid plan and a savings plan to help families save.

The Stanley G. Tate Prepaid College Plan became operational in 1988 and allows Florida families to prepay the cost for college tuition, required fees and dormitory housing for their children and grandchildren. When the families child or grandchild attends college the Board will pay the Florida public college or university the actual fees assessed by the institution at the time of admission. Should the student elect to attend a private college, attend a college out-of-state or attend an eligible technical school the Board will pay the value of the Plan at the time of admission.

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

It is anticipated that the Florida ABLE Program proposed in legislation will be implemented in fiscal year 2015-2016. This legislation requires the Florida Prepaid College Board to establish Florida ABLE, Inc. which will be a not-for-profit, direct support organization of the Prepaid Board that oversees the Florida ABLE Program. The purpose of this new program is to encourage and assist individuals and families in saving private funds for the purpose of supporting individuals with disabilities to maintain health, independence and quality of life.

Organization Overview

The Board establishes policy and actively oversees the investment and financial performance of the programs.

The Board has authorized 15 FTE, including the Executive Director to oversee the day-to-day operations of the Board and its programs.

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

ITEM 3. REQUEST APPROVAL OF THE STATE BOARD OF ADMINISTRATION'S PROPOSED BUDGETS FOR FISCAL YEAR 2015-2016: (1) STATE BOARD OF ADMINISTRATION; (2) FRS INVESTMENT PLAN; (3) FLORIDA HURRICANE CATASTROPHE FUND; (4) DIVISION OF BOND FINANCE; AND (5) FLORIDA PREPAID COLLEGE BOARD.

(See Attachment 3A) – BACKUP TO FOLLOW

ACTION REQUIRED



Michael F. Price

Michael F. Price earned his bachelor's degree in 1973 from the University of Oklahoma. In 1999 the University of Oklahoma honored him with a Doctor of Humane Letters.

Michael F. Price was chairman of the board of Franklin Mutual Advisers and Franklin Mutual Series Fund. He had been associated with both entities and their predecessor organizations since 1975. At that time the adviser was known as Heine Securities Corp and the fund was Mutual Shares Fund. Michael was Vice President of the fund from 1975 until 1986. From 1986 until November 1, 1998 he was CEO, President and Chairman of the Board of the adviser and the fund, which came to be known as Mutual Series Fund.

Presently, Michael is the President of The Price Family Foundation, Inc.; Managing Member of MFP Investors LLC; and Managing Partner of MFP Partners, L.P. He also serves as a Director of Liquidnet Holdings, an Investment Advisory Council Member to the Florida State Board of Administration and on Boards for Jazz at Lincoln Center and Johns Hopkins Berman Institute of Bioethics.

Leslie B. Daniels

Les Daniels was a founding partner of CAI Managers & Co., L.P. in 1989. He was previously President of Burdge, Daniels & Co., Inc., a company engaged as a principal in venture capital and buyout investments, as well as the trading of private placement securities. Mr. Daniels was responsible for financing, overseeing and disposing of investments made on behalf of the Company. Prior to forming Burdge, Daniels, Mr. Daniels was a Senior Vice President of Blyth, Eastman, Dillon & Co., having responsibility for the corporate fixed income sales and trading departments.

Mr. Daniels is currently a Member of Florida's State Board of Administration, Investment Advisory Council (IAC) as well as Commissioner for the Palm Beach County Health Care District. He's a former Director of AeroSat Corporation, Aster-Cephac SA, Bioanalytical Systems, Inc., Douglas Machine & Tool Co., Inc., IVAX Corporation, MIM Corporation, MIST Inc., Mylan Laboratories Inc., NBS Technologies Inc. and Safeguard Health Enterprises Inc. Mr. Daniels also served as Chairman of TurboCombustor Technology Inc. and Zenith Laboratories, Inc.

Mr. Daniels has had substantial experience investing as a principal in the health care, aviation and aerospace industries. Over the last twenty five years, Mr. Daniels has invested in numerous startup, venture capital and buyout transactions in various sectors across the health care spectrum including health maintenance organizations, generic drug companies, pre-clinical and clinical contract research organizations and pharmacy benefit companies. More recently Mr. Daniels has had a concentration on the aviation and aerospace industries, He is a resident of Palm Beach, Florida.

Mr. Daniels is a graduate of Fordham University.

Mr. J. Robert Jones Jr.

Born to an American military family in Osaka, Japan, J. Robert "Bobby" Jones earned a bachelor's degree in finance and accounting at Florida State University. While at Florida State, he served as both president and vice president of his fraternity, Pi Kappa Alpha, and achieved membership in both Beta Alpha Psi, an honorary accounting fraternity, and Gold Key.

During his college years, Jones met and married Susan Miller Jones, a native of Havana, Fla., and a member of an entire Garnet and Gold family. Her mother, father and brothers are all Florida State graduates.

Jones is a former partner with the private equity firm Bluff Point. He is responsible for Bluff Point's business development activities, as well as focusing on the strategic planning of Bluff Point's portfolio companies. Jones joined Bluff Point in 2007.

After a successful career in financial services in North Carolina, Jones became a founder of The BISYS Group Inc., specializing in outsourcing technology for the financial services industry. Prior to his tenure at BISYS, Jones founded a financial software provider called the SLIMS Corp., was vice chair and chief operating officer in banking with Scottish Savings and Loan Association and was in accounting with Peat, Marwick, Mitchell and Co.

His leadership experience includes part ownership of the catalog retailer J. Peterman Co., where he serves as a board member. In addition, he serves as a limited partner in a number of private equity funds, was past president of a trade association for the financial services industry known as the Association for Financial Technology, and founded an all-volunteer organization, Golfers Against Cancer, which raises funds for cancer research.

