

COMMITTEE MEETING EXPANDED AGENDA

GOVERNMENTAL OVERSIGHT AND ACCOUNTABILITY

Senator Ring, Chair

Senator Siplin, Vice Chair

MEETING DATE: Wednesday, January 26, 2011

TIME: 10:45 a.m.—12:45 p.m.

PLACE: *Toni Jennings Committee Room*, 110 Senate Office Building

MEMBERS: Senator Ring, Chair; Senator Siplin, Vice Chair; Senators Benacquisto, Bogdanoff, Dean, Fasano, Flores, Garcia, Latvala, Margolis, Montford, Norman, and Wise

TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
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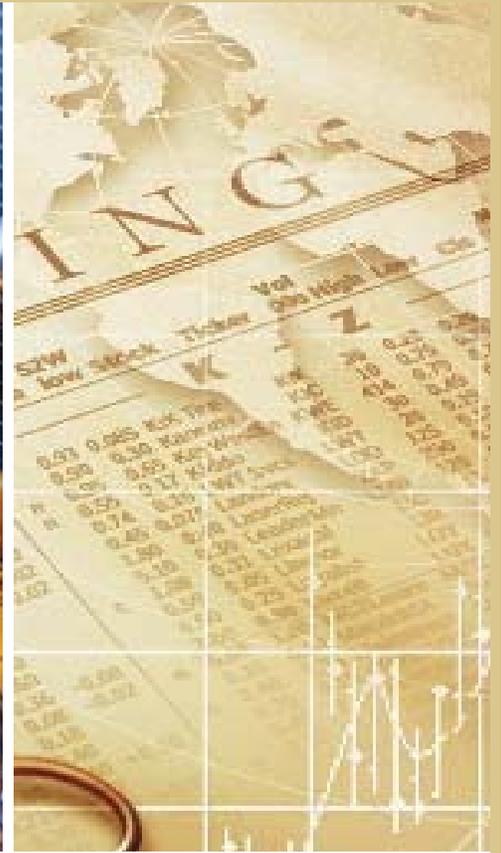
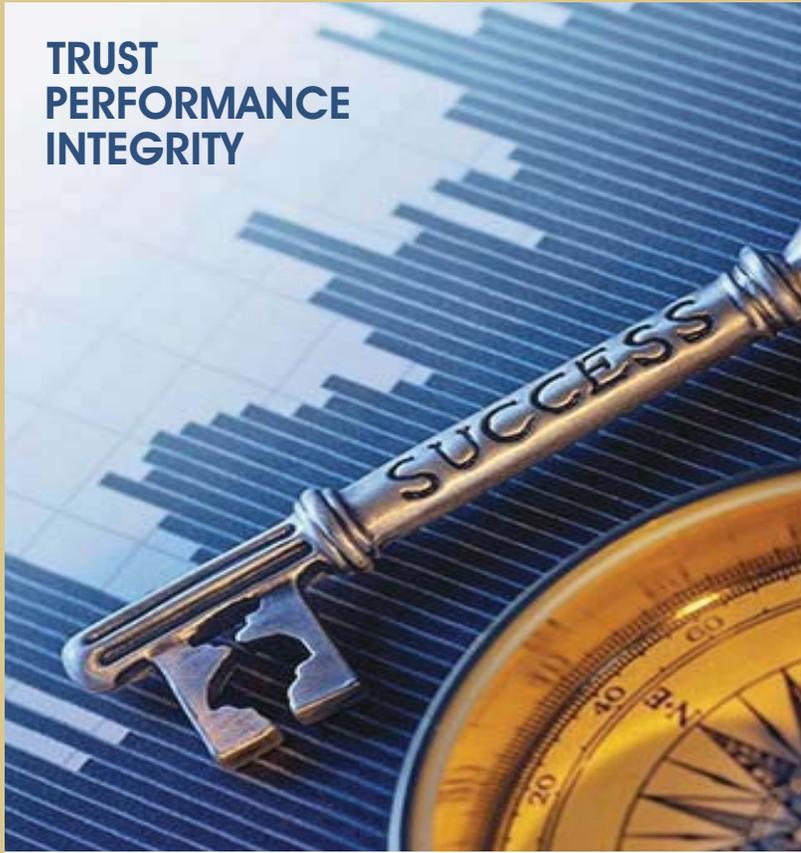
Presentation by the State Board of Administration

Overview of Public Pension Plans: Florida League of Cities, American Federation of State, County, and Municipal Employees and The Department of Management Services, Division of Retirement

SBA

STATE BOARD OF ADMINISTRATION
INVESTING IN FLORIDA'S FUTURE

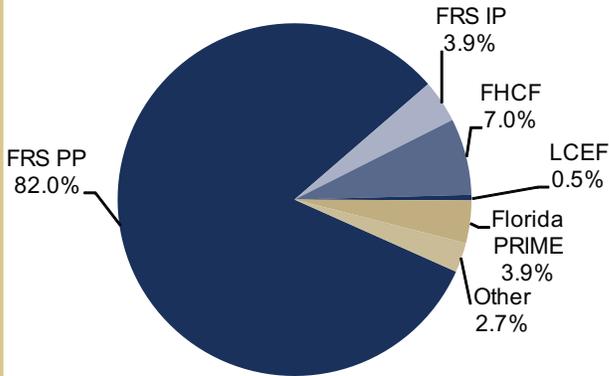
TRUST
PERFORMANCE
INTEGRITY



SBA OVERVIEW

PORTFOLIO OVERVIEW
as of 11/30/2010

BREAKDOWN OF ASSETS UNDER MANAGEMENT



ASSETS UNDER MANAGEMENT



The State Board of Administration (SBA) has a history of generating excellent returns relative to risk and doing so at low cost for state and local governments.

At the end of November 2010, the SBA managed an estimated \$119.3 billion in the Florida Retirement System Pension Plan and \$5.6 billion in the FRS Investment Plan for nearly a million active members and retirees.

In addition, the SBA managed \$20 billion in other funds, including the government investment pool Florida Prime, the Lawton Chiles Endowment Fund and the Florida Hurricane Catastrophe Fund (CAT fund).

The agency is mandated by the Florida Constitution and governed by a Board of Trustees comprised of the state's governor, chief financial officer and attorney general.

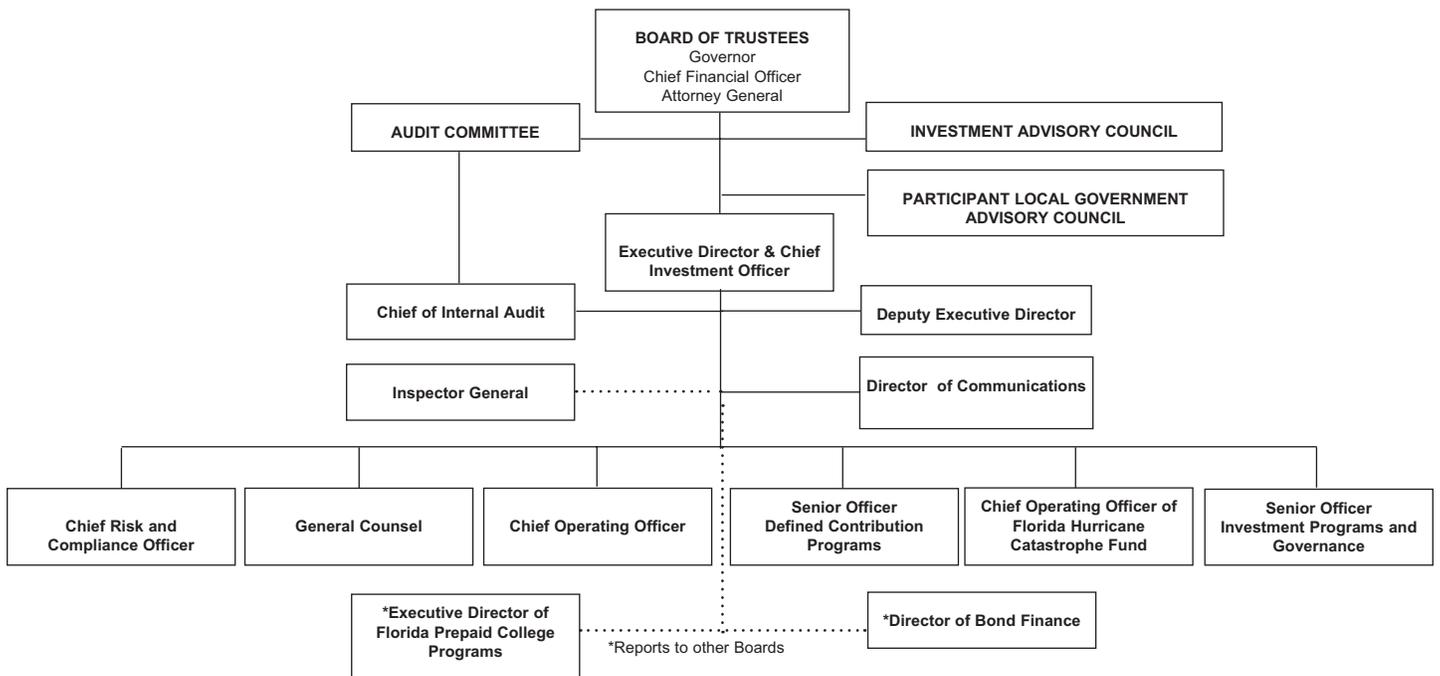
As fiduciaries, the SBA is required to act only in the best interests of participants as it provides investment management and administrative services, striving to maximize the return on investments while prudently managing risk, controlling costs and integrating high professional and ethical standards.

SBA's financial performance is numerically measured and statistically evaluated against accepted industry benchmarks, making it easy to assess success and accountability.

We hope this information helps you become more familiar with the SBA. Please visit our website at www.sbafla.com for additional information about the agency and updates on managed assets, www.myfrs.com for more information about the FRS Investment Plan and MyFRS Financial Guidance Program, <https://www.sbafla.com/prime> for Florida PRIME, and www.sbafla.com/fhcf for the CAT fund.

Our Mission
The SBA is committed to providing superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards.

ORGANIZATIONAL CHART



ASSETS UNDER MANAGEMENT
as of 11/30/2010

Fund Name	Market Value
Florida Retirement System Pension Plan	119,375,628,880
Florida Retirement System Investment Plan	5,658,086,091
Lawton Chiles Endowment Fund	705,038,208
Debt Service Funds:	
Outstanding (non-escrow)	1,032,565,978
Refunded (escrow)	821,066,095
Gas Tax Section 16 Article 9	1,627,387
Florida PRIME	5,699,488,136
Fund B Surplus Funds Trust Fund	283,847,805
Florida Hurricane Catastrophe	5,439,230,778
Florida Hurricane Catastrophe Financing Corporation	4,790,756,619
Florida Lottery	825,954,717
Retiree Health Insurance Subsidy	244,479,465
Police and Fire Fighters	108,094,397
Fla. Prepaid College Plan Administration Expense	49,272
Fla. Prepaid College Plan Trust Account	97,737
Fla. Prepaid College Plan QMA Account	165,861,275
Fla. College Investment Plan Administration Expense	49,412
Fla. College Investment Plan QMA Account	32,469,910
SBA Administrative Expense Fund:	
SBA Administrative Expense Account	37,954,249
SBA Defined Contribution Administrative Expense	38,327,622
Division of Bond Finance:	
Revenue Bond Fee	3,640,997
Arbitrage Compliance	2,558,427
Bond Proceeds	0
Scripps Florida Funding Corporation	73,370,743
Office of Tourism, Trade, and Economic Development:	
Burnham Institute for Medical Research, Inc.	83,705,181
Torrey Pines Institute for Molecular Studies, Inc.	14,514,890
SRI International	1,193,006
University of Miami	33,627,130
Max Planck Florida Corporation	67,469,274
Oregon Health and Science University	7,475,065
Charles Stark Draper Laboratory, Inc.	2,107,690
Wyndcrest DD Florida, Inc.	8,341,066
Insurance Capital Build-up Program	2,870,403
Blind Services	2,685,686
FL Endowment for Vocational Rehabilitation	1,741,468
McKnight Education Fund	1,452,965
FSU Research Foundation	279,274
Pinellas Suncoast Transit Authority	43,240
Inland Protection Finance Corporation	1,481
Paying Bank Recalls	0
Total - All SBA Funds	145,567,752,017

The SBA provides a variety of investment services to state and local government entities in Florida. The SBA manages over 30 funds, some established as direct requirements of Florida Law and others are developed as client-initiated trust agreements.

More than 80 percent of the assets managed by the SBA are in the Florida Retirement System (FRS) Pension Plan. Accompanying charts detail the long-term track record on investing FRS funds.

Florida PRIME, a local government investment pool, provides local government entities with a low-risk, low-cost opportunity to invest excess funds. Florida PRIME offers daily liquidity, allowing investors to access account balances when they want.

Other funds managed by the SBA are listed on the left.

Currently, the SBA invests in six asset classes: Global Equity, Fixed Income, Private Equity, Strategic Investments, Real Estate and Cash.

The SBA has performed well in terms of returns and costs relative to investment objectives, benchmarks/market indexes and peers. For example, SBA investments for its largest fund, the FRS Pension Plan, have surpassed actuarial assumptions over the long-term despite periods of market instability.

In addition, the SBA has important responsibilities that do not directly involve asset management. These roles include:

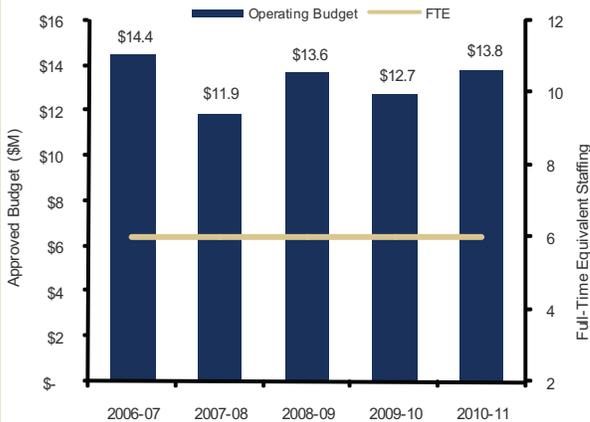
- Providing personalized retirement planning and financial counseling support to members of the Florida Retirement System through the MyFRS Financial Guidance Program (created under the 2000 PEORP legislation). MyFRS.com offers more information on the program.
- Administering the Florida Hurricane Catastrophe Fund and its associated programs.
- Serving as an investment consultant to retirement programs administered by other state agencies, including the State of Florida Deferred Compensation Program and the State University System Optional Retirement Program.
- Managing the corporate affairs of the Inland Protection Financing Corp., a public-private entity created to raise funds to pay reimbursement claims for pollution cleanup.
- Managing the corporate affairs of the Florida Water Pollution Control Financing Corp., which is the state's revolving fund set up to finance clean water initiatives for local government water and wastewater systems.
- Administering debt service funds for bonds issued according to the State Bond Act, which allows the Division of Bond Finance to issue tax exempt bonds to provide capital financing for state and selected government agencies. The SBA also serves as escrow agent for the bonds.
- Providing administrative support for the Division of Bond Finance and the Florida Prepaid College Plans.
- Generating annual, monthly and quarterly reports detailing performance and investment activities. The reports are presented to the Trustees at public meetings and posted on various SBA web sites.

STAFF HAS CONSERVATIVELY MANAGED BUDGETS, WHILE RECOGNIZING THAT WE MUST HAVE SUFFICIENT RESOURCES TO SUCCESSFULLY ACCOMPLISH OUR MISSION.

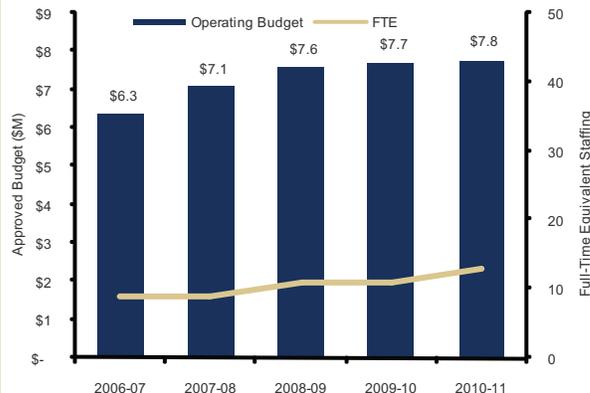
SBA CORE OPERATING BUDGET AND FULL-TIME EQUIVALENT STAFFING (EXCLUDES CAT FUND, PEORP, BOND FINANCE AND PREPAID BUDGETS)



SBA PEORP OPERATING BUDGET AND FULL-TIME EQUIVALENT STAFFING



SBA CAT FUND OPERATING BUDGET AND FULL-TIME EQUIVALENT STAFFING



The SBA is governed by a three-member Board of Trustees, comprised of the Governor as Chairman, the Chief Financial Officer as Treasurer and the Attorney General as Secretary. The Trustees, in concert with legislative directives, have ultimate oversight of strategy. They delegate authority to Executive Director/Chief Investment Officer (CIO), Ash Williams, to carry out the strategic direction in the day-to-day financial investments and operations of the agency. The Executive Director/CIO manages approximately 170 professional investment and administrative support staff.

FIDUCIARY RESPONSIBILITY TO PARTICIPANTS

The SBA's specialized responsibilities and fiduciary duties create a need for independence and flexibility, which have been recognized by the courts and the Florida Legislature.

- The Trustees authorize the budget for the SBA to provide prudent investment management services.
- SBA staff focuses on the measurable bottom line, seeking to maximize returns while prudently managing risk in the best interests of participants.
- Service and asset purchases have clear and comprehensive competitive procedures.

The SBA's foremost responsibility is to act as fiduciary for fund participants by carrying out investment policies in their best interests. The SBA is held to fiduciary standards set forth in Florida Statutes that follow the essential elements in federal law. The Florida Legislature has set limitations of investments in Section 215.47, Florida Statutes, and fiduciary standards of care in sections 121.4501(15), 215.44(2)(a) and 215.47(10), Florida Statutes. The SBA, as fiduciary, must also:

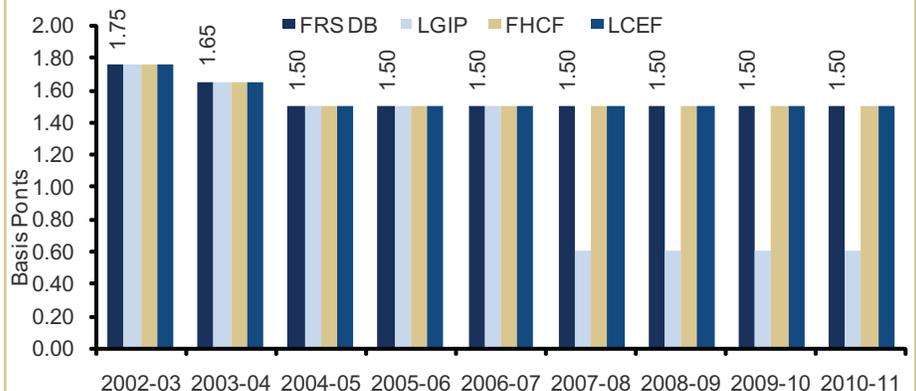
- Act with the care, skill, prudence and diligence under the prevailing circumstances that a prudent person familiar with such matters would use in making investments. In other words, investment decisions are made from the perspective of subject-matter experts, not merely as well-intentioned persons acting in good faith.
- Make decisions based on an investment strategy of diversification, balancing such investments with risk tolerance.

BUDGET AND COSTS MANAGED CONSERVATIVELY

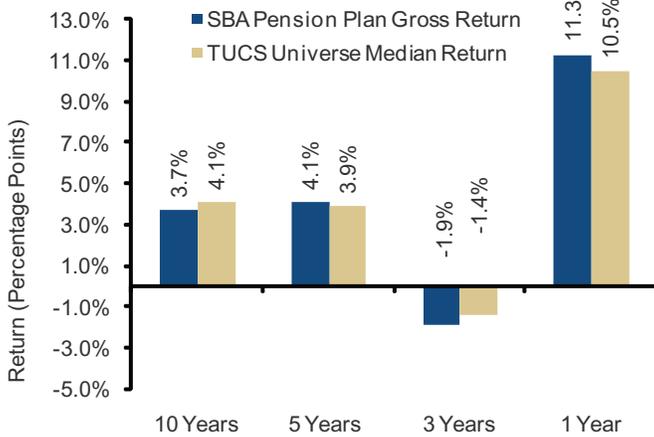
The SBA manages its budget conservatively while recognizing that the agency needs sufficient resources to be successful.

The SBA is a cost-effective provider of investment management services. Clients are charged less than 2/100 of 1% for administrative overhead. In other words, the current charge is 1.5 basis points on most funds under management.

SBA ANNUAL FEE CHARGED ON ASSETS

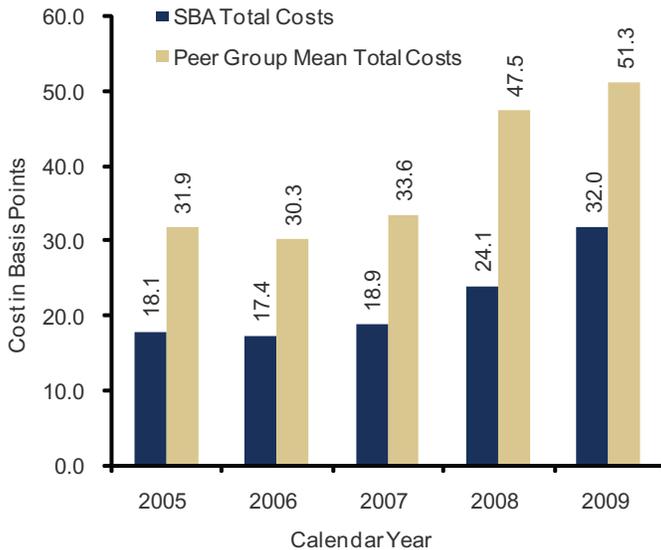


FRS PENSION PLAN PERFORMANCE COMPARISON TO TUCS UNIVERSE
TUCS Defined Benefit Plans (Corporate and Public)
Through September 30, 2010



WILSHIRE'S TRUST UNIVERSE COMPARISON SERVICE ("TUCS") is a cooperative effort between Wilshire Associates and custodial organizations. Custodians submit asset positions and performance data to be pooled into universes of managed tax-exempt portfolios. According to Wilshire, TUCS is the most widely accepted benchmark for the performance of institutional assets, with assets in excess of \$2.2 trillion across 287 plan sponsors.

FRS PENSION PLAN COST COMPARISON TO CEM PEER GROUP



Cost Effectiveness Measurement ("CEM") maintains a global database of detailed cost information provided by public and corporate pension plans. The SBA's 2009 CEM Peer Group included 17 U.S. plan sponsors with assets from \$31.8 billion to \$203.3 billion.

Investment Advisory Council (IAC)

The Board of Trustees appoints nine members to serve on the Investment Advisory Council (IAC). The IAC provides independent oversight of SBA's funds and major investment responsibilities, ranging from the Florida Retirement System programs to the Lawton Chiles Endowment Fund. The IAC meets quarterly to discuss general policies such as risk budgets, alternative investments, and investment protection principles, while more broadly covering topics related to the general economic outlook. Members are appointed for 4-year terms pursuant to Section 215.444(2), Florida Statutes.

Audit Committee (AC)

The Board of Trustees appoints three members to serve on the Audit Committee (AC) and serve a four-year term at the will of their Trustee. The AC exists to assist the Trustees of the State Board of Administration in fulfilling its oversight responsibilities. The primary duties and responsibilities of the AC are to:

- Serve as an independent and objective party to monitor SBA's processes for financial reporting, internal controls and risks assessment, and compliance.
- Review and appraise the audit efforts of SBA's independent auditors and Office of Internal Audit.

Participant Local Government Advisory Council (PLGAC)

The Board of Trustees appoints six members to serve on the Participant Local Government Advisory Council (PLGAC) and serve four-year terms, subject to confirmation by the Florida Senate. The PLGAC was statutorily created as an additional measure to ensure that the Pool is operated and managed in the best interest of investors in the fund. The members of the PLGAC are appointed by the Board of Trustees and are subject to confirmation by the Senate. Members must possess special knowledge, experience, and familiarity obtained through active, long-standing, and material participation in the dealings of the trust fund.

The PLGAC reviews the administration of the trust fund and makes recommendations regarding such administration to the trustees. The PLGAC prepares and submits a written biennial report to the Trustees, the Investment Advisory Council, and the Joint Legislative Auditing Committee that describes the activities and recommendations of the council.

Florida Hurricane Catastrophe Fund Advisory Council

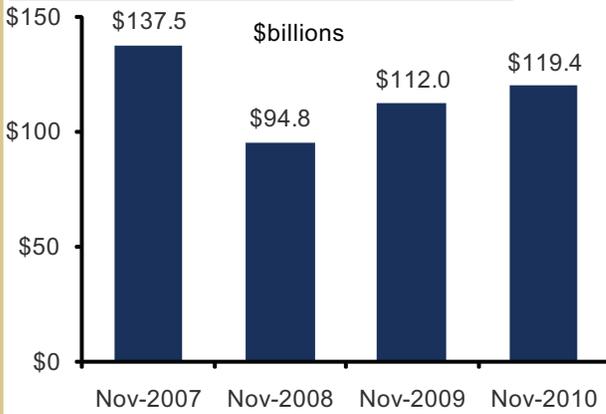
The Board of Trustees appoints a nine-member advisory council that consists of an actuary, a meteorologist, an engineer, a representative of insurers, a representative of insurance agents, a representative of reinsurers, and three consumers, to provide the Board with information and advice in connection with its duties related to the Florida Hurricane Catastrophe Fund (FHCF). The FHCF is a state tax-exempt trust fund created for the purpose of providing a stable and on-going source of reimbursement to insurers for a portion of their catastrophic hurricane losses in order to provide additional insurance capacity for the state.

Florida Commission on Hurricane Loss Projection Methodology

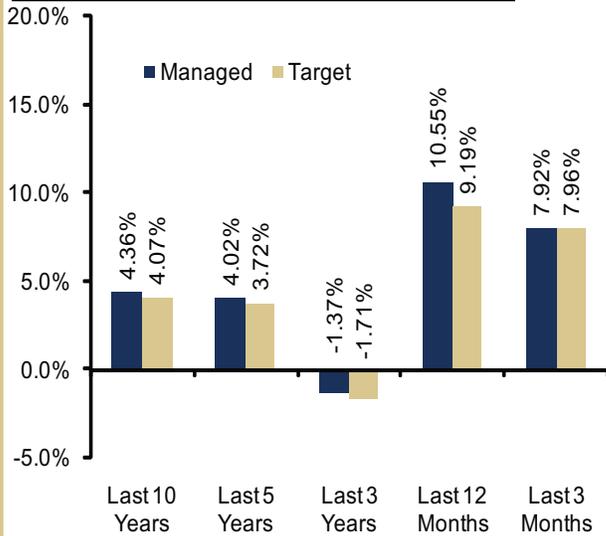
The Commission is administratively housed within the State Board of Administration and consists of 11 members. The Commission was statutorily created as a panel of experts to provide actuarially sophisticated guidelines and standards for the projection of hurricane losses.

PORTFOLIO OVERVIEW
as of 11/30/2010

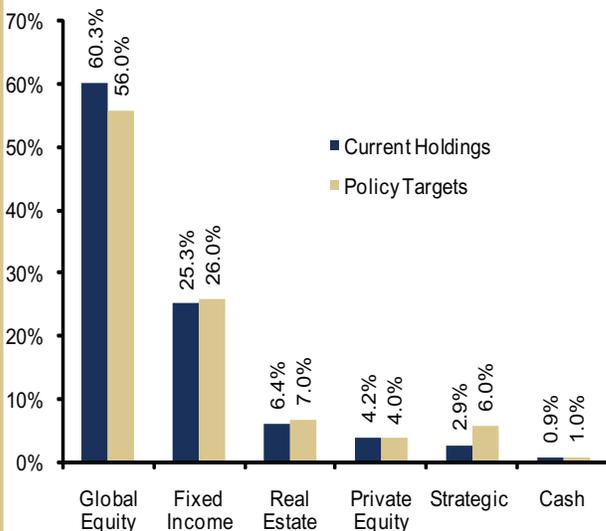
NET ASSET VALUE



NET MANAGED AND TARGET RETURNS



ASSET ALLOCATION



The Florida Retirement System (FRS) Pension Plan, also known as the Defined Benefit Plan, is the fourth largest public retirement plan in the U.S. and comprises roughly three-quarters of total assets under State Board of Administration (SBA) management. Our commitment to maximizing returns over the long term, subject to risk considerations, is vital to ensuring the FRS Pension Plan continues to help participating retirees meet their financial goals and assure all plan participants that their retirement funds are invested prudently.

The legislature determines plan structure, benefit levels and funding, the Department of Management Services, Division of Retirement administers the program and the SBA manages the assets consistent with statutory authority. History has shown this to be a productive partnership, with approximately 65 cents out of every dollar paid to a retiree today coming from investment gains, not from taxpayers.

In investing the FRS Pension Plan assets, the SBA follows statutory guidelines. As always, in keeping with our commitment to disciplined management services, the Investment Advisory Council provides independent oversight of the FRS Pension Plan's general objectives, policies, and strategies.

SBA's investment policy objective for the FRS Pension Plan portfolio is to provide investment returns sufficient for the plan to be maintained in a manner that ensures the timely payment of promised benefits to current and future participants and keeps the plan cost at a reasonable level. Benefits are determined using a formula based on years of service and salary while working for an FRS employer.

The investment performance of the FRS Pension Plan has been highlighted by many reputable organizations:

- The FRS Pension Fund has been and continues to be one of the most well-funded and healthiest public pension funds in the United States; generally characterized as being in the top four by most objective publications.
- The FRS Pension Fund's investment performance for the year ending December 2009 was ranked first among its peers by the Trust Universe Comparison Services (TUCS).
- The FRS Pension Fund posted a 14.03 percent return for the fiscal year ending 2009-2010, exceeding its investment benchmark return by 251 basis points. This represents the greatest return over benchmark for the fund in the past 25 years.
- The FRS Pension Fund was recently recognized as one of four model pension funds, entering 2008 fully-funded, by the Pew Center on the States in its publication, The Trillion Dollar Gap.
- The FRS Pension Fund was recently ranked second most cost effective among its peers by CEM Benchmarking.

TABLE A: EXPANDED AUTHORITY

Asset Class	Target Allocation	Policy Range Low	Policy Range High
Global Equity	52%	42%	60%
Fixed Income	24%	16%	32%
Real Estate	7%	2%	12%
Private Equity	5%	0%	7%
Strategic Investments	11%	0%	20%
Cash Equivalents	1%	0%	9%
Total Fund	100%	--	--

TABLE B: CURRENT/TRANSITIONAL

Asset Class	Target Allocation	Policy Range Low	Policy Range High
Global Equity	56%	48%	64%
Fixed Income	26%	18%	34%
Real Estate	7%	2%	12%
Private Equity	4%	0%	7%
Strategic Investments	6%	0%	20%
Cash Equivalents	1%	0%	9%
Total Fund	100%	--	--

A fund's exposure to various major asset types or asset classes is known as its asset allocation. Because over 90% of the return and risks of a diversified investment portfolio is attributable to its asset allocation, determining the proper asset allocation is the most fundamental way in which an investor pursues his or her investment objective.

The Florida Retirement System Trust Fund invests in the following asset classes:

- **Global Equity:** Asset class consisting principally of stocks of companies located in the United State and internationally
- **Fixed Income:** Asset class consisting principally of investment grade bonds
- **Private Equity:** Asset class consisting principally of equity investments through limited partnerships
- **Real Estate:** Asset class consisting principally of direct-owned real properties, real estate-based joint ventures, open-end and closed-end funds, and publicly traded real estate securities (e.g., Real Estate Investment Trusts)
- **Strategic Investments:** Asset class in the FRS Pension Plan established to potentially contain a variety of portfolios which represent asset types or strategies not suitable for inclusion in other asset classes
- **Cash Equivalents:** Asset class consisting principally of securities that are short-term, have high credit quality and are highly liquid.

ASSET CLASS ALLOCATIONS

The SBA has a history of making periodic adjustments to its asset allocation to ensure our strategy is appropriate for the long term health of the pension system. This has resulted in nearly 65 cents of every dollar paid to retirees coming from investment earnings, not Florida taxpayers. In pursuit of continued long-term incremental investment returns, the Executive Director may vary the asset mix from the target asset allocation based on market conditions and the investment environment for the individual asset classes.

The Executive Director was directed by the Trustees in June 2010 to seek expanded statutory authority during the 2011 Legislative Session to invest in alternative investments (i.e., private equity, venture capital, distress funds, hedge funds and certain other investments described in s. 215.47(15), Florida Statutes) beyond the current limit of 10 percent. The allocation in Table A would be effective upon such expanded authority becoming effective in law. Prior to obtaining such expanded statutory investment authority, a transitional asset allocation provided in Table B governs.

PERFORMANCE MEASUREMENT INDICIES

Asset Class	Index
Global Equity	A custom version of the MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect the provisions of the Protecting Florida's Investments Act
Fixed Income	The Barclays Capital U.S. Aggregate Index
Real Estate	An average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 90%, and the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on non-resident institutional investors, weighted at 10%
Private Equity	The Russell 3000 index return plus a fixed premium return of 300 basis points per annum
Strategic Investments	A weighted-average of individual portfolio level benchmark returns
Cash Equivalents	iMoneyNet First Tier Institutional Money Market Funds Net Index

REBALANCING

Managing actual asset class exposure over time is important if the investor is to avoid unnecessary risk. For example, if 60% exposure to stocks is determined to be necessary to meet a long-term return objective, exposures below that, if persistent or poorly timed, will cause the actual return to fall short of the long-term return objective. Conversely, an exposure to stocks greater than necessary will subject the portfolio to higher levels of volatility than necessary, which can also result in disappointment, particularly when equity markets weaken.

Nonetheless, maintaining an exact asset allocation is difficult given the dynamic nature of markets and security prices. Sophisticated investors typically determine reasonable bounds above and below their desired asset allocation, known as their target or policy allocation, within which they accept deviations from the target.

When allocations become significantly out of sync, the SBA will realign the weightings of its portfolio of assets. This "rebalancing" involves periodically buying or selling assets in a portfolio to maintain the original desired level of asset allocation or asset mix. For example, if the original target asset allocation was 50% stocks and 50% bonds and stocks happened to perform well during the period, it could have increased the stock weighting of the portfolio to 70%. To rebalance, the portfolio the SBA would sell some of the stocks and buy bonds to get it back to the original target allocation of 50/50.

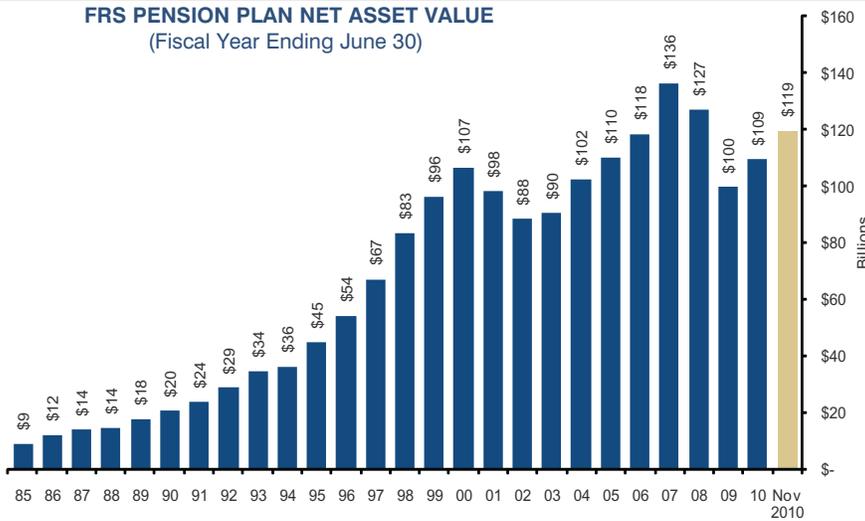
From time to time, an investor may temporarily choose to alter their target asset allocation. This is typically done based upon an opinion regarding near-term market performance, but unusual liquidity needs or other unanticipated factors could also play a role in this decision. Temporary intentional deviation from target asset allocation exposures is known as tactical asset allocation. Most institutional investors recognize that tactical allocations based on a market view are high-risk propositions because of the difficulty of accurately predicting market movements (i.e., "timing" the market).

PERFORMANCE MEASUREMENT

Asset class performance is measured in accordance with a broad market index appropriate to the asset class. The indices identified in the right table are used as the primary benchmarks for the authorized asset classes.

FRS PENSION PLAN FUND PERFORMANCE

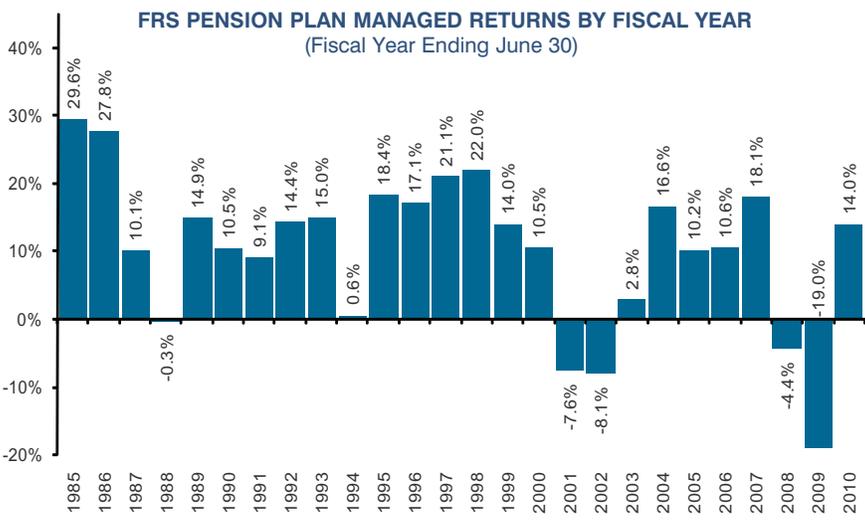
FRS PENSION PLAN NET ASSET VALUE
(Fiscal Year Ending June 30)



The FRS Pension Plan portfolio is the SBA's largest investment mandate. The investment objective for this fund is to earn on average over the long-term a compounded rate of return of 5% plus inflation per annum. The Plan serves a working and retired membership base of nearly one million people. Historic performance, with returns from 28 of the past 36 years being positive, and typically in the double digits, has enabled approximately 65% of today's Pension Plan benefit payments being funded by investment gains.

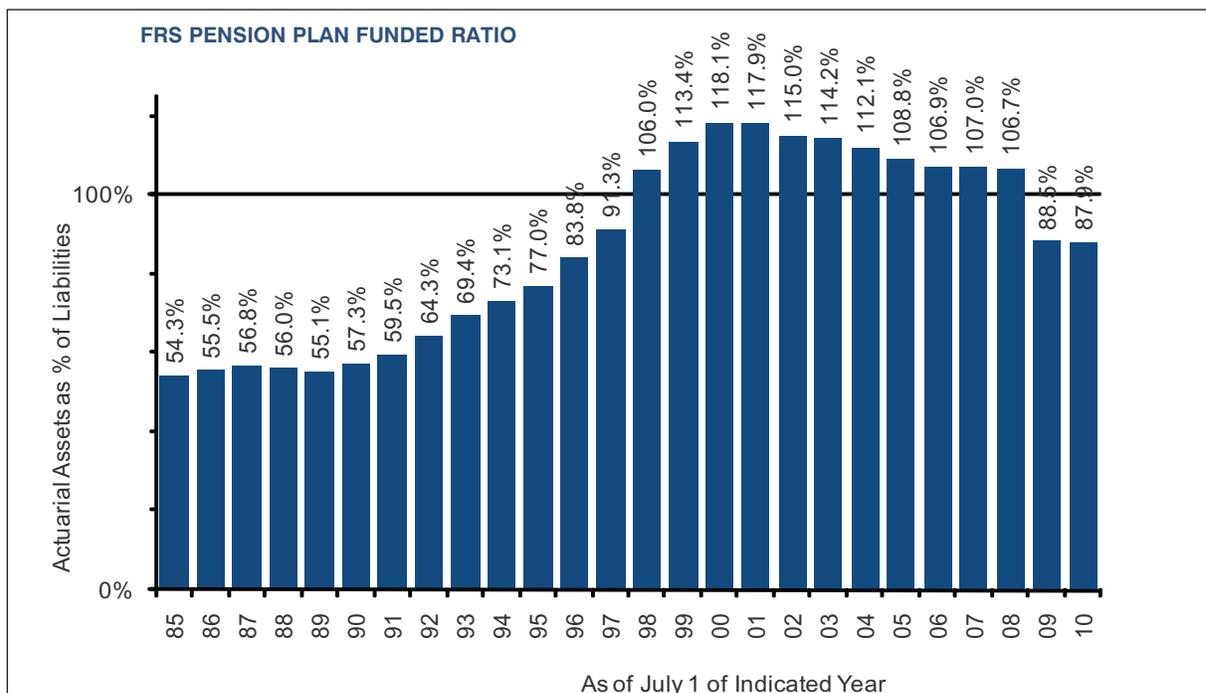
A funding ratio is a comparison of a pension's assets to its liabilities. A funding ratio at or above 100% indicates that the pension is able to cover its long-term obligations (payments to current and future retirees). Most experts recommend that a public pension operate at or above an 80% funding ratio, and suggest those below 80% are in danger of experiencing near-term liquidity issues.

FRS PENSION PLAN MANAGED RETURNS BY FISCAL YEAR
(Fiscal Year Ending June 30)



Participants' benefits from the Florida Retirement System are secure as those benefits are guaranteed by law. The FRS Pension Plan Trust Fund is not immune to short-term market volatility, but over the long-term, the fund has produced steady positive results. History shows that while the magnitude and duration of bear markets vary, there is always a recovery. The chart below shows the funding ratio of the Florida Retirement System Trust Fund.

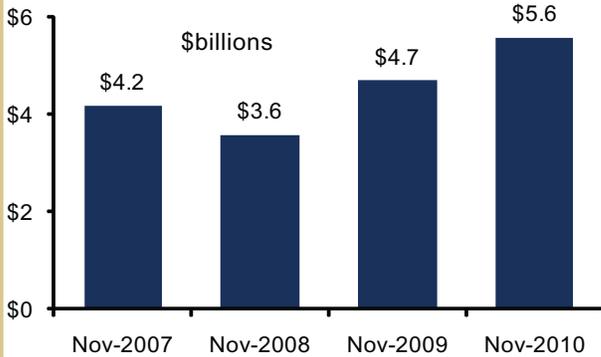
FRS PENSION PLAN FUNDED RATIO



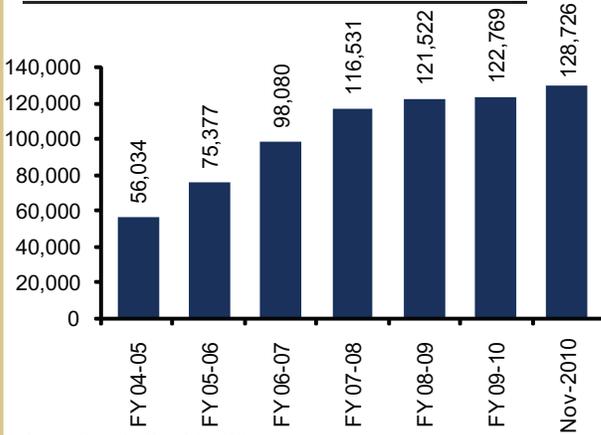
PORTFOLIO OVERVIEW

as of 11/30/2010

NET ASSET VALUE



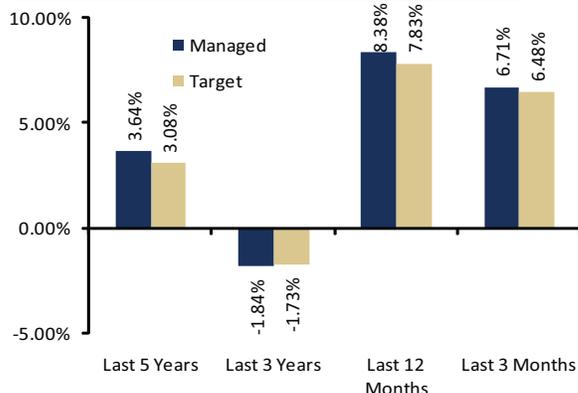
PLAN MEMBERSHIP



PLAN CHARACTERISTICS

Average Participant Balance	\$43,916
Average Quarterly Contribution	\$1,050
Total Participants with Balances	128,726
Total Active Participants with Balances	99,681
Inactive Participants with Balances	29,045
Most Widely Used Funds (By Participant Count)	
1. FRS Select Moderate Balanced Fund	82,352
2. FRS Select Aggressive Balanced Fund	34,115
3. FRS Select US Stock Market Index Fund	21,272

TOTAL PLAN NET MANAGED AND TARGET RETURNS



The Florida Retirement System (FRS) Investment Plan was established by the Legislature to provide Florida's public employees with a portable, flexible alternative to the FRS traditional defined benefit plan. Since opening its first employee account in July 2002, the FRS Investment Plan has become one of the largest optional public-sector defined contribution retirement plans in the U.S., with over 128,000 members and \$5.6 billion in assets as of November 30, 2010.

The Executive Director/CIO is responsible for selecting, evaluating, and monitoring performance of the investment options, with a focus on maximizing returns within appropriate risk constraints. The FRS Investment Plan has a diverse offering of 20 low-cost institutional and mutual fund investment options within 5 public market asset classes. Three risk-targeted balanced funds are available, consisting of optimized mixes of existing investment options.

INVESTMENT OBJECTIVES

The SBA follows the Florida Statutes fiduciary standards of care in managing the FRS Investment Plan's options. The Investment Advisory Council provides independent oversight of the plan's general objectives, policies, and strategies. The plan's primary investment objectives are to:

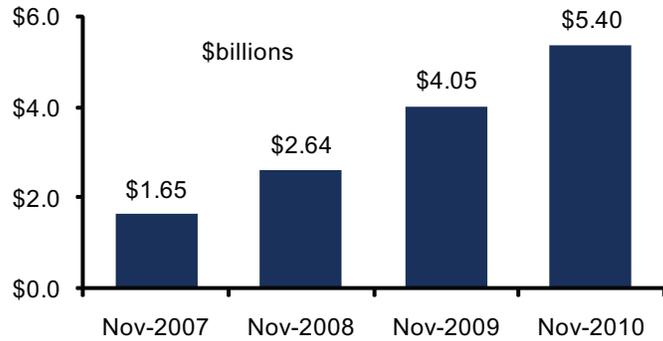
- 1) Offer a diversified mix of low-cost investment options that span the risk-return spectrum and give participants the opportunity to accumulate retirement benefits.
- 2) Offer investment options that avoid excessive risk, have a prudent degree of diversification relative to broad market indices and provide a long-term rate of return, net of all expenses and fees that seek to achieve or exceed the returns on comparable market benchmark indices.
- 3) Offer participants meaningful, independent control over the assets in their account with the opportunity to:
 - a) Obtain sufficient information about the plan and investment alternatives to make informed investment decisions;
 - b) Direct contributions and account balances between approved investment options with a frequency that is appropriate in light of the market volatility of the investment options;
 - c) Direct contributions and account balances between approved investment options without the limitation of fees or charges; and
 - d) Remove accrued benefits from the plan without undue delay or penalties, subject to the contract and all applicable laws governing the operation of the program.

OBJECTIVES AND GUIDELINES INCLUDE:

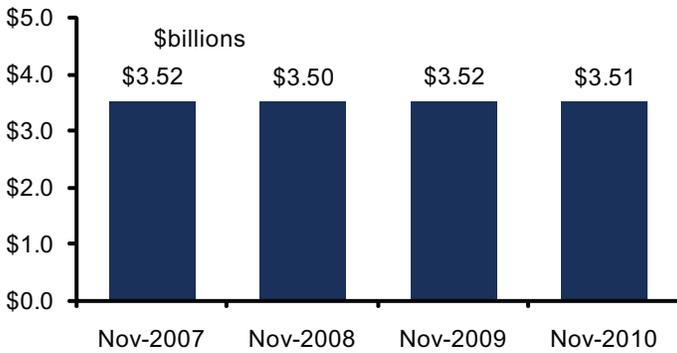
- Participant Control, Liability, and Education - The SBA follows appropriate federal laws to allow participants to choose from a broad range of investment alternatives while receiving objective, multimedia education with which to make informed decisions.
- Third-party Administrator/Bundled Providers - We help establish and monitor the roles and duties of a third-party administrator selected for recordkeeping, enrollment, money disbursement, etc., as well as the bundled providers who offer investment products.
- Investment Management - Our Executive Director develops policies and guidelines for selection, retention and termination of investment managers (along with bundled providers and products).
- Cost-effectiveness, value-added, and compliance with stated goals are monitored for each provider and product on an ongoing basis. Specific information related to the spectrum of fund options and updated performance numbers, along with other tools and education, is provided at MyFRS.com.

PORTFOLIO OVERVIEW
as of 11/30/2010

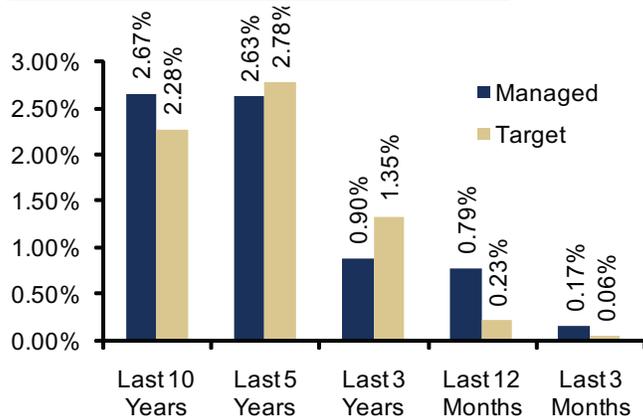
OPERATING FUND NET ASSET VALUE



2007 A NOTE PROCEEDS NET ASSET VALUE



OPERATING FUND NET MANAGED AND TARGET RETURNS



2007 A NOTE PROCEEDS NET MANAGED AND TARGET RETURNS



The Florida Hurricane Catastrophe Fund (CAT Fund) was created in 1993 in response to Florida's property insurance crisis resulting from Hurricane Andrew. The purpose for this state tax-exempt trust fund is to provide a stable and ongoing source of reimbursement to insurers for a portion of their catastrophic hurricane losses in order to provide additional insurance capacity in the state. The CAT Fund is financed by reimbursement premiums charged to participating insurers, investment earnings, and emergency assessments on property and casualty insurers.

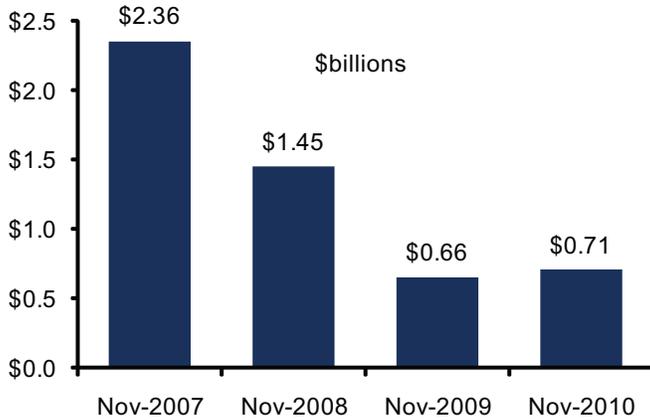
The SBA acts as investment manager for the Fund which provides additional capacity for insurers who write residential property insurance in the state. The SBA invests in accordance with Florida Statutes, using instruments such as certificates of deposit, commercial paper, U.S. government agency notes, U.S. Treasury bills, and others that are relatively low-risk, highly liquid fixed-maturity securities.

The Board of Trustees appoints a nine-member advisory council that consists of an actuary, a meteorologist, an engineer, a representative of insurers, a representative of insurance agents, a representative of reinsurers, and three consumers, to provide the Board with information and advice in connection with its duties related to the Cat Fund.

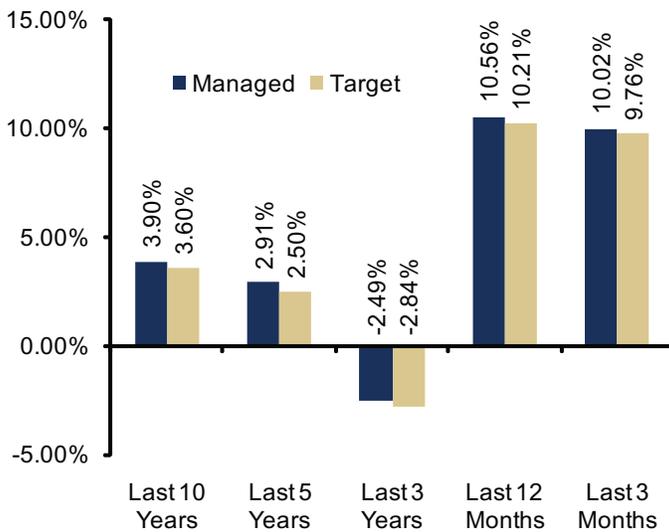
In 1995 Florida Statute created the Florida Commission on Hurricane Loss Projection Methodology, a panel of experts to provide actuarially sophisticated guidelines and standards for the projection of hurricane losses. The Commission is administratively housed within the State Board of Administration. The Board of Trustees annually appoints one of the members of the commission to serve as chair.

PORTFOLIO OVERVIEW
as of 11/30/2010

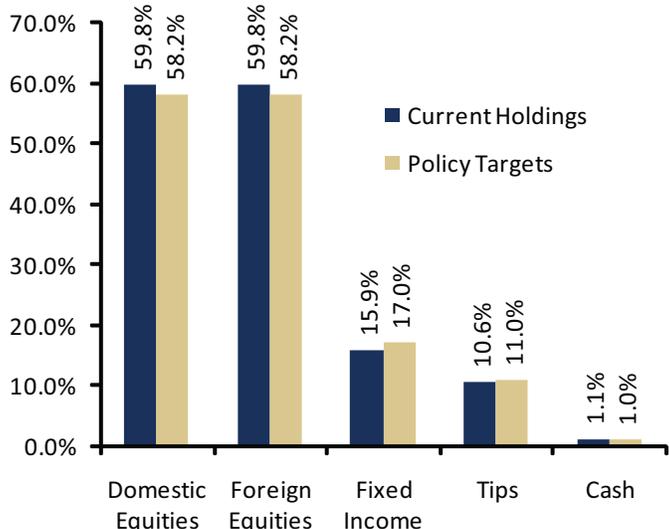
NET ASSET VALUE



NET MANAGED AND TARGET RETURNS



ASSET ALLOCATION



The Florida Legislature created the Lawton Chiles Endowment Fund (LCEF) in 1999. This portfolio was funded with \$1.7 billion of Florida's tobacco litigation settlement proceeds. Its purpose is to invest a portion of Florida's tobacco settlement monies to provide a perpetual source of enhanced funding for health maintenance and research programs related to tobacco use.

Florida law specifies that the LCEF shall be managed as an annuity, with an investment objective of long-term preservation of the real value of the principal. The law further requires a specified regular annual cash outflow for appropriation, as nonrecurring revenue.

An appropriation of over \$1 billion from the endowment to support general revenue spending was required in fiscal year 2008-09.

The SBA seeks to accomplish the investment objectives for the Chiles Endowment by:

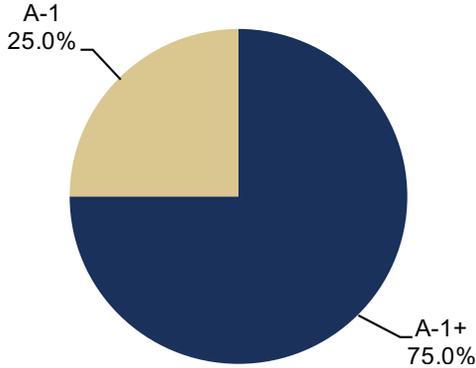
- Providing a regular cash flow for legislative appropriation, as non-recurring revenue
- Managing the probability of maintaining the real value of any original principal investments in the Endowment by the Legislature at the end of a 30-year planning horizon
- Utilizing a broad range of diversified investments
- Investing in assets with sufficiently high investment return to generate growth of real principal and cash flows, such as equity assets and inflation indexed bonds
- Directing the management of asset classes in a way that will maximize the likelihood of achieving the investment objective while minimizing risk
- Setting permissible shares of the total portfolio's value for each asset class.
- Establishing portfolio benchmarks

PORTFOLIO OVERVIEW
as of 11/30/2010

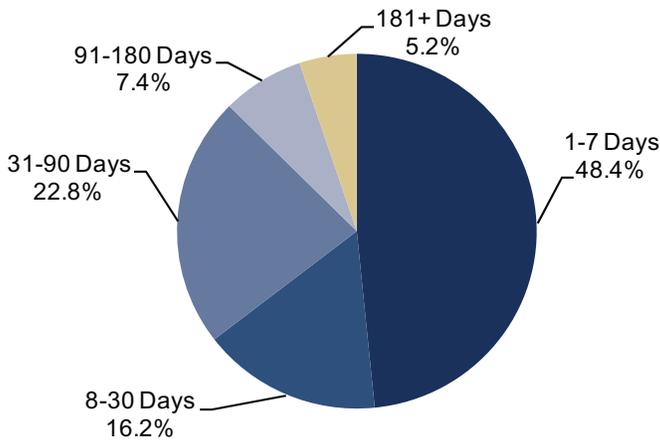
FLORIDA PRIME ASSETS

\$ 5,699,233,124

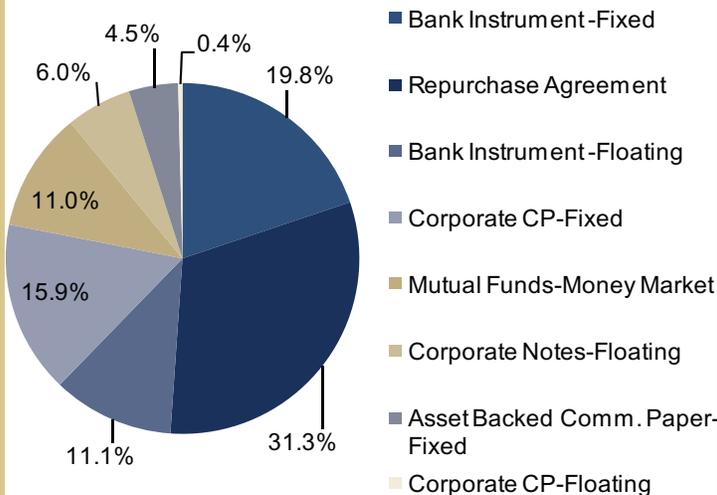
CREDIT QUALITY COMPOSITION (%)



EFFECTIVE MATURITY SCHEDULE (%)



PORTFOLIO COMPOSITION (%)



The Florida PRIME provides eligible participants a cost-effective investment vehicle for their surplus funds. Its investment strategy emphasizes, in order of importance, preservation of capital, liquidity and competitive yield. Florida PRIME is managed by an industry leader in professional money management, maintains conservative investment policies and a Standard & Poor's AAA(m) rating, and has enhanced transparency and extensive governance oversight.

Florida PRIME is governed by Chapters 215 and 218, Florida Statutes, and Chapter 19-7 of the Florida Administrative Code (collectively, "Applicable Florida Law"). The Applicable Florida Law provides for the creation of the Florida PRIME investment pool and permits eligible local governmental entities to jointly invest their surplus funds in authorized investments.

The Trustees (comprised of the Governor, Chief Financial Officer, and the Attorney General of the State of Florida) have delegated the administrative and investment authority to manage the Florida PRIME to the Executive Director of the SBA, subject to Applicable Florida Law. Additionally, the Trustees appoint a six-member Investment Advisory Council and a six member Florida PRIME Advisory Council. Both Councils are responsible for review of the Florida PRIME Investment Policy and any proposed changes prior to its presentation to the Trustees and will undertake other duties set forth in Applicable Florida Law.

The SBA has retained the services of Federated Investors as the investment manager and has engaged BNY Mellon to provide asset safekeeping, custody services, and performance measurement services for Florida PRIME. The SBA maintains oversight of the services provided to Florida PRIME by Federated and BNY Mellon through periodic assessments and contractual performance monitoring.

ELIGIBLE PARTICIPANTS

Units of local government eligible to participate in Florida Prime include, but are not limited to, any county, municipality, school district, special district, clerk of the circuit court, sheriff, property appraiser, tax collector, supervisor of elections, state university, state college, community college, authority, board, public corporations, or any other political subdivision or direct support organization of the state.

PARTICIPANT LOCAL GOVERNMENT ADVISORY COUNCIL (PLGAC)

The PLGAC was statutorily created as an additional measure to ensure that the Pool is operated and managed in the best interest of investors in the fund. All PLGAC members represent participating investors and are all independent, meaning that they have no affiliation with the SBA apart from the investments they have made as governmental entities. The independent council members have distinguished backgrounds in business, finance, and public service.

FUND B DISTRIBUTIONS TO PARTICIPANTS

	Distributions to Participants	Cumulative Distributions	Participant Principal	Proportion of Original Principal Returned
12/05/07	\$	\$	\$ 2,009,451,941	0.0%
01/18/08	\$ 50,000,000	\$ 50,000,000	\$ 1,959,451,941	2.5%
02/11/08	\$ 518,000,000	\$ 568,000,000	\$ 1,441,451,941	28.3%
03/18/08	\$ 210,550,000	\$ 778,550,000	\$ 1,230,901,941	38.7%
04/21/08	\$ 106,000,000	\$ 884,550,000	\$ 1,124,901,941	44.0%
06/19/08	\$ 291,500,000	\$ 1,176,050,000	\$ 833,401,941	58.5%
06/26/08	\$ 150,500,000	\$ 1,326,550,000	\$ 682,901,941	66.0%
07/07/08	\$ 34,700,000	\$ 1,361,250,000	\$ 648,201,941	67.7%
08/06/08	\$ 10,400,000	\$ 1,371,650,000	\$ 637,801,941	68.3%
09/05/08	\$ 9,300,000	\$ 1,380,950,000	\$ 628,501,941	68.7%
10/07/08	\$ 11,750,000	\$ 1,392,700,000	\$ 616,751,941	69.3%
11/07/08	\$ 8,700,000	\$ 1,401,400,000	\$ 608,051,941	69.7%
12/04/08	\$ 20,500,000	\$ 1,421,900,000	\$ 587,551,941	70.8%
01/09/09	\$ 7,900,000	\$ 1,429,800,000	\$ 579,651,941	71.2%
02/09/09	\$ 6,800,000	\$ 1,436,600,000	\$ 572,851,941	71.5%
03/09/09	\$ 5,800,000	\$ 1,442,400,000	\$ 567,051,941	71.8%
04/09/09	\$ 6,600,000	\$ 1,449,000,000	\$ 560,451,941	72.1%
05/08/09	\$ 8,200,000	\$ 1,457,200,000	\$ 552,251,941	72.5%
06/08/09	\$ 7,500,000	\$ 1,464,700,000	\$ 544,751,941	72.9%
07/09/09	\$ 7,100,000	\$ 1,471,800,000	\$ 537,651,941	73.2%
08/07/09	\$ 8,150,000	\$ 1,479,950,000	\$ 529,501,941	73.6%
09/04/09	\$ 10,000,000	\$ 1,489,950,000	\$ 519,501,941	74.1%
10/07/09	\$ 8,050,000	\$ 1,498,000,000	\$ 511,451,941	74.5%
11/06/09	\$ 6,750,000	\$ 1,504,750,000	\$ 504,701,941	74.9%
12/08/09	\$ 6,250,000	\$ 1,511,000,000	\$ 498,451,941	75.2%
01/08/10	\$ 34,800,000	\$ 1,545,800,000	\$ 463,651,941	76.9%
02/08/10	\$ 8,575,000	\$ 1,554,375,000	\$ 455,076,941	77.4%
03/08/10	\$ 6,100,000	\$ 1,560,475,000	\$ 448,976,941	77.7%
04/08/10	\$ 5,550,000	\$ 1,566,025,000	\$ 443,426,941	77.9%
05/07/10	\$ 7,175,000	\$ 1,573,200,000	\$ 436,251,941	78.3%
06/07/10	\$ 13,725,000	\$ 1,586,925,000	\$ 422,526,941	79.0%
07/09/10	\$ 8,425,000	\$ 1,595,350,000	\$ 414,101,941	79.4%
08/06/10	\$ 6,650,000	\$ 1,602,000,000	\$ 407,451,941	79.7%
09/08/10	\$ 5,600,000	\$ 1,607,600,000	\$ 401,851,941	80.0%
10/07/10	\$ 5,675,000	\$ 1,613,275,000	\$ 396,176,941	80.3%
11/05/10	\$ 5,375,000	\$ 1,618,650,000	\$ 390,801,941	80.6%

Fund B was created by the Florida Legislature in 2008 to segregate distressed securities resulting from the fixed income market upheaval starting in 2007. The goal is to maximize the present value of distributions and ultimately liquidate the fund through maturity and payout of the investments.

The SBA, which has responsibility to administer and invest Fund B, has contracted with financial services company Federated Investors, Inc., to provide advisory services on the fund.

The segregated securities in Fund B were originally purchased for the Local Government Investment Pool, but the investments: 1) defaulted in the payment of principal and interest; 2) were extended; 3) were restructured or otherwise subject to workout in a process intended to resolve a problem of indebtedness; 4) experienced elevated lack of liquidity; or 5) did not meet the criteria of the nationally recognized statistical rating organizations (NRSROs) that provide credit ratings.

Distributions from Fund B

Each month, the SBA distributes accrued principal and interest as they become available from Fund B holdings to participants in proportion to their original adjusted Fund B balances.

Fund B was created by the Legislature, Section 218.421, Florida Statutes, and is governed by Chapters 215 and 218, Florida Statutes, and Chapter 1907, Florida Administrative Code.

Through the end of November 2010, investors cumulatively received distributions from Fund B totaling almost \$1.61 billion or 80.6% of their original balances.

INVENTORY OF HOLDINGS - AS OF NOVEMBER 30, 2010

Security Name	Type	Cpn/Dis	Rate Reset	Par	Current Yield	Amort Cost ²	Mkt Value ¹	Unrealized Gain (Loss)
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND	0.04		\$ 41,883	0.04	\$ 41,883	\$ 41,883	\$ -
Florida East Funding LLC	VARIABLE RATE TERM NOTE	0.61	12/28/10	\$ 96,253,269	0.61	\$ 97,274,848	\$ 65,704,769	\$ (31,570,078)
Florida Funding I LLC,	VARIABLE RATE TERM NOTE	2.16	08/25/10	\$ 133,457,513	3.35	\$ 134,158,070	\$ 34,448,885	\$ (99,709,185)
Florida Funding II LLC	VARIABLE RATE COMMERCIAL PAPER	0.25	12/27/10	\$ 124,071,697	0.26	\$ 124,817,031	\$ 63,883,492	\$ (60,933,539)
Florida West Funding LLC	VARIABLE RATE TERM NOTE	0.61	12/28/10	\$ 210,903,853	0.61	\$ 212,597,369	\$ 115,342,870	\$ (97,254,499)
Total Value of Investments				\$ 564,728,215		\$ 568,889,201	\$ 279,421,899	\$ (289,467,301)

SBA

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Municipal Pension Reform Proposals
Florida Senate Committee on
Governmental Oversight and Accountability
January 26, 2011

1. Change current Florida Statutes to restrict the maximum amount of a public pension by: placing a cap on the pension, measured as a percentage of pay; or restricting the use of overtime (with a limited exception for mandatory overtime), unused leave times, or other additional payments.
2. Change current Florida Statutes requiring the provision of new, “extra” pension benefits to police/fire, and allow use of insurance premium tax revenues to pay for the current or a reduced level of benefits.
3. Change current Florida Statutes to allow police/fire minimum pension benefits requirement to be met by aggregating current pension benefit values, and allow cities to create “tiered” plans providing a different level of pension benefits for new/recent hires.
4. Change current Florida Statutes to make disability pension determinations under police/fire pensions consistent with Florida Retirement System (Special Risk Class) determinations.
5. Change current Florida Statutes providing “heart and lung” disability presumptions to police/fire/corrections claiming workers’ compensation or disability pension benefits by amending evidentiary standards and prohibiting application to users of tobacco products.
6. Change current Florida Statutes requiring the provision of a greater pension benefit when police/fire plan members agree to increasing plan member contributions.
7. Change current Florida Statutes to allow cities to change city membership on police/fire board of trustees, limit who can be on a board, and require accounting by boards and board budget oversight.
8. Change current Florida Statutes to require police/fire pension plan sponsors be responsible for plan termination activities and duties.
9. Change current Florida Statutes to allow for the purchase of credit for police/fire past service at the Special Risk Class accrual rate of 3%.
10. Change current Florida Statutes requiring governmental entities to offer subsidized insurance coverage to retirees.

Kraig Conn
Legislative Counsel
Florida League of Cities

CITY POLICE AND FIRE PENSION PLAN CONTRIBUTIONS

Name of City	Plan Type	Required City Contribution (as a percentage of payroll)
Wilton Manors	Police	213.3
Sarasota	Fire	186.9
Lake Worth	Fire	126.3
Pembroke Pines	Police/Fire	88.4
Miami Beach	Police/Fire	81.9
Cooper City	Police	75.6
Hollywood	Fire	72.9
Hollywood	Police	68.8
Sebring	Fire	68.3
Cooper City	Fire	67.5
Coral Springs	Police	67.5
Medley	Police	66.3
Longboat Key	Police	66.2
Port Orange	Fire	65.8
Saint Petersburg	Fire	62.3
Pompano Beach	Police	62.2
Hallandale Beach	Police/Fire	61.8
Pensacola	Fire	60.3
Cocoa	Fire	58.2
Fort Myers	Police	57.5
Port Orange	Police	57.4
Bal Harbour Village	Police	57.3
Fort Myers	Fire	56.4
Homestead	Police	56.2
Lantana	Fire	54.7
Village of Palm Springs	Police/Fire	50.3
Pensacola	Police	50.1
Coral Gables	Police/Fire	49.6
Pinellas Park	Fire	48.5
Fort Lauderdale	Police/Fire	48
Jacksonville	Police/Fire	47.5
Bay Harbor Islands	Police	47.1
Melbourne Beach	Police	46.4
North Miami Beach	Police/Fire	46.4
Edgewater	Police	46.1
Longboat Key	Fire	46.1
Palm Beach	Fire	46
Cape Coral	Fire	45.8
Davie	Police	45.5
Miramar	Police	45.5
New Smyrna Beach	Fire	44.8

CITY POLICE AND FIRE PENSION PLAN CONTRIBUTIONS

Delray Beach	Police/Fire	44.7
New Port Richey	Police	44.1
Venice	Fire	44.1
Holly Hill	Police	43.5
Plantation	Police	43.3
Miami	Police/Fire	42.6
Lauderhill	Fire	42.4
Palm Beach	Police	42.2
Riviera Beach	Fire	40.4
Miami Shores Village	Police	40
Cape Coral	Police	39.9
Palm Beach Gardens	Police	39.8
Daytona Beach	Police/Fire	38.8
Venice	Police	38.7
Oakland Park	Police/Fire	38.5
Jupiter	Police	38.2
Panama City	Fire	38
Saint Pete Beach	Police	38
Cocoa Beach	Police	37.4
Tamarac	Fire	37.1
Sarasota	Police	35.9
Sunrise	Police	35.8
Temple Terrace	Police	35.5
Palm Beach Gardens	Fire	35
Indian River Shores	Police/Fire	34.8
Pompano Beach	Fire	34.5
Oldsmar	Fire	33.8
Davie	Fire	33.3
Riviera Beach	Police	33.2
Starke	Fire	33.2
Melbourne	Police	32.9
Saint Petersburg	Police	32.9
Lake Worth	Police	32.6
Williston	Police	32.1
Madison	Fire	32
Indian Harbour Beach	Police	31.9
Largo	Police/Fire	31.6
Sanibel	Police	31.5
Fernandina Beach	Police/Fire	31.4
Bartow	Fire	31.3
Winter Haven	Fire	31.2
Orlando	Police	31.1

CITY POLICE AND FIRE PENSION PLAN CONTRIBUTIONS

West Palm Beach	Fire	31.1
Safety Harbor	Fire	31
Lake Wales	Fire	30.9
Maitland	Police/Fire	30.6
Perry	Fire	30.6
Leesburg	Fire	30.4
Miramar	Fire	30.1
Boynton Beach	Fire	29.9
West Melbourne	Police	29.9
Marco Island	Police	29.6
Boynton Beach	Police	29.4
Kissimmee	Fire	29.1
Bradenton	Fire	28.9
Brooksville	Fire	28.5
Holmes Beach	Police	28.4
Marco Island	Fire	28.4
Orange Park	Police	28.3
Kissimmee	Police	28.1
Sunrise	Fire	28
Panama City	Police	27.8
Pinellas Park	Police	27.7
Orlando	Fire	27.6
Cocoa	Police	27.5
Plant City	Police/Fire	27.5
Cocoa Beach	Fire	27.4
Eustis	Police	27.1
Bradenton	Police	27
Sebring	Police	26.9
Fort Walton Beach	Fire	26.6
Sanford	Fire	26.6
Ormond Beach	Police	26.4
Naples	Fire	26
Ocala Supp	Police	25.9
Marathon	Fire	25.6
Sanford	Police	25.6
Flagler Beach	Fire	25.5
Fort Walton Beach	Police	25.4
Naples	Police	25.3
Hialeah	Police/Fire	25.1
Avon Park	Fire	24.7
Sebastian	Police	24.7
Lake Wales	Police	24.4

CITY POLICE AND FIRE PENSION PLAN CONTRIBUTIONS

Winter Haven	Police	24.4
Lake Mary	Police	24.3
Ocala Supp	Fire	24.3
Key West	Police/Fire	24.2
North Miami 748	Police	24.2
Clearwater	Police/Fire	24.1
Winter Park	Fire	24.1
Lake City	Fire	23.9
North Port	Police	23.9
Clermont	Police	23.8
Palatka	Fire	23.8
Lake City	Police	23.7
Winter Park	Police	23.6
Gulf Breeze	Police	23
Hialeah Gardens	Police	22.9
Temple Terrace	Fire	22.6
Deland	Police	22.5
Dunedin	Fire	22.5
Lauderhill	Police	22.5
Boca Raton	Police/Fire	22.4
Satellite Beach	Police/Fire	22.4
FL RETIREMENT SYSTEM SPECIAL RISK CLASS		22.2
Greenacres	Police/Fire	22
Lake Helen	Police	22
Macclenny	Police/Fire	21.9
Neptune Beach	Police	21.9
Apopka	Police	21.8
Winter Garden	Police/Fire	21.8
Atlantic Beach	Police	21.7
Lynn Haven	Fire	21.7
Tavares	Fire	21.7
North Port	Fire	21.4
Altamonte Springs	Police	21.3
Lantana	Police	21.2
Aventura	Police	21
Bushnell	Police	21
Lighthouse Point	Police/Fire	20.9
New Smyrna Beach	Police	20.9
Auburndale	Fire	20.8
Chattahoochee	Fire	20.8
Surfside	Police	20.8
Palm Bay	Fire	20.4

CITY POLICE AND FIRE PENSION PLAN CONTRIBUTIONS

Golden Beach	Police	20.3
Valparaiso	Police/Fire	20.3
Punta Gorda	Police	20.1
Bartow	Police	20
Seminole	Fire	20
Dade City	Fire	19.8
South Pasadena	Fire	19.8
Dania Beach	Fire	19.7
Deerfield Beach	Fire	19.7
Tampa	Police/Fire	19.7
Auburndale	Police	19.5
Edgewater	Fire	19.5
Avon Park	Police	19.4
Dunnellon	Police/Fire	19.3
Eustis	Fire	19.3
Ormond Beach	Fire	19.2
Titusville	Police/Fire	19.1
Palmetto	Police	19
Haines City	Fire	18.7
Lake Mary	Fire	18.7
Punta Gorda	Fire	18.7
Coral Springs	Fire	18.6
Crestview	Police/Fire	18.3
Casselberry	Police/Fire	18.2
Port St. Lucie	Police	18.2
Perry	Police	18.1
Tarpon Springs	Fire	18.1
Vero Beach	Police	18
Lakeland	Police	17.9
Village of North Palm Beach	Police/Fire	17.9
Saint Augustine	Fire	17.4
Indialantic	Police/Fire	17.1
Orange Park	Fire	17
Milton	Fire	16.9
Panama City Beach	Police	16.9
Mount Dora	Fire	16.8
Belleview	Police	16.6
Deltona	Fire	16.6
Labelle	Fire	16.5
Lynn Haven	Police	16.5
South Miami	Police	16.5
Panama City Beach	Fire	16.4

CITY POLICE AND FIRE PENSION PLAN CONTRIBUTIONS

Tallahassee	Fire	16.4
Quincy	Police/Fire	16.3
Ocoee	Police/Fire	16.2
Palatka	Police	15.8
Indian Shores	Police	15.7
Okeechobee	Police	15.6
Miami Springs	Police/Fire	15.3
Mount Dora	Police	15.2
Milton	Police	15
Oviedo	Police	15
Tavares	Police	14.7
Belleair	Police	14.4
Oviedo	Fire	14.4
Wauchula	Police	14.4
New Port Richey	Fire	14.3
Apopka	Fire	14.2
Gulfport	Police	14.2
Live Oak	Fire	14
Howey-In-The-Hills	Police	13.9
Lady Lake	Police	13.9
Jacksonville Beach	Fire	13.8
Jacksonville Beach	Police	13.8
Tallahassee	Police	13.5
Haines City	Police	13.4
Dade City	Police	13.1
Saint Pete Beach	Fire	13
Tarpon Springs	Police	12.9
Key Biscayne	Police/Fire	12.8
Holly Hill	Fire	12.7
Marianna	Fire	12.5
Melbourne	Fire	12.5
West Palm Beach	Police	12.5
Saint Cloud	Police/Fire	11.9
Arcadia	Police/Fire	11.6
Palm Bay	Police	10.9
Brooksville	Police	10.6
Tequesta	Fire	10.4
Okeechobee	Fire	10
Rockledge	Fire	9.6
Saint Augustine	Police	9.3
Eatonville	Police	8.9
Tequesta	Police	8.1

CITY POLICE AND FIRE PENSION PLAN CONTRIBUTIONS

Starke	Police	7.5
Gulfport	Fire	7.4
Longwood	Police/Fire	7.1
Rockledge	Police	7
Flagler Beach	Police	6.8
Leesburg	Police	6.8
Gainesville	Police/Fire	6.1
Madison	Police	4.4
Deland	Fire	3.3
Lake Alfred	Police	3.2
Marianna	Police	1
Shalimar	Police	0

Source: Florida Local Government Retirement Systems, 2010 Annual Report,
Florida Department of Management Services



Division of Retirement
Municipal Police Officers' & Firefighters'
Retirement Trust Funds' Office
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Governor Charlie Crist

Secretary Linda H. South

December 3, 2010

Honorable Tomas P. Regalado
Mayor of Miami
Post Office Box 330708
Miami, Florida 33233-0708

Re: Miami Firefighters' and Police Officers' Retirement Trust Fund

Dear Mayor Regalado:

This is to acknowledge receipt of an e-mail dated September 29 from Dania Orta on behalf of the Board of Trustees (Board) with a copy of Ordinance No. 13202 (File No. 10-01091) and a later e-mail dated November 10 with a copy of the actuarial impact statement "For Ordinance File No. 10-01091, As Applicable," approved by the Board.

It appears that the ordinance makes a number of reductions in benefits for service after October 1, 2010. The actuarial impact statement indicates that it reflects the issue of applicability to members eligible to retire on September 30, 2010, as interpreted by the Board and the Legal Counsel for the Board. However, it does not reflect the limitations on benefit reductions under Sections 175.351(1) or 185.35(1), Florida Statutes (F.S.).

Please let our office know if any of the reductions found in the ordinance reduce benefits below those in effect on March 12, 1999 (the effective date of Chapter 99-1, Laws of Florida). If so, please explain how such reductions comply with the statutory provisions found in Chapters 175 & 185, specifically ss. 175.351(1) and 185.35(1), F. S.

Failure to comply with the statutory provisions will jeopardize the future receipt of the state premium tax moneys as provided under Chapters 175 and 185, F. S.

Thank you for your cooperation and assistance in this matter. If you have any questions or if this office can be of assistance, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Patricia F. Shoemaker".

Patricia F. Shoemaker
Benefits Administrator
Municipal Police Officers' and
Firefighters' Retirement Funds

pfs

cc: Thomas M. Gabriel, Chair, Miami Police & Fire Pension Plan
Dan Givens, Administrator, Fire Fighters' Pension Plan
Sarah M. Wong, Administrator, Police Officers' Share Plan
Stephen H. Cypen, Plan Attorney
Robert D. Klausner, Fire Share Plan Attorney

Randall L. Stanley, Plan Actuary
Robert H. Nagle, Plan Administrator
Keith E. Brinkman, Bureau Chief, Local
Retirement Systems

**Historical Insurance Premium Tax Distributions
1982 – 2009
Police and Fire – Combined**

Base Year	Premium Tax Distribution	Estimated Amount Required for "Extra Benefits"	Annual Increase/(Decrease)	Percentage Increase/(Decrease)
1982	\$22,872,000		\$2,239,000	10.85%
1983	\$25,453,000		\$2,581,000	11.28%
1984	\$31,463,000		\$6,010,000	23.61%
1985	\$36,713,000		\$5,250,000	16.69%
1986	\$39,550,000		\$2,837,000	7.73%
1987	\$41,066,000		\$1,516,000	3.83%
1988	\$42,923,000		\$1,857,000	4.52%
1989	\$43,689,000		\$766,000	1.78%
1990	\$44,017,000		\$328,000	0.75%
1991	\$44,309,000		\$292,000	0.66%
1992	\$46,149,000		\$1,840,000	4.15%
1993	\$47,229,000		\$1,080,000	2.34%
1994	\$52,036,000		\$4,807,000	10.18%
1995	\$58,349,000		\$6,313,000	12.13%
1996	\$64,485,000		\$6,136,000	10.52%
1997	\$67,871,000		\$3,386,000	5.25%
1998	\$70,687,000		\$2,816,000	4.15%
1999	\$72,220,000	\$1,533,000	\$1,533,000	2.17%
2000	\$74,502,000	\$3,815,000	\$2,282,000	3.16%
2001	\$83,417,000	\$12,730,000	\$8,915,000	11.97%
2002	\$94,600,000	\$23,913,000	\$11,183,000	13.41%
2003	\$106,276,000	\$35,589,000	\$11,676,000	12.34%
2004	\$110,739,000	\$40,052,000	\$4,463,000	4.20%
2005	\$117,786,000	\$47,099,000	\$7,047,000	6.36%
2006	\$126,119,000	\$55,432,000	\$8,333,000	7.07%
2007	\$135,290,000	\$64,603,000	\$9,171,000	7.27%
2008	\$131,111,000	\$60,424,000		
2009	\$129,956,000	\$59,269,000		

TOTAL ESTIMATED AMOUNT OF \$404,459,000 REQUIRED FOR "EXTRA BENEFITS"



State Career Service Employees in the Regular Class of the Florida Retirement System

**Presentation to the
Governmental Oversight and Accountability Committee
Florida Senate
January 26, 2011**

**By Douglas W. Martin, *Legislative Director*
AFSCME Florida Council 79
3064 Highland Oaks Terrace
Tallahassee, FL 32301
(850) 222-0842
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Who we are . . .

The State of Florida is the state's largest single employer. AFSCME represents some 57,192 state employees, more than one-half of the State Personnel System, in four bargaining units:

- Administrative/Clerical
- Human Services (nonprofessional health care)
- Operational Services (blue collar and technical)
- Professional

We work in all 67 counties. Nearly 60 percent of us are women; nearly 40 percent are minorities. Our jobs often require postsecondary certification and college degrees. Many of us work in jobs that operate 24/7 in mental health, juvenile justice, developmental disability, veterans and correctional institutions.

We have made a career commitment to serve the public.

We answer when citizens call 411, 511, 911, unemployment, or the abuse hotlines. We respond when the hurricanes blow, children go missing or cars pile up on the Interstate. We work in unsafe conditions and responsible for dangerous people.

None of us receives Special Risk Retirement.



What we earn . . .

Florida has the most efficient state government in the United States¹:
Only 102 state employees per 10,000 population (the second lowest);
The lowest state payroll expenditures per resident at \$38 per year.

Last year, the average Career Service salary was \$34,651; Eighty percent of Career Service workers earn less than \$40,000 per year.

This compares with an average Florida annual wage for all industries of \$40,973. In direct comparison to the private sector, many state occupations pay far less.

There have been no salary increases for Career Service employees since 2006. Over the past 10 years, our wages have grown just 16.1 percent as inflation rose 26.3 percent and private sector wages jumped 30.6 percent.²

During the budget crises of the Great Recession, we have worked constructively with the Legislature to focus on protecting critical state services and preventing further damage to the economy through layoffs.

We have not been advocating for pay raises or benefit increases during the crisis.

¹As of June 30, 2010, State Personnel System, 2009-2010 Annual Workforce Report, Florida Department of Management Services.

²U.S. Bureau of Labor Statistics



Our retirement ...

The Regular Class defined benefit of the Florida Retirement System vests in six years with an accrual rate of 1.6 percent up to 30 years. The maximum benefit is 48 percent of an average of the highest five years of salary.

Since the Florida Retirement System was created in 1970, the only changes to the Regular Class have been the decrease in vesting from 10 years to six and the removal of a 4 percent employee contribution in 1974 during a previous economic crisis when the state could not afford raises.

The average FRS beneficiary has 21 years of service and very few work 30 years for the state.

The Average FRS Benefit of a Career Service Employee in the Regular Class

Avg. Salary ³	Accrual Rate	Avg. Years of Service	Avg. Annual FRS Benefit	Avg. Monthly FRS Benefit
\$34,651	1.6%	21	\$11,642	\$970

³As of June 30, 2010, State Personnel System, 2009-2010 Annual Workforce Report, Florida Department of Management Services.

Our retiree finances ...

State retirees who are not Medicare eligible must pay the full cost of their health insurance which wipes out the pension checks of many. Recognizing this, the Florida Retirement System provides a Retiree Health Insurance Subsidy (HIS) of \$5 per month per credited year of service for a maximum benefit of \$150 monthly at 30 years.

State Health Insurance Costs for Non-Medicare Eligible Retirees

Avg. Monthly Pension	Avg. Monthly HIS	Monthly Health Premium ⁴	Monthly Remainder
\$970	\$105	Single \$549/\$1,243 Family	Single \$526/- \$168 Family

Under new federal rules, the average state FRS retiree in the Regular Class is already eligible for Medicaid. The average annual benefit of \$11,642 is below the \$14,404 income threshold for Medicaid (133 percent of Federal Poverty Level) for individuals.⁵

The small benefit and high cost of health insurance was a primary factor in the creation of the DROP program that encouraged senior workers to retire on time and provided a lump sum payment to help defray the cost of health insurance until they become Medicare eligible. This serves the state by allowing more expensive workers to retire and younger workers to be hired. Without the pension, HIS and DROP, many state employees can be expected to work until age 65 and beyond.

Average DROP Payout for Average Regular Class Retirees

Avg. Monthly Pension	Months in DROP	Annual Interest	Annual COLA	DROP Lump Sum ⁶
\$970	60	6.5 percent	3 percent	72,288.18

⁴Division of Group Insurance, Florida Department of Management Services.

⁵Florida Agency for Health Care Administration.

⁶DROP Calculator, Division of Retirement website, Florida Department of Management Services.



Proposed changes ...

Unlike some states and cities that have been in headlines recently, the Florida Retirement System has been conservatively designed and managed.

Created out of the bankrupt Teachers Retirement System in 1970, the Florida Retirement System reached 100 percent funding status with no unfunded actuarial liabilities in 1999. Since that time, the FRS rates paid by employers (state, school boards, counties, universities, districts and participating cities) has been reduced every year with \$11.9 billion in savings to employers and \$716.9 million spent on Special Risk benefit improvements.⁷

The Regular Class received no benefit improvement from the surplus.

Changes Studied by the Florida Legislature . . .

- Changing vesting from six years to eight or ten years.
- Reducing the interest rate in DROP by 80 percent (6.5 percent to 1.3 percent).
- Requiring employees contribute 50 percent of pension plan costs (5 percent pre-tax/4 percent net).
- Repealing the counting of leave hours to spike the final benefit.
- Changing the pension formula from the best five to the best ten years.
- Longer career length for unreduced benefits.

Changing or eliminating DROP and extending the career length could cause further aging of the state workforce and raise health insurance costs. Changing the Average Final Compensation from five to 10 years will seriously reduce the value of state pensions.

⁷Division of Retirement, Florida Department of Management Services.



Closing the Defined Benefit Plan

Forcing all new hires into a defined-contribution, 401K style plan has been advocated by TaxWatch⁸, which claimed it would save money by reducing employer contributions. However, a July 8, 2010, actuarial study commissioned by the Florida Legislature concluded that closing the defined benefit plan would increase employer costs by an additional .5 percent (\$150 million aggregate) each year through 2018: \$150 million in year one, \$300 million in year two, \$450 million in year three, etc.⁹

“If future members cannot join the DB [defined benefit] Plan, the result is a declining DB payroll base on which contributions to fund the DB plan are traditionally made. This would produce increasing contribution rates ...”
— Millaman actuarial study.

Closing the FRS defined benefit plan is financially unwarranted as our fund is one of the best funded in the country and doing so would exacerbate our budget problems, not help them.

A 401K plan also would not serve the low-income workers whose pension goes almost entirely toward health costs. Without pension payments, thousands retired public employees would add to the Medicaid rolls. The greater life expectancy of women would disadvantage them as they outlive their retirement accounts.

A 401K plan would force workers to pay higher fees while getting a lower return on their investments as compared to the State Board of Administration, which has outperformed index funds every year since 1984.

The state would lose its primary tool for recruiting and retaining qualified employees because legal, health care, and other workers could leave any time for the private sector with no financial penalty.

⁸Report and Recommendations of the Florida TaxWatch Government Cost Savings Task Force for Fiscal Year 2011-12.

⁹Study Reflecting the Impact of Closing the Florida Retirement System Pension Plan Including Projected Blended Rates for the Next 30 Fiscal Years, Millaman, July 2010.



What we would like to see . . .

We understand change and want to partner with you so that future public services are safe, responsive and efficient.

We have good benefits, which we respect and appreciate, but we want to work with you to reduce those costs for employees and the state.

We are open to ideas for pension and health insurance changes that will save money and make a difference while not diminishing retirement income and security.

We need a total compensation policy that does not pit salary against benefits and does not needlessly target new workers.

We do not want changes that cause long-term damage in the name of short-term change.

Active Employees Enrolled in the Florida Retirement System by County

COUNTY NAME	FRS ACTIVE EMPLOYEES
ALACHUA	22819
APO MILITARY	3
BAKER	2377
BAY	8067
BRADFORD	2296
BREVARD	19873
BROWARD	62248
CALHOUN	1352
CHARLOTTE	5417
CITRUS	5434
CLAY	8546
COLLIER	9783
COLUMBIA	4714
DE SOTO	1830
DIXIE	1034
DUVAL	24053
ESCAMBIA	12015
FLAGLER	3562
FRANKLIN	912
GADSDEN	5847
GILCHRIST	1229
GLADES	404
GULF	1278
HAMILTON	1129
HARDEE	1494
HENDRY	1923
HERNANDO	7488
HIGHLANDS	4438
HILLSBOROUGH	50545
HOLMES	1717
INDIAN RIVER	4833
JACKSON	6117
JEFFERSON	1570
LAFAYETTE	646
LAKE	11533

COUNTY NAME	FRS ACTIVE EMPLOYEES
LEE	22190
LEON	32680
LEVY	2293
LIBERTY	906
MADISON	1494
MANATEE	12544
MARION	12801
MARTIN	5197
MIAMI DADE	91120
MONROE	3743
NASSAU	2902
NOT VALID	474
OKALOOSA	6616
OKEECHOBEE	2219
ORANGE	39894
OSCEOLA	10128
PALM BEACH	47396
PASCO	19079
PINELLAS	29660
POLK	24716
PUTNAM	3631
SAINT JOHNS	8232
SAINT LUCIE	11046
SANTA ROSA	6718
SARASOTA	11602
SEMINOLE	15893
SUMTER	2281
SUWANNEE	2778
TAYLOR	1664
UNION	1839
VOLUSIA	19744
WAKULLA	6084
WALTON	2315
WASHINGTON	1727
TOTAL	762132

County totals compiled from zip code data provided by the Division of Retirement, Florida Department of Management Services, January 2011.

Florida Retirement System Annuitants and Payments by County

COUNTY	FRS BENEFITS PAID	FRS Annuitants
ALACHUA	\$210,424,383.49	8,996
BAKER	\$17,740,848.54	998
BAY	\$64,266,757.88	3,533
BRADFORD	\$21,945,422.00	1,266
BREVARD	\$154,806,492.99	8,442
BROWARD	\$450,437,523.69	17,200
CALHOUN	\$10,516,826.27	615
CHARLOTTE	\$31,119,421.01	1,864
CITRUS	\$47,840,374.41	2,852
CLAY	\$53,757,426.57	2,855
COLLIER	\$45,608,293.49	2,299
COLUMBIA	\$45,041,667.40	2,296
DE SOTO	\$16,347,280.59	977
DIXIE	\$11,108,489.99	596
DUVAL	\$218,523,202.95	10,880
ESCAMBIA	\$124,015,770.13	6,257
FLAGLER	\$18,222,253.07	1,069
FRANKLIN	\$7,816,318.38	389
GADSDEN	\$64,501,800.20	3,206
GILCHRIST	\$11,944,755.44	658
GLADES	\$2,994,329.25	153
GULF	\$9,550,174.89	524
HAMILTON	\$7,905,180.73	515
HARDEE	\$11,140,519.72	603
HENDRY	\$12,154,614.17	687
HERNANDO	\$37,918,452.53	2,572
HIGHLANDS	\$42,442,694.08	2,333
HILLSBOROUGH	\$370,090,408.91	18,417
HOLMES	\$14,579,978.00	901
INDIAN RIVER	\$35,940,095.63	1,964
JACKSON	\$67,562,699.12	3,594
JEFFERSON	\$19,470,013.81	898
LAFAYETTE	\$4,411,426.88	225
LAKE	\$93,689,654.68	4,899

COUNTY	FRS BENEFITS PAID	FRS Annuitants
LEE	\$109,944,175.74	6,247
LEON	\$336,038,749.00	12,325
LEVY	\$22,539,808.18	1,254
LIBERTY	\$8,141,439.28	432
MADISON	\$13,324,461.70	788
MANATEE	\$83,538,277.12	4,681
MARION	\$98,862,656.67	6,015
MARTIN	\$41,965,749.81	1,914
MIAMI DADE	\$671,612,819.90	27,282
MONROE	\$26,818,937.14	1,157
NASSAU	\$23,774,341.48	1,314
OKALOOSA	\$59,160,023.08	3,110
OKEECHOBEE	\$15,562,570.80	897
ORANGE	\$226,133,207.20	11,699
OSCEOLA	\$31,148,244.97	1,805
PALM BEACH	\$293,597,999.33	12,813
PASCO	\$97,468,124.33	5,793
PINELLAS	\$247,627,689.99	13,137
POLK	\$178,498,121.51	9,559
PUTNAM	\$35,822,427.99	2,042
SAINT JOHNS	\$59,487,275.54	3,016
SAINT LUCIE	\$63,923,976.28	3,418
SANTA ROSA	\$51,933,089.92	2,636
SARASOTA	\$84,351,594.44	4,881
SEMINOLE	\$106,164,224.81	5,091
SUMTER	\$34,026,174.62	1,803
SUWANNEE	\$27,800,906.17	1,532
TAYLOR	\$13,338,807.84	741
UNION	\$13,511,501.18	723
VOLUSIA	\$188,449,572.09	9,983
WAKULLA	\$49,872,458.05	2,435
WALTON	\$17,350,181.05	974
WASHINGTON	\$19,152,930.85	983
TOTALS	\$5,706,905,456.31	278,022

County totals compiled from zip code data provided by the Division of Retirement, Florida Department of Management Services, January 2011.

Retiree Health Insurance Subsidy (HIS) by County

COUNTY	HIS PAYMENTS	HIS RECIPIENTS
ALACHUA	\$10,906,610.64	7,920
BAKER	\$1,173,609.75	854
BAY	\$3,969,508.08	3,148
BRADFORD	\$1,470,168.75	1,077
BREVARD	\$9,250,707.39	7,682
BROWARD	\$18,864,884.81	14,866
CALHOUN	\$682,223.78	530
CHARLOTTE	\$1,790,031.17	1,666
CITRUS	\$2,871,615.17	2,527
CLAY	\$3,080,224.34	2,500
COLLIER	\$2,175,914.92	1,952
COLUMBIA	\$2,648,341.97	2,038
DE SOTO	\$1,057,617.50	813
DIXIE	\$665,724.09	517
DUVAL	\$12,687,410.02	9,419
ESCAMBIA	\$7,437,783.04	5,635
FLAGLER	\$1,074,457.89	956
FRANKLIN	\$435,843.69	332
GADSDEN	\$4,177,168.96	2,824
GILCHRIST	\$754,220.25	571
GLADES	\$155,552.96	121
GULF	\$598,751.20	448
HAMILTON	\$567,996.60	443
HARDEE	\$683,760.05	505
HENDRY	\$691,888.90	568
HERNANDO	\$2,461,393.04	2,248
HIGHLANDS	\$2,589,576.95	2,081
HILLSBOROUGH	\$20,679,604.56	16,351
HOLMES	\$1,080,597.10	797
INDIAN RIVER	\$2,070,187.18	1,739
JACKSON	\$4,694,426.70	3,231
JEFFERSON	\$1,122,589.29	798
LAFAYETTE	\$268,457.15	192
LAKE	\$5,402,455.17	4,367

COUNTY	HIS PAYMENTS	HIS RECIPIENTS
LEON	\$16,175,661.55	11,220
LEVY	\$1,393,109.19	1,080
LEVY	\$1,393,109.19	1,080
LIBERTY	\$542,643.65	382
MADISON	\$911,511.60	687
MANATEE	\$4,938,564.48	4,131
MARION	\$6,499,307.57	5,344
MARTIN	\$2,036,728.47	1,715
MIAMI DADE	\$29,036,728.76	22,649
MONROE	\$1,218,781.89	1,006
NASSAU	\$1,445,114.32	1,128
OKALOOSA	\$3,632,047.42	2,838
OKEECHOBEE	\$950,745.11	756
ORANGE	\$12,347,304.28	10,164
OSCEOLA	\$1,803,693.19	1,602
PALM BEACH	\$13,492,682.40	11,105
PASCO	\$5,824,320.79	5,079
PINELLAS	\$14,332,418.88	11,800
POLK	\$10,685,186.07	8,405
PUTNAM	\$2,290,162.09	1,811
SAINT JOHNS	\$3,377,345.30	2,649
SAINT LUCIE	\$3,445,863.91	2,918
SANTA ROSA	\$3,074,393.86	2,390
SARASOTA	\$4,941,747.25	4,365
SEMINOLE	\$5,430,087.83	4,476
SUMTER	\$2,026,337.94	1,628
SUWANNEE	\$1,744,416.59	1,353
TAYLOR	\$856,526.15	651
UNION	\$830,109.25	614
VOLUSIA	\$10,684,872.43	8,902
WAKULLA	\$3,070,019.70	2,173
WALTON	\$1,117,233.95	869
WASHINGTON	\$1,226,836.80	881
TOTALS	\$307,763,580.63	243,924

County totals compiled from zip code data provided by the Division of Retirement, Florida Department of Management Services, January 2011.