

T H E C A B I N E T
S T A T E O F F L O R I D A

Representing:

DIVISION OF BOND FINANCE

DEPARTMENT OF REVENUE

BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND

STATE BOARD OF ADMINISTRATION

The above agencies came to be heard before
THE FLORIDA CABINET, Honorable Governor Crist presiding,
in the Cabinet Meeting Room, LL-03, The Capitol,
Tallahassee, Florida, on Tuesday, September 29, 2009,
commencing at approximately 9:04 a.m.

Reported by:

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APPEARANCES:

Representing the Florida Cabinet:

CHARLIE CRIST
Governor

CHARLES H. BRONSON
Commissioner of Agriculture

BILL McCOLLUM
Attorney General

ALEX SINK
Chief Financial Officer

* * *

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P R O C E E D I N G S

(The agenda items commenced at 9:41 a.m.)

GOVERNOR CRIST: Thank you, CFO. We now have the opportunity to vote on a new Executive Director for the Department of Highway Safety and Motor Vehicles. We're very fortunate to have an excellent, very well qualified candidate for this important position. Her name is Julie Jones. She currently serves as the Director of Law Enforcement at the Fish and Wildlife Conservation Commission.

Julie's many years as a supervisor and manager have provided her with outstanding leadership skills and a wide variety of experience. Her understanding and familiarity with law enforcement will be particularly important as she focuses on ensuring the safety of our residents and visitors on Florida's highways. She has the skills and professionalism needed to serve the people of the State of Florida.

Is there a motion to approve the appointment of Julie Jones to serve as Executive Director of the Department of Highway Safety and Motor Vehicles?

ATTORNEY GENERAL McCOLLUM: So moved.

COMMISSIONER BRONSON: So moved.

1 GOVERNOR CRIST: Is there a second?

2 CFO SINK: Second.

3 GOVERNOR CRIST: All supporting, please say
4 "aye."

5 (Simultaneous affirmative responses.)

6 GOVERNOR CRIST: Aye. All opposed?

7 It's a unanimous vote. She is the new
8 Executive Director. Congratulations, Julie.

9 (Applause.)

10 GOVERNOR CRIST: I see you have a lady with
11 you today.

12 MS. JONES: Yes, I do.

13 GOVERNOR CRIST: Is that Ruth?

14 MS. JONES: Yes, it is.

15 GOVERNOR CRIST: Your mother?

16 MS. JONES: Yes.

17 GOVERNOR CRIST: Well, please, please make
18 some comments if you would like to. And, Mom, if
19 you want to join her, feel free.

20 MS. JONES: Well, Governor and Cabinet
21 members, this is a huge opportunity, and the trust
22 that you place in me, I'm going to tell you now, is
23 well placed and very much appreciated.

24 This is a huge agency that I think touches
25 every single citizen in the State of Florida, and

1 it's a huge responsibility. But these are
2 dedicated employees. This is a good agency.

3 And what I do intend to do is take your good
4 governance, your guidance, your leadership, and the
5 good customer service that you expect from our
6 employees, put that back, and continue the good
7 things that this agency has done thus far. So I
8 really appreciate this.

9 GOVERNOR CRIST: Congratulations. Let's get a
10 picture.

11 Oh, excuse me. Commissioner.

12 (Applause.)

13 COMMISSIONER BRONSON: Governor, one of the
14 things that I would personally like to do here, as
15 you know, our law enforcement division works very
16 closely with Fish and Wildlife in emergencies for
17 first responders. And over the years, and even
18 when I was in the Senate and before, Julie Jones'
19 reputation with the law enforcement division of
20 Fish and Wildlife was pretty well known by many of
21 us out there.

22 Her capabilities, her leadership as the head
23 of the law enforcement division of Fish and
24 Wildlife, and now this transition into another
25 realm, which will -- that experience is also going

1 to pay off working with the Highway Patrol and
2 others as leadership changes over at Highway Safety
3 and Motor Vehicles.

4 And I just wanted to commend Julie for her
5 outstanding service she has already given to the
6 State of Florida and hope to see that continued
7 service even take you in higher places.

8 MS. JONES: Thank you, Commissioner.

9 ATTORNEY GENERAL McCOLLUM: I just would like
10 to --

11 GOVERNOR CRIST: General.

12 ATTORNEY GENERAL McCOLLUM: I know Colonel
13 Jones has been the head of a great agency. We
14 don't have a retirement party for you because
15 you're going to move on to the next level, which is
16 what's going to happen. And normally we would be
17 able to, you know, do the things that we want to do
18 in terms of congratulating you on that service, so
19 Commissioner Bronson is very right in that.

20 But what you're stepping into is a tremendous
21 job. I think Electra Bustle did a lot of good
22 things, and I think we should thank her for that
23 this morning --

24 GOVERNOR CRIST: Absolutely.

25 ATTORNEY GENERAL McCOLLUM: -- at the same

1 time. In fact, why don't we give her a round of
2 applause, even though she's not here.

3 GOVERNOR CRIST: We should.

4 (Applause.)

5 ATTORNEY GENERAL McCOLLUM: But let me tell
6 you, I have every confidence in Julie Jones. And
7 you are there. You've got the experience, and I'm
8 excited about the leadership you're going to
9 provide, and I appreciate very much your
10 willingness to serve. I know all of us do.

11 MS. JONES: Thank you, General.

12 GOVERNOR CRIST: Let's get a picture, Julie.
13 Come on up.

14 MS. JONES: Thanks.

15 GOVERNOR CRIST: Colonel.
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1 GOVERNOR CRIST: Our next cabinet Meeting will
2 be Tuesday, October the 13th.

3 Now we go on to Bond Finance, Ben Watkins.
4 Good morning, Ben. How are you?

5 MR. WATKINS: Good morning, Governor and
6 Cabinet members. Very well, thank you.

7 Item Number 1 is the minutes from the
8 September 15th meeting.

9 GOVERNOR CRIST: Is there a motion on the
10 minutes?

11 CFO SINK: Move it.

12 COMMISSIONER BRONSON: Second.

13 GOVERNOR CRIST: Moved and seconded. Show the
14 minutes approved without objection. Item 2.

15 MR. WATKINS: Item Number 2 is a resolution
16 authorizing the issuance and competitive or
17 negotiated sale of up to \$245 million of
18 right-of-way refunding bonds.

19 GOVERNOR CRIST: Is there a motion on Item 2?

20 COMMISSIONER BRONSON: Motion on Item 2.

21 ATTORNEY GENERAL McCOLLUM: Second.

22 GOVERNOR CRIST: Moved and seconded. Show it
23 approved without objection.

24 MR. WATKINS: Item Number 3 is a resolution
25 authorizing the issuance and competitive or

1 negotiated sale of up to \$205 million in Turnpike
2 refunding bonds.

3 CFO SINK: Move it.

4 COMMISSIONER BRONSON: Second.

5 GOVERNOR CRIST: Moved and seconded. Show it
6 approved without objection.

7 MR. WATKINS: And lastly, Item 4 is a report
8 of award on the competitive sale of \$156,380,000 in
9 PECO refunding bonds. The bonds were awarded to
10 the low bidder at a true interest cost of
11 approximately 3.26 percent, and the refunding
12 generated gross debt service savings of
13 \$17.7 million or \$14.3 million on a present value
14 basis.

15 COMMISSIONER BRONSON: Motion for Item 4.

16 CFO SINK: Second.

17 GOVERNOR CRIST: Moved and seconded. Show it
18 approved without objection. Thank you, Ben.

19 MR. WATKINS: Thank you, sir.
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1 GOVERNOR CRIST: Department of Revenue, Lisa
2 Echeverri. Good morning, Lisa.

3 MS. ECHEVERRI: Good morning. Item 1 is a
4 request to approve the minutes from the August 25th
5 meeting.

6 ATTORNEY GENERAL McCOLLUM: So moved.

7 COMMISSIONER BRONSON: Second.

8 GOVERNOR CRIST: Moved and seconded. Show the
9 minutes approved without objection.

10 MS. ECHEVERRI: Item 2 requests adoption and
11 approval to file and certify with the Secretary of
12 State various rules related to the food industry.

13 This was a multi-year effort to go back and
14 look at rules that had been piecemealed together
15 over the years, answering various questions on the
16 imposition of tax to food issues. After working
17 with the industry over several years, we've now
18 rewritten and clarified these rules to provide
19 better understanding and compliance from the
20 industry.

21 COMMISSIONER BRONSON: Motion on Item 2.

22 CFO SINK: Second.

23 ATTORNEY GENERAL McCOLLUM: Second.

24 GOVERNOR CRIST: Moved and seconded. Show it
25 approved without objection.

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MS. ECHEVERRI: Thank you very much.
GOVERNOR CRIST: Thank you.

1 GOVERNOR CRIST: Board of Trustees, Secretary
2 Sole. Good morning, Mike. How are you?

3 MR. SOLE: Governor, I'm well this morning.
4 Good morning. Cabinet members, good morning.

5 Item Number 1 requests submittal of the
6 minutes from the August 22, 2009 Cabinet meeting.

7 CFO SINK: Move it.

8 COMMISSIONER BRONSON: Second.

9 GOVERNOR CRIST: Moved and seconded. Show the
10 minutes approved without objection.

11 MR. SOLE: Item Number 2, this has been
12 requested to be deferred by the applicant.

13 GOVERNOR CRIST: Is there a motion to defer?

14 CFO SINK: Move it.

15 GOVERNOR CRIST: Moved and seconded.

16 COMMISSIONER BRONSON: Second.

17 MR. SOLE: Item Number 3 --

18 GOVERNOR CRIST: Show it deferred without
19 objection.

20 MR. SOLE: I'm sorry, Governor. Item Number
21 3, this is a request for consideration of an option
22 agreement to acquire a perpetual conservation
23 easement for 436 acres located in Jefferson County.
24 This is from Boothco Hansford, LLC. This
25 acquisition -- the purchase price for the

1 conservation easement, excuse me, will be
2 \$1,975,000. This is 62 percent of the full fee
3 appraised value and 94 percent of the appraised
4 value for the conservation easement.

5 If approved, the actual acquisition of this
6 property or the conservation easement will be done
7 using general revenue funds, because there was a
8 specific appropriation in the 2008 GAA for
9 acquisition.

10 The property is located just south of Highway
11 90 adjacent to Lake Miccosukee. Bordering to the
12 west is Letchworth Mounds Conservation Easement as
13 well as the Letchworth-Love Mounds Archaeological
14 State Park.

15 There are currently no buildings on the
16 facility at this time. The conservation easement
17 terms are for continual maintaining of natural and
18 historical and archaeological benefits of this
19 property. It does allow for hunting. It allows
20 for some relocation of endangered or threatened
21 species. It actually hosts the relocation of
22 those. There will be no oil or mineral
23 exploration, and silvaculture is limited to those
24 areas that only have historically been harvested.

25 The public access provisions of this

1 conservation easement also mirror that of the one
2 we did with Promise Ranch, which allows 12 times a
3 year educational facilities, school children to
4 come visit the property, as well as additional
5 access by scientific studies or education groups
6 six times a year.

7 One new residential site is allowed on the
8 site totaling 7,500 square feet.

9 The Department definitely encourages adoption.
10 This property did go through the Acquisition and
11 Restoration Council for consideration to make sure
12 -- even though it's not part of Florida Forever
13 funds, we did want to have it go through the full
14 process. And the Department encourages approval.

15 GOVERNOR CRIST: Is there a motion on Item 3?

16 COMMISSIONER BRONSON: Motion on Item 3. Is
17 it 3?

18 GOVERNOR CRIST: It is. Is there a second?

19 ATTORNEY GENERAL McCOLLUM: Second.

20 GOVERNOR CRIST: Moved and seconded. Show it
21 approved without objection.

22 MR. SOLE: Thank you, Governor and Cabinet
23 members.

24 GOVERNOR CRIST: Thank you, Mike.
25

1 GOVERNOR CRIST: State Board of
2 Administration, Ash Williams.

3 Commissioner, see you.

4 Good morning, Ash.

5 MR. WILLIAMS: Good morning, Governor and
6 Trustees.

7 GOVERNOR CRIST: Nice tie.

8 MR. WILLIAMS: Thank you.

9 GOVERNOR CRIST: Is that a Gator tie?

10 MR. WILLIAMS: No.

11 CFO SINK: It looks orange and blue from here.

12 GOVERNOR CRIST: It does.

13 MR. WILLIAMS: Hopefully it's not too bright.
14 Sorry if it is.

15 CFO SINK: Of course, we operate in the dark
16 to save money.

17 MR. WILLIAMS: I want to give you a little
18 update, if I may, before we start down the agenda.
19 You'll recall at the beginning of this year, we
20 proactively did a little actuarial analysis at the
21 State Board to determine how market activity and
22 the decline in our portfolio had affected our
23 funded status, and you will remember we discussed
24 in March of this year that we estimated that as of
25 July 1, our funded status would be approximately

1 93 percent.

2 I just wanted to update you on that. Our
3 assets under management are currently a little
4 north of \$110 billion in the Florida Retirement
5 System Trust Fund. We're up about 16.3 percent
6 year-to-date, which is about 30 basis points ahead
7 of target.

8 And when we did that actuarial analysis back
9 at the beginning of this year, our conclusion was
10 that if the cost side of the equation remained
11 constant and the assets went to \$110 billion, we
12 would essentially return to full funded status.

13 We reviewed that analysis last week, revisited
14 those numbers. Those conclusions from early this
15 year we think still hold, and given where we are on
16 the assets side, I think we've essentially become
17 again fully funded, with the qualification that we
18 are holding costs constant.

19 There is, of course, a full funding status
20 process going on that will be completed by the end
21 of the year. This involves both the legislative
22 and the executive branches holding a series of
23 public meetings to sort out the detail. But if the
24 cost side remains constant, we will be fully
25 funded. If it goes down, we could be slightly more

1 than fully funded. If the costs go up, then we
2 could vary a little bit the other way.

3 But I just wanted to share that update with
4 you this morning.

5 ATTORNEY GENERAL McCOLLUM: Ash, can I
6 interrupt you just a second? That is extremely
7 good news. To be fully funded right now in the
8 environment we've just been through is an
9 extraordinary thing for any pension fund or
10 anything we do here, and I just want to recognize
11 the import of that. So whether it's up a little
12 bit or down a little bit with the costs that you're
13 talking about, I think that's extraordinarily good
14 management on the part of those working with you,
15 and I think all of us would commend you on that.

16 MR. WILLIAMS: Well, thank you. And it's a
17 joint accomplishment, without a doubt, because we
18 held the course. We stuck to our discipline, and
19 that's as much a reflection on the IAC and the
20 Trustees as it is on the staff, so it was a joint
21 accomplishment.

22 CFO SINK: Ash, could I just -- clarify for me
23 the point in time in the cycle when the
24 determination is made about the funding requirement
25 of the investors. Obviously, this is good news,

1 but will it carry over to the -- I don't know when
2 the point in time is that the clock stops in terms
3 of evaluating what the local governments and the
4 State's participation rate is.

5 MR. WILLIAMS: Sure. The way that works is,
6 the funding conference that goes on during the --
7 it's going on right now, in fact. It goes on in
8 the third and fourth quarter of each year and is
9 completed by year-end and provides an objective
10 recommendation to the Legislature for funding that
11 will be addressed in the 2011 regular legislative
12 session. It will be completed toward year-end.

13 In terms of your question, where is the cutoff
14 for purposes of looking at the analysis, the
15 Legislature has an option to do a second review of
16 both the asset and cost side as of year-end.

17 CFO SINK: Okay.

18 MR. WILLIAMS: So they have the ability to
19 stick with the numbers available now or to go with
20 a year-end update.

21 CFO SINK: So they will in fact pick up this
22 run-up that we've had in the market to --

23 MR. WILLIAMS: Presuming things hold up, they
24 have the ability to do a year-end estimate and
25 update their numbers, yes.

1 CFO SINK: Okay. Thank you. Good news.

2 MR. WILLIAMS: Thank you. Item 1, request
3 approval of the September 15 meeting.

4 GOVERNOR CRIST: Is there a motion on the
5 minutes?

6 CFO SINK: Move it.

7 ATTORNEY GENERAL McCOLLUM: Second.

8 GOVERNOR CRIST: Moved and seconded. Show the
9 minutes approved without objection.

10 MR. WILLIAMS: Item 2, request approval of a
11 fiscal sufficiency for the Department of
12 Transportation right-of-way acquisition and bridge
13 construction refunding bonds, \$245 million.

14 CFO SINK: Move it.

15 ATTORNEY GENERAL McCOLLUM: Second.

16 GOVERNOR CRIST: Moved and seconded. Show
17 Item 2 approved without objection.

18 MR. WILLIAMS: Item 3, request approval of a
19 fiscal sufficiency for \$205 million State of
20 Florida DOT revenue refunding bonds.

21 ATTORNEY GENERAL McCOLLUM: Move Item 3.

22 CFO SINK: Second.

23 GOVERNOR CRIST: Moved and seconded. Show it
24 approved without objection.

25 MR. WILLIAMS: Item 4, request approval of six

1 reappointments to the Participant Local Government
2 Advisory Council. These are, Trustees, the same
3 appointments we had last year. These members have
4 served with distinction since they were appointed
5 last year. These were part of a large number of
6 executive appointments that were not approved by
7 the Senate last year, so they will be submitted for
8 Senate approval this session.

9 ATTORNEY GENERAL McCOLLUM: Move Item 4.

10 CFO SINK: Second, and then I have a comment
11 to make.

12 GOVERNOR CRIST: Moved and seconded. Show it
13 approved without objection. CFO?

14 CFO SINK: Governor, I do want to -- this
15 issue of the Senate not being able to confirm many
16 of these appointments is going to potentially
17 become problematic, because we really need to have
18 the Senate confirm these appointments in the next
19 legislative session. And I think the legislative
20 people over at the SBA ought to pay very close
21 attention to us. And there are a number -- you're
22 very well aware, there are a number of others that
23 the Senate didn't get around to confirming. We
24 just need to encourage the Senate to confirm these
25 many appointments that were caught up in this

1 backlog for many other purposes for next year.

2 That's just a comment I wanted to make, and I
3 do have one other item I want to bring up.

4 GOVERNOR CRIST: Okay. Go ahead.

5 CFO SINK: I want to follow up from the
6 governance report that we were all presented two
7 weeks ago. I guess it was in May that we had our
8 staffs form this working group to study those
9 practices. Ash, you were very, very, helpful --

10 GOVERNOR CRIST: CFO, could I interrupt just
11 for a second. I apologize.

12 CFO SINK: Sure.

13 GOVERNOR CRIST: I apologize. Pat informs me
14 that we didn't have a motion on the last item.

15 CFO SINK: I move it.

16 ATTORNEY GENERAL McCOLLUM: I second. I think
17 I did move it, but --

18 CFO SINK: I second it.

19 GOVERNOR CRIST: We'll be doubly sure. Moved
20 and seconded, and approved without objection, maybe
21 twice. All right. Pardon me. Forgive me.

22 CFO SINK: The study, of course, was presented
23 to us at the last meeting, and I hope everybody has
24 had a chance to review it. And I commented that I
25 wanted to come back to this meeting with some of my

1 thoughts and suggestions about strengthening and
2 enhancing the oversight of the State's pension fund
3 based on what we've learned from the study, and I
4 have three items to bring up today.

5 The first thing I wanted to address is the
6 expansion of the Board of Trustees. I would like
7 to propose that we recommend that the Florida
8 Legislature expand the membership of the Board of
9 Trustees. And I would propose that this expanded
10 Board of Trustees include, in addition to the three
11 elected members of the SBA, one or more members
12 with proven and relative investment experience or
13 knowledge, and one or more members who is a
14 beneficiary or a participant in the Florida
15 Retirement System.

16 We saw in the governance study that our
17 pension fund board is much smaller than most of the
18 other pension systems' governing bodies, despite
19 the fact that we are the fourth largest pension
20 fund in the country.

21 We also saw that many states do not even
22 include elected officials. We went back. Of the
23 15 public pension plans that we reviewed in the
24 study, none of them have a governor or an attorney
25 general as a board member, and only a handful of

1 them have treasurers or comptrollers or members of
2 the legislature. And we found that most of the
3 other states included on their boards members with
4 required financial expertise as well as fund
5 beneficiaries.

6 I think that, particularly given the financial
7 challenges we've been through and the growth of our
8 fund -- obviously, our Board of Trustees was, I
9 guess, constituted back in the late 1800s or early
10 1900s -- that it's time for a change.

11 I think the governance study showed that our
12 Board of Trustees should include more than just
13 three elected officials. And I would be prepared
14 to offer a motion to recommend that the Legislature
15 expand the Board of Trustees, which oversees all
16 the relevant duties regarding the Florida pension
17 fund and other investments under the purview of the
18 State Board of Administration.

19 GOVERNOR CRIST: General.

20 ATTORNEY GENERAL McCOLLUM: First of all,
21 Governor, I want to thank CFO Sink for bringing
22 forward a discussion of the subject of governance.
23 I think that we all know that we need to talk about
24 this. And I've reflected on it considerably, and
25 I've continued to reflect on it since we've seen

1 this report. It seems to me in our advance notice
2 of this -- and again, I thank the CFO for not only
3 presenting today, but you gave us notice of your
4 intention to discuss these points a few days ago.

5 Our legal staff in the Attorney General's
6 Office, CFO Sink, does not believe that we can or
7 the Legislature can change the composition of this
8 body of Trustees, that there is a necessity that
9 there be a constitutional amendment to do that.

10 However, even having said that, it's my
11 judgment that we should ask that Ash today take the
12 suggestions you've made and other thoughts that
13 they may have to the Investment Advisory Council
14 and let us hear from those that we just reapproved
15 -- well, not the ones that we just reapproved,
16 because that's not the Investment Advisory Council,
17 but the ones that we have that are doing this for
18 us, the six people who we invest in and ask to
19 review all the details of the SBA, and let them
20 come back to us and see what they think. I would
21 like to hear from them.

22 And I don't know the appropriate time to do
23 this. Maybe it's our December meeting to give
24 enough time for an assessment. But I really
25 believe that the Investment Advisory Council should

1 be given the opportunity to give us a
2 recommendation, to review your suggestion and
3 review any other suggestions there are and come
4 back.

5 But my legal team says we can't do this. The
6 Legislature can't do this. We can't make a motion.
7 But the Legislature can't do that. And I would be
8 reluctant to support something today to do this
9 until we get a review of it by the Investment
10 Advisory Council.

11 GOVERNOR CRIST: Let me add to that. I
12 appreciate, CFO, and what you've brought forward
13 too and would echo the comments of the General. I
14 think that there may be a sweet spot here. I think
15 we ought to hear from the Investment Advisory
16 Council also, and I think that after doing that and
17 hearing other recommendations that they may come
18 forward with, included in that could be your
19 suggestion that we invite the Legislature to
20 perhaps put a constitutional amendment forward so
21 that the voters -- because I think the General is
22 right about that. It's in the constitution, and so
23 we would have to change the constitution. We could
24 certainly ask the Legislature to help us do that,
25 as we all know. So that may be, I think, the best

1 of all worlds. So I would agree with the general.

2 ATTORNEY GENERAL McCOLLUM: Is December a good
3 time? I would like to ask, Ash, if you -- what
4 kind of timetable for reporting back if we send it
5 to them to look at this would you recommend to us?
6 Next month? December? I just arbitrarily threw
7 out December.

8 MR. WILLIAMS: I think the IAC could probably
9 accommodate whatever time frame you would like to
10 see. The next regular meeting will be December,
11 and I would think we could do it certainly by then.

12 GOVERNOR CRIST: That would be great.

13 ATTORNEY GENERAL McCOLLUM: That would be my
14 suggestion, if that would be agreeable with you and
15 the CFO, Governor.

16 GOVERNOR CRIST: Yes, I would concur. I think
17 that's a good idea.

18 CFO SINK: Are we assuming my motion fails and
19 it will be brought back again in December?

20 ATTORNEY GENERAL McCOLLUM: With all due
21 respect, CFO, I didn't want to bring this up, but
22 it hasn't been timely -- it has to be noticed in
23 terms of -- you gave me the information, but --

24 CFO SINK: Right.

25 ATTORNEY GENERAL McCOLLUM: -- it hasn't

1 formally been noticed, so I don't think we could
2 legally vote on your motion today anyway. So I
3 don't think we want to say your motion failed. I
4 think we want to say we're going to look at it in
5 December, if that's a fair characterization. Is
6 that right?

7 CFO SINK: Well, I'm certainly in no position
8 to get in an argument with two lawyers.

9 GOVERNOR CRIST: Oh, sure you are. It happens
10 all the time.

11 CFO SINK: I just happen to -- I'm bringing
12 the benefit of my experience serving on boards,
13 serving on investment committees of other
14 institutions. And you all obviously are aware that
15 I strongly believe that the Board needs to be
16 expanded.

17 My attorneys believe that, upon further close
18 review of the Constitution of Florida, that it will
19 not require a constitutional amendment.

20 So certainly we have our regularly scheduled
21 Board meeting at which we have more than just 15
22 minutes to discuss this coming up. I think it's
23 tentatively scheduled in December, at which we will
24 hear these comments from the Investment Advisory
25 Committee.

1 But I just want to point out that their role
2 and responsibility is to advise on -- to hear staff
3 recommendations and advise on the investment
4 activity of the Board. And, of course, we as
5 fiduciaries and Trustees have much broader
6 responsibilities.

7 And I'm going to proceed in the meantime to
8 work with some legislative people to explore this
9 issue of being able to expand the Board. And we
10 may have a more detailed proposal when we come back
11 in December, of course.

12 Governor, if you don't mind, I do have two
13 other suggestions --

14 GOVERNOR CRIST: Of course, please, yes.

15 CFO SINK: -- that I would like to discuss
16 with you.

17 GOVERNOR CRIST: Certainly.

18 CFO SINK: The second one has to do with --
19 another piece of information that we uncovered in
20 the governance report was around fiduciary
21 training. And my proposal is that we require each
22 Trustee and each member of the Audit Committee, the
23 Investment Advisory Council, and the Participant
24 Local Government Advisory Council to undergo, just
25 as many of the others are doing in terms of best

1 practice, to undergo annual training in fiduciary
2 responsibilities and associated ethical
3 requirements relevant to their roles.

4 And I would like to direct the executive
5 director, Ash Williams, to procure training
6 services from an experienced third party with a
7 demonstrated track record of excellence in
8 providing this kind of training. We've found that
9 this is certainly a trend among the other states to
10 require fiduciary training.

11 So you might ask, well, what is fiduciary
12 training? It would include Trustees' duties and
13 liabilities, the legal aspects of the Trustees'
14 role and the effect of any legislation, basic
15 investment management knowledge, the financial
16 aspects of the Trustees' roles, including
17 interpreting financial statements, and the
18 principles of good fund governance.

19 I think especially given that currently the
20 Board of Trustees is only made up of three elected
21 officials with no financial background required,
22 this training would allow us to fully understand
23 our fiduciary responsibilities and ethical
24 requirements, and it just makes good sense.

25 So again, I'm prepared to offer a motion

1 requiring fiduciary training for each Trustee and
2 each member of the Audit Committee, the Investment
3 Advisory Council, and the Participant Local
4 Government Advisory Council to resume or to start
5 annual fiduciary training.

6 ATTORNEY GENERAL McCOLLUM: Governor.

7 GOVERNOR CRIST: General.

8 ATTORNEY GENERAL McCOLLUM: I am much more
9 open to this idea than I would be to changing the
10 governance body in a way that I'm not yet sure I'm
11 ready to go along with, but I don't think we ought
12 to make any of these type of decisions today. I
13 think we should defer and let Ash report back to us
14 and have his team look at these proposals, and
15 let's examine them carefully, and then in December
16 take some action on the proposals, and perhaps some
17 recommendations that he has or his team has.

18 GOVERNOR CRIST: I would agree. I think
19 that's a good idea and look forward to that.

20 CFO SINK: And then the third recommendation
21 that I have on my mind today is to propose that the
22 Audit Committee develop recommendations for regular
23 external audits of the SBA, which ought to focus on
24 financials and compliance, internal controls, and
25 operations. And the Audit Committee ought to bring

1 these recommendations to us at our next regularly
2 scheduled quarterly Board meeting.

3 This is very standard practice in the private
4 sector. We saw much mention in the governance
5 study of the use of external independent audits for
6 your funds, and I think it would improve the
7 standard of accountability and oversight and
8 transparency that the SBA continues to strive for.

9 So I hope that that would also be a topic --
10 obviously, I'm not going to make a motion, since
11 the other two are being deferred, but that's the
12 third recommendation that I have on my mind today
13 for consideration.

14 GOVERNOR CRIST: Very good. Ash, if you could
15 undertake some research on that arena as it relates
16 to an additional audit.

17 General.

18 ATTORNEY GENERAL McCOLLUM: Governor, I would
19 just like to make an overall comment. I think the
20 CFO is making very constructive ideas here that
21 need to be examined, and several of them probably;
22 will be things that will form the basis of some
23 changes that we would all agree on in a few weeks.

24 But I'm reminded of the old adage, "If it
25 ain't broke, don't fix it." And there are some

1 things that may be broke here and we need to fix,
2 but I'm not yet convinced -- and I'm listening, and
3 I'm going to listen over the next few days and
4 weeks as we have our Investment Advisory Council
5 look at this, but I'm not convinced at the present
6 time that the governance structure itself is
7 broken.

8 And my reading of the report that Ash
9 presented us a couple of weeks ago may differ a
10 little bit from yours, CFO Sink, in that I didn't
11 hear in there that they strongly felt that our
12 governance system was particularly wrong. It was
13 just different.

14 And with the success of our system -- I mean,
15 we're 100 percent funded today, and organizations
16 like those than run California's pension fund and
17 some of the other big states where they're much
18 less than fully funded today and have many more
19 troubles than we do, and those organizations are
20 12, 15 strong in the total number of trustees, and
21 they include a wide range of people, and they don't
22 have elected officials sitting at the top like we
23 have here, lead me to have grave doubts that we're
24 really broken in regard to how our structure is as
25 opposed to perhaps needing to change the audit

1 system or training or do some adjustments here and
2 there.

3 So I'm listening. I'm open-minded. But I
4 wanted to make that comment before we all sort of
5 rush down the path of assuming that, hey, you know,
6 we need to change the way we do business at the top
7 and who runs the ship in terms of the three
8 Trustees that are here today that are elected
9 statewide officeholders.

10 Again, I might suggest what I think we talked
11 about once in here. If we're going to expand this
12 group, perhaps we ought to include the other -- the
13 fourth elected statewide officeholder, and that
14 would be Commissioner Bronson, as part of our
15 group, as we do in other Cabinet matters, as a
16 Trustee. That might be another constructive thing
17 to look at, Ash.

18 GOVERNOR CRIST: I note that you're
19 volunteering him in his absence.

20 ATTORNEY GENERAL McCOLLUM: I'm volunteering
21 him in his absence, or whoever holds that position.
22 But I think we shouldn't be confined in how we look
23 at this, and I would hope that when you come back
24 to us that you look at things and ask the
25 Investment Advisory Council to also look at things

1 that might be either changes in governance, or are
2 we doing it right or wrong, or what's the
3 interpretation of that report that was just there,
4 how do they view it. They're our eyes and ears.
5 They're the experts we've asked to help us guide
6 through the process, to help you guide through the
7 process of doing the pension funds and the other
8 great fiduciary responsibilities that we have with
9 these pension funds. Thank you.

10 GOVERNOR CRIST: I would like to --

11 CFO SINK: General, with all due --

12 GOVERNOR CRIST: If I might --

13 CFO SINK: Go ahead, Governor.

14 GOVERNOR CRIST: Just briefly, I just would
15 like to echo the comments of the General. I think
16 that it's always important for all of us to
17 continue to look to new ideas and a better way to
18 review the process and the procedures that we
19 undertake here. It's a huge responsibility. And,
20 CFO, I want to thank you for bringing your ideas
21 forward, and I want to thank the General for his
22 open-mindedness approach, and I look forward to the
23 December meeting when we'll have an opportunity for
24 additional review by those who have even greater
25 expertise.

1 CFO, I'm sorry.

2 CFO SINK: Governor, I do want to clarify, so
3 that we don't get into this situation we're in
4 today -- I know the time was short today -- that we
5 will have far more extensive time at the next Board
6 meeting. I intend to bring these proposals forward
7 as voting items for the next quarterly Board
8 meeting.

9 And with all respect, my overarching concern
10 is that while we appoint these members to the
11 Investment Advisory Committee, they serve -- their
12 appointments, they serve as advisors. But the
13 fiduciary responsibilities for the operation of
14 this \$110 billion fund lie with the Board members,
15 who, in my strong opinion, should have previous
16 financial background or qualifications or some
17 experience to bring to the oversight of a
18 \$110 billion pension fund. And that's my whole
19 overarching concern.

20 So it would be interesting to see what the Ag
21 Commissioner would have to say about that.

22 GOVERNOR CRIST: Well, we'll see.

23 CFO SINK: Thank you for your kindness in
24 listening to my proposals, and I look forward to
25 coming back in December. We'll have -- your staff

1 will have much more time to consider these issues
2 before then.

3 GOVERNOR CRIST: Thank you, CFO. Thank you,
4 General. Thank you, Ash. Our day is done.

5 (Proceedings concluded at 10:15 a.m.)
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CERTIFICATE OF REPORTER

1
2
3 STATE OF FLORIDA:

4 COUNTY OF LEON:

5 I, MARY ALLEN NEEL, Registered Professional
6 Reporter, do hereby certify that the foregoing
7 proceedings were taken before me at the time and place
8 therein designated; that my shorthand notes were
9 thereafter translated under my supervision; and the
10 foregoing pages numbered 1 through 37 are a true and
11 correct record of the aforesaid proceedings.

12 I FURTHER CERTIFY that I am not a relative,
13 employee, attorney or counsel of any of the parties, nor
14 relative or employee of such attorney or counsel, or
15 financially interested in the foregoing action.

16 DATED THIS 12th day of October, 2009.
17
18

19 _____
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