

MINUTES
QUARTERLY TREASURY INVESTMENT COMMITTEE MEETING
September 13, 2012 1:34 P.M.
Hermitage Building, Conference Room 440C

Attendees:

Members Present: Bruce Gillander, Retired (*Chair*)
Katy Wojciecnowski, State Board of Administration
Bob Doyle, President & Chief Investment Officer, Doyle Wealth Management Inc.
David Roberts, CFA, Harvest Investment Advisors

Treasury Staff: Bert Wilkerson, Director of the Treasury
Cherie Jeffries, Administrator of Internal Investment Program
Ken Gerzina, Administrator of External Investment Program

Absent: Susan Schueren, NICA Investment Consultant
Melisa Hevey, Bureau Chief of Funds Management

Guest: Pedro Morgado, Financial Specialist

OPENING REMARKS

Bruce Gillander called the meeting to order at 1:34 P.M.

APPROVAL OF MINUTES

The May 22, 2012 meeting minutes were presented for approval.

A Motion was made to approve the meeting minutes and passed unanimously.

FINANCIAL OUTLOOK STATEMENT

Bert Wilkerson presented a Florida Economic Overview. Florida's Unemployment rate is at 8.3% as compared to the US average of 8.3%. The housing market is generally improving. The General Revenue outlook balance for Fiscal Year 2012-13 is showing a projected surplus of \$1.55 billion. For Fiscal Year 2013-14, anticipated expenditures can be fully funded. All of these are positive signs for Florida. (*see attached*).

CURRENT STATE OF THE TREASURY (*see attached presentation*)

Bert Wilkerson presented a PowerPoint presentation providing an overview of the current state of the Treasury. The overview provided information relating to the Treasury Investment Pool balances; Pool breakdown between the various portfolios; investment Pool Fair Value Factor: gross earnings rate; income distributed broken up by entities and monthly income distributed; and administrative fees.

The balances in the Treasury have increased from a year ago from \$17.8 billion to \$19.5. For the one year, three year and five year periods the Treasury Pool as a whole has exceeded its benchmark. The one year exceeded by 22 basis points, the three year exceeded by 69 basis points and the five year exceeded by 11 basis points. The Investment Pool generated \$436.8 million in income for the 2011/12 fiscal year.

OVERVIEW OF INTERNAL INVESTMENTS (see attached presentation)

Cherie Jeffries presented a PowerPoint presentation on the Internal Investment Program's performance, providing performance for the three portfolios that are managed internally. Each of the internal investment portfolios outperformed the benchmark for the one year period. For the rolling three years, the Liquidity portfolio outperformed the benchmark; however, the Bridge and Intermediate portfolios underperformed due to passive management as required during the financial crises. All portfolios outperformed for the 5 year period.

The portfolios are currently being invested neutral to the benchmark in regards to duration and maturities. However, the portfolios are overweight in spread product and underweight in Treasuries. The financial markets continue to be volatile as the European markets continue to struggle. This strategy is minimizing the volatility in the portfolios.

OVERVIEW OF EXTERNAL INVESTMENTS PROGRAM (see attached presentation)

Ken Gerzina presented a PowerPoint presentation for the External Investment program which included an update on the External Investment Program performance. The total market value of the External Program was \$7.2 billion at June 30th. Overall, managers have performed well, as the only underperformance is in the one year period. All other periods are above benchmark for all managers, net of fees.

The External Investment Portfolio continues to be a high quality, well diversified portfolio with strategic overweights to select corporate credit, agency mortgage-backed securities and commercial mortgage-backed securities.

TREASURY INITIATIVES (see attached presentation)

Bert Wilkerson presented the Annual Report to the Committee for approval.

A motion was made to approve the Annual Report as was passed unanimously.

Cherie Jeffries presented the portfolio allocation review. Twice a year, the Treasury Work Group analyze what the portfolio ranges should be, as provided by the Comprehensive Investment Policy. This review provided that the liquidity portfolio was overfunded. The Treasury Work Group recommended reallocating funds from the Liquidity Portfolio to the Intermediate portfolio and External Investment Program.

A motion was made to approve the reallocation of funds and was passed unanimously.

SUMMARY/ QUESTIONS / NEXT MEETING

The Work Group will get back with the committee members with some recommended dates for the next quarterly meeting.

Meeting was adjourned at 2:54 PM.