



STATE OF FLORIDA

BILL McCOLLUM
ATTORNEY GENERAL

October 9, 2009

The Honorable Jeff Atwater
President, The Florida Senate
Room 409, The Capitol
Tallahassee, FL 32399-1100

Dear President Atwater:

As a constitutionally established trustee of the State Board of Administration, I recognize the importance of the Board's fiduciary duty to protect the financial future of all Florida Pension Fund participants. Recently there have been issues raised regarding the need for reform of the State Board of Administration. To date, steps have been taken to enhance the oversight of the state's investments including the implementation of legislation passed in 2008 that restructured the Local Government Investment Pool. That legislation required additional reporting requirements and established a Local Government Participant Advisory Council consisting of fund participants.

The fact that the Florida Retirement System is fully funded speaks volumes. Other states struggle with funding levels that would leave them in default of their obligations to participants. However, as I stated at the May 13th Cabinet Meeting, meaningful reform by expanding the makeup of the Investment Advisory Council would merit your consideration and provide additional expertise, special knowledge, and familiarity with financial investments and portfolio management. The Investment Advisory Council was created in statute to make recommendations regarding investment policy, strategy and procedures. By bolstering the membership of these highly skilled and effective professionals, we add additional oversight to the State Board of Administration fund management. I propose that the Legislature consider an expansion of the Investment Advisory Council with the addition of three members appointed by the Board.

Additional oversight should include proposals to formalize the existing State Board of Administration Audit Committee and the Office of Internal Audit in order to assist the board in fulfilling its responsibilities in the areas of financial reporting, internal controls and risk assessment, audit procedures and compliance with laws, rules and regulation. Any proposal should provide for a Comprehensive Annual Financial Report according to generally acceptable

accounting principles and guidelines and require an annual financial statement audit to be conducted by the state Auditor General's office.

Finally, the current ethics policies of the State Board of Administration call for high levels of conduct for State Board employees and should be codified to ensure their continued, and strengthened, application.

I look forward to working with you on these important issues.

Sincerely

A handwritten signature in dark ink, appearing to read "Bill McCollum". The signature is fluid and cursive, with a long horizontal stroke at the end.

Bill McCollum