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# **Government Operations Subcommittee**

**Wednesday, January 7, 2015  
1:30 PM  
Webster Hall (212 Knott)**

**Steve Crisafulli  
Speaker**

**Michael Bileca  
Chair**

# Committee Meeting Notice

## HOUSE OF REPRESENTATIVES

### Government Operations Subcommittee

**Start Date and Time:** Wednesday, January 07, 2015 01:30 pm  
**End Date and Time:** Wednesday, January 07, 2015 03:30 pm  
**Location:** Webster Hall (212 Knott)  
**Duration:** 2.00 hrs

Introductions

Presentation by the Department of the Lottery on its organizational structure, jurisdiction, and policy initiatives

Presentation by the Department of Management Services on its organizational structure, jurisdiction, and policy initiatives

Presentation by the State Board of Administration on its organizational structure, jurisdiction, and policy initiatives

**NOTICE FINALIZED on 12/19/2014 10:07 by Love.John**





## The Florida Lottery

House Subcommittee on  
Government Operations  
Wednesday, January 7, 2015

Cynthia F. O'Connell  
Secretary

## Purpose

“...to operate the state lottery...so as to maximize revenues [for the Educational Enhancement Trust Fund] in a manner consonant with the dignity of the state and the welfare of its citizens.”

## Intent

“That the lottery games be operated by a department of state government that functions as much as possible in the manner of an entrepreneurial business enterprise.”





## Florida Lottery Keys to Success

- The Florida Lottery's success depends on its effective implementation of an entrepreneurial business model that focuses on the development of new revenue streams and creates a win-win partnership with its private-sector vendors.
- The Lottery constantly evaluates its operating expenses in order to maximize profits, a practice that has resulted in the Lottery having one of the lowest expense rates among domestic lotteries. The Florida Lottery is also recognized as one of the most efficient Lotteries in the Nation.
- Funds generated by the Florida Lottery comprise the vast majority of the Education Enhancement Trust Fund which in turn represents approximately six percent of the state's total education budget each year.





# The Games of the Florida Lottery



# District Office Operations



## Lottery Headquarters Tallahassee

- 233 Staff

## Nine District Offices Statewide

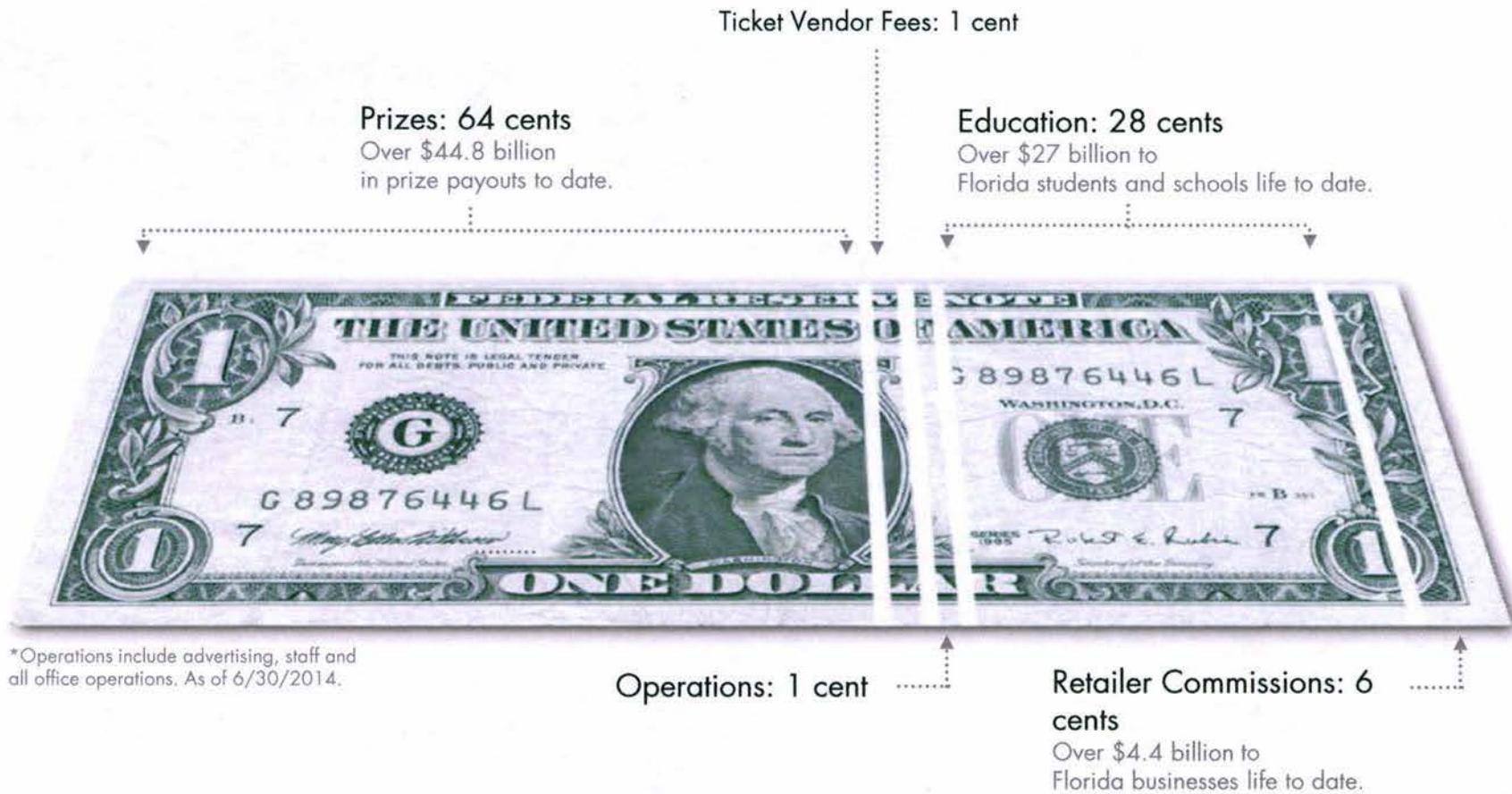
- 113 Sales Representatives  
Servicing 13,200 retail locations.
- 74 Office Support Staff  
Selling tickets and paying prizes of up to \$250,000 on most games and \$2 million for Powerball to players.

**Total Staff - 420**

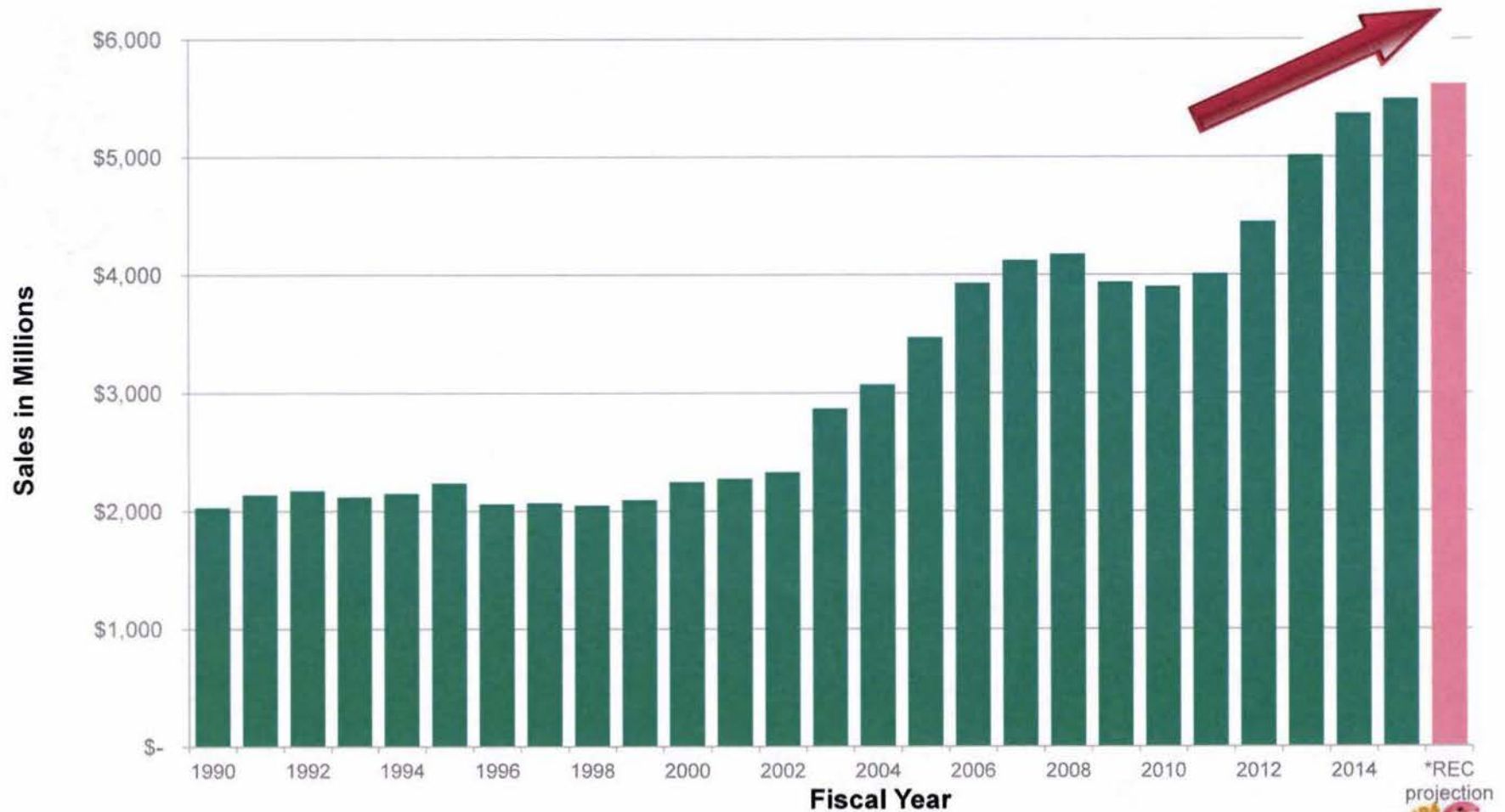




# How is Each Lottery Dollar Spent?



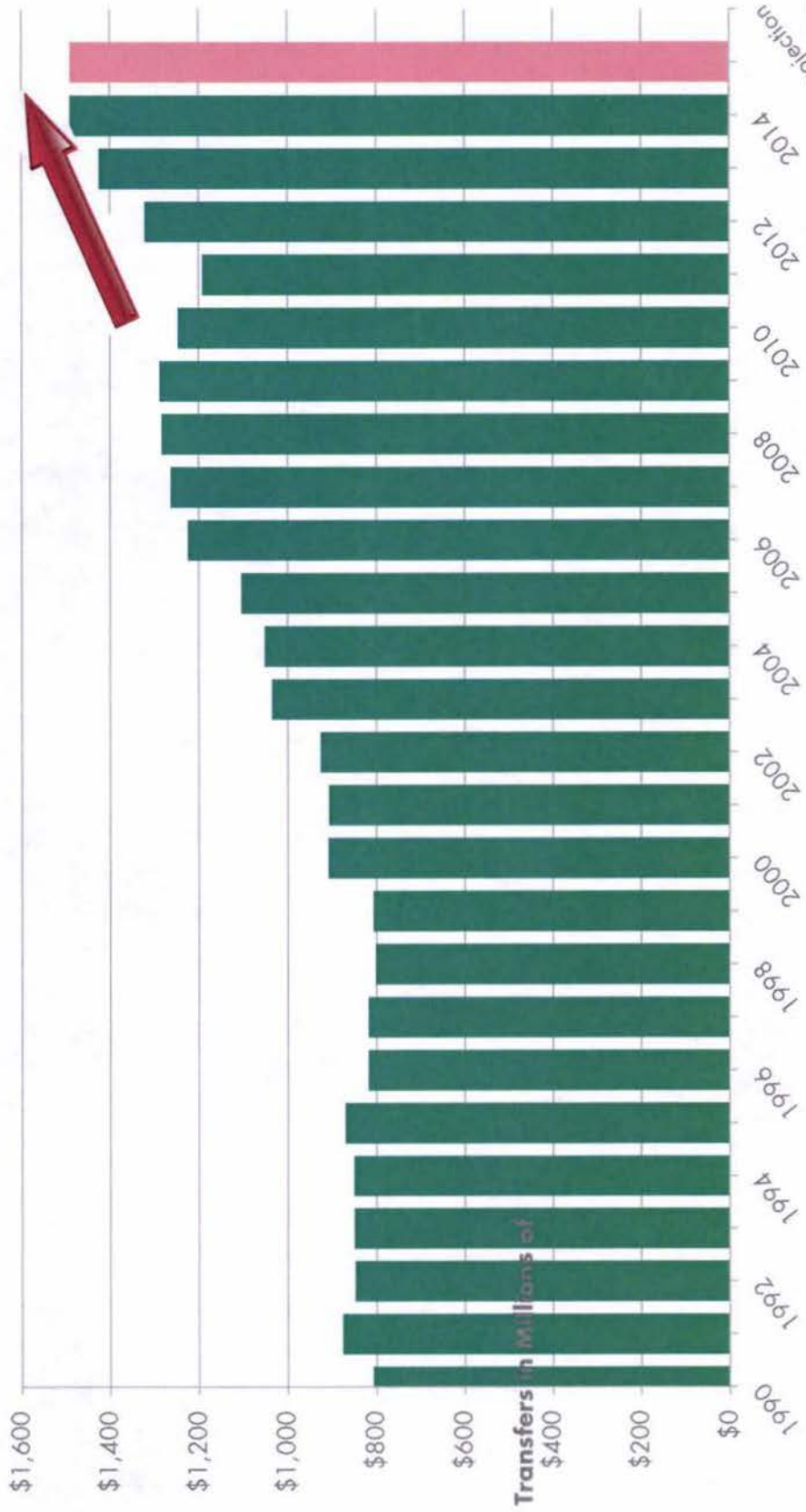
# Florida Lottery Life to Date Sales



The Florida Lottery has seen tremendous sales increases since its inception in 1988.



# Florida Lottery Historical Contributions to EETF



\*REC projection

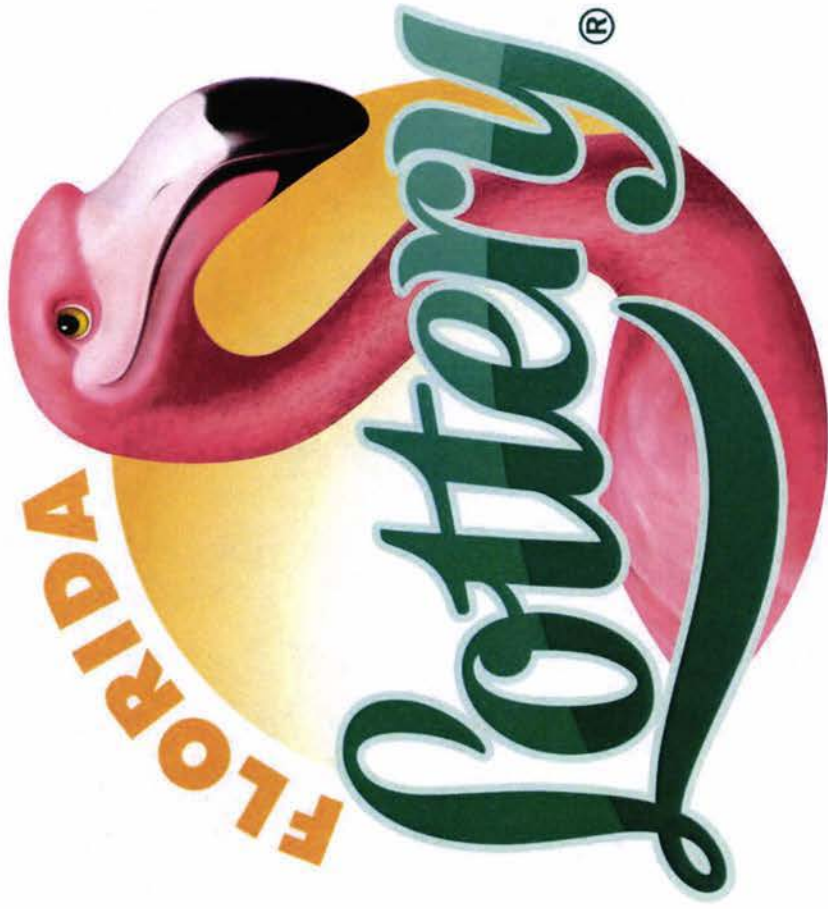
Fiscal Year



# Florida Lottery Milestones

- June 30, 2012 – Fiscal Year 2011-12 sales total \$4.45 billion, the highest ever in the organization's nearly quarter century of existence. The Lottery also set an all-time record for contributions to education by transferring \$1.31 billion to Florida's Education Enhancement Trust Fund (EETF).
- January 12, 2013 – 25<sup>th</sup> Anniversary Celebration of the Florida Lottery.
- May 15, 2013 – The Florida Lottery launches the multi-state game, MEGA MILLIONS®.
- June 30, 2013 – Fiscal year 2012-13 ends with sales of \$5 billion, making it the highest sales year in Florida Lottery history. As a result, a record \$1.4 billion in revenue was transferred to education.
- June 30, 2014 – Fiscal year 2013-14 ends with another record year for sales, totaling \$5.36 billion, and record high transfer to education, more than \$1.49 billion.





Questions?









FLORIDA DEPARTMENT of

**management**  
**SERVICES**

We serve those who serve Florida

## **Agency Overview**

**Government Operations Subcommittee**

**January 7, 2015**

**1:30pm – 3:30pm**

**Chad Poppell**

Agency Secretary



## Who We Are

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- The Department of Management Services (DMS) is the State of Florida's shared services provider.
- We are organized to support both the operations of state agencies as a whole and individual state employees.
- Through the efficient provision of shared services, state agencies can direct their time, energy and resources to their core missions.



# Overview and Culture

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**DMS Mission:** Equip the state organization and its employees to perform their mission.

**DMS Motto:** “We serve those who serve Florida.”

**DMS Customers:**

- State Agencies
- State employees, retirees and dependents
- Retirees of state and local FRS
- Vendors and private citizens
- Other state and local governmental and quasi-governmental entities
- The public



# Strategic Vision

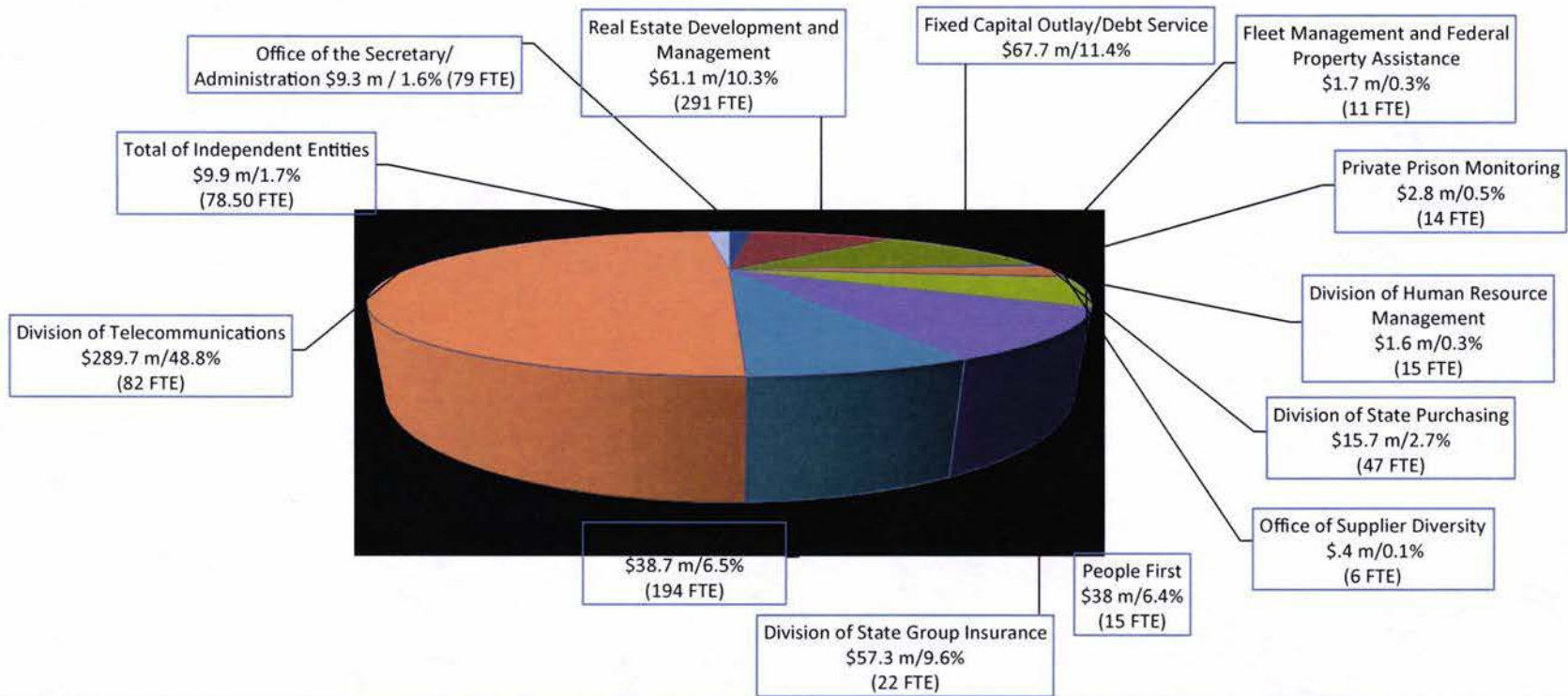
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- As the state's shared services provider, the Department of Management Services is committed to applying proven business practices in the government environment. Through gained efficiency and enhanced operational capacity, critical government resources can be directed to better meet the needs of Florida's citizens.
  - Reduce Resources While Maintaining or Increasing the Level of Service
  - Seek Out and Test New Approaches
  - Challenge Current Practices
  - Provide Consistent and Reliable Service to Agency Partners
  - Listen to the Needs of Our Customers



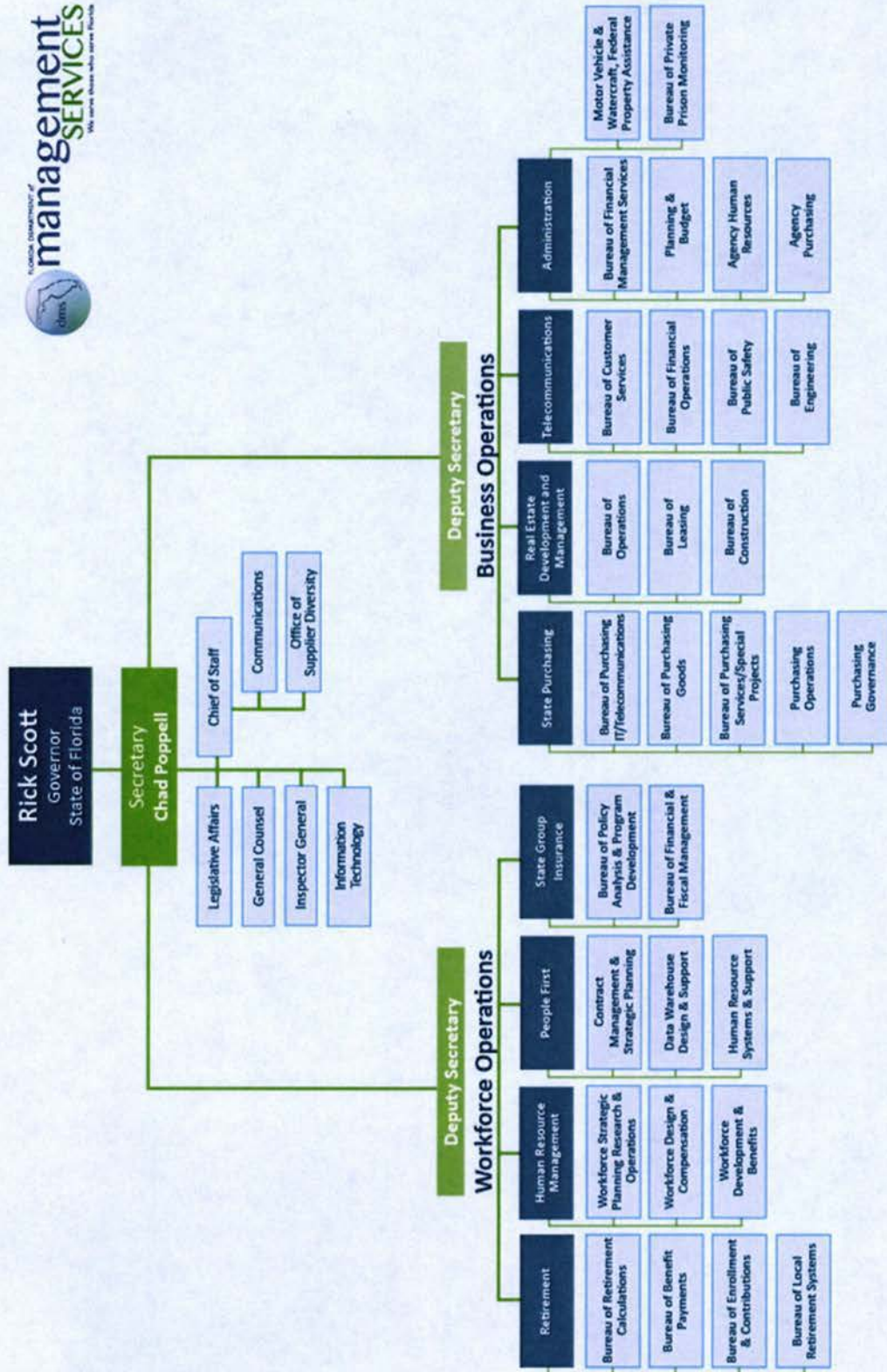
# DMS Budget and Resource Management

## Department of Management Services FY 2014-2015 Appropriations \$593.9 m



**Total FTE = 854.5**

# Organizational Structure







FLORIDA DEPARTMENT *of*

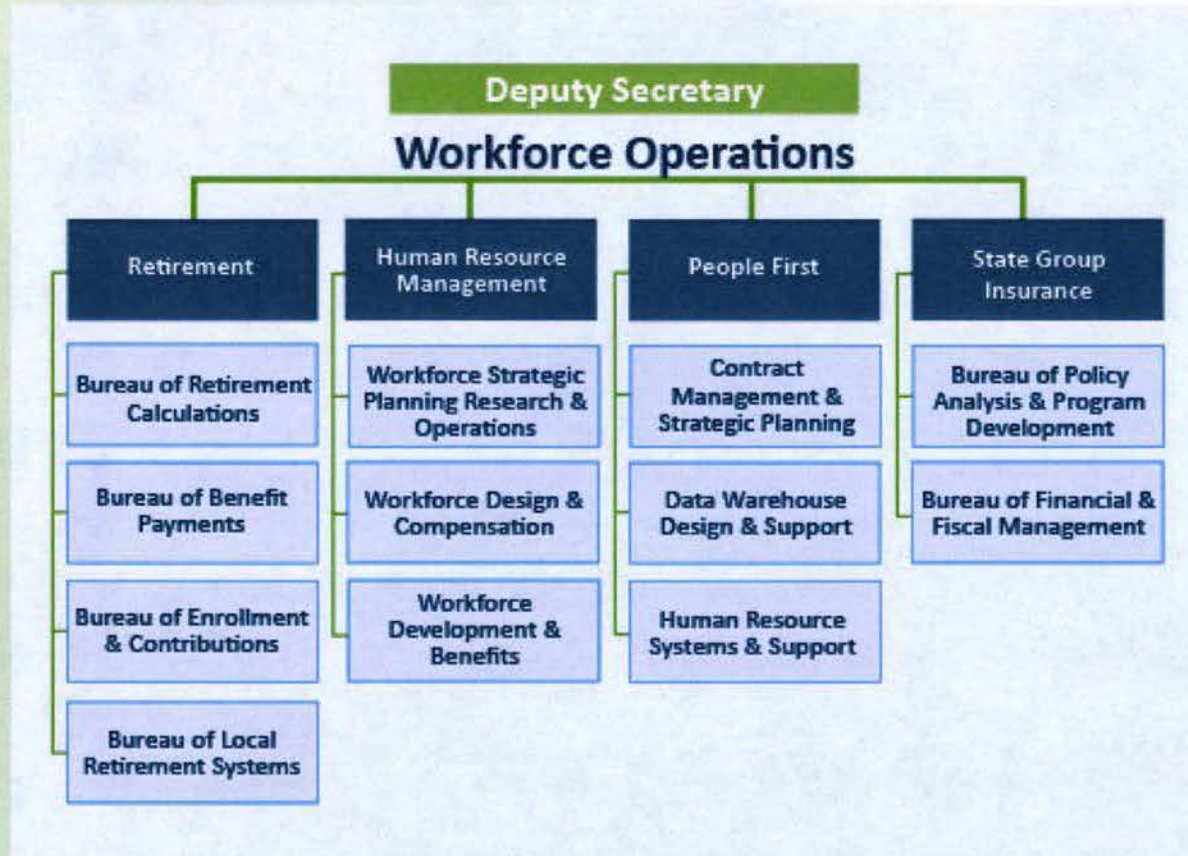
**management**  
**SERVICES**

We serve those who serve Florida

## Program Areas



# Workforce Operations





The Division of Retirement administers the defined benefits programs of the Florida Retirement System (FRS) and supports the administration of the Investment Plan. The FRS is the fifth largest public pension plan in the U.S. with \$149+ billion in assets.

**Division Staff:** 194 full-time positions

**Division Budget:** \$38.7 million (\$18.8 million in General Revenue, \$19.9 in Trust Funds)

**Division Bureaus:** Benefit Payments, Enrollment and Contributions, Local Retirement Systems, Retirement Calculations, Research and Member Communications



## Workforce Operations – Division of Human Resource Management

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The Division of Human Resource Management establishes the policies, programs and strategies for the State Personnel System and provides for the efficient administration of an equitable and lawful system of employment.

**Division Staff:** 15 full-time positions

**Division Budget:** \$1.6 million

**Division Teams:** Workforce Design and Compensation, Workforce Development and Benefits, Workforce Strategic Planning, Research and Operations, and Labor Relations



## **Workforce Operations - People First**

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The People First Team manages Florida's comprehensive, self-service, web-based application for shared human resources services.

**Division Staff:** 15 full time positions

**Division Budget:** \$38 million

**Services Provided:** Attendance and Leave, Benefits Administration, Data Warehouse, Human Resource Management, Organizational Management, Payroll Preparation, Recruitment





## Workforce Operations – Division of State Group Insurance

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The Division of State Group Insurance manages a package of health and insurance benefits including health insurance options, flexible spending and health savings accounts, life insurance, dental insurance and other products for 172,058 state employees and retirees.

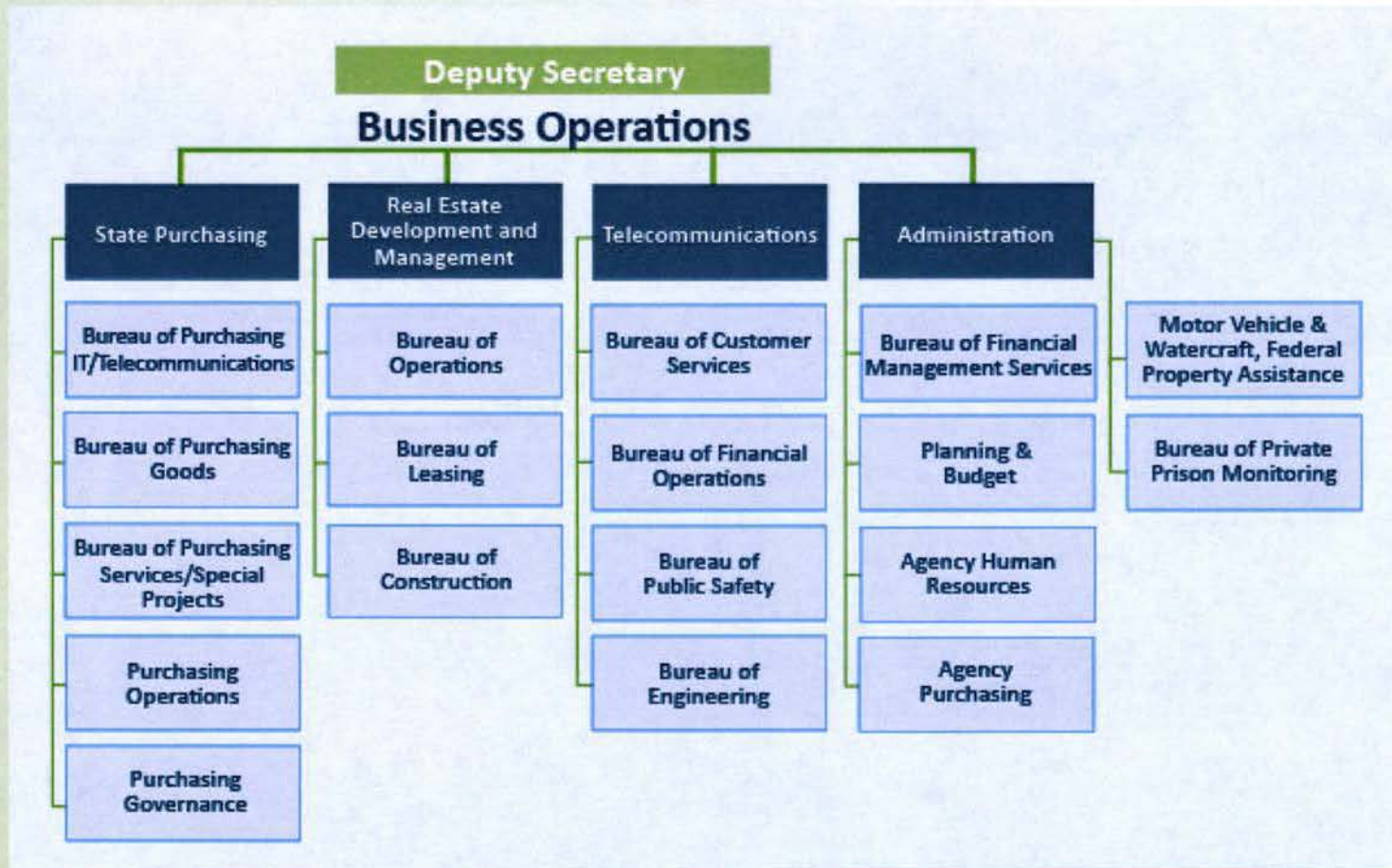
**Division Staff:** 22 positions

**Division Budget:** \$57.3 million

**Division Bureaus:** Financial and Fiscal Management, Policy and Development



# Business Operations







## Business Operations - Real Estate Development and Management

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The Division of Real Estate and Facilities Management oversees the construction, leasing and operations of the buildings in the Florida Facilities Pool. In addition, the Division administers private leasing for the state.

**Division Staff:** 291 full-time positions

**Division Budget:** \$128.7 million (\$61 million in Operations, \$67.7 million in Fixed Capital Outlay)

**Division Teams:** Operations and Maintenance, Leasing, Building Construction Support Service

### **Did You Know?:**

- The Florida Facilities Pool includes 108 buildings of the more than 20,460 facilities the state owns and manages.



The Division of State Purchasing has two primary missions: (1) to provide executive direction regarding procurement, purchasing, and contracting, and (2) to establish purchasing processes and procedures for statewide use. Best procurement practices promote fair and open competition for state spending. State Purchasing leverages statewide spend for goods and services to deliver the best value to state agencies and local governments.

**Division Staff:** 47 full-time positions

**Division Budget:** \$15.7 million

**Division Teams:** Services and Special Projects, Commodities, Information Technology/Telecommunications, Purchasing Operations/ MyFloridaMarketPlace, Governance and Professional Development



The Division of Telecommunications serves Florida government in two broad categories. The Division provides voice, data, mobile, infrastructure and teleconferencing services for Florida government under the SUNCOM brand. The unit also provides planning and coordination of public safety radio communications, e-911 services, and law enforcement telecommunications across the state.

**Division Staff:** 82 positions

**Division Budget:** \$289.7 million

**Division Bureaus:** Financial Operations, Customer Service, Public Safety, Engineering



The Division of Administration provides centralized administrative support to DMS employees, including budget, fiscal integrity oversight, human resources, purchasing, finance and accounting, and policies and procedures development. Two other programs also reside in Administration; Motor Vehicles and Watercraft Management, Federal Surplus Property and Private Prison Monitoring.

**Division Staff:** 59 full-time positions

**Division Budget:** \$7.1 million

**Division Bureaus:** Motor Vehicles and Watercraft Management, Federal Surplus Property, Private Prison Monitoring, Planning and Budget and Fiscal Integrity, Human Resources, Departmental Purchasing, and Financial Management Services



# 2015 Policy Initiatives

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## **Florida State Employees' Charitable Campaign (FSECC)**

- Clarifies that recipient charity designations of employee contributions are not required when contributions are collected as part of an agency fundraising event.
- Repeals local steering committees and provides that participating charities shall receive the same percentage of undesignated contributions collected at agency fund raising events as the percentage of designated funds they receive from all other forms of employee giving.

## **Florida Retirement System (FRS) Re-Opening of Renewed Membership**

- Requires participation in a defined contribution plan as a renewed member.
- Depending upon the position held and the employer, the defined contribution plan options include the FRS Investment Plan, the State University System Optional Retirement Program, the State Community College System Optional Retirement Program, or the Senior Management Service Optional Annuity Program (only state senior managers).

# Contact Information

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## Office of The Secretary

Chad Poppell, Secretary

[Chad.Poppell@dms.myflorida.com](mailto:Chad.Poppell@dms.myflorida.com)

## Office of Legislative Affairs

Marlene Williams, Director

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Cody Schwarz, Deputy Director

[Cody.Schwarz@dms.myflorida.com](mailto:Cody.Schwarz@dms.myflorida.com)

**State Board  
of Administration**





# House Government Operations Subcommittee

## *Overview of the State Board of Administration January 7, 2015*

*Ash Williams  
Executive Director & CIO  
State Board of Administration of Florida*





# State Board of Administration (SBA)

## SBA Mission

Our mission is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary, and professional standards

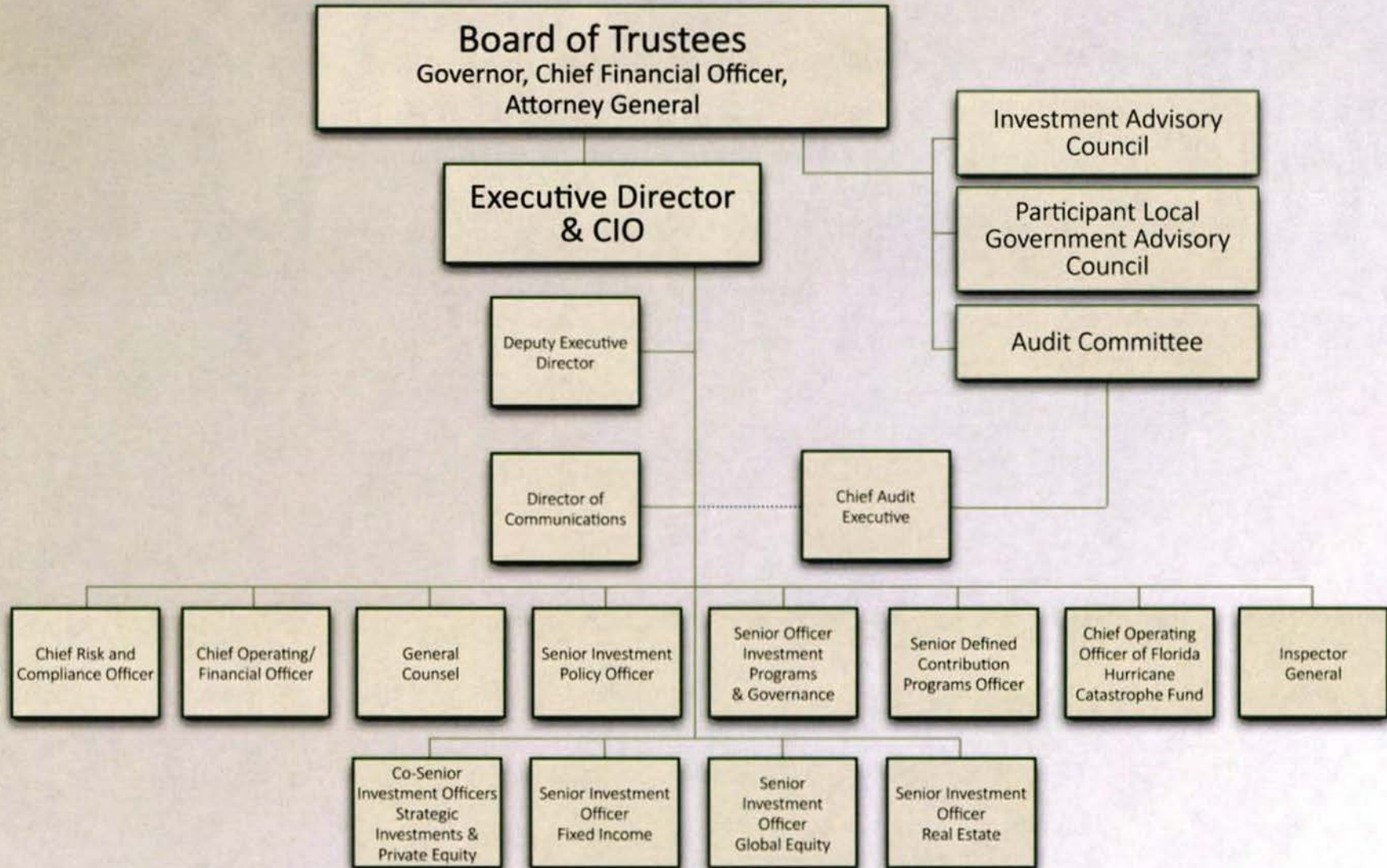
## SBA Vision

Our vision is to be the best public sector investment and administrative service provider, while exemplifying the principles of trust, integrity, and performance





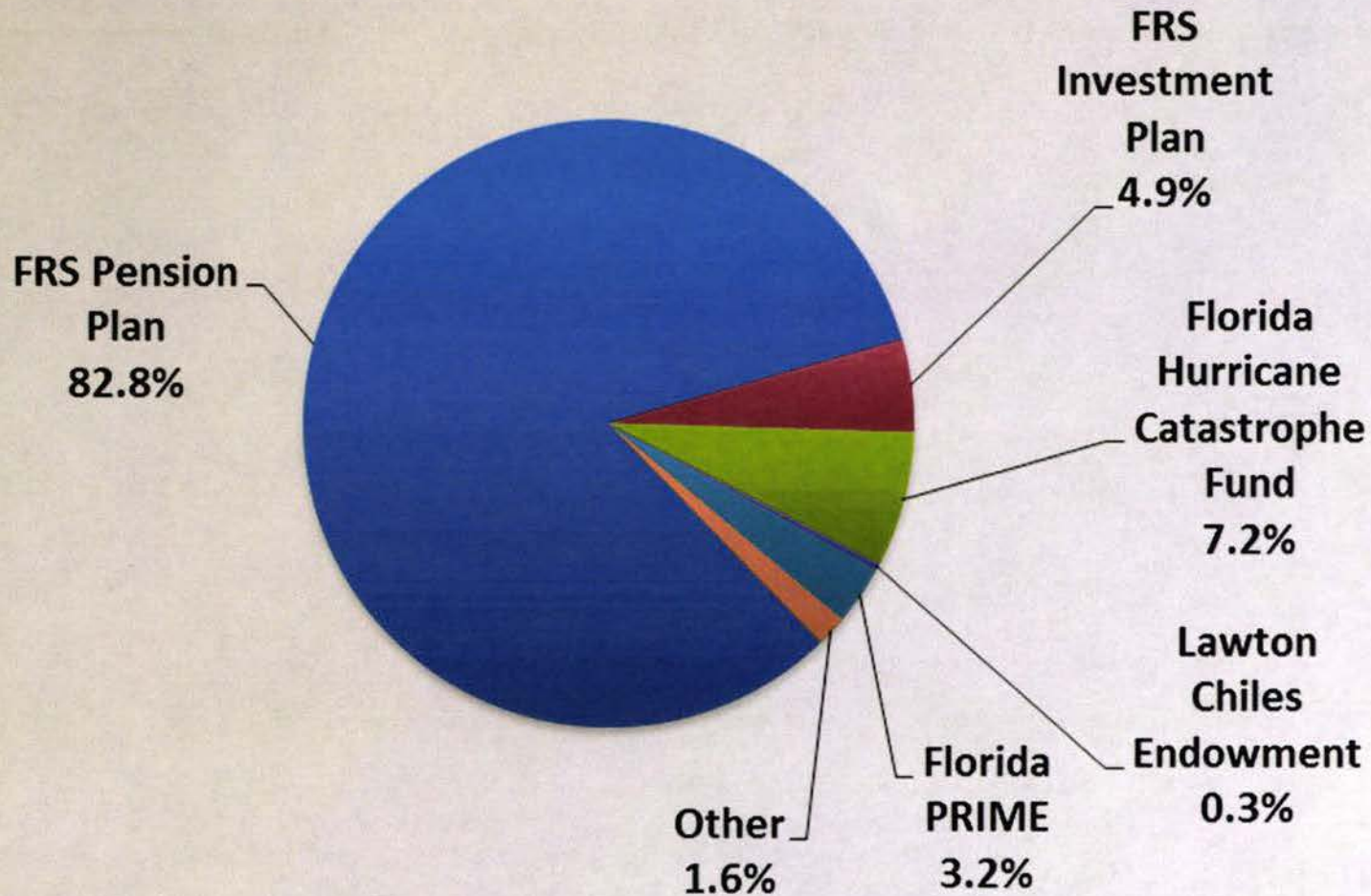
# SBA Governance Structure

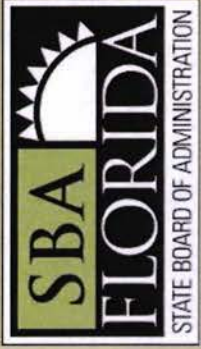






# Assets Under Management \$176.2 Billion





# FRS Pension Plan







# History

1976 – 1997 Consolidation and Strengthening

1998 – 2008 Over-funded

2009 – Current

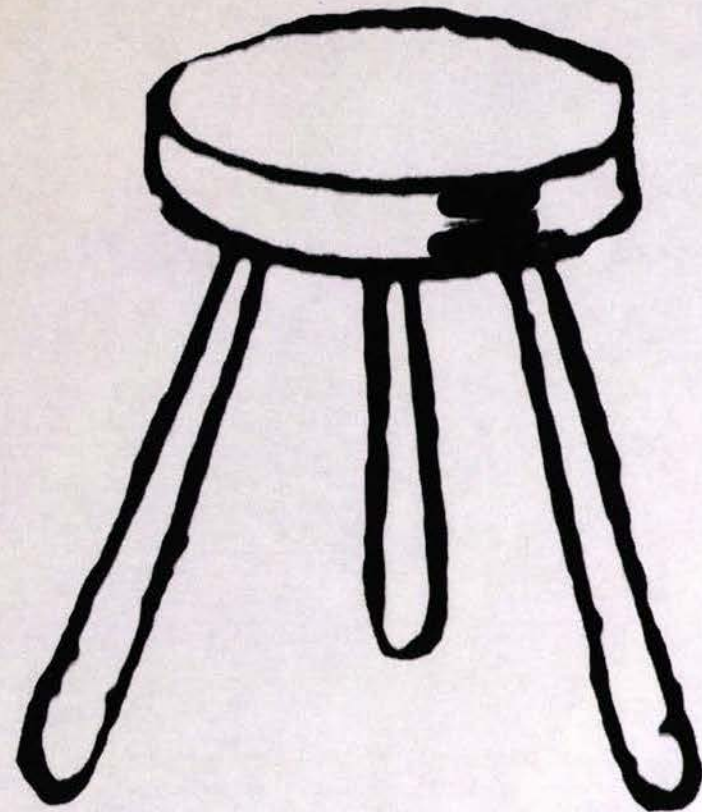


## Overview

The FRS Pension Plan is the fifth largest public retirement plan in the U.S.

The FRS Pension Plan's long-term financial health rests on three legs:

1. Reasonable benefit package
2. Responsible funding
3. Prudent investing: solid long-term investment performance



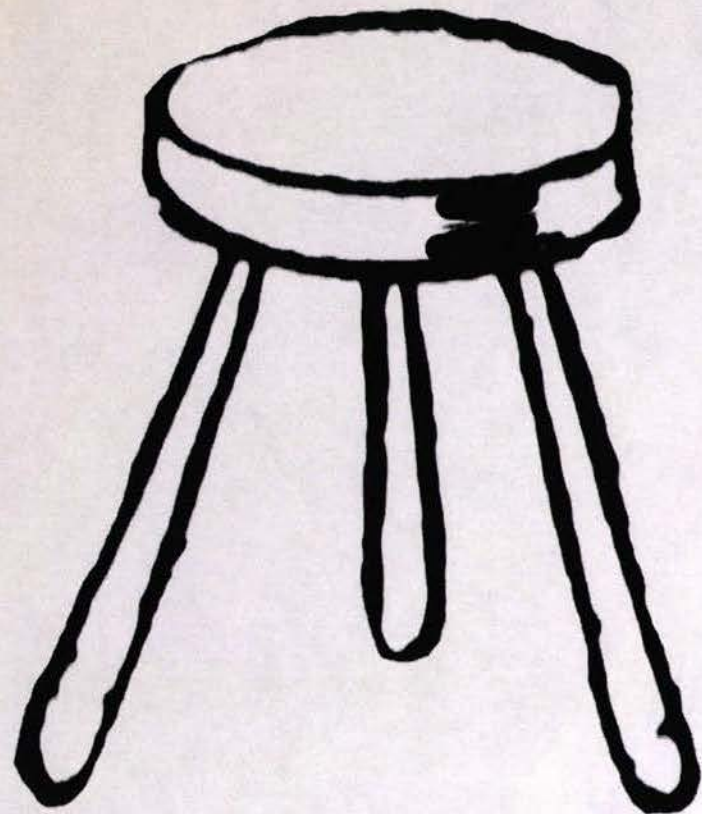




## Overview

Of those three legs, the SBA is responsible for one component – prudent investing: solid long-term investment performance.

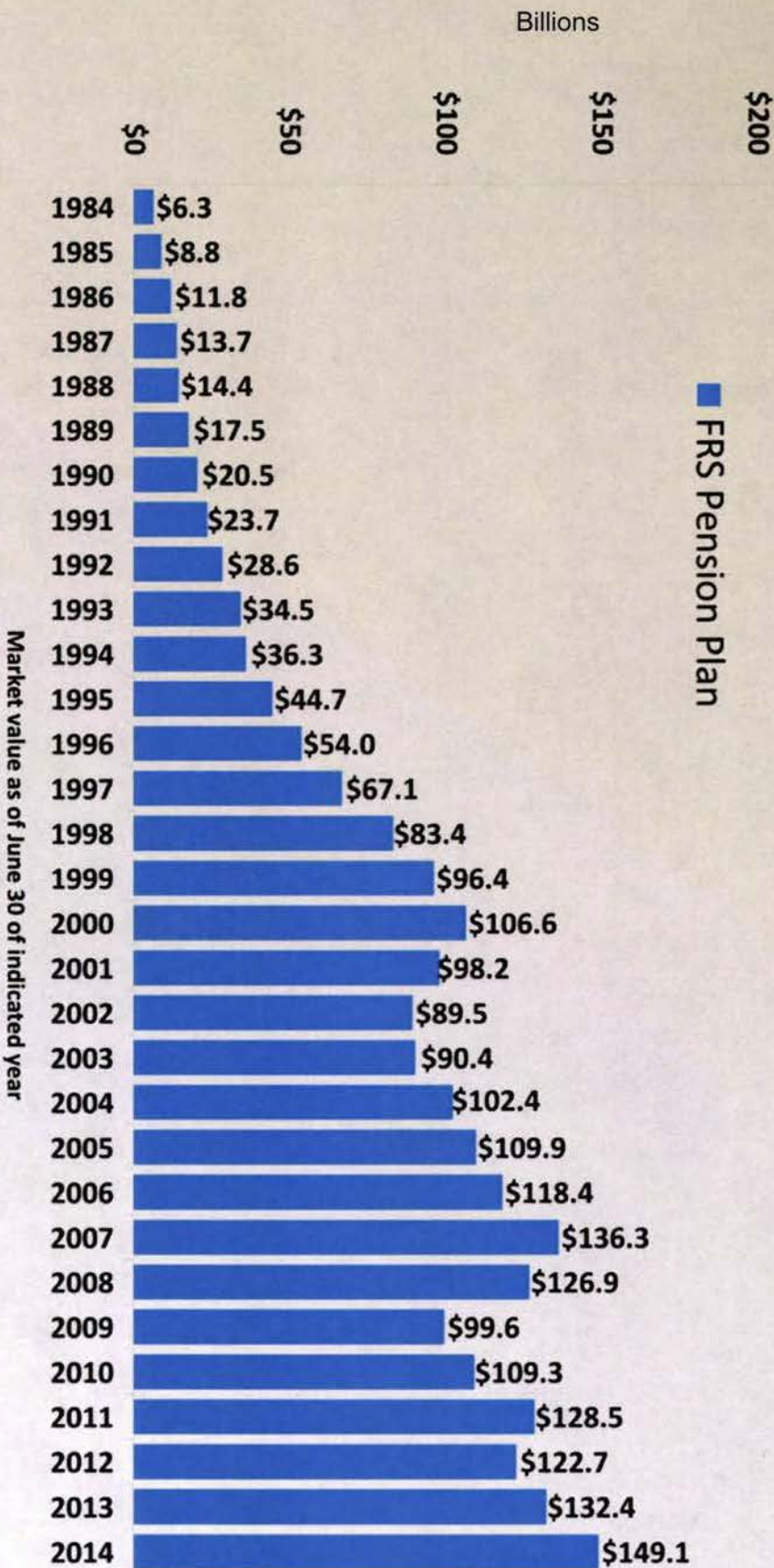
The legislature determines plan structure, benefit levels and funding; The Department of Management Services, Division of Retirement administers the program.





# How are we doing?

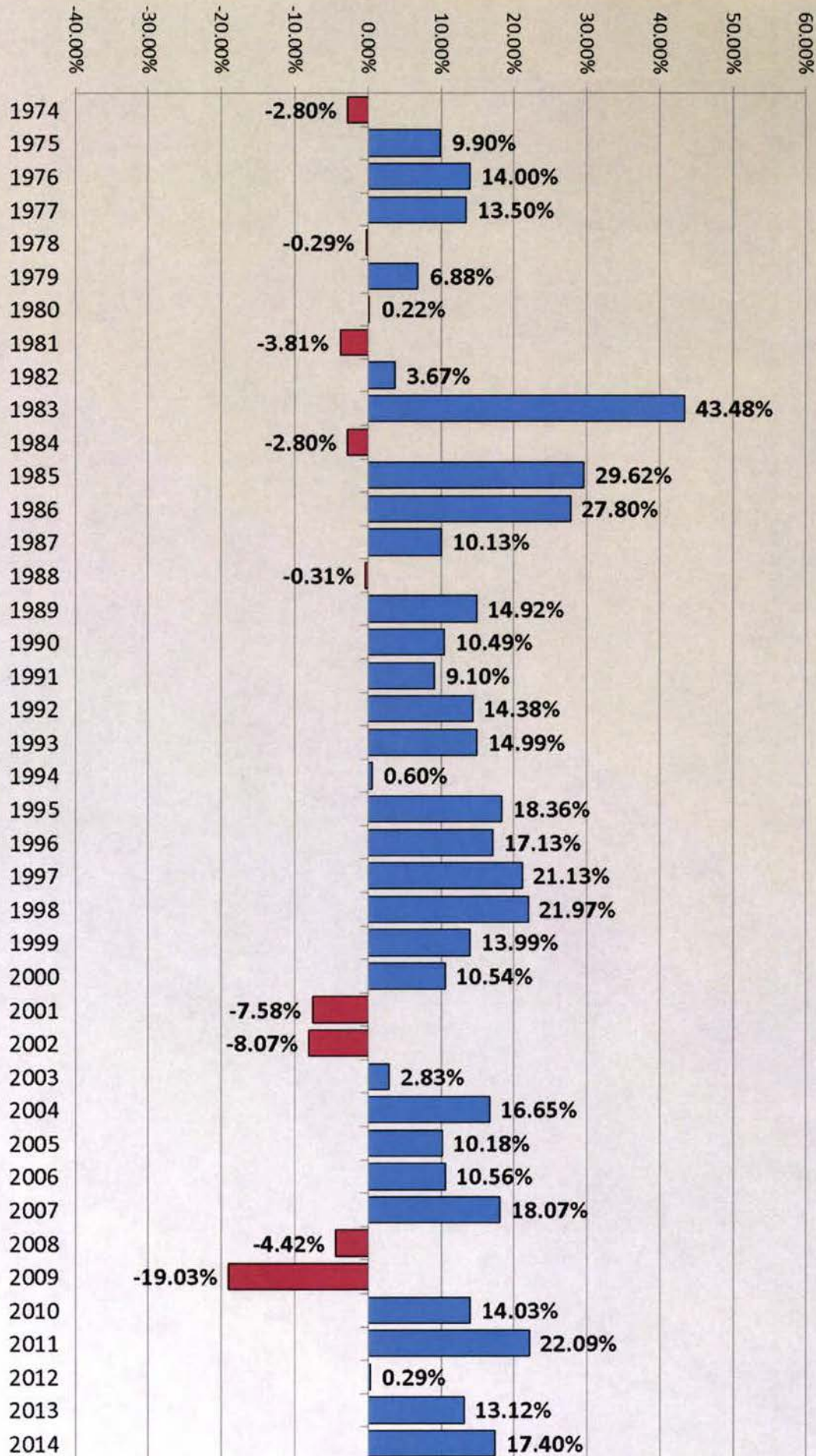
## Growth of Florida Retirement System Assets







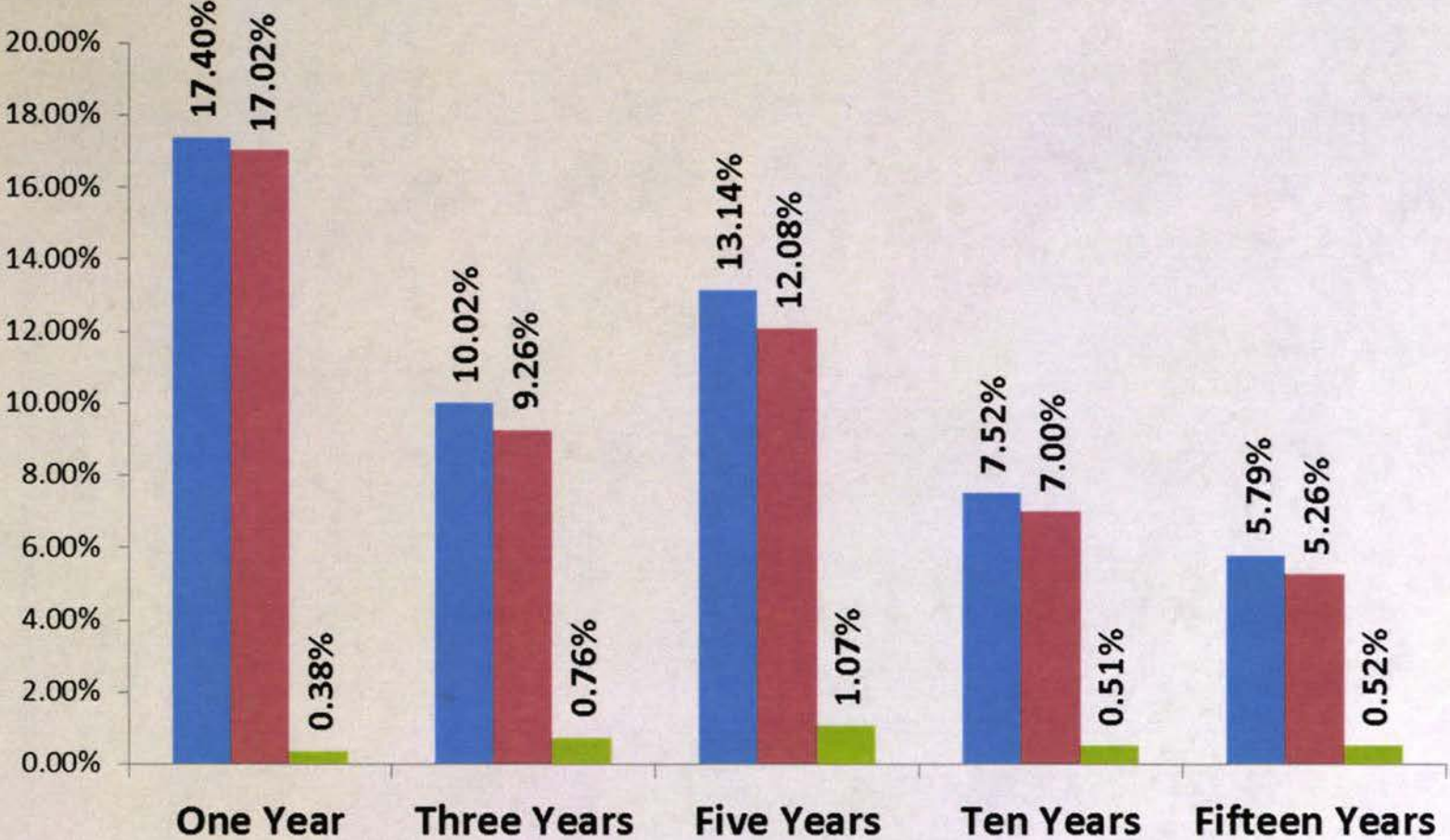
# How are we doing?





# How are we doing?

■ SBA Managed Return ■ Benchmark Return ■ Mgd. Over (Under) Bmk.

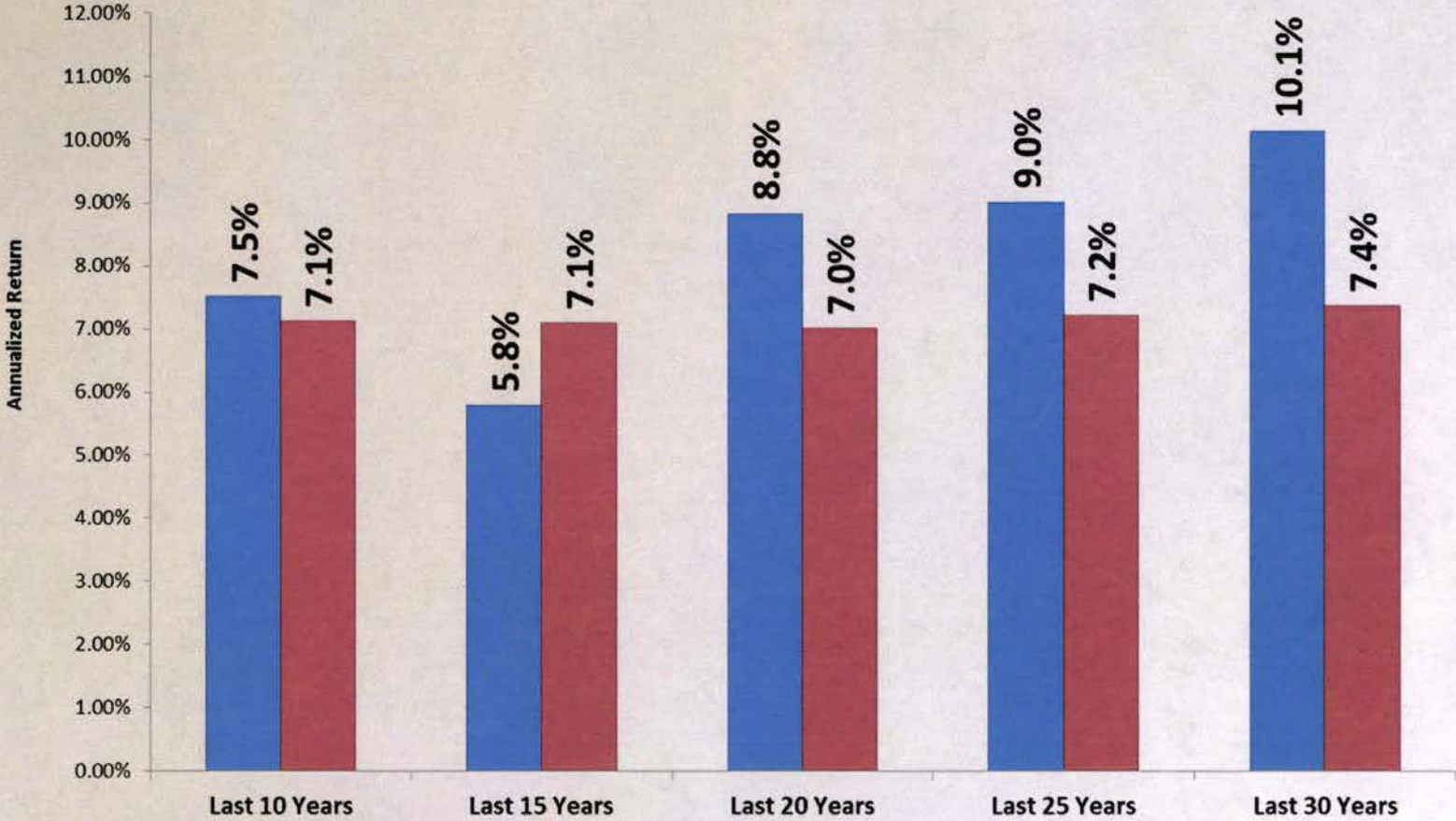






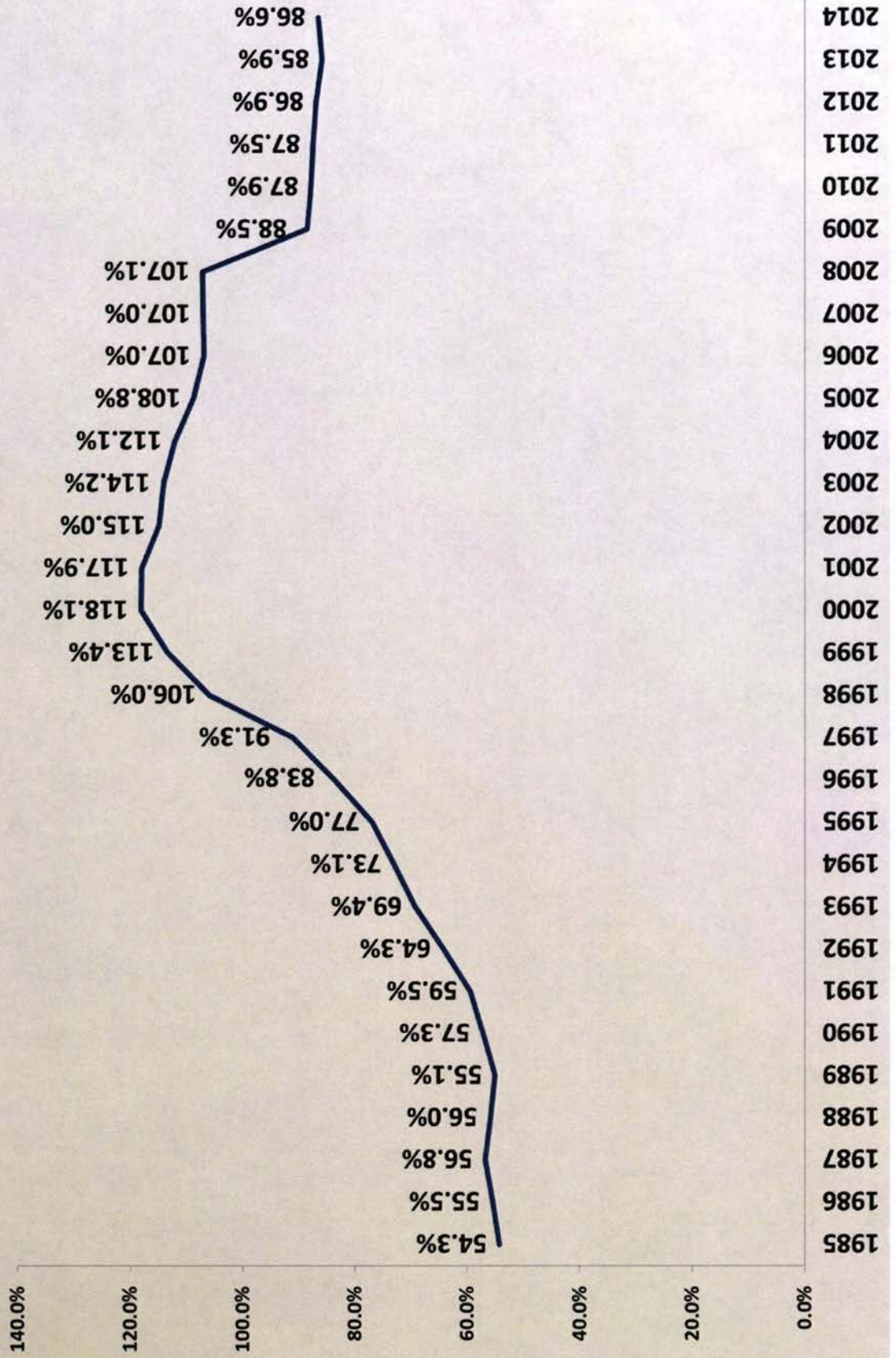
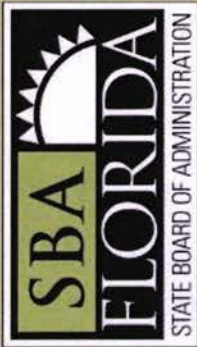
# How are we doing?

■ FRS Pension Plan Managed Return    ■ SBA Long-Term Investment Objective



Time Periods Through June 30, 2014

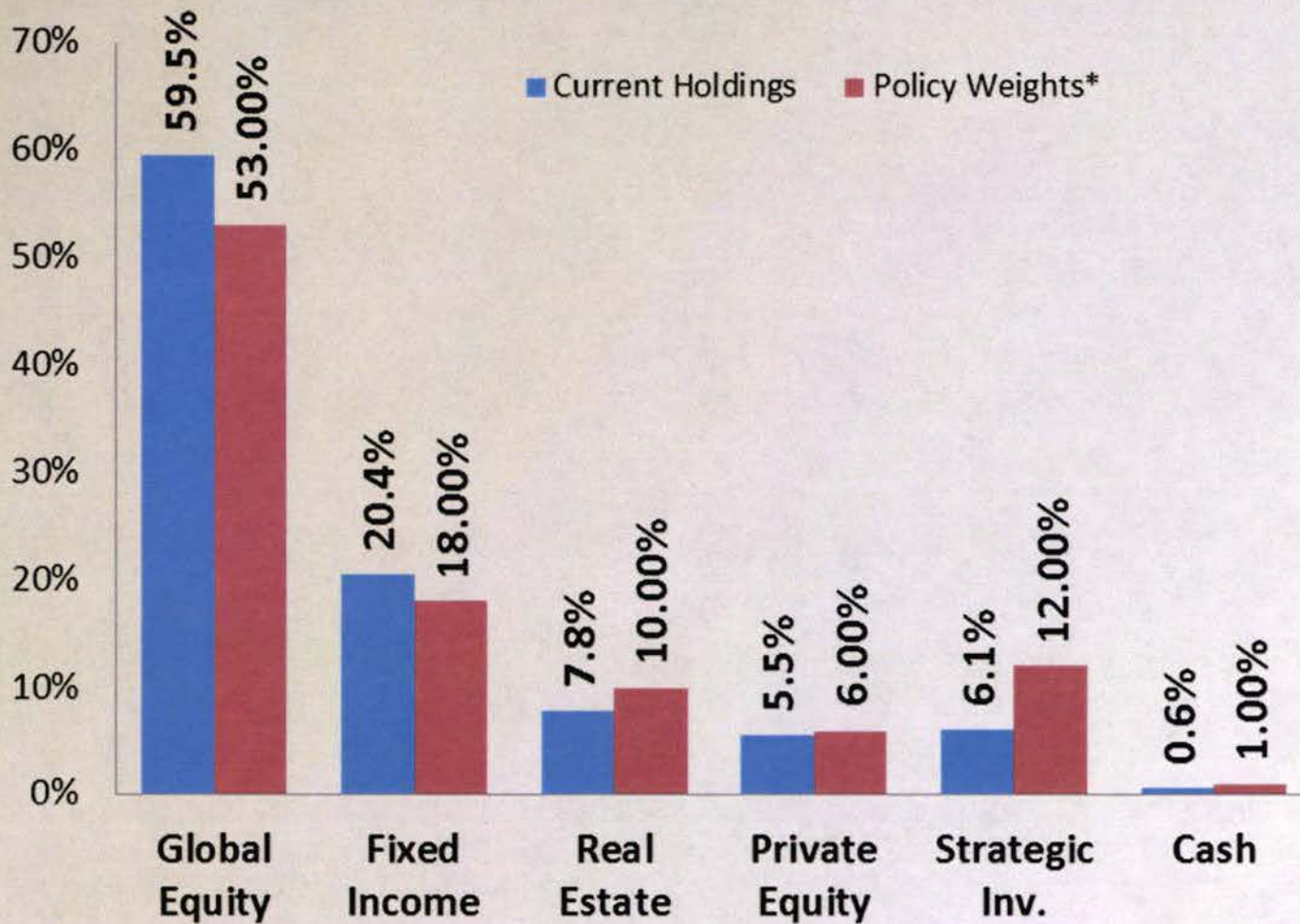
# How are we doing?







# Prudent Investing: Asset Allocation





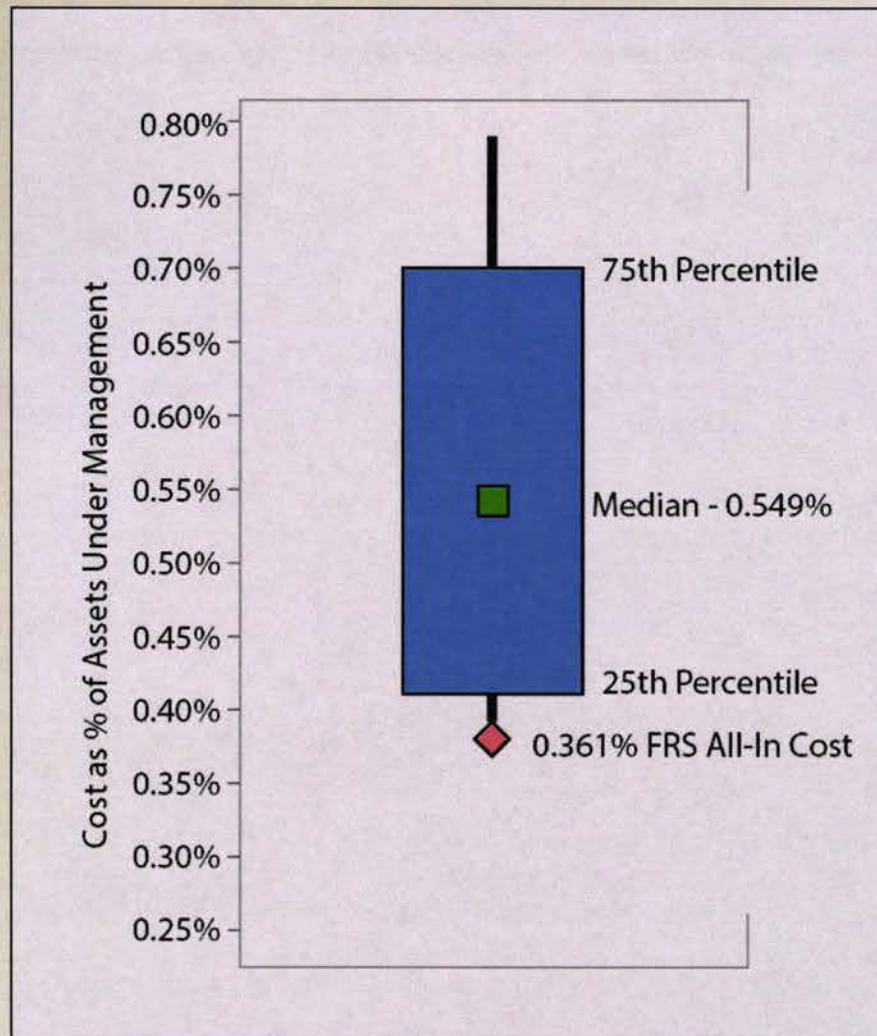
# Prudent Investing: Relative Asset Class Performance

|  | FY 07-08              | FY 08-09              | FY 09-10              | FY-10-11              | FY 11-12              | FY 12-13              | FY 13-14              |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | Real Estate           | Fixed Income          | Strategic Investments | Global Equity         | Real Estate           | Global Equity         | Global Equity         |
|  | Private Equity        | Cash                  | Private Equity        | Strategic Investments | Fixed Income          | Strategic Investments | Private Equity        |
|  | Fixed Income          | Real Estate           | Global Equity         | Real Estate           | Private Equity        | Real Estate           | Real Estate           |
|  | Cash                  | Private Equity        | Fixed Income          | Private Equity        | Strategic Investments | Private Equity        | Strategic Investments |
|  | Strategic Investments | Global Equity         | Cash                  | Fixed Income          | Cash                  | Fixed Income          | Fixed Income          |
|  | Global Equity         | Strategic Investments | Real Estate           | Cash                  | Global Equity         | Cash                  | Cash                  |





## Prudent Investing: Cost Comparison



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



# FRS Investment Plan

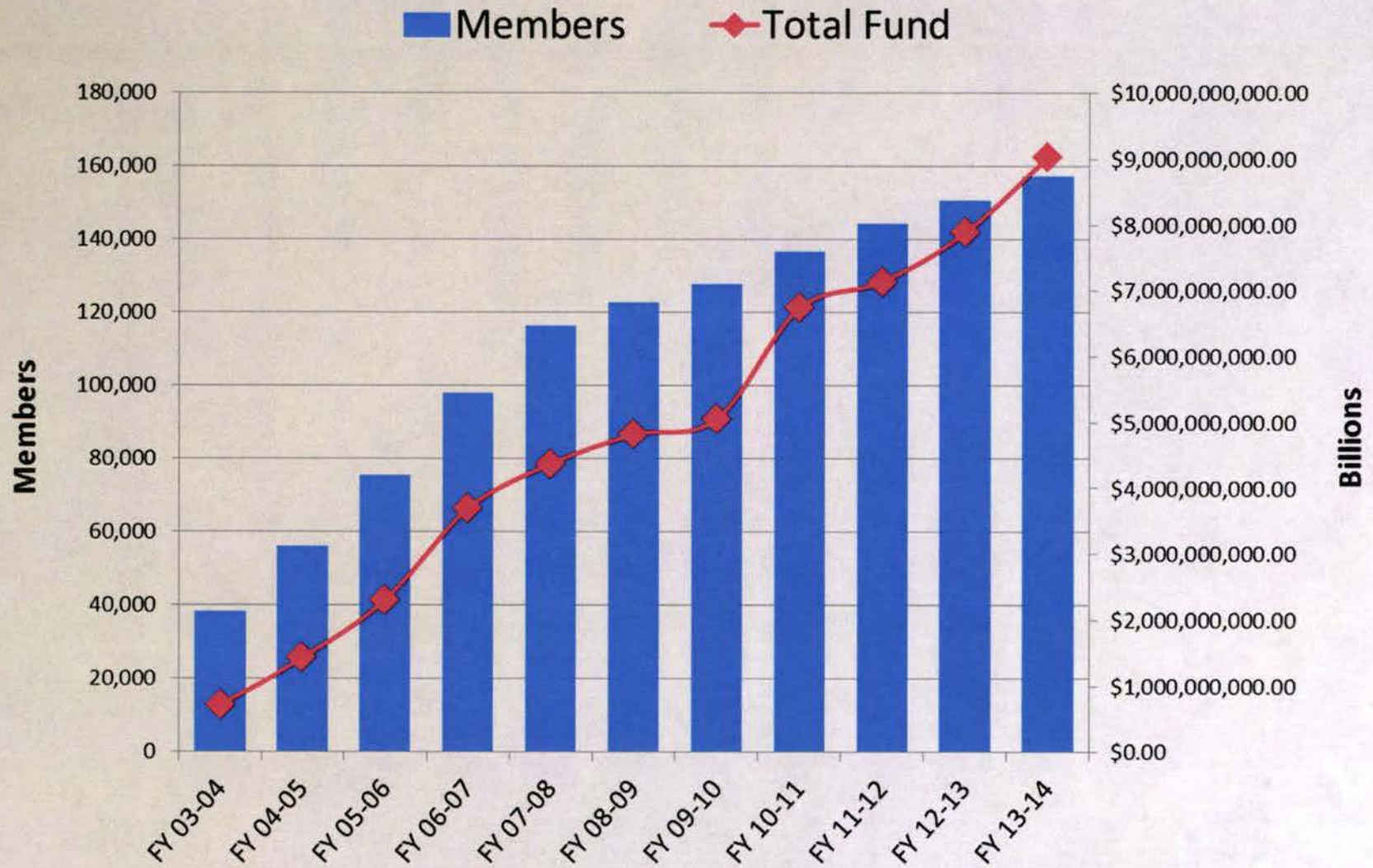


# Investment Plan





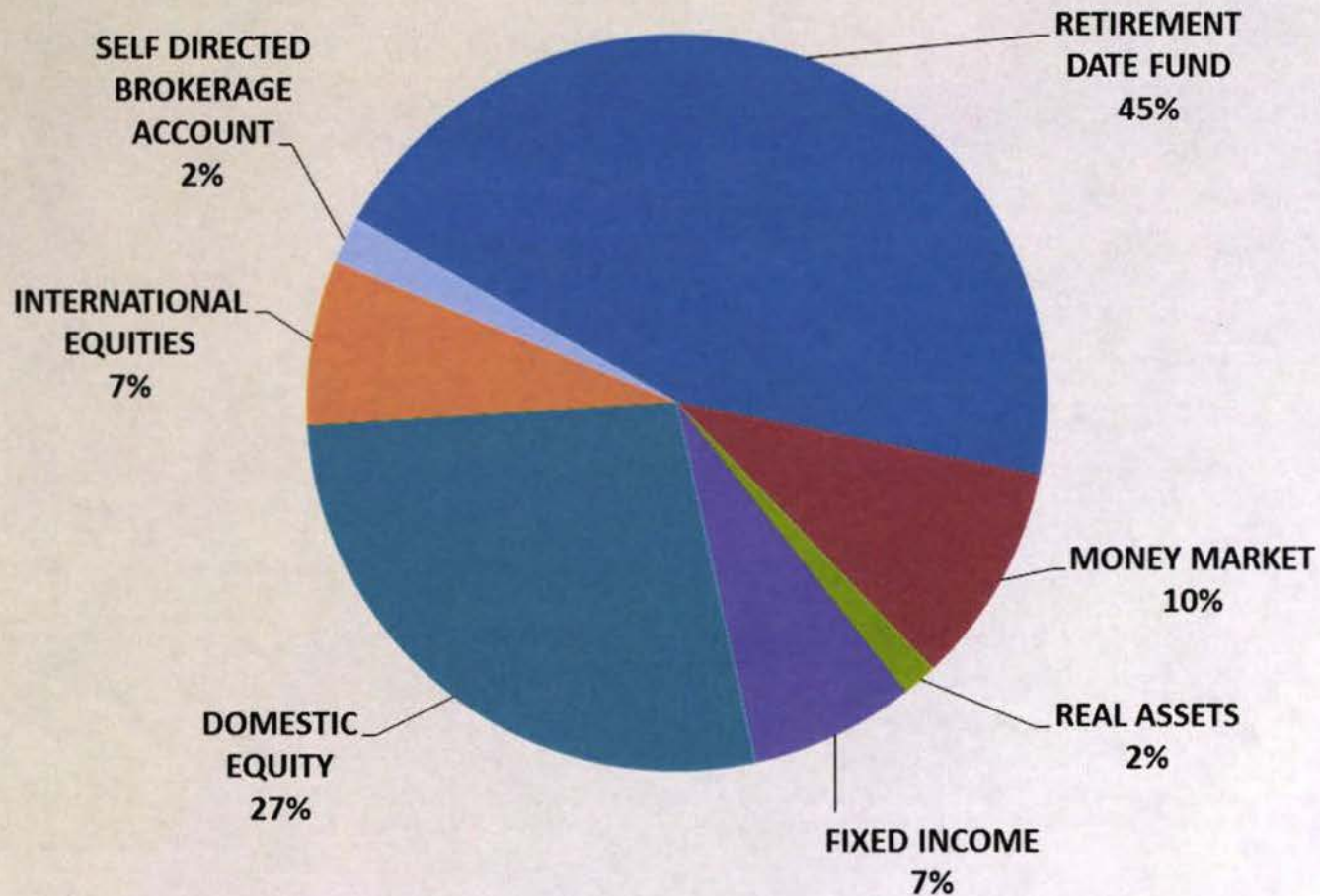
# Growth



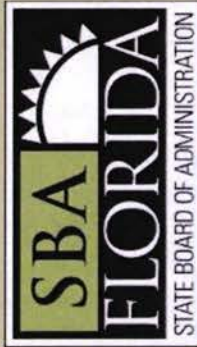


# Investment Plan Fund Lineup

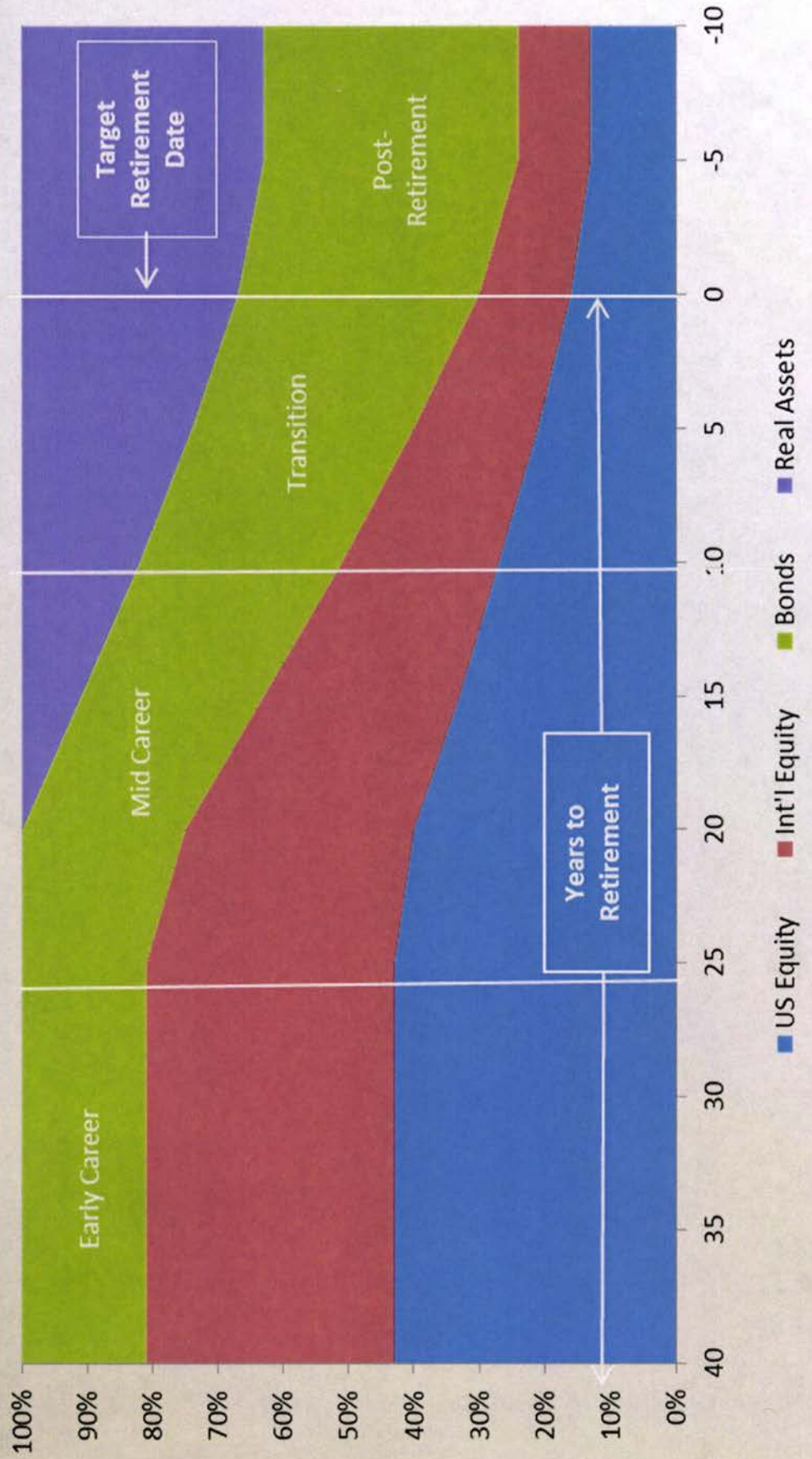
FRS IP Asset Allocation as of 9-30-14





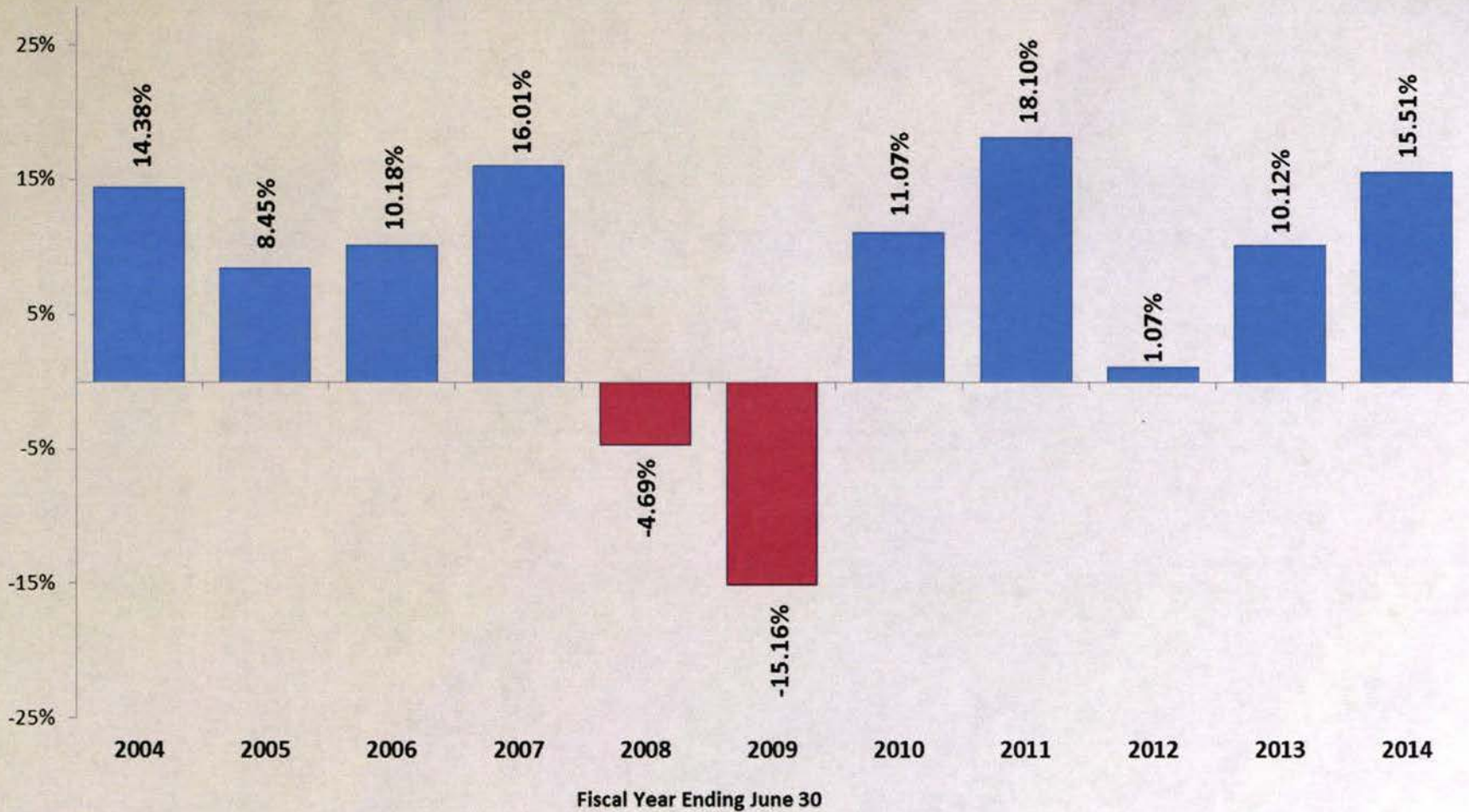


# Target Date Fund Glide Paths





# Investment Plan Performance



Note: FY 2003-04 was the first full year of performance for this fund.



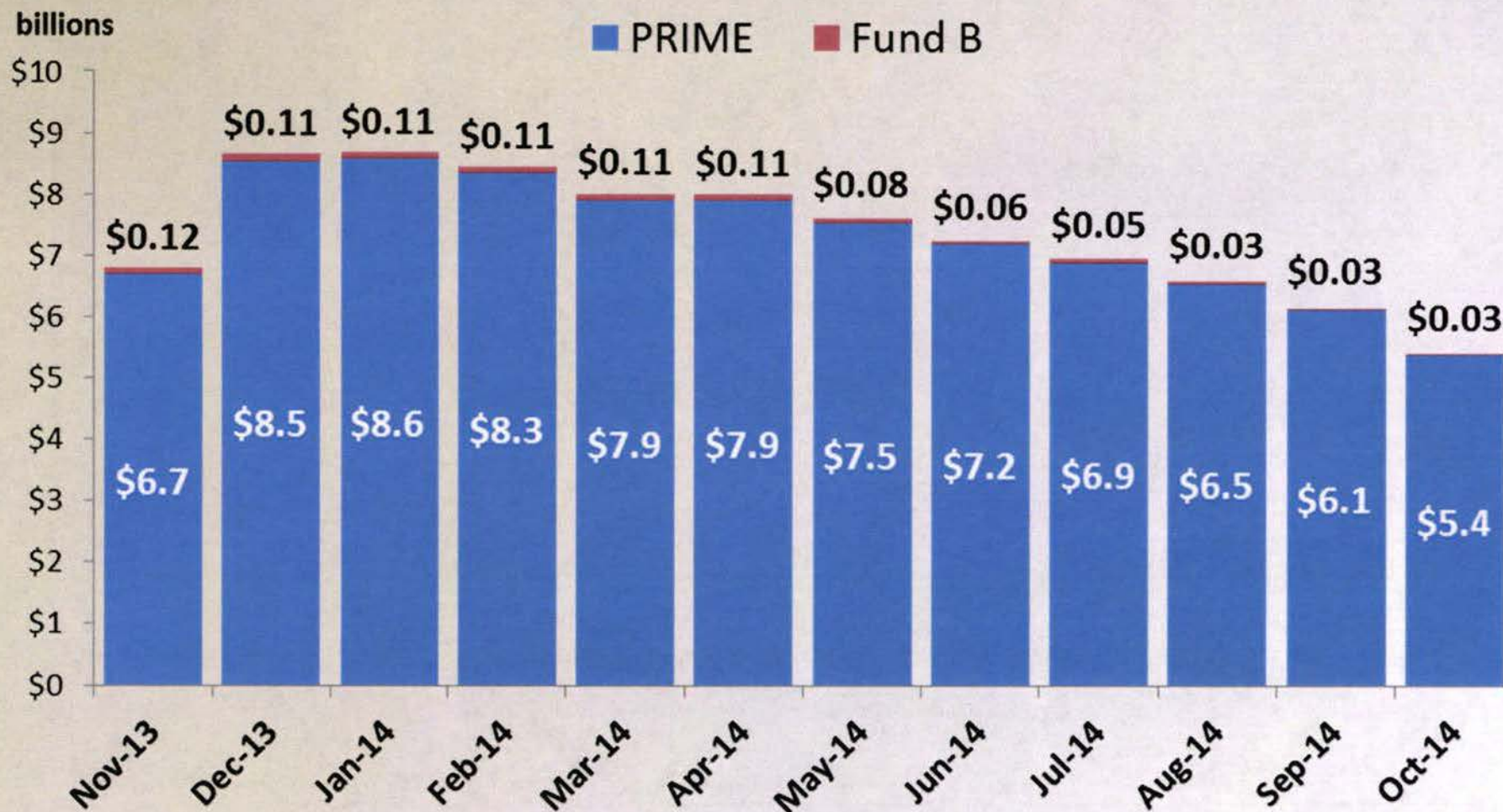


Florida PRIME



FLORIDA  
PRIME™

AN INVESTMENT SERVICE FOR PUBLIC FUNDS







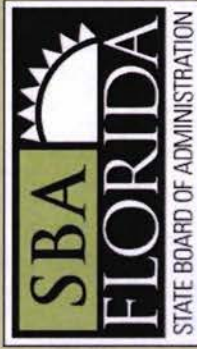
## Fund B

Fund B's goal was to maximize the present value of original principal balances.

As of September 2014, Fund B participants received 100% of original principal. Additional returns and legal settlements have **produced a residual balance within Fund B of approximately \$40 million.**

**Section 218.421(2)(e), F.S.** has been interpreted by the SBA as a requirement that any remaining funds in Fund B after making all Fund B participants whole, is required to be deposited back to Florida PRIME.

Participants have expressed their desire to seek authority to transfer any Fund B reserves proportionally to November 2007 interest which was withheld from participants and transferred to Fund B.



# Questions?