STATE BOARD OF ADMINISTRATION ■ 2004-05 INVESTMENT REPORT

INVESTING FOR FLORIDA'S FUTURE

UST ■ INTEGRITY ■ PERFORMANCE ■ TRUST ■ INTEGRITY ■ PERFORMANCE ■ TRUST ■ INTEGRITY ■ PERFORMANCE ■ TRUST ■ INTEGRITY ■ PERFORMA

trust

"I'm very pleased with the FRS Pension Plan. I know it's not going to be here today and gone tomorrow… I get a nice pension that I can depend on for my retirement."

– Suzanne Farina, retired elementary school teacher

integrity

"I think the SBA does an excellent job…
They maintain a high level
of integrity. That's important to me."

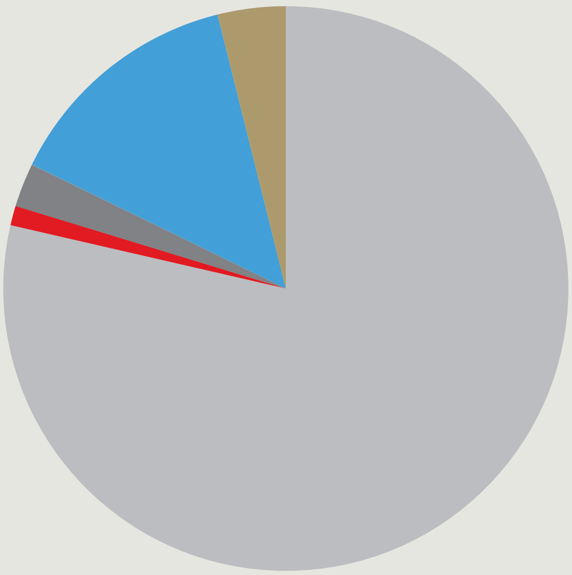
– Chada Sanders, operations analyst

performance

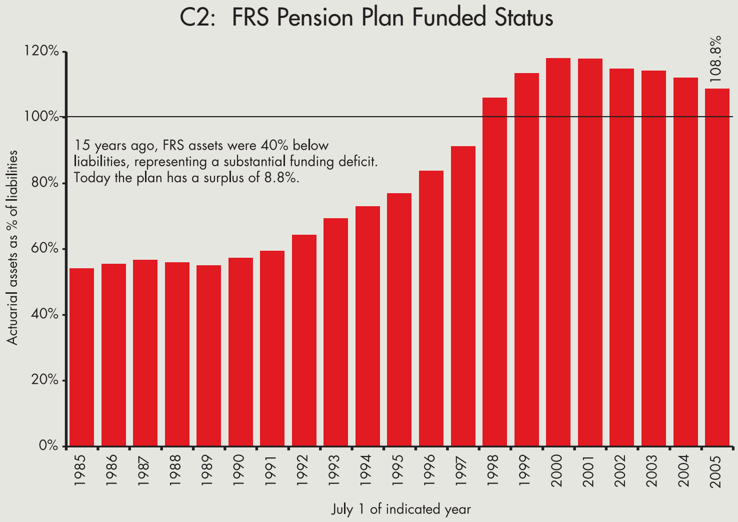
"I think performance is very important… I chose the
FRS Investment Plan because I believe
it will produce the best returns for me over time."
– Christopher Hill, consultant

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

C1: SBA Assets Under Management
$139.5 billion as of June 30, 2005



C2: FRS Pension Plan Funded Status

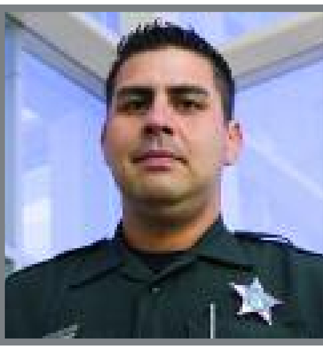


Note: Amounts are interpolated for 1986, 1988, 1990, 1992, 1994 and 1996, because actuarial valuations were conducted biennially prior to 1997

C O N T E N T S

The Florida Retirement System has more than 920,000 members.
In this year's Investment Report, you will meet a few of them and learn how the SBA is proudly serving all FRS members with an enduring commitment to integrity, trust and performance.





At the SBA, we're investing for Florida's future, guided by a focus on managing risk and delivering professional and cost-effective investment management services that FRS members can trust as they plan for their future.

Suzanne Farina, 67, says she is enjoying a secure retirement after working as an elementary school teacher for 35 years.

"I'm pleased with the Florida Retirement System Pension Plan because I know it's not going to be here today and gone tomorrow. I get a nice pension that I can count on for my retirement." With a husband who's also an FRS Pension Plan member, one son and a bevy of grandchildren, Suzanne says the pension is important because it helps her family maintain a comfortable lifestyle. "I hear news stories about people all around the country losing their pensions," Suzanne says. "We don't have that fear in the Florida Retirement System. I think our pension assets are being invested wisely. We can depend on it."

Chada Sanders, 51, of Tallahassee, is an operations analyst at the Florida Agency for Workforce Innovation.

"I think the SBA does an excellent job," says Chada, a member of the FRS Pension Plan for 15 years. "They maintain a high level of integrity. That's important to me."

For Chada, having a pension she can count on is one of the benefits of working for a state agency.

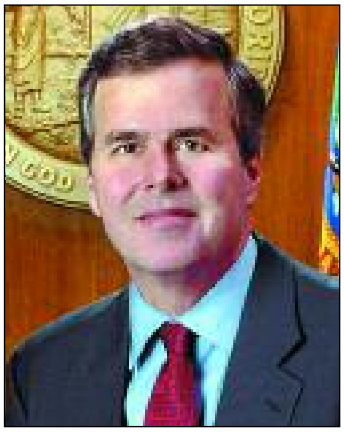
"It's important that the SBA maintains the trust that we have in the Florida Retirement System," Chada says.

Christopher Hill, 33, a Crawfordville resident and member of the Florida Retirement System Investment Plan, says financial planning for his retirement is a priority, even though it may be years away.

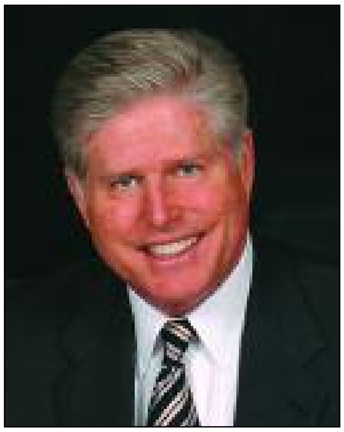
"My FRS benefits will be an important part of my retirement package, but certainly not the only part," says Christopher, a consultant with the Office of the State Courts Administrator in Tallahassee for the past four years.

To play an active role in investing for his future, Christopher enrolled in the FRS Investment Plan. "I chose the FRS Investment Plan because I believe it will produce the best returns for me over time," Christopher says. "I think performance is very important."

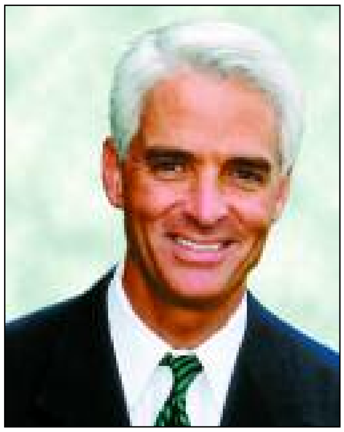
LETTER FROM THE TRUSTEES



JEB BUSH



TOM GALLAGHER



CHARLIE CRIST

The SBA continues to meet the highest ethical, fiduciary and professional standards while exceeding the investment objective and benchmark.

November 30, 2005

To The Honorable Members of the
Florida Senate and House of Representatives:

It is our privilege to submit the annual Investment Report of the State Board of Administration of Florida (SBA) for the fiscal year ended June 30, 2005, pursuant to the requirements of Florida Statutes, Section 215.44(5). This public report provides in-depth information about the SBA and the investment performance of each of the 25 funds under SBA management, most notably the Florida Retirement System (FRS) Trust Fund.

As Trustees, we take pride in the fact that the SBA is one of the nation's best and most trusted public sector investment and trust services providers. Our goal is to ensure that the SBA continues to meet the highest ethical, fiduciary and professional standards while exceeding the investment objective and benchmark. The SBA's investment objective is to produce a net long-term investment return that is 4% above the annual cost of living. Meeting or exceeding the investment objective and benchmark will help ensure that FRS assets are sufficient to fund future pension plan liabilities. As fiduciaries, we also place an emphasis on risk management and maintaining low operating and investment management costs.

We are pleased to inform you that the total net asset value of funds under management increased from $134.2 billion to $139.5 billion this fiscal year. The gain was propelled by an FRS Pension Plan investment return of 10.18%, which resulted in a near record $109.9 billion valuation, after paying $4.6 billion in pension benefits. The high was $110.5 billion in 2000. The pension fund investment return exceeded its investment benchmark by 90 basis points, representing the fourth best year in two decades. This solid investment performance added $952 million in value to the FRS trust fund. The FRS Pension Plan's actuarial surplus is $9.0 billion as of June 30, 2005.

We also want to mention that the SBA's current annual operating budget of $23 million is less than it was three years ago. This notable fiscal achievement reflects cost-reduction measures that have been implemented during this time as the SBA streamlined its operations and invested in cutting edge technology to enhance its investment management capabilities. We are also pleased to report that for the second consecutive fiscal year we reduced the FRS investment management service charge. This fiscal year, it was reduced from 1.65 basis points to 1.50 basis points for an estimated $2 million annual savings to our clients. In summary, operating costs decreased, and our investments for the FRS outperformed the markets by nearly one billion dollars.

We encourage you to review this annual Investment Report, and please let us know if you have any questions.

Respectfully submitted,

Governor,
as Chairman

Jeb Bush

State Chief Financial Officer,
as Treasurer

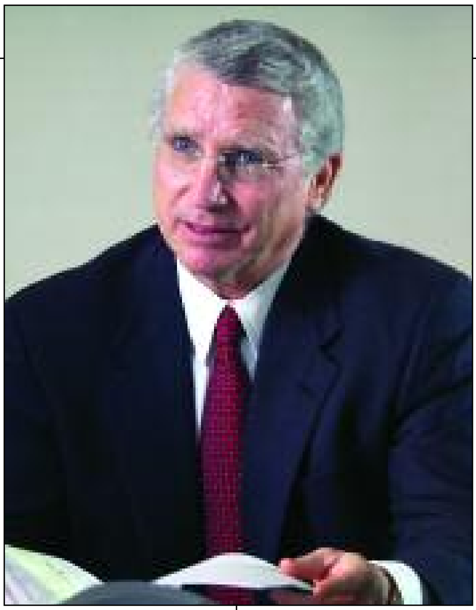
Tom Gallagher

State Attorney General,
as Secretary

Charlie Crist

The SBA's investment return on FRS Pension Plan assets was 10.18% for the year, beating the investment benchmark by 90 basis points, adding an impressive $952 million in value.

For the State Board of Administration, investing for Florida's future is serious business. More than 920,000 members and beneficiaries of the Florida Retirement System depend on us to manage costs, vigorously safeguard assets and produce good investment returns. I am proud to report that we succeeded on all counts this fiscal year.



I am particularly proud of the fact that the Florida Retirement System (FRS) Pension Plan has the highest actuarial valuation of assets to liabilities, or "funded ratio," among state pension systems. This number one national ranking is based on an updated 2005 Wilshire Associates study entitled "State Retirement Systems: Funding Levels and Asset Allocation." The Trustees' strong leadership, the Florida Legislature's good public policy, and solid investment performance are the basis for this exemplary accomplishment.

As we invest for Florida's future, the SBA is committed to providing top-tier investment and trust services while adhering to the highest ethical, fiduciary and professional standards. You can trust that we are working hard to ensure that the FRS delivers on its promise to help provide a secure retirement for its members and beneficiaries. You can also be assured that the SBA is highly regarded as one of the nation's leading public sector investment organizations.

FRS Pension Plan

The net asset value of the FRS Pension Plan rose to a near record $109.9 billion by the end of the fiscal year, just under an all-time high of $110.5 billion in August 2000. Today's net asset value is particularly significant because there has been a net benefit payment outflow of $8.5 billion since the August 2000 high.

The SBA's investment return on FRS Pension Plan assets was 10.18% for the year, beating the investment benchmark by 90 basis points, adding an impressive $952 million in value. The positive return reflected a combination of factors, including measured growth in the U.S. economy, a generally favorable investment climate for equities (stocks) and the SBA's professional execution of its investment objectives, which are described in detail later in this report. As a result – and this is extremely important to FRS members – the investment return helped support an actuarial surplus of $9.0 billion in the FRS Pension Plan at the end of the fiscal year, after paying out $4.6 billion in pension benefits to Plan members and beneficiaries.

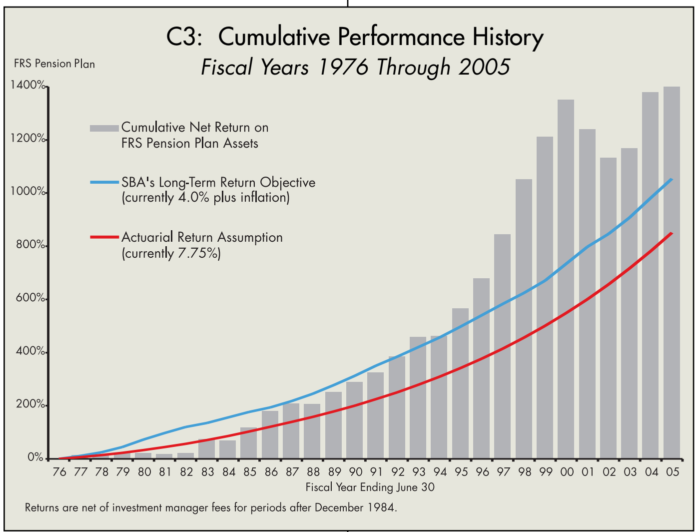
For more in-depth information about the performance of the FRS Pension Plan, I invite you to turn to page 13 of this report.

FRS Investment Plan

Three years ago, pursuant to Florida law, the SBA introduced a voluntary alternative to the FRS Pension Plan for eligible FRS members: the FRS Investment Plan. This optional defined contribution plan has become increasingly popular since its introduction. A principal appeal of the plan is that it provides retirement benefits comparable to what more mobile members of the labor force typically find in the private sector.

In the fiscal year ended June 30, 2005, the number of FRS members with Investment Plan accounts rose 46% to more than 56,000, reflecting higher enrollments, particularly by eligible new hires. By year's end, 8% of all FRS-covered employees were enrolled in this plan, up from 6% a year earlier.

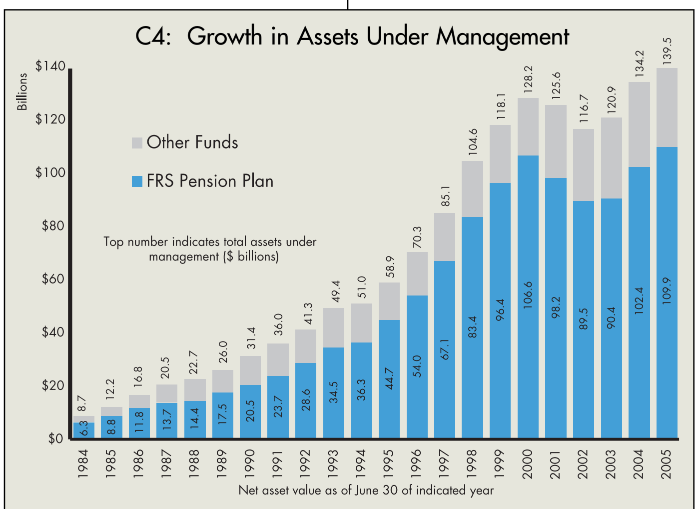
Total assets of the FRS Investment Plan doubled in the fiscal year to $1.4 billion because of rising member enrollments, payroll contributions, benefit transfers from the FRS Pension Plan and financial market gains. One notable statistic: FRS Investment Plan members between the ages of 35 and 55 accounted for more than 61% of total plan assets. Clearly, the FRS Investment Plan, which is modeled after private sector 401(k) plans, is attracting an increasingly diverse group of members who like the Plan's faster vesting and lump-sum payment option.



For more detailed information on the FRS Investment Plan, please turn to page 25 of this report.

Non-FRS Investment Funds

In addition to the two FRS retirement plans, the SBA managed 23 other funds during the fiscal year, including the Local Government Surplus Funds Trust Fund, the largest local government investment pool in the country. These non-FRS mandates account for $28.2 billion, or approximately 20% of the $139.5 billion in assets under SBA management. Beginning on page 29, we provide key facts and information about each of these funds, including:



- The Florida Hurricane Catastrophe Trust Fund;
- The Lawton Chiles Endowment Fund;
- The Local Government Surplus Funds Trust Fund;
- Debt service accounts for state bonds; and
- Other smaller trust funds and accounts.

The Florida Hurricane Catastrophe Trust Fund (the CAT Fund) deserves specific mention. The Florida Legislature created the CAT Fund to provide a stable and ongoing source of reimbursement to insurers for a portion of their catastrophic losses. During a year that was marked by a series of devastating storms in our state, the CAT Fund was exemplary in fulfilling its mission by reimbursing 120 companies a total of $2.84 billion. In addition, the CAT Fund developed a new examination program to ensure proper and accurate reporting of claims.

In closing, I want to thank the Trustees for their outstanding leadership and support during this fiscal year. I also want to thank the SBA staff for their dedication to high principles and standards that makes our public sector money management organization one of the best in the nation. I am extremely proud to be part of the SBA team.

Coleman Stipanovich

Coleman Stipanovich
Executive Director

More than 920,000 members and beneficiaries of the Florida Retirement System depend on us to manage costs, vigorously safeguard assets and produce good investment returns.

The improving economy created a generally positive investment climate for U.S. equity markets, with major stock indexes rising for the year.

U.S. Economic Conditions

Despite higher oil prices, the U.S. economy grew at a "measured" pace as inflation stayed under control in the 12-month period ending June 30, 2005. Overall, domestic economic growth was more consistent and less volatile than the previous year as the Federal Reserve, which sets U.S. monetary policy, imposed long-awaited increases in the federal funds rate to keep potential inflation in check. The improving economy created a generally positive investment climate for U.S. equity markets, with major stock indexes rising for the year.

The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve (the Fed) to other depository institutions overnight. Prior to the rate increase in July 2004, the Fed had held the federal funds rate at an historic low of 1% for most of the previous year to stimulate growth. Changes in the federal funds rate affect other short-term interest rates, foreign exchange rates, long-term interest rates, the amount of money and credit, and a range of economic variables, including employment, output and prices of goods and services.

With the rate hike firmly in place, the U.S. economy grew at a more controlled pace. For the fiscal year, real Gross Domestic Product – the output of goods and services produced by labor and property located in the U.S. – rose 3.6%. At the same time, the U.S. economy added 2.11 million new jobs during the year and consumer spending grew 3.8%.

As the economy grew, the Consumer Price Index, which measures changes in prices paid by urban consumers for certain goods and services, rose 2.5% from the previous year. In short, there was economic growth with inflation that was well within the Fed's comfort zone.

The road to economic growth included some bumps along the way, but none serious enough to reverse the positive trend for the year. Not long after its July 2004 rate hike, the timing of the Fed's action came into question. A weak payroll report for July 2004 and rising oil prices throughout the summer of 2004 stoked fears that the recovery might sputter. Those fears were exacerbated when real GDP growth for October through December 2004 was initially estimated to be 3.0%, the slowest pace in over a year. Speculation that the Fed might reverse the rate hike process was plentiful.

But by autumn 2004, the economy had shown that it could weather higher oil prices. Healthy job gains reemerged and economic growth picked up. Real GDP growth was 3.7% in the last three months of 2004, led by a robust 4.6% increase in household spending. Home sales remained strong.

Oil prices were an inflationary threat to economic growth. In 2004, oil prices peaked at over $55 per barrel in October before declining gradually through December as supply eased. Rising fuel prices had pushed up price indexes, and unit labor costs were rising as productivity gains slipped and wages increased.

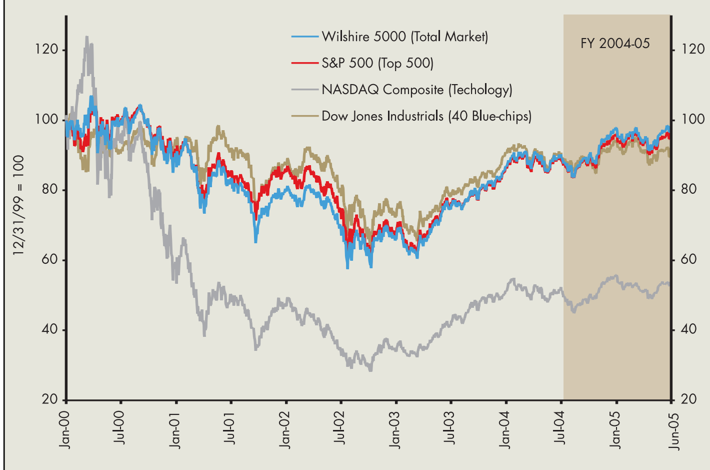
After the brief downturn, oil prices surged again in 2005 to surpass the highs of 2004. But the economy shrugged off this oil price surge. Real GDP advanced 3.8% in the first three months of 2005.

Carla Ross, 51, teaches marketing at Booker T. Washington High School in Pensacola, but she's making plans to start a family-owned real estate investing business, even before she retires from public education.

"I'm thankful for the fact that Florida's pension money has been invested wisely," says Carla, a member of the FRS Pension Plan for 22 years. Carla's husband is also enrolled in the FRS Pension Plan. The couple has three children.

"The FRS Pension Plan gives us a strong foundation for our financial planning," Carla says. "It's like a security blanket."

In currency exchange markets, the devaluation of the U.S. dollar continued in the first half of the fiscal year, extending a long-term trend. In 2005, however, the U.S. dollar strengthened, regaining the ground it lost in the last six months of 2004.



C5: Major U.S. Stock Market Indices
January 1, 2000 through June 30, 2005

One of the year's economic peculiarities was the unexpected decline of long-term interest rates despite persistent increases in short rates. Some economists speculated that the bond market reflected worries about the prospects for the economy since falling long rates are sometimes a signal of looming recession. Other possible explanations for lower long-term interest rates included a large demand by Asian central banks for U.S. government debt and a global surplus of savings.

Through these ups and downs, the Fed kept steady pressure on the funds rate, boosting it 0.25% at each meeting of the Federal Open Market Committee, for a total rate increase of 2.0% for the fiscal year. The Fed perceived the risks of inflation and recession to be balanced. By and large, the economy's performance vindicated its view. As the fiscal year ended, high oil prices remained a concern and more federal fund rate hikes were expected.

Domestic Equity Market Conditions

U.S. equity markets posted gains for the fiscal year, due primarily to a burst of investor enthusiasm in the last three months of 2004. Otherwise, the markets advanced cautiously, reflecting investor uncertainty and concerns about the economic impact of rising oil prices and inflation.

In the 12 month-period ended June 30, 2005, major U.S. equity market indices rose, but the increases lagged the robust gains in stock prices recorded in the previous fiscal year, when renewed investor confidence, rising corporate earnings and accelerating economic growth fueled a stronger broad market rally.

For the fiscal year, the Russell 3000 Index, representing all U.S. stocks except those of the very smallest (micro-cap) companies, rose more than 8%; the Russell 1000 Index of large capitalization companies rose 7.3%; and the Russell 2000 small capitalization index advanced 9.5%. The Standard & Poor's 500 Index gained 6.3%, and the technology-oriented NASDAQ Composite Index rose 1.1%.

Early in the fiscal year, investors found much to be unhappy about as oil futures hit a 21-year high in September 2004 and the Fed signaled its intentions to continue a gradual tightening despite rising oil prices and a softer economy. The approaching November presidential election and accelerating profit warnings by major corporations added further elements of concern.

But the doubts gave way to renewed investor optimism in the last three months of 2004, due to several factors: election apprehension disappeared with President Bush's decisive reelection; energy prices peaked in October but fell sharply by late December; and robust growth in corporate earnings exceeded analyst expectations. Finally, despite successive Fed rate increases, positive economic indicators included higher housing prices, narrow credit spreads and stable long-term bond yields. Although the economy remained robust, investors found little reason to continue the celebration in the first quarter of 2005. Along with re-escalating energy prices, worries about higher interest rates and inflation persisted and many expected the Fed to take even more aggressive action. By the end of

U.S. equity markets posted gains for the fiscal year, due primarily to a burst of investor enthusiasm in the last three months of 2004.

March 2005, investor concerns pushed average stock prices moderately lower from December 2004 highs.

First-quarter pessimism in 2005 spilled into April, until improved economic news, including relatively mild inflation indicators and upward revisions to first-quarter GDP, lifted U.S. markets. The markets recovered from April lows amid further evidence of resilient U.S. consumer spending. On the strength of this upturn, the Russell 3000 recouped early 2005 losses to post modest gains in the quarter ended June 30, 2005.

For the year, all major benchmark segments of the Russell 3000 target – large capitalization, small capitalization, growth, and value - closed higher. But value and small-cap stocks easily outpaced their growth and large-cap counterparts.

International Equity Market Conditions

Non-U.S. equity markets achieved a respectable 16% gain for the fiscal year as a powerful rally in the last three months of 2004 more than offset flat to negative stock prices in the other three quarters.

> Non-U.S. equity markets achieved a respectable 16% gain for the fiscal year.

The fiscal year started off tentatively with stocks stumbling in a narrow trading range amid uncertainty. The outlook for the global economy was murky as rising oil prices, a weaker Chinese economy and a deceleration of growth in the world's major economies weighed heavily on investors. All this changed in the last quarter of 2004. While it is hard to pinpoint a catalyst, the combination of an incumbent victory in the U.S. presidential election, a pullback in oil prices and a falling U.S. dollar changed the complexion of the market. Stocks ended 2004 with a bang as virtually every region and sector moved higher.

Overall, equities in emerging markets moved 34% higher and equities in energy and resource rich economies, such as Canada and Australia, soared on the back of higher energy and material prices.

For investors, energy, materials and utilities were the best-performing sectors. Energy and material stocks rallied as investors fixated on China's potential to pressure demand. Energy prices were also bid higher as supply disruptions threatened to slow oil production. Investors searching for yield piled into utility stocks, driving the sector almost 31% higher. Spot prices for oil surpassed $60 per barrel in June 2005.

Currency had a major impact on returns for U.S. investors. For the first six months of the fiscal year, investors focused on the U.S. budget and current account deficits, driving the dollar lower. In stark contrast, the U.S. dollar rallied sharply throughout the second half of the year, erasing strong local currency gains made by foreign equity markets. Investors shrugged off their concerns of mounting U.S. debt and focused on the nation's growth potential and rising interest rates.

Fixed Income Market Conditions

Returns in the fixed income markets (bonds) reflected the Fed's decision to increase the federal funds rate repeatedly during the fiscal year, which affected interest rates and yields with mixed results.

Concerns about inflation and the strong pace of the economic recovery spurred the Fed to approve eight incremental quarter-point increases in the federal funds rate in the 12-month period. Overall, the federal funds rate rose from 1% at the start of the fiscal year to 3.25% by June 30, 2005.

Tracking the federal funds rate fairly closely, short-term treasury yields rose substantially during the fiscal year, with the two-year Treasury yield increasing to 3.64% from 2.68%.

Simultaneously, long-term interest rates declined, resulting in what Federal Reserve Chairman Alan Greenspan called a "conundrum." The conundrum was more accurately defined as a tightening in the difference between short-term interest rates and long-term interest rates, even though the economy was exhibiting quite strong growth. This flattening of the Treasury yield curve appeared to be driven by several factors. In particular, the market remained confident that the Federal Reserve would continue to implement necessary monetary actions to keep longer term inflation at very low levels, while market expectations softened regarding the strength of economic growth.

Returns in the fixed income markets reflected the Fed's decision to increase the federal funds rate repeatedly during the fiscal year.

The 10-year Treasury yield declined during the fiscal year, with a yield of 3.92% as of June 30, 2005, versus 4.58% a year earlier. Revised lower estimates of the federal budget deficit appeared to play a role in lessening supply, increasing bond prices and helping to lower long-term interest rates.

Strong foreign demand also helped lower long-term rates. In May 2005, the U.S. Treasury Department announced that it was considering the possibility of reintroducing the 30-year Treasury bond, last issued in 2001.

Beyond the generally improving economy, the performance of Investment Grade Corporate bonds relative to Treasuries was positively influenced by continuing productivity gains and rising corporate profit margins. The resulting higher cash flows and improving balance sheets generated an improvement in overall credit quality, although certain sectors, such as automakers, experienced downgrades in ratings.

Despite these downgrades, the Lehman U.S. Investment Grade Credit Index produced a 12-month total return of 8.15%, surpassing the 7.06% total return of the Lehman U.S. Treasury Index. Both indexes rebounded sharply from flat or negative returns a year earlier.

The Lehman U.S. Corporate High Yield Index had the highest return of all fixed income class segments with a total return of 10.86%, a slight increase from the previous year. Performance in the high yield market was strong in the first half of the fiscal year as investors searched for yield, the economy gained strength and distressed credits declined. The high yield market weakened in the first half of 2005, reflecting tightening monetary conditions by the Federal Reserve, rising oil prices and mounting investor concerns regarding the auto industry. The market rebounded in May and June of 2005 as long-term interest rates remained low, the perceived impact of energy prices remained contained and General Motors smoothly transitioned into the high yield market.

The real estate market continued to reflect the economic impact of attractive interest rates as increased investment activity helped boost property prices.

Mortgage-Backed Securities benefited from the refinancing wave and strong buying by nontraditional overseas investors. The Lehman MBS Fixed Rate Index produced a total return of 6.14%, up from -0.69% a year earlier, but the return lagged most other fixed income segments, primarily due to their lower price sensitivity to interest rate changes.

Real Estate Market Conditions

The real estate market continued to reflect the economic impact of attractive interest rates as increased investment activity helped boost property prices.

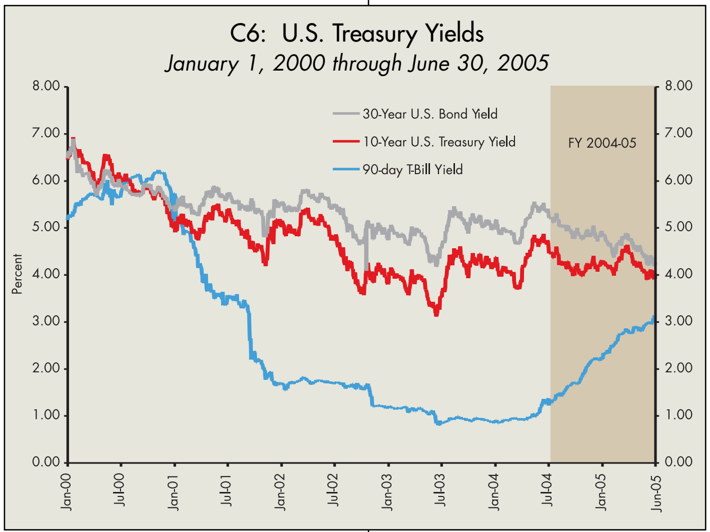
Retail and institutional investors took advantage of generally favorable interest rates during the fiscal year ended June 30, 2005 to invest directly through property purchases or indirectly through publicly traded securities such as Real Estate Investment Trusts (REITs). There was a high degree of market liquidity as investors continued to increase their exposure to real property assets. As a result, prices continued to rise for most all property types during the year amid aggressive bidding for properties.

As prices continued to spiral upward, real estate sellers reaped higher sale proceeds due to investor demand. Amid robust demand for properties, sellers generally shortened the time to closing as buyers accelerated the due diligence process to speed purchases.

Lenders provided ample liquidity and were responsive to the quick financial turnarounds required by the transacting parties. Throughout the fiscal year, underwriting standards were under pressure but market prices and fundamentals continued to support debt service obligations.

Retail properties performed well, fueled by consumer spending. Overall, most commercial property types experienced improving occupancies and revenue growth, with some exceptions. Apartment vacancy rates appeared to peak and were showing gradual signs of decline. In certain geographic markets, rents for office space remained lower amid elevated vacancy rates as demand continued to lag supply.

For the year, development was generally rational in most markets and oversupply was not egregious.



C6: U.S. Treasury Yields
January 1, 2000 through June 30, 2005

Alternative Investments Market Conditions

In fiscal year 2004-05, leveraged buyout (LBO) volume accounted for 11% of total merger and acquisition activity within the United States, versus 2% in 2000. The increase was driven by strong performance, which in turn continued to drive capital inflows to the asset class.

General partners that manage LBO partnerships sold companies at an average multiple of 7.3 times their annual cash flow. This compared favorably with the purchase price multiple of 6 times cash flow during the last recession in 2001. This expansion in purchase price multiple was an important source of performance attribution. In addition, operational and balance sheet improvements added further value when selling a company.

In fiscal year 2004-05, leveraged buyout (LBO) volume accounted for 11% of total merger and acquisition activity within the United States.

Responding to 2001's favorable market conditions for purchasing assets, private equity funds were able to act quickly to make quality long-term investments at reduced prices. Private equity funds are typically ten year lock-up vehicles that review their valuations every quarter; some investments may be held at cost absent any new information while others are adjusted for performance. In contrast, public market mutual funds or institutional money manager funds are marked to market each day. Their investors may withdraw their money on a daily basis, making current/relative performance much more important. They may be unwilling to make long-term bets in the same fashion as private equity managers because their capital is not guaranteed to stay the course with them.

During FY 2004-05, general partners sold in an attractive market and also recapitalized their companies with readily available debt and distributed dividends. This provided attractive returns to investors, stimulating interest in the asset class. As a result, 2005-06 is likely to be the best year for LBO fund raising since 2000.

Overall, strategy differences continued between large global players and smaller national or regional participants. Large funds did particularly well, in part due to the absence of their primary source of competition – strategic corporate buyers – who remained largely idle. As recent success allows general partners to raise more funds, their challenge will be to find equally attractive opportunities as they deploy more capital. These partners are using their resources to look abroad as well as develop deep vertical expertise in specific industries.

The smaller funds continued to focus on industry niches where they have developed expertise and deal flow. Other funds focused on regional and demographic strategies where advantageous networks were established. All groups searched for opportunities where they could contribute more to the wealth generation process than just capital funding.

Risks Inherent in Investing

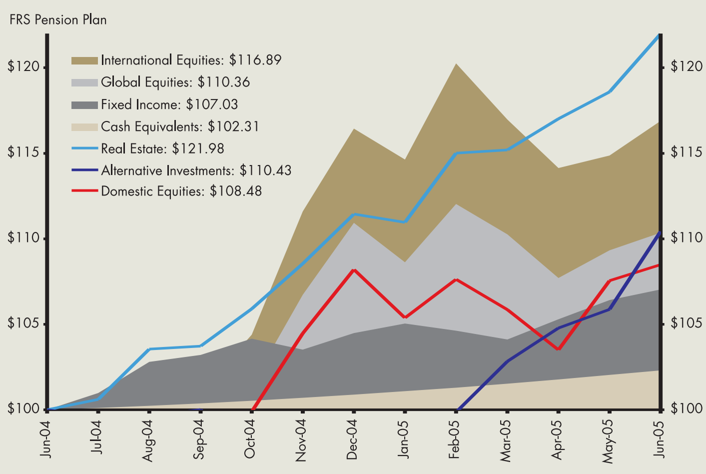
Risk is an everyday fact of life for investors. Without assuming risk, the investor would serve no useful economic purpose and hence would receive no return. How an investor manages the risk he faces and how he chooses and balances the various forms of risk are key decisions that will influence his long-term success. Thus, managing risk is a vital part of the investment process.

The SBA's primary investment objective for the FRS Pension Plan is to ensure that the system has adequate funds to cover payment of retirement benefits over the life of the plan.

While there are many dimensions and types of risk that must be considered, ultimately they all bear on the fundamental purpose for which the mandate was established. The SBA manages risk in the context of an investment objective. Investment objectives are established for each mandate, or fund, entrusted to the Board. To reduce long-term shortfall risk, the SBA prefers stocks as the principal return generator in its long-lived investment mandates, such as the FRS Pension Plan. Although an emphasis on stocks may create short-term volatility when equity markets fluctuate, stocks have proven over the long run to provide the richest asset growth. For mandates with shorter term investment horizons, the SBA typically invests in lower-risk asset types to meet specified objectives and reduce volatility.

C7: Asset Class Net Investment Gains

Growth of $100 Invested During FY 2004-2005



The SBA's primary objective for the FRS Pension Plan is to ensure that the system has adequate funds to cover payment of retirement benefits over the life of the plan. Based on a long-term study of liability growth, this objective translates to a long-term real annualized investment return of 4% over the rate of inflation (assuming the Legislature annually makes the actuarially required annual contributions). Because FRS Pension Plan liabilities are driven in significant part by inflation, a long-term real return target affords a more realistic assessment of how well our investment performance tracks overall growth in liabilities – we judge this to be superior to a flat rate actuarial target. Within this goal, the SBA uses sophisticated modeling techniques to ensure that its allocation of assets among the various asset types provides a sufficiently high probability of attaining the objective, yet does so with a diversified portfolio that presents the lowest level of expected risk consistent with the target return.

The securities in an investment portfolio are grouped into asset classes. Asset classes typically represent groups of individual securities that have common economic and legal characteristics. More than 90% of the long-term cumulative growth of a diversified investment portfolio is determined by the asset class mix (i.e., by asset allocation), with the remainder coming from individual security selection within the asset classes.

Within each asset class, individual portfolios have disciplined investment strategies measured against specific performance benchmarks. SBA portfolios are diversified within asset classes by maturity, liquidity, industry, country, company and size, among other considerations. Each portfolio is designed to contribute positively to total fund returns on a long-term basis.

International and domestic stocks have higher expected returns and larger price volatility than other traditional asset classes. Stocks are shares of ownership in businesses and, as such, represent a claim on its profits. Stocks have historically yielded a higher return than other assets, but the uncertainty of return poses some risk.

History demonstrates that stock ownership is an effective way of participating in economic growth over time. For more than two centuries, domestic stocks have provided a real return approximately 3% per year over the real growth rate of the U.S. economy and 6% over inflation. The downside for stocks is their potential for short-term volatility. Over the past 30 years, the standard deviation of stock returns was about 20%. With an expected (long-term) annual real return of 6% per year, there is a 35% chance of stocks returning zero or less in any given year.

International stocks share many of the institutional characteristics of domestic stocks. Recent academic studies examining long-term non-U.S. stock returns have found them to deliver a slightly lower return than domestic stocks, while exhibiting somewhat higher volatility. The pattern of return for international equities is somewhat different from domestic stocks, however, adding a diversification effect to the total portfolio.

Fixed income securities are contractual obligations that may be used to lock in a nominal return for an extended period, if held to maturity, but the real return is uncertain. Historically, real returns have been in the 2% to 4% range, but they tend to rise and fall with inflation. Bonds are generally a poor choice for long-term, unknown obligations, but they have less short-term volatility than stocks, at roughly 8%. Generally, bonds have an expected annual real return of 3%, with a 35% probability of earning zero or less in any given year.

Historically, institutional real estate portfolio returns have been higher than bonds but lower than stocks. We expect higher returns to real estate than bonds because of the risk attributable to ownership. However, the stability of rental income dampens volatility of real estate returns and keeps it closer to bonds than stocks.

Real estate portfolio returns appear to be correlated with inflation and tend to do well in periods of high inflation. However, real estate is generally less attractive than either foreign or domestic equities for two reasons: the difficulty of creating a large exposure and uncertainty over whether real estate returns will keep pace with economic expansion and liability growth.

The Alternative Investments asset class is composed principally of private equity investments through limited partnerships and captive (exclusive) relationships. Portfolio investments are predominantly equity investments in domestic companies. Over the long term, the SBA expects its private equity investments to surpass a risk-adjusted hurdle rate of 400 basis points over the broad United States equity market return. This premium reflects some important additional risks that these investments pose compared to public market investments, including elevated use of leverage, substantial illiquidity and relatively limited opportunities to diversify.

From the perspective of a long-term investor, the Cash asset class (consisting of very short-term interest bearing securities) poses the highest level of risk in that it is the least likely asset type to provide vigorous returns. The long-term historical return on cash has been lower than the other asset classes and, in real terms, has approximated zero for long periods. Conversely, for portfolios with a dominant need for capital preservation (typically those facing substantial short-term liquidity demands), cash assets are the lowest risk alternative.

History demonstrates that stock ownership is an effective way of participating in economic growth over time.


SOSPENDERS

The investment return for the Pension Plan was 10.18%, a solid performance by any measure.

Managing, preserving, investing and growing the assets of the Florida Retirement System Trust Fund for the future of Florida's current and retired public employees is a principal focus of the SBA.

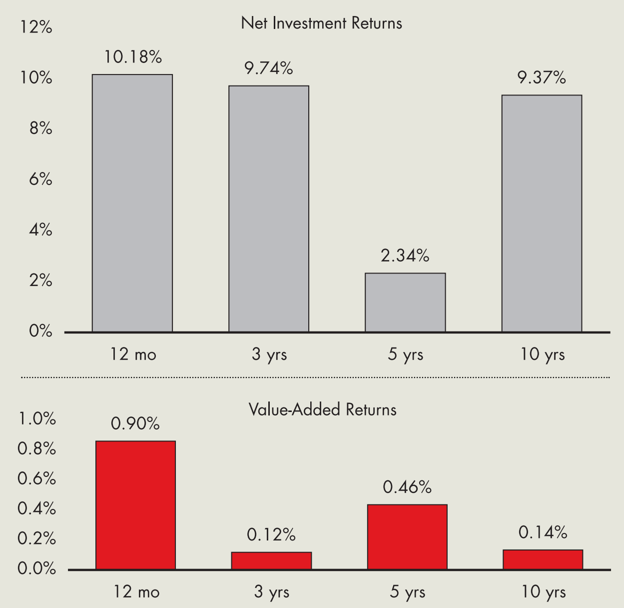
The FRS Trust Fund holds all assets of the defined benefit (DB) plan of the Florida Retirement System, commonly known as the FRS Pension Plan. The FRS Trust Fund – the single largest investment mandate assigned to the SBA – accounted for 79% of total SBA assets under management in the fiscal year ending June 30, 2005.

The investment return for the Pension Plan was 10.18%, a solid performance by any measure. This was the tenth year in the past 15 that the return exceeded our long-term performance objective (4.0% over the rate of inflation), which is the rate of return necessary to maintain the Plan's funded status, assuming the Legislature makes the actuarially required contributions.

Thanks to the solid return on investment, the net asset value of FRS Pension Plan assets rose 7% to $109.9 billion from $102.4 billion at the end of the prior year, despite net cash outflow of $2.8 billion in pension benefit payments. The gross outflow for benefit payments was $4.6 billion for the year, which was offset by employer contributions of $1.8 billion. Table T11 in the Appendix provides details on total fund asset growth over the year.

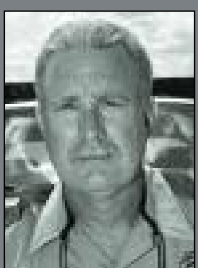
Net investment returns (actual earnings) and value-added returns (net returns relative to a market-based benchmark) are shown for the total FRS portfolio in Chart C8. The performance of each asset class is measured relative to a broad market index as specified in the FRS Pension Plan investment policy statement. Value-added returns reflect the SBA's ability to outperform these market indices.

C8: FRS Pension Plan Total Fund Investment Returns
Annualized Returns through June 30, 2005 Over Period Indicated



The SBA's investment policy objective for the FRS portfolio is to provide investment returns sufficient to ensure the timely payment of promised benefits to current and future participants and to keep the plan cost at a reasonable level.

As a secondary consideration, the SBA seeks to reasonably control the volatility of annual returns in order to avoid excessive fluctuations in short-term plan costs. To achieve these objectives, the Board has determined that a



Dennis Palmer, 45, is a Florida Fish & Wildlife Officer who has been on the job six years. The Panama City resident and his wife, a teacher, are both members of the FRS Pension Plan.

"I want what everybody wants when they retire, a little financial stability. I want to be sure the money is there when I retire," says Dennis, whose job includes conservation law enforcement, boating safety and search and rescue operations.

Dennis agrees that the SBA's commitment to managing the FRS Pension Plan with integrity is important. Overall, he adds: "I'm happy with my pension plan."

long-term real return of 4.0% per year (compounded and net of investment expenses) should be attained, based on a substantially diversified asset allocation that minimizes expected risk. There have been no changes to the FRS investment policy since last year's report.

T1: FRS Pension Plan Risk

Time Horizon	10th Percentile Real Return	90th Percentile Real Return
1 Year	-11.09%	21.50%
5 Years	-3.07%	11.46%
10 Years	-1.07%	9.20%
20 Years	0.37%	7.63%
30 Years	1.02%	6.95%

To achieve the absolute real target rate of return, some market risk must be borne. Table T1 illustrates the potential range of real returns that could result over various investment horizons. Over a 30-year investment horizon, there is a 10% probability that the Target Portfolio will experience a compound annual real return of 1.02% or less. Downside risk is considerably greater over shorter horizons but the natural investment horizon for the FRS Pension Plan is the very long term.

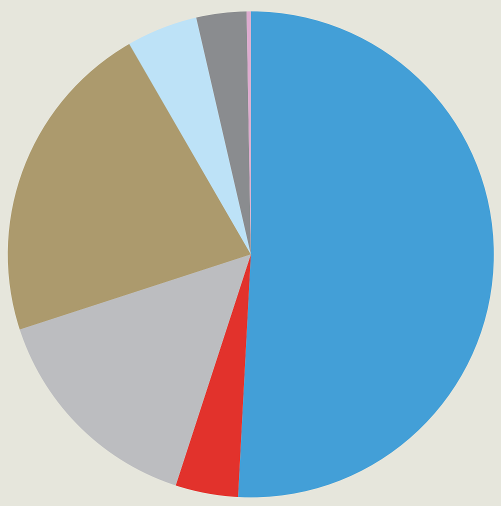
The investment strategy for the FRS portfolio is to implement the policy allocation within relatively narrow bands in the pursuit of modest risk-controlled gains net of transaction costs. In addition, the strategy seeks to add value through the pursuit of certain active investment strategies aimed at providing attractive long-term risk-adjusted returns. The SBA manages this strategy through asset allocation and risk-budgeting policies. The SBA complied with its investment strategy for the FRS portfolio throughout the year.

FRS Pension Plan Asset Allocation Performance

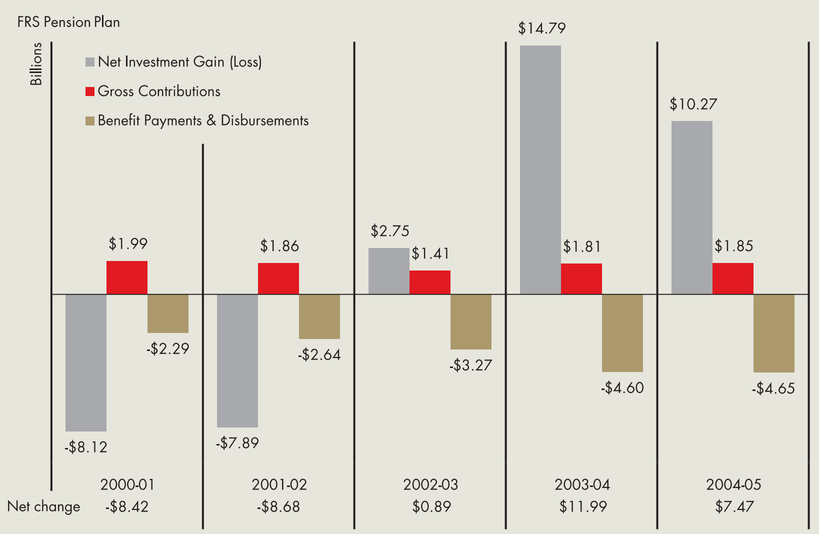
Chart C10 illustrates the target allocations established for each asset class within the FRS portfolio, as well as the range of actual exposures that occurred during the fiscal year. Consistent with policy adopted by the SBA Trustees, the Executive Director is allowed to vary the actual asset mix from the target asset allocation in order to pursue incremental investment returns.

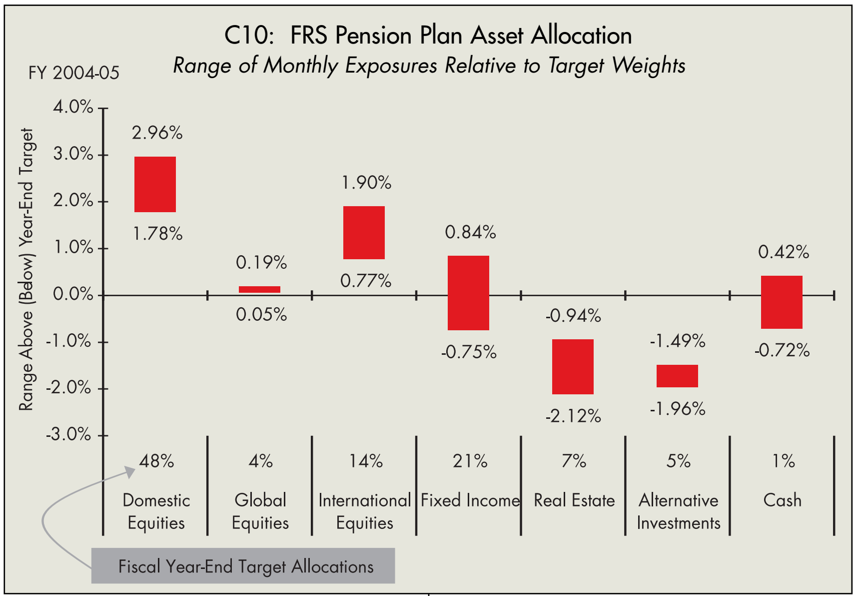
C9: FRS Pension Plan Assets by Type

$109.9 billion as of June 30, 2005

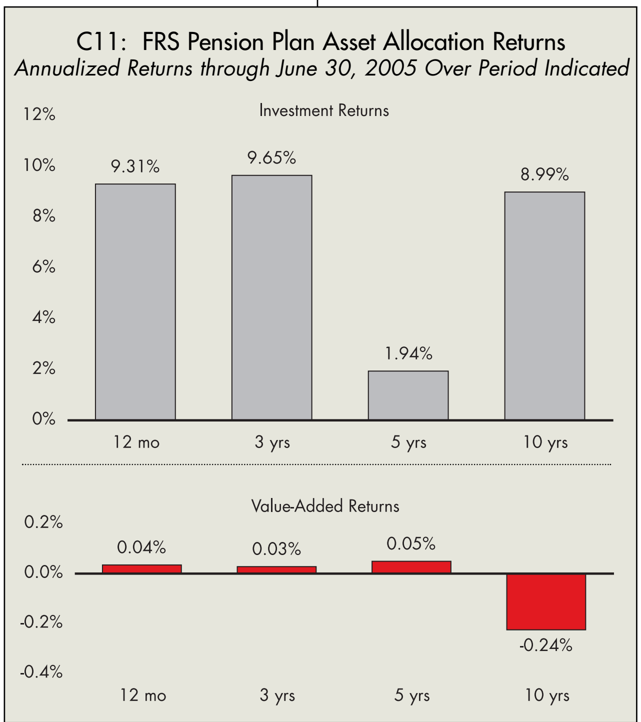


C9.5: Change in Net Asset Value by Fiscal Year





Since 1997, the SBA has continued to follow a disciplined approach to managing its asset allocation so that deviation from the policy targets will be relatively small. The performance implications of FRS asset allocation policy are shown in Chart C11. Total investment returns for asset allocation represent the returns that would have been earned if the actual allocations to each asset class were kept at exactly the target allocations, and the return for each asset class equaled its respective broad market average. Asset allocation value-added returns represent the gain or loss that resulted from variations in the actual asset mix compared to the target asset allocation. These incremental returns are also referred to as the return from tactical asset allocation.



FRS Pension Plan Domestic Equities Investment Performance

The Domestic Equities asset class was valued at $56 billion on June 30, 2005, accounting for 51.0% of the total FRS Pension Plan portfolio. The asset class was broadly diversified across 14 active strategies and three passive portfolios, with passive investments comprising 73.6% of the asset class. Overall, the portfolio contained a target neutral mix of growth and value and small and large capitalization strategies.

This asset class of U.S. stocks produced a solid return of 8.48%, beating the 8.06% return of the asset class target, the Russell 3000 Index. The performance of the asset class exceeded the target return by 43 basis points net of fees and costs over the 12-month period.

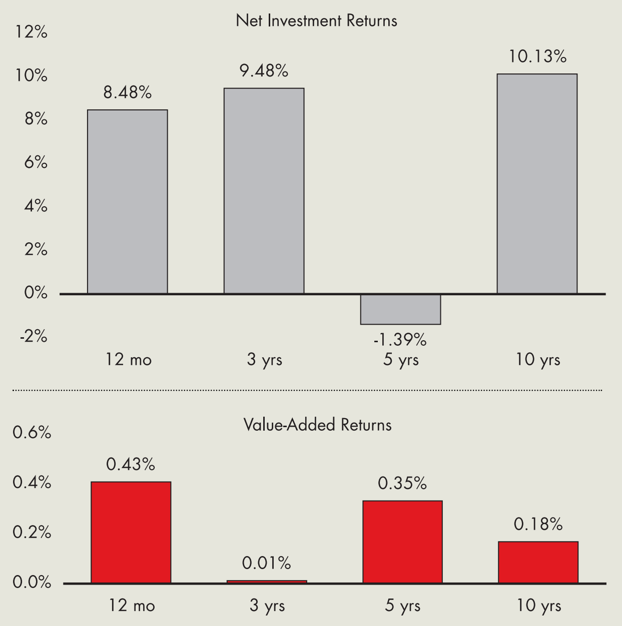
Active management contributed positively to the Domestic Equity portfolio's bottom line. Only three of the 14 active strategies employed at year-end underperformed. Active managers delivered positive results within the core, growth and value style segments of the portfolio and across the capitalization spectrum. The aggregate portfolio beat its benchmark in three of four quarters during the fiscal year. Only one change was made to the active management roster

The net asset value of the FRS Pension Plan assets rose 7% to a near record $109.9 billion.

during the fiscal year: Brown Capital Management was terminated in February 2005 for performance reasons.

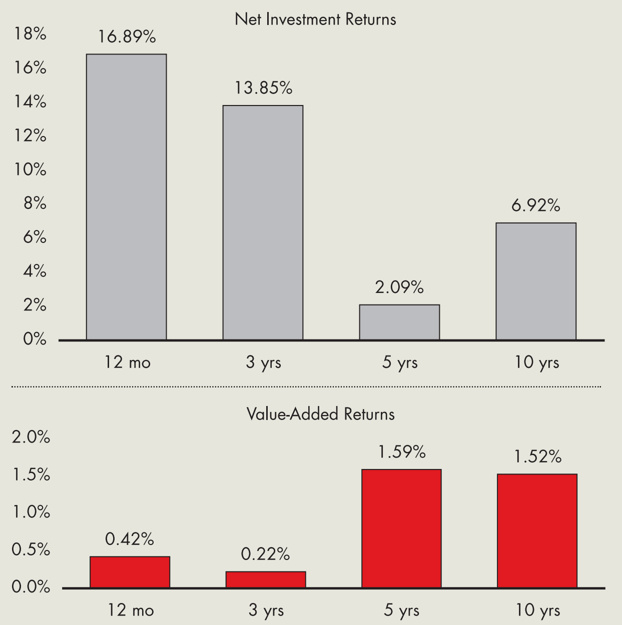
The large passive investments also performed very well. For the fiscal year, the aggregate passive portfolio returned 15 basis points over the benchmark. The good results in the passive portfolios were attributable to carefully managing the portfolios to closely reflect underlying index activity, the reinvestment of litigation proceeds, and the successful implementation of trades associated with the annual reconstitution of the Russell indices.

C12: Domestic Equities Investment Returns
Annualized Returns through June 30, 2005 Over Period Indicated



On April 1, 2005, the SBA implemented significant changes to the asset class structure. Our objective was to create a portfolio that would be simpler to administer and evaluate. The structure more clearly reflects the split between the large and small capitalization segments of the market while retaining the important growth and value distinctions in the large capitalization area. The number of passive portfolios was halved to three. In addition, the new structure provides greater flexibility in putting active money to work in the less efficient small capitalization end of the market.

C13: International Equities Investment Returns
Annualized Returns through June 30, 2005 Over Period Indicated



In summary, FRS Pension Plan Domestic Equity asset class investments returned 8.48%, outperforming the asset class target by 43 basis points net of fees and transaction costs. Both active and passive management contributed to the good results.

FRS Pension Plan International Equities Investment Performance

The International Equities asset class was valued at approximately $16.3 billion on June 30, 2005 and represented 14.9% of the total FRS Pension Plan portfolio. For the fiscal year, the portfolio returned 16.89%, beating its target by 42 basis points.

The asset class is diversified across 16 portfolio strategies with investments in more than 50 markets. At fiscal year-end, passive investments represented about 34% of the portfolio, with the remaining 66% invested in 14 active strategies. Approximately 88.8% of the portfolio was allocated to developed market managers and 11.2% to emerging market managers.

Relative to its international equity target, the asset class was neutral to Continental Europe, underweight to the United Kingdom and Japan, and overweight to

For the fiscal year, the international equity portfolio returned 16.89%, beating its target by 42 basis points.

emerging markets. Opportunistic investments by several developed market managers created a modest 1.4% overweight to emerging markets, driven by a higher allocation to Asian countries. The largest sector bets were a 3.4% underweight to financials and a 1.2% overweight to telecommunications.

The aggregate developed market portfolio gained 14.63% for the year, exceeding the benchmark return of 14.55%, due mainly to the incremental value provided by our developed market index fund.

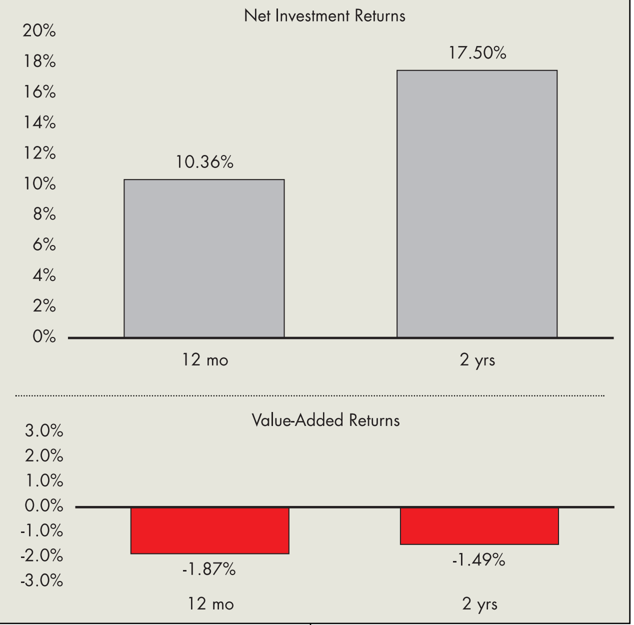
The investment environment remained challenging for traditional active managers. Despite measured tightening by the U.S. Federal Reserve, the prevailing monetary policy resulted in excess liquidity, which fed the risk appetite of investors. For our group of fundamental active managers, this meant that riskier assets such as small-cap, emerging market and lower quality stocks outperformed large-cap, higher quality names. It also contributed to declining volatility, which reduced the opportunities available for active managers to add value.

Despite a challenging environment, the developed active manager aggregate just missed beating its target. Four of the nine managers comprising the aggregate added value: BGI Alpha Tilts, Sprucegrove, Templeton and Fidelity. BGI's quantitative stock selection process, in conjunction with its currency overlay strategy, added consistent value. Sprucegrove's performance was due to good stock selection in the developed Asia region, and in the financial and industrial sectors. Templeton and Fidelity outperformed their targets. In general, the developed market managers that underperformed focused on larger cap, higher quality stocks that didn't keep pace with the rest of the market.

Emerging markets had another banner year, rising almost 34%. The portfolio benefited from our decision in early 2004 to restructure the emerging market aggregate. These changes included: eliminating the emerging market index portfolio; terminating an underperforming active manager; and reallocating the assets to two new active strategies. For the fiscal year, our two new strategies added over 900 basis points of excess return. The three remaining managers also added significant value relative to their benchmark. SBA's emerging market portfolio returned almost 40%, outperforming the benchmark by 550 basis points.

C14: Global Equities Investment Returns

Annualized Returns through June 30, 2005 Over Period Indicated



FRS Pension Plan Global Equities Investment Performance

The Global Equities asset class was valued at approximately $4.5 billion as of June 30, 2005 and represented 4.1% of the total FRS Pension Plan portfolio. For the year, the aggregate global equities portfolio had a positive return of 10.36% but trailed the target return of 12.23%. Similar to our international equity managers, global equity managers found the investment environment challenging. In general, portfolio managers comprising our global aggregate tend to focus on large-cap companies with a global presence. These companies underperformed in an environment conducive to riskier assets.

Large-cap global companies underperformed in an environment conducive to riskier assets.

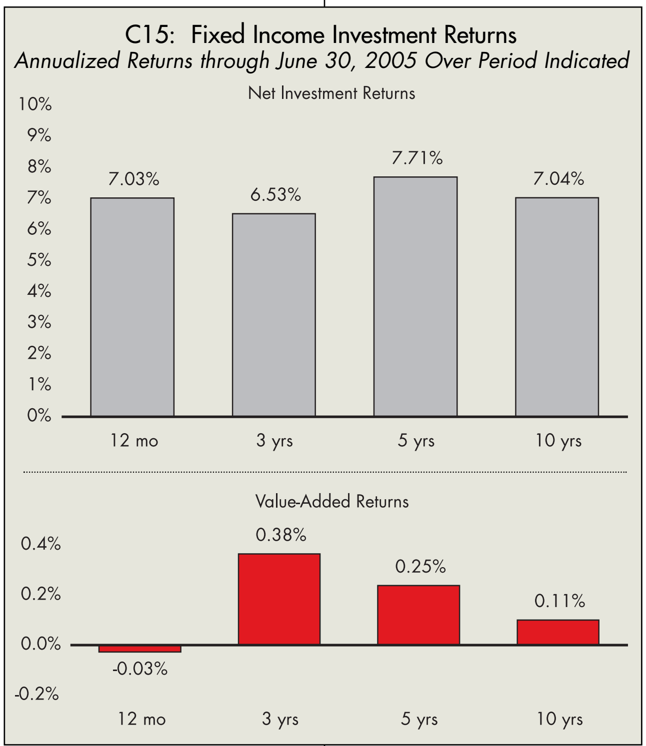
The Global Equity asset class is diversified across six portfolio strategies invested in more than 30 global markets. The asset class is completely active and allows investment managers to invest opportunistically without regard to country or region. About two-thirds of the portfolio is invested with "core" managers who operate within a more risk-controlled framework while the remaining one-third is with "core-plus" managers who are more absolute-return oriented and assume a greater level of active risk.

At fiscal year-end, the portfolio was 7% underweight to the U.S., 7.6% overweight to

The Fixed Income asset class produced a 7.03% return for the fiscal year, up from 1.36% a year earlier.

international developed markets and 2.5% underweight to emerging markets. Cash represented approximately 1.9% of the portfolio. Within capitalization buckets, the portfolio had virtually no exposure to the small-cap portion of the U.S. market. The overweight to developed international markets was a product of positive active positions in Continental Europe, most notably the Netherlands and Switzerland, the United Kingdom and Japan. The underweight to emerging markets was spread fairly evenly throughout the emerging market regions. The largest sector bets were a 2.7% underweight to financials and a 1.7% overweight to healthcare.

Three of the global equity managers – Templeton, Walter Scott and UBS – beat the benchmark; Fisher, Bank of Ireland and McLean Budden did not.



FRS Pension Plan Fixed Income Investment Performance

The Fixed Income asset class produced a 7.03% return for the fiscal year, up from 1.36% a year earlier. The asset class is measured by the Fixed Income Management Aggregate target, a market-weighted blend of the Lehman Aggregate Bond Index and the Merrill Lynch B/BB Cash Pay Rated Index.

All actively managed fixed income portfolios posted a return of 6.89% for the fiscal year, lagging their performance benchmark by 18 basis points. Passively managed portfolios earned 7.43%, exceeding their benchmark return of 7.38%. The combination of all active and passive portfolio returns, plus the return difference due to sector allocation (misfit) against the target resulted in a 3-basis point underperformance for the year.

Portfolios benchmarked against the Lehman Aggregate xMBS Index, which excludes the Lehman Mortgage-Backed Securities (MBS) Index, had a total return of 6.73%, underperforming its target by 44 basis points. The annualized three-year return of 6.90% exceeded the benchmark return by 54 basis points.

The portfolios benchmarked against the Lehman MBS Index exceeded the target by 60 basis points, returning 6.74%. The annualized three-year return of 5.01% exceeded the benchmark return by 34 basis points.

The single portfolio benchmarked against the Lehman Aggregate Bond Index had excess returns of 20 basis points and 39 basis points, respectively, on both a one-year and an annualized three-year basis.

Pleas Strickland, 66, was a marketing specialist for the Florida Department of Agriculture and Consumer Services before he retired in 2003 after a career that spanned almost 40 years.

"I expect a return from my participation in the FRS Pension Plan," says Pleas, who resides in Tallahassee with his wife. The SBA's commitment to prudent oversight and investment practices is also important to him "so the pension funds will be secure for the future," he adds.

Pleas, a father and grandfather, is enjoying his retirement, particularly the time he's spending learning a new hobby: making handcrafted wooden bowls and vases.

The Real Estate asset class ended the fiscal year with investments valued at $5.4 billion, earning a net investment return of 21.99%.

The externally managed high-yield portfolios generated a one-year total return of 8.43%, underperforming the Merrill Lynch B/BB Indexes' total return of 10.50%. The annualized three-year return of 11.23% lagged the benchmark's 12.32%.

FRS Pension Plan Real Estate Investment Performance

The Real Estate asset class ended the fiscal year with investments valued at $5.4 billion, earning a net investment return of 21.99%, substantially above its benchmark target return of 7.02% (the Consumer Price Index plus 4.5%). The total value of the portfolio declined slightly from $5.9 billion in the year-earlier period, reflecting aggressive rebalancing and profit taking within our REIT portfolio.

For the year, Real Estate represented 4.9% of the value of total FRS Pension Plan assets. The ending market value was below the 7% real estate target allocation but within the operating range of 3% to 10%.

During the year, $215.8 million was invested in open-end pooled real estate funds. These funds hold a diverse portfolio of institutional quality real estate assets and provide qualified pension funds reasonable liquidity and diversification.

Separately, several major real estate acquisitions were made, including purchase of a 330-unit apartment community in Worcester, Massachusetts for $56.5 million and purchase of a 282,455 square-foot retail property in Austin, Texas for $57.3 million. In addition, a value-added apartment redevelopment program was created that will be funded for the first time in fiscal year 2005-06.

Overall, the asset class took advantage of attractive pricing opportunities throughout the year and completed the following property sales:

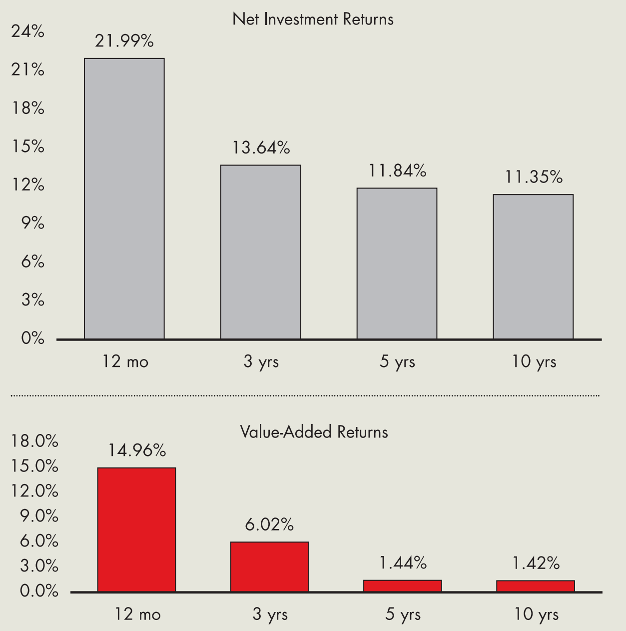
- Sale of a 264,731 square-foot office building in Beverly Hills, California generated $150 million and a net return on investment of 12.60%.
- A 534,750 square-foot distribution facility in Fishers, Indiana was sold for $25.7 million and a net return on investment of 12.67%.
- Sale of a 187-unit apartment community in Dallas, Texas resulted in proceeds of $18.2 million and a net return of 8.41%.
- To pursue better opportunities, a 350,186 square-foot office building in Eden Prairie, Minnesota was sold for $18.4 million in a transaction that resulted in a net investment return of -2.48%.

To take advantage of aggressive market pricing and rebalance our public market exposure in the Real Estate Investment Trust (REIT) portfolio, shares totaling $1 billion were sold during the course of the year.

During the year, we engaged a real estate consultant to assist our staff in portfolio quantitative analytics and market analysis. We have also focused our attention on strategic investment planning in order to effectively and efficiently access market opportunities, manage risk and create attractive investment returns.

For the year, the market reflected generally high values as an attractive interest rate

C16: Real Estate Investment Returns
Annualized Returns through June 30, 2005 Over Period Indicated



SBA contracts with private equity partnerships require the following disclosure:

- Because of the long-term nature of investing in private equities, funds can produce low or negative returns in the early years of the partnership. In the first few years of the partnership, management fees are drawn from partners' capital, and portfolio companies are held at cost, leading to a potential understatement of ultimate value.
- Due to numerous factors, including the lack of standardized valuation and reporting standards, the return information for Alternative Investments in this report may not reflect the expected returns of the partnerships. The returns contained in this report are calculated by the SBA and have not been reviewed by the general partners.
- Interim returns may not be meaningful or indicative of ultimate performance during the early stages of the investment life cycle.

climate and strong investor demand for real estate helped bid up selling prices.

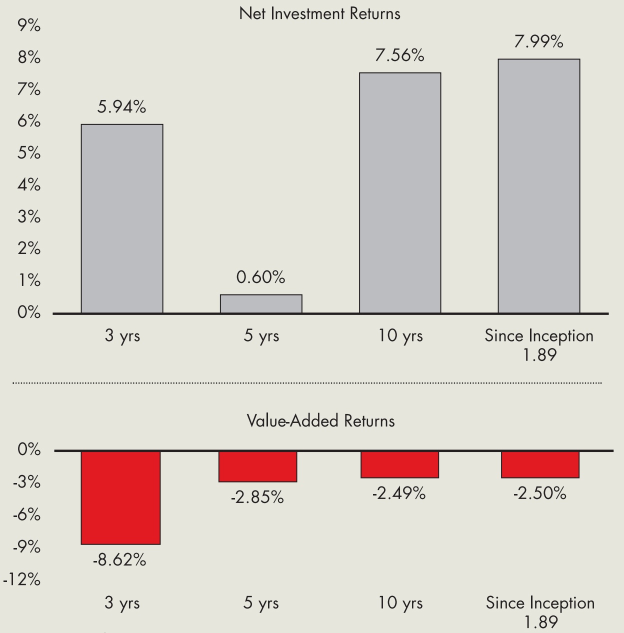
FRS Pension Plan Alternative Investments Performance

On June 30, 2005, the Alternative Investments asset class had a market value of $3.5 billion, representing 3.2% of total FRS assets. In this actively managed portfolio, the SBA generally makes fixed commitments of capital to limited partnerships that are externally managed by general partners. Alternative Investments has 47 investment vehicles managed by 28 general partners. During the year, the asset class committed $320 million to five new partnerships and added $75 million to an existing investment. Since its inception, the dollar-weighted return for the asset class has been 7.99%. Reflecting the immaturity of most of the investments in the portfolio, this lags the performance benchmark by 2.50%.

During the year, a suite of analytical tools was developed to evaluate potential new investments. Also, a management fee model was developed to track the changes in fee calculations over the life cycle of each partnership.

C17: Alternative Investment Returns*

Annualized Returns through June 30, 2005 Over Period Indicated



*Internal rates of return

Net cash inflow from general partners was $441 million, reflecting all distributions received less capital calls paid out for new investments and fees. In FY 2004-05, market liquidity was the greatest in years, reflecting a healthy exit environment for large initial public offerings as well as merger and acquisition activity at all levels.

Several general partners took advantage of the open credit markets and recapitalized their companies' balance sheets, often paying their investors a dividend while maintaining their full equity ownership. Leveraged buyout loan volume more than doubled to $45 billion in 2004 from $20 billion in 2003. Interest rates remained much lower than in the late 1990s, when debt multiples last expanded and coverage ratios were mitigated to some extent. It remains to be seen whether these companies will be able to withstand increased debt levels.

Two particularly successful investments were distributed by multiple managers. Dex Media provided a total return (distributions plus remaining market value) of $82.4 million to the SBA on an investment of $19.2 million. Connecticare, a managed healthcare company based in Connecticut, provided a total return

On June 30, 2005, the Alternative Investments asset class had a market value of $3.5 billion, representing 3.0% of total FRS assets.

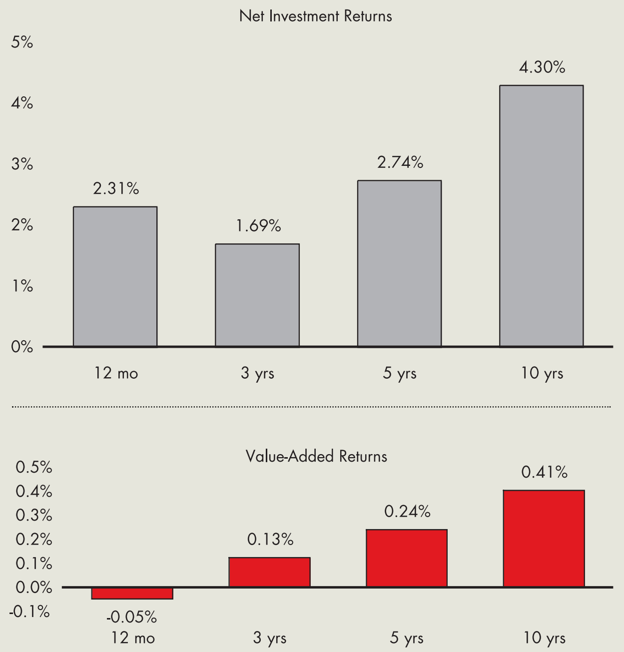
to the SBA of $78.6 million on an investment of $12.2 million. Our investments in Dex Media and Connecticare were made through Carlyle and Liberty Partners.

Although the performance of the asset class fell short of its primary benchmark – the broad U.S. stock market return as measured by the Russell 3000 Index plus a premium of 450 basis points – its performance was 503 basis points better than its secondary peer-based benchmark composed primarily of industry-wide returns on private equity investments.

FRS Pension Plan Cash/Short-Term Investments Performance

The performance measurement of Cash pertains only to the Cash and Central Custody Account, which was valued at $312 million on June 30, 2005. The annualized three-year return of 1.69% exceeded the 1.57% generated by the Merrill Lynch 90-day Treasury Bill Index. The portfolio's one-year return of 2.31% trailed the index by 5 basis points.

C18: Cash/Short-Term Investment Returns
Annualized Returns through June 30, 2005 Over Period Indicated



Cash is also held in other asset class portfolios. This asset class is managed in a pooled fashion by internal Fixed Income staff and reported in the market value for those portfolios.

Our existing infrastructure enables the SBA to provide cash management services for FRS Pension Plan portfolios at a lower cost than those supplied by external service providers, without sacrificing return.

FRS Pension Plan Investment Management Fees

Investment management fees on externally managed FRS Pension Plan portfolios are deducted from the portfolios and are not included in budgetary allocations. Table T2 shows investment management fees by asset class for fiscal year 2004-05.

Brokerage commissions are paid for executions of securities orders and on trades of exchange-listed equity investments. Brokerage commissions, net of commission

T2: FRS Pension Plan External Investment Management Fees
Fiscal Year 2004–2005

Asset Class	Dollar Amount	Return Basis
Domestic Equities	$38,669,815	0.26%
Global Equities	12,788,934	0.29%
International Equities	36,318,560	0.23%
Fixed Income	10,877,854	0.12%
Real Estate	24,998,736	0.45%
Alternative Investments	41,725,482	1.24%
Total	$165,379,381	0.31%

Return basis expresses external management fees as a percent of the average of the beginning and ending net asset value of assets externally managed in each asset class. This measure is comparable to an annual expense ratio.

recapture rebates, were as follows for the fiscal year:

T3: FRS Pension Plan Net Brokerage Commissions

Asset Class	Dollar Amount
Domestic Equities	$14,713,401
Global Equities	2,776,612
International Equities	10,651,849
Fixed Income	467,252
Real Estate	2,752,183
Alternative Investments	31,728
Total	$31,393,025

Commissions recaptured are credited to the accounts that generated the dollars. Therefore, the amounts reported above are net of commission recapture rebates. The SBA has one outstanding third-party vendor relationship that provides commission dollars to fund performance evaluation and research. The SBA follows Employee Retirement Income Security Act (ERISA) standards that specifically address commission dollars and deem them to be plan assets.

FRS Pension Plan Supplemental Income Program

Securities lending is an incremental income program implemented through multiple providers. During the periods securities are on loan, collateral equal to or greater than 100% of the market value plus accrued interest is received in the form of United States government and agency securities or cash. Cash is reinvested in securities authorized by the SBA.

During the fiscal year, the SBA utilized seven securities lending agents and one principal borrower for FRS assets. Income generated from these programs for the fiscal year was $38.4 million.

Net income from all FRS Pension Plan securities lending programs for the previous five years, including fiscal year 2004-05, is shown in Chart C19.

C19: FRS Pension Plan Net Securities Lending Income
Fiscal Year 2001–2005

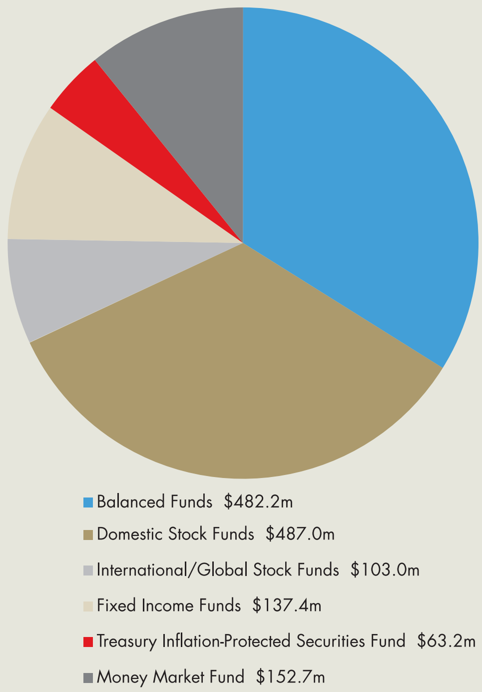
Securities lending income generated an additional $38.4 million net gain for the FRS Pension Plan portfolio.

The FRS Investment Plan experienced accelerating growth as its total assets doubled to $1.43 billion in the fiscal year.

For an increasing number of eligible public sector employees in Florida, the FRS Investment Plan is an alternative to the traditional FRS Pension Plan that gives them an opportunity to play a direct role in selecting investment options for their future and earn retirement benefits early in their career.

In the fiscal year ended June 30, 2005, the FRS Investment Plan had 56,034 member accounts, a 46% increase from the prior year, reflecting a surge in enrollments, particularly among eligible new hires. The total included terminated members who had left their balance in the plan. Overall, approximately 7.8% of all active FRS-covered employees were enrolled in the FRS Investment Plan, up from 6% a year earlier.

C20: FRS Investment Plan
Asset Allocation by Product Type
As of June 30, 2005



Created in fiscal year 2002-03 as an optional defined contribution plan, the FRS Investment Plan experienced accelerating growth during the past fiscal year, and its total assets doubled to $1.43 billion.

During the year, the plan received $869.5 million from payroll contributions and benefit transfers from the FRS Pension Plan. Incoming benefit transfers were almost entirely due to the exercise of members' one-time second election opportunity. Monthly payroll contributions hit a peak of $17.3 million in the June 2005 payroll. The balance of the change in plan assets resulted from financial market gains, reduced by distributions of benefits to members. Total distributions during the fiscal year were $234 million, of which 63% were in the form of rollovers to qualified retirement plans.

The FRS Investment Plan is modeled after private sector 401(k) plans. Eligible public sector employees may enroll in this plan as an alternative to the traditional FRS Pension Plan, which continues to offer formula-based retirement benefits. Unlike the FRS Pension Plan, the benefits employees can receive under the FRS Investment Plan may vary, depending on the performance of the investment options selected. Vesting in the Investment Plan is one year. Distribution options include lump sums, periodic distributions and a variety of low-cost fixed, variable and deferred annuities.

The FRS Investment Plan enables members to play an active role in selecting from a diverse set of investment options. The Plan now offers members 20 investment products, including three balanced funds. Employer contribution rates are set by law and go directly into

Kathy Waers, 49, is a coordinator of administrative services at Florida State University in Tallahassee.

"I'm not expecting to live a life of luxury with my retirement benefits, but I want to be able to live comfortably," says Kathy, who enrolled in the FRS Investment Plan so she could play an active role in choosing different investment options for her pension assets, which are managed by the SBA.

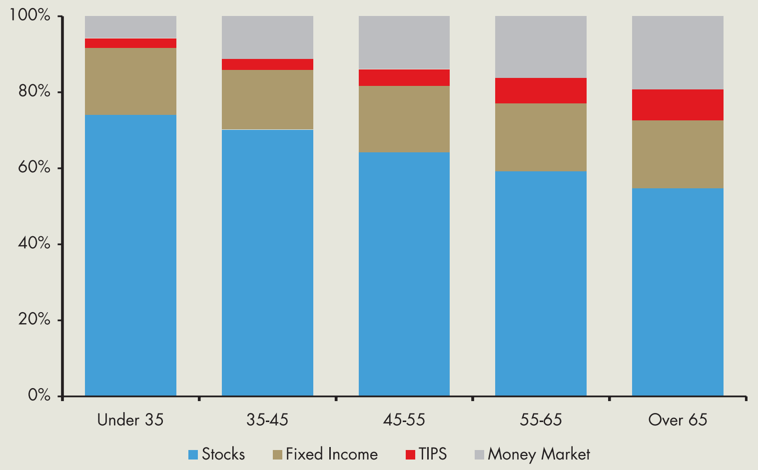
Kathy, who is married with two children, adds: "I expect the SBA to manage the funds as best they can. I'm not looking for huge gains, but I want moderate returns on my investments."

members' accounts, with rates ranging from 9% to 20% of salary, depending on membership class. Active employees enrolled in the FRS Investment Plan cannot make contributions and only pay investment management fees.

FRS Investment Plan Asset Allocation

The FRS Investment Plan includes three balanced funds that were developed to simplify FRS retirement plan comparisons and provide members with low-cost alternatives that optimally balance risk, return and cost. At fiscal year-end, more than 75% of the members allocated at least some of their assets to one or more of the three available balanced funds. About 34% of the plan assets were in the balanced funds.

C21: FRS Investment Plan Asset Allocation by Participant Age
As of June 30, 2005



Members generally favored asset allocations to U.S. and foreign stocks. 64% of total Investment Plan assets consist of U.S. and foreign stocks. They also clearly favored low-cost funds, resulting in a weighted investment management fee of roughly 0.29% for the FRS Investment Plan.

FRS Investment Plan Performance Summary

With a solid performance from all sectors, the composite total return for all plan assets was 8.45%, net of investment management fees, for the fiscal year. Nonetheless, the plan underperformed its performance benchmark by 24 basis points for the year. The Investment Plan's money market funds and fixed income funds beat their benchmarks. Conversely, balanced funds, U.S. stock funds, foreign stock funds and U.S. Treasury Inflation-Protected Securities funds lagged their benchmarks. These aggregate results reflect the asset allocation and investment fund selections of individual participants.

During the year, the second and final phase of restructuring the number of investment funds to improve cost-efficiencies and plan choices was finalized. As a result, the following funds were removed from the investment fund lineup: Davis New York Venture Fund, Fidelity Mid Cap Stock Fund, Fidelity Retirement Money Market Fund, Franklin Small/Mid Cap Growth Fund, MFS Massachusetts Investor Growth Stock Fund and Prudential Stable Value Fund.

At the end of July 2004, Fidelity closed the Fidelity Low Priced Stock Fund to new investments. Additionally, Fidelity Diversified International Fund was terminated at the end of December 2004 because the fund was scheduled to adopt redemption fees, which are prohibited under Florida law. In January 2005, RCM-Dresdner was terminated as the active manager in the FRS Select U.S. Large Cap Growth Active Fund due to poor long-term performance.

As replacement investment options, American Beacon Small Cap Value Fund, Prudential Mid-Cap Quantitative Fund and American Funds Euro-Pacific Growth Fund were introduced as Bundled Provider products. In addition, the Prudential Enhanced U.S. Fixed Income Fund was included as the enhanced index manager in the FRS Select U.S. Enhanced Bond Index Fund, and the Jennison Institutional Growth Equity commingled fund was hired to be the active manager for the FRS Select U.S. Large Cap Growth Active Fund.

The FRS Investment Plan enables members to play an active role in selecting from a diverse set of investment options.

FRS Investment Plan Oversight and Management

Through the Investment Policy Statement, the Board of Trustees delegates responsibility for the day-to-day management of the FRS Investment Plan to the Executive Director, including record-keeping, asset custody and investments.

The Investment Policy Statement identifies long-term objectives for the FRS Investment Plan. It stipulates that the plan should offer members meaningful, independent control over the assets in their account, and the following:

- A diversified mix of low-cost investment options that span the risk-return spectrum and give participants the opportunity to accumulate retirement benefits;
- Investment options that avoid excessive risk and have a prudent degree of diversification relative to broad market indices; and
- Investment options providing a long-term rate of return – net of all expenses and fees – that achieve or exceed the returns on comparable benchmark market indices.

With a solid performance from all sectors, the composite total return for all plan assets was 8.45%.

Similar to its role for the FRS Pension Plan, the SBA's Investment Advisory Council reviews the Investment Policy Statement and any proposed changes prior to its presentation to the Trustees.

The SBA selects and monitors available investment funds, subject to the ERISA fiduciary standards of care and the Investment Policy Statement.

T4: FRS Investment Plan Aggregate Product Performance
Periods Ending June 30, 2005

	1 Year	Since Inception
Total Investment Plan	%	%
Managed Return	8.45	10.68
Value Added	(0.24)	(0.11)
Total Domestic Equities Funds		
Managed Return	8.85	13.86
Value Added	(0.47)	(0.56)
Total International Equities Funds		
Managed Return	12.73	17.02
Value Added	(0.58)	0.59
Total Fixed Income Funds		
Managed Return	7.15	6.02
Value Added	0.32	0.20
Treasury Inflation-Protection Securities Fund		
Managed Return	9.32	8.95
Value Added	(0.02)	(0.15)
Money Market Fund		
Managed Return	2.41	1.72
Value Added	0.15	0.06
FRS Select Balanced Funds		
Managed Return	8.55	10.86
Value Added	(0.86)	(0.29)

Managed returns are net of external investment manager fees.
Inception date is August 1, 2002.


MSA

FLORIDA HURRICANE CATASTROPHE FUND

The 2004 hurricane season was unprecedented as Florida endured four of the season's nine Atlantic hurricanes over a six-week period.

The Florida Hurricane Catastrophe Fund (CAT Fund) is a tax-exempt trust fund. It was created during a special session of the Florida Legislature in 1993 in response to the property insurance crisis resulting from Hurricane Andrew. The program's objective is to provide a stable and ongoing source of reimbursement to insurers for a portion of their catastrophic hurricane losses, thus creating additional insurance capacity in the state. The future of Florida involves rapid growth, increasing exposure values and the continued risk of major hurricanes causing billions of dollars of damage. These factors indicate the critical role the CAT Fund plays in the future stability of the state's economy.

The cost of coverage is significantly less than the cost of private reinsurance due to the CAT Fund's tax-exempt status, low administrative costs and lack of a profit or risk-load. As a result, the CAT Fund has played an important role in holding down residential property insurance rates.

The CAT Fund is financed by three sources:
- Reimbursement premiums charged to participating insurers;
- Investment earnings; and
- Emergency assessments on property and casualty insurers (contingent on the need to issue revenue bonds).

Insurance companies in Florida must maintain financial capacity sufficient to meet their obligations to their policyholders. They achieve this from several possible sources such as internal capital, surplus, private reinsurance and reinsurance provided by the CAT Fund. This public-private partnership preserves the private sector's role as the primary risk bearer in the Florida insurance market.

The 2004 hurricane season was unprecedented as Florida endured four of the season's nine Atlantic hurricanes over a six-week period. The economic impact was tremendous, with estimated losses that were exceeded only by the losses related to the terrorist attacks on September 11, 2001. Residential losses are expected to total $15.8 billion. Hurricanes Charley, Frances, Ivan and Jeanne were the first hurricanes to trigger CAT Fund coverage since hurricanes Erin and Opal in 1995. In the fiscal year ending June 30, 2005, the CAT Fund reimbursed 120 companies a total of $2.84 billion and expects to pay out $3.75 billion in total reimbursements (including reserves) to 138 companies over the next four years. This contribution of the CAT Fund to the reimbursement of statewide losses has a significant impact on

Lieutenant Adam Harrison, 32, is a firefighter with Escambia County – an area hard hit by recent hurricanes – and a member of the FRS Pension Plan.

"My FRS benefit is important to me because it's a secure pension fund that will be a stable source of income when I retire," says Adam, a resident of Gulf Breeze. Adam and his fiancée aren't going to rely solely on the FRS when they retire; they are also planning and investing for their future.

"Honesty is something I look for when someone manages my retirement funds," Adam says. "I also want professionals who will look out for the best interests of me and my family."

the stability of the Florida insurance market over the long run.

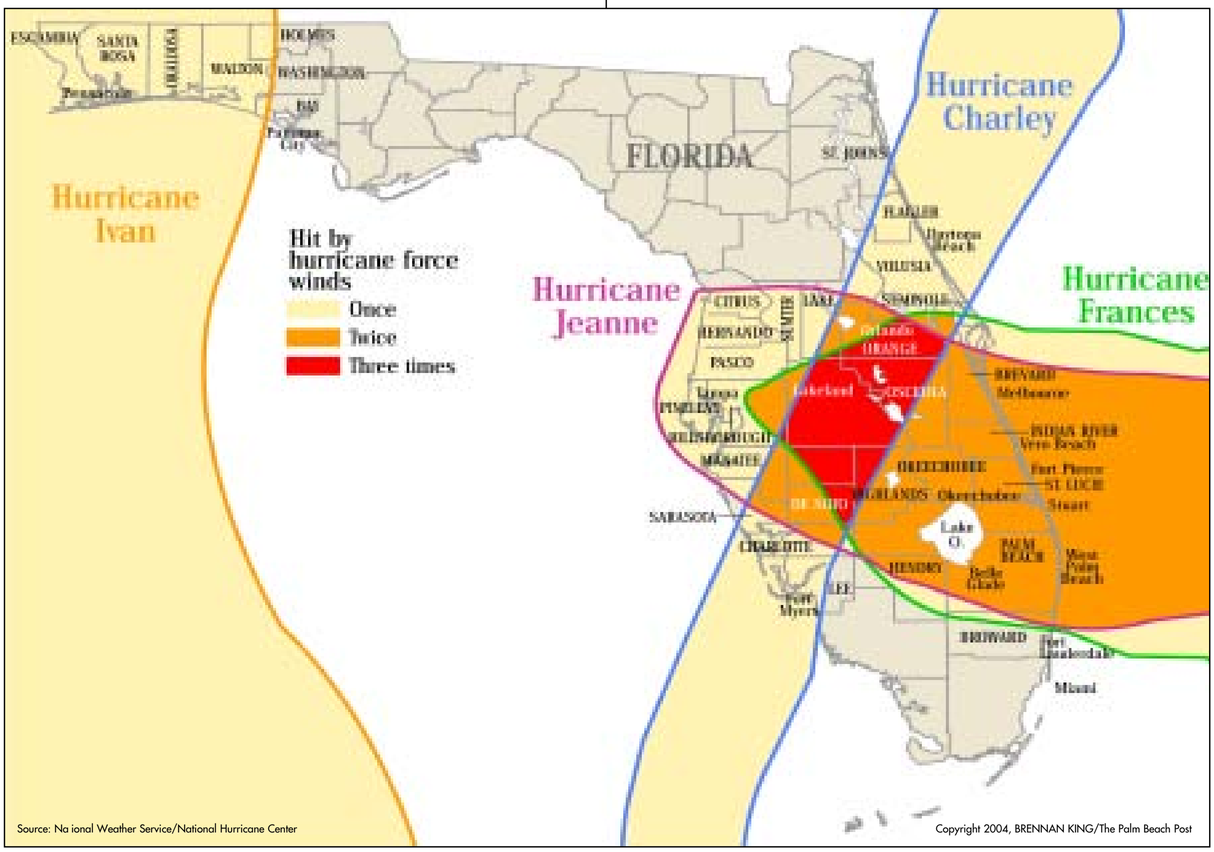
Due to the wave of catastrophic hurricane losses and reimbursement payments to insurers, the CAT Fund developed an examination program to ensure proper and accurate reporting of claims. These examinations were scheduled to begin in October 2005. The CAT Fund also has an ongoing annual examination program of exposure data that participating insurers submit for the calculation of reimbursement premiums.

During the 2005 Legislative Session, the CAT Fund staff played an active role in evaluating proposals to enhance the CAT Fund's capability to serve public policy objectives. Legislation was passed that modified the way insurers trigger coverage. This included proposals to address participating insurers' concerns when dealing with multiple hurricanes during a contract year and lessen the impact of multiple retentions (deductibles) upon insurers prior to them becoming eligible for reimbursement.

The CAT Fund hosted its Fifth Annual Participating Insurers Workshop in May 2005. The workshop educates participating insurers about the CAT Fund and provides an avenue to receive comments on rules and documents.

Claims may be filed at any time following a covered event, and the magnitude of claims is dependent upon hurricane frequency and intensity. As a result, the investment strategy for the CAT Fund emphasizes highly liquid, relatively short-term investment strategies. Money market instruments must be of the highest applicable rating while other eligible securities must be a minimum of investment grade. Most securities will have a maturity of less than three years although 2% may mature within three to five years. The guidelines provide that the weighted average maturity of the portfolio is not to exceed 365 days. Compliance with these and other investment guidelines are observed and verified on a monthly basis. As of June 30, 2005, the 30-day average rate of return was 2.99% with a weighted average of 62 days to maturity, and the CAT Fund met all compliance requirements.

The CAT Fund is required to issue revenue bonds if the cash balance is insufficient to reimburse losses. Bonds may be issued in



Hurricane Force Winds During 2004-05 Season conjunction with counties and municipalities or through the FHCF Finance Corporation. In 2004, the Finance Corporation obtained an upgrade in its credit ratings as follows: Moody's A1 to Aa3; Standard & Poor's A+ to AA-; and Fitch A+ to AA. The claims paying capacity of the Fund is currently $15 billion for the initial season. To date, the CAT Fund has not issued revenue bonds, but has taken all the necessary steps to have the framework in place to issue bonds in a timely and cost-effective manner. The funding source for the repayment of these revenue bonds would be through emergency assessments on all property and casualty lines of business in the state, including surplus lines, but excluding workers' compensation premiums and medical malpractice until 2007.

On June 30, 2005, the net asset value of the CAT Fund was $3.3 billion, down from $5.5 billion a year earlier. A securities lending program in place for CAT Fund investments is utilized as market conditions warrant. For fiscal year 2004-05, net lending income totaled about $1.7 million.

Table 4.5: CAT Fund Net Asset Value by Fiscal Year

($ Thousands)	2002	2003	2004	2005
Beginning Net Asset Value	$3,798,479	$4,363,178	$4,943,166	$5,475,890
Premium Revenue	476,079	498,151	488,459	617,043
Investment Income	131,884	64,828	84,408	102,510
Chg. in Market Value of Investments	(9,361)	40,078	(26,306)	6,148
Operating Expenses	(3,903)	(4,066)	(3,837)	(3,960)
Hurricane Loss	0	72	0	(2,821,625)
Transfer to other funds	(30,000)	(19,075)	(10,000)	(61,275)
Ending Net Asset Value	$4,363,178	$4,943,166	$5,475,890	$3,314,731
Loss Reserves	0	0	0	910,680
Ending NAV Excluding Reserves	$4,363,178	$4,943,166	$5,475,890	$2,404,051

These amounts are reported on a cash basis. Beginning and ending asset values include cash, net market value of securities and accrued income.


CARLOS TORRES

In fiscal year 2004-05, the market value of the LCEF increased to $1.87 billion from $1.74 billion.

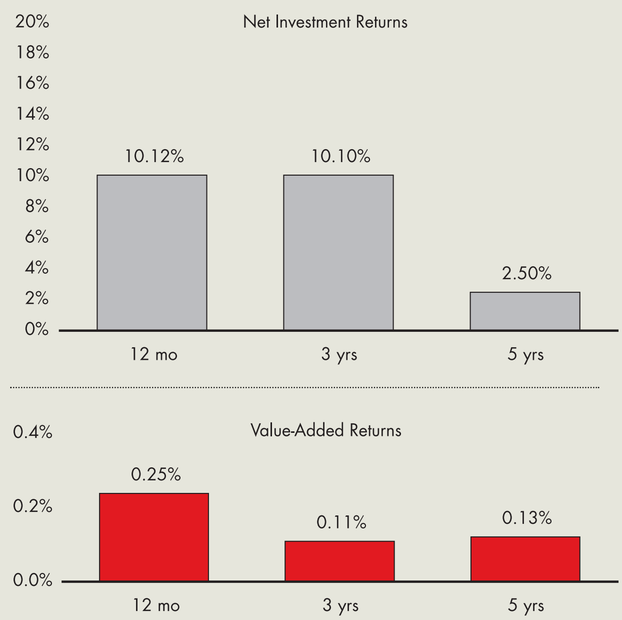
The Florida Legislature created the Lawton Chiles Endowment Fund (LCEF) in 1999. Its purpose is to invest a portion of Florida's tobacco settlement monies to provide a perpetual source of enhanced funding for health maintenance and research programs related to tobacco use.

The SBA has the statutory authority and responsibility for the investment of LCEF assets, subject to certain investment limitations and consistent with an investment policy statement approved by the SBA Trustees.

In fiscal year 2004-05, the market value of the LCEF increased to $1.87 billion from $1.74 billion, due to an investment gain of $175 million and net withdrawals of $40 million.

C22: Total Endowment Investment Returns

Annualized Returns through June 30, 2005 Over Period Indicated



Investment Objectives

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.

Shortly after the LCEF was initially funded, the stock market experienced a severe downturn, which eroded the balance of the Endowment and placed attainment of the statutory objective at risk. In February 2003, the Trustees approved changes to the investment policy statement with the goal of improving the prospects for long-term solvency of the Fund and increasing future payouts, given the fact that additional contributions from tobacco settlement monies are not expected.

The changes, effective July 1, 2003, replaced the previous fixed annuity payout structure with a participating annuity structure. Under the new structure, 75% of the regular annual cash outflow will be based on the prior year inflation-adjusted payout; the remaining 25% will be based on a factor designed to increase the probability of preserving the inflation-adjusted value of contributed capital over a 30-year horizon.

Corporal Carlos Torres, 31, of Orlando, works for the Orange County Sheriff's Office and is enrolled in the FRS Pension Plan.

"It's vital for any government employee to have a pension plan for the future," says Carlos, whose wife also works in law enforcement and is a member of the FRS Pension Plan. Carlos and his wife have three children, so financial planning is a priority for their family.

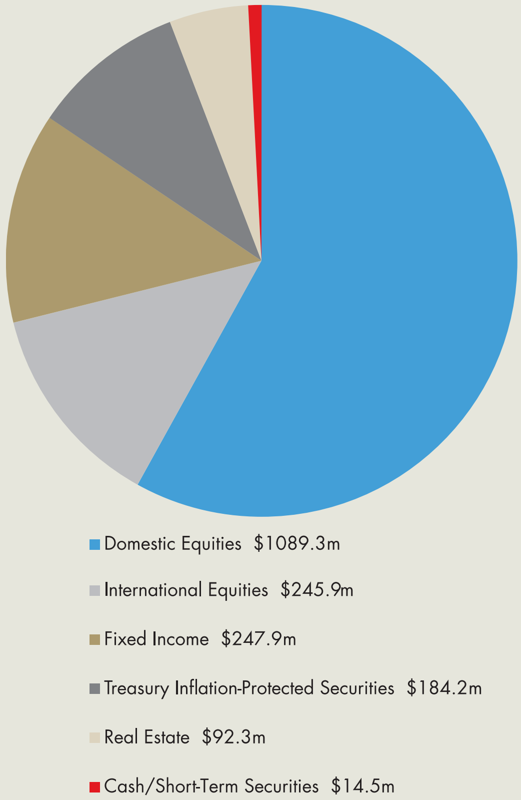
"I expect any organization that manages our pension funds to look out for our best interests and treat us fairly," says Carlos, who is studying to earn a bachelor's degree in criminal justice.

Chart C25 illustrates the progress that has been made in approaching the statutory investment objective.

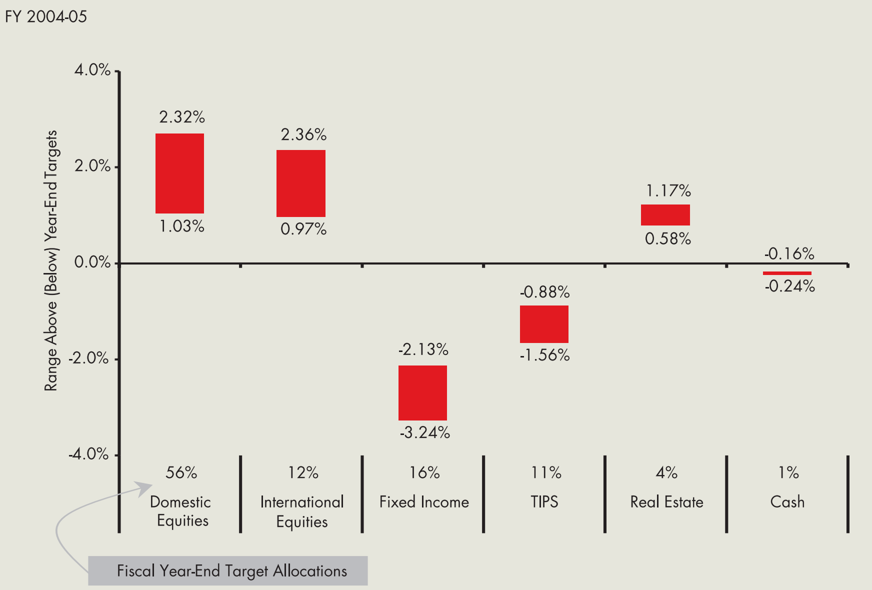
Fund Performance

The performance of the LCEF is measured against a relative target, and each asset class is measured relative to a broad market index. The Fund's relative target return is an average of those indices' returns, weighted according to the target allocations. Net investment returns and value-added returns for the Endowment as a whole are shown in Chart C22. Returns by asset class are shown in Table T19 in the Appendix.

C23: Lawton Chiles Endowment Assets by Type
$1,874.0 million as of June 30, 2005



C24: Lawton Chiles Endowment Fund Asset Allocation
Range of Actual Allocations Relative to Target Allocations



Substantial progress has been made over the last three years toward the LCEF capital preservation objective.

With a total return of 10.12%, the LCEF outperformed its target for the fiscal year by 25 basis points.

Chart C24 shows the target asset allocation for the Endowment and the range of actual month-end allocations during the fiscal year. Exposures remained relatively close to the target allocations throughout the year. Net asset values at fiscal year-end are shown in Chart C23. Table T20 in the Appendix provides details on asset growth over the year.

As of June 30, 2005, the inflation-adjusted value of total contributions to the LCEF was $1.65 billion (in 1999 dollars). The comparable net asset value was $1.60 billion, or 3% below total contributions.

C25: LCEF Capital Preservation Objective
Value of Post-Payout Fund Assets as a % of Inflation-Adjusted Contributions

SBA's LGIP is the largest local government investment pool in the country.

Pooled Investment Funds

The SBA currently operates five open-pool investment funds. Four of these constitute the CAMP or Commingled Asset Management Program and are open to non-pension assets of all Florida governmental entities. The fifth is the Local Government Investment Pool (LGIP), more formally called the Local Government Surplus Funds Trust Fund. This pool is open to any unit of local government in Florida. These pooled products operate in essentially the same fashion as mutual funds.

Short-Term Option 1: Local Government Investment Pool (LGIP)

The Local Government Investment Pool was established to help local governments maximize earnings on invested surplus funds, thereby reducing the need to impose additional taxes. As reported by iMoneyNet (Money Market Insight, September 2005), the LGIP is the largest local government investment pool in the country. As of June 30, 2005, the SBA managed approximately $17.7 billion in funds for the pool, down 2.7% from $18.2 billion a year earlier, with approximately 821 local government participants holding 1,870 accounts. The SBA has operated the LGIP since January 1982.

The objectives of the LGIP are as follows:

- Provide a short-term, very liquid, high quality investment vehicle to participating local governments;
- Purchase securities consistent with Section 215.47, Florida Statutes;
- Operate the pool as a "2a7-like" fund using the Securities & Exchange Commission investment requirements for 2a-7 Money Market Funds as guidance;
- Follow all accounting and reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 31;
- Provide liquidity to the participants on a daily basis; and
- Add incremental income by participating in the securities lending program.

The LGIP is managed to be competitive with the S&P Rated LGIP 30-Day Yield Index. Actual net returns in excess of this index are termed "value-added" returns. Net investment returns and value-added returns are shown in Chart C26. Returns include $7.3 million in securities lending income.

As a money market fund, the LGIP invests in short-term, high quality money market instruments issued by financial institutions, non-financial corporations, the U.S. government and federal agencies. Money market instruments must be of the highest applicable rating, while other eligible securities must be rated investment grade. All nongovernmental securities must have a maturity of less than 13 months. The maturity of obligations of the U.S. Treasury and U.S. Agencies may not exceed two years. The weighted average maturity of the portfolio may not exceed 90 days. Compliance with these and other investment guidelines are observed and verified on a daily and monthly basis. During the year, the Local Government Pool met all compliance requirements.

The LGIP is open to units of local government defined as "any governmental entity within the state not part of state government" including counties, cities, school districts, special districts, clerks of the circuit court, sheriffs, property appraisers, tax collectors, supervisors of

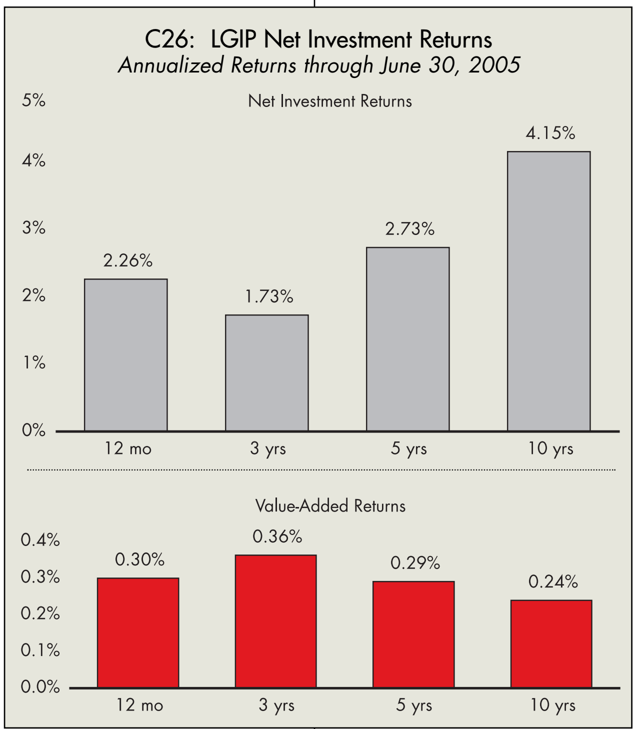
Bobbie Bryant, 36, is an administrative coordinator with the Leisure Services Division of Volusia County, where she has worked for eight years.

"I know the value and importance of having a pension," says Bobbie, a DeLand resident and member of the FRS Pension Plan. Her husband, a sergeant in the Volusia County Sheriff's Department, is also enrolled in the FRS Pension Plan.

"I want the SBA to be responsible in managing our pension funds and to look at the long-term outcome," Bobbie says. "I would hope that they're looking toward the future."

To better serve a variety of governmental clients, the SBA created the Commingled Asset Management Program, consisting of four investment pool products.

elections, authorities, boards, public corporations or any other political subdivision of the state (Section 218.403(7), Florida Statutes).



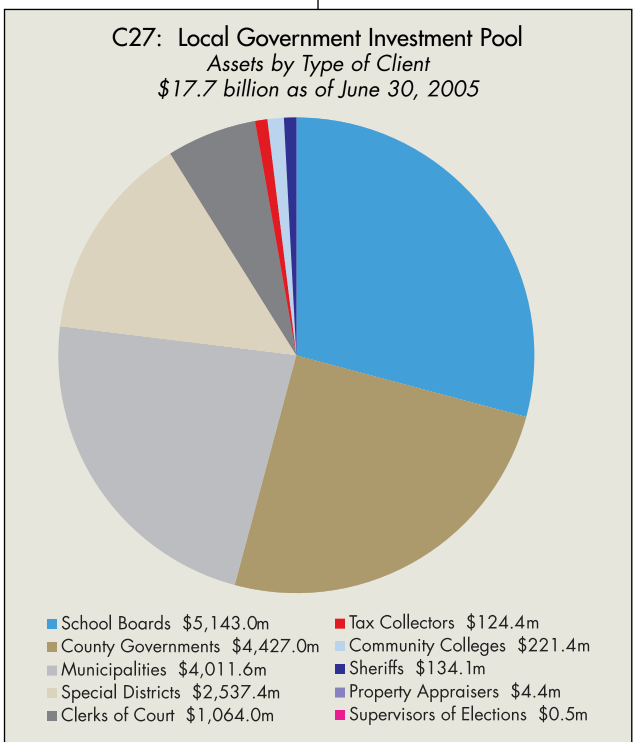
C26: LGIP Net Investment Returns
Annualized Returns through June 30, 2005

Likely investors are those with a short-term investment horizon where liquidity and the preservation of capital are of primary importance. Contribution and redemption transactions can be executed on a daily basis.

Assets by client type are shown in Chart C27.

Short-Term Option 2: Commingled Asset Management Program – Money Market (CAMP MM)

To better serve a variety of governmental clients, miscellaneous trust accounts and endowment funds with non-qualified (i.e., non-pension) assets to invest, the SBA created a series of investment products under the banner "Commingled Asset Management Program." Each operates in a fashion similar to mutual funds, where participants hold units whose value is based on the underlying securities in the overall portfolio.



C27: Local Government Investment Pool
Assets by Type of Client
$17.7 billion as of June 30, 2005

The first of these products, created in July 1999, is CAMP MM, a money market product for clients seeking liquidity with a focus on preservation of capital. As of June 30, 2005, CAMP MM consisted of 20 client accounts with total assets valued at $385 million, up from $352.9 million one year earlier.

The objectives of the CAMP MM are as follows:

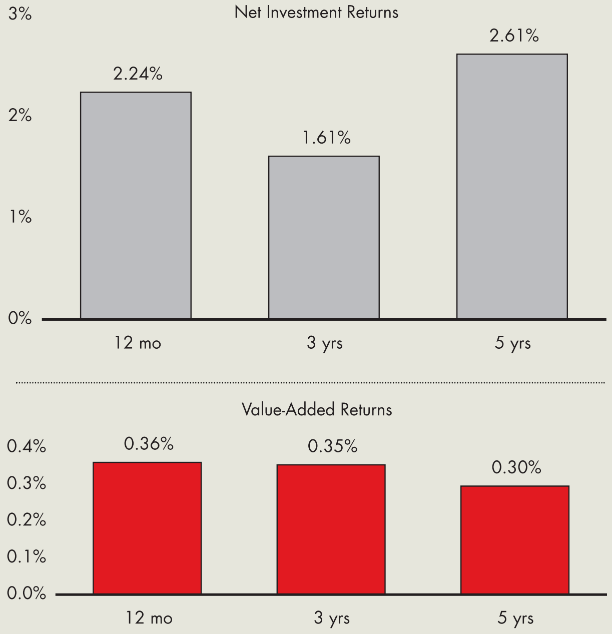
- Provide a short-term, very liquid, high quality investment vehicle for non-pension assets of tax-exempt Florida government entities, trusts and endowments;
- Securities purchased are consistent with Section 215.47, Florida Statutes;
- Operate the CAMP MM as a "2a7-like" fund using the SEC investment requirements for a 2a-7 Money Market Fund as guidance; and
- Provide liquidity to the participants on a daily basis.

CAMP MM is managed to be competitive with the Money Fund Report First Tier Institutional Index. Authorized investments may include bonds of the United States government and related agencies, repurchase agreements and high quality money market instruments.

CAMP MM exists to serve entities that are not eligible to participate in the local government pool, yet seek the same type of investment opportunity. This includes state agencies (as defined in Section 216.011, F.S.) and other governmental entities, trusts or endowments on whose behalf the SBA can make investments as provided by law or by the Florida Constitution, provided that the funds are not pension plan funds.

Likely investors are those with a short-term investment horizon where liquidity and the preservation of capital are of primary importance. Contribution and redemption transactions can be executed on a daily basis.

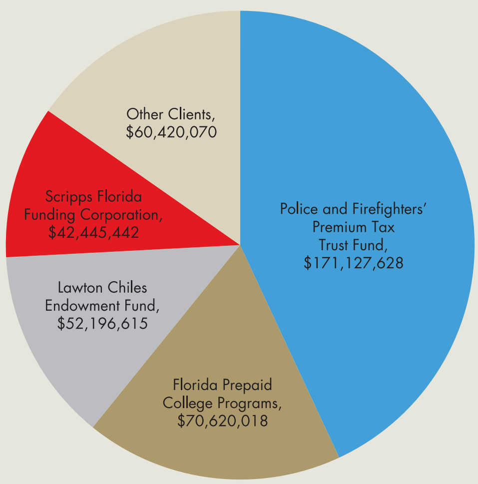
C28: CAMP MM Net Investment Returns
Annualized Returns through June 30, 2005



Based on monthly yields

In addition to commingling the assets of clients with purely short-term investment objectives, the CAMP MM pool also invests the cash allocation component or residual cash for longer term, multi-asset class portfolios. The Lawton Chiles Endowment Fund, the Florida Education Fund, Inc. - McKnight Doctoral Fellowship Program and the Blind Services Endowment are examples of multi-asset class portfolios with a cash allocation component invested in the CAMP MM Fund. Assets for all CAMP MM clients are included in Chart C29 and Table T9 in the Appendix.

C29: CAMP MM Assets by Participant
$385.0 million as of June 30, 2005



See Table T9 in the Appendix for a detailed enumeration of CAMP MM assets by client.

Intermediate-Term Option: Commingled Asset Management Program – Fixed Income (CAMP FI)

This commingled portfolio was established in 2000 to offer clients exposure to the long-term fixed income market for non-qualified (ie., non-pension) funds. Like CAMP MM, the money-market pool, each client participating in the pool holds units of CAMP FI, similar to investing in a mutual fund.

As an intermediate-term bond fund, CAMP FI invests in a broad array of investment grade fixed income securities, including government, corporate and asset-backed securities. All are instruments with maturities greater than one year. CAMP FI is a passively managed portfolio, currently designed to track the performance of the Lehman Aggregate less Mortgages. During fiscal year 2005-06, we plan to broaden the benchmark to include Mortgage-Backed Securities, thereby representing the full spectrum of the Lehman Aggregate Bond Index, a broad measure of the investment grade U.S. bond market.

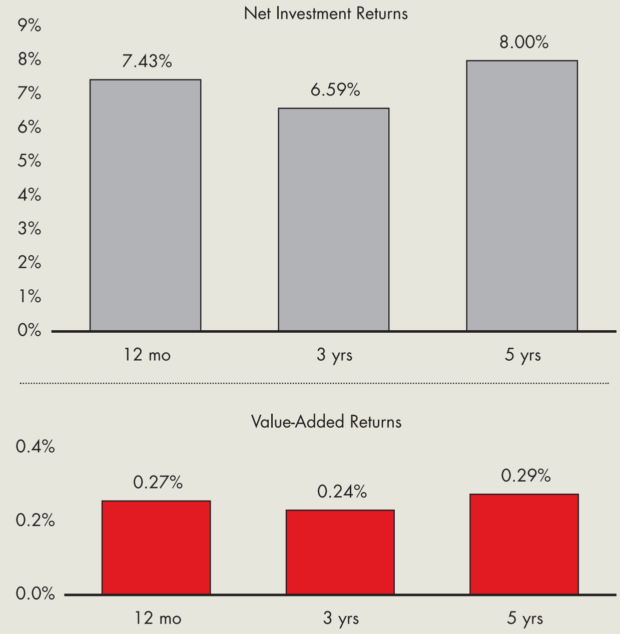
Likely investors are those seeking a high and relatively stable level of income, but willing to tolerate moderate return fluctuations over time. Changes in interest rates will cause volatility in the net asset value of the portfolio. As with any bond fund, the net asset value of the fund will decline if interest rates rise. Consequently, the fund may be an inappropriate investment for investors required to meet short-term cash needs; however, it may be

As an intermediate-term bond fund, CAMP FI invests in a broad array of investment grade fixed income securities, including government, corporate and asset-backed securities.

appropriate for investors that have a somewhat longer time horizon. Contribution and redemption transactions are allowed on a monthly basis.

C30: CAMP FI Net Investment Returns

Annualized Returns through June 30, 2005



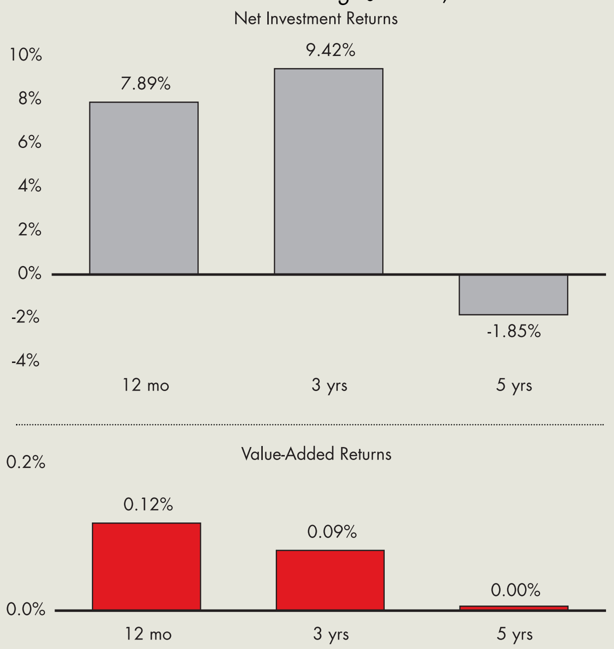
As of June 30, 2005, participants in the Fixed Income Pool are the SBA Administrative Expense Fund ($31.9 million), the Division of Blind Services Trust Fund ($1.1 million), and the Lawton Chiles Endowment Fund ($160.9 million). Amounts in parentheses represent June 30, 2005 net asset value.

Long-Term Option 1: Commingled Asset Management Program – Domestic Equities (CAMP DE)

The objective of the Domestic Equity Pool is to provide investment returns and risk exposures matching that of the Tobacco Free Russell 3000 Index for non-qualified (i.e., non-pension) client funds. It is currently managed as a purely passive portfolio with no intentional active risk relative to the benchmark. Like CAMP MM, the money market pool, each fund that participates in this pool holds units of CAMP DE, similar to investing in a mutual fund.

C31: CAMP DE Net Investment Returns

Annualized Returns through June 30, 2005



The pool's portfolio is constructed to closely represent the benchmark index. Dividends and other internal cash flows are retained and reinvested within the Fund. Index futures contract positions or ETFs (Exchange Traded Funds) may be used to facilitate investment of cash flows and equitize cash and/or dividends receivable.

Likely investors are those: (a) seeking relatively high returns over a long investment horizon; (b) who are willing to tolerate significant return fluctuations over time; and (c) whose return objectives strongly favor capital gains over income. Stocks generally expose investors to a greater probability of short-term losses than bonds or money market instruments. As a result, this fund is not suitable for investors required to meet short-term cash needs; however, it may be appropriate for investors who have a longer term time horizon. Contribution and redemption transactions are allowed on a monthly basis.

As of June 30, 2005, the Lawton Chiles Endowment Fund ($1.1 billion) and the Division of Blind Services ($1.4 million) were participants in the Domestic Equity Pool. Amounts in parentheses represent June 30, 2005 net asset value.

Long-Term Option 2: Commingled Asset Management Program – International Equities (CAMP IE)

The objective of the International Equity Pool is to provide investment returns and risk exposures matching that of the Tobacco Free MSCI ACWI ex-US Index for non-qualified (i.e., non-pension) client funds. It is actively managed with a risk target of 300 basis points. Like CAMP MM, the money market pool, each fund that participates in this pool holds units of CAMP IE, similar to investing in a mutual fund.

The pool's investment manager uses an approach emphasizing quantitative security selection to add incremental value over its target index. Securities are initially ranked using valuation factors, earnings trends, price movements and other predictive factors. Country and sector weighting evolve from the security selection process. The manager uses BARRA and proprietary software to target a risk level relative to the target. The portfolio is likely to have exposure to all major markets in the index with additional exposures in a cross section of smaller markets. Dividends and other internal cash flows are retained and reinvested within the fund.

T5: SBA Management Fees[1]		
Fiscal Year	Annual Fee	
Pre-1998-99	2.00 basis points	(0.0200%)
1998-99 through 2002-03*	1.75 basis points	(0.0175%)
2003-04	1.65 basis points	(0.0165%)
2004-05	1.50 basis points	(0.0150%)

*No fee for 4th quarter of FY 2000-01;
no fee for 2 months of 4th quarter of FY 2001-02.

Likely investors are those: (a) seeking relatively high returns over a long investment horizon; (b) who are willing to tolerate significant return fluctuations over time; and (c) whose return objectives strongly favor capital gains over income. Stocks generally expose investors to a greater probability of short-term losses than bonds or money market instruments. As a result, this fund is not suitable for investors required to meet short-term cash needs; however, it may be appropriate for investors who have a longer term time horizon. In addition, the Fund invests in stocks denominated in foreign currencies. The returns to a U.S.-based investor will be affected by changes in currency markets. Contribution and redemption transactions are allowed on a monthly basis.

As of June 30, 2005, the Lawton Chiles Endowment Fund was the sole participant in the International Equity Pool, with a net asset value of $245.8 million.

Specialty Options: Treasury Inflation-Protected Securities and Real Estate Investment Trusts

The SBA currently manages portfolios of Treasury Inflation-Protected Securities (TIPS) and Real Estate Investment Trusts (REITs) that could be unitized and offered as additional pool products, should there be client interest.

Like international stocks, TIPS and REITs are products suitable for sophisticated investors with a longer term time horizon seeking to reduce volatility in their overall portfolio by diversifying their holdings across a wide array of asset types, each with their own unique set of return and risk characteristics.

SBA's Investment Management Fees

Table T5 shows SBA's prior years' investment management fees on assets in the LGIP and CAMP products.[1] Fees are applied on a pro-rata basis. Note that in the future, the fee structure could change.

Mandates Invested Solely in Pooled Funds

SBA's investment pools include assets of discretionary clients as well as those of mandated investment funds. The following mandated funds are invested wholly within SBA's pooled investment products. Mandates that are partially or wholly managed using separate investment accounts are described on page 44. Table T6 lays out the full array of SBA's investment portfolios by client and investment vehicle.

• Arbitrage Compliance Trust Fund

One of the responsibilities of the Division of Bond Finance is to ensure compliance with the provisions of federal arbitrage laws. The objective of the Arbitrage Compliance Trust Fund is to maintain liquidity to fund these activities. Investments are limited to the CAMP MM Fund. Due to liquidity demands, the Arbitrage Compliance Trust Fund is considered a nondiscretionary account. Compliance with applicable provisions of the mandate is determined at the time of purchase.

• Bond Fee Trust Fund

Division of Bond Finance activities related to bond issuance, the Private Activity Bond Allocation Program and the Local Government Bond Disclosure Information Program are funded out of the Bond Fee Trust Fund. Investments are limited to the CAMP MM Fund. Due to liquidity demands, the Bond Fee Trust Fund is considered a nondiscretionary account. Compliance with applicable provisions of the mandate is determined at the time of purchase.

[1] Certain clients pay additional or minimum fees pursuant to a contract with the SBA based on special circumstances or for special services rendered.

T6: Additional Details on SBA Investment Pool Products

	LGIP	CAMP MM	CAMP FI	CAMP DE	CAMP IE
Eligible Investors	Units of Florida Local Government	Any Florida Governmental Entity	Any Florida Governmental Entity	Any Florida Governmental Entity	Any Florida Governmental Entity
Type	Money Market Fund (2a-7 like)	Money Market Fund (2a-7 like)	Government & Corporate Bond Fund	US Equity Fund	International Equities including Emerging Markets
Benchmark Index	S&P LGIP	iMoneyNet First Tier Institutional Money Market Funds	Lehman US Aggregate Bond Index excl. Mortgage-Backed Securities	Russell 3000 – ex-tobacco	MSCI ACWI ex-US ex Tobacco
Return Calculation	30-day yield (net)	30-day yield (net)	Total Return	Total Return	Total Return
Unit Pricing	Stable share price objective of $1, per money market convention	Stable share price objective of $1, per money market convention	Marked to market monthly	Marked to market monthly	Marked to market monthly
Contributions	Daily	Daily	Monthly	Monthly	Monthly
Redemptions	Daily	Daily	Monthly	Monthly	Monthly
Initial Funding	Jan-82	Jul-99	Feb-00	Feb-00	Feb-00
Allowable Investments				CAMP DE Allowable Investments: U.S. equities, U.S. stock index futures, stock options (exchange traded or over-the-counter), exchange traded funds, and cash & cash equivalents denominated in U.S. dollars. Implicit tobacco exposure in derivatives is acceptable subject to certain limits.	CAMP IE Allowable Investments: Foreign securities incl. common and preferred stock, interest bearing convertible obligations, closed-end country funds, exchange traded funds, American and Global depositary receipts & warrants, cash & cash equivalents in U.S. or foreign currency and futures, options & forward currency contracts.
Minimum Credit Rating	A1/P1 (A3/A-)	A1/P1 (A3/A-)	Baa3/BBB-		
Average Maturity (Last 5 years)	< 90 days	< 90 days	~ 7.8 years (will fluctuate with Index)		
Average Maturity Range (Last 5 years)	~ 50 to 89 days	~ 50 to 89 days	~6.5 to 9 years		
US Gov't/Agency (Max Maturity)	762 days	762 days	No Maturity Limit		
Non-US Gov't/ Agency (Max Maturity)	397 days	397 days	No Maturity Limit		
144A Eligible	No	No	No		
Single Issuer Exposure	5%	5%	5%		
Non-Dollar Denominated	No	No	No		
Security Lending	Yes	Yes	Yes	Yes	Yes

• Florida Endowment for Vocational Rehabilitation Trust Fund

The Florida Endowment for Vocational Rehabilitation Trust Fund was enacted to enhance the opportunities for disabled citizens of Florida to become self-supporting, productive members of society. The SBA invests the monies deposited into the Trust Fund in the CAMP MM Fund. Funds in excess of the principal requirement are available to the Florida Endowment Foundation for Vocational Rehabilitation. Due to liquidity demands, the Florida Endowment for Vocational Rehabilitation Trust Fund is considered a nondiscretionary account. Compliance with applicable provisions of the mandate is determined at the time of purchase.

• Florida Prepaid College Foundation

The Florida Prepaid College Foundation was established to accumulate tax-deductible contributions from businesses, community groups and

Pete Peaver, 46, is Dean of Students at Bartram Trail High School in Jacksonville, and a member of the FRS Pension Plan.

"When I retire, I want to do some of the things I've always dreamed of doing, like traveling and fishing," says Pete, who has been an educator for 25 years.

Looking ahead to the future, Pete, a father of two children, says he trusts that the SBA will "do its best to benefit what I hope to do in my retirement."


WEST ENTRANCE
GYMNASIUM

The Florida Prepaid College Program enables parents to lock in the future cost of Florida public colleges at current tuition rates.

individuals to fund Florida Prepaid College scholarships. The SBA administers the short-term investments for the Foundation. Assets are invested in the CAMP MM Fund. Due to liquidity demands, the Florida Prepaid College Foundation is considered a nondiscretionary account. Compliance with applicable provisions of the mandate is determined at the time of purchase.

- Florida Prepaid College Program

The Florida Prepaid College Program enables parents and others to lock in the future cost of Florida public colleges at current tuition rates. Three separate funds have been established to meet the immediate obligations and administrative expenses of the Florida Prepaid College Program's fiscal operations. Assets are invested in the CAMP MM Fund. Due to liquidity demands, the Florida Prepaid College Program funds are considered nondiscretionary accounts. Compliance with applicable provisions of the mandate is determined at the time of purchase.

- Public Employee Optional Retirement Program (PEORP) Administrative Fund

The SBA administers the short-term investments for the Public Employee Optional Retirement Program (PEORP) Administrative Fund. The PEORP Administrative Fund was established to support the administrative (i.e., non-investment management) costs of the FRS Investment Plan and the MyFRS Financial Guidance Program. Assets are invested in the CAMP MM Fund. Due to liquidity demands, the PEORP Administrative Fund is considered a nondiscretionary account. Compliance with applicable provisions of the mandate is determined at the time of purchase.

- Police and Firefighters' Premium Tax Trust Fund

The SBA invests assets of the Police and Firefighters' Premium Tax Trust Fund into the CAMP MM Fund. The Division of Retirement issues annual distributions to eligible municipalities. Due to liquidity demands, the Police and Firefighters' Premium Tax Trust Fund is considered a nondiscretionary account. Compliance with applicable provisions of the mandate is determined at the time of purchase.

- Investment Fraud Restoration Financing Corporation

Created by state law in 1998, this non-profit public benefits corporation financed the compensation of approximately 1,200 Florida citizens who suffered security losses as a result of actions by Guaranteed Investment Contract Government Securities, Inc. The SBA managed the funds for the Investment Fraud Restoration Financing Corporation with short-term, high quality money market instruments.

During the 2004-05 fiscal year, no claims were paid from the GIC claims account. The market value of this fund on June 30, 2005 was $1.0 million, all of which was invested in the CAMP MM Fund.

Separately Managed Accounts

In addition to the investment mandates discussed previously, the SBA's investment responsibility extends to a wide range of smaller trust and investment funds, including portfolios for supplemental retirement benefits, economic development, lottery payouts and a variety of special purposes. The portfolio structures vary in each fund, depending on the investment objectives, time horizon and size.

Debt Service Funds

The SBA administers Debt Service Funds for bonds issued by the Division of Bond Finance on behalf of any state agency. All monies are invested in a manner consistent with the provisions of the authorizing bond resolutions and official statements. Permissible investments are limited to U.S. Treasury securities, repurchase agreements backed by U.S. Treasuries and any other investments specified in bond indentures and approved by the Division of Bond Finance. Investment maturities are dictated by the schedule of principal and interest payments on the various bond issues. Periodically, the SBA acts as a trustee and escrow agent for the purpose of defeasing previously issued debt. The proceeds of any new debt will be placed in an irrevocable trust fund to provide for all future debt service payments of the old bonds. Due to these restrictions, Debt Service Funds are considered nondiscretionary accounts. Compliance with investment requirements is determined at the time of purchase.

During the fiscal year, 14 existing bond issues were either partially or completely defeased through the issuance of new debt, and six of the 14 were called for redemption. In addition, the Jacksonville Transportation Authority deposited with the SBA, as escrow agent, sufficient funds to provide for the defeasance of the State of Florida, Full Faith and Credit, Jacksonville Transportation Authority Senior Lien Refunding Bonds, Series 1997A.

During the fiscal year, 14 existing bond issues were either partially or completely defeased through the issuance of new debt.

Department of the Lottery Fund

The SBA provides investment services for various Florida Department of Lottery games. Upon written instructions, the SBA will invest prize winnings in equal face amounts of U.S. Government or U.S. Government guaranteed debt. U.S. Government zero-coupon bonds (STRIPS) are currently the only securities held in the Lottery Fund. Due to these restrictions, the Lottery Funds are considered nondiscretionary accounts. Monthly investment reports are provided to the Department of Lottery. Compliance with investment requirements is determined at the time of purchase.

As of June 30, 2005, the market value of Lottery Fund investments under SBA management totaled $1.67 billion. A securities lending program remains in place for the Lottery securities. For the fiscal year, net lending income totaled $4.4 million.

Institute of Food and Agricultural Sciences (IFAS) Supplemental Retirement Fund

The SBA invests assets of the Institute of Food and Agricultural Sciences (IFAS) Supplemental Retirement Fund. The Florida Legislature created the Fund in 1984 to supplement the retirement benefits of certain IFAS employees. The intent was to provide them with a retirement benefit equal to what they would have received under the Florida Retirement System, plus Social Security (for which Federal employees are not eligible).

The Department of Management Services administers the IFAS supplemental retirement benefits plan for certain IFAS employees. The primary investment objective is to provide liquidity for the fund. Authorized investments include U.S. Government and agency securities, and high quality money market instruments. The majority of the assets are invested in the CAMP MM Fund. Due to liquidity demands, the IFAS Fund is considered a nondiscretionary account. Compliance with investment requirements is determined at the time of purchase.

As of June 30, 2005, the market value of the IFAS Supplemental Retirement Fund was $14.2 million, compared with $14.7 million a year earlier.

Retiree Health Insurance Subsidy (HIS) Trust Fund

The Retiree Health Insurance Subsidy Trust Fund supports monthly health insurance subsidy payments to retired members of state-administered retirement systems. Cash flow projections by the Division of Retirement guide the level of liquidity required to meet monthly obligations. Monies are invested in money market instruments of the highest applicable rating. Other eligible securities must be rated investment grade. Most securities will have a maturity of less than 3 years, although 2% may mature within 3 to 5 years. The weighted average maturity of the portfolio cannot exceed 1.5 years. The Retiree Health Insurance Subsidy

The Retiree Health Insurance Subsidy Trust Fund supports monthly health insurance subsidy payments to retired members of state-administered retirement systems.

Trust Fund is also a participant in the SBA's CAMP MM Fund. Compliance with these and other investment guidelines are observed and verified on a monthly basis. During the year, the Fund met all compliance requirements.

As of June 30, 2005, the market value of the Fund was $127.6 million, compared with $128.1 million a year earlier.

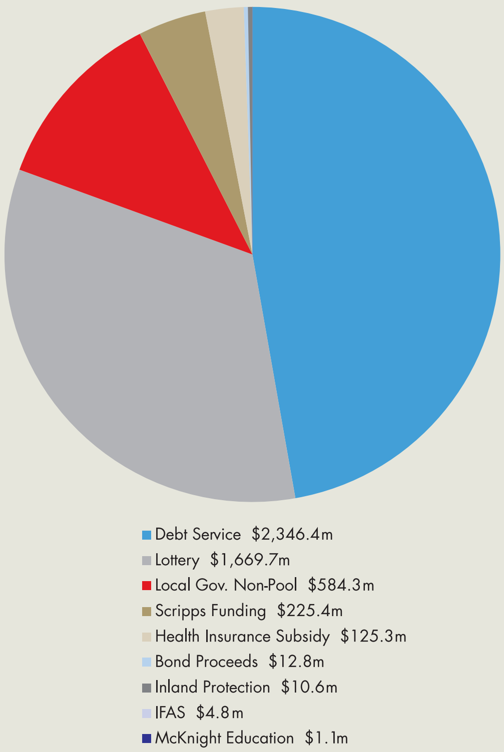
Inland Protection Financing Corporation

The Inland Protection Financing Corporation was created by Florida Statute for the purpose of financing the rehabilitation of petroleum contamination sites. The Corporation, which is administratively housed within and staffed by the SBA, can issue bonds to pay claimants and is authorized to use funds from the Inland Protection Trust Fund to pay debt service.

In 1998, the Corporation issued $253.3 million in bonds. Once all bonds are repaid, the Corporation's statutory responsibilities will cease and the SBA will have no further responsibility to the program. Under state law, the Corporation will terminate on July 1, 2011.

C32: Other SBA Separately Managed Assets

$4,980.6 million as of June 30, 2005



The funds are held and invested pursuant to a trust agreement between the Inland Protection Financing Corporation and the SBA. The Bank of New York is the custodian of the assets. Liquidity and preservation of capital are important considerations of the Fund. The SBA manages the Fund internally with investments in short-term, high quality money market securities. As of June 30, 2005, the Fund value was $10.6 million, which included $6,132 in operating monies invested in the CAMP MM Fund.

Florida Education Fund, Inc. – McKnight Doctoral Fellowship Program

The SBA manages endowment monies for the McKnight Doctoral Fellowship Program under a trust agreement with the Florida Education Fund, Inc., a not-for-profit statutory corporation. The program assists candidates with educational endeavors and enhances opportunities for program graduates to be hired for faculty positions in Florida. The initial transfer of $9 million in securities is, at the present time, client-directed, meaning that the SBA is responsible for custody of the securities, but not for managing them. Income from these assets that is not withdrawn by the client is invested in the CAMP MM Fund, whose investments the SBA does manage. On June 30, 2005, the market value of the Fellowship Program fund totaled $4.3 million, of which $1.1 million is under client direction.

Bond Proceeds Trust Fund

The Bond Proceeds Trust Fund is a fiduciary fund established to temporarily hold good faith deposits from brokers and underwriters of Florida government bonds received by the Division of Bond Finance. Monies are invested in U.S. Treasury securities or repurchase agreements backed by U.S. Treasuries until the bonds are issued. The proceeds are then transferred to the indebted unit of government. Because the monies reside with the SBA only briefly, the objective of the Fund is safety and liquidity. Due to these restrictions, the Bond Proceeds Trust Fund is considered a nondiscretionary account. Compliance with these terms is determined at the time of purchase. On June 30, 2005, the market value of the Fund was $12.8 million.

Gas Tax Trust Fund

The Gas Tax Trust Fund is a conduit for the distribution of debt service payments generated from County Gas Tax collections and remitted to the Department of Revenue and to the Department of Highway Safety and Motor Vehicles. Funds held in anticipation of scheduled debt repayment are invested in U.S. Treasury securities or short-term repurchase agreements collateralized by U.S. Treasuries. Investment maturities are dictated by the schedule of principal and interest payments on the various debt issues. Due to these restrictions,

The SBA invests funds for the Scripps Florida Funding Corporation to support the development of a biotechnology center in South Florida.

the Gas Tax Trust Fund is considered a nondiscretionary account. Compliance with these terms is determined at the time of purchase. The market value of the Gas Tax Trust Fund on June 30, 2005 was $0. Since the Gas Tax Fund operates simply as a conduit fund to distribute local gas tax collections, after debt service requirements are met, the fund rarely holds assets at month-end.

Local Government Non-Pool Funds

The SBA also invests funds on an individual basis for local governments with specific needs that cannot be met by the Local Government Pool or the CAMP products. Investment maturities and types are dictated by the local government and executed by the SBA. Due to these restrictions, the Funds are considered nondiscretionary accounts. Compliance with these terms is determined at the time of purchase. As of June 30, 2005, the net asset value of the Fund was $584.3 million.

Scripps Florida Funding Corporation

In late 2003, the Florida Legislature approved a $310 million incentive package for the Scripps Research Institute to build a biotechnology center in Palm Beach County. The SBA invests funds for the Scripps Florida Funding Corporation. The primary investment objective is to provide liquidity and meet the scheduled Scripps disbursement plan through 2010. Authorized investments include U.S. government and agency securities, investment grade corporate debt and high quality money market instruments. The majority of the fund is invested in U.S. agencies with the remainder in the CAMP MM Fund. Due to these restrictions, the Scripps Florida Funding Corporation Fund is considered a nondiscretionary account. Compliance with these terms is determined at the time of purchase. As of June 30, 2005, the market value of the Fund was $267.8 million.

The Florida Retirement System offers employees an opportunity to choose a retirement plan that is compatible with their preferences and financial planning goals.

MyFRS Financial Guidance Program

The MyFRS Financial Guidance Program is a landmark program that gives FRS members free and convenient access to personalized multi-media retirement planning services. Its goal is to provide objective information that can help members make informed retirement planning choices that meet their individual preferences and needs.

Members receive support through four channels:

Print and Video – Employees have access to personalized statements, an 8-minute New Hire video and customized material on FRS plan choice, retirement planning and investing for retirement.

Toll-free MyFRS Financial Guidance Line (1-866-446-9377) – Employees can confidentially discuss their FRS options and retirement planning issues with experienced and objective financial planners from Ernst & Young. Florida Division of Retirement counselors are also available.

MyFRS.com – This award-winning web portal is the official FRS education Web site. It provides FRS plan choice information and personalized retirement planning applications, including Financial Engines' Choice Services and the Personal Online Advisor Service. Members can enroll and manage their FRS Pension Plan or FRS Investment Plan benefits within the portal's secure single-sign-on architecture.

Workshops – Ernst & Young conducts FRS retirement plan choice, retirement planning and estate planning workshops throughout Florida.

The program was recently enhanced with the addition of Personal Retirement Forecast Statements prepared for each active FRS participant. Mailed for the first time in FY 2004-05, these statements provide a retirement income projection that includes Social Security and FRS benefits. They also indicate how much retirement income could be needed from personal savings and how much should be saved in tax-deferred accounts to attain reasonable income replacement goals.

Table 7: Employee Usage of MyFRS Financial Guidance Program
Fiscal Year 2004–2005

	FY 2004-05	Annual Growth
Toll-Free MyFRS Guidance Line Counseling Calls	113,906	38%
MyFRS.com Sessions	1,241,047	116%
Retirement Income Forecasts	354,982	63%
New Hire Choice Service	16,999	1%
2nd Election Choice Service	76,292	62%
Personal Online Advisor Service	98,805	59%
Workshop Attendance	8,543	33%
Personalized Printed Statements		
New Hire Benefit Comparison Statements	79,930	3%
Personal Retirement Forecast Statements	566,000	n/a

Figures include data from the MyFRS supporting organizations of Ernst & Young, Financial Engines and Enterpulse, but not from the Division of Retirement.

Table 7 illustrates the growing demand for services offered by the MyFRS Financial Guidance Program.

Supporting Informed and Active Retirement Plan Choices

During the fiscal year, nearly 80,000 newly-hired employees had the opportunity to choose from the two retirement plans offered under the FRS:

- The FRS Pension Plan, a traditional defined benefit plan with 6-year vesting; or
- The FRS Investment Plan, a self-directed defined contribution plan with 1-year vesting.

Danny Kilcollins, 45, says the FRS Pension Plan "is a key part" of his retirement plans.

"Between my FRS benefit, savings and Social Security, I should be able to live comfortably," says Danny, a planning manager at the Florida Division of Emergency Management in Tallahassee. Danny, who is married and has a stepdaughter, says he supports the SBA's long-term focus on "investing wisely so the money will be there when I retire."

He adds that "keeping the best interests of FRS members in mind" is a priority as the SBA manages and invests FRS assets.

The Florida Retirement System offers employees an opportunity to choose a retirement plan that is compatible with their preferences and financial planning goals. The FRS Investment Plan was designed to provide a portable retirement benefit to help attract and retain today's mobile workforce because about half of new FRS hires will leave their jobs before meeting the six-year requirement to qualify for FRS Pension Plan benefits. The FRS Pension Plan offers employees formula-based pension benefits that are guaranteed for life, based on salary and years of service.

Consistent with the SBA's mission to offer unbiased education that promotes informed and personalized retirement planning decisions, the SBA enhanced and simplified its new hire education and enrollment processes in 2003 and 2004. The primary goal was to streamline MyFRS.com and informational materials that are mailed to the homes of employees. The user-friendly changes included a new one-page FRS EZ Enrollment Form modeled after best practices in the 401(k) defined contribution marketplace, as well as simplified new hire benefit comparison statements and other communications.

Table T8 illustrates that active enrollments in the FRS Pension Plan and FRS Investment Plan have risen sharply during the past two fiscal years, reflecting the impact of the enhanced and simplified MyFRS program. Employees who do not make an active choice are automatically enrolled in the FRS Pension Plan (default), but they are given another opportunity at a later date to make an active choice.

Corporate Officer/Trustee Services

By statute, the Executive Director of the SBA serves as the Chief Executive Officer of the Inland Protection Financing Corporation (Section 376.3075, F.S.) and the Florida Water Pollution Control Financing Corporation (Section 403.1837, F.S.). The Chief Executive Officer directs and supervises the administrative affairs and the operations of the two corporations. These two public purpose corporations work with the Department of Environmental Protection to finance underground petroleum tank cleanup projects and water pollution control project construction loans to local governments in Florida, through the issuance of bonds. Employees of the SBA also serve as corporate officers and provide administrative support for the day-to-day operation of the corporations.

The SBA also serves as agent and trustee for the Division of Bond Finance for the administration of all debt service funds for bonds issued by the Division of Bond Finance. The SBA invests the reserve funds for bonds issued by the Division of Bond Finance, and serves as trustee for any sinking funds or any other funds of the bond issue, provided no bank or trust company is designated to serve in that capacity in the proceedings which authorized the issuance of the bonds. For the issuance of refunding bonds, the SBA serves as escrow agent for the proceeds of the refunding bonds which are used to defease the refunded bonds, and at the direction of the Division of Bond Finance, the SBA will redeem bonds prior to their maturity date. In case of the default of any bond issued on behalf of a state agency, the SBA succeeds to the power of the state agency and shall act on its behalf to collect the funds pledged for the payment of the debt service on the bonds, including the levying and collection of taxes pledged to the payment of the bonds.

Administrative Services

The SBA administratively supports the Division of Bond Finance and the Florida Prepaid College Board Programs. Both organizations are provided accounting, financial reporting, accounts receivable, accounts payable, cash management, facilities management, human resource management, purchasing, receiving, courier, mailroom, copy center and technology infrastructure support services by the SBA. In return, the SBA receives an annually determined administrative fee from each.

T8: FRS Enrollments by Newly-Hired Employees

	Defaults into Pension Plan	Active Enrollments-Pension Plan	Active Enrollments-Investment Plan*	Total Enrollments
Sep. 2002 – Jun. 2003	87%	5%	8%	100%
FY 2003-04	74%	11%	16%	100%
FY 2004-05	62%	17%	21%	100%

Rounding may prevent rows from totaling to 100%.
* Includes active enrollments into the Hybrid Option.

APPENDIX

T9: SBA Assets Under Management by Investment Vehicle - As of June 30, 2005

	Total Assets Under Management	SBA Investment Pools LGIP	CAMP MM	CAMP FI	CAMP DE	SBA Separately Managed Assets
RS Pension Plan	$109,875,206,410	-	-	-	-	$109,875,206,410
Local Government Investment Pool	17,697,921,209	17,697,921,209	-	-	-	-
Florida Hurricane Catastrophe Fund	3,314,731,095	-	-	-	-	3,314,731,095
Debt Service	2,346,423,074	-	-	-	-	2,346,423,074
Lawton Chiles Endowment Fund	1,874,023,016	-	52,196,615	160,888,388	1,089,240,682	571,697,331
Department of the Lottery	1,669,744,681	-	757	-	-	1,669,743,924
RS Investment Plan	1,426,242,797	-	-	-	-	1,426,242,797
Local Government Non-Pool	584,339,010	-	-	-	-	584,339,010
Scripps Florida Funding Co poration	267,810,669	-	42,445,442	-	-	225,365,227
Police and Firefighters' Premium Tax Trust Fund	171,127,628	-	171,127,628	-	-	-
Retiree Heal h Insurance Subsidy	127,638,068	-	2,296,380	-	-	125,341,688
Fla. Prepaid College Trust Fund [1]	58,031,018	-	58,031,018	-	-	-
SBA Administrative Fund	35,480,987	-	3,628,198	31,852,228	-	561
PEORP Administrative Trust Fund	23,693,633	-	23,693,633	-	-	-
Institute of Food & Agricultural Sciences	14,226,293	-	9,406,889	-	-	4,819,404
Bond Proceeds	12,843,353	-	-	-	-	12,843,353
Fla. Prepaid College Foundation	11,993,190	-	11,993,190	-	-	-
Inland Protection Financing Co poration	10,621,123	-	6,132	-	-	10,614,991
McKnight Education Fund	4,310,254	-	3,216,251	-	-	1,094,003
Blind Services	2,586,843	-	150,733	1,057,408	1,378,702	-
Fla. Endowment for Vocational Rehabilitation	1,756,363	-	1,756,363	-	-	-
Bond Fee Trust Fund	1,590,465	-	1,590,465	-	-	-
A bitrage Compliance Trust Fund	1,575,624	-	1,575,624	-	-	-
Investment F aud Restoration Financing Co p.	1,007,607	-	1,007,607	-	-	-
Fla. Prepaid College Administrative Expense	467,424	-	467,424	-	-	-
Ente prise Florida [2]	264,990	-	264,990	-	-	-
Fla. Prepaid College Savings Admin. Expense	128,386	-	128,386	-	-	-
Gas Tax [3]	-	-	-	-	-	-
Total Assets Under Management	$139,535,785,210	$17,697,921,209	$384,983,725	$193,798,024	$1,090,619,384	$120,168,462,868

1 The CAMP MM investment balance for the Fla Prepaid College Program Trust Accounts includes the Fla Prepaid College Trust Control Disbursement Account which held a negative cash balance of $4,629,903 at June 30, 2005 The Control Disbursement Account is used by SBA to cut refund checks to Prepaid participants Instead of liquidating investments immediately when checks are cut, funds remain invested in the Trust Account until they are transferred to the Control Disbursement Account to cover checks as hey clear the bank

2 The CAMP MM investment balance for the Enterprise Florida account includes a negative cash balance of $62 This resulted from an overinvestment of funds on June 30, 2005

3 The fund balance is periodically zero due to cash flows

T10: Total SBA Assets Under Management

Net Asset Value Changes by Fund During Fiscal Year 2004-05

Fund Name	Net Asset Value[1] 6-30-04	Net Contributions and Transfers	Investment Gain (Loss)	Net Asset Value[1] 6-30-05
FRS Pension Plan [2]	$102,409,370,564	($2,819,433,214)	$10,285,269,060	$109,875,206,410
Lawton Chiles Endowment Fund	1,739,242,442	(40,124,248)	174,904,822	1,874,023,016
Local Government Investment Pool	18,178,752,796	(895,714,266)	414,882,679	17,697,921,209
Local Government Non-Pool	952,932,101	(385,799,909)	17,206,818	584,339,010
Debt Service	2,259,167,180	(11,060,703)	98,316,597	2,346,423,074
Department of the Lottery	1,796,659,395	(241,366,897)	114,452,183	1,669,744,681
Retiree Hea th Insu ance Subsidy	128,103,286	(3,643,336)	3,178,118	127,638,068
Gas Tax	0	(103,081)	103,081	0
Revenue Bond Fee	1,625,885	(71,524)	36,104	1,590,465
Bond Proceeds	0	12,735,438	107,915	12,843,353
Florida Hurricane Catastrophe Fund	5,475,897,224	(2,269,816,263)	108,650,134	3,314,731,095
Inland Protection Financing Co poration	10,387,692	6,204	227,227	10,621,123
Investment Fraud Restoration Fin. Corp.	985,731	(461)	22,337	1,007,607
McKnight Education Fund	4,160,144	0	150,110	4,310,254
Blind Services	2,712,533	(300,000)	174,310	2,586,843
SBA Administrative	30,557,957	2,717,398	2,205,632	35,480,987
FRS Investment Plan Administrative (PEORP)	21,391,985	1,809,875	491,773	23,693,633
FRS Investment Plan (PEORP)	706,600,296	638,438,222	81,204,279	1,426,242,797
Institute of Food & Agricultural Sciences	14,739,782	(842,000)	328,511	14,226,293
Fla. Endowment for Vocational Rehabilitation	1,986,324	(264,161)	34,200	1,756,363
A bitrage Compliance	1,384,660	157,867	33,097	1,575,624
Police and Firefighters	153,865,156	15,095,000	2,167,472	171,127,628
Fla. Prepaid College Prog am Administrative	685,210	(224,810)	7,024	467,424
Fla. Prepaid College Trust Account	43,456,804	12,096,257	2,477,957	58,031,018
Fla. Prepaid College Savings Administrative	465,646	(345,088)	7,828	128,386
Fla. Prepaid College Foundation	7,206,764	4,650,000	136,426	11,993,190
Scripps Florida Funding Co poration	296,447,608	(39,149,704)	10,512,765	267,810,669
Ente prise Florida	0	264,161	829	264,990
Total SBA Assets Under Management	$134,238,785,165	($6,020,289,243)	$11,317,289,288	$139,535,785,210

1 Net Asset Value includes cash, investments, accrued income, and pending investment trades for all funds

2 The net contributions & transfers reported for the Florida Pension Plan include $15,931,464 in SBA investment service charges and $6,104,145 in bank and custody fees paid out of the Total Central Custody/Short Term port fo io on behalf of the entire Florida Pension Plan

T11: FRS Pension Plan Assets Market Value by Class

Fiscal Year 2004-05

	Net Asset Value 06/30/04	Net Contributions and Transfers	Investment Gain (Loss)	Net Asset Value 06/30/05
Domestic Equities	$52,071,429,808	($415,380,411)	$4,340,324,823	$55,996,374,220
Global Equities	4,192,371,437	(141,350,000)	426,573,592	4,477,595,029
International Equities	15,413,365,181	(1,617,280,346)	2,547,449,933	16,343,534,768
Fixed Income	20,669,479,133	1,691,598,813	1,488,854,862	23,849,932,808
Real Estate	5,869,972,553	(1,629,159,633)	1,124,238,980	5,365,051,900
Alternative Investments	3,490,694,587	(295,000,000)	334,960,926	3,530,655,513
Cash/Short-Term Securities [1]	541,406,571	(252,181,941)	22,837,539	312,062,169
Policy T ansition	160,651,294	(160,679,696)	28,405	3
Total FRS Pension Fund	$102,409,370,564	($2,819,433,214)	$10,285,269,060	$109,875,206,410

1 The net contributions & transfers reported for the Cash/Miscellaneous Accts include $15,931,464 in SBA investment service charges and $6,104,145 in bank and consulting fees paid out of the Total Central Cash/Short Term portfolio on behalf of the en ire FRS Pension Plan

T12: FRS Pension Plan Domestic Equity Assets Net Asset Value

Fiscal Year 2004-05

Account Name	Net Asset Value 6/30/04	Net Contributions and Transfers	Investment Gain (Loss)	Net Asset Value 6/30/05
- AAP Domestic Equity [1 2]	$0	($8,536,303)	$8,536,303	$0
- Active Core Portfolio [2]	1,695,433,430	(1,802,684,069)	107,250,639	0
- American Express Asset Mgt. G oup, Inc.	1,246,053,803	(197,220,160)	68,670,880	1,117,504,523
- Avatar R1000 Index Fund [1]	0	15,139,905,839	208,221,361	15,348,127,200
- Aronson & Partners	1,997,195,893	0	335,662,463	2,332,858,356
- Barclays Global Inv. Russell 2000 Alpha Tilts	265,121,064	0	24,701,984	289,823,048
- Barclays Global Inv. Russell 2000 Index [2]	447,788,067	(463,753,103)	15,965,036	0
- Batterymarch Financial Management	230,173,388	0	26,960,619	257,134,007
- Brown Capital Management [2]	176,315,582	(172,870,472)	(3,445,110)	0
- Cash & Central Custody Equity Reserve Fund [3]	2,183,336,481	(1,145,375,327)	(56,489,576)	981,471,578
- David L. Babson [2]	7	(136,940)	136,933	0
- Domestic Equities Asset Allocation [2]	194,560,410	(188,091,268)	(6,469,142)	0
- Domestic Equities Restructuring Account	204,114,878	42,993,771	(247,104,659)	3,990
- Dresdner RCM Global Investors, LLC	586,817,535	(555,553,480)	(31,262,018)	2,037
- Earnes Partners [1]	0	287,771,747	71,908,773	359,680,520
- Enhanced Investment Technologies, Inc.	2,365,975,523	(841,189)	291,507,555	2,656,641,889
- Goldman, Sachs & Company	1,988,783,238	(201,398,280)	34,981,714	1,822,366,672
- Grow h Index Portfolio	4,838,293,704	(4,100,975,667)	85,762,598	823,080,635
- Jacobs Levy Equity Management	336,614,677	673,382,462	102,912,767	1,112,909,906
- Phoenix Portfolio [1]	0	21,811,491,677	2,505,611,352	24,317,103,029
- PIVOT Portfolio [2]	21,895,703,880	(21,419,820,274)	(475,883,606)	0
- Private Capital Management	1,282,979,510	(50,302,911)	185,010,842	1,417,687,441
- Quantitative Management Associates [4]	1,081,100,727	0	168,328,797	1,249,429,524
- Russell 2000 Index [2]	4,174,367,135	(4,405,814,521)	231,447,386	0
- Sands Capital Management	469,283,807	345,657,298	51,158,622	866,099,727
- Special Situations [2]	121	(95,601)	95,480	0
- Turner Investment Partners	349,778,150	0	39,098,457	388,876,607
- Value Index [2]	3,110,141,769	(3,601,524,975)	491,383,206	0
- Wellington Management Company	951,497,029	(401,588,665)	105,665,167	655,573,531
Total Domestic Equities	$52,071,429,808	($415,380,411)	$4,340,324,823	$55,996,374,220

1 Account opened during the fiscal year

2 Account closed during the fiscal year

3 Name changed from Domestic Equity AAP @ Northern

4 Name changed from Prudential Asset Management Company, Inc

T13: FRS Pension Plan International Equity Assets Net Asset Value

Fiscal Year 2004-05

Account Name	Net Asset Value 06/30/04	Net Contributions and Transfers	Investment Gain (Loss)	Net Asset Value 06/30/05
Developed Markets:				
- Artisan Partners	$902,166,991	($10,000,000)	$97,486,890	$989,653,881
- Barclays Global Inv ACWI Ex-US [1]	0	747,621,647	256,399,571	1,004,021,218
- Barclays Global Inv. World Ex-US	4,677,792,183	(735,000,000)	605,240,751	4,548,032,934
- Barclays Global Inv. World Ex-US Alpha Tilts	1,659,235,365	0	276,980,058	1,936,215,423
- Britannic Asset Management/Blairlogie [2]	55	(1,137)	1,082	0
- Capital Guardian Trust Company	1,187,498,922	(409,602,500)	122,622,451	900,518,873
- Fidelity Investments	639,758,460	0	103,133,893	742,892,353
- International Equity Internal Active	118,588,518	(24,500,000)	12,260,774	106,349,292
- International Equity Market Exposure	21,171,966	(9,658,054)	1,124,551	12,638,463
- Morgan Stanley Asset Management	1,006,928,443	0	131,206,162	1,138,134,605
- New Star Institutional Asset Management	466,537,564	250,000,000	58,807,778	775,345,342
- Putnam Investments	61,710	(2,347)	(50,735)	8,628
- Sprucegrove Investment Management	1,023,348,707	0	187,256,204	1,210,604,911
- Templeton Investment Counsel	1,100,561,790	(100,000)	169,095,881	1,269,557,671
- Rowe Price Fleming International, Inc. [3]	26,798	(1,726)	(25,072)	0
Emerging Markets:				
- Acadian Asset Mgt Inc.	151,475,993	88,168,425	96,902,596	336,547,014
- Capital Int'l Emerging Markets G owth Fund [2]	80,666,396	(78,668,425)	(1,997,971)	0
- Genesis Emerging Markets	302,238,178	(49,000,000)	120,617,602	373,855,780
- JP Morgan Asset Management	269,303,976	(23,500,000)	89,924,881	335,728,857
- Mondrian Investment Partners Ltd. [4]	156,586,191	65,000,000	94,861,469	316,447,660
- SSGA Daily Active Emerging Markets	298,164,474	(54,000,000)	102,223,158	346,387,632
Other International Equities:				
- International Equities Cash	287,657	(236,736)	199,445	250,366
- International Equity Asset Allocation Portfolio [5]	1,350,964,844	(1,373,799,493)	23,178,514	343,865
Total International Equities	$15,413,365,181	($1,617,280,346)	$2,547,449,933	$16,343,534,768

1 Account opened during the fiscal year

2 Account closed during the fiscal year

3 Name changed from T Rowe Price International, Inc

4 Name changed from Delaware International Advisors Ltd

5 Name changed from International Equity AAP @ Northern

T14: FRS Pension Plan Global Equity Assets Net Asset Value

Fiscal Year 2004-05

Account Name	Net Asset Value 06/30/04	Net Contributions and Transfers	Investment Gain (Loss)	Net Asset Value 06/30/05
- Bank of Ireland Asset Management	$930,213,422	($53,000,000)	$50,683,733	$927,897,155
- Fisher Investments, Inc.	411,619,297	(25,000,000)	36,095,160	422,714,457
- FTI Institutional	622,538,776	(15,000,000)	85,748,652	693,287,428
- McLean Budden	853,217,588	0	80,333,705	933,551,293
- Putnam Advisory Company, LLC.	60,893	0	(40,633)	20,260
- UBS Global Asset Management	943,957,727	(48,350,000)	112,634,357	1,008,242,084
- Walter Scott & Partners, Ltd.	430,763,734	0	61,118,618	491,882,352
Total Global Equities	$4,192,371,437	($141,350,000)	$426,573,592	$4,477,595,029

T15: FRS Pension Plan Fixed Income Assets Net Asset Value

Fiscal Year 2004-05

Account Name	Net Asset Value 06/30/04	Net Contributions and Transfers	Investment Gain (Loss)	Net Asset Value 06/30/05
Aggregate:				
- BlackRock	$1,445,144,540	$972,418,594	$125,063,953	$2,542,627,087
- Fixed Income AAP @ Northern Trust	2,223,258,275	(2,310,932,304)	87,674,037	8
Government/Corporate:				
- Active Core Portfolio	7,815,459,910	900,269,884	548,562,397	9,264,292,191
- Fixed Income Gov't./Co p. Index Fund [3]	2,038,911,936	(2,118,093,547)	79,181,611	0
- Fixed Income Gov't./Co p. Passive Account [2]	0	3,153,382,423	88,796,444	3,242,178,867
- Taplin, Canida & Habacht	235,753,182	0	16,529,860	252,283,042
High Yield:				
- High Yield Asset Allocation	175,901	815,546	1,257,715	2,249,162
- High Yield Passive Synthetic	304,577,749	44,000,000	41,774,645	390,352,394
- Lehman B others High Yield [2]	0	176,780,155	5,495,410	182,275,565
- MacKay Shields, LLC	399,332,402	4,644,716	33,896,433	437,873,551
- Pacific Investment Management	3,232,734	(3,460,296)	227,562	0
- Post Advisory Group [2]	0	175,000,000	3,332,205	178,332,205
- Shenkman Capital Management LLC	357,167,582	51,000,000	33,826,411	441,993,993
- W R. Huff	358,930,978	(380,780,121)	21,853,598	4,455
Mortgage:				
- Fixed Income Mortgages-Active	669,557,518	(238,000,000)	44,733,475	476,290,993
- Fixed Income Mortgages-Passive	760,000,019	(75,000,000)	48,259,959	733,259,978
- Fixed Income Mortgage Passive (Lehman) [2]	0	1,715,781,246	43,272,536	1,759,053,782
- Lehman B others Asset Mgt. LLC [1 4]	114,096,944	0	7,027,189	121,124,133
- Lincoln Capital Management [1 3]	392,442,250	(409,941,258)	17,499,008	0
- Smith Breeden Associates [1]	605,823,549	334,000,000	44,798,026	984,621,575
- Trust Company of the West [1]	1,909,470,644	(300,000,000)	130,049,799	1,739,520,443
- Utendahl Capital Management [1]	623,980,599	0	41,368,441	665,349,040
- Wellington Management Company [1]	412,162,421	0	24,087,923	436,250,344
Government/Corporate/Mortgage:				
- FI AAP Mortgage T ading Account [2 3]	0	(28,086)	28,086	0
- FI Passive Mortgage Trading Account [2 3]	0	(258,140)	258,140	0
Total Fixed Income	$20,669,479,133	$1,691,598,813	$1,488,568,637	$23,849,932,808

1 The Mortgage Group Trust was dissolved on April 30, 2005 Mortgage managers that made up the Mortgage Group Trust will continue to be reported individually
2 Account opened during the fiscal year
3 Account closed during the fiscal year
4 Name changed from Lincoln Capital Active Mortgage

T16: FRS Pension Plan Real Estate Net Asset Value[1]

Fiscal Year 2004-05

Account Name	Net Asset Value 06/30/04	Net Contributions and Transfers	Investment Gain (Loss)	Net Asset Value 06/30/05
- Commingled Funds	$622,504,713	$169,201,370	$108,994,120	$900,700,203
- Directly Owned Investments	3,329,045,039	(220,136,674)	609,804,985	3,718,713,350
- Non-Capitalized Expenses	0	(9,256)	9,256	0
- Pending Acquisitions	178,526	10,032	(178,526)	10,032
- Real Estate Cash	10,878,187	(1,825,519)	1,098,100	10,150,768
- Real Estate Investment Trusts (REITS)	1,411,202,306	(1,050,000,001)	363,136,436	724,338,741
- Real Estate Short-term Interest	0	(26,119)	26,119	0
- Real Estate Stock	496,163,782	(526,373,466)	41,348,490	11,138,806
Total Real Estate	$5,869,972,553	($1,629,159,633)	$1,124,238,980	$5,365,051,900

1 Real estate net asset values are an estimate of value which may or may not represent the value which would be reflected by an actual arm's length sales transaction

T17: FRS Pension Plan Alternative Investments Assets Net Asset Value [2]

Fiscal Year 2004-05

Account Name	Net Asset Value 06/30/04	Net Contributions and Transfers	Investment Gain (Loss)	Net Asset Value 06/30/05
- Apollo Investment Fund IV, L P.	$225,649,576	($84,139,714)	$68,115,718	$209,625,580
- Apollo Investment Fund V, L.P.	61,368,736	(5,096,226)	61,033,225	117,305,735
- Carlyle Partners II , L.P.	119,598,065	(50,608,906)	(5,743,713)	63,245,446
- Carlyle Partners III , L.P.	183,688,903	(30,074,720)	44,406,950	198,021,133
- Carlyle Partners IV, L.P.[1]	0	764,999	(264,766)	500,233
- Centre Capital Investments	81,209,405	(2,332,600)	4,777,066	83,653,871
- Chartwell Capital Investors II, L.P.	37,651,034	(8,230,232)	7,390,528	36,811,330
- Cypress Equity Fund	12,050,470	(2,320,786)	771,382	10,501,066
- Fairview Ventures Fund II, L.P.[1]	0	5,698,138	(1,852,637)	3,845,501
- Freeman Spogli (FS) Partners V, L P.	1,798,092	12,747,823	(10,871)	14,535,044
- Goldman Sachs Distressed Opportunities, L P.[1]	0	43,384,717	936,587	44,321,304
- Gores Capital Partners, L.P.	8,392,741	6,624,582	(1,815,520)	13,201,803
- Green Equity Investors III, L.P.	60,403,396	(35,430,868)	10,723,204	35,695,732
- Green Equity Investors IV, L P.	12,774,507	6,368,262	4,213,662	23,356,431
- Grove Street (GS) Partners LLC	0	9,232,557	(1,714,705)	7,517,852
- Hellman & Friedman Capital Partners V, L P.[1]	0	5,678,346	(693,502)	4,984,844
- Hicks, Muse, Tate & Furst III, L.P.	123,268,773	(47,360,216)	(22,869,415)	53,039,142
- Hicks, Muse, Tate & Furst Fund IV, L.P.	136,396,328	(59,045,467)	(20,030,590)	57,320,271
- Hicks, Muse, Tate & Furst Fund V, L.P.	4,328,686	6,767,764	2,351,440	13,447,890
- Kelso Investment Associates VII, L.P.[1]	0	14,844,116	(733,306)	14,110,810
- Kohlberg Investors V, L.P.[1]	0	3,075,737	(788,338)	2,287,399
- Lexington Coinvestment Partners (Pools I & II)	331,158,411	(281,981,302)	39,589,333	88,766,442
- Lexington Coinvestment Partners II (Pools III & IV)	216,630,891	117,394,314	96,605,242	430,630,447
- Lexington Capital Partners IV, L P.	130,842,129	(28,056,233)	12,979,640	115,765,536
- Lexington Capital Partners V, L P.	37,034,661	17,949,157	10,383,236	65,367,054
- Liberty Partners I	47,183,160	(65,372,451)	23,921,991	5,732,700
- Liberty Partners II	209,559,965	(23,821,592)	65,990,820	251,729,193
- Liberty Partners III	472,540,627	(2,504,791)	(191,484,128)	278,551,708
- Liberty Partners IV	3,129,435	27,608	(1,331,539)	1,825,504
- Liberty Partners V	179,876,003	(75,302,892)	8,819,915	113,393,026
- Liberty Partners VI	375,689,255	102,401,186	9,846,909	487,937,350
- New Mountain Partners II, L.P.[1]	0	9,793,900	(583,573)	9,210,327
- Pantheon Venture Partners II, L P.	1,005,070	2,562,500	(1,107,847)	2,459,723
- Paul Capital Top Tier Investments II, L.P.	22,326,782	16,538,726	(918,560)	37,946,948
- Paul Capital Top Tier Investments III, L.P.[1]	0	75,000	(75,000)	0
- PCG Special Situation Partners, L.P.	79,893,861	1,774,531	8,425,867	90,094,259
- Platinum Equity Capital Partners, L P.	1,591,129	7,269,522	1,611,129	10,471,780
- Private Equity Cash	42,516,817	170,248,212	2,042,565	214,807,594
- Ripplewood Partners I, L.P.	59,761,156	(30,810,637)	26,712,854	55,663,373
- Ripplewood Partners II, L P.	6,597,573	12,477,040	(2,120,385)	16,954,228
- Thomas H. Lee Equity Fund IV, L P.	54,149,326	(20,322,202)	24,245,891	58,073,015
- Thomas H. Lee Equity Fund V, L P.	23,583,891	1,417,788	22,873,892	47,875,571
- TGP Partners IV (Cayman), L P.	6,055,684	8,878,015	3,239,671	18,173,370
- TSG Capital Fund III, L P.	39,007,501	(34,660,455)	9,315,361	13,662,407
- Wellspring Capital Partners III, L.P.	13,071,403	3,370,650	5,832,508	22,274,561
- Willis, Stein & Partners II, L P.	11,924,447	(4,065,683)	3,130,593	10,989,357
- Willis, Stein & Partners III, L P.	56,986,698	9,172,783	8,812,142	74,971,623
Total Alternative Investments	$3,490,694,587	($295,000,000)	$334,960,926	$3,530,655,513

1 Account opened during the fiscal year

2 Alternative Investment net asset values are an estimate of value which may or may not represent the values which would be reflected by an actual arm's length sales transaction The net asset values are se f reported by the external managers of these accounts and incorporate their estimate of the value of illiquid publicly traded securities and private market holdings

T18: FRS Pension Plan Miscellaneous Portfolios Net Asset Value

Fiscal Year 2004-05

Account Name	Net Asset Value 06/30/04	Net Contributions and Transfers	Investment Gain (Loss)	Net Asset Value 06/30/05
Total Cent al Cash/Short-Term [1]	$541,406,571	($252,181,941)	$22,837,539	$312,062,169
Policy T ansition				
- Domestic Equity Policy Transition	936,373	(963,824)	27,454	3
- Fixed Income Policy Transition [2]	159,714,921	(159,715,872)	951	0
Total Policy Transition	$160,651,294	($160,679,696)	$28,405	$3

1 The net contributions & transfers reported for the Total Central Cash/Short Term portfolio include $15,931,464 in SBA investment service charges and $6,104,145 in bank fees that were paid out of this portfolio on beha f of the entire Florida Retirement System Trust Fund

2 Account closed during year

T19: Lawton Chiles Endowment Fund Aggregate Investment Performance

Annualized Returns for Selected Periods Ending June 30, 2005

	1 Year	3 Years	5 Years	Since Inception
Total Endowment				
Managed Return	10.12%	10.10%	2 50%	3 54%
Value Added	0.25%	0.11%	0.13%	0.19%
Domestic Equities				
Managed Return	7.88%	9.42%	-1.83%	-0.09%
Value Added	0.12%	0.08%	0.02%	-0.13%
Fixed Income				
Managed Return	7.02%	5.99%	7.61%	7.14%
Value Added	0.22%	0.23%	0 21%	0 22%
International Equities				
Managed Return	16.08%	12.82%	-0.61%	-0.11%
Value Added	-0.27%	-0.72%	-0.83%	-0.69%
Inflation-Indexed Bonds				
Managed Return	9.87%	9.63%	10 22%	10.71%
Value Added	0.54%	0.20%	0 23%	0 28%
Real Estate				
Managed Return	33.91%	21.05%	19.96%	21.44%
Value Added	-0.77%	-0.39%	-0 51%	-0 38%
Cash/Short-Term				
Managed Return	2.24%	1.62%	2.48%	2.94%
Value Added	-0.11%	0.05%	-0.01%	-0.08%

Managed returns are net of external investment manager fees

T20: Lawton Chiles Endowment Fund Assets Under Management

Market Value Change by Fund

Account Name	Net Asset Value 6-30-04	Net Contributions and T ansfers	Investment Gain (Loss)	Net Asset Value 6-30-05
DOMESTIC EQUITIES MANAGERS - INTERNAL				
P Chiles Domestic Equities Portfolio	$1,020,438,625	($11,234,789)	$80,073,240	$1,089,277,076
FIXED INCOME MANAGERS - INTERNAL				
P Chiles Government/Corporate Portfolio	150,209,918	(400,000)	11,078,471	160,888,389
FIXED INCOME MANAGERS - EXTERNAL				
P Lincoln Capital Management	81,415,164	400,000	5,168,014	86,983,178
INTERNATIONAL EQUITIES MANAGERS - EXTERNAL				
P Barclays Global Investors-MSCI ACWI	105,953,047	(106,855,242)	948,664	46,469
A Capital Gua dian	121,979,675	(120,974,848)	(935,670)	69,157
P Chiles International Equities Portfolio (Acadia)	0	209,613,681	36,197,993	245,811,674
INFLATION-INDEXED BONDS - INTERNAL				
P Inflation Linked Treasury	167,636,351	0	16,538,143	184,174,494
REAL ESTATE MANAGERS - EXTERNAL				
P Chiles Endowment Real Estate	77,383,498	(10,673,050)	25,545,572	92,256,020
CASH/SHORT-TERM MANAGERS - INTERNAL				
A CAMP Money Market Fund	14,226,164	0	290,395	14,516,559
TOTAL LAWTON CHILES ENDOWMENT	$1,739,242,442	($40,124,248)	$174,904,822	$1,874,023,016

A Active P Passive

T21: Lawton Chiles Endowment Fund External Investment Management Fees

Fiscal Year 2004-05

Asset Class	Dollar Amount	Return Basis[1]
International Equities	$568,734	0.23%
Fixed Income	33,737	0.04%
Real Estate	112,904	0.13%
Total	$715,375	0.17%

[1] Return basis expresses external management fees as a percent of the average of he beginning and ending net asset value of assets externally managed in each asset class This measure is comparable to an annual expense ratio

T22: Local Government Investment Pool
(L.G. Surplus Funds Trust Fund)
Assets by Type as of June 30, 2005

	Net Asset Value[1] 06/30/05	% of Total
POOLED ACCOUNTS		
Cash	$13,737,780	0.1%
Certificates of Deposit	976,902,930	5.3%
Commercial Paper	5,669,954,971	31.0%
Extendable Notes	79,786,367	0.4%
Federal Agency Obligations	3,757,101,151	20.6%
Floating/Adjustable Rate Notes	1,113,948,505	6.1%
Liquidity Notes	5,434,947,591	29.7%
Treasury Bills, Notes & Bonds	651,541,914	3.6%
Total Pooled Investments	$17,697,921,209	96.8%
NON-POOLED ACCOUNTS		
Cash	$2,145	0.0%
Commercial Paper	29,978,797	0.2%
Extendable Notes	9,999,056	0.1%
Liquidity Notes	40,087,606	0.2%
Repurchase Agreements	504,271,406	2.8%
Total Non-Pooled Investments	$584,339,010	3.2%
Grand Total Local Government Su plus Funds	$18,282,260,219	100.0%

[1] Net Asset Value includes accrued interest In addition, the Pooled Investment Account includes the Local Government Pool Securities Lending Account

CORPORATE GOVERNANCE

SBA's fiduciary responsibility to the FRS goes beyond direct investment decisions. It also encompasses efforts to strengthen the governance of companies in which we invest. Fostering better corporate governance enhances shareholder value and supports our long-term investment objectives.

To ensure that proxies are voted consistently and reliably, the SBA has developed a comprehensive set of proxy voting guidelines. These guidelines cover a wide range of financial issues, such as auditor independence, board structures, director independence and executive compensation.

In fiscal year 2004-05, the SBA voted all shares held on 3,262 shareholder meeting agendas, encompassing 23,164 individual ballot items. On these proxy issues, the SBA voted *for*, *against*, or *abstain* on 71.5%, 15.7% and 12.8% of all items, respectively. Of all votes cast, 27.6% were against the management recommended vote (or "MRV").

In addition, the SBA actively monitors the governance structures of individual companies. When necessary, the SBA will communicate with companies directly or support shareholder initiatives coordinated with other institutional investors. As new governance-related rules and regulatory proposals are released publicly, the SBA periodically submits formal comment to regulatory oversight bodies such as the Securities and Exchange Commission, the stock exchanges (e.g., the New York Stock Exchange and NASDAQ Stock Market), the Financial Accounting Standards Board and the Public Company Accounting Oversight Board.

A record of individual proxy votes and more information about corporate governance activities can be found at www.sbafla.com.

ABOUT THE SBA

Founded in 1943, the SBA is a leader in investment management of public pension funds, including the Florida Retirement System Trust Fund, which ranks as the fourth-largest public pension fund in the United States and eighth-largest in the world. The SBA has a strong history of delivering positive long-term returns on investment, with a focus on prudent and ethical investment and risk management. The SBA is governed by the Board of Trustees, which has fiduciary responsibility for the management and oversight of the SBA.

Under state law, the SBA and its staff are obliged to:

- Make sound investment management decisions that are solely in the interest of pension plan participants and their beneficiaries; and
- Make investment decisions from the perspective of subject-matter experts acting under the highest standards of professionalism and care, not merely as well-intentioned persons acting in good faith.

As a professional investment management organization, the SBA is prohibited from pursuing social or political agendas in its investment decisions.

The SBA is required to invest assets and discharge its duties in accordance with Florida law and in compliance with fiduciary standards of care. To ensure compliance, the SBA is subject to oversight by a variety of bodies and organizations and operates under an array of formal policies and guidelines. For more information, see SBA's website at www.sbafla.com.

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