State Board of Administration of Florida
Florida Retirement System (FRS) Trust Fund

Fiscal Years Ended June 30, 2017 and 2016

FINANCIAL STATEMENTS, NOTES TO THE FINANCIAL STATEMENTS, AND MANAGEMENT'S DISCUSSION AND ANALYSIS

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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
State Board of Administration of Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Florida Retirement System Trust Fund (the “Trust”) administered by the State Board of Administration (“SBA”) of Florida, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Trust’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust administered by the SBA as of June 30, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Trust and do not purport to, and do not, present fairly the financial position of the State of Florida, the State Board of Administration of Florida or the Florida Retirement System as of June 30, 2017, their changes in financial position, or, where applicable, their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Notes 2 and 3, the financial statements include investments valued at approximately $35.0 billion as of June 30, 2017, for which fair value has been estimated by general partners and investment advisors, and reviewed and approved by the Trust's management, in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuation, the estimate of values may differ from the values that would have been used had a ready market existed for the investment securities, and the differences could be material. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of the Trust as of June 30, 2016, were audited by other auditors whose report dated December 5, 2016, expressed an unmodified opinion on those statements. The other auditors report included a Basis of Presentation and Adoption of GASB Statement No. 72, *Fair Value Measurement and Application* emphasis of matter, neither of which modified their opinion with respect to those matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 6, 2017 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Tampa, Florida
November 6, 2017

Management's Discussion and Analysis

Introduction

This section of the financial statements of the Florida Retirement System Trust Fund (the Trust) presents management's discussion and analysis of the Trust's financial position for the fiscal years ended June 30, 2017 and 2016. Please read it in conjunction with the basic financial statements and the accompanying notes, which follow this section.

As further described in Note 1 to the financial statements, the Florida Retirement System (FRS) Pension Plan (the Plan) is a cost-sharing, multiple-employer defined benefit pension plan for eligible members of the Florida Retirement System who have not elected to participate in the Florida Retirement System Investment Plan (FRS Investment Plan), a defined contribution plan.

The Florida Legislature is responsible for establishing Plan structure, benefit levels and contribution rates, and providing statutory authority for administering the Plan. The Plan is administered by the Division of Retirement within the Department of Management Services (DMS). DMS's responsibilities include directing actuarial studies, collecting contributions to the Plan, transmitting contributions to the State Board of Administration of Florida (the SBA) for deposit in the Trust, and making benefit payments. The SBA is responsible for investing Trust assets consistent with statutory authority.

Financial Statements

The financial reporting entity represented in the basic financial statements and accompanying notes is the Trust, which consists of the assets held in trust by the SBA for the payment of retirement benefits and reasonable administrative expenses of the Plan. The financial statements of the Trust do not include the pension liabilities of the participating employers. The assets, liabilities, and net position of the Trust are reported in the comprehensive annual financial reports (CAFRs) published by the State of Florida and the Department of Management Services.

The Trust's basic financial statements include two-year comparative statements of net position and statements of changes in net position. The statements of net position provide a measurement of the financial status of the Trust as of the end of the fiscal year. The statements of changes in net position present the results of investing activities during the fiscal years presented in this report.

The accompanying notes to financial statements also are important to the reader's understanding of the financial statements and provide additional information regarding the Trust, such as accounting policies, significant account balances and activities, material risks, obligations, contingencies and subsequent events, if any.

Management's Discussion and Analysis

Statements of Net Position

The statements of net position present the assets, liabilities and net position (total assets in excess of total liabilities) of the Trust as of the end of the fiscal year and are point-in-time financial statements.

	As of June 30		
	2017	2016	2015
Assets	*(In Millions)*		
Cash and cash equivalents	**$ 131**	$ 137	$ 723
Investments	**156,435**	143,655	151,192
Security lending collateral	**1,290**	1,916	8,347
Receivables and prepaid expenses	**6,874**	6,791	4,453
Total assets	**164,730**	152,499	164,715
Liabilities			
Total liabilities	**10,569**	10,588	16,276
Net position held in trust	**$ 154,161**	$ 141,911	$ 148,439

Statements of Changes in Net Position

The statements of changes in net position show the net investment income earned by the Trust, the contributions from employers and employees, and the deductions for members and beneficiaries that occurred during the fiscal year.

	Fiscal Years Ended June 30		
	2017	2016	2015
	(In Millions)		
Additions			
Investment income	**$ 19,322**	$ 1,332	$ 5,697
Investment expenses	**(572)**	(555)	(530)
Net security lending income	**49**	40	38
Total net investment income	**18,799**	817	5,205
Contributions:			
Employer/employee contributions received from DMS	**3,296**	3,085	3,113
Member-directed benefits received from the FRS Investment Plan Trust Fund	**71**	55	58
Total contributions	**3,367**	3,140	3,171
Total additions	**22,166**	3,957	8,376
Deductions			
Funds sent to DMS for benefit payments	**9,347**	9,873	8,941
Member-directed benefits sent to the FRS Investment Plan Trust Fund	**569**	612	719
Total deductions	**9,916**	10,485	9,660
Change in net position	**12,250**	(6,528)	(1,284)
Net position held in trust:			
Beginning of year	**141,911**	148,439	149,723
End of year	**$ 154,161**	$ 141,911	$ 148,439

Management's Discussion and Analysis

Analysis

The Trust's net position increased by $12.3 billion (8.6%) and decreased by $6.5 billion (4.4%) during fiscal years 2017 and 2016, respectively. For 2017, strong market performance had a significant, positive impact on the Trust's bottom line. In fiscal year 2016, withdrawals for benefit payments and transfers to the FRS Investment Plan Trust Fund exceeded contributions and investment income.

Investment income was approximately $19.3 billion and $1.3 billion for fiscal years 2017 and 2016, respectively. In fiscal year 2017, total investment income was up nearly $18 billion over the previous year, as the Trust experienced positive, double-digit returns. For fiscal year 2016, the global equity, private equity and strategic investments returns exceeded their benchmarks but the Trust's overall fund return was nearly flat. Additional information has been provided in the Investment Returns section below.

Investment expenses totaled $572 million, or .39% (39 basis points) of total average investments for fiscal year ended 2017, compared with investment expenses of $555 million, or .39% (39 basis points) of total average investments for fiscal year ended 2016. The investment expense increased by $17 million (3.1%) and $25 million (4.7%) during fiscal years 2017 and 2016, respectively. The increases were due in large part to the growth in assets under management (AUM) and the addition of several new private asset investments.

Net security lending income of $49 million in fiscal year 2017 increased by approximately $9 million (22.5%) compared to an increase of $2 million (5.3%) in fiscal year 2016. The fluctuations are due to changes in demand and pricing of loaned securities. The lending program continues to focus on maximizing earnings while managing reinvestment risk. (See Note 3 for additional information on the securities lending program.)

Total contributions to the Trust of $3.4 billion, in fiscal year 2017, increased by $227 million (7.2%) following a decrease of $31 million (1.0%) during fiscal year 2016. Total deductions from the Trust of $9.9 billion, in fiscal year 2017, decreased by $569 million (5.4%) following an increase of $825 million (8.5%) during fiscal year 2016.

Trust funds are sent to DMS for retiree benefit payments throughout the year. Funds sent from the Trust to DMS for benefit payments decreased by $526 million (5.3%) and increased by $932 million (10.4%) during fiscal years 2017 and 2016, respectively. Member-directed benefits sent to the FRS Investment Plan Trust Fund reflect elections by the FRS members to transfer their membership from the Plan to the FRS Investment Plan. Member-directed benefits sent to the FRS Investment Plan Trust Fund decreased by $43 million (7.0%) and $107 million (14.9%) during fiscal years 2017 and 2016, respectively.

Management's Discussion and Analysis

Contribution Rates

Contributions consist of employer and employee contributions to the Plan received from DMS, and member-directed benefits received from the FRS Investment Plan Trust Fund.

	Employee Rate	Employer Rate[1]		
Membership Class	**FYs 2015-17**	**FY 2017**	FY 2016	FY 2015
Regular	**3.00 %**	**5.80** %	5.56 %	6.07 %
Special risk	**3.00**	**20.85**	20.34	18.52
Special risk: administrative support	**3.00**	**26.34**	31.25	40.77
Legislators	**3.00**	**40.38**	44.10	44.96
Governor, Lt. Governor, and cabinet officers	**3.00**	**40.38**	44.10	44.96
State Attorney, public defenders	**3.00**	**40.38**	44.10	44.96
Justices, judges	**3.00**	**34.98**	34.01	31.87
County and local elected officers	**3.00**	**40.75**	40.57	41.94
Senior management service	**3.00**	**20.05**	19.73	19.84
DROP	**0.00**	**11.33**	11.22	11.02

[1] Employer rates presented in this table do not include employer contributions for Health Insurance Subsidy (1.66% for FYs 2017 and 2016, and 1.26% for FY 2015) or plan administrative/educational expense (.06% for FY 2017, .04% for FYs 2016 and 2015) as these amounts are not deposited into the Trust.

Management's Discussion and Analysis

Investment Returns[1]

The Trust earned an overall investment return of 13.77% for fiscal year 2017, outperforming its benchmark over the trailing one-, three-, five-, ten- and fifteen-year periods. The 2017 total fund return exceeded the benchmark by 81 basis points. The 2016 total fund return exceeded the benchmark by 65 basis points.

For the fiscal years ended June 30, 2017 and 2016, the Trust's investment returns, by major asset class, were as follows:

	2017		2016	
Asset Class	**Return**	**Benchmark**	Return	Benchmark
Global equity	**19.70** %	**19.06** %	-3.11 %	-3.83 %
Fixed income	**0.27**	**-0.16**	4.30	4.36
Real estate	**8.73**	**6.87**	12.66	12.82
Private equity[2]	**18.21**	**21.98**	6.21	-0.65
Strategic investments	**9.75**	**6.60**	1.83	1.11
Cash	**0.62**	**0.54**	0.33	0.15
Total fund	**13.77**	**12.96**	0.54	-0.11

1 The above investment performance information for June 30, 2017 and 2016, is the investment return data supplied by the SBA's master custodian and performance measurement service provider, BNY Mellon Performance Reporting and Analytics Services. These rates of returns do not necessarily reflect the same information and accounting treatments as included in the Trust's Statements of Changes in Net Position, due to the latter's inclusion of subsequent updates to private market investment valuations, timing differences in the recognition of receivables and other items, and differences in GASB accounting rules and SBA performance measurement policies. For 2016, Total Fund performance, based on 2016 audited information as certified by BNY Mellon Performance Reporting and Analytics Services, was .56%. As of the issuance date of the audit report for 2017, final Total Fund performance based on 2017 audited information was not available.

2 Per industry convention, Private Equity returns are presented on a dollar-weighted basis. All other returns (including Total Fund) are on a time-weighted basis. Time-weighted returns show the value of one dollar invested in a portfolio for the entire period while dollar-weighted returns show an average return of all dollars in the portfolio for the period.

More detailed information and analysis of the Trust's performance can be obtained from the SBA's Annual Investment Report, which can be found at www.sbafla.com.

Management's Discussion and Analysis

Economic Factors

The 2017 fiscal year was primarily characterized by economic stability, low volatility, and strong equity returns. Rather surprisingly, despite several political events throughout the year, investors primarily maintained a risk-on attitude and capital markets generated strong returns. On the heels of the Brexit referendum, global markets began the fiscal year positively with expectations of minimal impact on the global economy, along with evidence of stabilization in China's economy and central bank stimulus in the UK and Japan. Uncertainty briefly crept into markets surrounding the November U.S. Presidential election and on speculation around a December Federal Fund's rate hike. Bond yields spiked nearly 100 bps from October through the end of 2016, though remained mostly range-bound during the rest of the fiscal year. Post the surprising United States' presidential election results, U.S. equity markets rallied on the promise of infrastructure spending, tax reform and de-regulation. The Federal Reserve's rate hike in December marked the first of three rate hikes throughout the year and weighed somewhat on equity markets, but not enough to outweigh the earlier gains post-election.

The second half of the 2017 fiscal year was characterized by concerns surrounding the administration's ability to deliver on pre-election promises and reassurance from positive economic growth. Inflation expectations fell and Treasury yields moderated. Investors focused on the positive news, including economic growth in both the U.S. and abroad, favorable earnings results, expectations the administration would switch gears towards tax reform, and a favorable election result in France. Central Bank policy was also at the forefront of investors' focus. The second Federal Fund rate hike, in March 2017, was highly anticipated and therefore, had a relatively benign impact on markets. However, the third rate hike which took place in June, received more attention as concerns arose surrounding an end to easing monetary policies. As stronger economic data came out of Europe, the European Central Bank (ECB) and the Bank of England gave hawkish signals, including reports that the ECB may begin tapering its quantitative easing program later in 2017. The shift in central bank policy from divergence to convergence, along with downward pressure on the U.S. Dollar (USD), brought a tailwind for international and emerging equity markets.

Management's Discussion and Analysis

Economic Factors (continued)

In terms of returns, global equity markets remained mostly enthused throughout the year. U.S. equities continued their bull market, rallying on pro-growth promises from the Trump administration and continued signals of economic stability. The broad U.S. equity market, as represented by the Dow Jones U.S. Total Stock Market Index, returned an 18.5% over the 2017 fiscal year. Diverging from the past several years, international developed and emerging markets outperformed U.S. equities on both a hedged and unhedged basis over the year. International equities proved resilient against the Brexit referendum and gained on strong economic growth. Developed international markets, represented by the MSCI EAFE Index returned 20.3% in USD terms and 22.1% in local currency. Despite experiencing weakness around the U.S. Presidential election, emerging markets fared even better, posting a 23.8% return in USD terms and 21.8% in local currency, as represented by the MSCI Emerging Markets Equity Index. Consistent with the risk-on mentality, credit spreads tightened and spread sectors of the bond market outpaced safe haven treasuries. The broad Bloomberg Barclays Aggregate Bond Index declined 0.3% for the year, while the Bloomberg Barclays High Yield Index returned 12.7%. Overall, the 2017 fiscal year provided a strong return for a portfolio comprised primarily of traditional equities and bonds.

Contacting the Trust's Financial Management

This financial report is designed to provide citizens, taxpayers, plan members, and other interested parties with an overview of the Trust's finances and the prudent exercise of the SBA's oversight. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Operating/Financial Officer, State Board of Administration of Florida, P.O. Box 13300, Tallahassee, Florida 32317.

Statements of Net Position

	As of June 30	
	2017	2016
	(In Thousands)	
Assets		
Cash and cash equivalents	**$ 130,729**	$ 137,042
Investments:		
Fixed income	**33,757,801**	32,254,769
Equities	**87,671,435**	78,296,924
Alternative	**24,004,242**	22,440,286
Real estate	**10,984,655**	10,581,549
Other	**17,211**	82,181
Total investments	**156,435,344**	143,655,709
Security lending collateral	**1,289,852**	1,915,672
Receivables:		
Forward foreign currency contracts	**4,498,291**	4,031,875
Spot foreign currency contracts	**454,201**	610,594
Investments sold, but not settled	**1,221,252**	1,499,740
Accrued interest and dividends	**324,454**	296,285
Margin receivable from counterparty	**41,239**	40,781
Due from DMS	**327,124**	303,945
Total receivables	**6,866,561**	6,783,220
Prepaid investment management fees	**7,623**	7,623
Total assets	**164,730,109**	152,499,266
Liabilities		
Forward foreign currency contracts	**4,494,948**	4,008,032
Spot foreign currency contracts	**454,190**	610,918
Investments purchased, but not settled	**3,700,825**	3,168,209
Short sell obligations	**322,263**	344,045
Accounts payable and accrued liabilities	**107,993**	93,833
Margin payable to counterparty	**988**	44,262
Obligations under security lending agreements	**1,328,234**	1,960,173
Due to DMS	**159,679**	358,325
Total liabilities	**10,569,120**	10,587,797
Net position held in trust	**$ 154,160,989**	$ 141,911,469

See accompanying notes to financial statements.

Statements of Changes in Net Position

	Fiscal Years Ended June 30	
	2017	2016
	(In Thousands)	
Additions		
Investment income		
Interest income	**$ 683,644**	$ 732,354
Dividend income	**1,790,069**	1,856,399
Alternative investment income	**2,168,149**	1,543,167
Real estate income	**469,306**	481,636
Fines, forfeits, and securities litigation proceeds	**18,282**	12,022
Net increase/(decrease) in fair value of investments	**14,192,417**	(3,293,230)
Total investment income	**19,321,867**	1,332,348
Investment expenses		
Bank fees	**(4,223)**	(4,294)
Investment management fees	**(521,736)**	(509,323)
SBA investment service charges	**(33,073)**	(31,970)
Other fees and expenses	**(12,828)**	(9,851)
Total investment expenses	**(571,860)**	(555,438)
Net income from investments	**18,750,007**	776,910
Security lending income	**63,625**	52,955
Security lending expenses	**(14,200)**	(12,960)
Net income from security lending	**49,425**	39,995
Total net investment income	**18,799,432**	816,905
Contributions		
Employer/employee contributions received from DMS	**3,295,458**	3,085,492
Member-directed benefits received from the FRS Investment Plan Trust Fund	**71,110**	54,889
Total contributions	**3,366,568**	3,140,381
Total additions	**22,166,000**	3,957,286
Deductions		
Funds sent to DMS for benefit payments	**9,347,568**	9,872,350
Member-directed benefits sent to the FRS Investment Plan Trust Fund	**568,912**	612,301
Total deductions	**9,916,480**	10,484,651
Change in net position	**12,249,520**	(6,527,365)
Net position held in trust:		
Beginning of year	**141,911,469**	148,438,834
End of year	**$ 154,160,989**	$ 141,911,469

See accompanying notes to financial statements.

Notes to the Financial Statements

1. Financial Reporting Entity

The Florida Retirement System (FRS) Pension Plan (the Plan) is a cost-sharing, multiple-employer defined benefit pension plan qualified under IRC Section 401(a) and established by the Legislature of the State of Florida in accordance with Chapter 121, *Florida Statutes*, to provide for retirement benefits for eligible employees of the State and all participating county, district school board, community college and university employees. Under the FRS, employers and, as of July 1, 2011, employees make contributions to the Department of Management Service (DMS), Division of Retirement, the Plan administrator, which are initially deposited into the Florida Retirement System Contributions Clearing Fund which holds all contributions for all plans of the FRS. The DMS, as the administrative agency of the Plan, provides full accounting and administration of benefit payments and contributions, commissions actuarial studies, and proposes rules and regulations for the administration of the Plan.

Chapter 121, *Florida Statutes*, established the Florida Retirement System Trust Fund (the Trust) and empowers and mandates the State Board of Administration (SBA) to receive, invest and hold the assets of the Plan in the Trust for the exclusive benefit of the Plan members and for the payment of reasonable costs of the Plan. The DMS sends employer and employee contributions to the Trust for investment by the SBA. The SBA is governed by a Board of Trustees, comprised of the Governor, as Chair, the Attorney General, and the Chief Financial Officer of the State of Florida.

The Trust is a separate legal entity within the State of Florida. These financial statements and notes include only the net position and change in net position of the Trust and do not purport to, and do not, present fairly the financial position of the State of Florida, the SBA, or the Plan as of June 30, 2017 and 2016, and the changes in their financial position for the years then ended, in conformity with accounting principles generally accepted in the United States (GAAP).

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements were prepared in conformity with GAAP as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The Trust is accounted for as an investment trust fund pursuant to GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 31), GASB Statement No. 34, *Basic Financial Statements –and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). As such, the Trust presents statements of net position and statements of changes in net position.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash flow takes place.

Valuation of Investments

Section 215.47, *Florida Statutes*, gives the SBA the authority to invest in a range of instruments, including security lending agreements. The Trust's investments are reported in accordance with GASB reporting standards. Realized and unrealized gains and losses are reflected in the statements of changes in net position as "net increase/(decrease) in fair value of investments."

The fair values of the Trust's assets are obtained or estimated in accordance with the Global Pricing Guidelines established with the SBA's custodian bank, BNY Mellon, which uses a variety of independent pricing sources and designates certain vendors as the primary source based on asset type, class or issue. BNY Mellon monitors pricing information supplied by these primary sources and may use a supplemental pricing source or change the primary pricing source if any of the following occurs:

- The price of a security is not received from the primary pricing source.
- The primary pricing source no longer provides prices for a particular asset type, class or issue.
- The SBA or its portfolio investment manager challenges a price and BNY Mellon reviews the price with the vendor, who agrees that the price provided by that vendor may not be appropriate.
- The price from the primary source exceeds price tolerance checkpoints and results in a vendor comparison review where another source is deemed to be more appropriate by BNY Mellon.

When a portfolio includes securities or instruments for which the custodian bank does not receive fair value information from its vendor pricing source, the custodian bank uses a "non-vendor pricing source." Examples include, but are not limited to, limited partnerships or similar private investment vehicles that do not actively trade through established exchange mechanisms; other private placements where there is limited or no information in the market place; and unique fixed income and equity instruments. The SBA does not provide direction regarding the substitution of

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

prices in instances where securities or instruments are in the portfolio of an investment manager appointed by the SBA. In cases where the SBA directed the purchase of securities or instruments, BNY Mellon may obtain the non-vendor prices by contacting the SBA only if it is not commercially reasonable to directly obtain the non-vendor price information from the broker of record, as identified by the SBA.

For private market investments, where no readily ascertainable market value exists (including limited partnerships, hedge funds, direct-owned real estate, and real estate pooled funds), fair values for the individual investments are based on the net asset value (NAV), which equates to the capital account balance, at the closest available reporting period, as communicated by the general partner and/or investment manager, adjusted for subsequent contributions and distributions. The valuation techniques vary based upon investment type and involve a certain degree of judgment. The most significant input into the NAV of an entity is the value of its investment holdings. The NAV is provided by the general partner and/or investment manager and reviewed by management.

Annually, the financial statements of all private market investments are audited by independent auditors. Private market investments, in which the SBA has a controlling interest or are reported at cost per GAAP, are also required to be valued, generally annually, by independent, licensed external appraisers selected by an appraisal management company retained by the SBA.

Money market funds and repurchase agreements are reported at cost. Commingled funds are reported at NAV of units held at the end of the period based upon the value of the underlying investments as reported by the external investment manager.

All derivative financial instruments are reported at fair value in the statements of net position. The instruments are adjusted to fair value at least monthly, with valuation changes recognized during the period as gains or losses in the statements of changes in net position and included in the "net increase/(decrease) in fair value of investments". The nature and use of derivative instruments is discussed in Note 3.

Because of the inherent uncertainty of the valuation using pricing methodologies other than the quoted market prices, the estimated fair values may differ from the values that would have been used had a ready market existed.

Cash and Cash Equivalents

The Trust reports all cash on hand and deposits in banks, including demand deposits, time deposits, and non-negotiable certificates of deposit as cash and cash equivalents.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Plan Member-Directed Benefits to/from DMS and the FRS Investment Plan Trust Fund

The DMS sends employer and employee contributions to the Trust for investment purposes, and may also request return of funds from the Trust to meet benefit obligations of the FRS. The members of the FRS Investment Plan Trust Fund may direct their Plan account balance within the FRS Investment Plan Trust Fund be sent to the Trust to effectuate their second election. DMS will also fulfill member-directed second election requests for Trust account balances to be sent from the Trust to the FRS Investment Plan Trust Fund. To ensure timely payment, the Trust estimates such obligations at the first of each month and allocates them to the Trust's public market asset classes (excluding the Cash asset class). These allocations constitute liquidity assessments, which the asset classes are required to provide in a prudent, but reasonable time frame.

At fiscal year-end, the Trust accrues a receivable for DMS for employer and employee contributions due for the month of June, but the amount is received by the Trust the following fiscal year. The Trust accrues a payable to DMS at fiscal year-end for the expected amounts to be requested by DMS in order to fund the Deferred Retirement Option Program (DROP) payouts and benefit obligations as of June 30. The DMS maintains records for all employer and employee contributions to the Plan.

Income Recognition

Investment transactions are accounted for on a trade (investment) date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date.

Management Fees and Investment Service Expenses

The SBA hires external investment managers to invest a significant portion of the Trust's investment assets. The Trust typically pays investment management fees based on individually negotiated investment management agreements. The fees, usually paid quarterly, may be based on a sliding scale of the portfolio's net asset value at quarter-end, calculated by multiplying each level of net position by a specified basis point charge, or may be performance-related, typically associated with exceeding a market benchmark or hurdle rate. Fees are paid from the appropriate manager's portfolio and are recognized as an expense over the time period for which the fees are applicable. Certain investment management fees, usually in private equity portfolios, are paid at the beginning of the period. These fees are recorded as prepaid manager fee assets on the statements of net position and are expensed over their applicable time period.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Pursuant to Section 215.515, *Florida Statutes*, the SBA charges the Trust a monthly investment service charge based on the month-end net asset value of the total Trust. The service charge is calculated and deducted from the Trust after each month's total net asset value of the Trust is determined. These charges are reported on the statements of changes in net position as part of the Trust's investment expenses. During fiscal years 2017 and 2016, the SBA investment service charge was .0225% (annualized).

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues (additions) and expenses (deductions) during the reporting period. Actual results could differ from those estimates.

Reclassifications

In the financial statements and notes, certain prior year amounts have been reclassified to conform to the current year presentation, which was changed to provide more consistent information by asset class. These reclassifications had no effect on the total net position or change in net position.

New Accounting Standards

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (GASB 73).* GASB 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans* and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of GASB 73 are effective for fiscal years beginning after June 15, 2015 except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The statements of net position and the statements of changes in net position are not affected by the adoption of GASB 73, as the Trust is not a Pension Plan.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (GASB 74)*. The objective of the Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of GASB 74 are effective for fiscal years beginning after June 15, 2016. The statements of net position and the statements of changes in net position are not affected by the adoption of GASB 74, as the Trust is not an OPEB plan.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures (GASB 77)*. The requirements of this Statement improve financial reporting by giving users of financial statements information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The requirements of GASB 77 are effective for reporting periods beginning after December 15, 2015. The statements of net position and the statements of changes in net position are not affected by the adoption of GASB 77, as the Trust does not engage in tax abatements.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension* Plans (GASB 78). The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

characteristics described above. The requirements of GASB 78 are effective for reporting periods beginning after December 15, 2015. The statements of net position and the statements of changes in net position are not affected by the adoption of GASB 78, as the Trust is not a Pension Plan.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants* (*GASB 79).* This statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. It also established additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The requirements of GASB 79 are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. The Trust is not an external investment pool, however, the Trust may invest in certain external investment pools. The adoption of GASB 79 had no material impact on the statements of net position and the statements of changes in net position.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14 (GASB 80).* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. GASB 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of GASB 80 are effective for reporting periods beginning after June 15, 2016. The statements of net position and the statements of changes in net position are not affected by the adoption of GASB 80, as the Trust is a separate legal entity within the State of Florida and does not control other reporting units of the State of Florida.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No.73 (GASB 82).* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of GASB 82 are effective for

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The statements of net position and the statements of changes in net position are not affected by the adoption of GASB 82, as the Trust is not a Pension Plan.

3. Deposits and Investments

Deposits

As of June 30, 2017, the recorded carrying amount of deposits totaled $130.7 million and consisted of U.S. dollars and foreign currencies (U.S. value) in the amounts of $4.7 million and $126.0 million, respectively.

As of June 30, 2016, the recorded carrying amount of deposits totaled $137.0 million and consisted of U.S. dollars and foreign currencies (U.S. value) in the amounts of $17.9 million and $119.1 million, respectively.

Investment Classifications

The SBA has the authority and responsibility for the investment of the Trust assets pursuant to Section 215.47, *Florida Statutes*, in a range of instruments including, but not limited to: federally guaranteed obligations, certain state bonds, corporate bonds, commercial paper, banker's acceptances, short-term obligations purchased individually or in pooled accounts, interests in certain open-end and closed-end management type investment companies or investment trusts, common and preferred stock, repurchase and reverse repurchase agreements, and real estate. The SBA may also buy and sell futures contracts, option contracts, and domestic or foreign notional principal contracts. The following are the major asset types invested in by the Trust.

- **Fixed Income**

  Fixed income securities consist of short-term and long-term obligations. Short term obligations consist primarily of U.S. Treasury and government-sponsored securities, money market funds, commercial paper, certificates of deposit, repurchase agreements, and other similar instruments. These investments are available to meet cash needs as they arise. Long- term obligations are comprised of both domestic and international securities and consist primarily of negotiable obligations of the U.S. Government and U.S. Government-sponsored agencies, corporate bonds, and securitized offerings such as mortgage backed securities (MBS), collateralized mortgage obligations (CMO), asset backed securities (ABS), and commercial mortgage backed securities (CMBS).

Notes to the Financial Statements

3. Deposits and Investments (continued)

- **Equities**

  Equity investments represent both domestic and international stocks traded on major stock exchanges. Also included as equities are preferred stock, commingled funds, real estate investment trusts (REITs), equity-linked notes and other securities. A REIT is a type of security that invests in real estate through property or mortgages and trades like a stock on the major exchanges. Equity linked notes are instruments whose return is determined by the performance of a single equity security, a basket of equity securities, or an equity index.

- **Alternative**

  The Trust invests in various funds and investment vehicles, which employ specific strategies and co-investments often outside the traditional asset classes. The most common investment categories for these funds include domestic and international private equity, activist equity, private debt/credit opportunities, closed-end real assets and hedge funds. The structure of these investments is generally a limited partnership or limited liability company and tends to be long term and illiquid in nature. Due to this type of structure, private debt/credit opportunities typically do not have established ratings or durations associated with these investments.

- **Real Estate**

  Real estate investments include ownership of office, multifamily, retail, agricultural, and industrial properties. Also included are value-added and opportunistic investment strategies. These assets are held directly, as part of a joint venture, or through ownership in open-ended commingled funds. Real assets and real estate partnership investments are classified as Alternative Investments for financial reporting purposes.

- **Other**

  Included in this asset type are investments such as foreign currency contracts, futures, options purchased, and swaps.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The following schedule discloses the Trust's investments, by type, at June 30, 2017 and 2016.

Investment type	2017	2016
	(In Thousands)	
Fixed Income:		
Certificates of deposit	**$ 800,168**	$ 775,062
Commercial paper	**4,050,193**	3,516,125
Money market funds	**16,867**	1,097
Repurchase agreements	**750,000**	850,000
U.S. guaranteed obligations	**10,910,710**	11,074,342
Federal agencies	**8,418,178**	7,725,369
Domestic corporate and municipal bonds and notes	**6,859,419**	6,595,369
International bonds and notes	**1,952,266**	1,717,405
Equities:		
Domestic	**45,250,543**	41,029,902
International	**34,509,635**	31,814,912
International commingled funds	**7,911,257**	5,452,110
Alternative:		
Activist equity	**791,722**	651,600
Hedge funds	**4,824,849**	4,458,711
Private debt/credit opportunities	**3,267,442**	3,089,748
Private equity	**11,415,532**	10,486,107
Real assets	**3,704,697**	3,754,120
Real estate:		
Direct investments	**8,486,964**	8,059,810
Commingled investment funds	**2,497,691**	2,521,739
Other investments:		
Futures (fixed income)	**(3,149)**	15,195
Futures (equity)	**(8,245)**	29,972
Options purchased	**30,620**	38,673
Swaps (fixed income)	**(2,015)**	(1,659)
Total investments excluding securities lending collateral	**156,435,344**	143,655,709
Securities lending collateral investments		
Money market funds	**713,459**	1,046,370
Repurchase agreements	**508,840**	789,504
Domestic corporate bonds and notes	**67,553**	79,798
Total securities lending collateral investments	**1,289,852**	1,915,672
Total investments	**$ 157,725,196**	$ 145,571,381
Liabilities - Investments sold short		
U.S. guaranteed obligations	**(23,303)**	(1,891)
Federal agencies	**(290,622)**	(306,334)
Options sold	**(8,338)**	(35,820)
Total liabilities - investments sold short[1]	**$ (322,263)**	$ (344,045)

[1] Investments sold short are classified as liabilities on the Statements of Net Position.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Pledged Collateral

Certain investments included in the above schedule were pledged as collateral with the SBA's futures and swaps clearing counterparties. These investments are presented below:

	2017	2016
	(In Thousands)	
Investment type:		
U.S. guaranteed obligations	**$ 93,159**	$ 12,433
Federal agencies	**-**	9,829
Domestic equities	**-**	215,832
Total	**$ 93,159**	$ 238,094

In addition, cash required to open futures and swap contracts (initial margins) may be pledged as collateral with the SBA's futures and swap counterparties. Such initial margin amounts are reflected as "Margin receivable from counterparty" on the statements of net position. Pursuant to these types of contracts, and also pending foreign currency contracts, the Fund agrees to receive or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receivables and payables are known as variation margin, which are reflected as "Margin receivable from counterparty" or "Margin payable to counterparty" on the statements of net position. All initial and variation margin amounts receivable from or payable to the broker are presented below:

	2017	2016
	(In Thousands)	
Margin receivable from counterparty:		
Futures contracts	**$ 29,350**	$ 31,853
Swaps contracts	**4,074**	8,928
Foreign currency contracts	**7,815**	-
Total margin receivable from counterparty	**$ 41,239**	$ 40,781
Margin payable to counterparty:		
Futures contracts	**262**	$ 27,907
Swaps contracts	**726**	4,075
Foreign currency contracts	**-**	12,280
Total margin payable to counterparty	**$ 988**	$ 44,262

Notes to the Financial Statements

3. Deposits and Investments (continued)

Fair Value Hierarchy

The Trust's investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 - Investments reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset or liability (including quoted prices for similar assets or liabilities), which may include inputs in markets that are not considered to be active.

Level 3 - Investments reflect prices based upon unobservable inputs for an asset or liability.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Fixed income and equity securities classified as Level 1 of the fair value hierarchy are valued using quoted prices at June 30 (or the most recent market close date if the markets are closed on June 30) in active markets from the custodian bank's external pricing vendors, which utilize primary exchanges.

Fixed income securities classified as Level 2 are evaluated prices from the custodian bank's external pricing vendors. The pricing methodology involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices. Other evaluation models use actual trade data, collateral attributes, broker bids, new issue pricings and other observable market information.

Equity securities classified as Level 2 are evaluated prices provided by the custodial bank's external pricing vendors, or alternative pricing source, such as investment managers, if information is not available from the primary vendors.

Fixed income and equity securities classified as Level 3 are prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, broker bids, or cost. Cost or book value may be used as an estimate of fair value when there is a lack of an independent pricing source.

Derivative instruments classified as Level 1 of the fair value hierarchy are exchange traded prices as provided by the custodian bank's external pricing vendors. Derivative instruments classified as Level 2 receive clearing house prices, which are based on models that reflect the contractual terms of the derivatives.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Private equity funds and real estate direct investments classified as Level 3 were valued using the methodology as described in the footnotes for the *Additional GASB 72 Required Disclosures* tables, Notes 11 and 13, respectively. Other private equity funds are measured at net asset value (NAV).

Certain investments, such as money market funds and repurchase agreements, are carried at cost, and not priced at fair value. Commingled investments are measured at the net asset value (NAV) per share (or its equivalent).

The Trust has the following fair value measurements as of June 30, 2017 and June 30, 2016.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Investments by fair value level	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	As of June 30, 2017 — Fair Value Measurements Using			
		(In Thousands)		
Fixed income securities				
Certificates of deposit	$ 800,168	$ -	$ 800,168	$ -
Commercial paper	4,050,193	-	4,050,193	-
U.S. guaranteed obligations	10,910,710	7,842,875	3,067,835	-
Federal agencies	8,418,178	-	8,418,178	-
Domestic bonds and notes	6,859,419	-	6,828,541	30,878
International bonds and notes	1,952,266	-	1,948,507	3,759
Total fixed income securities	32,990,934	7,842,875	25,113,422	34,637
Equity securities				
Domestic	45,250,543	45,249,456	-	1,087
International	34,509,635	34,378,379	96,181	35,075
Total equity securities	79,760,178	79,627,835	96,181	36,162
Alternative investments				
Private equity funds	314,550	-	-	314,550
Real estate investments				
Direct investments	8,486,964	-	-	8,486,964
Derivative instruments[2]				
Futures (fixed income)	(3,149)	(3,149)	-	-
Futures (equity)	(8,245)	(8,245)	-	-
Options purchased	30,620	30,620	-	-
Swaps (fixed income)	(2,015)	-	(2,015)	-
Forward currency contracts, net[1]	3,343	-	3,343	-
Total derivative instruments	20,554	19,226	1,328	-
Securities lending collateral investments				
Domestic corporate bonds and notes	67,553	-	58,067	9,486
Total investments by fair value level	$ 121,640,733	$ 87,489,936	$ 25,268,998	$ 8,881,799
Investments measured at the net asset value (NAV)				
Commingled international equity funds	7,911,257			
Commingled real estate investment funds	2,497,691			
Activist equity funds	791,722			
Hedge funds	4,824,849			
Private debt/credit opportunties funds	3,267,442			
Private equity funds	11,100,982			
Private real asset funds	3,704,697			
Total investments measured at the NAV	$ 34,098,640			
Other investments carried at cost				
Money market funds	16,867			
Money market funds - security lending collateral	713,459			
Repurchase agreements	750,000			
Repurchase agreements- security lending collateral	508,840			
Total investments carried at cost	$ 1,989,166			
Total investments[1]	$ 157,728,539			
Investments sold short				
U.S guaranteed obligations	(23,303)	-	(23,303)	-
Federal agencies	(290,622)	-	(290,622)	-
Options sold	(8,338)	(8,338)	-	-
Total investments sold short	$ (322,263)	$ (8,338)	$ (313,925)	$ -

1 Forward currency contracts are valued at their net Unrealized Appreciation/(Depreciation) and are reported on the Statements of Net Position as Receivables and/or Liabilities.

2 Spot contracts totaling approximately $11 thousand are not considered derivative instruments and therefore, not included in this table.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Investments by fair value level	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	As of June 30, 2016 — Fair Value Measurements Using (In Thousands)			
Fixed income securities				
Certificates of deposit	$ 775,062	$ -	$ 775,062	$ -
Commercial paper	3,516,125	-	3,516,125	-
U.S. guaranteed obligations	11,074,342	7,289,368	3,784,974	-
Federal agencies	7,725,369	-	7,725,369	-
Domestic bonds and notes	6,595,369	-	6,579,623	15,746
International bonds and notes	1,717,405	-	1,703,208	14,197
Total fixed income securities	31,403,672	7,289,368	24,084,361	29,943
Equity securities				
Domestic	41,029,902	41,028,761	-	1,141
International	31,814,912	31,755,588	56,306	3,018
Total equity securities	72,844,814	72,784,349	56,306	4,159
Alternative investments				
Private equity funds	323,000	-	-	323,000
Real estate investments				
Direct investments	8,059,810	-	-	8,059,810
Derivative instruments [2]				
Futures (fixed income)	15,195	15,195	-	-
Futures (equity)	29,972	29,972	-	-
Options purchased	38,673	38,673		
Swaps (fixed income)	(1,659)	-	(1,659)	-
Forward currency contracts, net [1]	23,843	-	23,843	-
Total derivative instruments	106,024	83,840	22,184	-
Securities lending collateral investments				
Domestic corporate bonds and notes	79,798	-	65,629	14,169
Total investments by fair value level	$ 112,817,118	$ 80,157,557	$ 24,228,480	$ 8,431,081
Investments measured at the net asset value (NAV)				
Commingled international equity funds	5,452,110			
Commingled real estate investment funds	2,521,739			
Activist equity funds	651,601			
Hedge funds	4,458,710			
Private debt/credit opportunties funds	3,089,748			
Private equity funds	10,163,107			
Private real asset funds	3,754,120			
Total investments measured at the NAV	$ 30,091,135			
Other investments carried at cost				
Money market funds	1,097			
Money market funds - security lending collateral	1,046,370			
Repurchase agreements	850,000			
Repurchase agreements- securitylending collateral	789,504			
Total investments carried at cost	$ 2,686,971			
Total investments [1]	$ 145,595,224			
Investments sold short				
U.S guaranteed obligations	(1,891)	-	(1,891)	-
Federal agencies	(306,334)	-	(306,334)	-
Options sold	(35,820)	(35,820)	-	-
Total investments sold short	$ (344,045)	$ (35,820)	$ (308,225)	$ -

1 Forward currency contracts are valued at their net Unrealized Appreciation/(Depreciation) and are reported on the Statements of Net Position as Receivables and/or Liabilities.

2 Spot contracts totaling approximately $(324) thousand are not considered derivative instruments and therefore, not included in this table.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2017 and June 30, 2016 is presented in the footnotes to the tables below.

ADDITIONAL GASB 72 REQUIRED DISCLOSURES

	2017 Total	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
	(in Thousands)			
Investments Measured at the NAV				
Commingled international equity funds[1]	$ 7,911,257		Daily, Monthly	2 - 120 days
Commingled real estate investment funds[1]	2,497,691		Quarterly	15 - 90 days
Activist equity funds[2]	791,722		Monthly, Annually	65 - 90 days
Hedge funds	-			
Diversifying strategies (CTAs)[3]	1,027,872		Daily, Monthly	10 - 35 days
Equity long/short[4]	537,218		Monthly, Quarterly	30 - 125 days
Event driven[5]	413,344		Quarterly, Biennially, Annually	45 - 90 days
Global macro[6]	734,457		Monthly, Quarterly	15 - 60 days
Multi-strategy[7]	1,064,451		Quarterly, Biennially, Annually	30 - 90 days
Opportunistic debt[8]	603,194		Quarterly, Annually	65 - 90 days
Relative value[9]	444,313		Quarterly	45 - 90 days
Private debt/credit opportunity funds[10]	3,267,442	$ 2,576,377		
Private equity funds[11]	11,100,982	$ 6,587,810		
Private real asset funds[12]	3,704,697	$ 2,056,599		
Total Investments Measured at the NAV	34,098,640			
Investments at Level 3				
Private equity funds[11]	$ 314,550			
Real estate direct investments[13]	$ 8,486,964	$ 119,634		

1 *Commingled International Equity Funds and Commingled Real Estate Investment Funds.* Six international equity funds and eight real estate investment funds are considered to be commingled in nature. The six international equity funds are primarily invested in publically traded international equity securities. Three of these funds focus on emerging markets. The eight real estate investment funds consist primarily of real estate investments owned directly or through partnership interests located in the United States. These investments include multi-family, industrial, retail, office, apartments and mortgage loans on income producing property. Each are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

2 *Activist Equity Funds.* The three funds that make up this group invest in public companies with the intent to effect positive change through influencing management. The funds may be structured with a focus on specific domestic or foreign geographic regions. These investments are valued at the NAV per share. One fund (approximately 38% of this strategy) is currently eligible for redemption monthly. Another fund (approximately 34% of this strategy) is eligible for redemption in six months due to annual lock-up restrictions. The remaining fund (approximately 28% of this strategy) may be redeemed annually with the next redemption in nine months.

3 *Diversifying Strategies (CTAs) Hedge Funds.* The three funds that make up this group primarily trade equity and commodity futures, but can also participate in indexes, rates and currencies in markets across the globe. These funds use a systematic approach and focus on trends in price and other market signals. These investments are valued at the NAV per share. All funds within this strategy are redeemable within a month or less, as they are not subject to lock-up restrictions.

4 *Equity Long/Short Hedge Funds.* Consisting of four funds, this strategy invests both long and short, primarily in U.S. and global stocks that are mispriced by the markets. These managers vary in their use of short selling, leverage and definitions of growth or value. These funds are valued at the NAV per share. One fund (approximately 18% of this strategy) is currently eligible for redemption monthly, while the remaining three funds (approximately 82% of this strategy) are redeemable in three months or less due to quarterly redemption restrictions.

5 *Event Driven Hedge Funds.* The four funds in this strategy seek to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at the NAV per share. All funds in this strategy are no longer under contractual lockup, but due to exit restrictions, the redemption period ranges from three to eighteen months.

Notes to the Financial Statements

3. Deposits and Investments (continued)

[6] *Global Macro Hedge Funds.* Consisting of five funds, which base their holdings (such as long and short positions in various equity, fixed income, currency, and futures markets-primarily on overall economic and political views of various countries). These funds are valued at the NAV per share. All funds in this strategy are no longer subject to contractual lockup, and are redeemable in three months or less due to monthly and quarterly redemption restrictions.

[7] *Multi-Strategy Hedge Funds.* The five funds in this group aim to diversify risks and reduce volatility by combining other strategies. These strategies are usually a mix of Equity Long/Short, Event-Driven, or Opportunistic Debt and Relative Value. These funds are valued at the NAV per share. Two funds (approximately 46% of this strategy) are eligible for redemption in six months or less due to annual redemption restrictions. Another fund (approximately 26% of this strategy) is eligible for redemption biennially with the next redemption date in six months. The remaining two funds (approximately 28% of this strategy) are eligible for redemption in three months and quarterly thereafter.

[8] *Opportunistic Debt Hedge Funds.* Consisting of three funds that pursue various strategies and asset classes, with an emphasis on mispriced debt or equity of companies in distress. These managers vary in their focus on early versus late stage situations, senior versus subordinated levels on the capital structure and non-traditional areas including high yield bonds and Emerging Markets debt, and may also pursue relative value and arbitrage strategies with various debt instruments. These funds are valued at the NAV per share. One fund (approximately 38% of this strategy) is subject to one year recurring hard lock-ups for each contribution and can be redeemed between three and six months. Another fund (approximately 19% of this strategy) is eligible for redemption in six months and annually, thereafter. The remaining fund (approximately 43% of this strategy) is currently eligible for redemption in three months due to quarterly redemption restrictions.

[9] *Relative Value Hedge Funds.* Consisting of three funds, this strategy focuses on benefiting from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing (long) or selling (short) these instruments. These investments are valued at the NAV per share. Due to contractual lock-up restrictions, one fund (approximately 37% of this strategy) is eligible for redemption in fourteen months. Two funds (approximately 63% of the value of this strategy) are eligible for redemption in three months and quarterly thereafter.

[10] *Private Debt/Credit Opportunity Funds.* There are 47 private debt/credit funds investing primarily in Distressed, Mezzanine and Senior Loans with some exposure to Special Situations. The fair value of these funds has been determined using the NAV at June 30, 2017 or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

[11] *Private Equity Funds.* There are 178 private equity funds investing primarily in Leveraged Buyouts funds, Venture Capital funds, Secondary funds and Growth funds with some exposure to Special Situations, Diversifying Strategies and GP Investments. The fair value of 176 funds has been determined using the NAV at June 30, 2017 or one quarter in arrears adjusted for current quarter cash flows. The fair value of the remaining two funds (approximately 3% of the value of these investments) was based on external appraisals at June 30, 2017 and classified as Level 3. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

[12] *Private Real Asset Funds.* There are 55 real asset funds, 45 of which invest in real estate assets such as commercial office buildings, retail properties, multi-family residential properties, developments or hotels. In addition, the funds may be structured with a focus on specific geographic domestic or foreign regions. The remaining 10 funds invest in infrastructure, timberland, and commodities. The fair value of these funds has been determined using the NAV at June 30, 2017 or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

[13] *Direct Real Estate Investments*. There are 68 direct owned/joint venture real estate assets that are valued based on annual external and/or quarterly internal appraisals and are classified as Level 3.

Notes to the Financial Statements

3. Deposits and Investments (continued)

ADDITIONAL GASB 72 REQUIRED DISCLOSURES

	2016 Total	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
	(in Thousands)			
Investments Measured at the NAV				
Commingled international equity funds [1]	$ 5,452,110		Daily, Monthly	2 - 120 days
Commingled real estate investment funds [1]	2,521,739		Quarterly	15 - 90 days
Activist equity funds [2]	651,601		Monthly, Annually	65 - 90 days
Hedge funds	-			
Diversifying strategies (CTAs) [3]	895,522		Daily, Monthly	10 - 35 days
Equity long/short [4]	519,283		Monthly, Quarterly	30 - 125 days
Event driven [5]	378,600		Quarterly, Biennially, Annually	45 - 90 days
Global macro [6]	702,820		Monthly, Quarterly	15 - 60 days
Multi-strategy [7]	937,686		Quarterly, Biennially, Annually	30 - 90 days
Opportunistic debt [8]	562,100		Quarterly, Annually	65 - 90 days
Relative value [9]	462,699		Quarterly	45 - 90 days
Private debt/credit opportunity funds [10]	3,089,748	$ 1,331,738		
Private equity funds [11]	10,163,107	$ 6,135,189		
Private real asset funds [12]	3,754,120	$ 2,092,524		
Total Investments Measured at the NAV	30,091,135			
Investments at Level 3				
Private equity funds [11]	$ 323,000			
Real estate direct investments [13]	$ 8,059,810	$ 206,258		

1 *Commingled International Equity Funds and Commingled Real Estate Investment Funds.* Seven international equity funds and nine real estate investment funds are considered to be commingled in nature. The seven international equity funds are primarily invested in publically traded international equity securities. Three of these funds focus on emerging markets. The nine real estate investment funds consist primarily of real estate investments owned directly or through partnership interests located in the United States. These investments include multi-family, industrial, retail, office, apartments and mortgage loans on income producing property. Each are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

2 *Activist Equity Funds.* The three funds that make up this group invest in public companies with the intent to effect positive change through influencing management. The funds may be structured with a focus on specific domestic or foreign geographic regions. These investments are valued at the NAV per share. One fund (approximately 43% of this strategy) is currently eligible for redemption monthly. Another fund (approximately 32% of this strategy) is eligible for redemption in six months due to annual lock-up restrictions. The remaining fund (approximately 25% of this strategy) may be redeemed on an annual basis at 3/31 due to a rolling lock-up.

3 *Diversifying Strategies (CTAs) Hedge Funds.* The three funds that make up this group primarily trade equity and commodity futures, but can also participate in indexes, rates and currencies in markets across the globe. These funds use a systematic approach and focus on trends in price and other market signals. These investments are valued at the NAV per share. All funds within this strategy are redeemable within a month or less, as they are not subject to lock-up restrictions.

4 *Equity Long/Short Hedge Funds.* Consisting of four funds, this strategy invests both long and short, primarily in U.S. and global stocks that are mispriced by the markets. These managers vary in their use of short selling, leverage and definitions of growth or value. These funds are valued at the NAV per share. One fund (approximately 16% of this strategy) is currently eligible for redemption monthly, while the remaining three funds (approximately 84% of this strategy) are redeemable in three months or less due to quarterly redemption restrictions.

5 *Event Driven Hedge Funds.* The four funds in this strategy seek to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at the NAV per share. All funds in this strategy are no longer under contractual lockup, but due to exit restrictions, the redemption period ranges from three to eighteen months.

6 *Global Macro Hedge Funds.* Consisting of five funds, which base their holdings (such as long and short positions in various equity, fixed income, currency, and futures markets) primarily on overall economic and political views of various countries. These funds are valued at the NAV per share. One of these funds (approximately 21% of this strategy) is not redeemable for six months due to lock-up restrictions. Three funds (approximately 58% of this strategy) are redeemable monthly. The remaining fund (approximately 21% of this strategy) is eligible for quarterly redemptions, as the fund is no longer subject to lock-up restrictions.

Notes to the Financial Statements

3. Deposits and Investments (continued)

[7] *Multi-Strategy Hedge Funds.* The five funds in this group aim to diversify risks and reduce volatility by combining other strategies. These strategies are usually a mix of Equity Long/Short, Event-Driven, or Opportunistic Debt and Relative Value. These funds are valued at the NAV per share. Two funds (approximately 44% of this strategy) are eligible for redemption in six months or less due to annual redemption restrictions. Another fund (approximately 26% of this strategy) is eligible for redemption biennially with the next redemption date in six months. The remaining two funds (approximately 29% of this strategy) are eligible for redemption in three months and quarterly thereafter.

[8] *Opportunistic Debt Hedge Funds.* Consisting of three funds that pursue various strategies and asset classes, with an emphasis on mispriced debt or equity of companies in distress. These managers vary in their focus on early versus late stage situations, senior versus subordinated levels on the capital structure and non-traditional areas including high yield bonds and Emerging Markets debt, and may also pursue relative value and arbitrage strategies with various debt instruments. These funds are valued at the NAV per share. One fund (approximately 38% of this strategy) is subject to one year recurring hard lock-ups for each contribution and can be redeemed between three and six months. Another fund (approximately 18% of this strategy) is eligible for redemption in six months and annually, thereafter. The remaining fund (approximately 44% of this strategy) is currently eligible for redemption in three months due to quarterly redemption restrictions.

[9] *Relative Value Hedge Funds.* Consisting of three funds, this strategy focuses on benefiting from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing (long) or selling (short) these instruments. These investments are valued at the NAV per share. Due to contractual lock-up restrictions, one fund (approximately 33% of this strategy) is eligible for redemption in fourteen months. Two funds (approximately 67% of the value of this strategy) are eligible for redemption in three months and quarterly thereafter.

[10] *Private Debt/Credit Opportunity Funds.* There are 47 private debt/credit funds investing primarily in Distressed, Mezzanine and Senior Loans with some exposure to Special Situations. The fair value of these funds has been determined using the NAV at June 30, 2016 or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

[11] *Private Equity Funds.* There are 179 private equity funds investing primarily in Leveraged Buyouts funds, Venture Capital funds, Secondary funds and Growth funds with some exposure to Special Situations, Diversifying Strategies and GP Investments. The fair value of 177 funds has been determined using the NAV at June 30, 2016 or one quarter in arrears adjusted for current quarter cash flows. The fair value of the remaining two funds (approximately 3% of the value of these investments) was based on external appraisals at June 30, 2016 and classified as Level 3. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

[12] *Private Real Asset Funds.* There are 50 real asset funds, 41 of which invest in real estate assets such as commercial office buildings, retail properties, multi-family residential properties, developments or hotels. In addition, the funds may be structured with a focus on specific geographic domestic or foreign regions. The remaining nine funds invest in infrastructure, timberland, and commodities. The fair value of these funds has been determined using the NAV at June 30, 2016 or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

[13] *Direct Real Estate Investments.* There are 69 direct owned/joint venture real estate assets that are valued based on annual external and/or quarterly internal appraisals and are classified as Level 3.

Deposit and Investment Risk

The Trust has deposits and a broad range of financial investments exposed to various risks, including overall market volatility. Due to the level of risk associated with certain financial investments, it is reasonably possible that changes in the values of financial investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that certain risks be discussed in the financial statements. These risks include credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Each of these risks is discussed in more detail below.

3. Deposits and Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of issuers and debt instruments is evaluated by nationally recognized statistical rating agencies such as Standard & Poor's Corporation (S&P), Moody's Investors Service, Inc. (Moody's), and Fitch Ratings (Fitch). The SBA, in compliance with Section 215.47, *Florida Statutes*, has adopted certain investment policies with regard to credit risk of debt securities, which vary by portfolio. Below are the investment policies and credit risk disclosures for the Trust. Investments generally are managed through individual portfolios with various asset classes, as listed below. Some of the individual portfolios have slightly different restrictions on credit quality.

- **Short-Term Portfolio**

  Securities must be high quality at the time of purchase. For short-term investment ratings, this is defined as the highest applicable rating from one of the three Nationally Recognized Statistical Rating Organizations (NRSRO) – S&P A-1; Moody's P-1; Fitch F1. For long-term investment ratings, this is defined as a minimum mid-single A rating from one of the three NRSROs – S&P A, Moody's A2, Fitch A. Securities of a single issuer are generally limited to 5% of the amortized cost of the portfolio (excluding U.S. Treasuries and Agencies).

- **Mortgage Index Portfolio**

  Securities generally are limited to those issued by the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC). No specific credit rating criteria are listed.

- **Intermediate Aggregate Less MBS Index Portfolio**

  Securities should be rated investment grade by at least one of the three NRSROs at the time of purchase. Minimum ratings include S&P BBB-, Moody's Baa3, and Fitch BBB-. Securities of a single issuer are generally limited to 5% of the fair value of the portfolio (excluding U.S. Treasuries and Agencies). This portfolio primarily contains U.S. Treasuries, government agencies, and corporates.

Notes to the Financial Statements

3. Deposits and Investments (continued)

- **Core Portfolios**

  Securities should generally be rated investment grade with a very small allocation to below investment grade (down to BB-/Ba3) by one of the three NRSROs at the time of purchase. Minimum ratings include S&P BBB-, Moody's Baa3, and Fitch BBB-. Securities of a single issuer are generally limited to 5% of the fair value of the portfolio (excluding U.S. Treasuries and Agencies). These portfolios can contain: U.S. Treasuries; government Agencies; investment grade residential mortgage backed, commercial mortgage backed and asset backed securities; investment grade foreign sovereign debt; municipals, and corporates.

- **Security Lending Portfolios**

  Eligible cash collateral investments are:

  ∗ Tri-party qualified repurchase obligations are collateralized by U.S. Treasury bills, notes, bonds, and/or strips, U.S. Government Agency securities, U.S. Government Agency mortgage-backed securities, and U.S. Equity securities. U.S. Treasury and Government Agencies must maintain a market value of at least 102% of the market value of the securities subject to being repurchased and U.S. equities must maintain a market value of at least 110% of the market value of the securities subject to being repurchased.

  ∗ Money market mutual funds regulated by SEC rule 2a-7 and rated the highest applicable rating by at least one of the three NRSROs – S&P AAAm; Moody's Aaamf; Fitch AAAmmf.

  ∗ U.S. Treasury bills, notes, and bonds.

  ∗ Investments that were purchased prior to the policy guidelines established in December 2008 are being held to maturity in existing lending portfolios.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The following tables disclose credit quality ratings related to credit risk on investments held in the Trust at June 30, 2017 and 2016.

Credit Quality Ratings
As of June 30, 2017

S&P[1]	Moody's[1]	Total[2]	Certificates of Deposit	Commercial Paper	Money Market Funds	Repurchase Agreements	Federal Agencies[4]	Domestic Bonds and Notes	International Bonds and Notes
				(In Thousands)					
A-1 / AAAm		$ 4,780,519	$ -	$ 4,050,193	$ 730,326	$ -	$ -	$ -	$ -
AAA		898,851	-	-	-	-	2,554	549,972	346,325
AA		1,695,932	200,018	-	-	31,104	511,383	748,695	204,732
A		2,223,742	-	-	-	-	-	1,594,013	629,729
BBB		3,520,802	-	-	-	-	-	2,924,149	596,653
BB		61,893	-	-	-	-	-	37,118	24,775
B		21,689	-	-	-	-	-	8,307	13,382
CCC		24,837	-	-	-	-	-	24,837	-
D		2,625	-	-	-	-	-	2,625	-
Not rated	Aaa	501,501	-	-	-	-	10,853	448,645	42,003
Not rated	Aa	34,907	-	-	-	-	-	28,439	6,468
Not rated	A	146,169	-	-	-	-	-	143,634	2,535
Not rated	Baa	74,149	-	-	-	-	-	60,360	13,789
Not rated	Ba	1,394	-	-	-	-	-	-	1,394
Not rated	Caa	2,590	-	-	-	-	-	2,590	-
Not rated	Ca	3,353	-	-	-	-	-	3,353	-
Not rated	Not rated	9,529,497	600,150	-	-	615,243	7,893,388	350,235	70,481
		$ 23,524,450	$ 800,168	$ 4,050,193	$ 730,326	$ 646,347	$ 8,418,178	$ 6,926,972	$ 1,952,266

Ratings not applicable:	
Repurchase agreements[3]	$ 612,493
U.S. guaranteed obligations[3]	10,910,710
Domestic equities	45,250,543
International equities	34,509,635
Commingled international equity funds	7,911,257
Alternative investments	24,004,242
Real estate investments	10,984,655
Futures	(11,394)
Options	30,620
Swaps	(2,015)
Total investments	$ 157,725,196

1 S&P ratings were primarily used. If S&P did not rate a security, then Moody's ratings were used. If neither rating agency issued a rating, the security was listed as "Not rated." Long-term ratings are presented except for "A-1," which is a top tier short-term rating for S&P, and "AAAm," the top money market fund rating for S&P.

2 All investments are included in this table, including security lending collateral investments.

3 Repurchase agreements collateralized by U.S. guaranteed obligations or cash, do not require disclosure of credit quality.

4 Federal Agency TBAs and mortgage-backed securities are classified as "Not Rated" because they do not have explicit credit ratings on individual securities.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Credit Quality Ratings
As of June 30, 2016

S&P[1]	Moody's[1]	Total[2]	Certificates of Deposit	Commercial Paper	Money Market Funds	Repurchase Agreements	Federal Agencies[4]	Domestic Bonds and Notes	International Bonds and Notes
				(In Thousands)					
A-1 / AAAm		$ 4,563,592	$ -	$ 3,516,125	$ 1,047,467	$ -	$ -	$ -	$ -
AAA		750,766	-	-	-	-	-	424,190	326,576
AA		1,064,384	200,044	-	-	31	14,999	686,057	163,253
A		2,086,976	-	-	-	-	-	1,551,810	535,166
BBB		3,376,750	-	-	-	-	-	2,875,349	501,401
BB		78,611	-	-	-	-	-	60,810	17,801
B		24,401	-	-	-	-	-	8,610	15,791
CCC		26,949	-	-	-	-	-	26,949	-
D		2,746	-	-	-	-	-	2,746	-
Not rated	Aaa	520,331	-	-	-	-	5,202	476,609	38,520
Not rated	Aa	52,619	-	-	-	-	4,403	39,151	9,065
Not rated	A	156,646	-	-	-	-	-	151,032	5,614
Not rated	Baa	57,918	-	-	-	-	-	27,625	30,293
Not rated	Ba	18,341	-	-	-	-	-	18,341	-
Not rated	Caa	7,770	-	-	-	-	-	7,770	-
Not rated	Ca	3,972	-	-	-	-	-	3,972	-
Not rated	Not rated	9,510,156	575,018	-	-	846,302	7,700,765	314,146	73,925
		$ 22,302,928	$ 775,062	$ 3,516,125	$ 1,047,467	$ 846,333	$ 7,725,369	$ 6,675,167	$ 1,717,405

Ratings not applicable:	
Repurchase agreements [3]	$ 793,171
U.S. guaranteed obligations [3]	11,074,342
Domestic equities	41,029,902
International equities	31,814,912
Commingled international equity funds	5,452,110
Alternative investments	22,440,286
Real estate investments	10,581,549
Futures	45,167
Options	38,673
Swaps	(1,659)
Total investments	$ 145,571,381

1 S&P ratings were primarily used. If S&P did not rate a security, then Moody's ratings were used. If neither rating agency issued a rating, the security was listed as "Not rated." Long-term ratings are presented except for "A-1," which is a top tier short-term rating for S&P, and "AAAm," the top money market fund rating for S&P.

2 All investments are included in this table, including security lending collateral investments.

3 Repurchase agreements collateralized by U.S. guaranteed obligations or cash, do not require disclosure of credit quality.

4 Federal Agency TBAs and mortgage backed securities are classified as "Not Rated" because they do not have explicit credit ratings on individual securities.

Notes to the Financial Statements

3. Deposits and Investments (continued)

All futures, options and swaps contracts held by the Trust at June 30, 2017 and 2016, were exchange traded, therefore minimizing counterparty credit risk through the use of futures and swaps clearing merchants and clearing houses.

Counterparty credit ratings related to credit risk for spot and forward foreign currency contracts held at June 30, 2017 and 2016, are presented in the following tables.

As of June 30, 2017

Counterparty Credit Rating (Long/Short)[1]					
S&P	**Moody's**	**Fitch**	**Receivables**	**Payables**	**Net Unrealized Gain/(Loss)**
				(In Thousands)	
AA/A-1	Aa/P-1	AA/F1	$ 544,522	$ (544,882)	$ (360)
AA/A-1	A/P-1	AA/F1	328	(328)	-
A/A-1	Aa/P-1	AA/F1	1,459	(1,460)	(1)
A/A-1	A/P-1	AA/F1	1,279	(1,287)	(8)
A/A-1	A/P-1	A/F1	4,256,227	(4,252,063)	4,164
A/A-1	NR/NR	AA/F1	15,424	(15,430)	(6)
A/A-1	NR/NR	NR/NR	1	(1)	-
A/A-2	A/P-1	A/F1	30,257	(31,541)	(1,284)
A/A-2	NR/P-2	A/F1	1,027	(1,025)	2
NR/NR	NR/P-1	NR/NR	83,794	(82,929)	865
NR/NR	NR/NR	A/F1	5,454	(5,469)	(15)
NR/NR	NR/NR	NR/NR	12,719	(12,723)	(4)
			$ 4,952,491	$ (4,949,138)	$ 3,353

[1] If no rating exists, "NR" is reported.

Notes to the Financial Statements

3. Deposits and Investments (continued)

As of June 30, 2016

Counterparty Credit Rating (Long/Short)[1]					Net Unrealized
S&P	**Moody's**	**Fitch**	**Receivables**	**Payables**	**Gain/(Loss)**
				(In Thousands)	
AA/A-1	Aa/P-1	AA/F1	$ 420,705	$ (423,368)	$ (2,663)
A/A-1	Aa/P-1	AA/F1	88	(88)	-
A/A-1	Aa/P-1	AA/F1	3,575	(3,565)	10
A/A-1	Aa/P-1	A/F1	596	(598)	(2)
A/A-1	A/P-1	AA/F1	25,537	(25,524)	13
A/A-1	A/P-1	A/F1	3,993,398	(3,964,170)	29,228
A/A-1	NR/NR	NR/NR	288	(286)	2
A/A-2	A/P-1	A/F1	21,813	(22,420)	(607)
BBB/A-2	Baa/P-2	NR/NR	28,247	(28,291)	(44)
NR/NR	Aa/P-1	NR/NR	91,187	(93,626)	(2,439)
NR/NR	NR/NR	A/F1	50,296	(50,280)	16
NR/NR	NR/NR	NR/NR	6,739	(6,734)	5
			$ 4,642,469	$ (4,618,950)	$ 23,519

[1] If no rating exists, "NR" is reported.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Trust will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

All U.S. dollar deposits at the Trust's custodian bank were covered by federal depository insurance as of June 30, 2017 and 2016. The remaining uninsured and uncollateralized deposits, totaling $126 million and $119.1 million as of June 30, 2017 and 2016, respectively, were held in foreign currencies in the SBA's custodian nominee name.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Trust will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The SBA's custodial credit risk policy states that custodial credit risk will be minimized through the use of trust accounts maintained at top tier third-party custodian banks. To the extent possible, negotiated trust and custody contracts shall require that all deposits, investments and collateral be held in accounts in the SBA's name, or in the case of certain foreign investments, in an omnibus client account, but separate and apart from the assets of the custodian banks.

Notes to the Financial Statements

3. Deposits and Investments (continued)

This policy applies to investments evidenced by cash or securities, but does not apply to investments evidenced by contractual agreements such as alternatives, real estate, cleared derivative instruments (futures, options and swaps), external investment pools or open-ended mutual funds. These types of investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

As required by negotiated trust and custody contracts, many of the Trust's investments were held in the SBA's name (or, in the case of certain foreign investments, in an omnibus client account) by the custodial financial institutions. Presented below are investments that were uninsured and unregistered, with securities held by the counterparty, or by the counterparty's trust department but not in the SBA's name.

	2017	2016
	(In Thousands)	
Invested security lending collateral		
Repurchase agreements	**$ 58,840**	$ 139,504
Domestic bonds and notes	**67,553**	79,798
Total investments exposed to custodial credit risk	**$ 126,393**	$ 219,302

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Trust did not hold any investments with a single issuer representing 5% or more of the Trust's fair value (amortized cost for short-term portfolios) at June 30, 2017 or 2016.

Investment policy guidelines allow the security lending programs to hold up to 30% of the cash collateral reinvestment portfolio in U.S. Treasury bills, notes, and bonds.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income instruments.

The Trust manages its exposure to interest rate risk through various investment policies. Policies and interest rate risk disclosures for fixed income investments of the Trust are presented below. Investments authorized by Section 215.47, *Florida Statutes*, are managed through individual portfolios with various asset classes. The individual portfolios may have different policies regarding interest rate risk. Major types of fixed income portfolios are listed below.

- **Short-Term Portfolio**

  Weighted-average maturity to final maturity date (WAL) is limited to 120 days in the internally managed FRS Short-term Investment Pool (STIPFRS) portfolio and weighted-average time to coupon reset (WAM) is limited to 60 days. For securities without a fixed interest rate, the next coupon reset date is used as the maturity for the reset WAM calculation. In STIPFRS, no individual security shall have a final maturity date longer than 397 days except for U.S. Treasury and Agency securities, which shall not exceed five years.

- **Mortgage Index Portfolio**

  Portfolio duration should be similar to the duration of the mortgage-related fixed income market and should remain within plus or minus 0.25 years of the Barclays Capital U.S. MBS Index duration. Swaps and/or Agency debentures may contribute no more than 25% of the portfolio's total duration.

- **Intermediate Aggregate Less MBS Index Portfolio**

  Portfolio duration should remain within plus or minus 0.25 years of the Barclays Capital U.S. Intermediate Aggregate Bond Index duration less the MBS Index component. Interest rate swaps and interest rate futures, on a net basis, may contribute no more than 25% of the portfolio's total duration.

Notes to the Financial Statements

3. Deposits and Investments (continued)

- **Core Portfolios**

  Portfolio duration should remain within plus or minus 0.50 years of the Barclays Capital U.S. Intermediate Aggregate Bond Index duration. Interest rate swaps and interest rate futures may contribute no more than 25% of the portfolio's total duration.

  The Core Portfolios contain certain investments, Collateralized Mortgage Obligations (CMOs), which are more sensitive to interest rate changes than others. Examples of CMO securities that qualify as "highly interest rate sensitive" include interest-only (IOs), principal-only (POs), and inverse floaters (INVs).

  IO and PO securities are transactions that involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which increase the value of a PO and decrease the value of an IO. Inverse floaters (INV) have an inverse relationship to a benchmark rate, and the coupon payment is adjusted as the interest rate changes. If the benchmark interest rate decreases, the coupon rate increases and vice versa, which allows the bondholder to benefit from declining interest rates. Similar to an IO, an interest-only inverse floater's value increases as interest rates rise.

- **Security Lending Portfolios**

  Investment policy guidelines allow investment in:

  - Repurchase agreements, with a term to repurchase not to exceed forty-five calendar days, that are fully collateralized by U.S. Treasury bills, notes, bonds and/or strips, U.S. Government Agency securities, U.S. Government Agency mortgage-backed securities and U.S. Equity securities.

  - Money market mutual funds regulated by SEC rule 2a-7.

  - U.S. Treasury bills, notes and bonds maturing within 92 days or less.

Investments that were purchased prior to the investment policy guidelines established in December 2008 are still held in the lending programs, but are slowly paying down. For investments that had floating interest rates, interest rate reset dates were used to calculate WAM.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The interest rate risk tables for the Trust as of June 30, 2017 and 2016, are presented below. Investment types, related to fixed income portfolios, are presented using effective weighted duration. Investment types related to short-term, and security lending collateral portfolios are presented using weighted-average maturity.

	As of June 30, 2017			
Investment type	**Total (Duration)**	**Effective Weighted Duration**	**Total (WAM)**	**Weighted Average Maturity**
	(In Thousands)	*(In Years)*	*(In Thousands)*	*(In Days)*
Certificates of deposit	$ -	NA	$ 800,168	76
Commercial paper	-	NA	4,050,193	18
Money market funds	-	NA	730,326	3
Repurchase agreements	-	NA	1,258,840	3
U.S. guaranteed obligations:				
U.S. Treasury bills	1,094,652	0.23	-	NA
U.S. Treasury bonds and notes	7,842,876	3.90	-	NA
Index linked government bonds	241,913	6.54	-	NA
U.S. government guaranteed bonds and notes	38,824	4.88	-	NA
Mortgage backed	1,150,183	3.26	-	NA
GNMA commitments to purchase (TBAs)	281,934	4.05	-	NA
Mortgage backed-CMOs and CMBS[1]	260,328	3.28	-	NA
Federal agencies:				
Discount notes	342,898	0.06	-	NA
Unsecured bonds and notes	514,881	2.72	-	NA
Agency strips	39,718	2.47	-	NA
Mortgage backed	4,403,223	3.61	-	NA
FNMA, FHLMC commitments to purchase (TBAs)	1,661,753	4.11	-	NA
Mortgage backed-CMOs and CMBS[1]	1,455,705	2.99	-	NA
Domestic:				
Corporate bonds and notes	4,875,787	4.52	-	NA
Asset and mortgage backed	973,783	2.10	49,899	25
Mortgage backed-CMOs and CMBS[1]	1,002,447	2.28	8,168	25
Municipal/provincial	14,183	5.78	-	NA
Real estate mortgage loans	2,705	2.27	-	NA
International:				
Government and agency obligations	732,247	3.35	-	NA
Corporate bonds and notes	1,175,311	4.11	-	NA
Asset and mortgage backed	44,708	0.65	-	NA
Futures-long[2]	(4,163)	3.64	-	NA
Futures-short[2]	1,014	8.25	-	NA
Credit default swaps[2]	(2,508)	0.01	-	NA
Interest rate swaps[2]	493	(1.11)	-	NA
Total fixed income investments	$ 28,144,895		$ 6,897,594	

[1] Includes investments in IOs, POs and INVs totaling $65 million at June 30, 2017.

[2] The futures and swaps contracts' effective weighted durations were calculated using notional values rather than fair values. For foreign futures, local notional value was converted to a U.S. dollar value based on foreign exchange rates at June 30, 2017.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Investment type	Total (Duration)	Effective Weighted Duration	Total (WAM)	Weighted Average Maturity
	As of June 30, 2016			
	(In Thousands)	*(In Years)*	*(In Thousands)*	*(In Days)*
Certificates of deposit	$ -	NA	$ 775,062	11
Commercial paper	-	NA	3,516,125	21
Money market funds	-	NA	1,047,467	1
Repurchase agreements	-	NA	1,639,504	5
U.S. guaranteed obligations:				
U.S. Treasury bills	1,815,962	0.06	-	NA
U.S. Treasury bonds and notes	7,289,368	4.09	-	NA
Index linked government bonds	283,611	7.10	-	NA
U.S. government guaranteed bonds and notes	54,869	4.41	-	NA
Mortgage backed	915,179	2.05	-	NA
GNMA commitments to purchase (TBAs)	440,639	1.93	-	NA
Mortgage backed-CMOs and CMBS[1]	274,714	2.56	-	NA
Federal agencies:				
Discount notes	201,167	0.06	-	NA
Unsecured bonds and notes	435,196	3.30	-	NA
Agency strips	28,504	3.83	-	NA
Mortgage backed	4,889,281	2.35	-	NA
FNMA, FHLMC commitments to purchase (TBAs)	1,422,991	2.28	-	NA
Mortgage backed-CMOs and CMBS[1]	748,230	2.22	-	NA
Domestic:				
Corporate bonds and notes	4,700,890	4.67	-	NA
Asset and mortgage backed	729,262	1.61	51,589	25
Mortgage backed-CMOs and CMBS[1]	1,161,151	2.53	14,040	25
Municipal/provincial	15,489	6.27	-	NA
Real estate mortgage loans	2,746	5.83	-	NA
International:				
Government and agency obligations	700,397	3.46	-	NA
Corporate bonds and notes	976,492	4.18	-	NA
Asset and mortgage backed	40,516	0.94	-	NA
Futures-long[2]	41,953	2.75	-	NA
Futures-short[2]	(26,758)	3.49	-	NA
Credit default swaps[2]	503	0.06	-	NA
Interest rate swaps[2]	(2,162)	0.21	-	NA
Total fixed income investments	$ 27,140,190		$ 7,043,787	

[1] Includes investments in IOs, POs and INVs totaling $66 million at June 30, 2016.

[2] The futures and swap contracts' effective weighted durations were calculated using notional values rather than fair values. For foreign futures, local notional value was converted to a U.S. dollar value based on foreign exchange rates at June 30, 2016.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Interest rate risk information for fixed income investments sold short is presented below as of June 30, 2017 and 2016.

	June 30, 2017			June 30, 2016		
Investment type		**Total**	**Effective Weighted Duration**		Total	Effective Weighted Duration
		(In Thousands)	*(In Years)*		*(In Thousands)*	*(In Years)*
GNMA commitments to sell (TBAs)	**$**	**(23,303)**	**2.71**	$	(1,891)	-0.02
FNMA, FHLMC commitments to sell (TBAs)		**(290,622)**	**4.44**		(306,334)	2.30
Total fixed income investments sold short[1]	**$**	**(313,925)**		$	(308,225)	

[1] Investments sold short are reported as liabilities on the Statements of Net Position.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or investment. Under Section 215.47, *Florida Statutes,* and subject to the limitations and conditions of the State Constitution or of the trust agreement relating to a trust fund, moneys available for investments by the Trust may be invested in fixed income obligations or stocks denominated in foreign currency. The SBA has developed for the Trust an Investment Policy Statement (IPS) that sets ranges on investments by asset class. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. For fiscal years 2017 and 2016, Florida law limits the exposure to foreign securities held outside of foreign group trusts and certain other foreign entities to 50% of the total Trust. There is no requirement that this exposure to foreign currency risk be hedged through forward currency contracts, although some managers are authorized to use forward currency contracts.

Commingled international equity funds are investments where the Trust owns units in commingled funds with other investors and, therefore, owns only a portion of the overall investment in the funds. Equity linked notes are participatory notes that allow the holder to participate in certain foreign equity markets where direct participation is not possible due to local government regulations, tax policies, or for other reasons. The overall investments or notes themselves are denominated in U.S. dollars, but a portion of the underlying assets are exposed to foreign currency risk in various currencies.

Alternative investments are commingled investment funds (primarily limited partnerships) where the Trust owns a portion of the overall investment in the funds. For those funds denominated in U.S. dollars, some of the underlying investments may be exposed to foreign currency risk in various currencies.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The Trust also holds positions in futures, options, swaps, and foreign currency contracts (see section in Note 3 on Derivatives for additional details) that are subject to foreign currency risk.

Following are the Trust's deposits and investments, by currency at fair value (in U.S. dollars), exposed to foreign currency risk as of June 30, 2017 and 2016.

	As of June 30, 2017						
	Investment Type						
Currency	Cash	Equity	Alternative Investments	Fixed Income	Futures, Options and Swaps	Foreign Currency Contracts-Net	Total
			(In Thousands)				
Australian dollar	$ 2,221	$ 1,001,326	$ -	$ -	$ -	$ (153,563)	$ 849,984
Bangladesh taka	81	16,617	-	-	-	-	$ 16,698
Brazilian real	816	530,904	-	-	-	(48,531)	$ 483,189
British pound sterling	20,495	3,948,224	33,527	-	(342)	51,778	$ 4,053,682
Canadian dollar	4,148	1,424,480	-	-	(48)	(87,385)	$ 1,341,195
Chilean peso	210	34,361	-	-	-	(38,901)	$ (4,330)
Columbian peso	2	9,967	-	-	-	11,052	$ 21,021
Czech koruna	38	4,586	-	-	-	41,610	$ 46,234
Danish krone	548	469,582	-	-	-	(386)	$ 469,744
Egyptian pound	69	25,511	-	-	-	-	$ 25,580
Euro currency unit	17,455	7,476,917	715,506	-	703	(252,308)	$ 7,958,273
Hong Kong dollar	10,755	2,368,338	-	-	-	(6,668)	$ 2,372,425
Hungarian forint	54	54,205	-	-	-	(41,177)	$ 13,082
Indian rupee	12,152	983,825	-	-	-	86,136	$ 1,082,113
Indonesian rupiah	343	196,188	-	-	-	55,328	$ 251,859
Israeli shekel	2,123	90,438	-	-	-	(38,217)	$ 54,344
Japanese yen	20,755	4,660,824	-	-	(29)	(443,722)	$ 4,237,828
Kenyan shilling	-	24,481	-	-	-	-	$ 24,481
Kuwaiti dinar	302	15,733	-	-	-	-	$ 16,035
Malaysian ringgit	657	156,038	-	-	-	40,954	$ 197,649
Mexican peso	2,746	237,709	-	-	-	99,242	$ 339,697
Moroccan dirham	8	6,303	-	-	-	-	$ 6,311
New Zealand dollar	1,656	70,860	-	-	-	74,627	$ 147,143
Nigerian naira	116	32,252	-	-	-	-	$ 32,368
Norwegian krone	2,065	228,965	-	-	-	(66,052)	$ 164,978
Omani rial	-	6,507	-	63	-	-	$ 6,570
Pakistani rupee	413	28,787	-	-	-	-	$ 29,200
Philippine peso	465	104,087	-	-	-	5,633	$ 110,185
Polish zloty	41	110,317	-	-	-	45,775	$ 156,133
Qatari riyal	312	27,564	-	-	-	-	$ 27,876
Romanian new leu	-	16,207	-	-	-	5,491	$ 21,698
Russian ruble	-	-	-	-	-	36,081	$ 36,081
Singapore dollar	1,818	410,302	-	-	-	(63,941)	$ 348,179
South African rand	325	467,864	-	-	-	26,175	$ 494,364
South Korean won	3,362	1,231,151	-	-	-	(4,429)	$ 1,230,084
Sri lanka rupee	-	22,197	-	-	-	-	$ 22,197
Swedish krona	-	671,413	-	-	-	72,915	$ 744,328
Swiss franc	5,319	1,708,792	-	-	2,274	(122,004)	$ 1,594,381
Taiwan new dollar	10,333	873,418	-	-	-	(38,822)	$ 844,929
Thailand baht	129	231,936	-	-	-	6,211	$ 238,276
Turkish lira	728	223,130	-	-	-	117,706	$ 341,564
United Arab Emirates dirham	160	53,901	-	-	-	-	$ 54,061
Vietnam dong	2,780	13,729	-	-	-	-	$ 16,509
Other	1	11,292	-	-	-	(4,408)	$ 6,885
Total foreign currency risk	**126,001**	**30,281,228**	**749,033**	**63**	**2,558**	**(633,800)**	**$ 30,525,083**
Other investments with potential exposure to foreign currency risk							
Alternative investments	-	-	23,255,209	-	-	-	$ 23,255,209
Equity linked notes	-	79,947	-	-	-	-	$ 79,947
Commingled international equity funds	-	7,911,257	-	-	-	-	$ 7,911,257
Total investments subject to foreign currency risk	**$ 126,001**	**$ 38,272,432**	**$ 24,004,242**	**$ 63**	**$ 2,558**	**$ (633,800)**	**$ 61,771,496**

Notes to the Financial Statements

3. Deposits and Investments (continued)

	As of June 30, 2016						
	Investment Type						
Currency	Cash	Equity	Alternative Investments	Fixed Income	Futures, Options and Swaps	Foreign Currency Contracts-Net	Total
			(In Thousands)				
Australian dollar	$ 3,931	$ 1,077,683	$ -	$ -	$ 13	$ (195,261)	$ 886,366
Bangladesh taka	43	9,021	-	-	-	-	$ 9,064
Brazilian real	1,092	445,084	-	-	-	18,035	$ 464,211
British pound sterling	10,330	4,473,700	13,333	-	1,935	(51,864)	$ 4,447,434
Canadian dollar	15,313	1,392,486	-	-	87	(35,365)	$ 1,372,521
Chilean peso	29	29,301	-	-	-	4,116	$ 33,446
Columbian peso	18	9,410	-	-	-	3,623	$ 13,051
Danish krone	692	363,066	-	-	-	5,008	$ 368,766
Egyptian pound	38	29,468	-	-	-	-	$ 29,506
Euro currency unit	15,935	6,431,118	584,953	-	(1,787)	(289,273)	$ 6,740,946
Hong Kong dollar	11,892	1,916,243	-	-	-	(11,540)	$ 1,916,595
Hungarian forint	5	37,775	-	-	-	(12,956)	$ 24,824
Indian rupee	1,104	706,586	-	-	-	41,676	$ 749,366
Indonesian rupiah	475	153,610	-	-	-	34,401	$ 188,486
Israeli shekel	1,284	74,865	-	-	-	(31,933)	$ 44,216
Japanese yen	30,057	4,519,662	-	-	(2,284)	57,646	$ 4,605,081
Kenyan shilling	33	21,836	-	-	-	8	$ 21,877
Malaysian ringgit	484	144,097	-	-	-	3,568	$ 148,149
Mexican peso	715	215,345	-	-	-	(3,022)	$ 213,038
New Zealand dollar	1,371	67,977	-	-	1,006	80,299	$ 150,653
Nigerian naira	-	27,884	-	-	-	58	$ 27,942
Norwegian krone	2,456	191,105	-	-	-	7,732	$ 201,293
Omani rial	-	8,634	-	363	-	-	$ 8,997
Pakistani rupee	293	32,780	-	-	-	74	$ 33,147
Philippine peso	400	122,496	-	-	-	3,631	$ 126,527
Polish zloty	84	72,469	-	-	-	(7,393)	$ 65,160
Qatari riyal	178	39,279	-	-	-	-	$ 39,457
Romanian new leu	-	9,768	-	-	-	7,476	$ 17,244
Russian ruble	-	-	-	-	-	14,340	$ 14,340
Singapore dollar	2,374	416,356	-	-	-	(39,108)	$ 379,622
South African rand	3,029	418,284	-	-	-	1,262	$ 422,575
South Korean won	639	839,575	-	-	-	34,459	$ 874,673
Sri lanka rupee	-	16,411	-	-	-	(55)	$ 16,356
Swedish krona	891	615,823	-	-	-	(69,741)	$ 546,973
Swiss franc	3,071	1,900,944	-	-	3,904	(62,646)	$ 1,845,273
Taiwan new dollar	9,925	693,978	-	-	-	(11,268)	$ 692,635
Thailand baht	267	193,215	-	-	-	659	$ 194,141
Turkish lira	48	182,261	-	-	-	10,487	$ 192,796
United Arab Emirates dirham	65	56,338	-	-	-	134	$ 56,537
Vietnam dong	592	8,148	-	-	-	-	$ 8,740
Other	11	25,918	-	-	-	(6,306)	$ 19,623
Total foreign currency risk	**119,164**	**27,989,999**	**598,286**	**363**	**2,874**	**(499,039)**	**$ 28,211,647**
Other investments with potential exposure to foreign currency risk							
Alternative investments	-	-	21,842,000	-	-	-	$ 21,842,000
Equity linked notes	-	47,562	-	-	-	-	$ 47,562
Commingled international equity funds	-	5,452,110	-	-	-	-	$ 5,452,110
Total investments subject to foreign currency risk	**$ 119,164**	**$ 33,489,671**	**$ 22,440,286**	**$ 363**	**$ 2,874**	**$ (499,039)**	**$ 55,553,319**

Notes to the Financial Statements

3. Deposits and Investments (continued)

The tables below provide additional details on the futures contracts, interest rate swap contracts and foreign currency contracts that are subject to foreign currency risk. The margin payments included in "Margin receivable from counterparty" and "Margin payable to counterparty" on the Statements of Net Position, may also be exposed to foreign currency risk.

Futures

The Trust's futures contract positions at June 30, 2017 and 2016, that were exposed to foreign currency risk are presented below.

			In Local Currency			In U.S. $
	Currency	Number of Contracts	Notional Traded Exposure	Notional Market Exposure	Unrealized Gain/(Loss)	Unrealized Gain/(Loss)
				(In Thousands)		
As of June 30, 2017						
Stock Index Futures:						
GBP FTSE 100 Index	British pound sterling	**143**	**10,620**	**10,357**	**(263)**	**$ (342)**
Canada S&P/TSE 60 Index	Canadian dollar	**40**	**7,176**	**7,114**	**(62)**	**$ (48)**
DJ Euro STOXX 50	Euro currency unit	**417**	**14,763**	**14,307**	**(456)**	**$ (520)**
TOPIX Index Future	Japanese yen	**68**	**1,086,616**	**1,095,820**	**9,204**	**$ 82**
Yen Denom NIKKEI	Japanese yen	**185**	**1,868,485**	**1,856,013**	**(12,472)**	**$ (111)**
Mini MSCI Emerging Market[1]	U.S. dollar	**364**	**18,326**	**18,351**	**25**	**$ 25**
Mini MSCI EAFE[1]	U.S. dollar	**4,444**	**421,250**	**419,869**	**(1,381)**	**$ (1,381)**
As of June 30, 2016						
Stock Index Futures:						
GBP FTSE 100 Index	British pound sterling	323	19,297	20,745	1,448	$ 1,935
Canada S&P/TSE 60 Index	Canadian dollar	56	9,007	9,120	113	$ 87
ASX SPI 200	Australian dollar	11	1,422	1,423	1	$ 1
DJ Euro STOXX 50	Euro currency unit	1,053	29,507	30,063	556	$ 618
TOPIX Index Future	Japanese yen	193	2,547,341	2,403,815	(143,526)	$ (1,399)
Yen Denom NIKKEI	Japanese yen	333	2,711,453	2,620,710	(90,743)	$ (885)
Mini MSCI Emerging Market[1]	U.S. dollar	1,289	52,172	53,796	1,624	$ 1,624
Mini MSCI EAFE[1]	U.S. dollar	8,680	685,565	700,997	15,432	$ 15,432

[1] Futures denominated in USD are based on an index that converts the foreign issues to dollar equivalents at currency market exchange rates.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Swaps

The Trust's interest rate swap contract positions that were exposed to foreign currency risk are presented below.

Currency	Notional Amount (Local Currency)	Receive [1]	Pay [1,2]	Maturity Dates	Total (Local Currency)	Total (U.S. Dollars)
	(In Tousands)				*(In Thousands)*	
As of June 30, 2017						
None						
As of June 30, 2016						
Euro currency unit	27,000	1.0995%	EURIBOR 6 month	02/12/36	1,618	$ 1,797
Euro currency unit	1,000,000	EURIBOR 6 month	(0.155)% - (0.153)%	02/13/17	(137)	(153)
New Zealand dollar	40,000	3.06%	3 Month NZD_BBR_FRA	03/29/26	1,412	1,006
					2,893	$ 2,650

1 If a range of interest rates are presented, they represent the lowest to highest fixed rates received or paid. The EURIBOR (Euro Interbank Offered Rate) is the rate at which euro wholesale money market (or interbank market) term deposits within the euro zone are offered by one prime bank to another prime bank. The 6-month EURIBOR rate at June 30, 2016 was -0.179%.

2 The NZD_BBR_FRA is a forward rate agreement bank bill reference rate maintained by the New Zealand Financial Markets Association, a professional body for wholesale (institutional) banking in New Zealand. The bank bill interest rate is the wholesale interbank rate within Australia and is published by the Australian Financial Markets Association (AFMA). It is the borrowing rate among the country's top market makers, and is widely used as the benchmark interest rate for financial instruments. The 3-month rate is the average interest rate at which a selection of banks are prepared to lend to one another in New Zealand dollars with a maturity of 3 months. The 3-month NZD_BBR_FRA rate at June 30, 2016 was 2.41.

Foreign Currency Contracts

Foreign currency contracts are agreements to exchange one currency for another currency at an agreed-upon price and settlement date. A currency overlay program is used to seek additional value and is run independently of the underlying equity assets. Currently, there are two types of foreign currency contracts being utilized by the Trust. Spot currency contracts are valued at spot (traded) currency rates and are used primarily for trade settlement and currency repatriation. Forward currency contracts are valued at interpolated forward rates and may be used to mitigate currency risk for changes in value associated with foreign holdings, payables and/or receivables. In addition, such contracts may be used to seek additional value independent of underlying equity assets. These contracts are recorded as receivables and payables on the statements of net position.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Schedules of all foreign currency contracts outstanding at June 30, 2017 and 2016, are presented below, by currency.

As of June 30, 2017

	Forward Currency Contracts				Spot Currency Contracts			
Currency	**Receivables**	**Payables**	**Net Receivables/ Payables**	**Unrealized Gain/ (Loss)**	**Receivables**	**Payables**	**Net Receivables/ Payables**	**Unrealized Gain/ (Loss)**
				(In Thousands)				
Australian dollar	$ 19,193	$ (172,853)	$ (153,660)	$ (2,728)	$ 5,650	$ (5,553)	$ 97	$ 9
Brazilian real	6,667	(56,815)	(50,148)	72	2,249	(632)	1,617	(18)
British pound sterling	227,515	(148,101)	79,414	2,486	17,601	(45,237)	(27,636)	102
Canadian dollar	57,965	(145,333)	(87,368)	(2,974)	1,611	(1,628)	(17)	(2)
Chilean peso	6,382	(45,283)	(38,901)	58	-	-	-	-
Chinese yuan renminbi	6,283	(10,691)	(4,408)	(72)	-	-	-	-
Columbian peso	25,368	(14,316)	11,052	(639)	-	-	-	-
Czech koruna	52,406	(10,796)	41,610	2,711	-	-	-	-
Danish krone	-	-	-	-	-	(386)	(386)	-
Euro currency unit	431,445	(714,729)	(283,284)	2,364	69,836	(38,860)	30,976	(24)
Hong Kong dollar	12,926	(20,012)	(7,086)	22	1,796	(1,378)	418	-
Hungarian forint	35,913	(77,090)	(41,177)	(1,503)	-	-	-	-
Indian rupee	91,153	(5,017)	86,136	148	-	-	-	-
Indonesian rupiah	55,328	-	55,328	(116)	-	-	-	-
Israeli shekel	2,259	(40,461)	(38,202)	(604)	-	(15)	(15)	-
Japanese yen	110,390	(604,782)	(494,392)	7,748	68,721	(18,051)	50,670	(51)
Malaysian ringgit	39,935	-	39,935	(155)	1,187	(168)	1,019	1
Mexican peso	101,222	(1,020)	100,202	1,781	370	(1,330)	(960)	(1)
New Zealand dollar	137,365	(56,363)	81,002	(914)	-	(6,375)	(6,375)	(34)
Norwegian krone	51,078	(117,130)	(66,052)	(1,185)	12,352	(12,352)	-	(3)
Philippines peso	24,068	(18,795)	5,273	(99)	360	-	360	-
Polish zloty	122,670	(76,902)	45,768	631	7	-	7	-
Romanian new leu	5,491	-	5,491	77	-	-	-	-
Russian ruble	36,081	-	36,081	(718)	-	-	-	-
Singapore dollar	-	(63,163)	(63,163)	(280)	-	(778)	(778)	(2)
South African rand	26,840	(2,439)	24,401	(96)	2,732	(958)	1,774	(16)
South Korean won	40,806	(44,002)	(3,196)	(25)	-	(1,233)	(1,233)	-
Swedish krona	90,418	(18,858)	71,560	1,647	5,513	(4,158)	1,355	36
Swiss franc	40,943	(209,401)	(168,458)	(4,642)	92,875	(46,421)	46,454	14
Taiwan new dollar	5,326	(43,456)	(38,130)	395	-	(692)	(692)	-
Thailand baht	5,387	-	5,387	5	1,137	(313)	824	-
Turkish lira	138,444	(20,829)	117,615	(52)	91	-	91	-
U.S. dollar	2,491,024	(1,756,311)	734,713	-	170,113	(267,672)	(97,559)	-
Total	**$ 4,498,291**	**$ (4,494,948)**	**$ 3,343**	**$ 3,343**	**$ 454,201**	**$ (454,190)**	**$ 11**	**$ 11**

Notes to the Financial Statements

3. Deposits and Investments (continued)

As of June 30, 2016

Currency	Forward Currency Contracts: Receivables	Forward Currency Contracts: Payables	Forward Currency Contracts: Net Receivables/ Payables	Forward Currency Contracts: Unrealized Gain/ (Loss)	Spot Currency Contracts: Receivables	Spot Currency Contracts: Payables	Spot Currency Contracts: Net Receivables/ Payables	Spot Currency Contracts: Unrealized Gain/ (Loss)
				(In Thousands)				
Australian dollar	$ 52,695	$ (182,598)	$ (129,903)	$ (3,104)	$ 162	$ (65,520)	$ (65,358)	$ (294)
Brazilian real	40,782	(22,143)	18,639	1,759	3,147	(3,751)	(604)	3
British pound sterling	75,215	(125,025)	(49,810)	5,227	34,739	(36,793)	(2,054)	(78)
Canadian dollar	111,372	(132,347)	(20,975)	105	1,783	(16,173)	(14,390)	62
Chilean peso	37,491	(33,375)	4,116	(572)	-	-	-	-
Chinese yuan renminbi	4,648	(15,522)	(10,874)	89	-	-	-	-
Columbian peso	3,623	-	3,623	141	-	-	-	-
Czech koruna	14,732	(13,753)	979	(375)	-	-	-	-
Danish krone	4,133	-	4,133	(99)	875	-	875	1
Euro currency unit	260,373	(590,287)	(329,914)	2,092	117,338	(76,697)	40,641	94
Hong Kong dollar	-	(4,540)	(4,540)	(2)	1,511	(8,511)	(7,000)	(2)
Hungarian forint	57,703	(70,659)	(12,956)	(960)	-	-	-	-
Indian rupee	43,932	(3,377)	40,555	(146)	1,355	(234)	1,121	(2)
Indonesian rupiah	41,689	(7,759)	33,930	403	570	(99)	471	(1)
Israeli shekel	48,241	(80,174)	(31,933)	(599)	-	-	-	-
Japanese yen	410,443	(374,670)	35,773	22,245	70,216	(48,343)	21,873	(115)
Kenyan shilling	-	-	-	-	8	-	8	-
Malaysian ringgit	3,578	(6)	3,572	98	-	(4)	(4)	-
Mexican peso	62,192	(55,384)	6,808	(427)	1,520	(11,350)	(9,830)	13
Moroccan dirham	-	-	-	-	56	-	56	-
New Zealand dollar	143,241	(49,057)	94,184	(235)	246	(14,131)	(13,885)	(121)
Nigerian naira	-	-	-	-	58	-	58	-
Norwegian krone	33,080	(25,424)	7,656	(1,085)	83	(7)	76	-
Pakistan rupee	-	-	-	-	74	-	74	-
Peruvian sol	3,533	-	3,533	49	-	-	-	-
Philippines peso	3,429	-	3,429	(58)	202	-	202	(1)
Polish zloty	63,090	(77,103)	(14,013)	(1,119)	34,237	(27,617)	6,620	109
Romanian new leu	7,476	-	7,476	(189)	-	-	-	-
Russian ruble	24,072	(9,732)	14,340	772	-	-	-	-
Singapore dollar	627	(41,063)	(40,436)	(305)	1,328	-	1,328	7
South African rand	52,603	(53,010)	(407)	(2,179)	4,116	(2,447)	1,669	81
South Korean won	108,053	(72,850)	35,203	(165)	585	(1,329)	(744)	1
Sri lanka rupee	-	-	-	-	-	(55)	(55)	(1)
Swedish krona	28,644	(101,545)	(72,901)	2,329	3,160	-	3,160	9
Swiss franc	102,312	(106,591)	(4,279)	362	22,610	(80,977)	(58,367)	(89)
Taiwan new dollar	3,513	(14,667)	(11,154)	(111)	56	(170)	(114)	-
Thailand baht	-	-	-	-	787	(128)	659	-
Turkish lira	41,487	(31,876)	9,611	(98)	876	-	876	-
U.S. dollar	2,143,872	(1,713,494)	430,378	-	308,762	(216,582)	92,180	-
UAE dirham	-	-	-	-	134	-	134	-
Total	**$ 4,031,874**	**$ (4,008,031)**	**$ 23,843**	**$ 23,843**	**$ 610,594**	**$ (610,918)**	**$ (324)**	**$ (324)**

Notes to the Financial Statements

3. Deposits and Investments (continued)

Security Lending

During fiscal years 2017 and 2016, the Trust participated in security lending programs with three lending agents, including the Trust's custodian and two third-party agents. All security lending programs have indemnity clauses requiring the lending agent to assume the borrower's risk from default. There are no restrictions on the amount of securities that can be loaned at one time to one borrower.

Collateral requirements for securities on loan range from 100% to 105%, depending on the lending agent, the type of security lent, and the type of collateral received. As of June 30, 2017, the Trust had received and invested approximately $1.3 billion in cash collateral and received $9.5 billion in securities as collateral for the lending programs. The collateral held for the security lending transactions exceeded the fair value of the securities on loan (including accrued interest). As a result, none of the lending programs were under-collateralized at the end of the fiscal year. The Trust does not have the ability to pledge or sell the non-cash collateral securities unless the borrower defaults, so the non-cash portion is not reported on the Statements of Net Position.

Maturities of investments made with cash collateral generally are not matched to maturities of the securities loaned, because security lending agreements generally are open-ended with no fixed expiration date. As such, investments made with cash collateral are limited to those with a final maturity up to 92 days. However, investments in one of the security lending programs included investments with final maturities of six months or more, representing approximately 23% of that lender's total collateral invested at June 30, 2017. This is due to the portfolio containing some legacy non-repo securities that will remain until they are sold or mature.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Securities on Loan[1]

	As of June 30	
	2017	2016
	(In Thousands)	
Securities on loan for cash collateral, by security type		
U.S. guaranteed obligations	**$ 141,736**	$ 239,976
Federal agencies	**14,508**	15,031
Domestic corporate bonds and notes	**69,582**	58,017
International bonds and notes	**77,240**	52,820
Domestic equities	**235,581**	618,367
International equities	**747,803**	918,324
Total securities on loan for cash collateral	**1,286,450**	1,902,535
Securities on loan for non-cash collateral, by security type		
U.S. guaranteed obligations	**2,606,857**	1,063,666
Federal agencies	**10,599**	151,266
Domestic corporate bonds and notes	**74,626**	666,836
International bonds and notes	**25,872**	408,131
Domestic equities	**5,326,784**	6,805,027
International equities	**1,246,340**	837,446
Total securities on loan for non-cash collateral	**9,291,078**	9,932,372
Total securities on loan	**$ 10,577,528**	$ 11,834,907

[1] Fair value includes accrued interest on fixed income securities.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Derivatives

The Trust accounts for derivatives in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). This statement defines a derivative instrument as a financial instrument or other contract that has all of the following characteristics:

a. Settlement factors. It has (1) one or more reference rates and (2) one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements and, in some cases, whether or not a settlement is required.

b. Leverage. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

c. Net settlement. Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Derivative instruments in the Trust as of June 30, 2017 and 2016, consisted of futures, options, forward currency contracts, and swaps.

The SBA has established investment guidelines for each investment portfolio. Pursuant to these guidelines, derivative investment instruments are authorized to be used as tools for managing risk or executing investment strategies more efficiently than could otherwise be done in cash markets, and may only be used as part of a prudent investment process. Various derivative investment instruments are used as part of the investment strategy to hedge against interest rate risk, currency risk in foreign markets, default risk, and mortgage-backed security prepayment risk, and to effectively manage exposure to domestic and international equities, bonds, and real estate markets.

A futures contract is an agreement between a buyer and a seller to exchange a particular good for a particular price at a particular date in the future, all of which are specified in a contract common to all members in a market on an organized futures exchange. Upon entering into a futures contract, collateral (cash and/or securities) is deposited with the counterparty, in SBA's name, in accordance with the initial margin requirements of the counterparty. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. The frequency of cash flows depends upon specified collateral and margin limits mutually agreed upon by the SBA and third-party counterparty. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the statements of net position. Losses may arise from future changes in the value of the underlying instrument.

3. Deposits and Investments (continued)

An option gives the buyer a stipulated privilege of buying or selling a stated property, security, or commodity at a given price (strike price) within a specified time (for an American-style option, at any time prior to or on the expiration date). A securities option is a negotiable contract in which the seller (writer), for a certain sum of money called the option premium, gives the buyer the right to demand within a specified time the purchase (call) from or sale (put) to the option seller of a specified number of bonds, currency units, index units, or shares of stock, at a fixed price or rate, called the strike price.

A forward currency contract is a contractual obligation, typically over-the-counter, traded between two parties to exchange a particular good or instrument at a set price on a future date. The buyer of the forward agrees to pay the price and take delivery of the good or instrument and is said to be "long" the forward contract, while the seller of the forward, or "short," agrees to deliver the good or instrument at the agreed price on the agreed date.

A swap is a contractual agreement to exchange a stream of periodic payments utilizing a central clearing house whereby, each party in the transaction enters into a contract with the central counterparty. These agreements may be over-the-counter or exchange-traded. Upon entering into a swap contract through a clearing house, collateral is deposited with the counterparty, in SBA's name, in accordance with the initial margin requirements of the counterparty. Swaps are available in and between all active financial markets. Examples include:

Interest rate swap – An agreement between two parties, where one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps often exchange a fixed payment for a floating payment that is linked to an interest rate.

Credit default swap – An agreement that allows one party to "buy" protection from another party for losses that might be incurred as a result of default by a specified reference credit (or credits). The "buyer" of protection pays a premium for the protection, and the "seller" of protection agrees to make a payment to compensate the buyer for losses incurred if a defined credit event occurs.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The fair value, changes in fair value, and notional amounts of the derivative investments are classified by type and presented by fiscal year in the tables below.

Fiscal Year Ended June 30, 2017

Investment Derivatives	Notional (in US $)	Increase/(Decrease) in Fair Value Classification	Increase/(Decrease) in Fair Value Amount (in US $)	Fair Value Classification	Fair Value Amount (in US $)
	(In Thousands)		*(In Thousands)*		*(In Thousands)*
Futures[1]					
Futures (fixed income)	$ 1,495,700	Investment Income	$ (31,113)	Investment	$ (3,149)
Futures (equity)	2,013,876	Investment Income	308,984	Investment	(8,245)
Total futures	$ 3,509,576		$ 277,871		$ (11,394)
Forward currency contracts	$ 3,343	Investment Income	$ 63,097	Receivables (Payables), net[2]	$ 3,343
Options					
Options purchased	$ 2,416,630	Investment Income	$ (129,010)	Investment	$ 30,620
Options sold	(1,297,844)	Investment Income	88,832	Liability	(8,338)
Total options	$ 1,118,786		$ (40,178)		$ 22,282
Swaps					
Interest rate swaps	$ 241,105	Investment Income	$ 5,673	Investment	$ 493
Credit default swaps	171,000	Investment Income	(1,183)	Investment	(2,508)
Total swaps	$ 412,105		$ 4,490		$ (2,015)

[1] The total notional values of long and short fixed income futures positions were $2,032,700,000 and $(537,000,000), respectively. The total notional value of long equity futures positions was $2,013,875,750.

[2] The total receivable and payable notional and fair values (in U.S. dollars) for forward currency contracts were $4,498,290,371 and $(4,494,947,721) as of June 30, 2017, and are presented on the Statements of Net Position as forward foreign currency contracts receivable and forward foreign currency contracts payable.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Fiscal Year Ended June 30, 2016

Investment Derivatives	Notional (in US $)	Increase/(Decrease) in Fair Value Classification	Increase/(Decrease) in Fair Value Amount (in US $)	Fair Value Classification	Fair Value Amount (in US $)
	(In Thousands)		*(In Thousands)*		*(In Thousands)*
Futures[1]					
Futures (fixed income)	$ 1,598,400	Investment Income	$ 30,594	Investment	$ 15,195
Futures (equity)	2,070,413	Investment Income	(28,639)	Investment	29,972
Total futures	$ 3,668,813		$ 1,955		$ 45,167
Forward currency contracts	$ 23,843	Investment Income	$ 25,031	Receivables (Payables), net[2]	$ 23,843
Options					
Options purchased	$ 2,094,415	Investment Income	$ (56,620)	Investment	$ 38,673
Options sold	(1,400,308)	Investment Income	17,062	Liability	(35,820)
Total options	$ 694,107		$ (39,558)		$ 2,853
Swaps					
Interest rate swaps	$ 1,445,884	Investment Income	$ (4,676)	Investment	$ (2,163)
Credit default swaps	116,000	Investment Income	302	Investment	504
Total swaps	$ 1,561,884		$ (4,374)		$ (1,659)

[1] The total notional values of long and short fixed income futures positions were $3,514,900,000 and $(1,916,500,000), respectively. The total notional value of long equity futures positions was $2,070,412,940.

[2] The total receivable and payable notional and fair values (in U.S. dollars) for forward currency contracts were $4,031,874,674 and $(4,008,031,731) as of June 30, 2016, and are presented on the Statements of Net Position as forward foreign currency contracts receivable and forward foreign currency contracts payable.

Commitments

Each year the Trust enters into a number of agreements that commit the Trust, upon request, to make additional investment purchases (i.e., capital commitments) up to predetermined amounts over certain investment time periods. The unfunded capital commitments for private equity, real estate and strategic investments not reported on the Trust's statements of net position totaled $11.3 billion and $9.8 billion as of June 30, 2017 and 2016, respectively.

Notes to the Financial Statements

4. Contingencies and Litigation

In the ordinary course of operations, the SBA, on behalf of the Trust, may be party to various claims, legal actions, and class action lawsuits. The SBA's General Counsel's Office handles these matters either directly or with assistance of outside legal counsel. In the opinion of the SBA's management and legal counsel, these matters are not anticipated to have a material financial impact on the Trust.

5. Related Parties

The DMS, the FRS Investment Plan Trust Fund and the SBA are considered to be related parties for the purpose of the Trust's financial statements. The Trust has a variety of transactions with the DMS, FRS Investment Plan Trust Fund and the SBA. The DMS administers the Plan, including collecting employer and employee contributions, remitting those contributions to SBA for investment in the Trust, requesting withdrawals from the Trust for benefit payments, and then paying those benefit payments to members. The SBA administers the FRS Investment Plan Trust Fund, including working with DMS to collect employer and employee contributions and processing member-directed benefit amounts between the Trust and the FRS Investment Plan Trust Fund. The SBA provides investment services to the Trust and charges an investment service charge on the Trust's net asset value each month-end.

Significant transactions between the Trust, the DMS, FRS Investment Plan Trust Fund and the SBA for fiscal years 2017 and 2016, were as follows:

	2017	2016
	(In Thousands)	
Receivables		
Due from DMS	**$ 327,124**	$ 303,945
Payables		
Due to DMS	**159,678**	358,325
Due to the SBA for investment service charges	**5,773**	5,327
Total payables	**165,451**	363,652
Additions		
Employer/employee contributions received from DMS	**3,295,458**	3,085,492
Member-directed benefits received from the FRS Investmen Plan Trust Fund	**71,110**	54,889
Total additions	**$ 3,366,568**	$ 3,140,381
Deductions		
Funds sent to the DMS for benefit payments	**9,347,568**	9,872,350
Member-directed benefits sent to the FRS Investmen Plan Trust Fund	**568,912**	612,301
Investment service charges to the SBA: Based on month-end net asset values	**33,073**	31,970
Total deductions	**$ 9,949,553**	$ 10,516,621

Notes to the Financial Statements

6. Subsequent Events

Chapter 2017-88, Laws of Florida was signed into law amending, among other sections, section 121.4501(4), *Florida Statutes*. The new law generally provides that effective January 1, 2018, all new hires will have until the last business day of the eighth month after hire to make a choice between the FRS Pension Plan and FRS Investment Plan. If a new hire does not make an active election by the deadline date, the new hire will default into the FRS Investment Plan, except those who are enrolled in the Special Risk Class (who will still default to the FRS Pension Plan). The first group of new hires will not default into the FRS Investment Plan until October 1, 2018. The SBA has prepared a preliminary analysis of the impact of the new law. Based on this analysis, the SBA does not currently believe the new law will have a material adverse effect on the FRS Investment Plan Trust Fund (or the FRS Trust Fund).

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
State Board of Administration of Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Florida Retirement System Trust Fund (the "Trust") managed by the State Board of Administration ("SBA") of Florida, as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2017. As discussed in Note 1, the financial statements present only the Trust and do not purport to, and do not, present fairly the financial position of the State of Florida, the SBA of Florida or the Florida Retirement System, their changes in financial position, or, where applicable, their cash flows in conformity with accounting principles generally accepted in the United States of America. As described in Notes 2 and 3, the financial statements include investments valued at approximately $35.0 billion as of June 30, 2017, for which fair value has been estimated by general partners and investment advisors, and reviewed and approved by the Trust's management, in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuation, the estimate of values may differ from the values that would have been used had a ready market existed for the investment securities, and the differences could be material. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Trust's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Tampa, Florida
November 6, 2017