Investment Report 2011

SBA

STATE
BOARD OF
ADMINISTRATION

State Board Of Administration

2010-2011 Investment Report

Table Of Contents

Report From The Executive Director

To The Trustees Of The Florida State Board Of Administration And Honorable Members Of The Florida Senate And House Of Representatives:

Ashbel C. Williams
Executive Director & CIO

It is my privilege to submit the annual Investment Report of the State Board of Administration of Florida (SBA) for the fiscal year ended June 30, 2011, pursuant to the requirements of Florida Statutes, Section 215.44(5). Changes have been made to this year's report to present the information in a more concise manner. As the SBA continues to provide greater transparency, current and regularly updated information is available on the SBA's website. We encourage those interested to visit the SBA's website at www.SBAFLA.com to obtain the most current information possible.

The statutory and fiduciary mandate of the SBA is to invest, manage and safeguard assets of the Florida Retirement System (FRS) Trust Fund as well as the assets of a variety of other funds. The SBA is dedicated to executing its duties to invest Florida's assets ethically, prudently and in strict accordance with applicable law, policies and fiduciary standards.

PERFORMANCE

Florida Retirement System Pension Plan

With a net return of 22.1%, SBA's largest mandate, the Florida Retirement System Trust Fund (FRSTF) exceeded its one-year benchmark by 50 basis points (100 basis points =1%). Benchmarks were also exceeded for the three, five, ten and fifteen year periods by 44, 29, 27 and 31 basis points respectively. As we are used to reading in ads for commercial investment products, "past performance should not be used to predict future success." After two consecutive years of exceptionally strong FRSTF returns, this may be especially appropriate guidance for the near future.

While we are pleased to report that we were able to post strong gains for the Florida Retirement System Trust Fund for the past fiscal year in spite of short-term volatility, we caution stakeholders not to be overly optimistic – much as we cautioned stakeholders two years ago not to overreact to a period of negative performance. In just the past three years, the FRS Pension Plan's performance has ranged from minus 19% to plus 22%, neither of which is indicative of the plan's long-term performance. Our investment approach is focused on producing adequate returns to meet liabilities over the long-term and can tolerate short-term volatility. What matters is choosing an appropriate investment policy and sticking to it.

We are prudent, disciplined long-term investors – investing for a retirement plan that, like all plans, will operate in markets with volatility over the years. Our role continues to be to manage costs and investments in a responsible manner, seeking the required returns with reasonable risk over time. We accomplish this by relying on the advice, consultation, and oversight of experienced institutional investors and globally recognized industry consultants, advisors, and auditors for appropriate asset allocation and benchmarking. This process has resulted in the SBA being recognized by the industry as consistently producing excellent returns at low cost.

Florida Retirement System Investment Plan

The FRS Investment Plan, with more than 136,000 members, grew to a fiscal year-end record $6.73 billion, representing an increase of $1.68 billion compared to last year. The aggregate Investment Plan return was 18.10%, beating its benchmark by 88 basis points.

Florida PRIME

Florida PRIME continues to provide a low-cost investment alternative for eligible participants, focusing on safety, liquidity and performance. Since 1998, Florida PRIME has paid participating organizations more than $6.8 billion in interest and provided its investors with cost savings of more than $300 million. The 2011 fiscal year was a particularly strong period of growth for Florida PRIME, with net asset values increasing by $1.3 billion, equal to a growth rate of approximately 25%.

Florida Hurricane Catastrophe Fund

The Florida Hurricane Catastrophe Fund finished the year in its healthiest financial position since its creation in 1993. Investing the collective assets of the Florida Hurricane Catastrophe Fund is the second largest mandate of the SBA. Changes made by the Florida Legislature continue to improve the program's ability to meet its potential needs by reducing optional program coverage and gradually increasing its pricing to better reflect future claims.

Lawton Chiles Endowment Fund

The Lawton Chiles Endowment Fund (LCEF) saw a 24.87% managed return for the fiscal year, exceeding its benchmark by 105 basis points for the period.

COSTS

Recognizing Ben Franklin's axiom that "a dollar saved is as good as a dollar earned," SBA has continued to hold down costs while providing strong investment results, enhancing risk management and compliance controls and making some compensation adjustments for recruitment and retention of professionals. As measured by CEM, a leading independent external cost and performance analysis firm, SBA's all-in cost of operation remains modest at 25 basis points and is below those of most of our institutional peers. Most importantly, SBA continues to add value relative to benchmarks and is competitive with peers despite lower costs, a positive for plan beneficiaries, employers and taxpayers. The benefits of being a low cost business model are especially clear in low return environments, where every basis point matters.

OPERATIONAL PROGRESS

Investment Policy Execution

Changes initially made in the FRSTF investment policy in June 2010, following an asset/liability review, were revisited and reaffirmed by the newly elected SBA Trustees in March 2011 and again in June, after a preliminary analysis of the impact of legislative plan changes adopted during the 2011 legislative session. Progress has been made on implementation of these changes, which collectively increase diversification, better protect capital in downturns, reduce risk, contribute to better returns and thus reduce plan costs over time. We have established interim allocation targets and we are managing to those targets. Full implementation of the policy will require a change in the statutory cap on alternative investments. SBA will pursue this initiative in the 2012 legislative session, seeking to increase the cap from 10% to 20%, still a conservative level in comparison with other leading pension, endowment and foundation investment institutions. Taken together, these changes reflect the idea of taking risk more wisely and increasing diversification, as outlined in the last two annual reports. In short, this comes down to several simple concepts that can have a powerful collective benefit over time. Modeling of these changes by consultants, Hewitt EnnisKnupp, indicates an expected contribution savings of $2.3 billion over 15 years. Included are:

- Globalization of the equity benchmark to reflect the evolving distribution of growth in the world's economies and financial markets.
- Reducing global equity exposure, which is the primary source of risk in the portfolio.
- Increasing diversification into asset classes and strategies that are less correlated to equities and, thus, protect capital more effectively in down markets. This means modestly increasing exposures to real estate and private equity asset classes and continuing to prudently build opportunistic strategies such as hedge funds, private credit, infrastructure, timberland, etc.
- Increasing the use of passive strategies in the most efficient markets and employing active strategies where there is a demonstrable probability that returns will more than compensate for the additional cost and risk of active management.

Enterprise Risk Management and Compliance

Since its creation in late 2009, the ERMC team has evolved from a concept to a fully staffed and functional core component of SBA's control environment. Given the size and complexity of our asset management, trust and other responsibilities, the risk management and compliance functions will continue to evolve over time to reflect changes in best practices, risks, markets, investment strategies and products, counterparties, external service providers, technology, law, SBA's resources and perhaps additional factors.

External commercial audit progress

We are pleased to have completed our second consecutive year of producing audited financial statements for the pension funds managed by the SBA, the FRS Pension Plan and FRS Investment Plan. Reflecting best practice among registered investment advisors and major private financial institutions, SBA's statements were subject to independent third-party audit. Ernst & Young provided audit services and found no significant weaknesses or deficiencies in controls.

Human Capital Risk

It is well known in the investment industry that "your most valuable assets leave in the elevators every night." Investing is an innately human enterprise where success depends on focused, informed, creative, competitive thinking of people, working within disciplined processes, with the courage to act on their convictions and accept responsibility for outcomes.

Accomplishment is easy to see – given the precision with which investment performance is tracked relative to benchmarks, peers, etc., personal accountability for performance is clear. Investment institutions that have the processes and people to add value and sustain positive performance for multi-year periods are exceptional and draw the attention of peers and competitors. The Florida SBA is fortunate to be such an institution; the downside of this reality is that the same professional talent that produces SBA's good results is plainly visible to others who recognize its value and are willing and able to recruit our people. To the extent SBA's compensation may be uncompetitive, we risk losing key talent and, by extension, our ability to produce the investment results that outperform over long periods of time.

The SBA needs a compensation structure that aligns interests of the beneficiaries, staff, taxpayers and other constituencies by providing incentives for long term investment performance consistent with risk, compliance and other appropriate boundaries. The result would be to improve our ability to retain and recruit quality professionals. The Investment Advisory Council has agreed to assist with this important effort.

LOOKING FORWARD

Because of ongoing global de-levering, asset re-pricing and supply overhang, a more modest recovery than usual was anticipated. Three factors magnified this expectation, reminding us how fragile a recovery we have and creating a persistent "one step forward, two steps back" anxiety. First, discontent and political instability in the Middle East reduced oil supplies, pushing prices higher. Second, the auto industry was disrupted by supply issues resulting from the Japanese earthquake and tsunami. Third and most importantly, the European sovereign credit crisis raised fears of a 2008-like return to a liquidity crisis or worse. Until investors perceive that U.S. and European governments are adopting meaningful, prudent solutions, the anxiety will remain.

Demographic and global growth pattern changes mean a changed investment environment, too. From 2001-2010, GDP growth of the group of countries Goldman Sachs has dubbed the "Growth 8" (G8 - China, India, Russia, Brazil, Indonesia, Turkey, Korea and Mexico) was twice that of the U.S. Looking ahead to 2011 to 2019, G8 growth is anticipated to be four times that of the U.S. The implications are significant: by 2020, the G8 economies would represent approximately 35% of world GDP while the U.S. would be closer to 20%. Trade between and among fast growing countries and regional economies could further erode the historical dominance of the U.S. and other mature, developed economies.

For the near future, making investment returns comparable to our long term (20-30 year) returns or our actuarial return assumption (currently 7.75%) may be ambitious. The likelihood of broad public market passive exposure (beta) providing satisfying near-term returns seems modest, prompting the investment policy changes discussed earlier. It is important to remember that the actuarial return assumption is a long-term number; it is understood that for shorter periods, even over multiple years, returns may lag or exceed the return assumption, sometimes significantly, but the long-term objective may still be achieved.

We live in an uncertain world. Risk is always present and the chance of surprise is greatest whenever conviction among market participants is broadest. Howard Marks, Chairman and cofounder of Oaktree Capital Management offers an interesting summary of the three phases of bull and bear markets that illustrate the point.

BULL MARKET

Phase 1 - A few smart people think things can get better.
Phase 2 - Most people think things can get better.
Phase 3 - Everyone thinks things can get better.

BEAR MARKET

Phase 1 - A few smart people think things can get worse.
Phase 2 - Most people think things can get worse.
Phase 3 - Everyone thinks things can get worse.

We do not presume to know with specificity what future economic or market performance will be, therefore, we focus on developing a durable investment policy and following it while always seeking improvements.

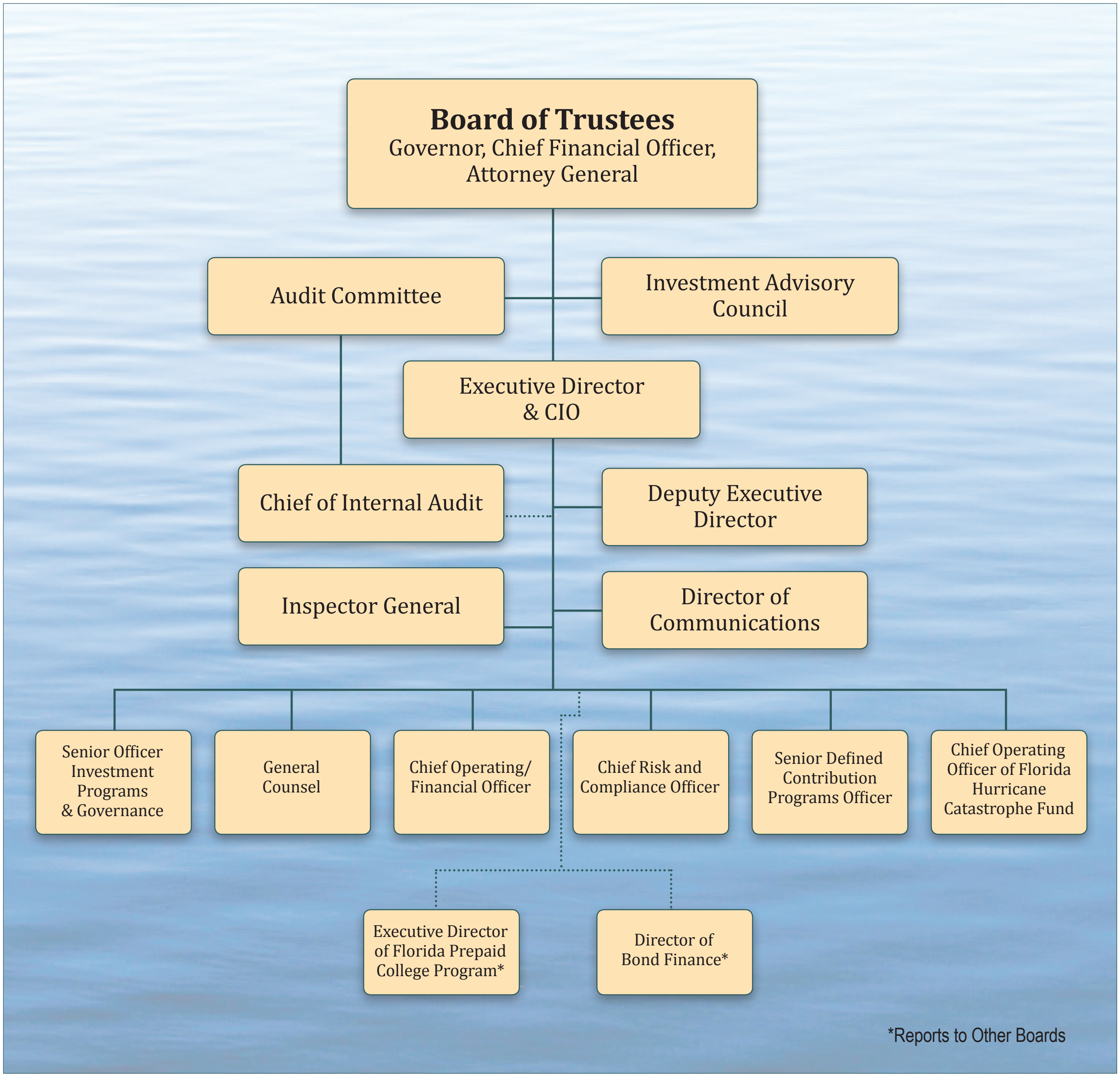
I want to express tremendous gratitude to the Trustees for their leadership and support. I also want to thank the volunteers who serve on the various councils and committees who have sacrificed their personal and professional time to help direct the SBA and ensure it is achieving its mission and serving the people of Florida. Last, but not least, I also want to thank the SBA staff members for their dedication and hard work in making us one of the best public investment organizations in the nation. I am extremely proud to be part of the SBA team and privileged to serve the FRS members and beneficiaries.

I encourage you to review this report and the additional information and resources highlighted on the inside of this report's back cover. Thank you for taking an interest in the SBA and its commitment to the principles of trust, integrity, and performance.

Respectfully submitted,

Ashbel C. Williams
Executive Director and Chief Investment Officer
State Board of Administration of Florida

Chart 1: SBA Organizational Chart



The SBA is mandated by the Florida Constitution and is governed by a three-member Board of Trustees, comprised of the Governor as Chairman, the Chief Financial Officer as Treasurer and the Attorney General as Secretary. The Trustees, in concert with legislative directives, have ultimate oversight of strategy. They delegate authority to the Executive Director/Chief Investment Officer (CIO) to carry out the strategic direction in the day-to-day financial investments and operations of the agency. The Executive Director/CIO manages approximately 170 professional investment and administrative support staff.

SBA Oversight

Investment Advisory Council (IAC):

The Investment Advisory Council (IAC) meets quarterly to discuss general policies such as risk budgets, alternative investments, and investment protection principles, while more broadly covering topics related to the general economic outlook. The Board of Trustees appoints nine members to serve on the IAC. The IAC provides independent oversight of the SBA's funds and major investment responsibilities, ranging from the Florida Retirement System programs to the Lawton Chiles Endowment Fund. Members are appointed for four-year terms pursuant to Section 215.444(2), Florida Statutes.

Audit Committee (AC):

The Audit Committee (AC) exists to assist the Trustees of the State Board of Administration in fulfilling their oversight responsibilities. The primary duties and responsibilities of the AC are to:

- Serve as an independent and objective party to monitor the SBA's processes for financial reporting, internal controls and risks assessment, and compliance.
- Review and appraise the audit efforts of the SBA's independent auditors and Office of Internal Audit.

The Board of Trustees appoints three members to serve on the AC for four-year terms.

Fund Specific Oversight Boards, Councils and Commissions

Participant Local Government Advisory Council (PLGAC):

The PLGAC was statutorily created as an additional measure to ensure that the Pool is operated and managed in the best interest of investors in the fund. The Board of Trustees appoints six members to serve on the PLGAC for four-year terms, subject to confirmation by the Florida Senate. Members must possess special knowledge, experience, and familiarity obtained through active, long-standing, and material participation in the dealings of the trust fund.

The PLGAC reviews the administration of the trust fund and makes recommendations regarding such administration to the Trustees. The PLGAC prepares and submits a written biennial report to the Trustees, the Investment Advisory Council, and the Joint Legislative Auditing Committee that describes the activities and recommendations of the council.

Florida Hurricane Catastrophe Fund Advisory Council

By statute, the Board of Trustees appoints a nine-member advisory council that consists of an actuary, a meteorologist, an engineer, a representative of insurers, a representative of insurance agents, a representative of reinsurers, and three consumers, to provide the Board with information and advice in connection with its duties related to the Florida Hurricane Catastrophe Fund (FHCF). The FHCF is a state tax-exempt trust fund created for the purpose of providing a stable and ongoing source of reimbursement to insurers for a portion of their catastrophic hurricane losses in order to provide additional insurance capacity for the state.

Florida Commission on Hurricane Loss Projection Methodology

The Commission was statutorily created as a panel of experts to provide actuarially sophisticated guidelines and standards for the projection of hurricane losses.

The Commission is administratively housed within the State Board of Administration and consists of the following 11 members: the insurance consumer advocate, the senior employee of the State Board of Administration responsible for operations of the Florida Hurricane Catastrophe Fund, the Executive Director of the Citizens Property Insurance Corporation, the Director of the Division of Emergency Management of the Department of Community Affairs, the actuary member of the Florida Hurricane Catastrophe Fund Advisory Council, an employee of the Office of Insurance Regulation who is an actuary responsible for property insurance rate filings and who is appointed by the Director of the Office of Insurance Regulation, and five members appointed by the Chief Financial Officer, as follows: an actuary who is employed full time by a property and casualty insurer which was responsible for at least 1 percent of the aggregate statewide direct written premium for homeowner's insurance in the calendar year preceding the member's appointment to the commission, an expert in insurance finance who is a full-time member of the faculty of the State University System and who has a background in actuarial science, an expert in statistics who is a full-time member of the faculty of the State University System and who has a background in insurance, an expert in computer system design who is a full-time faculty member of the State University System, and an expert in meteorology who is a full-time member of the faculty of the State University System and who specializes in hurricanes. The Board of Trustees annually appoints one of the members of the commission to serve as chair.

Consultants, Advisors and Auditors

The State Board of Administration uses investment, legal and other independent consultants on both a retainer and special project basis. Consultants generally serve as fiduciaries and allow the SBA to obtain best in class talent and objective external advice and oversight. Investment consulting services for special projects are engaged on a competitive basis by soliciting proposals from a pool of pre-qualified consultants.

Periodically, the SBA reviews/revises the retainer, investment consultants' assignments, or adds/deletes consulting firms.

The Investment Consultants section lists the SBA's investment consultants and briefly describes their basic duties. The Special Projects section identifies recent special projects that have been conducted with other independent consultants. The External Auditors section discusses the SBA's primary external auditors.

Investment Consultants

The SBA's investment consultants are required to act as fiduciaries under the Investment Advisers Act of 1940 and according to the requirements of Florida Statute (i.e., essentially the ERISA fiduciary standards of care) in fulfilling their contractually assigned duties. The SBA requires investment consultants to submit an annual independence and disclosure compliance certification.

HEWITT ENNISKNUPP (HEK) is the SBA's general investment consultant. HEK independently reviews performance and asset allocation for the FRS Pension Plan and other mandates and reports such to the Trustees, Investment Advisory Council, and staff on a quarterly basis. HEK conducts asset liability studies, investment policy studies, and special projects.

WILSHIRE ASSOCIATES (WILSHIRE) independently monitors public market FRS, Lawton Chiles Endowment Fund and other investment managers according to the Investment Manager Monitoring Guidelines (i.e., Watch List process). Wilshire assists with public market investment manager searches, reviews the prudence of potential private market fund-of-fund, secondary and co-investment separate accounts and also performs special projects (e.g., asset class structure studies and search for activist managers).

HAMILTON LANE ADVISORS (HLA) independently monitors private equity funds and compliance with the private equity allocation policy. HLA also assists with building a forward calendar of fund relationships and conducting due diligence on potential private equity fund investments. HLA is the managing member of the Florida Growth Fund, a discretionary Florida-focused private equity mandate. HLA has assisted with fund due diligence for strategic investments (e.g., opportunistic corporate debt funds).

THE TOWNSEND GROUP (TTG) independently monitors real estate separate account investment advisors, private market equity real estate funds, and compliance with the real estate allocation policy. TTG also assists with building a forward calendar of fund relationships and conducting due diligence on potential private market equity real estate fund investments. TTG has assisted with fund due diligence for strategic investments (e.g., timberland and opportunistic real estate debt funds).

CAMBRIDGE ASSOCIATES (CA) For Strategic Investments, CA assists with building a forward calendar of hedge fund relationships and conducting due diligence on potential hedge fund investments and enhancing the allocation policy over time. For Private Equity, CA assists with building a forward calendar of smaller private equity, growth capital and venture capital relationships (i.e., based on their experience with endowments and foundations) and conducting due diligence on such funds. CA provides due diligence and prudent investor reports for hedge funds and certain private equity and strategic investment funds.

From time to time, the SBA solicits bids for projects using a consultant pool format.

R.V. KUHNS supported a competitive solicitation for master global custody services which included independent recommendations on best practices for structuring the custody relationship. They have previously supported searches for custodians and the FRS Investment Plan record keeper. They have also served as a facilitator within the SBA's strategic planning process.

MERCER INVESTMENT CONSULTING conducted a 2010 evaluation of the effectiveness of foreign exchange trading by FRS Pension Plan foreign equities investment managers and BNY Mellon (master global custodian). Mercer supported a 2009 search for infrastructure funds and a 2007 review of FRS Investment Plan education vendors.

CALLAN ASSOCIATES conducted a 2009 review of the SBA's securities lending programs which led to a significant restructuring of those programs in 2010-11.

Performance Measurement

The SBA maintains relationships with firms that provide independent performance measurement services to assist in evaluating the cost effectiveness of certain components of the SBA's investment programs, notably:

BNY MELLON provides investment accounting services and calculates rates of return for custodied assets for nearly all SBA investment funds.

CEM BENCHMARKING, INC. (CEM) annually provides customized benchmarking information on returns, risk and costs for the FRS Pension Plan and FRS Investment Plan. HEK annually incorporates CEM findings in Trustee presentations, and CEM has presented findings to the Investment Advisory Council and Audit Committee.

ABEL NOSER provides quarterly trade cost analysis reports that measure the effectiveness of domestic equities portfolio managers' securities trades.

GLOBAL TRADING ANALYTICS provides quarterly trade cost analysis reports that measure the effectiveness of foreign equities portfolio managers' securities and foreign exchange trades.

SUNGARD ASTEC provides quarterly performance measurement of the SBA's securities lending programs.

Consultants, Advisors and Auditors

Special Projects

On a regular basis, the SBA utilizes independent specialists and legal experts for special project work. Examples include:

THE GROOM LAW GROUP, the SBA's external fiduciary counsel.

LEWIS, LONGMAN & WALKER, P.A. annually reviews legal compliance of Florida PRIME.

DELOITTE & TOUCHE conducted a 2009-10 three-phase assessment of the SBA's risk, compliance, and internal governance processes.

MCLAGAN provides annual compensation studies applicable to investment staff positions and has periodically provided studies using customized peer comparisons.

EVERGREEN SOLUTIONS, INC. conducted a 2010 independent compensation and classification survey of the SBA.

BUSINESS DEVELOPMENT ASSOCIATES,LLC conducted a 2010 review of the SBA's business continuity/disaster recovery processes and is currently assisting with enhancements.

GARTNER has been used for information technology project consulting.

External Auditors

In late 2009, the SBA transitioned to an external audit protocol whereby the Audit Committee, through the Chief of Internal Audit and the Executive Director & CIO, engage and oversee external auditors. As a result of 2010 legislation, the Audit Committee was formally created in statute which required that the SBA obtain annual commercial audits of FRS Pension Plan and FRS Investment Plan financial statements. The Audit Committee appointed a pool of auditors to be used for special project audits. The primary SBA audit relationships are:

ERNST & YOUNG annually audits**:**

a) The FRS Pension Plan and FRS Investment Plan financial statements effective with the FY 09-10 financial statements.

b) The financial statements for the FRS Pension Plan direct held private real estate title holding entities and certain real estate joint ventures. They also prepare or review related tax filings.

c) The Florida Hurricane Catastrophe Fund financial statements.

ERNST & YOUNG periodically performs other audits on a project basis; in 2010, they audited the SBA's compliance with its Personal Investment Policy and conducted a follow-up audit of the SBA information technology area.

AUDITOR GENERAL annually audits:

a) The statewide Comprehensive Annual Financial Report (CAFR) and the SBA's related data and notes submissions.

b) The Florida PRIME financial statements.

OPPAGA biennially conducts a performance review of certain aspects of the SBA's investment programs and annually reviews the Florida Growth Fund created pursuant to the Florida Growth and Technology Act.


Tampa
TAMPA BAY
Lake
Okeechobee
C Romano
C Sable
FLORIDA
Key West
Dry Tortugas

SBA Mandate Overview

As of June 30, 2011, the SBA managed 25 different investment funds housing the assets of 841 mandate and trust clients. A mandate is an investment responsibility established as a direct requirement of Florida law. Trusts are investment responsibilities allowed under law and established pursuant to trust agreements or other forms of consent with individual clients. Three of the SBA's 25 funds are commingled investment pools that contain the assets of a variety of clients[1]. Twenty-two clients have at least some of their assets in separately managed funds. The remaining clients are invested solely in one or more of the SBA's investment pool products. At fiscal year-end, 823 clients participated in Florida PRIME through over 1,500 individual accounts[2]. Pooling smaller portfolios into larger investment funds affords economies of scale and other investment management advantages, enhancing returns for participants.

Table 2 contains a breakdown of mandates and trusts by investment product. Of the total assets under management, $149.4 billion, or 95%, was managed in separate accounts. During the year, assets under SBA management rose to $156.5 billion, an increase of $23.0 billion, reflecting investment performance as well as fund deposits and withdrawals. Table 1 shows these details for each SBA fund.

[1] The other two pools, Fund B and CAMP-MMB, are liquidating funds and closed to client transactions.

[2] 767 clients are invested in Fund B and 20 in CAMP-MMB.

Table 1: Change in Assets Under Management - Fiscal Year 2010-11

	Market Value June 30, 2010	Investment Gain (Loss)	Contributions & (Distributions)	Market Value June 30, 2011
FRS Pension Plan	$ 109,344,317,786	$ 23,832,526,090	$ (4,643,980,658)	$ 128,532,863,218
Florida PRIME[3]	5,480,621,712	18,771,013	999,358,930	6,498,751,655
FRS Investment Plan	5,050,499,554	932,294,080	754,721,146	6,737,514,780
Florida Hurricane Catastrophe Fund	4,581,741,263	29,998,110	1,304,765,013	5,916,504,386
Florida Hurricane Catastrophe Finance Corporation	5,064,670,184	15,224,812	(272,486,560)	4,807,408,436
Debt Service	1,101,641,239	19,828,627	125,620,251	1,247,090,117
Lawton Chiles Endowment Fund	626,781,566	155,794,699	(15,010,000)	767,566,265
Department of the Lottery Fund	884,057,981	11,612,644	(150,532,576)	745,138,049
Fund B Surplus Funds Trust Fund	284,585,200	67,675,023	(88,475,000)	263,785,223
Retiree Health Insurance Subsidy Trust Fund	257,954,034	1,643,768	(26,813,719)	232,784,083
Police and Firefighters' Premium Tax Trust Fund	209,842,853	741,006	11,633,850	222,217,709
Florida Prepaid College Plan	153,731,482	46,467,857	(8,845,689)	191,353,650
Burnham Institute for Medical Research Fund	104,055,912	1,894,411	(25,378,586)	80,571,737
Florida College Investment Plan	28,579,256	9,154,229	12,819,980	50,553,465
Scripps Florida Funding Corporation	79,970,958	466,608	(34,024,177)	46,413,389
PEORP Administrative Fund	38,779,825	209,483	(1,719,756)	37,269,552
SBA Administrative Fund	40,011,958	170,765	(4,553,302)	35,629,421
University of Miami	38,779,376	52,630	(17,990,560)	20,841,446
Max Planck	67,433,936	44,958	(54,090,000)	13,388,894
Torrey Pines Institute for Molecular Studies Fund	14,315,485	250,616	(4,695,852)	9,870,249
Oregon Health & Science University	7,456,113	64,146	0	7,520,259
Insurance Capital Build-up Program	6,110,644	116,671	74,218	6,301,533
Bond Proceeds Trust Fund[1]	620,987	1,926	3,775,996	4,398,909
Bond Fee Trust Fund	3,668,165	17,205	(517,606)	3,167,764
Florida Division of Blind Services	2,430,812	374,916	64,114	2,869,842
Arbitrage Compliance Trust Fund	2,535,940	14,760	30,151	2,580,851
Charles Stark Draper Laboratory	5,103,074	6,374	(3,000,000)	2,109,448
Florida Endowment for Vocational Rehabilitation	2,165,319	10,924	(127,533)	2,048,710
McKnight Doctoral Fellowship Program	1,323,289	262,273	(100,000)	1,485,562
SRI International Fund	1,162,146	38,160	(948,853)	251,453
FSU Research Foundation	272,278	38,208	(60,725)	249,761
Florida Prepaid College Plan Administrative Expense	48,547	308	752	49,607
Florida College Investment Plan Administrative Expense	49,351	310	(3,435)	46,226
Pinellas Suncoast Transit Authority	42,157	5,761	(9,248)	38,670
Inland Protection Financing Corporation	1,474	10	0	1,484
Wyndcrest[2]	8,250,555	54,097	(8,304,652)	0
Gas Tax Clearing Fund[1]	1,948,781	(22,964)	(1,925,817)	0
Total Assets Under Management	**$ 133,495,561,192**	**$ 25,145,804,514**	**$ (2,150,729,903)**	**$ 156,490,635,803**

[1]The fund balance is periodically zero due to cash flows.
[2]Fund closed during the fiscal year.
[3]The Florida PRIME fund value at June 30, 2011 has been reduced by $325,859,381 that are reported by other SBA funds as investments in Florida PR ME (i.e. other funds managed by SBA that are invested in Florida PR ME). Net contributions has also been reduced by the same amount.

Table 2: SBA Assets Under Management by Investment Vehicle - As of June 30, 2011

	Separately Managed Assets	SBA Investment Pools			Total Assets Under Management
		FL PRIME	Fund B	CAMP-MM B	
Clients / Mandates					
FRS Pension Plan	$ 128,532,863,218	$ 0	$ 0	$ 0	$ 128,532,863,218
FRS Investment Plan	6,737,514,780	0	0	0	6,737,514,780
Florida Hurricane Catastrophe Fund	5,916,504,386	0	0	0	5,916,504,386
Florida Hurricane Catastrophe Fund Finance Corporation	4,807,408,436	0	0	0	4,807,408,436
Debt Service	1,247,090,117	0	0	0	1,247,090,117
Lawton Chiles Endowment Fund	754,416,761	9,887,748	0	3,261,756	767,566,265
Department of the Lottery Fund	745,138,049	0	0	0	745,138,049
Retiree Health Insurance Subsidy Trust Fund	230,201,447	48,120	0	2,534,516	232,784,083
Florida Prepaid College Plan	191,255,177	95,908	0	2,565	191,353,650
Burnham Institute for Medical Research Fund	80,498,954	0	0	72,783	80,571,737
Florida College Investment Plan	38,500,878	12,052,587	0	0	50,553,465
Scripps Florida Funding Corporation	46,413,389	0	0	0	46,413,389
University of Miami	20,841,446	0	0	0	20,841,446
Max Planck	13,388,894	0	0	0	13,388,894
Torrey Pines Institute for Molecular Studies Fund	9,834,169	0	0	36,080	9,870,249
Oregon Health & Science University	7,520,259	0	0	0	7,520,259
Bond Proceeds Trust Fund[1]	4,398,909	0	0	0	4,398,909
Florida Division of Blind Services	2,862,807	0	0	7,035	2,869,842
Charles Stark Draper Laboratory	2,109,448	0	0	0	2,109,448
McKnight Doctoral Fellowship Program	1,454,697	0	0	30,865	1,485,562
SRI International Fund	8,633	0	0	242,820	251,453
Gas Tax Clearing Fund[1]	0	0	0	0	0
Local Governments et al invested in Florida PRIME[2]	0	6,498,751,655	0	0	6,498,751,655
Local Governments et al invested in Fund B[3]	0	0	263,785,223	0	263,785,223
Police and Firefighters' Premium Tax Trust Fund	0	219,299,931	0	2,917,778	222,217,709
PEORP Administrative Fund	0	36,486,323	0	783,229	37,269,552
SBA Administrative Fund[4]	21,000	35,021,155	0	587,266	35,629,421
Insurance Capital Build-up Program[4]	344,523	5,233,462	0	723,548	6,301,533
Bond Fee Trust Fund[4]	300	3,111,493	0	55,971	3,167,764
Arbitrage Compliance Trust Fund	0	2,523,814	0	57,037	2,580,851
Florida Endowment for Vocational Rehabilitation	0	2,004,130	0	44,580	2,048,710
FSU Research Foundation	0	0	0	249,761	249,761
Florida College Investment Plan Administrative Expense	0	44,928	0	1,298	46,226
Florida Prepaid College Plan Administrative Expense	0	48,336	0	1,271	49,607
Pinellas Suncoast Transit Authority	0	0	0	38,670	38,670
Inland Protection Financing Corporation	0	1,446	0	38	1,484
Total Assets Under Management	**$ 149,390,590,677**	**$ 6,824,611,036**	**$ 263,785,223**	**$ 11,648,867**	**$ 156,490,635,803**

Notes to Table:

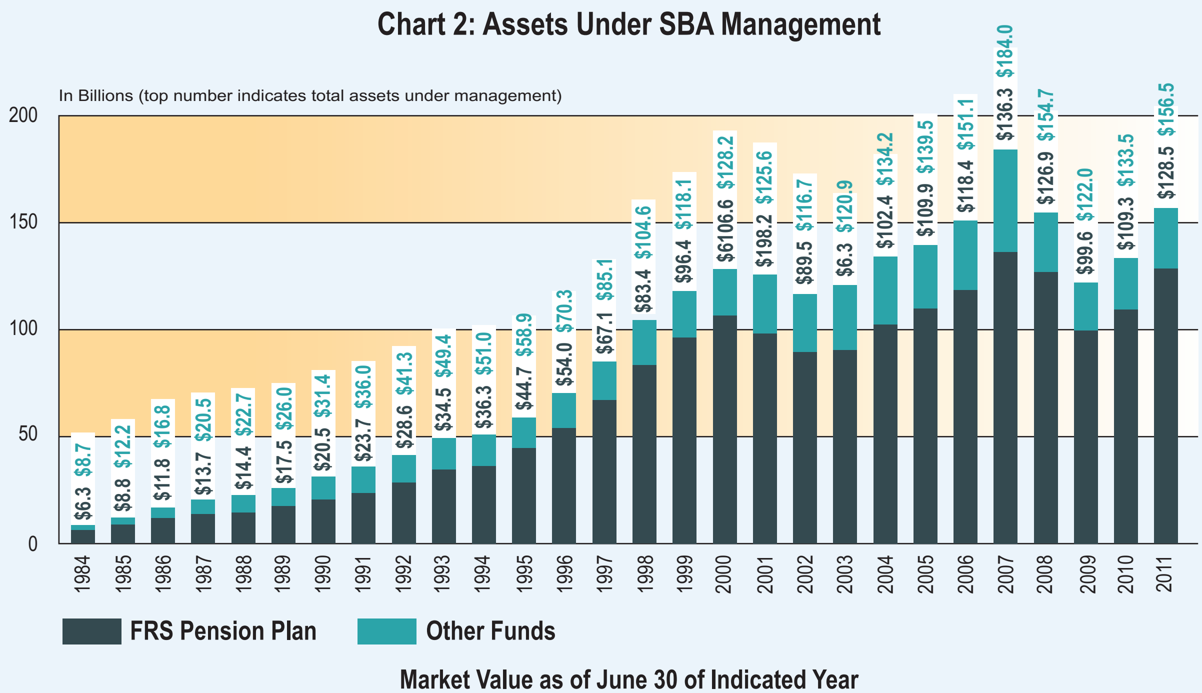
- Total Assets Under Management include cash balances, investments at market value, accrued income and pending trades.

[1]The fund balance is periodically zero due to cash flows.

[2] This row includes the balance of investors in Florida PRIME not shown elsewhere in this table. Individual accounts are not shown. As of June 30, 2011, there were a total of 1,546 individual accounts in Florida PRIME containing the assets of 823 participants.

[3]Individual accounts are not shown. As of June 30, 2011, there were a total of 1,428 individual accounts in Fund B containing the assets of 767 participants.

[4]The amounts presented in the "separately managed" column for the SBA Administrative Fund, Insurance Capital Build-up Program, and Bond Fee Trust Fund consist solely of uninvested cash balances (i.e. cash in transition on June 30, 2011).



Since its creation, the FRS Pension Plan has been the largest single investment management responsibility of the SBA. In 1984, the Pension Plan represented 73% of total assets under management. By 2011 its share was 82%.

Return data for applicable mandates and trusts appear in their respective sections of this report. However, return data is not calculated individually for every client of the SBA. This is either because the client's assets are managed in a pooled investment product, or because returns are not indicative of the SBA's effectiveness in managing the assets. Table 3 indicates the specific circumstances for each such account.

Table 3: Separate Account Portfolios Without Performance Data, by Reason[1] as of June 30, 2011

Portfolios with Dedicated Bond Strategies

Burnham Institute for Medical Research Fund
Charles Stark Draper Laboratory
Debt Service[3]
Department of the Lottery Fund
Max Planck
Oregon Health & Science University
Scripps Florida Funding Corporation
SRI International Fund
Torrey Pines Institute for Molecular Studies Fund
University of Miami

Clearing Funds / Pass Through Accounts

Bond Proceeds Trust Fund[3]
Gas Tax Clearing Fund[3]

Client-Directed Assets

Florida Division of Blind Services
Florida Prepaid College Plan
Florida Prepaid Investment Plan
McKnight Doctoral Fellowship Program[2]

[1]Returns for these portfolios either cannot be calculated or are not meaningful.
[2]Returns are calculated for this account per agreement with the client. However, because the holdings are client-directed, the returns are not indicative of SBA investment performance.
[3]These portfolios may also be characterized as client-directed in that the SBA's investment staff executes investment instructions from other parties.

Asset Allocation

A fund's exposure to various major asset types or classes[1] is known as its asset allocation. Because over 90% of the return of a diversified investment portfolio is attributable to its asset allocation, determining the proper asset allocation (i.e., the desired relative exposure to each asset class) is the most fundamental way in which an investor pursues his or her investment objective. Likewise, managing actual asset class exposure over time (i.e., managing asset allocation) is important if the investor is to avoid unnecessary risk. For example, if 60% exposure to stocks is determined to be necessary to meet a long-term return objective, exposures below that, if persistent or poorly timed, will cause the actual return to fall short of the objective. Conversely, an exposure to stocks greater than necessary will subject the portfolio to higher levels of volatility than necessary, which can also result in disappointment, particularly when equity markets are stressed.

In practice, maintaining an exact asset allocation is difficult given the dynamic nature of markets and security prices. Sophisticated investors typically determine reasonable bounds above and below their desired asset allocation (known as their target or policy allocation) within which they accept deviations from the target. This tolerance reflects the simple fact that trading in securities markets is not free. The investor must judiciously balance the risk of disappointment from misallocation (i.e., not consistently holding their target asset mix) against the performance drag resulting from transaction costs. The scale tips when an asset class moves outside its tolerance range. At this point, by definition, the investor is no longer willing to accept the risk from misallocation, so they rebalance their portfolio[2]. This involves selling assets from classes in overweight status and using the proceeds to purchase assets that are underweight.

From time to time, an investor may temporarily choose to alter the target asset allocation. This is typically done based upon an opinion regarding near-term market performance, but unusual liquidity needs or other unanticipated factors could also play a role in this decision. Temporary intentional deviation from target asset allocation exposures is known as tactical asset allocation. Most institutional investors recognize that tactical allocations based on a market view are high-risk propositions because of the difficulty of accurately predicting market movements (i.e., "timing" the market).

The SBA is responsible for managing asset allocation for two major multi-asset class funds: the FRS Pension Plan and the Lawton Chiles Endowment Fund. Information on policy allocations and rebalancing activity for these funds appear in their respective sections of this report.

The SBA has a longstanding practice of periodically adjusting its target asset allocation based on a formal reevaluation of capital market assumptions, fund liabilities and the investment objective. The asset allocation of the FRS Pension Plan was revised during the year as a result of a formal reevaluation completed late in the prior year. Rebalancing in both funds is governed by specific policies that establish target ranges and rebalancing procedures for each asset class. These policies also identify circumstances that may be conducive to tactical asset allocation.

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[1] An asset class is an aggregation of one or more portfolios with securities that share the same fundamental economic and legal characteristics, such as stocks or bonds. For practical purposes, a portfolio sometimes holds securities outside its principal type, such as a stock portfolio holding residual cash. As a result, in actual implementation, an asset class contains primarily - but not exclusively - its principal asset type.

[2] Rebalancing does not necessarily involve trading to fully eliminate the misallocation. Because markets can change direction, effectively rebalancing themselves, the SBA's rebalancing policies mitigate this risk by rebalancing to a predefined "operating range" which is closer to, but not at, the policy target.

Table 4: Asset Types Represented in SBA Investment Portfolios as of June 30, 2011

Portfolios With Separately Managed Assets	GLOBAL U.S. Equities	GLOBAL Foreign Equities	Fixed Income	Treasury Inflation Protected Securities	Real Estate	Private Equity	Strategic Investments	Cash Equivalents
FRS Pension Plan[1]	x	x	x	x	x	x	x	x
FRS Investment Plan	x	x	x	x				x
Florida Hurricane Catastrophe Fund			x					x
Florida Hurricane Catastrophe Fund Finance Corporation			x					x
Debt Service			x					x
Lawton Chiles Endowment Fund	x	x	x	x				x
Department of the Lottery Fund			x					x
Retiree Health Insurance Subsidy Trust Fund			x					x
Florida Prepaid College Plan	x							x
Burnham Institute for Medical Research Fund			x					x
Florida College Investment Plan	x							x
Scripps Florida Funding Corporation			x					x
University of Miami			x					x
Max Planck			x					x
Torrey Pines Institute for Molecular Studies Fund			x					x
Oregon Health & Science University			x					x
Bond Proceeds Trust Fund			x					x
Florida Division of Blind Services	x		x					x
Charles Stark Draper Laboratory								x
McKnight Doctoral Fellowship Program			x					x
SRI International Fund			x					x
Gas Tax Clearing Fund			x					
SBA Pooled Investment Products								
Florida PRIME								x
Fund B Surplus Funds Trust Fund			x					
CAMP - Money Market B			x					

Note: This table indicates asset types which are included as a matter of ongoing investment policy. Other asset types may also be held pursuant to a tactical investment strategy or for liquidity.
[1]The FRS Pension Plan also is authorized to allocate assets to a Strategic Investments asset class, which can consist of a variety of individual asset types.

SBA Cost-Effectiveness

The success of an investment management program is broadly measured by whether its investment objective has been met net of all fees and expenses. Cost effectiveness is an important dimension in the prudent management of a long-term investment program.

By virtue of the size of its operations, the SBA has the potential to capture significant scale economies, and it aggressively seeks to do so. For fiscal year 2010-2011, the SBA's total expense ratio, a measure of all-in costs relative to total assets under management, was 25 basis points, or 0.25%.

A peer comparison of SBA's overall cost-effectiveness is not available, since it is not practical to find peers for the particular set of diverse mandates and trusts the SBA manages. However, peer cost data is available for FRS Pension Plan, which represents over 80% of SBA's assets under management. As discussed in this report, the SBA's all-in cost for managing the FRS Pension Plan was third lowest within its peer universe, and 37% lower than that of the median pension plan.

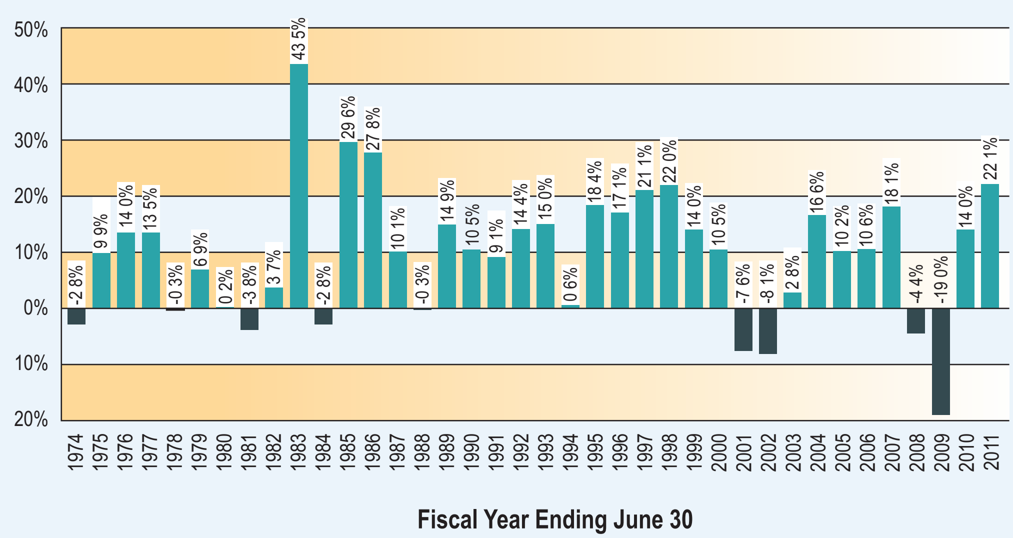
The Florida Retirement System (FRS) Pension Plan, a defined benefit plan, is one of the largest public retirement plans in the U.S. At year-end it comprised over 80 percent of total assets under SBA management. The FRS Pension Plan serves a working and retired membership base of nearly one million public employees.

In investing the FRS Pension Plan assets, the SBA follows statutory guidelines and a substantial body of internal policies and procedures. It has a robust governance and control structure in place, utilizes a wide array of professional consultants and external analysts, and employs a highly qualified staff of investment professionals. In keeping with SBA's commitment to disciplined investment management services, the Investment Advisory Council provides independent oversight of the FRS Pension Plan's general objectives, policies, and strategies.

SBA's investment policy objective for the FRS Pension Plan portfolio is to provide investment returns sufficient for the plan to be maintained in a manner that ensures the timely payment of promised benefits to current and future participants and keep costs at a reasonable level, given actuarially required contributions. SBA's operating goal is to earn a compounded return of 5% plus the rate of inflation per annum over the long run.

Florida Retirement System Pension Plan Overview and Investment Objective

Chart 3: FRS Pension Plan - SBA Managed Returns by Fiscal Year



The SBA has earned a positive return on Pension Plan assets in 29 of the last 38 years, or over three-quarters of the time. In 22 of those years the return exceeded 10%.

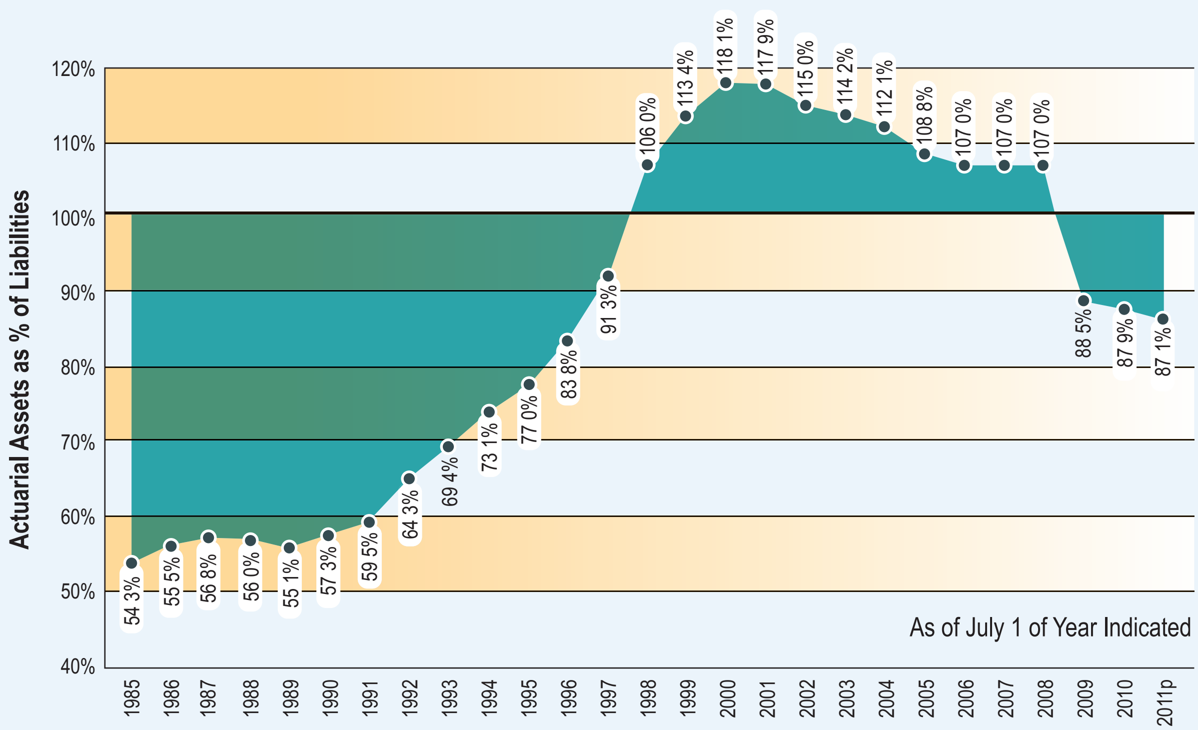
The SBA's commitment to this objective is vital to ensuring that the FRS Pension Plan continues to help participating retirees meet their financial goals and that fund assets are invested prudently. However, investment gains alone are not sufficient to maintain the fund's financial health. Contributions into the system, from employers and, beginning in fiscal year 2011-12 from employees, form the base of SBA's investment program. Annually determined actuarially sound rates of contribution into the fund are necessary to insure that the investment base is large enough to meet future Pension Plan benefit obligations.

The Pension Plan's long term financial health rests on three prongs: solid long-term investment performance, receipt of actuarially required annual contributions and a responsible benefit package.

Contribution levels are determined by the state legislature, along with plan structure and benefit levels. The Division of Retirement in the Department of Management Services administers the Pension Plan, directs actuarial studies, and makes benefit payments. The SBA manages the plan's assets, consistent with statutory authority. Over the long course of FRS history, this has proven to be a productive partnership, with approximately 69 cents out of every dollar paid to a retiree coming from investment gains, not from taxpayers or participants (through contributions).

Chart 4 shows the funded ratio of the Florida Retirement System Pension Plan. A funded ratio is a comparison of a pension fund's projected assets to its liabilities. A funded ratio at or above 100% indicates that the fund is fully able to cover its long-term obligations (accrued payment obligations to current and future retirees). As this report goes to press, the Pension Plan's preliminary 2011 funded ratio estimate was 87.1%.

Chart 4: FRS Pension Plan Funded Ratio



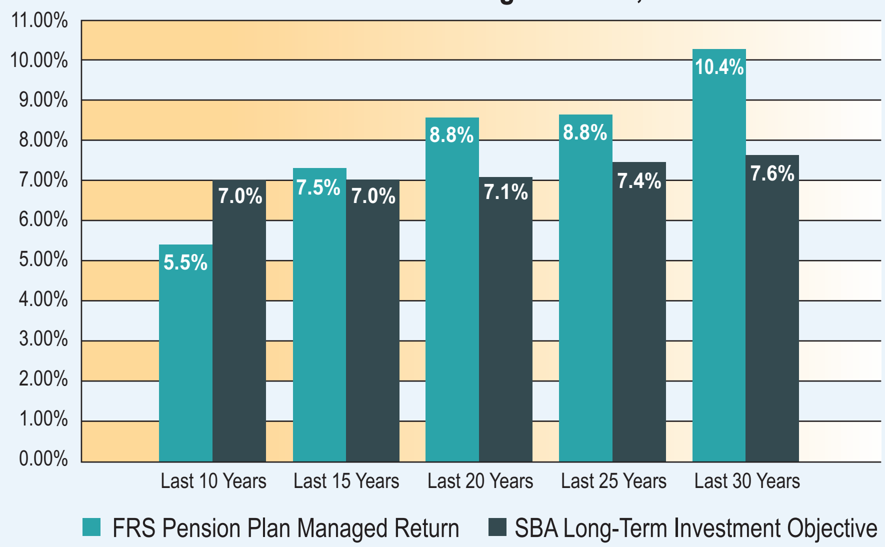
Note: Amounts are interpolated for 1986, 1988, 1990, 1992, 1994 and 1996. Actuarial valuations were conducted biennially prior to 1997. p = prelim.

During the 11 years ending in 2009, the Pension Plan enjoyed an actuarial surplus, meaning that it was ahead of schedule in accruing wealth in order to fund its future benefit payment obligations. This allowed contribution rates to be lower than normal. Deficits mean that the plan is behind schedule in accruing wealth. For the Plan to regain its fiscal footing, actuaries call for contributions to be higher than the normal cost level.

Pension Plan Performance

Chart 5 compares the SBA's actual return on Pension Plan assets to its investment objective for the fund. The investment objective is derived from an actuarial analysis of expected benefit growth, contribution levels, market performance, and a risk tolerance for the fund. Over the long-term – 15 years and greater – the SBA has consistently met its long term objective. Ten year performance reflects the impact of two unusually difficult periods for investors: the bursting of the tech bubble early in the decade, and the more recent mortgage crisis and global recession.

Chart 5: Long-Term FRS Pension Plan Performance Results vs. SBA's Investment Objective Time Periods Through June 30, 2011



Except for the shortest period shown on Chart 5, the SBA's returns on Pension Plan assets have met or exceeded the investment objective for the fund.

In addition to its investment objective for the Pension Plan, the SBA measures its investment performance relative to market-based benchmarks. Table 5 compares actual returns to the total fund benchmark for various periods ending June 30, 2011. For all periods shown, the SBA was able to earn a return in excess of the overall market, given its policy weights. This is atypically strong performance and in large part reflects the robust managed returns earned over the most recent year.

Table 5: FRS Pension Plan Returns For Periods Ending June 30, 2011

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
One Year	22.09%	21.59%	0.50%
Three Years	4.08%	3.64%	0.44%
Five Years	4.93%	4.64%	0.29%
Ten Years	5.50%	5.24%	0.27%
Fifteen Years	7.46%	7.15%	0.31%

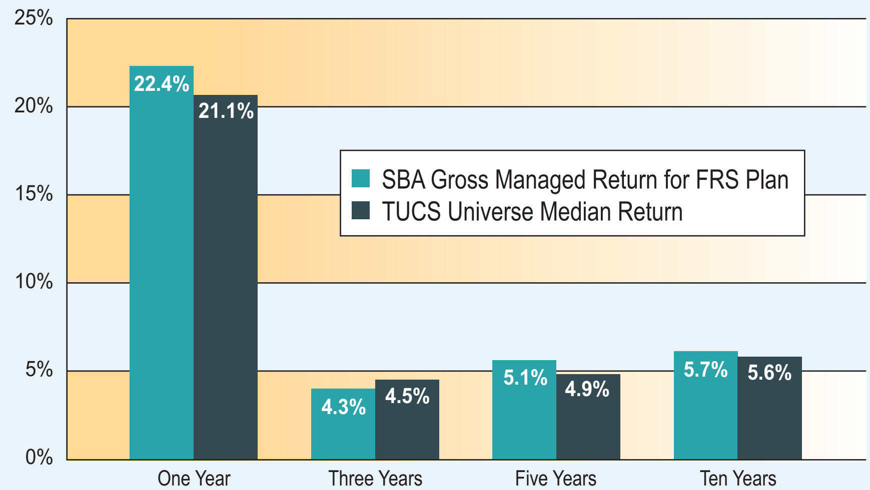
- All returns are annualized for periods indicated through June 30, 2011.
- Benchmark is a weighted blend of individual asset class target indices as applicable; weights and benchmarks are established in the FRS Pension Plan Investment Policy Statement.

During fiscal year 2010-2011, the SBA earned an unusually large 22% return on Pension Plan assets, reflecting a broad recovery in the markets. Over the past 15 years, the average compounded return was 7.46%.

A final performance metric for the Pension Plan is performance relative to peers. The TUCS universe is a large scale database of over 270 public and private defined benefit pension plans representing over $2.25 trillion in assets.[1] For three of the four periods shown in Chart 6, including the two longest periods, the SBA's return exceeded that of the median of its peers.

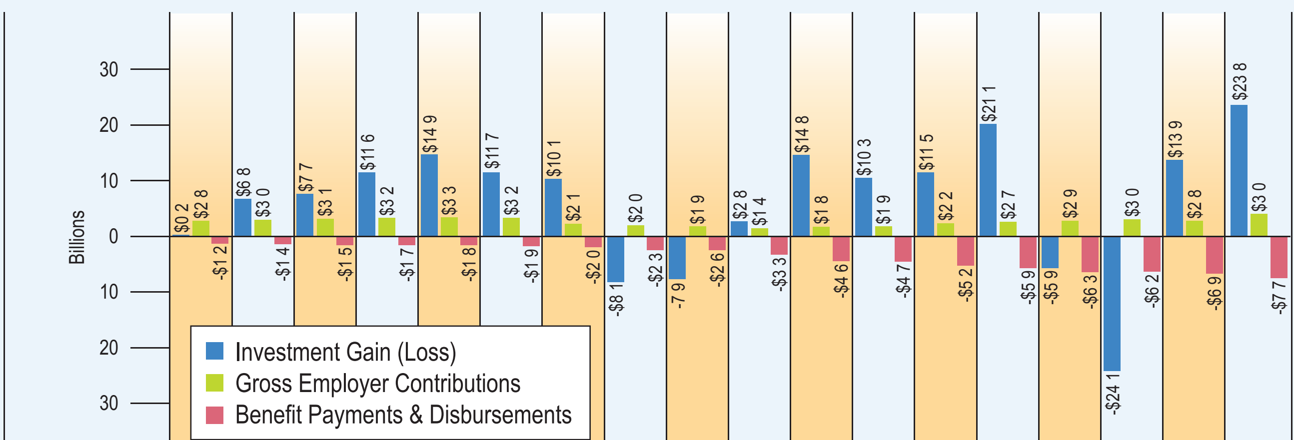
Over the past one, five and ten years, the SBA's return on FRS Pension Plan assets exceeded the median return of the 273 plans in the TUCS universe.

Chart 6: Gross Returns of Corporate and Public Defined Benefit Plans* for Periods Ending June 30, 2011



*Based on TUCS universe of public and private defined benefit pension plans consists of 273 plan sponsors with approximately $2.25 trillion in combined assets. TUCS = Trust Universe Comparison Service.

Chart 7: FRS Pension Plan - Annual Change in Total Fund Value by Source



Fiscal Year	93 94	94 95	95 96	96 97	97 98	98 99	99 00	00 01	01 02	02 03	03 04	04 05	05 06	06 07	07 08	08 09	09 10	10 11
6/30 Market Value in Billions	$36.3	$44.7	$54.0	$67.1	$83.4	$96.4	$106.6	$98.2	$89.5	$90.4	$102.4	$109.9	$118.4	$136.3	$126.9	$99.6	$109.3	$128.5

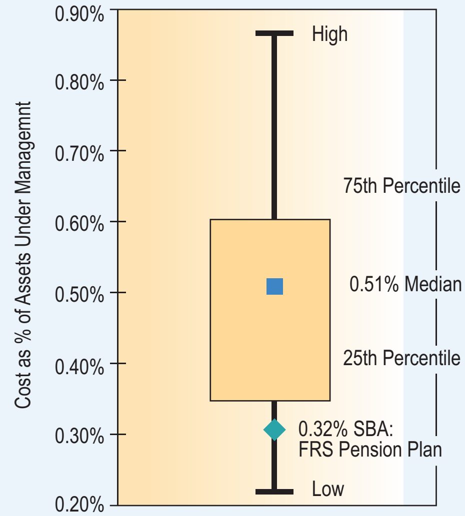
Chart 7 presents the key drivers of growth in the FRS Pension Plan's asset base. Over the period shown, investment gains (blue bars) have generally been positive, with two notable exceptions: the bursting of the tech bubble in the early part of this century and mortgage crisis that began in 2008. Benefit payments (the red bars falling downward, representing outflows) have grown steadily over the period. Contributions into the fund (green bars) shrank during the early 2000's, reflecting the surplus the fund had at the time, but since have risen to around $3 billion per annum, where they have remained for the past 5 years.

[1] The TUCS return data is only available on a gross-of-fees basis, and that is the metric used in this paragraph and Chart 6. All other return data in this report is presented net of fees

Pension Plan Cost

Chart 8 puts the cost effectiveness of SBA's investment program for the Pension Plan into perspective. The chart compares the SBA's cost to those of groups of similar-sized public and private retirement plans, selected by the independent firm CEM [Cost Effectiveness Measurement] Benchmarking Inc., as appropriate peer organizations.

Chart 8: FRS Pension Plan Cost Comparison All-In-Calendar Year 2010 Costs Universe of 16 Large Public and Private Pension Plans



Source: CEM Benchmarking, Inc.

At 32 basis points (0.32%), the SBA's all-in cost for managing the FRS Pension Plan was among the lowest in its peer group.

Tables 6 and 7 disclose elements of the SBA's cost structure that have historically been of interest to stakeholders.

Table 6: FRS Pension Plan External Investment Management Fees Fiscal Year 2010-11

Asset Class	Dollar Amount	Return Basis[1]
Global Equity	126,750,001	0.29%
Strategic Investments	46,949,972	1.19%
Fixed Income	12,590,648	0.09%
Real Estate	50,033,761	0.67%
Private Equity	84,986,399	1.69%
Cash	88,221	0.03%
Total	**$321,399,002**	**0.43%**

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

- Does not include carried interest.
- Totals may not foot due to rounding.

Table 7: FRS Pension Plan Net Brokerage Commissions Fiscal Year 2010-11

Asset Class	Dollar Amount[1]
Global Equities	$44,130,806
Strategic Investments	10,647
Fixed Income	(1,691)[2]
Real Estate	2,160,655
Total	**$46,300,417**

[1]Brokerage commission amounts for the entire fiscal year are presented in the appropriate year-end asset class.

[2]Option transactions originally posted in June 2010 (prior fiscal year) were cancelled in July 2010 creating the negative balance reported in Fixed Income.

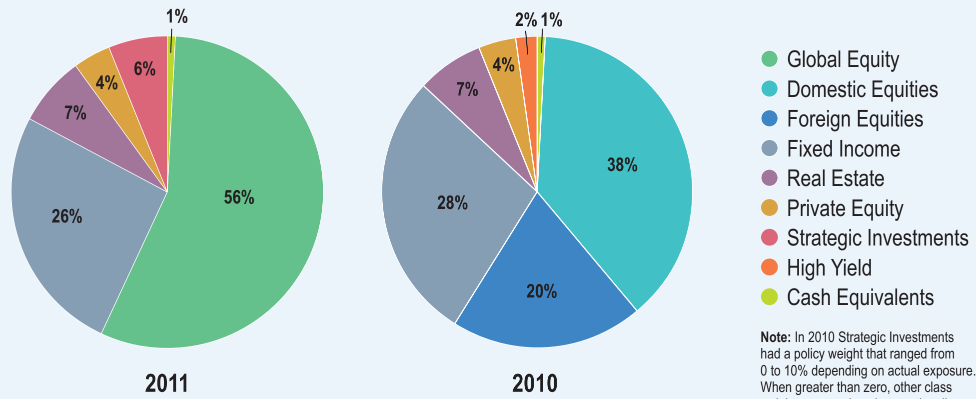
- Totals may not foot due to rounding.

Asset Allocation

At the beginning of fiscal year 2010-2011, the SBA implemented some notable changes to the allocation of the Pension Plan's assets. These changes are illustrated by the comparison of year-end policy allocations in Chart 9.

Chart 9: FRS Pension Plan Target Asset Allocation

Policy Weights by Asset Class as of June 30 of the Year Indicated



Note: In 2010 Strategic Investments had a policy weight that ranged from 0 to 10% depending on actual exposure. When greater than zero, other class weights were reduced proportionally.

Pension Plan Asset Allocation

In FY 2010-2011 major changes were made to the Pension Plan's asset allocation. Public equities (domestic and foreign) were combined into a single asset class (global), and exposure was reduced 2 percentage points. Fixed income (investment grade bonds) was reduced by 2 percentage points. Private market and special situation asset classes (real estate, private market, high yield and strategic) were increased to 17%. Previously they ranged from 13% to 21.7%.

These changes resulted from a major study re-examining the Pension Plan's investment objectives, capital market expectations and actuarial projections. The new asset allocation is expected to have a similar year-to-year volatility in investment returns as before, but over a 15-year horizon to have a modestly higher probability of earning the actuarial return assumption (7.75%), provide about $2 billion in cost savings and modestly reduce the risk of large contribution rate increases. The most notable structural change in asset allocation was the combination of the Domestic Equities and Foreign Equities asset classes into a single Global Equity asset class. Previously, the Pension Plan had a substantially larger policy exposure to Domestic Equities than to Foreign Equities. A goal of the combined asset class was greater diversification and enhanced participation in global economic growth.

The principal performance measure of a fund's asset allocation is a weighted composite of the benchmark returns of each of its asset classes, where the weights are the policy allocations for each class. In Table 8 on the next page, this is represented by the column titled Policy Return. It represents what would have been earned had actual exposures adhered strictly to the target weights and had the fund earned only the benchmark return for each asset class. Over the long-term (i.e, a 15-year horizon), this policy allocation is expected to provide a compound return of 7.4%.

A second dimension of asset allocation performance deals with how well actual exposures were managed. In Table 8 on the next page, the column titled Implementation Return shows how much the deviation from the policy weights that occurred in practice added to or detracted from the policy return of the fund. This measure is sometimes referred to as the return to tactical asset allocation. However, it reflects the impact of not only intended deviations from policy (tactical reallocation strategies) but also market-induced drift and inherent friction in the trading process. In Fiscal Year 2010-2011, this measure was impacted by greater-than-normal trading caused by the change in policy allocations. After these two components, the last piece of the fund's total return is the contribution each asset class makes over its benchmark. This information appears in the following section.

Table 8: Pension Plan Returns to Asset Allocation Periods Ending June 30,2011

	Policy Return	Implementation Return
One Year	21.45%	-0.14%
Three Years	3.64%	0.00%
Five Years	4.65%	0.00%
Ten Years	5.28%	0.04%
Fifteen Years	7.10%	-0.05%

The investment strategy for the Pension Plan is to implement the policy allocation within relatively narrow bands while seeking to add value through the pursuit of active investment strategies aimed at providing attractive long-term risk-adjusted returns. The SBA manages this strategy through asset allocation and risk-budgeting policies. The SBA operated within this investment strategy for the Pension Plan portfolio throughout the year.

Within the Pension Plan, the only rebalancing of the fiscal year was triggered in January 2011, by the Global Equity asset class. With the global economy in recovery mode, investors were making a move back into equities, particularly emerging markets. This caused Global Equity's share of the total fund to rise above its upper rebalance point, triggering a sale of $666.0 million in assets. The proceeds went primarily to Fixed Income which was tasked with deploying $616.2 million. Cash received the other $49.8 million, since it was still slightly underweight relative to its policy target. To implement the revised asset allocation structure as discussed above, $14.0 billion in U.S. stocks were liquidated and reinvested in other asset types, principally non-U.S. stocks. This was implemented in several tranches beginning early in the fiscal year.

Asset Classes

The Pension Plan portfolio is currently divided into six asset classes: Global Equity, Fixed Income, Real Estate, Private Equity, Strategic Investments and Cash Equivalents. Together these classes cover the gamut of investments types suitable for the Pension Plan.

Table 9 presents returns by asset class over periods from one to fifteen years, as applicable, for these classes. Chart 10 illustrates how returns over the year evolved for each class.

Table 9: FRS Pension Plan Returns by Asset Class for Periods Ending June 30, 2011

	Policy Return	Benchmark Return	Mgd. Over (Under) Bmk.
Global Equity*			
One Year	31.04%	29.99%	1.05%
Three Years	3.10%	2.48%	0.62%
Five Years	3.64%	3.25%	0.39%
Ten Years	4.48%	4.31%	0.18%
Fifteen Years	7.11%	6.80%	0.31%
Fixed Income			
One Year	6.09%	3.90%	2.19%
Three Years	7.54%	6.46%	1.09%
Five Years	6.89%	6.60%	0.28%
Ten Years	6.19%	5.88%	0.30%
Fifteen Years	6.66%	6.46%	0.19%
Real Estate			
One Year	18.43%	20.63%	-2.20%
Three Years	-5.69%	-7.15%	1.46%
Five Years	1.15%	-1.27%	2.42%
Ten Years	7.29%	3.55%	3.75%
Fifteen Years	8.79%	5.79%	3.00%
Private Equity			
One Year	18.11%	34.96%	-16.85%
Three Years	2.99%	8.58%	-5.59%
Five Years	5.69%	7.47%	-1.78%
Ten Years	4.97%	7.28%	-2.31%
Fifteen Years	7.07%	8.19%	-1.12%
Strategic Investments			
One Year	19.17%	12.29%	6.88%
Three Years	0.16%	-0.98%	1.14%
Cash Equivalents			
One Year	0.38%	0.08%	0.30%
Three Years	-1.06%	0.72%	-1.78%
Five Years	0.59%	2.36%	-1.77%
Ten Years	1.48%	2.31%	-0.83%
Fifteen Years	2.95%	3.31%	-0.37%

Per industry convention, Private Equity returns are presented on a dollar-weighted basis.

*Global Equity became an asset class in July 2010. The historical return series prior to June 2010 was derived from the underlying Domestic, Foreign and Global Equities components.

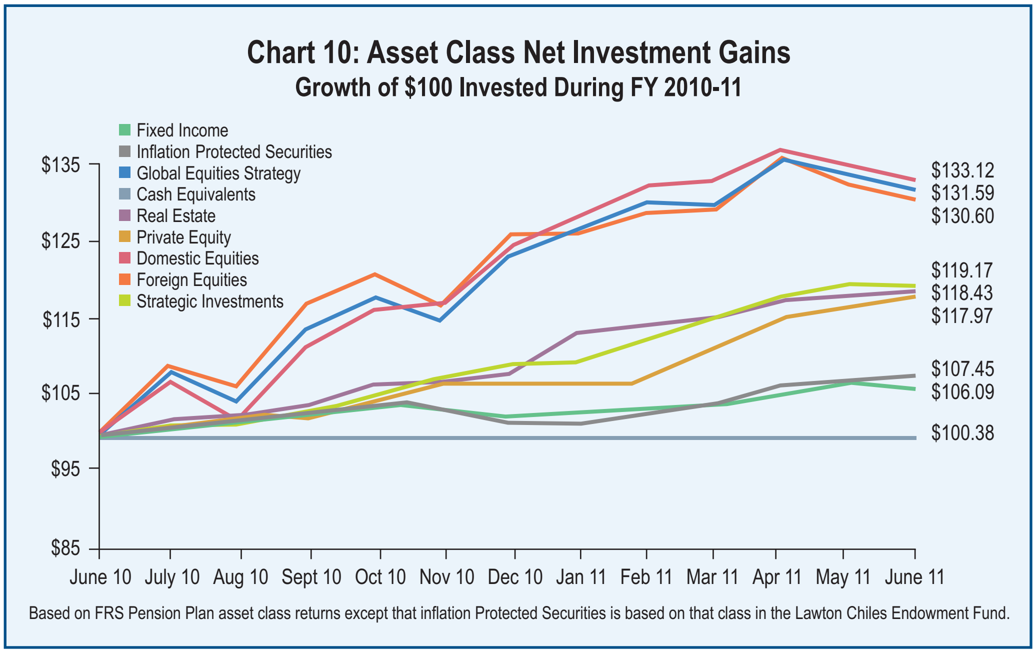


Chart 10 shows how each asset class performed during the twelve months of the fiscal year. Per $100 invested at the beginning of the year, the amounts at right are the balance at year end. Publicly traded equities (stocks) did best with returns over 30%. Private market and opportunistic investments fell in the middle with returns just under 20%. Nominal and real bonds were lowest of the major classes, returning about 6 and 7%, respectively, while cash equivalents, always a modest performer, returned near zero due to extraordinarily low short-term interest rates throughout the year.

For Global Equity, the current benchmark is a custom version of the MSCI All Country World Investable Market Index, in dollar terms, net of withholding taxes on non-resident institutional investors. The customization reflects exclusion of investments prohibited by the Protecting Florida's Investments Act. Global Equity returned just over 31% for the year, and beat its benchmark by a robust 105 basis points. 66% of the asset class was managed externally and 52% was managed actively.

The Fixed Income asset class is benchmarked to the Barclays Capital U.S. Aggregate Index, a continuation of the Lehman Aggregate Index. The asset class returned just over 6% for the year, and beat its benchmark by 219 basis points. Over the past 15 years, the class earned an annualized rate of over 6.5% and beat its benchmark by 19 basis points. 28% of Fixed Income is managed externally, and 47% is actively managed.

The Real Estate benchmark is a 90/10 blend of two indices. The larger portion is the NCREIF Fund Index – Open-ended Diversified Core Equity, net of fees. The smaller portion is the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on institutional non-resident investors. During the year, Real Estate returned over 18%, although it fell short of its benchmark by 220 basis points. Over the past 15 years, Real Estate has returned almost 9% per annum, and outperformed its benchmark by 300 basis points.

The benchmark for the Private Equity asset class is the Russell 3000 (U.S. stock) Index plus a fixed premium of 300 basis points per annum. Over the past year Private Equity's internal rate of return was 18.1%. This was 1685 basis points below its benchmark. The class is 99% externally managed and has no passive investments.

Strategic Investments, an opportunistic asset class consisting of an array of diverse investments, is benchmarked to an exposure-weighted blend of the benchmarks of its individual investments. During the year, it earned over 19%, beating its benchmark by 688 basis points. Over the past three years (the asset class is relatively new), it earned 0.16% and beat its benchmark (which was negative) by 114 basis points. The asset class is 98% externally managed and has no passive investments.

Finally, the Cash or Cash Equivalents asset class is benchmarked to the iMoneyNet First Tier Institutional Money Market Funds Net Index. For the year, Cash returned 0.38%, which was 30 basis points more than the benchmark return. Over the past 15 years, Cash has returned just under 3% per annum. Over that term, it fell short of its benchmark by 37 basis points. Note, however, that for most of this period, the benchmark was gross of fees.

SBA CONTRACTS WITH PRIVATE EQUITY PARTNERSHIPS REQUIRE THE FOLLOWING DISCLOSURE:

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

Table 10: Change in Assets Under Management - Fiscal Year 2010-11

	Market Value June 30, 2010	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2011
Global Equity[1]				
Domestic Equities[2]	$ 38,880,467,517	$ (16,711,038,877)	$ 10,694,444,067	$ 32,863,872,707
Foreign Equities[2]	20,622,903,630	12,438,644,731	7,754,502,216	40,816,050,577
Global Equities[2]	0	3,028,441,506	661,542,478	3,689,983,984
Total Global Equity	59,503,371,147	(1,243,952,640)	19,110,488,761	77,369,907,268
Fixed Income	31,165,164,092	(1,235,499,028)	1,882,583,324	31,812,248,389
High Yield[3]	2,246,996,439	(2,246,996,439)	0	0
Real Estate	7,062,391,082	(46,326,983)	1,303,790,645	8,319,854,744
Private Equity	4,442,905,163	351,776,419	852,641,468	5,647,323,049
Strategic Investments	4,462,565,037	(963,478,841)	665,172,442	4,164,258,638
Cash/Short-Term Securities[4]	460,924,826	740,496,856	17,849,448	1,219,271,130
Total FRS Pension Plan	**$ 109,344,317,786**	**$ (4,643,980,657)**	**$ 23,832,526,089**	**$ 128,532,863,218**

[1]New asset class per PS

[2]Sub components of Global Equity include Domestic Equity, Foreign Equity & Global Equities.

[3]High Yield asset class was moved into Strategic Investment Asset Class per Investment Policy Statement.

[4]The investment gain (loss) reported for the Cash/Short-Term Securities includes $18,004,749 in SBA investment service charges and $935,081 in net bank fees (gross bank fees of $3,083,717 less bank fee rebates received of $2,148,636) paid out of the Central Cash/Short-Term portfolio on behalf of the entire FRS Pension Plan. Excluding these expenses, the investment gain (loss) reported would have been ($36,789,278), which reflects actual investment returns.

Totals may not foot due to rounding.

Portfolios by Asset Class

The following tables show the beginning and ending market values for each individual Pension Plan portfolio, together with net contributions and investment gain or loss. The portfolios are grouped into separate tables for each asset class.

Table 11: FRS Pension Plan Global Equity - Change in Market Value by Portfolio
Fiscal Year 2010-11

	Market Value June 30, 2010	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2011
Domestic Equities				
Active All Cap:				
Jacobs Levy Short Extension Strategy	$ 903,528,061	$ (99,734,831)	$ 387,354,996	$ 1,191,148,226
Active Large Cap:				
Aronson Johnson Short Extension Strategy	775,770,174	(132,766,525)	239,305,767	882,309,416
AXA Rosenberg[2]	93	(93)	0	0
Delaware Investments	883,950,760	(346,328,867)	259,895,106	797,516,999
Enhanced Investment Technologies, Inc.	1,060,478,825	(1,303,273,416)	242,817,094	22,503
Quantitative Management Associates	999,279,059	(321,619,179)	265,645,301	943,305,181
Smith Asset Management Large Cap Enhanced	887,901,937	(128,006,633)	298,212,651	1,058,107,955
Wells Capital Management[2]	336,967,794	(384,608,851)	47,641,057	0
Active Small Cap:				
AQR Portable Alpha[2]	4	(33,474)	33,470	0
AQR R2000 Equity	217,093,602	(113,203,590)	48,005,454	151,895,467
Cortina Asset Management	153,375,967	(78,559,231)	53,584,662	128,401,398
Cupps[1]	0	63,074,117	38,784,759	101,858,876
Delta	35,503,704	0	13,127,305	48,631,009
Fisher Investments	149,170,431	(22,301,868)	53,521,858	180,390,422
M&I Investment[1]	0	83,567,836	36,177,402	119,745,237
Mesirow Small Cap Value[2]	273	(18,340)	18,067	0
PanAgora Asset Management	130,232,511	(32,606,971)	45,483,722	143,109,312
R2K Futures Account[1]	495,663,658	(523,399,236)	27,735,578	0
Signia Capital[1]	0	96,770,897	33,938,299	130,709,195
Stephens Investment Management Group	157,970,741	(85,172,032)	43,407,434	116,206,142
TAMRO Capital Partners	156,964,575	(83,336,156)	51,198,140	124,826,559
Turner Investment Partners[2]	1	(762)	760	0
Tygh Capital Management	136,301,829	(69,429,833)	31,229,353	98,101,350
Vaughan Nelson Investment Management	179,521,787	(37,246,197)	59,263,697	201,539,287
Passive:				
Avatar R1000 Index Fund	15,090,172,288	(7,293,870,317)	3,539,087,079	11,335,389,050
Phoenix Portfolio	16,125,740,614	(5,900,198,572)	4,882,661,045	15,108,203,087
Other:				
Domestic Equity Active STIP NAV Adjustment[2]	(4,682,812)	4,682,259	553	0
Domestic Equity Asset Class Transition	15,210	6,299,790	(3,858,964)	2,456,036
Domestic Equity Passive STIP NAV Adjustment[2]	9,546,430	(9,551,169)	4,739	0
Domestic Equity STIP Reserve Fund[2]	0	(167,634)	167,634	
Total Domestic Equities	**$ 38,880,467,517**	**$ (16,711,038,877)**	**$ 10,694,444,067**	**$ 32,863,872,707**
Foreign Equities				
Developed Markets:				
Acadian Short Extension Strategy	451,898,742	0	173,940,550	625,839,291
Artisan Partners	1,195,791,386	177,088,284	423,823,447	1,796,703,118
AQR Capital Management Small Cap[1]	0	382,093,497	46,055,688	428,149,185
Ballie Gifford Overseas Limited	775,000,365	645,595,385	357,326,601	1,777,922,351
Barclays Global Inv. Index Plus	878,960,595	318,081,230	303,373,939	1,500,415,764
Barclays Global Inv. Small Cap Strategy	569,326,424	255,295,178	258,696,043	1,083,317,645
Barclays Global Inv. World Ex-US	3,874,700,661	4,979,631,269	1,691,962,168	10,546,294,097
Barclays Global Inv. World Ex-US Alpha Tilts	1,895,180,073	0	599,162,012	2,494,342,084
Capital Guardian Trust Company[2]	156,918	(122,401)	24,914	59,431
Dimensional Fund Advisors	152,295,297	161,070,868	50,851,981	364,218,147
Epoch Investment Partners	148,079,759	91,163,254	71,571,343	310,814,357
Foreign Equity Internal Active	66,913,188	(79,364,209)	12,460,965	9,943
Foreign Equity Restructuring	219	(360,439)	372,108	11,888
Franklin Templeton Small Cap[1]	0	203,352,744	10,703,451	214,056,194
Mondrian Investment Partners Small Cap	214,068,524	76,079,956	106,215,109	396,363,589
Morgan Stanley Investment Management	809,490,387	615,456,656	289,257,562	1,714,204,604
New Star Institutional Asset Management[2]	125,445	(72,792)	10,277	62,930
PineBridge Investments[2]	70,963,145	(86,869,992)	15,916,156	9,310
Principal Global Investors FE	170,262,218	121,144,115	103,154,727	394,561,060
Pyramis Global Advisors	982,512,304	373,234,516	385,629,398	1,741,376,219
Pyramis Global Advisors Trust Small Cap	182,736,640	86,922,119	89,735,540	359,394,299
Sprucegrove Investment Management	1,197,787,141	277,220,437	402,027,484	1,877,035,061

Templeton Investment Counsel	1,134,517,143	213,419,050	386,686,571	1,734,622,764
Victory Capital Management [2]	115,264,094	(150,086,950)	34,875,337	52,481
Walter, Scott & Partners, Ltd.	744,599,605	705,427,891	274,808,279	1,724,835,775
William Blair	168,742,527	86,856,056	78,804,258	334,402,840
Emerging Markets:				
Aberdeen Asset Management	775,492,837	98,392,234	244,251,512	$1,118,136,583
Acadian Asset Mgt Inc.	807,407,972	92,835,151	261,215,890	1,161,459,013
BlackRock EM[1]	0	774,500,000	22,287,116	796,787,116
DFA EM[1]	0	417,303,404	11,501,025	428,804,429
EM Market Exposure[2]	205	(206)	0	0
Genesis Emerging Markets	830,958,888	90,000,000	250,324,726	1,171,283,614
Mondrian Investment Partners Ltd.	791,081,359	132,097,464	211,384,924	1,134,563,748
State Street Global Advisors	696,107,448	0	211,244,012	907,351,460
Trilogy	777,418,609	128,802,386	203,203,536	1,109,424,531
Wells Capital Emerging Markets[1]	0	606,065,765	51,195,850	657,261,615
William Blair & Company, LLC[1]	0	609,629,827	37,841,277	647,471,104
Frontier Markets:				
Aberdeen Frontier Markets	53,289,091	26,000,000	13,480,575	92,769,666
First State Frontier Markets	49,270,037	26,500,000	15,259,943	91,029,980
HSBC Global Frontier Markets	44,781,163	26,000,200	8,110,283	78,891,646
Other:				
Foreign Equity Cash	1,543,057	(2,116,221)	2,299,150	1,725,987
Foreign Equity Active STIP NAV Adjustment Account[2]	(3,769,488)	3,767,140	2,349	0
Foreign Equity Passive STIP NAV Adjustment Account[2]	(52,069)	52,068	1	0
Foreign Equity Asset Allocation Portfolio	1,721	0	(1,721)	0
Foreign Equity Policy Transition Acct[1]	0	(45,882,807)	45,898,460	15,654
Foreign Equity Policy Transition Acct[2]	0	2,442,603	(2,442,599)	4
Total Foreign Equities	**$ 20,622,903,630**	**$ 12,438,644,731**	**$ 7,754,502,216**	**$ 40,816,050,577**
Global Equities[3]				
Acadian Asset Management	0	198,718,580	74,035,595	272,754,176
Intech Investment Management[2]	0	1,104,011,151	85,543,755	1,189,554,905
McLean Budden	0	709,195,837	193,254,735	902,450,572
FTI Institutional (Templeton)	0	680,441,680	203,720,591	884,162,271
Trilogy Global Advisors	0	336,157,584	104,897,426	441,055,010
UBS Global Asset Management	0	(147)	147	0
Walter Scott & Partners, Ltd.[3]	0	0	0	0
Other:				
Global Equities Cash Account	$ 0	$ (83,179)	$ 90,229	$ 7,050
Total Global Equities	**$ 0**	**$ 3,028,441,506**	**$ 661,542,478**	**$ 3,689,983,984**
Total Global Equity	**$ 59,503,371,147**	**$ (1,243,952,640)**	**$ 19,110,488,761**	**$ 77,369,907,268**

[1]Account opened.
[2]Account closed.
[3]Global Equities transferred from Strategic Investments to Global Equity asset class.
• Totals may not foot due to rounding.

Table 12: FRS Pension Plan Fixed Income - Change in Market Value by Portfolio
Fiscal Year 2010-11

Account Name		Market Value June 30, 2010		Net Contributions and Transfers		Investment Gain (Loss)		Market Value June 30, 2011
Aggregate:								
Active Core	$	7,582,126,586	$	(3,799,174,251)	$	419,536,370	$	4,202,488,705
BlackRock Core Bond Enhanced Index		3,085,852,200		0		120,535,138		3,206,387,338
Goldman Sachs Core Plus[2]		2,637,639,610		(2,718,200,035)		80,560,425		0
Hartford Investment Management Core Plus[2]		2,461,901,438		(2,522,622,487)		60,721,048		0
Investment Grade AA Account		144,416		3,618,504		(436,253)		3,326,666
Principal Global Investors Core Plus[2]		2,332,624,387		(2,425,005,081)		92,380,694		0
Neuberger Berman Core		1,364,871,657		0		83,984,912		1,448,856,569
PIMCO Core[1]		0		1,514,104,541		(2,671,937)		1,511,432,603
Smith Breeden Associates		1,636,286,413		0		92,731,920		1,729,018,333
Taplin, Canida & Habacht		824,877,708		0		42,964,016		867,841,725
Western Asset Management Core Plus[2]		2,783,347,472		(2,910,969,069)		127,621,597		0
REVE Note[1]		0		495,000,000		177,500,102		672,500,102
Government/Corporate:								
Fixed Income Gov't./Corp. Passive Account		3,927,815,695		6,994,039,534		305,655,925		11,227,511,153
Mortgage:								
Neuberger Berman Mortgage Passive[2]		1,370,058,296		(1,381,780,311)		11,722,015		0
Utendahl Capital Management[2]		740,109,304		(745,378,031)		5,268,726		0
Fixed Income MBS Passive[1]		0		5,412,365,969		146,820,979		5,559,186,948
Other:								
Fixed Income Active STIP NAV Adjustment Account[2]		5,878,491		(5,909,600)		31,109		0
Fixed Income Passive STIP NAV Adjustment Account[2]		(2,126,820)		2,117,564		9,256		0
Fixed Income Transition Account		0		955,200,717		46,930,793		1,002,131,511
STIPFRS Reserve Liquidation Fund		413,757,239		(102,906,992)		70,716,489		381,566,736
Total Fixed Income	**$**	**31,165,164,092**	**$**	**(1,235,499,028)**	**$**	**1,882,583,324**	**$**	**31,812,248,389**

[1]Account opened during the fiscal year.
[2]Account closed during the fiscal year.
• Totals may not foot due to rounding.

Table 13: FRS Pension Plan High Yield - Change in Market Value by Portfolio[1]
Fiscal Year 2010-11

Account Name		Market Value June 30, 2010		Net Contributions and Transfers		Investment Gain (Loss)		Market Value June 30, 2011
High-Yield Holdings:								
High Yield Active Synthetic	$	92,558,747	$	(92,558,747)	$	0	$	0
Neuberger Berman Asset Management		655,913,465		(655,913,465)		0		0
MacKay Shields, LLC		634,791,173		(634,791,173)		0		0
Post Advisory Group		462,122,402		(462,122,402)		0		0
Shenkman Capital Management LLC		402,750,842		(402,750,842)		0		0
Other:								
High Yield Asset Allocation		454,363		(454,363)		0		0
High Yield STIP Reserve Cash		0		0		0		0
High Yield STIPFRS NAV Adjustment Account		(1,594,551)		1,594,551		0		0
Total High Yield	**$**	**2,246,996,439**	**$**	**(2,246,996,439)**	**$**	**0**	**$**	**0**

[1]High Yield Asset Class transferred to Strategic Investments.
• Totals may not foot due to rounding.

Table 14: FRS Pension Plan Private Equity - Change in Market Value by Portfolio Fiscal Year 2010-11

Account Name	Market Value June 30, 2010	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2011
Partnerships:				
3i Eurofund V, L.P.	$ 26,057,225	$ 14,686,788	$ 3,490,050	$ 44,234,063
3I Growth Capital Fund[1]	20,537,449	9,393,884	3,059,782	32,991,115
ABRY Partners VII, L.P.[1]	0	40,589	(40,589)	0
Advent International GPE VI	19,956,681	11,165,000	1,452,285	32,573,966
Apollo Investment Fund IV, L.P.	41,434,199	(45,613,004)	22,310,553	18,131,748
Apollo Investment Fund V, L.P.	68,156,302	(7,024,136)	(1,859,774)	59,272,392
Apollo Investment Fund VI, L.P.	191,321,742	(12,246,874)	43,392,991	222,467,859
Apollo Investment Fund VII, L.P.	84,081,604	2,437,021	33,210,379	119,729,004
Ares Corporate Opportunities Fund III	45,698,757	(12,568,155)	22,864,579	55,995,180
BC European Capital IX, L.P.[1]	0	73,100	(73,100)	0
Berkshire Fund VIII, L.P.[1]	0	46,506	(46,506)	0
Blackstone Capital Partners V, L.P.	103,662,646	9,642,089	11,323,629	124,628,364
Blackstone Capital Partners VI, L.P.[1]	0	1,233,923	(1,395,128)	(161,205)
Carlyle Asia Growth Partners IV[1]	24,504,866	904,901	3,096,812	28,506,579
Carlyle Partners Europe III, L.P.	15,169,830	18,286,376	7,674,060	41,130,266
Carlyle Partners II	3,883,949	(7,845,070)	17,755,907	13,794,786
Carlyle Partners III , L.P.	29,238,393	(26,938,796)	20,150,172	22,449,769.00
Carlyle Partners IV, L.P.	69,244,021	(31,358,880)	30,545,528	68,430,669
Carlyle Partners V, L.P.	55,850,234	34,126,035	30,994,015	120,970,284
Centre Capital Investments II	34,647,294	(3,644,735)	(2,063,182)	28,939,377
Charlesbank Equity Fund VII, L.P.[1]	7,136,191	8,071,321	3,333,832	18,541,345
Charterhouse Capital Partners IX, L.P.	12,899,412	682,092	5,765,382	19,346,885
Chartwell Capital Investors II, L.P.	11,330,710	0	(693,030)	10,637,680
Cortec Group V L.P.[1]	0	362,108	(282,108)	80,000
Cressey & Company Fund IV, L.P.	8,009,875	5,000,000	(1,065,014)	11,944,861
CVC European Equity Partners V	18,654,722	20,821,578	12,767,241	52,243,540
Cypress Equity Fund	2,250,210	(547,584)	30,125	1,732,750
EnCap Energy Capital Fund VIII L.P.[1]	0	3,966,101	(783,172)	3,182,929
Energy Capital Partners II L.P.[1]	36,119,508	(18,234,468)	5,743,637	23,628,677
EnerVest Energy Fund XII-A, L.P.[1]	0	12,478,850	(1,465,895)	11,012,955
Fairview Special Opportunities Fund, L.P.[1]	0	15,376	(15,376)	0
Fairview Ventures Fund II, L.P.	31,142,040	1,477,960	673,550	33,293,550
Fairview Ventures Fund III, L.P.	18,932,933	14,481,879	3,629,388	37,044,201
First Reserve Fund XI, L.P.	78,513,301	(15,072,948)	3,593,249	67,033,602
First Reserve Fund XII, L.P.	61,782,281	26,381,130	4,192,792	92,356,203
Francisco Partners III, L.P.[1]	0	25,642	(25,642)	0
FS Equity Partners V, L.P.	52,269,160	(16,482,481)	(1,077,932)	34,708,747
FS Equity Partners VI, L.P.[1]	10,679,364	13,449,142	(319,304)	23,809,202
Gores Capital Partners I, L.P.	40,300,451	(3,130,607)	(843,069)	36,326,775
Gores Capital Partners II, L.P.	30,976,071	(10,305,245)	11,060,089	31,730,915
Gores Capital Partners III, L.P.[1]	(1,705,219)	18,749,931	(4,542,921)	12,501,791
Green Equity Investors III, L.P.	5,545,878	0	41,318	5,587,196
Green Equity Investors IV, L.P.	99,352,790	(22,338,463)	38,414,259	115,428,587
Green Equity Investors V, L.P.	41,668,541	23,305,112	15,072,787	80,046,440
Grove Street Partners Buyouts LLC	53,368,310	10,840,466	13,859,093	78,067,869
Grove Street Partners Buyouts II, LLC[1]	0	2,552	(2,552)	0
Grove Street Partners Ventures LLC	124,750,230	12,458,265	25,119,012	162,327,506
Grove Street Partners Ventures II, LLC	14,667,006	25,784,378	7,314,168	47,765,553
Hellman & Friedman Capital Partners V, L.P.	68,044,592	(30,504,485)	22,969,281	60,509,388
Hellman & Friedman Capital Partners VI, L.P.	76,711,215	2,097,495	10,899,724	89,708,434
Hicks, Muse, Tate & Furst III, L.P.	31,388,324	(486,740)	2,007,253	32,908,837
Hicks, Muse, Tate & Furst Fund IV, L.P.	19,015,682	(489,705)	3,141,126	21,667,103
Hicks, Muse, Tate & Furst Fund V, L.P.	3,665,293	(2,432,024)	881,635	2,114,904
JH Whitney VII, L.P.[1]	0	5,864,270	(1,716,687)	4,147,583
Kelso Investment Associates VII, L.P.	50,010,381	(11,236,417)	8,959,605	47,733,569
Kelso Investment Associates VIII, L.P.	16,284,386	19,799,463	(2,942,057)	33,141,792
KKR European Fund III	14,412,328	5,246,024	3,790,481	23,448,833
Kohlberg Investors V, L.P.	30,530,306	(6,208,140)	2,904,380	27,226,546
Kohlberg Investors VI, L.P.	24,200,690	3,665,127	6,921,959	34,787,776
KPS Special Situations Fund III, L.P.[1]	3,475,353	2,356,009	(355,687)	5,475,675
Lexington Capital Partners IV, L.P.	37,615,243	(11,822,025)	10,352,333	36,145,551

Lexington Capital Partners V, L.P.	38,030,584	(13,650,437)	7,655,468	32,035,615
Lexington Capital Partners VI-B, L.P.	60,037,580	(423,974)	11,833,993	71,447,599
Lexington Capital Partners VII, L.P. 1	22,811	70,891,842	17,585,359	88,500,012
Lexington Co-Investment Partners (Pools I & II), L.P.	11,776,310	(1,007,919)	(117,834)	10,650,557
Lexington Co-Investment Partners 2005, L.P.	298,318,084	631,551	47,741,812	346,691,447
Lexington Co-Investment Partners II (Pools III & IV), L.P.	277,554,048	(54,780,958)	108,968,213	331,741,303
Liberty Partners Group II	(3,616)	115,599	(116,574)	(4,591)
Liberty Partners II	31,332,528	407,801	(7,866,297)	23,874,031
Liberty Partners III	34,565,062	4,463,064	(5,525,886)	33,502,240
Liberty Partners V	38,730,277	(8,802,198)	8,589,741	38,517,820
Liberty Partners VI	332,654,477	30,440,235	(45,855,243)	317,239,469
Liberty Partners VII	50,532,488	2,890,065	(10,750,223)	42,672,329
Lindsay Goldberg & Bessemer II, L.P.	83,610,124	(9,320,294)	4,495,676	78,785,506
Lindsay Goldberg III, L.P.	5,552,538	16,622,433	(979,819)	21,195,152
Montagu Private Equity Fund IV 1	0	3,996,311	(530,657)	3,465,654
New Mountain Partners II, L.P.	44,659,001	(7,648,739)	3,342,649	40,352,911
New Mountain Partners III, L.P.	28,504,473	24,061,905	2,373,691	54,940,069
PAI Europe V, L.P.	8,615,079	12,568,803	2,936,198	24,120,079
Pantheon Global Secondary Fund IV, L.P. 1	0	18,494,980	2,011,920	20,506,900
Pantheon Venture Partners II, L.P.	52,981,646	6,000,000	6,277,881	65,259,527
Permira IV, L.P.	23,410,448	7,825,881	25,293,733	56,530,062
Platinum Equity Capital Partners, L.P.	19,064,355	(8,209,909)	7,852,080	18,706,526
Platinum Equity Capital Partners II, L.P.	26,192,969	7,792,239	11,221,295	45,206,503
Pomona Capital VI, L.P.	35,999,079	(4,335,126)	6,757,073	38,421,026
Pomona Capital VII, L.P.	13,175,049	8,681,781	5,387,657	27,244,487
Providence Equity Partners VI, L.P.	27,142,978	4,016,977	7,066,249	38,226,204
RCP Advisors Fund IV, L.P.	27,248,565	(1,205,585)	5,978,661	32,021,641
RCP Advisors Fund V, L.P.	15,125,907	2,795,720	3,224,289	21,145,915
RCP Advisors Fund VI, L.P.	5,938,455	4,465,184	(160,772)	10,242,868
RCP Advisors Fund VII, L.P.[1]	0	2,512,116	(293,366)	2,218,750
Ripplewood Partners I, L.P.[2]	2,133,088	0	(2,133,088)	0
Ripplewood Partners II, L.P.	39,127,007	7,877,822	121,274	47,126,103
Riverside Capital Appreciation Fund V, L.P.	17,414,004	16,911,488	2,786,293	37,111,785
Riverside Europe Fund IV, L.P.[1]	4,910,373	13,089,637	33,026	18,033,036
Snow Phipps II, L.P.[1]	0	7,561,792	(1,992,288)	5,569,504
TA XI, L.P.[1]	0	18,500,000	193,800	18,693,800
Thoma Bravo Fund IX, L.P.	18,133,886	15,289,629	8,203,521	41,627,036
Thoma Cressey Fund VIII L.P.	55,523,051	(19,119,281)	14,501,013	50,904,783
Thomas H. Lee Equity Fund IV, L.P.[2]	0	1	(1)	0
Thomas H. Lee Equity Fund V, L.P.	27,446,429	(10,686,800)	3,774,700	20,534,329
Thomas H. Lee Equity Fund VI, L.P.	34,512,028	8,309,566	10,758,223	53,579,817
Top Tier Venture Capital II, L.P.	79,383,689	(3,908,044)	13,510,678	88,986,323
Top Tier Venture Capital III, L.P.	49,193,843	6,163,282	8,214,119	63,571,244
Top Tier Venture Capital IV, L.P.	29,181,927	19,977,037	11,188,112	60,347,076
Top Tier Special Opportunities Fund	5,763,147	3,466,844	1,622,446	10,852,437
TowerBrook Investors II, L.P.	53,182,882	(14,098,623)	18,706,676	57,790,935
TowerBrook Investors III, L.P.	39,908,995	2,303,625	16,377,750	58,590,370
TPG Partners IV, L.P.	35,627,472	(6,118,611)	14,062,060	43,570,921
TPG Partners V, L.P.	56,295,407	(4,555,871)	6,209,045	57,948,581
TPG Partners VI, L.P.	33,380,103	49,629,537	5,535,085	88,544,726
Trident V, L.P.[1]	0	16,195,351	(1,586,448)	14,608,903
TSG Capital Fund III, L.P.	1,025,067	(582,570)	(369,667)	72,830
Warburg Pincus Private Equity IX, L.P.	73,171,426	(17,270,910)	15,766,278	71,666,794
Warburg Pincus Private Equity X, L.P.	67,674,119	32,450,550	15,266,480	115,391,149
Wellspring Capital Partners III, L.P.	12,013,155	(6,638,255)	2,797,260	8,172,160
Wellspring Capital Partners IV, L.P.	54,648,021	16,487,694	5,335,707	76,471,422
Willis, Stein & Partners II, L.P.	732,341	(1,062,878)	394,735	64,198
Willis, Stein & Partners III, L.P.	65,488,955	(2,060,025)	6,276,042	69,704,972
Other:				
Private Equity Cash	28,597,309	40,711,167	(458,239)	68,850,237
Private Equity STIPFRS NAV Adjustment Account[2]	223,391	(223,581)	190	0
Total Private Equity	**$ 4,442,905,163**	**$ 351,776,419**	**$ 852,641,468**	**$ 5,647,323,049**

[1]Account opened during the fiscal year.

[2]Account closed during the fiscal year.

- Private Equity market values are estimates of value which may or may not represent what would be actually realized in arm's-length sales transactions. The market values are self-reported by the external managers of these accounts and incorporate their estimate of the value of illiquid publicly traded securities and private market holdings.
- Totals may not foot due to rounding.

Table 15: FRS Pension Plan Strategic Investments - Change in Market Value by Portfolio Fiscal Year 2010-11

Account Name	Market Value June 30, 2010	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2011
Equity:				
Acadian Asset Management[3]	$ 198,718,580.06	$ (198,718,580)	$ 0	$ 0
McLean Budden[3]	709,195,837	(709,195,837)	0	0
FTI Institutional (Templeton)[3]	680,441,680	(680,441,680)	0	0
Trilogy Global Advisors[3]	336,157,584	(336,157,584)	0	0
UBS Global Asset Management[3]	121,923	(121,923)	0	0
Walter Scott & Partners, Ltd.[2, 3]	20	(20)	0	0
Debt-Oriented:				
ABRY Advanced Securities Fund	116,849,771	(1,923,296)	23,987,752	138,914,227
ABRY Advanced Securities Fund II[1]	0	16,536,047	(1,555,433)	14,980,614.00
ABRY Senior Equity. L.P. III[1]	0	18,654,017	(50,462)	18,603,555
Apollo Credit Liquidity Fund	177,604,392	(56,921,066)	35,203,623	155,886,949.00
Audax Credit Opportunities[1]	0	114,296,519	4,172,918	118,469,437
Bayview Opportunity Master Fund II b[1]	0	56,553,835	1,596,308	58,150,142.81
Blackrock Carbon Capital III	35,172,202	41,498,273	4,374,780	81,045,255
Blackstone Credit Liquidity Partners	172,574,802	(90,691,600)	33,188,112	115,071,314.00
Blackstone/GSO Capital Solutions Fund[1]	0	25,366,510	6,395,655	31,762,165
Carlyle Mezzanine Partners II	50,904,187	(11,793,454)	6,631,512	45,742,245.00
CVI Credit Value Fund A[1]	0	45,004,752	(67,752)	44,937,000
Falcon Strategic Partners III, L.P.	31,091,434	7,188,640	5,464,404	43,744,478.88
Goldman Sachs Distressed Opportunities, L.P.	102,628,989	(17,612,324)	8,343,455	93,360,120
Green Credit Investors[2]	239,569,262	(283,648,881)	44,079,619	0.00
GSO Capital Opportunities Fund	108,635,017	(8,523,300)	24,323,443	124,435,160
Levine Leichtman Capital Partners IV	14,129,043	22,967,815	8,366,850	45,463,707.75
MS Mezzanine Partners Fund	14,072,705	(7,781,580)	2,990,680	9,281,805
Oaktree Opportunities Fund VIII, L.P.	27,500,000	47,242,833	7,067,658	81,810,491.00
Oaktree Opportunities Fund VIIIb, L.P.[1]	0	7,038	(7,038)	0
OCM Opportunities Fund VIIb	62,947,524	(20,250,000)	8,485,591	51,183,115.00
PCG Special Situation Partners, L.P.	110,734,666	(12,369,304)	2,682,210	101,047,572
Principal RE Debt (SBAF Mortgage Fund)	35,124,460	114,981,310	11,652,434	161,758,203.92
Providence TMT Debt Opportunity Fund II[1]	0	42,128,501	30,630	42,159,131
Providence TMT Special Situation Fund	174,080,827	(8,173,157)	28,515,022	194,422,692.00
Special Situation Partners II, L.P.	75,160,825	3,147,638	13,168,841	91,477,304
Square Mile Partners III, L.P.	34,666,193	25,309,806	6,303,343	66,279,342.00
TAC 2007 (TPG Credit Fund)	167,692,493	(64,466,774)	24,606,007	127,831,726
TCW Crescent Mezzanine Partners V, L.P.	59,868,608	10,461,105	6,275,131	76,604,843.56
The Varde Fund X, L.P.	29,444,674	20,038,977	4,033,273	53,516,922.71
Tricon IX, L.P.	57,161,606	2,075,116	5,195,415	64,432,137
VSS Structured Capital II	17,348,706	8,352,367	4,658,017	30,359,089
Wayzata Opportunities Fund II, L.P.	45,619,083	(2,050,005)	7,069,213	50,638,291
High Yield Active Synthetic[2, 4]	0	(1,545,183)	1,545,184	0
Neuberger Berman Asset Management[4]	0	142,534,916	67,820,393	210,355,309
MacKay Shields, LLC[2, 4]	0	(36,011,571)	36,011,571	0
Post Advisory Group[2, 4]	0	(29,704,593)	29,704,594	0
Shenkman Capital Management, LLC[2, 4]	0	(22,915,043)	22,915,043	0
High Yield Asset Allocation[4]	0	1,159,784	1,265,132	2,424,916
High Yield STIPFRS NAV Adjustment Account[2, 4]	0	(1,341)	1,341	0
Hedge Funds and Related Vehicles:				
Cevian Capital II, LTD	103,026,000	100,847	36,691,697	139,818,544
Highline Capital Partners[1]	0	150,015,951	(2,693,810)	147,322,141
King Street Capital Fund[1]	0	100,011,236	(11,236)	100,000,000
KV Partners[1]	0	175,154,319	8,123,157	183,277,476
Mason Capital Fund[1]	0	100,003,052	(378,052)	99,625,000
P2 Capital Fund[1]	0	100,071,297	20,111,775	120,183,072
Starboard Value and Opportunity Fund[1]	0	50,113,607	(61,442)	50,052,165
Taconic Opportunity Fund[1]	0	100,014,206	(14,206)	100,000,000
Other Opportunistic and Special Situations:				
Airline Credit Opportunities II[1]	0	20,465,833	488,840	20,954,673
Blackstone IPO	1,885,363	(0)	1,144,852	3,030,215
CVI Global Value Fund A	316,147,107	(35,281,408)	74,365,368	355,231,067
Florida Growth Fund, L.P.	21,034,330	82,775,835	17,845,845	121,656,010
GI Partners Fund III, L.P.	11,931,610	44,626,517	15,275,528	71,833,655
Lexington GP Holdings	41,250,000	(258,993)	(379,175)	40,611,832

Other:				
Global Equities Cash Account	1,541,623	(1,541,623)	0	0
Strategic Investments Cash Account	81,714,689	(15,418,656)	(1,782,506)	64,513,527
SI STIPFRS Nav Adjustment Account[2]	(1,182,780)	1,181,438	1,342	0
Total Strategic Investments	**$ 4,462,565,037**	**$ (963,478,841)**	**$ 665,172,442**	**$ 4,164,258,638**

[1] Account opened during the fiscal year.
[2] Account closed during the fiscal year. Balances and activity reflect residual activity.
[3] Account transitioned to Global Equity asset class.
[4] Account transitioned from High Yield asset class.

- For certain strategic investments accounts, market values are estimates of value which may or may not represent what would be actually realized in arm's-length sales transactions. In such cases the market values are self-reported by the external managers of these accounts and incorporate their estimate of the value of illiquid publicly traded securities and private market holdings.
- Totals may not foot due to rounding.

Table 16: FRS Pension Plan Real Estate - Change in Market Value by Investment Type[1]
Fiscal Year 2010-11

Account Name	Market Value 6/30/10	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/11
Commingled Funds:				
Beacon Capital SP Fund VI	$ 25,136,209	$ 3,000,000	$ 7,197,435	$ 35,333,644
Black Rock Granite Fund	111,608,292	(2,223,879)	22,364,530	131,748,943
Blackrock Retail Opportunity Fund	18,645,864	-	(596,409)	18,049,455
Blackstone Real Estate Partners VI	61,746,412	68,585,405	75,931,856	206,263,673
Diamond Property Fund	27,477,871	(194,509)	8,041,326	35,324,687
EMI Pooled Fund Expenses[2]	-	168,950	(164,200)	4,750
Enhanced Property Fund	48,870,874	(2,184,397)	9,579,122	56,265,599
Hines US Office Value Added Fund II	77,460,962	4,500,841	(48,158,822)	33,802,981
JP Morgan Pooled Fund	236,466,983	(11,575,370)	41,592,580	266,484,193
JP Morgan Special Situation Fund	71,977,453	(188,370)	18,716,663	90,505,746
MS Resorts	(1,710,885)	9,545,581	(7,834,696)	-
Prime Property Fund	198,789,659	(8,257,342)	35,914,772	226,447,090
Principal Financial Group Pooled Fund	152,438,520	- 31,936,488	184,375,008	
Prudential PRISA	175,880,237	(7,769,206)	41,426,259	209,537,290
Prudential PRISA Fund II	83,957,758	(2,823,851)	23,956,725	105,090,632
Prudential PRISA III	67,312,644	28,027,048	29,188,971	124,528,663
Rockpoint Real Estate Fund III, L.P.	28,410,871	34,316,912	11,101,031	73,828,814
RREEF America REIT Pooled Fund	222,221,430	(14,874,418)	49,452,661	256,799,673
UBS Pooled Fund	178,585,271	(6,519,930)	30,902,805	202,968,146
Real Estate Investment Trusts (REITs):				
AEW Capital Management LP[3]	232,014,497	(301,376,836)	69,362,338	-
AEW Global REIT[2]	-	264,882,072	3,766,533	268,648,604
CohenSteers Global REIT[2]	-	264,387,960	2,549,735	266,937,695
Invesco Global REIT2	-	265,218,012	4,213,360	269,431,371
Invesco Institutional (N.A.), LLC[3]	343,186,416	(446,764,303)	103,704,704	126,817
Real Estate Internal REIT Account[3]	1	(1)	-	-
Real Estate Internal REIT Physical Account[3]	91,181,635	(107,790,753)	16,609,118	-
RREEF America, LLC[3]	237,324,589	(316,809,750)	79,485,162	-
RREEF Global REIT[2]	-	264,879,000	3,616,331	268,495,331
Other:				
Real Estate Cash	11,618,722	2,164,092	(125,863)	13,656,952
Real Estate Asset Class Transition[2]	-	5,620,196	(4,350,021)	1,270,175
Real Estate STIPFRS NAV Adjustment Account[3]	(164,122)	163,771	351	0
Direct-Owned Investments:	4,361,952,919	(32,433,907)	644,409,801	4,973,928,812
Total Real Estate	**$ 7,062,391,082**	**$ (46,326,983)**	**$ 1,303,790,645**	**$ 8,319,854,744**

[1]Real estate market values are estimates of value which may or may not represent what would actually be realized in arm's-length sales transactions.
[2]Accounts opened during the fiscal year.
[3]Account closed during the fiscal year.

- Totals may not foot due to rounding.

Table 17: FRS Pension Plan High Yield - Change in Market Value by Portfolio[1]
Fiscal Year 2010-11

Account Name		Market Value June 30, 2010		Net Contributions and Transfers		Investment Gain (Loss)		Market Value June 30, 2011
High-Yield Holdings:								
High Yield Active Synthetic	$	92,558,747	$	(92,558,747)	$	0	$	0
Neuberger Berman Asset Management		655,913,465		(655,913,465)		0		0
MacKay Shields, LLC		634,791,173		(634,791,173)		0		0
Post Advisory Group		462,122,402		(462,122,402)		0		0
Shenkman Capital Management LLC		402,750,842		(402,750,842)		0		0
Other:								
High Yield Asset Allocation		454,363		(454,363)		0		0
High Yield STIP Reserve Cash		0		0		0		0
High Yield STIPFRS NAV Adjustment Account		(1,594,551)		1,594,551		0		0
Total High Yield	**$**	**2,246,996,439**	**$**	**(2,246,996,439)**	**$**	**0**	**$**	**0**

[1]High Yield Asset Class transferred to Strategic Investments.

• Totals may not foot due to rounding.

Securities lending, or stock lending, is the short-term loan of securities for a fee. With its large portfolio of assets and relatively small cash outflows, the Pension Plan is well suited to such a program. Mutual funds and ETFs typically have lending programs for the same reasons. The demand to borrow shares typically comes from hedge funds or short-sellers. When securities are lent, borrowers provide collateral, such as cash or government securities, of value equal to or greater than the loaned securities. As shown in Table 19, the program has provided significant gains over the long term. However, fallout from the mortgage crisis resulted in losses during fiscal year 2009-2010. In response, the program was restructured under a more conservative set of investment guidelines.

Table 18: Security Lending Book and Market Values as of June 30, 2011

		Book Value[1]		Market Value		Unrealized Gain (Loss) on Investments
FRS Pension Plan						
Bank of New York Mellon	$	2,590,119,721	$	2,485,080,845	$	(105,038,876)
Deutsche Bank		1,972,665,896		1,969,771,352		(2,894,544)
ClearLend		23,893		23,893		0
Total FRS Pension Plan	$	4,562,809,510	$	4,454,876,090	$	(107,933,420)

[1] Book value in security lending programs is generally "amortized cost value", which includes the original cost of an investment, less investment discounts and plus investment premiums that are amortized over the life of the investment. The book value presented in this table includes uninvested cash, interest receivable on investments and the amortized cost of investments.

• This table shows investment positions held at year-end in FRS Pension Plan security lending program. The SBA lends securities and receives cash and securities as collateral for the loans. The cash is invested. Earning on investments, net of broker rebates, are split between the lending agent and the SBA. When security loans mature and the borrowed securities are returned to the SBA, the case or securities received as collateral are returned to the borrower. This information does not include non-cash security loans. Amounts are based on information provided by the lending agents..

• Total may not foot due to rounding.

Table 19: FRS Pension Plan Net Security Lending Revenue by Fiscal Year

2000-01	$45,645,138
2001-02	$49,744,143
2002-03	$34,568,715
2003-04	$34,558,808
2004-05	$38,447,917
2005-06	$50,490,779
2006-07	$54,097,509
2007-08	$115,505,817
2008-09	$96,168,151
2009-10[1]	($134,528,845)
2010-11[2]	$43,594,622
Eleven Year Total	**$428,292,754**

[1] The loss for 2009-10 resulted from a decline in value of various investments held in the securities lending portfolio. The recovery in value of these investments was not considered probable. Therefore, the underlying securities were written down resulting in a net realized loss. Net income without this loss was $38,001,712.

[2] The FY11 income total includes $2,281,583 received back as a rebate (i.e. refund) of BNY Mellon custody fees in the contract that ties custody fees in with lending fees. In prior years, this rebate was recorded as a rebate of lending fees, and was included, so this is not inconsistent with prior years. The FY11 amount also includes $7,912,763 in realized gain on sale of lending collateral investments.

• This table is on an accrual basis, not a cash basis, meaning income is recorded when earned, not when received.

Table 20: FRS Pension Plan Miscellaneous Portfolios - Change in Market Value Fiscal Year 2010-11

Account Name		Market Value June 30, 2010		Net Contributions and Transfers		Investment Gain (Loss)		Market Value June 30, 2011
Central Cash/Short-Term	$	460,361,325	$	773,409,406	$	(14,191,755)	$	1,219,578,976
STIPFRS NAV Adjustment Account[2]		563,357		(569,055)		5,697		-
TF STIPFRS NAV Adjustment Account[1]		-		2,695,956		(3,003,943)		(307,987)
Cash Securities Lending Account[1]		144		(35,039,452)		35,039,449		141
Total Cash Asset Class[3]	**$**	**460,924,826**	**$**	**740,496,856**	**$**	**17,849,448**	**$**	**1,219,271,130**

[1]Account opened during the fiscal year.
[2]Account closed during the fiscal year.
[3]The investment gain (loss) reported for the Cash/Short-Term Securities includes $18,004,749 in SBA investment service charges and $935,081 in net bank fees (gross bank fees of $3,083,717 less bank fee rebates received of $2,148,636) paid out of the total Central Cash/Short-Term portfolio on behalf of the entire FRS Pension Plan. Excluding these expenses, the investment gain (loss) reported would have been ($36,789,278), which reflects actual investment returns.
• Totals may not foot due to rounding.

Technology and Growth Investments

In 2008, the Florida Legislature authorized the SBA to invest up to 1.5% of net state retirement system trust fund assets in technology and high-growth investments of certain businesses with a significant presence in Florida (Chapter 2008-31, Laws of Florida).

The Legislature made a determination that such investments would economically benefit the state. These investments may include space technology, aerospace and aviation engineering, computer technology, renewable energy, and medical and life sciences.

Table 21 presents the value at year-end of all the Pension Plan's Florida investments, as well as the component that can be considered growth and technology.

Table 21: FRS Pension Plan - Value of Florida-Based Holdings as of June 30, 2011

		All Florida Investments[1]		Growth & Technology[2]
Public Market Equities	$	588,544,907	$	110,078,896
Fixed Income[5]		69,392,079		2,437,364
Real Estate[3]		510,849,080		276,622,168
Private Investments[4]		444,747,503		145,602,856
Total	**$**	**1,613,533,568**	**$**	**534,741,284**

[1]Includes companies domiciled in Florida; companies having their principal place of business in Florida; or real estate located in Florida.

[2]Growth and technology investments tentatively identified through use of the methodology described in SBA memo dated September 26, 2008. Copies available upon request.

[3]The dollar amount shown in the table represents direct-owned and joint venture Florida real estate investments. In addition, the Pension Plan owns shares of commingled funds that invest in Florida real estate. The Pension Plan's pro-rat share of the Florida properties of these funds is valued at approximately $163 million. However, for conservatism this amount is not included in the table since technically the properties are owned by the funds, not directly by the Pension Plan.

[4]Private investments includes private equity, private debt, venture capital and strategic investments. Data is as of 3/31/2011.

[5] Also includes High Yield investments.

Florida Retirement System Investment Plan Overview and Investment Objective

The Florida Retirement System (FRS) Investment Plan was established by the Legislature to provide Florida's public employees with a portable, flexible alternative to the FRS traditional defined benefit plan. Since opening its first employee account roughly nine years ago, the FRS Investment Plan has become one of the largest optional public-sector defined contribution retirement plans in the U.S., with over 136,000 members and $6.7 billion in assets as of June 30, 2011.

The Executive Director/CIO is responsible for selecting, evaluating, and monitoring performance of the investment options, with a focus on maximizing returns within appropriate risk constraints. The FRS Investment Plan has a diverse offering of 20 low-cost institutional and mutual fund investment options within five public market asset classes. Three risk-targeted balanced funds are available, consisting of optimized mixes of existing investment options.

The SBA follows the Florida Statute's fiduciary standards of care in managing the FRS Investment Plan's options. The Investment Advisory Council provides independent oversight of the plan's general objectives, policies, and strategies.

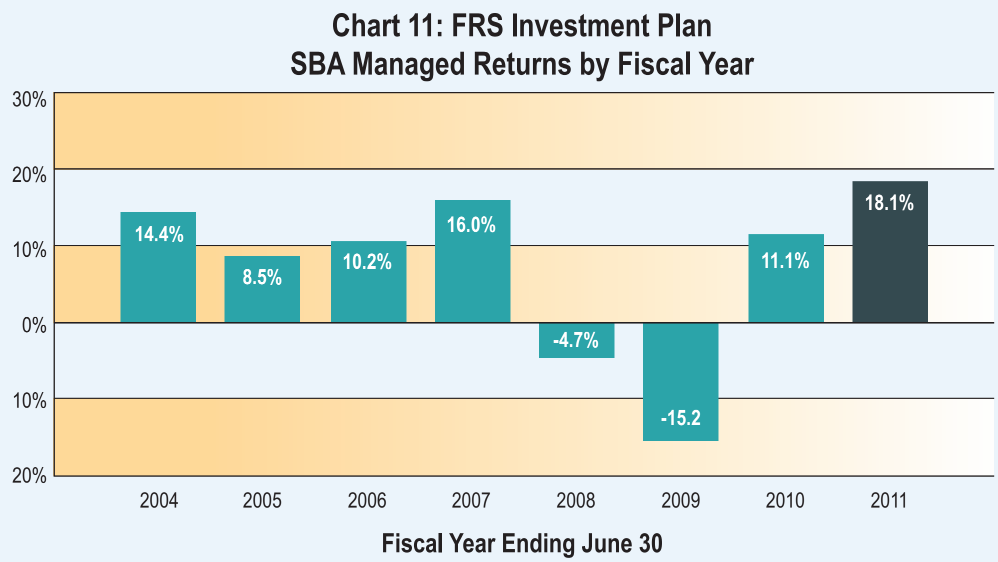
The FRS Investment Plan is modeled after private sector 401(k) plans.

The primary objectives of the plan are to offer investment options that avoid excessive risk, have a prudent degree of diversification relative to broad market indices and provide a long-term rate of return, net of all expenses and fees, that achieves or exceeds the returns on comparable market benchmark indices.

Average fees across all investment funds are highly competitive at 0.23%.

Performance

Investment performance in the FRS Investment Plan is measured on an absolute basis (managed returns) and relative to appropriate market benchmarks for each investment option. Performance data is aggregated for the total fund and for each product type, using participant allocations as the weighting factors. Unlike the Pension Plan, asset allocation in the Investment Plan is the responsibility of each individual investor.



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

Chart 11 shows annual average returns for the FRS Investment Plan as a whole, since inception. Fiscal year 2011's return of just over 18% was a record high.

Table 22: FRS Investment Plan

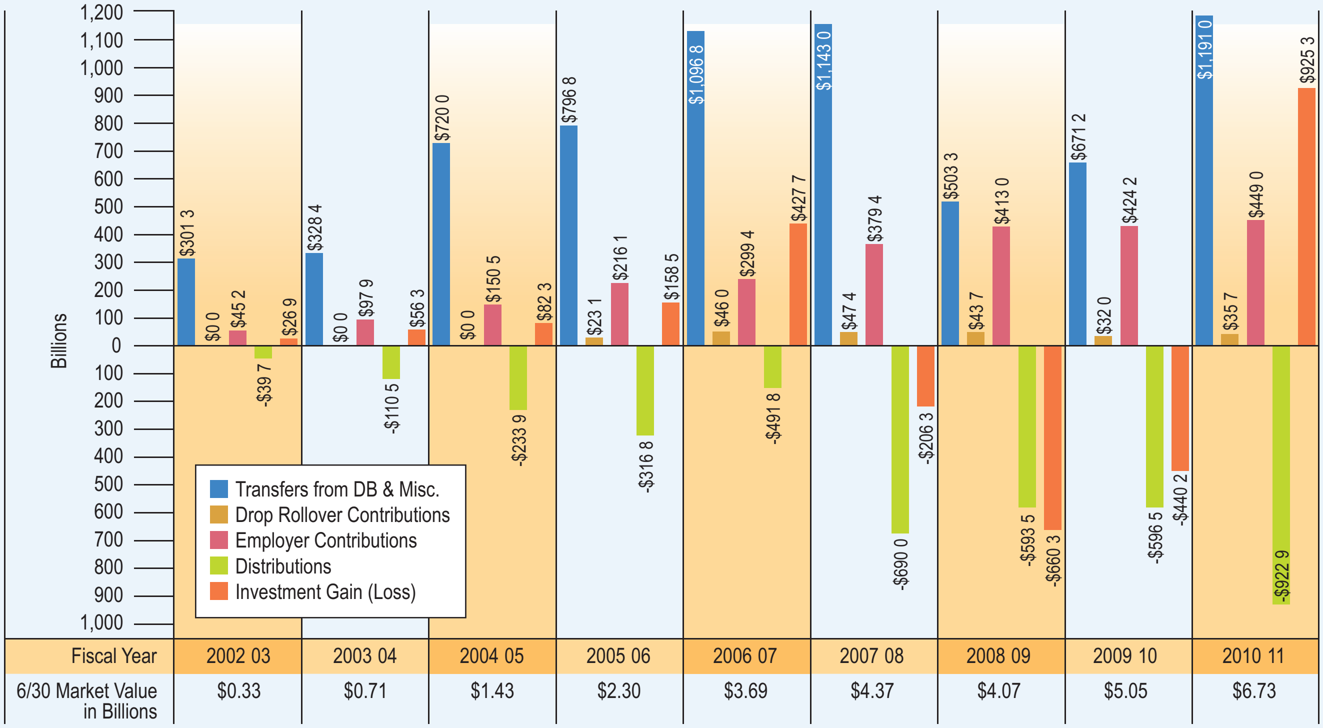
Returns for Periods Ending June 30, 2011

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
One Year	18.10%	17.23%	0.88%
Three Years	3.63%	3.02%	0.61%
Five Years	4.24%	3.64%	0.60%
Since Inception	6.96%	6.56%	0.41%

- All returns are annualized for periods indicated through June 30, 2011.
- Benchmark is a weighted blend of individual asset class target indices as applicable per the FRS Investment Plan Investment Policy Statement; weights are based on contemporaneous market valuations, per participant asset allocation choices.
- Inception of the fund is August, 2002.

The FRS Investment Plan outperformed the Plan Aggregate Benchmark over the trailing one-, three-, and five-year periods, suggesting strong relative performance for the underlying fund options in which participants are investing.

Chart 12: FRS Investment Plan - Annual Change in Total Fund Value by Source



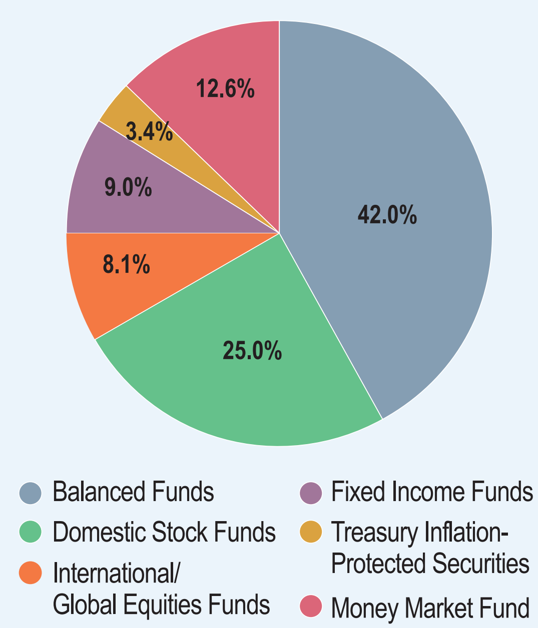
The rapid growth of the FRS Investment Plan is evident in the bottom row of this chart, showing total fund market value by year. The components driving this growth were more volatile, however, and are shown as bars in the body of the chart. The largest source of funds consists of transferred assets from the Pension Plan, illustrated by the blue bars. They grew to over a billion dollars per annum by the 5th year of the Plan, but receded temporarily following market volatility during fiscal years 2008 and 2009. Distributions (green bars hanging downward to illustrate outflow) have also grown rapidly but they too dampened somewhat following the two negative return years. Growth in employer contributions slowed after fiscal year 2008 (red bars) peaked that year.

Costs

Total plan cost equals the sum of investment option management fees plus administrative, education and fiduciary costs. The FRS Investment Plan's total plan cost (or expense ratio) for fiscal year 2010-2011 was 40.4 basis points (bps). This exceeded its benchmark cost of 39.7 bps by 0.7 bps, or 0.007%. The benchmark cost is an estimate of what our cost would be if our Plan paid the peer median cost for each of our investment options and for our administrative, education and fiduciary functions. The reason for exceeding the benchmark is the extensive education program offered to all FRS members. Without these costs the Investment Plan would be lower than all peers.

Chart 13: FRS Investment Plan Assets by Product Type

$6.7 Billion Market Value as of June 30, 2011



• Asset allocation is a result of member investment selection.

Investment Options

The FRS Investment Plan offers a diversified array of fund options that span the risk and return spectrum.

BALANCED FUNDS

These funds are designed for investors who prefer "one-stop shopping." They seek favorable long-term returns by keeping costs low and investing across multiple asset classes to diversify and control risk. They invest in a mix of other Investment Plan products to keep their overall level of risk relatively steady over time. The proportions and specific funds included in each Balanced Fund are periodically updated with the objective of providing the best balance between expected return and the risk objective of the fund. Financial Engines, a federally registered investment advisor founded by Nobel Laureate Dr. William Sharpe and a fiduciary to the FRS, provides the target mixes.

MONEY MARKET FUNDS

This fund invests in short-term securities (financial instruments or obligations) that are high quality and can be sold quickly with little loss of value. The fund has limited risk of declining in value; however, over the long term, like all such funds, returns have been modestly keeping pace with inflation. Money market funds are not FDIC insured or guaranteed.

INFLATION-PROTECTED SECURITIES FUNDS

This fund invests in United States Treasury Inflation-Protected Securities (TIPS). Investment returns consist of two components. One is a fixed interest rate. This has ranged from approximately 1% to 4% since TIPS were first issued in 1997. The second is an inflation increment, calculated as the rate of inflation times the principal (the initial investment) plus the dollar value of the fixed interest (the additional earnings over time). Thus the value of principal and interest is "protected," or indexed to inflation. The day-to-day value of inflation-protected securities varies with changes in inflation and interest rates, but these funds offer a promise of keeping up with inflation that is unique to this type of investment.

BOND FUNDS

The Investment Plan offers two broad market bond funds, a short/intermediate duration bond fund, and a high yield bond fund. Bonds are generally viewed as less risky than stocks but also provide lower long-term returns. Over time, the value of a bond is affected by interest rates, inflation, and other factors. When inflation or interest rates go up, the value of bonds goes down because they pay a fixed rate of interest (the market sees other investments as being more attractive). Therefore, bonds and bond funds do not always protect the investor against inflation.

Table 23: Risk Objectives of the FRS Investment Plan Balanced Funds

Conservative Balanced Fund	Moderate Balanced Fund	Aggressive Balanced Fund
Maintain a risk level equivalent to that of an all bond portfolio	Maintain a risk level equivalent to that of the average U.S. investor	Maintain a risk level approximately midway between that of an all equity portfolio and the Moderate Balanced Fund

FRS Investment Plan Investment Options

U.S. STOCK FUNDS

The investment plan offers eight funds which invest primarily in equity shares or stocks issued by U.S. companies. There are two broad market funds, one of which is an index fund, two mid/small stock funds, and four funds focusing on various growth and value strategies. The short-term risk of stocks has been much higher than bonds. However, over long periods of time, stocks have generally outperformed bonds, one of the main reasons that stocks are typically recommended for long-term retirement investing.

FOREIGN STOCK FUNDS

Of the three offerings in this category, two invest solely in foreign stocks (one is an index fund) and one invests in both U.S. and foreign stocks. Foreign stocks are affected by risk factors not present in U.S. stocks such as foreign laws and regulations, differences in accounting practices, political risk (foreign governments are sometimes unstable), and currency risk (differences in the relative value of domestic and foreign money). Over the long term, foreign stocks have not done quite as well as U.S. stocks, but they have provided diversification benefits.

Table 24: Florida Retirement System Investment Plan Options and Associated Benchmarks	
Investment Option Categories	Benchmark
Tier I: Core Investment Options	
Money Market	iMoneyNet First Tier Institutional Net
Inflation-Protected Bond	Barclays Capital U.S. Treasury Inflation Note Index
U.S. Bond	Barclays Capital Aggregate Bond Index
U.S. Core Stock	Russell 3000 Index
U.S. Small/Mid Stock	Russell 2000 Index
Foreign Stock	MSCI World, excluding U.S. index
Tier II: Balanced Investment Options	
Conservative Balanced Fund	Weighted-Average of Constituent Fund Benchmarks per Target Risk Levels of Balanced Investment Funds Table
Moderate Balanced Fund	Weighted-Average of Constituent Fund Benchmarks per Target Risk Levels of Balanced Investment Funds Table
Aggressive Balanced Fund	Weighted-Average of Constituent Fund Benchmarks per Target Risk Levels of Balanced Investment Funds Table
Tier III: Specialty Investment Options	
U.S. Large Value Stock	Russell 1000 Value Index
U.S. Large Growth Stock	Russell 1000 Growth Index
U.S. Small/Mid Value Stock	Russell 2000 Value Index
U.S. Small/Mid Growth Stock	Russell 2000 Growth Index
Global Stock	MSCI World Index
U.S. Short/Intermediate Bond	Barclays Capital Intermediate Aggregate Bond Index
High Yield Bond	Barclays Capital High Yield Index
Tier IV: Retiree Annuity Options (Section 121.591(1)(c), Florida Statutes)	
Immediate and Deferred Annuities	Specified by the Executive Director

Lawton Chiles Endowment Fund Overview and Investment Objective

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

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

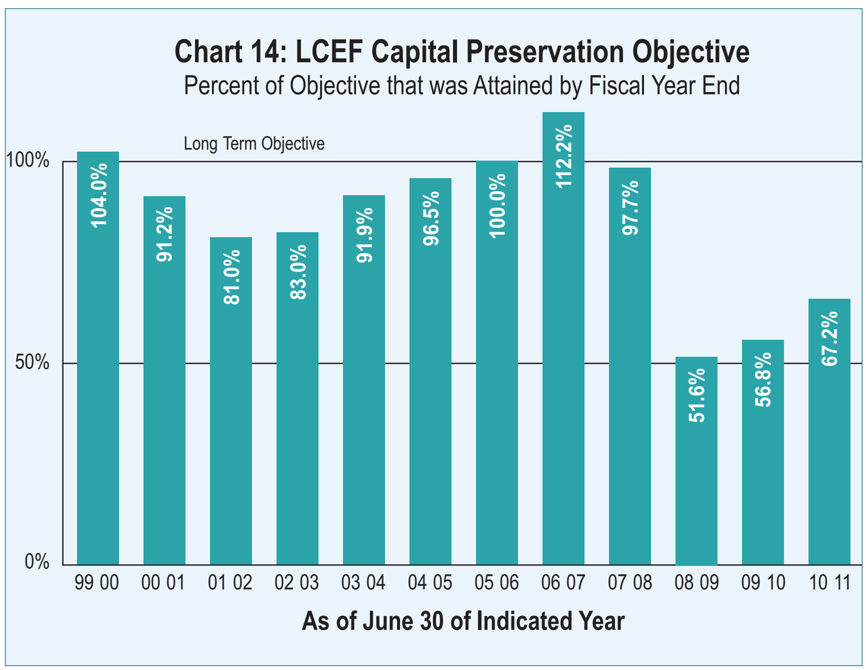
Florida law specifies that the LCEF shall be managed as an annuity, with an investment objective of long-term preservation of the real value of the principal. The law further requires a specified regular annual cash outflow for appropriation, as nonrecurring revenue.

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

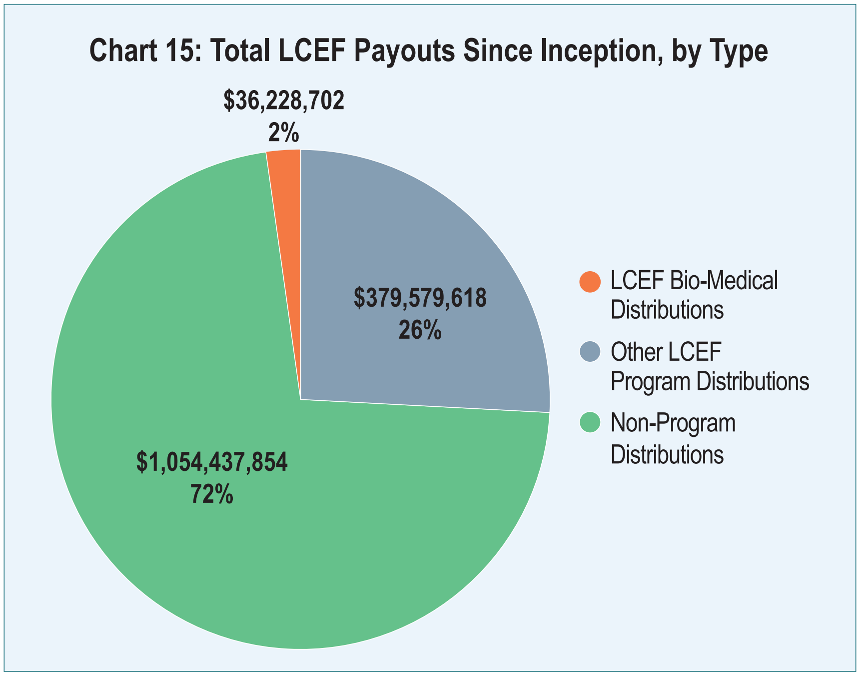
The changes, effective July 1, 2003, replaced the previous fixed annuity payout structure with a participating annuity structure. Under the new structure, 75% of the regular annual cash outflow is based on the prior year inflation-adjusted payout; the remaining 25% is based on a factor designed to increase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

As illustrated in Chart 14, this structure proved quite beneficial. Following fiscal year 2001-02, the Fund was able to make steady progress toward attainment of the statutory investment objective, namely to provide a regular cash outflow for appropriation yet preserve the inflation-adjusted value of contributed capital. The goal was achieved in fiscal year 2005-06. Reflecting the robust markets of fiscal year 2006-07, the Fund closed that year with a 12.6% surplus position, and, after payouts, closed the following year very close to the objective.

However, the Fund experienced a second major challenge during fiscal year 2008-09. Facing substantial revenue shortfalls during the 2007 and 2008 sessions, the Legislature directed liquidation of a total of $1.05 billion in Fund assets to support general appropriations. The general economic distress that had slowed revenue collections was accompanied by a major downturn in the financial markets, both a result of the so-called mortgage crisis. Because asset prices were depressed during this period, the withdrawal represented about 65% of the Fund's assets. As a result, fiscal year 2008-09 closed with the Fund's net value amounting to just 51.6% of the preservation objective.



Following non-program liquidations of $1.05 billion during fiscal year 2008-09, representing about 65% of the Fund's assets, the Fund was left nearly 50% short of its investment objective. Since then, it has experienced a modest recovery, closing the year at about two-thirds of the objective.



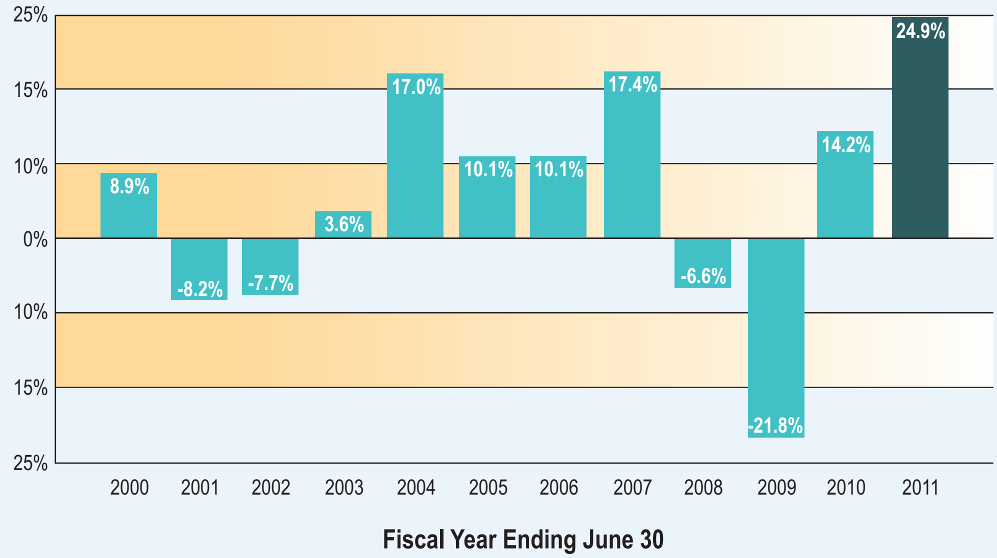
Since then, a recovery in the markets, diminished payouts and a statutory alteration to the real preservation target have led to a modest recovery. By the end of fiscal year 2010-11, the Fund's net asset value had risen to just over two-thirds of the objective amount.

As of June 30, 2011, the inflation-adjusted value of cumulative net contributions to the LCEF was approximately $842 million (in 1999 dollars).

Chart 16 illustrates managed returns for the Endowment Fund for each year since its inception. Negative returns over two years early in the decade and two years more recently are a reflection of the challenges faced by investors over the last 10 years.

Lawton Chiles Performance

Chart 16: Lawton Chiles Endowment Fund
SBA Managed Returns by Fiscal Year



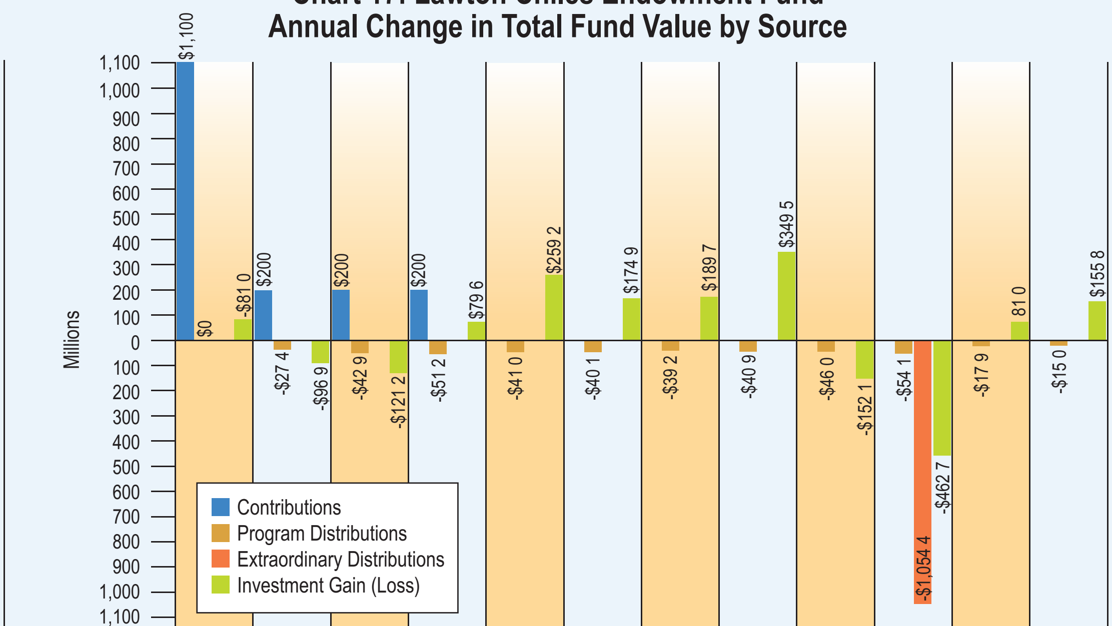
In addition to the statutory investment objective for the Endowment Fund, the SBA measures performance relative to market-based benchmarks. Table 25 compares actual returns to the total fund benchmark for various periods ending June 30, 2011. For all periods shown, the SBA was able to earn a return in excess of the overall market, given its policy weights. Returns since inception have averaged 4.3% at an annualized rate, while in the most recent year the fund earned nearly 25%.

Table 25: Lawton Chiles Endowment Fund
Returns for Periods Ending June 30, 2011

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
One Year	24.87%	23.82%	1.05%
Three Years	3.68%	2.95%	0.73%
Five Years	4.09%	3.64%	0.45%
Ten Years	5.18%	4.77%	0.41%
Since Inception	4.30%	3.94%	0.36%

- All returns are annualized for periods indicated through June 30, 2011.
- Benchmark is weighted blend of individual asset class target indices as applicable; weights and benchmarks are established in the Lawton Chiles Endowment Fund Investment Policy Statement.
- Inception of the fund is July 1999.

Chart 17: Lawton Chiles Endowment Fund
Annual Change in Total Fund Value by Source



Fiscal Year	1999 00	2000 01	2001 02	2002 03	2003 04	2004 05	2005 06	2006 07	2007 08	2008 09	2009 10	2010 11
6/30 Market Value in Millions	$1,181	$1,257	$1,293	$1,521	$1,739	$1,874	$2,025	$2,333	$2,135	$564	$627	$768

Market value of the Endowment Fund since inception is shown across the bottom of Chart 17, while the bars illustrate the components of year-to-year change. Unlike the FRS Pension Plan, the Endowment has no annual inflows; its only funding was a total of $1.7 billion, spread over its first four years (blue bars). Until the extraordinary (i.e. non-program) distribution of 2008-09, normal program payouts typically ranged from $40 to $50 million (tan bars). Following the large liquidation (red bar), the Fund's market value has been under $1 billion and payouts have been below $20 million.

Cost

Table 26 presents a major element of the LCEF's cost structure that has historically been of interest to stakeholders.

Table 26: Lawton Chiles Endowment Fund External Investment Management Fees
Fiscal Year 2010-11

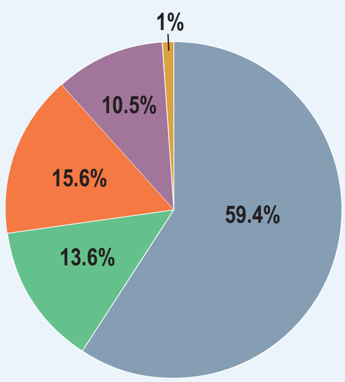
Asset Class	Dollar Amount[1]
Domestic Equities	136
Foreign Equities	221,148
Fixed Income	39,374
Inflation-Indexed Bonds	573
Cash	812
Total	**$262,043**

[1]The dollar amount includes the LCEF's proportionate share of manager fees paid in the Commingled Asset Management Program Money Market Pool.

Lawton Chiles Asset Allocation

Chart 18: Lawton Chiles Endowment Assets by Type

$767.6 Million as of June 30, 2011



Over its life, the only non-transitional change to the Endowment Fund's asset allocation was the elimination of exposure to Real Estate Investment Trust securities (REITs) at the beginning of fiscal year 2009-10. This was part of a general streamlining of the Fund's investment structure, as its net asset base shrank from $2.13 billion on June 30, 2008 to $0.56 billion a year later.

Chart 18 shows the asset allocation targets (also known as the policy allocation) for the LCEF as of June 30, 2011. No changes were made to the policy allocation during the year.

The principal performance measure of a fund's asset allocation is a weighted composite of the benchmark returns of each of its asset classes, where the weights are the policy allocations for each class. In Table 27, this is represented by the column titled Policy Return. It represents what would have been earned had actual exposures adhered strictly to the target weights and had the fund earned only the benchmark return for each asset class. Over the long-term (i.e. a 15-year horizon), this policy allocation is expected to provide a compound real return of 4.67% (i.e., 4.67% plus inflation).

A second dimension of asset allocation performance deals with how well actual exposures were managed. In Table 27 below, the column titled Implementation Return shows the degree to which deviations from the policy weights that occurred in practice added to or detracted from the policy return of the Fund. This measure is sometimes referred to as the return to tactical asset allocation. However, it reflects the impact of not only intended deviations from policy (tactical reallocation strategies) but also market-induced drift and inherent friction in the trading process. After these two components, the last piece of the Fund's total return is the contribution each asset class makes over its benchmark. This information appears in the following section.

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

The Endowment Fund experienced three rebalancings during the year. In January 2011, $4.1 million of U.S. stocks (Domestic Equities asset class) were sold, with $2.7 million invested in bonds and $1.4 million in Treasury Inflation-Protected Securities (the Fixed Income and Inflation-Indexed Bonds asset classes, respectively). Domestic Equities breached its rebalancing range again in February 2011, by about $3.9 million. However, since the annual payout from the Endowment was pending, those monies were distributed as program payouts rather than being reinvested as part of a rebalance. The rest of the annual payout was made in June 2011, on the heels of a third rebalance, which moved $3.8 million from Foreign Equities to Domestic Equities ($0.3 million), Fixed Income ($2.6 million), and TIPS ($0.9 million).

Table 27: LCEF Returns to Asset Allocation

Periods Ending June 30, 2011

	Policy Return	Implementation Return
One Year	23.82%	-0.05%
Three Years	2.95%	0.41%
Five Years	3.64%	0.22%
Ten Years	4.77%	0.28%
Since Inception	3.94%	0.31%

Over 15 years, the policy return of the Pension Plan's asset allocation compared favorably with the long-term actuarial return assumption of 7.75% for the fund.

Asset Classes

Assets of the Lawton Chiles Endowment Fund are currently divided into five classes: Domestic Equities, Foreign Equities; Fixed Income, Inflation-Indexed Bonds and Cash Equivalents.

The table to the right presents returns by asset class over various periods ending June 30, 2011.

For Domestic Equities, the benchmark is the Russell 3000, excluding the equities of tobacco-related companies. Domestic Equities returned over 32% for the year, and beat its benchmark by 17 basis points. 100% of the asset class was managed internally and virtually all was passively managed (i.e. indexed to the benchmark).

For Foreign Equities, the benchmark is the Morgan Stanley Capital International Investable Market Index, excluding the U.S., in dollar terms, net of withholding taxes on non-resident institutional investors and excluding the equities of tobacco-related companies. Foreign Equities returned over 38% for the year, and beat its benchmark by 802 basis points. The entirety of the asset class was actively managed externally.

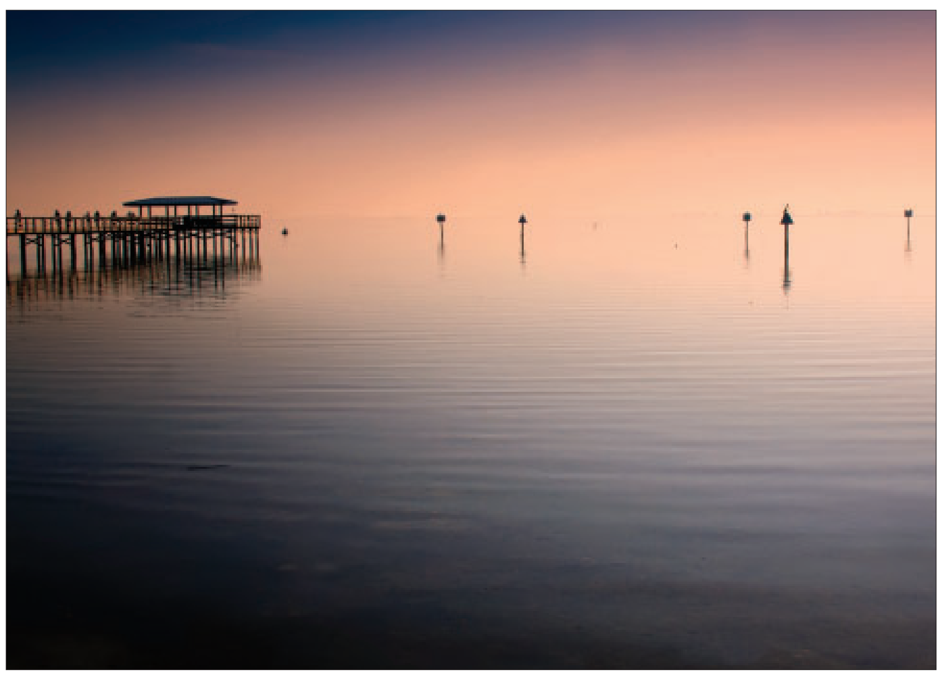
The Fixed Income asset class is benchmarked to the Barclays Capital U.S. Aggregate Index, a continuation of the Lehman Aggregate Index. The asset class returned a little over 4% for the year, and beat its benchmark by 24 basis points. Fixed Income is passively managed (indexed) by external investment managers.

The benchmark for Inflation-Indexed Bonds is The Barclays Capital U.S. Treasury Inflation Note Index. During the year, these bonds returned 7.45%, However, the asset class fell short of its benchmark by 29 basis points. The asset class is actively managed internally.

Finally, the Cash Equivalents asset class is benchmarked to the Standard & Poor's U.S. AAA & AA Rated Government Investment Pool All 30 Day Gross Yield Index. For the year, Cash returned 1.3%, which was 102 basis points above the benchmark return. Over the past 15 years, Cash has returned just under 3% per annum. Over that term it beat its benchmark by 20 basis points. This asset class is actively managed internally.

Table 28: Lawton Chiles Endowment Fund
Returns for Periods Ending June 30, 2011

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
Domestic Equities			
One Year	32.33%	32.16%	0.17%
Three Years	4.03%	3.82%	0.21%
Five Years	3.24%	3.19%	0.06%
Ten Years	3.27%	3.29%	-0.02%
Foreign Equities			
One Year	38.22%	30.20%	8.02%
Three Years	-0.79%	0.25%	-1.04%
Five Years	3.40%	3.97%	-0.57%
Ten Years	7.39%	7.56%	-0.17%
Fixed Income			
One Year	4.15%	3.90%	0.24%
Three Years	6.18%	6.46%	-0.28%
Five Years	6.51%	6.52%	-0.02%
Ten Years	5.87%	5.74%	0.13%
TIPS			
One Year	7.45%	7.74%	-0.29%
Three Years	5.94%	5.28%	0.66%
Five Years	7.44%	6.91%	0.54%
Ten Years	7.38%	6.95%	0.42%
Cash Equivalents			
One Year	1.30%	0.29%	1.02%
Three Years	1.30%	0.74%	0.56%
Five Years	2.70%	2.14%	0.56%
Ten Years	2.51%	2.20%	0.31%



Portfolios by Asset Class

The table below shows the beginning and ending market values for each asset class and individual Endowment Fund portfolio, together with net contributions and investment gain or loss.

Table 29: Lawton Chiles Endowment Fund Assets Under Management

Market Value Change by Asset Class and Portfolio Fiscal Year 2010-11

	Market Value June 30, 2010	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2011
Domestic Equities Portfolios				
Russell 3000 ex Tobacco Fund (Chiles Domestic Equity Portfolio)	$ 359,157,829	$ (18,746,969)	$ 115,674,789	$ 456,085,649
Transition Account (Chiles Domestic Equity Trading)	119,204	20,895	(23,448)	116,651
Foreign Equities Portfolios				
Capital Guardian[1]	15,875	(14,942)	(933)	0
Acadian - Chiles (ICEF) - Foreign Equities	78,500,363	(4,309,842)	29,878,028	104,068,548
Fixed Income Portfolios				
Chiles Barclays Aggregate	109,654,672	5,300,000	4,584,191	119,538,863
Inflation-Indexed Bond Portfolios				
Chiles TIPS - Chiles Inflation Linked Treasury	72,501,870	2,300,000	5,463,361	80,265,231
Cash/Short-Term Portfolios				
Chiles Cash	6,831,653	567,675	91,893	7,491,221
Chiles Securities Lending	100	(126,818)	126,819	101
Total Lawton Chiles Endowment	**$ 626,781,566**	**$ (15,010,000)**	**$ 155,794,699**	**$ 767,566,265**

[1]Account closed. Beginning balances are residual amounts.

• Totals may not foot due to rounding.

Table 30: Securities Lending Book and Market Values As of June 30, 2011

	Book Value	Market Value	Unrealized Gain/(Loss)
Bank of New York Mellon	$ 65,639,601	$ 65,631,119	$ (8,482)
Total Lawton Chiles Endowment Fund	**$ 65,639,601**	**$ 65,631,119**	**$ (8,482)**

This table shows investment positions held at year end in the Lawton Chiles Endowment Fund security lending program. The SBA lends securities and receives cash and securities as collateral for the loans. The cash is invested. Earning on investments, net of broker rebates, are split between the lending agent and the SBA. When security loans mature and the borrowed securities are returned to the SBA, the case or securities received as collateral are returned to the borrower. This information does not include non-cash security loans. Amounts are based on information provided by the lending agents.

Florida PRIME
(Local Government Surplus Funds Trust Fund)
Overview and Investment Objective

The Florida PRIME prepares a separate biennial report detailing the program, which is available at ***www.sbafla.com/prime.***

Florida PRIME provides eligible participants a cost-effective investment vehicle for their surplus funds. Its investment strategy emphasizes, in order of importance, preservation of capital (safety), liquidity and competitive yield. Florida PRIME is managed by an industry leader in professional money management, maintains conservative investment policies and a Standard & Poor's AAAm rating, and has enhanced transparency and extensive governance oversight. Florida PRIME continues to offer participants exceptional service, including expanded reporting, enhanced web functionality, improved customer service, and strengthened investment guidelines.

Florida PRIME is governed by Chapters 215 and 218, Florida Statutes, and Chapter 19-7 of the Florida Administrative Code (collectively, "Applicable Florida Law").

The Trustees (comprised of the Governor, Chief Financial Officer, and the Attorney General of the State of Florida) have delegated the administrative and investment authority to manage Florida PRIME to the Executive Director of the SBA, subject to applicable Florida Law. Additionally, the Trustees appoint a nine-member Investment Advisory Council and a six member Florida PRIME Participant Local Government Advisory Council. Both councils are responsible for review of the Florida PRIME Investment Policy and any proposed changes prior to its presentation to the Trustees and will undertake other duties set forth in applicable Florida Law.

ELIGIBLE PARTICIPANTS

Units of local government eligible to participate in Florida PRIME include, but are not limited to, any county, municipality, school district, special district, clerk of the circuit court, sheriff, property appraiser, tax collector, supervisor of elections, state university, state college, community college, authority, board, public corporations, or any other political subdivision or direct support organization of the state.

As of June 30, 2011, Florida PRIME had a net asset value equal to $6.8 billion, comprising assets held in 1,546 investor accounts on behalf of 823 participants.

Florida PRIME Performance

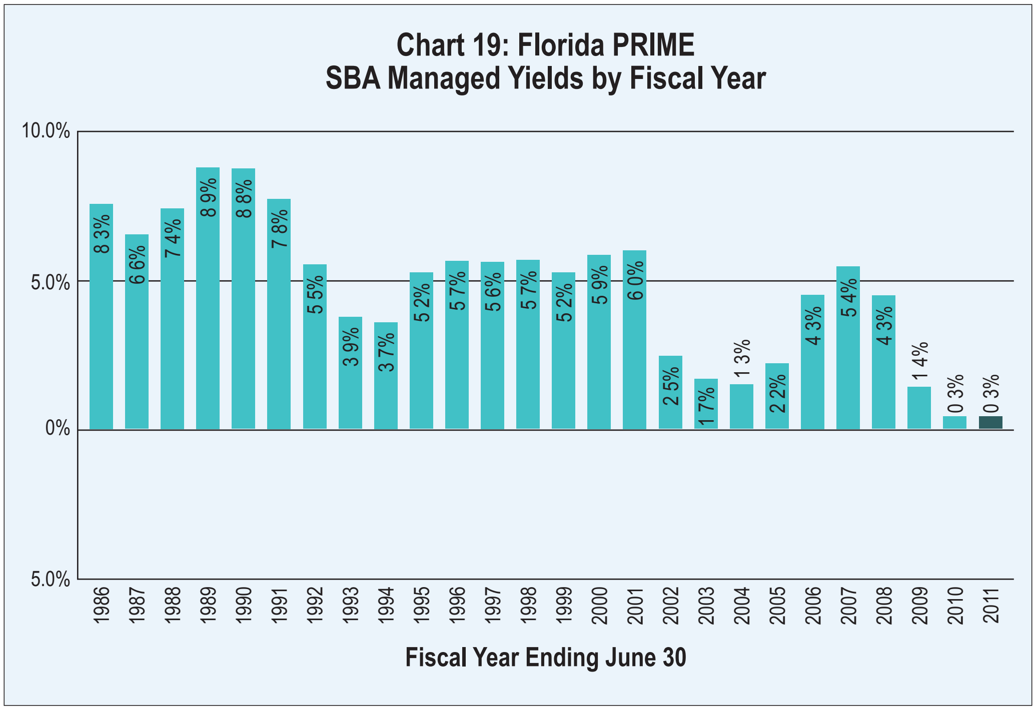


Chart 19 presents managed yields for Florida PRIME by year since 1986. Fiscal year 2010-2011 was 0.3%.

For the year ending June 30, 2011, Florida PRIME delivered an aggregate $20.9 million in investment earnings to its investors. Relative performance of Florida PRIME has been strong over short- and long-term time periods. For the period ending June 30, 2011, Florida PRIME generated excess returns (performance above the pool's benchmark) of approximately 15 basis points (0.15 percent) over 12 months, 9 basis points (0.09 percent) over 3 years, and 21 basis points (0.21 percent) over 5 years. By historical standards, absolute returns have been low over the past two years reflecting the near-zero Federal Funds rate strategy employed as part of the overall stimulus strategy of the Federal Reserve Board of Governors.

Table 31: Florida PRIME
Yields for Periods Ending June 30, 2011

	SBA Managed Yield	Benchmark Yield	Mgd. Over (Under) Bmk.
One Year	0.29%	0.14%	0.15%
Three Years	0.65%	0.57%	0.09%
Five Years	2.33%	2.17%	0.16%
Ten Years	2.36%	2.13%	0.23%
Fifteen Years	3.45%	3.23%	0.22%

- All yields are annualized for periods indicated through June 30, 2011.
- Yields are net of fees, and reflect amortized cost and a 360-day basis pursuant to Chapter 19-7.011, Florida Administrative Code.
- Benchmark is the S&P AAA/AA Rated G P All 30-Day Net Index for all time periods except the period July 1994 to March 1995 where an approximation of the one month LIBOR was used.

During the fiscal year ending June 30, 2011, participant deposits totaled $15.3 billion; participant withdrawals totaled $14.0 billion, for a net increase of approximately $1.3 billion equal to a 24.5 percent growth rate in total assets.

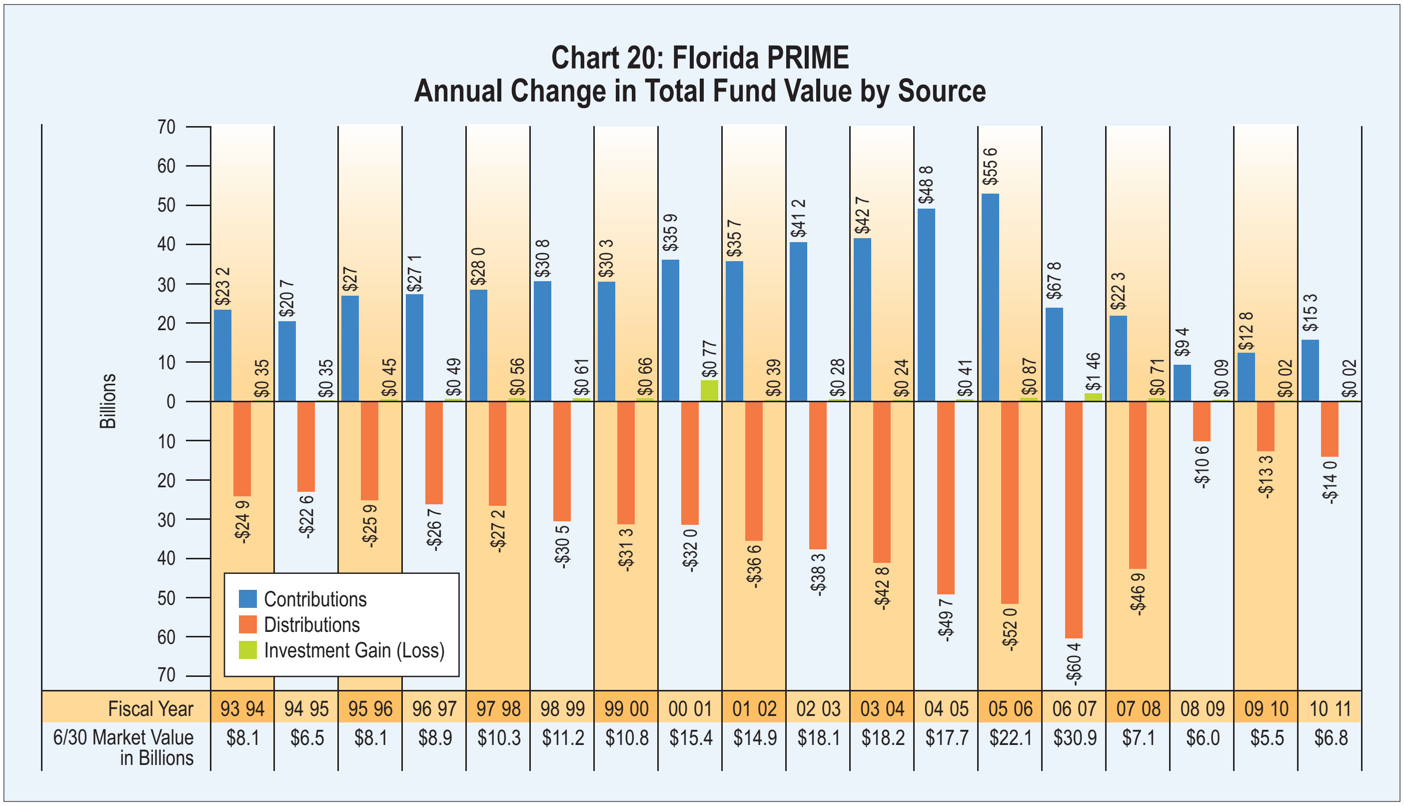


Chart 20 shows total year end value of Florida PRIME and its predecessor fund since fiscal year 1994 (bottom row) together with the component factors of its growth. Because it is a short-term investment vehicle for temporary surplus funds, the inflows (blue bars) and outflows (orange bars) over the course of each year are large relative to its closing balance.

Cost

Florida PRIME's fees are the lowest of any similar government investment pool ("GIP") in the State of Florida and are generally lower than other GIPs nationwide, as well as other institutional money market products. All investors are charged a uniform rate to participate in Florida PRIME. As of June 30, 2011, the fee charged to Florida PRIME investors was 2.36 basis points (0.0236%) of their account value. This charge covers the cost of investment management, record keeping, legal compliance, maintenance of a fund rating, and fiduciary oversight of the investment pool.

According to the most recent iMoneyNet report on GIPs, the average total cost for all types of government pools was 20 basis points. The average fee for GIPs classified as money market funds was 22.9 basis points. These fee levels, approaching ten times the cost of Florida PRIME, are roughly commensurate with other statewide GIPs available to local governments in Florida, which range from 15 to 21 basis points.

According to iMoneyNet data, the average fee level for the "Prime Institutional" category of money market funds, a broader category than GIPs, was 25 basis points.

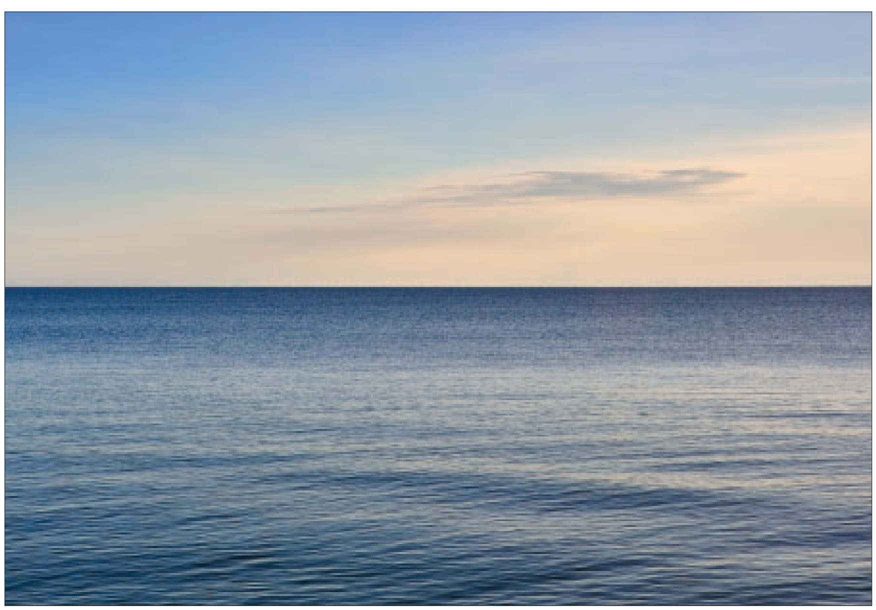
Fund B Surplus Funds Trust Fund Overview and Investment Objective

The primary objective of the Fund B Surplus Funds Trust Fund (Fund B) is to maximize the present value of distributions from the Fund. Since the inception of Fund B on December 7, 2007, all the investments have undergone some level of restructuring and have been converted to distinct legal entities under SBA control. The securities remaining in Fund B are legacy items from the four issuers whose financial circumstances gave rise to the November 2007 run on the local government investment pool. As of December 31, 2010, their remaining amortized cost was $537.2 million or 60.8 percent more than remaining participant positions in Fund B. Conversely, the estimated liquidation (market) value of these securities stood at $263.8 million or 79 percent of remaining participant positions. All cash from paydowns on securities in Fund B are invested in overnight securities, repurchase agreements, overnight time deposits or commercial paper pending monthly distribution to participant accounts in Florida PRIME. Through June 2011, investors cumulatively received distributions from Fund B totaling $1.67 billion or approximately 83.4 percent of their original balances.

Table 32: Fund B Surplus Funds Trust Fund
Returns for Periods Ending June 30, 2011

	SBA Managed Yield	Benchmark Yield	Mgd. Over (Under) Bmk.
One Year	26.85%	NA	NA
Three Years	5.41%	NA	NA
Since Inception	2.56%	NA	NA

- All yields are annualized for periods indicated through June 30, 2011.
- As a liquidating fund, this portfolio does not have a market-based benchmark. Its investment objective is to maximize the present value of distributions to participants.
- Inception of the Fund is December, 2007.



Florida Hurricane Catastrophe Fund Overview and Investment Objective

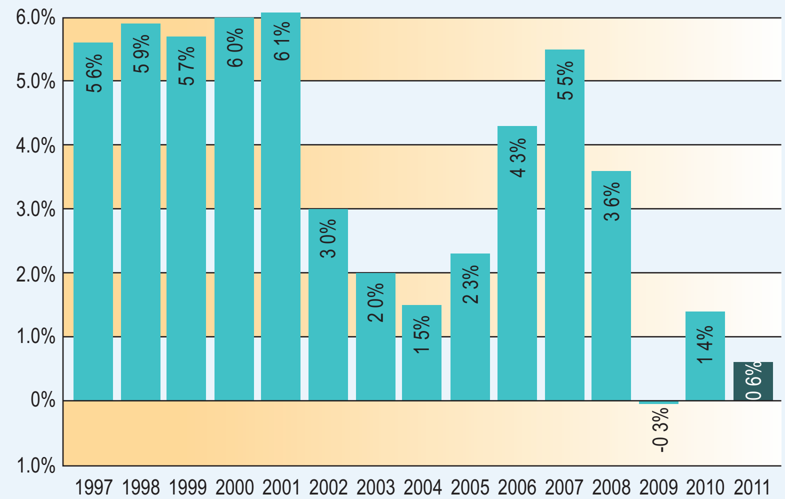
*FHCF Fund unit prepares a separate annual report detailing its programs, which is available at **www.sbafla.com/fhcf**. Performance data shown in this section for the FHCF fund reflects those assets which are managed by the SBA.*

The Florida Hurricane Catastrophe Fund (FHCF) was created in 1993 in response to Florida's property insurance crisis resulting from Hurricane Andrew. The purpose for this state tax-exempt trust fund is to encourage additional insurance capacity in the state by providing a stable and ongoing source of reimbursement to insurers for a portion of their catastrophic hurricane losses. The FHCF is financed by reimbursement premiums charged to participating insurers, investment earnings, and emergency assessments on property and casualty insurers.

FHCF Performance

The SBA acts as investment manager for the Fund. Paying covered hurricane losses fully and in a timely manner is the primary mission of the Fund, therefore, the investment objective for the Fund is defined by the following prioritized goals: (i) liquidity; (ii) safety of principal; and (iii) competitive returns. The investment returns of the portfolio are consistent with the mission of the Fund.

Chart 21: Florida Hurricane Catastrophe Fund
SBA Managed Returns by Fiscal Year



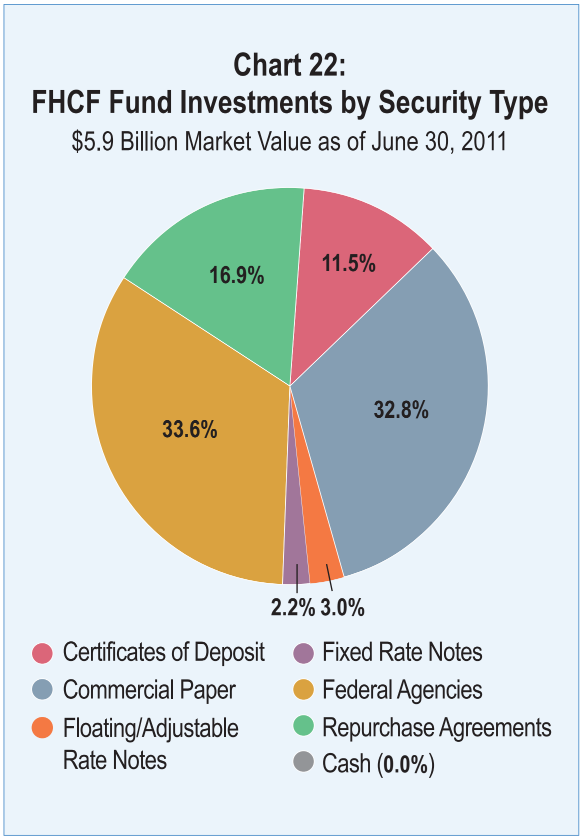
Earnings for the most recent period were modest by historical standards, due to the Fund's conservative investment policy and the low interest rate environment during this year.

Table 33: Florida Hurricane Catastrophe Fund
Returns for Periods Ending June 30, 2011

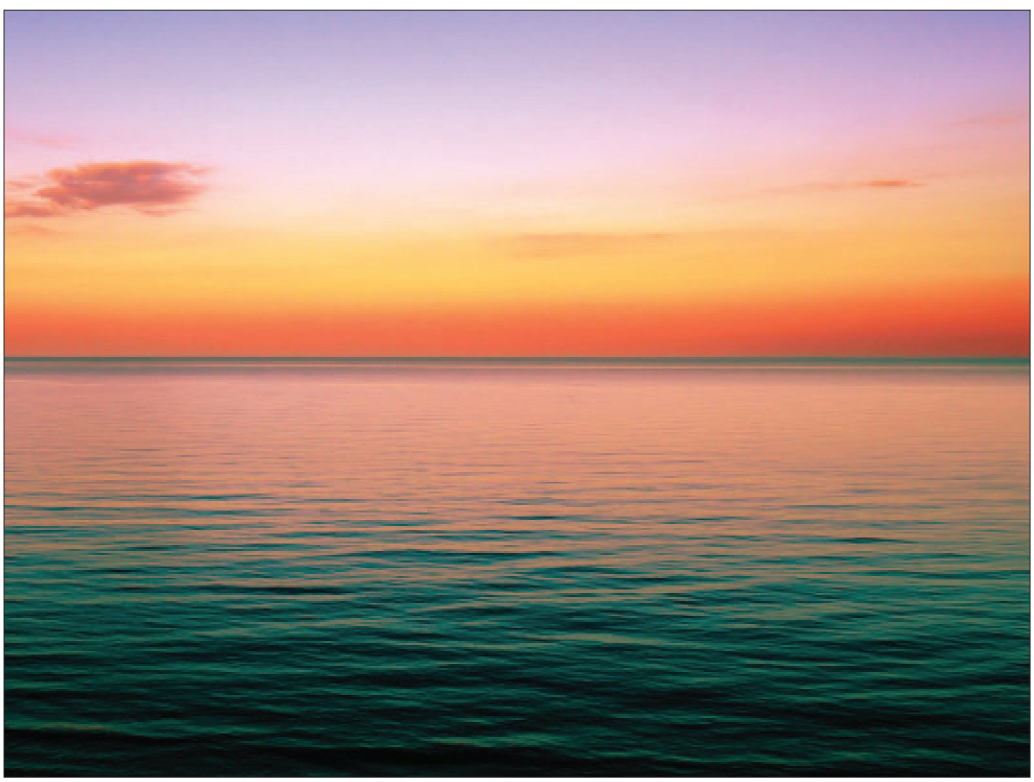
	SBA Managed Yield	Benchmark Yield	Mgd. Over (Under) Bmk.
One Year	0.57%	0.12%	0.45%
Three Years	0.56%	0.66%	-0.10%
Five Years	2.14%	2.27%	-0.13%
Ten Years	2.37%	2.12%	0.25%
Fifteen Years	3.53%	3.20%	0.33%

- All returns are annualized for periods indicated through June 30, 2011.
- Benchmark is a blend of 50% of the average three-month Treasury Bill rate and 50% of the iMoneyNet First Tier Institutional Money Market Fund Net Index.
- Inception of the Fund is July 1996.

FHCF Portfolio



Cash flow needs for the FHCF after a hurricane are difficult to project, but it is prudent to assume that significant amounts of cash would be needed to pay covered losses quickly if there is a large event. Since paying such losses fully and in a timely manner is the primary mission of the FHCF, liquidity and principal stability in the portfolio must be paramount. The SBA invests using short-term, high quality, and highly liquid fixed income securities such as certificates of deposit, commercial paper, U.S. government agency notes, and U.S. Treasury bills.



Florida Hurricane Catastrophe Fund Finance Corporation

The Florida Hurricane Catastrophe Fund Finance Corporation (Corporation) was created as a public benefits corporation to provide a mechanism for the cost-effective and efficient issuance of bonds to fund hurricane losses for the Florida Hurricane Catastrophe Fund (Fund). During the fiscal year The Fund was reimbursing participating insurers for hurricane losses occurring in 2004 and 2005. In response, the Corporation issued tax-exempt revenue bonds in fiscal year 2006-07 in the amount of $1.35 billion, $625 million in 2008-09, and $676 million in 2009-10. The funding source for the repayment of these bonds is a 1% emergency assessment on the direct written premium of most property and casualty lines of business in Florida. This assessment increased to 1.3% on January 1, 2011.

The Corporation also issued $3.5 billion pre-event, taxable, floating rate notes in 2007 in order to provide a source of additional funds to reimburse insurers for hurricane losses related to future covered events. The investment earnings on the notes, as well as the Fund's reimbursement premiums, are the funding sources for the payment of interest.

The Corporation has the same investment objectives as the Fund therefore the investment returns and allocation of securities also reflect the short-term, high quality, and highly liquid nature of the portfolio.

Chart 23: CAT Fund Finance Corporation Investment by Security Type

$4.8 Billion Market Value as of June 30, 2011

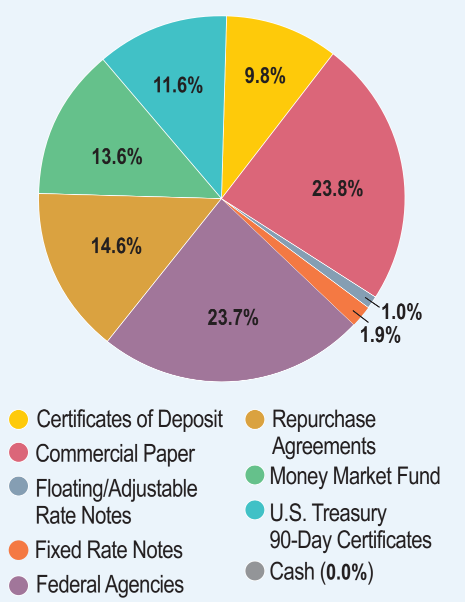
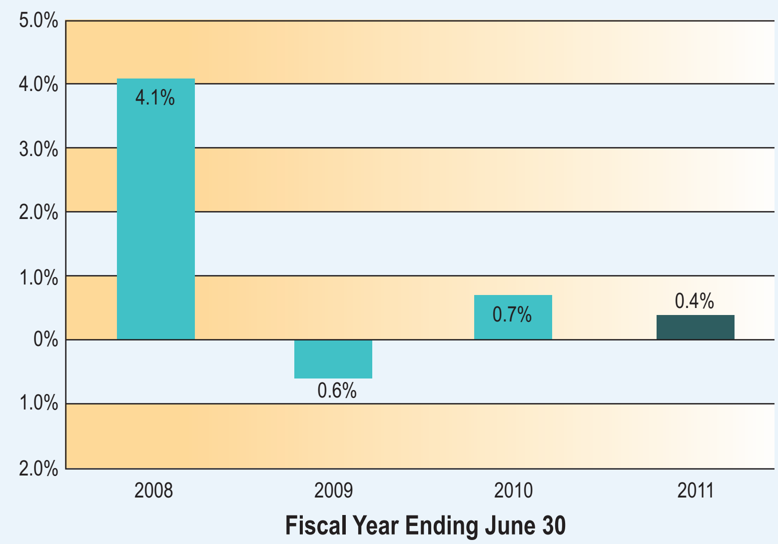


Chart 24: FHCF Finance Corporation SBA Managed Returns by Fiscal Year



Note: FY 2007 08 was the first full year of performance for this fund.

Recent returns for the FHCF Finance Corporation portfolio reflect historically low yields in the types of securities appropriate for this Fund.

Table 34: FHCF Finance Corporation
Returns for Periods Ending June 30, 2011

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
One Year	0.43%	0.12%	0.31%
Three Years	0.18%	0.66%	-0.47%
Since Inception	1.94%	2.29%	-0.35%

- All returns are annualized for periods indicated through June 30, 2011.
- Benchmark is a blend of 50% of the average three-month Treasury Bill rate and 50% of the iMoneyNet First Tier Institutional Money Market Fund Net Index.
- Inception of the Fund is August 2006.

Other Funds Under Management

In addition to the major mandates and investment pools discussed earlier in this report, the SBA either managed or facilitated the management of assets for 17 other clients, within four broad categories. The clients and nature of the SBA's responsibilities are enumerated below. Assets may be held in one or more of the SBA's investment pools as well as in separately managed portfolios.

PORTFOLIOS MANAGED UNDER FIDUCIARY DISCRETION

- Health Insurance Subsidy Trust Fund

The SBA develops and maintains an investment policy for this client setting forth an investment benchmark, a portfolio style, a risk profile, holding limitations, authorized securities, an investment objective and so forth. The SBA exercises its discretion as an investment fiduciary, cognizant of the risk tolerance of the client, in a manner similar to its services for major mandate clients.

PORTFOLIOS WITH DEDICATED BOND STRATEGIES

- Burnham Institute for Medical Research Fund
- Department of the Lottery Fund
- Charles Stark Draper Laboratory
- Max Planck
- Oregon Health & Science University
- Scripps Florida Funding Corporation
- SRI International Fund
- Torrey Pines Institute for Molecular Studies Fund
- University of Miami

Typically for clients within this category, pursuant to a trust agreement containing investment policy guidelines, the SBA manages a portfolio of laddered fixed income and/or short-term instruments whose maturities are matched to a Principal Disbursement Schedule supplied by the client. The SBA seeks to provide safety of principal and a competitive return within the confines of the payout amounts and dates specified by the client.

For each Lottery winner who chooses annuity payments rather than a lump sum payout, the SBA purchases Treasury Strips for the term prescribed with the net winnings allocated.

PROGRAM DIRECTED ASSETS – SPECIFIC TERMS

- Bond Proceeds Trust Fund
- Debt Service
- Gas Tax Clearing Fund

These portfolios contain assets of state government programs temporarily available for investment. The programs are housed within or closely affiliated with the SBA. Pursuant to specific Investment Portfolio Guidelines, transactions are executed by SBA's investment staff upon instruction from the program specifying the terms of the investment.

CLIENT DIRECTED ASSETS – INVESTMENT PRODUCTS

- Florida Division of Blind Services
- Florida Prepaid College Plan
- Florida Prepaid Investment Plan
- McKnight Doctoral Fellowship Program

For these clients, the SBA has secured certain products of external investment managers deemed cost-effective and suitable to the needs of the client. The clients determine when and whether to invest or withdraw their assets from these investment products.

Compliance with Investment Strategy

Although there are numerous definitions of "Investment Strategy," the SBA considers the term to mean the plan an investor uses when deciding how to allocate capital among several asset types including stocks, bonds, cash equivalents, alternative investments, and real estate, in order to achieve their investment objective(s). The plan includes target asset class exposures, allowable deviation from those exposures, and benchmark indices (indicating baseline return and risk) for the major asset types. The investment strategy for each fund managed by the SBA is encompassed within an Investment Policy Statement or Investment Portfolio Guidelines for the fund. These documents are available electronically at www.sbafla.com.

The SBA has taken an increasingly systematic approach to monitoring compliance to ensure that funds under its management comply with applicable statutory, regulatory and policy requirements. The SBA organizationally has a dedicated Risk Management and Compliance unit (RMC) under the direction of a Chief Risk and Compliance Officer. The implementation of this structure was consistent with recommendations put forth by Deloitte & Touche in their SBA compliance program review conducted during fiscal year 2008-09. The unit brings enhanced focus and independence to SBA compliance processes throughout all SBA asset classes.

Investment Oversight Groups (as standing subcommittees of the SBA's Senior Investment Group) are utilized to review compliance exceptions that may have a material impact on trust funds and client portfolios and to develop and document responses to these compliance exceptions. Public market asset class investment oversight groups meet no less frequently than monthly, while private market asset class investment oversight groups meet as necessary but no less frequently than quarterly.

THESE INVESTMENT OVERSIGHT GROUPS ARE COMPOSED OF THE FOLLOWING MEMBERS:

- Designated asset class compliance officer
- Deputy Executive Director
- Chief Risk & Compliance Officer (as Chair)
- Senior Investment Officer for the applicable asset class
- Director of Enterprise Risk Management

The investment oversight groups serve as the primary mechanism for the escalation, review, and evaluation of compliance exceptions to Investment Policy Statement and Investment Portfolio Guideline as well as for evaluating the associated portfolio management responses to compliance exceptions.

Each of the funds managed by the SBA was in compliance with their applicable investment strategy as of June 30, 2011. During the fiscal year, periodic instances of individual portfolio policy and guideline compliance exceptions were reported to SBA senior management. None of the exceptions constituted non-compliance with investment strategy.

COMPLIANCE OF THE SBA'S VARIOUS FUNDS WITH INVESTMENT STRATEGY WAS ESTABLISHED THROUGH THE PROCESS DESCRIBED BELOW.

1. Investment policy statement limitations on asset allocation were regularly monitored, as were more stringent internal rebalancing policy requirements for the FRS Pension Plan, the FRS Investment Plan and the Lawton Chiles Endowment Fund.

2. The SBA staff monitored the limitations (including permitted securities and authorized ranges) contained in Section 215.47, Florida Statutes, on a monthly basis for multi-asset class funds.

3. Compliance staff for the public market asset classes were physically embedded within the respective asset class and served as the primary control mechanism for internally managed portfolios. Duties included performing daily trade compliance, monitoring derivatives usage, verifying that only authorized traders were used, within prescribed limits, and preparing monthly compliance packages for use by investment oversight groups.

4. For externally managed public market portfolios, investment guideline monitoring was primarily performed by the compliance staffs of external investment managers, although SBA staff conducted month-end holdings based compliance verification as a secondary check.

5. In the case of private market investment funds and limited partnerships, compliance was performed by SBA staff through a variety of means depending on the structure of the investment, including monitoring investment guideline compliance, obtaining manager certifications, verifying acquisition checklists, etc. Investor advisory boards and consultants provided an additional layer of oversight.

6. The Office of the General Counsel attested to the legality of contracts entered into by the SBA, i.e., adherence to applicable federal and state laws and regulations. External counsel was utilized to review and negotiate certain contractual documents and maintain surveillance of evolving legal and regulatory changes, including tax law. External counsel was also used to conduct a formal statutory compliance review of Florida PRIME.

Risk and the Investment Process

Risk is the potential for disappointment. Those who invest in financial instruments face a constellation of risks, some tied to the performance of the instruments themselves, some tied to the strategy for selecting the instruments, and yet others tied to the transactional processes through which investments are made. Every form of risk ultimately bears upon one fundamental consideration: the investment objective. The investment objective states the goals an investor seeks to meet in putting his capital at risk.

A clearly formulated investment objective is an essential first step in managing risk. It provides a basis for prioritizing those risks which should be avoided or minimized (i.e., those which carry the greatest potential for frustrating the attainment of the investment objective), those which may be mitigated, and those which must be accepted. Some degree of investment risk must be accepted in order to meet the most basic element of an investment objective: earning a return.

The term "investment risk" encompasses those forms of risk that directly arise in the pursuit of an investment return. Other types of risk deal with threats to the organizational and managerial infrastructure that supports a prudent investment process and effective delivery of services. These are the risks that an informed investor mitigates or avoids to the degree it can be done cost-effectively.

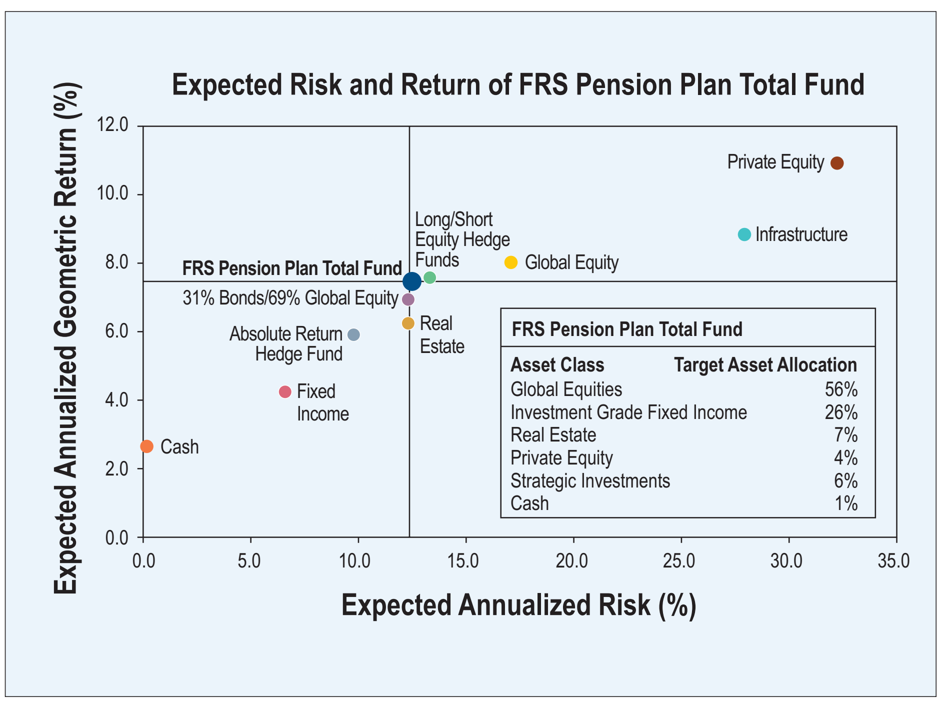
A thoughtfully constructed portfolio will diversify across a sufficiently broad range of investments so that the portfolio has a high probability of meeting the investment objective, notwithstanding the wide distribution of performance often associated with individual investments. In other words, some individual investments may be poor performers, but in a highly diversified portfolio, their overall impact on the portfolio will often be offset by other investments that, at the time, are better performers.

The graph below presents an example of how a diverse mix of asset classes and investment strategies (e.g. hedge funds) can produce an attractive risk/return trade-off. For instance, investing in a mix of 31% Cash Equivalents and 69% Global Equity has comparable risk, but a significantly lower return than the target allocation shown in the graph.

All securities carry inherent risk, i.e., risk that is intrinsic to financial instruments. Inherent risk is distinct from policy risk and implementation risk, which exist in relation to the investment objective(s) of the purchaser. In contrast, inherent risk is endemic to financial instruments themselves.

While there are numerous ways to decompose and classify the components of inherent risk, the SBA uses the following taxonomy:

- **MARKET RISK –** This is the risk that a holder or seller may experience a loss from unexpected price fluctuations due to overall market movements. Market risk is a characteristic of all financial instruments. Generally speaking, the price of a security fluctuates due to market exposure and security-specific risk factors, collectively driven by the forces of supply and demand. Like any commodity in a freely functioning marketplace, the price of a security is directly proportional to the demand for it relative to its supply. There are numerous circumstances which can cause the demand for a particular security to increase or decrease. The demand for a stock, for example, most commonly changes based on revised expectations as to whether the company's profits will increase or decrease. This, in turn, can depend on changing economic conditions, geopolitical events, perceptions regarding specific industries, or company-specific factors. In addition, changing perceptions regarding alternative or substitute securities can cause a change in demand for a given security, even if perceptions and conditions directly related to the security in question remain static. The supply of a security can change based on issuance volumes, maturities or buybacks, as well as on the liquidity needs, gain realizations and stop-loss strategies of existing security holders.



• **CREDIT RISK –** This is the risk that an issuer of debt securities or a borrower may default on financial obligations (i.e., not be able to make timely interest or principal payments). Credit risk is a characteristic of debt instruments. Changes in investor perceptions of the possibility of a default by the issuer cause a bond's prices to fluctuate, a phenomenon known as credit risk[1]. For example, a credit rating downgrade by agencies such as Standard & Poor's and Moody's will typically cause the market price of the issuer's bonds to fall because of perceived increases in the possibility of a default. As with interest rate risk, this risk does not affect the bond's interest payments (provided the issuer does not actually default), but puts at risk the market price, of consequence to holders who may have to sell.

• **INTEREST RATE RISK –** This is the risk that an investment's value may change due to a change in interest rates. Fixed-rate debt instruments are subject to interest rate risk, meaning that their market prices will decrease in value when the generally prevailing interest rates rise. Since the payments are fixed, a decrease in the market price of the bond means an increase in its yield. When the market interest rate rises, the market price of bonds will fall, reflecting investors' ability to get a higher interest rate on their money elsewhere – perhaps by purchasing a newly-issued bond that already features the higher current interest rate.

Prepayment risk is a special form of interest rate risk. It applies to bonds which are callable, a term of the indenture which allows the company to pay off the principal early. When a bond is "called," the issuer is not obliged to pay interest for the remainder of the bond's original term. Thus, the investor may not actually experience the cash flows he expected. In practice, bonds are most often called when interest rates are falling, resulting in an adverse reinvestment situation for the investor.

• **INFLATION RISK –** This is the risk that the return from investing may not offset the loss in purchasing power due to inflation. Inflation is a reduction in the purchasing power of money. It can arise from an expansionary monetary policy or as a result of behavioral responses to general perceptions about future price growth. Investors seek to make financial gains in real terms; that is, to increase their potential command over resources. But because investment gains are commonly reckoned in nominal (that is, non-inflation adjusted) terms, an investor will meet this goal only if his nominal investment gains exceed the rate of inflation. Since inflation is a phenomenon affecting an economy's unit of exchange, inflation risk affects all commodities, including nearly every type of financial security. Equity instruments of certain companies are more resistant to this risk than those of others, depending on the pricing power of the company. Pricing power is the ability to charge a higher price without suffering a proportional reduction in sales volume. Real bonds, e.g., Treasury Inflation-Protected Securities, are an exception. They are not subject to inflation risk since their stated yield and face value at maturity are adjusted to compensate for the contemporaneous rate of inflation.

• **LIQUIDITY RISK –** This is the risk of having limited access to funds, a failure to meet liquidity needs or a loss resulting from a lack of market liquidity. An investor may find that, under certain circumstances, there is no ready market for a security he wishes to liquidate. The term liquidity risk distinguishes an extreme form of market risk, which typically occurs when demand for a given security is especially weak.

• **CAPITAL RISK –** This is the risk of losing the original investment. Capital risk can be thought of as an extreme form of other listed risks, in that it is the risk of losing one's entire investment. It typically applies to the securities of a single company that faces severe adverse idiosyncratic conditions, such as Enron where the company's stock became worthless, although wars, natural disasters, social upheavals and other catastrophic events can cause more widespread risk of capital loss. A bond default by a company could result in complete loss of the original principal investment, though typically the entire original investment is not lost.

• **CURRENCY RISK –** This is the risk that an investment's value may change due to a change in exchange rates. In addition to other risks, the value in United States dollars of securities of foreign companies (denominated in foreign currencies) varies based on fluctuations in the value of the applicable foreign currency relative to the dollar. This so-called currency risk arises from differences in current or expected real growth, interest rates, inflation and macro-policies between the countries.

• **SYSTEMIC RISK –** This is the risk that the entire financial system may collapse. Systemic risk is the possibility of potentially catastrophic financial system instability, typically caused or exacerbated by idiosyncratic events or conditions among financial intermediaries. It results from interlinkages and interdependencies in the financial system or securities markets, where the failure of a single entity or cluster of entities could cause a cascading failure, potentially bankrupting or bringing down the entire system or market. All securities bear systemic risk.

[1]Government-issued bonds generally carry less credit risk than private sector (e.g., corporate) bonds.

THE MYFRS FINANCIAL GUIDANCE PROGRAM

The award-winning MyFRS Financial Guidance Program is a landmark service that gives FRS members convenient access to personalized multimedia retirement planning assistance. Its goal is to provide objective information to help members make informed retirement planning choices that meet their individual goals and needs. First offered in fiscal year 2002-03, the program provides free retirement and financial planning services to both Pension Plan and Investment Plan members.

MEMBERS RECEIVE SUPPORT THROUGH FOUR CHANNELS:

- **PRINT AND VIDEO –** Employees have access to personalized statements, video programs (including a new hire video) and customized material on FRS plan choice, retirement planning and investing for retirement.
- **TOLL-FREE MYFRS FINANCIAL GUIDANCE LINE –** Employees can confidentially discuss their FRS options and retirement planning issues with experienced and objective financial planners from Ernst & Young and counselors from the Florida Division of Retirement.
- **MYFRS.COM –** This web portal is the official FRS education website. It provides FRS plan choice information and personalized retirement planning applications, including Financial Engines' Choice Services and their Personal Online Advisor Service. Members can enroll and manage their FRS Pension Plan or FRS Investment Plan benefits within the portal's secure single-sign-on architecture.
- **WORKSHOPS –** Ernst & Young conducts workshops annually throughout Florida on FRS retirement plan choice, retirement planning, financial planning, education planning, insurance planning, cash and debt management, and estate planning.

Fiscal year 2010-2011 was the sixth year that personal retirement forecast statements were prepared for each active member of the FRS. In the past, these statements have provided a retirement income projection that included Social Security and FRS benefits. They also indicated how much retirement income could be needed from personal savings and how much could be saved in tax-deferred accounts to attain reasonable income replacement goals. Due to budget considerations, the 2010-11 statements did not include any personal projection data, but only information encouraging all FRS members to plan for retirement and giving them information on where to find the provided resources to help in their planning. The table below indicates utilization of the various services offered by the MyFRS Financial Guidance Program.

The Florida Retirement System offers newly-hired employees an opportunity to choose a retirement plan that is compatible with their preferences and financial planning goals. The FRS Investment Plan was designed to provide a portable retirement benefit to help attract and retain mobile workers (About one-half of new FRS hires will leave their jobs before meeting the six-year requirement to qualify for FRS Pension Plan benefits). The FRS Pension Plan offers formula-based pension benefits that are based on salary and years of service.

During the fiscal year, nearly 50,000 newly-hired employees had the opportunity to choose between the two FRS retirement plans: the FRS Pension Plan, a traditional defined benefit plan with six-year vesting; or the FRS Investment Plan, a self-directed defined contribution plan with one-year vesting. Each newly-hired employee received an FRS new employee enrollment kit that consisted of a benefit comparison statement projecting benefits under both plans, plan information on both retirement plans, a new hire video CD on the benefits offered in both plans, an investment fund summary showing the available investment funds in the Investment Plan together with their fees and projected returns, and a short-form enrollment application. New employees were encouraged to call the toll-free MyFRS Financial Guidance Line to speak with an unbiased financial planner and to log on to the program website MyFRS.com to run additional benefit projections using the online choice service.

MyFRS Guidance Program
Table 34: FHCF 2010-2011 Employee Usage

	Fiscal Year 2010-2011	Change From Prior Year
MyFRS Guidance Line Counseling Calls	232,206	22%
MyFRS.com Sessions	1,801,624	23%
Retirement Income Forecasts	993,674	1%
New Hire Choice Service	7,694	20%
2nd Election Choice Service	131,900	35%
Personal Online Advisor Services	96,058	-23%
Workshop Attendance	18,277	46%

Table 35 presents enrollment rates for new hires. Active enrollment in both the Investment Plan and Pension Plan increased during the 2010-11 fiscal year, indicative of higher appreciation of the importance of making an informed plan choice. Employees who do not make an active plan choice are automatically enrolled in the FRS Pension Plan (default), but they are given one more opportunity during their active FRS career to switch plans. The number of members who defaulted to the FRS Pension Plan has fallen significantly since inception of the Plan.

However, the actual rate of informed plan choice may be higher than the data indicates. Survey data reveals that as many as 45% of defaulting members used the default option as their active retirement plan choice, believing that if they did not submit a choice election, there could be no clerical mistake in recording their plan choice.

NON-FRS PLAN ASSISTANCE

The SBA provides prudent and cost-effective investment consulting to assist the Plan Administrators of the State of Florida Deferred Compensation Program (FDCP), the State University System Optional Retirement Program (SUSORP) and the Senior Management Service Optional Annuity Program (SMSOAP) in fulfilling their fiduciary responsibilities to select investment products. During fiscal year 2010-11, the SBA reviewed 34 separate proposals from investment providers to FDCP and SUSORP requesting new manager hiring or termination of existing managers.

Table 35: FRS Enrollments by Newly-Hired Employees, Various Periods

	Defaults Into Pension Plan**	Active Enrollments Pension Plan	Active Enrollments Investment Plan*	Total Enrollments
Sept. 2002 - June 2003	86%	6%	8%	100%
July 2003 - June 2004	73%	11%	16%	100%
July 2004 - June 2005	61%	18%	21%	100%
July 2005 - June 2006	59%	19%	22%	100%
July 2006 - June 2007	58%	18%	24%	100%
July 2007 - June 2008	55%	19%	26%	100%
July 2008 - June 2009	55%	22%	23%	100%
June 2009 - July 2010	56%	21%	23%	100%
July 2010 - June 2011	53%	22%	25%	100%

*Includes active enrollments into the Hybrid Option.
**Up to 41% of defaulters may be using this option as their active election to the Pension Plan.
Rounding may prevent rows from totaling to 100%.

CORPORATE GOVERNANCE

The SBA's Corporate Governance unit prepares a separate annual report detailing its programs, which is available at www.sbafla.com.

As part of the SBA's mission to invest, manage and safeguard the assets of its various mandates, the SBA plays a vital role in supporting initiatives to ensure that public companies meet high standards of independent and ethical corporate governance. The SBA acts as a strong advocate on behalf of FRS members and beneficiaries, retirees and other clients to strengthen shareowner rights and promote leading corporate governance practices at U.S. and international companies in which the SBA holds stock.

The SBA's corporate governance activities are focused on enhancing share value and ensuring that public companies are accountable to their shareowners, with independent boards of directors, transparent disclosures, accurate financial reporting, and ethical business practices designed to protect the SBA's investments.

Through its corporate governance activities, the SBA spurs public companies to take action on issues that may affect long-term shareowner value. The SBA is vigilant in monitoring issues with a particular impact on Floridians, such as the environment and climate change. During the fiscal year, the SBA in many cases supported improved environmental disclosures by companies, shareowner resolutions asking companies to publish sustainability reports, shareowner proposals addressing climate change and global warming, and shareowner resolutions asking companies to produce reports assessing the impact on local communities.

During the fiscal year ended June 30, 2011, the SBA executed votes on 6,138 public company proxies covering 56,536 individual voting items, including director elections, audit firm ratifications, executive compensation plans, mergers, acquisitions, and other management and shareowner proposals. The SBA voted "for" 75.5% of all proxy issues, "against" 20.0%, and abstained or did not vote due to share-blocking on 4.5% of issues. Of all votes cast, 21.0% were against the management-recommended vote, down from 26.1% during the same period ending in 2010.

CORPORATE OFFICER/TRUSTEE SERVICES

By statute, the Executive Director of the SBA serves as the Chief Executive Officer of the Inland Protection Financing Corporation and the Florida Water Pollution Control Financing Corporation.

The CEO directs and supervises the administrative affairs and the operations of the two corporations. These two public purpose corporations work with the Department of Environmental Protection to finance underground petroleum tank cleanup projects and water pollution control project construction loans to local governments in Florida through the issuance of bonds. Employees of the SBA also serve as corporate officers and provide administrative support for the day-to-day operation of the corporations.

ADMINISTRATIVE SERVICES

The SBA provides administrative support to the Division of Bond Finance and the Florida Prepaid College Board Programs, including accounting, financial reporting, accounts receivable, accounts payable, cash management, facilities management, human resource management, purchasing, receiving, courier, mailroom, copy center and technology infrastructure support services. The SBA works very closely with each program, interacting on a daily basis to ensure timely, accurate performance. The SBA analyzes all services and costs on a biannual basis to determine their cost effectiveness and modifies the fees it charges for these services as appropriate. In both daily interactions and biannual reviews, the Division of Bond Finance and Florida Prepaid College Programs have expressed high levels of satisfaction with these services.

Investment Policy Statements, Investment Portfolio Guidelines And Trust Agreements

The State Board of Administration maintains Investment Policy Statements, Investment Portfolio Guidelines and Trust Agreements for funds it manages. The purposes of these are to describe the role and control elements of investment activities. The following funds' guidelines were changed during Fiscal Year 2010-2011:

- Bond Proceeds Trust Fund
- Florida Division of Blind Services
- Florida Endowment for Vocational Rehabilitation
- Florida PRIME
- Florida Retirement System Pension Plan (reaffirmed)
- McKnight Doctoral Fellowship Program
- Police and Firefighters' Premium Tax Trust Fund
- Retiree Health Insurance Subsidy Trust Fund
- Scripps Funding Corporation
- SRI International Fund
- Wyndcrest DD Florida

To view changes made during the fiscal year and all Investment Policy Statements, Investment Policy Guidelines and Trust Agreements, please visit the Risk Management and Oversight section of the SBA's website at **www.sbafla.com**.

FOR ADDITIONAL RESOURCES AND INFORMATION ON THE STATE BOARD OF ADMINISTRATION OF FLORIDA LINKS ARE AVAILABLE AT
www.sbafla.com under the newsroom tab:

- Monthly, Quarterly, Annual Reports
- PFIA Quarterly Reports
- Corporate Governance Annual Report
- Corporate Governance Principles and Proxy Voting Guidelines
- PLGAC Biennial Report
- State of Florida Publicly Traded Securities
- CAT Fund Annual Report
- FRS Pension Plan Audited Financial Statements
- FRS Investment Plan Audited Financial Statements
- Update on FRS Investment Plan/Pension Plan Choices
- Glossary of Terms

NON-SBA RESOURCES AND INFORMATION:

- Milliman Actuarial Report
- DMS Annual Workforce Report
- FRS Annual Report
- Statewide CAFR
- Florida Prepaid College Foundation Annual Report
- Florida Prepaid College Board Annual Report

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