STATE BOARD OF ADMINISTRATION

investment report supplement

TWO THOUSAND AND TEN

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

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INVESTMENT REPORT SUPPLEMENT
(available at www.sbafla.com/annualreports)

For the second year, the SBA is presenting its Investment Report in two parts: a printed main section with information relevant for most stakeholders and an electronic supplement with additional details. The main report is available in print (contact: john.kuczwanski@sbafla.com), and electronically at www.sbafla.com/annualreports. Both parts can be accessed and printed from this site.

Domestic Equities active investments beat their benchmark by 58 basis points, while passive investments tracked 15 basis points higher.

SECTION 1

details for multi-asset class mandates

Section 1-A: Investment Performance Summary by Asset Class[1]

Domestic Equities Asset Class

FRS PENSION PLAN

The year-end market value for Domestic Equities was $38.9 billion. After accounting for external management fees and transaction costs, the asset class beat its target (the Russell 3000 Index) over the fiscal year. Overall, active investments beat their benchmark by 58 basis points and passive investments tracked 15 basis points higher. Traditional and enhanced index active managers beat their benchmarks by 102 and 91 basis points, respectively, but other active managers (130/30 strategies) lagged their benchmarks by 93 basis points.

At year-end, just under 82% of the asset class was passively managed internally and the remainder was managed with external active managers. Although large cap stocks account for more than 90% of the Russell 3000 target, for most of the year, the asset class had a relatively higher proportion of its active portfolio invested in small cap mandates given the perceived inefficiencies in the small end of the market. Importantly, the Domestic Equity asset class is size and style neutral, risk-controlled, and highly diversified. At year-end, relative to the broad Russell 3000 target, the asset class was fractionally overweight to the large cap area of the market through slight tilts towards the large cap growth and value indices. Corresponding to the modest overweight to the large cap area was a similarly slight underweight to the small cap segment of the market.

FRS INVESTMENT PLAN

The year-end market value for Domestic Equities was $1.6 billion. The asset class consists of nine externally managed funds that collectively outperformed their aggregate benchmark

TABLE S1-1: DOMESTIC EQUITIES ASSET CLASS
Returns For Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	15.89%	15.72%	0.17%
Three Years	9.34%	9.47%	0.13%
Five Years	0.57%	0.48%	0.09%
Ten Years	0.99%	1.11%	0.12%
Fifteen Years	6.44%	6.36%	0.08%
Current Benchmark: Russell 3000 Index.			
FRS Investment Plan			
One Year	18.62%	17.58%	1.04%
Three Years	8.44%	9.24%	0.80%
Five Years	0.44%	0.18%	0.62%
Current Benchmark: An exposure-weighted blend of the benchmark returns for each portfolio in the asset class.			
Lawton Chiles Endowment Fund			
One Year	16.01%	15.71%	0.30%
Three Years	9.45%	9.63%	0.18%
Five Years	0.77%	0.64%	0.13%
Ten Years	1.30%	1.25%	0.06%
Current Benchmark: Russell 3000 Index, excluding the equities of tobacco-related companies.			

[1] Performance data for mandates and trusts which consist of a single asset class and which are appropriate for return-based performance measurement are included in the main body of this report. These include Florida PRIME, CAMP-MM, the Florida Hurricane Catastrophe Fund, the Florida Hurricane Catastrophe Fund Finance Corporation and the Retiree Health Insurance Subsidy Trust Fund.

by 104 basis points for the year, after accounting for external management fees and transaction costs. Performance versus the benchmark was fueled by strong relative returns in mid cap and small cap funds as large cap active managers lagged. At year-end, roughly 33% of the asset class was invested passively, based on choices by participants.

LAWTON CHILES ENDOWMENT FUND

The year-end market value for Domestic Equities was $359 million. The asset class consists of an internally managed index fund that outperformed the benchmark (the Russell 3000 less tobacco) by 30 basis points for the year. Good relative performance was the result of the careful timing of investment decisions versus the underlying index, securities lending income, and class action recoveries.

Foreign Equities Asset Class

FRS PENSION PLAN

The year-end market value for Foreign Equities was $20.6 billion. After accounting for external management fees and transaction costs, Foreign Equities beat its target index (a custom version of the MSCI All Country World Investable Market Index ex-U.S.) over the past year by 229 basis points. Overall, active investments beat their benchmark by 294 basis points and passive investments tracked 18 basis points higher. Traditional, enhanced index and other active managers (130/30 and frontier market strategies) beat their benchmarks by 367, 105 and 343 basis points, respectively. Managers for large and small cap foreign stocks in developed markets outperformed and added value predominantly through stock selection. Emerging market managers also outperformed and added value through country selection.

The asset class is almost entirely invested through external managers and, at year-end, had about 19% invested with passive managers. The asset class is structured to be diversified with respect to investment process, style, region and sector allocations.

Foreign Equities active investments beat their benchmark by 294 basis points and passive investments tracked 18 basis points higher.

TABLE S1-2: FOREIGN EQUITIES ASSET CLASS
Returns For Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	14.18%	11.88%	2.29%
Three Years	9.09%	10.31%	1.22%
Five Years	4.28%	3.65%	0.63%
Ten Years	3.18%	2.06%	1.12%
Fifteen Years	6.03%	4.81%	1.22%
Current Benchmark: A custom version of the Morgan Stanley Capital International ACWI Investable Market Index ex-U.S.			
FRS Investment Plan*			
One Year	8.40%	8.03%	0.37%
Three Years	10.17%	12.31%	2.15%
Five Years	2.83%	1.04%	1.79%
Current Benchmark: An exposure-weighted blend of the benchmark returns for each portfolio in the asset class.			
Lawton Chiles Endowment Fund			
One Year	11.70%	11.45%	0.25%
Three Years	13.06%	10.34%	2.71%
Five Years	2.53%	3.61%	1.08%
Ten Years	0.94%	1.90%	0.95%
Current Benchmark: Morgan Stanley Capital International Investable ACWI 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.			

*Includes one global portfolio (i.e., both non-U.S. and U.S. stocks).

Fixed Income active investments beat their benchmark by 644 basis points and passive investments tracked 51 basis points higher.

In general, the aggregate exposure across managers represents better value, higher quality and better growth characteristics than the asset class target index. The aggregate portfolio is also more defensive in nature as reflected by its slightly lower beta and volatility compared to the target. Performance is expected to keep pace with the target during market rallies, but to outperform when markets are under pressure. At year-end, the Foreign Equities portfolio was overweight emerging and frontier markets and underweight Japan, Canada and Australia. Sector-wise the portfolio was underweight financials, materials and utilities, while overweight information technology and consumer discretionary.

FRS INVESTMENT PLAN

The year-end market value for Foreign Equities was $817 million. After accounting for external management fees and transaction costs, Foreign Equities, consisting of three funds invested in foreign/global equities, beat its aggregate benchmark by 37 basis points over the past year. While the two active international and global managers beat their benchmarks, the foreign stock index manager lagged the benchmark as fair value pricing of underlying securities did not track final benchmark pricing. Roughly 62% of the asset class was invested passively at year-end, based on choices by participants.

LAWTON CHILES ENDOWMENT FUND

The year-end market value for Foreign Equities was $79 million. After accounting for external management fees and transaction costs, Foreign Equities, consisting of one external manager, beat its benchmark by 25 basis points over the past year. The outperformance of this single manager reflected a recovery from several years of less favorable returns. The manager's strategy, which is designed to take advantage of market inefficiencies and behavioral anomalies, had better footing as markets increasingly traded on fundamentals rather than emotion during the fiscal year.

Fixed Income Asset Class

FRS PENSION PLAN

The year-end market value for Fixed Income was $30.8 billion. After accounting for external management fees and transaction costs, Fixed Income beat its target (the Barclays Capital U.S. Aggregate Index) over the past year. Overall, active investments beat their benchmark by 644 basis points and passive investments tracked 51 basis points higher. Traditional and enhanced index active managers beat their benchmarks by 711 and 105 basis points, respectively. Active managers outperformed predominantly through bond selection, but also had modest contributions from yield curve and interest rate positioning. Passive managers added value entirely through bond selection. Within bond selection:

(1) Higher holdings of investment grade corporate bonds added to performance as the sector continued to benefit from a reduction in market risk;

(2) Higher holdings of high quality commercial mortgage-backed securities added to performance as concerns about the securitization market viability diminished and the attractive yields in the sector increased demand for the securities; and

(3) Lower holding of U.S. Treasury, agency and mortgage-backed securities added to performance as these sectors had lower returns than those above primarily due to less attractive yields.

At year-end, about 80% of the asset class was actively managed and the split between internal and external management was 37% and 63%, respectively. Going forward, the asset class remains overweight to non-U.S. Treasury spread sectors where relative value can be extracted (e.g., corporate credit), but is generally neutral on the direction of interest rates.

Table S1-3: Fixed Income Asset Class
Returns For Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	14.89%	9.50%	5.39%
Three Years	7.32%	7.55%	0.23%
Five Years	5.64%	5.68%	0.05%
Ten Years	6.65%	6.57%	0.09%
Fifteen Years	6.56%	6.52%	0.05%
Current Benchmark: Barclays Capital U.S. Aggregate Bond Index.			
FRS Investment Plan			
One Year	12.28%	10.40%	1.88%
Three Years	8.10%	7.10%	1.01%
Five Years	6.03%	5.46%	0.57%
Current Benchmark: An exposure-weighted blend of the benchmark returns for each portfolio in the asset class.			
Lawton Chiles Endowment Fund			
One Year	10.17%	9.50%	0.67%
Three Years	7.44%	7.55%	0.11%
Five Years	5.51%	5.54%	0.03%
Ten Years	6.56%	6.47%	0.09%
Current Benchmark: Barclays Capital U.S. Aggregate Bond Index.			

High Yield investments lagged their target by 124 basis points over the past year.

FRS INVESTMENT PLAN

The year-end market value for Fixed Income was $1.4 billion. After accounting for external management fees and transaction costs, Fixed Income, invested through four externally managed funds, beat its benchmark by 188 basis points over the past year. The driving force behind the Fixed Income performance was the asset selection/rotation of two active portfolio managers, PIMCO Total Return and Pyramis Intermediate Duration. At year-end, roughly 49% of the asset class was invested passively, based on choices by participants.

LAWTON CHILES ENDOWMENT FUND

The year-end market value for Fixed Income was $110 million. After accounting for external management fees and transaction costs, Fixed Income, invested through one externally managed passive account, beat its benchmark by 67 basis points over the past year. The benchmark remains the Barclays Capital U.S. Aggregate Bond Index.

High Yield Asset Class

The year-end market value for High Yield was $2.2 billion. After accounting for external management fees and transaction costs, High Yield lagged its target (the Barclays Capital U.S. High Yield Ba/B 2% Issuer Capped Index) by 124 basis points over the past year. The underperformance resulted from bond selection.

Table S1-4: High Yield Asset Class
Returns For Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	19.61%	20.85%	1.24%
Three Years	5.63%	5.91%	0.29%
Current Benchmark: Barclays Capital U.S. High Yield Ba/B 2% Issuer Capped Index.			

In the Lawton Chiles Endowment Fund, TIPS outperformed their benchmark by 92 basis points for the year.

As of year-end, the asset class was almost entirely invested with active external managers. High yield active management is very different from that of investment grade bonds in that the former manages idiosyncratic risk while the latter manages systematic risk. This normally means that the excess returns of the two move in opposite directions. Most high yield managers build portfolios from the bottom up, picking security by security after laborious analysis. Investment grade managers have a top-down process that typically derives only minor benefit from individual security selection. As a result, high yield managers normally do very well in bad markets and poorly in good ones (i.e., the most recent year). Credit fundamentals continue to stabilize across the high yield market as earnings are rising and defaults are trending lower.

Treasury Inflation-Protected Securities (TIPS) Asset Class[2]

FRS INVESTMENT PLAN

The year-end market value for Treasury Inflation-Protected Securities (TIPS) was $311 million. The fund outperformed its benchmark (the Barclays Capital U.S. Treasury Inflation Note Index) by 9 basis points for the year. The fund is invested passively in an externally managed commingled fund and its small excess return is attributable to the positive influence of securities lending income.

Table S1-5: TIPS Asset Class
Returns For Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Investment Plan			
One Year	9.61%	9.52%	0.09%
Three Years	7.78%	7.62%	0.16%
Five Years	5.06%	4.98%	0.08%
Current Benchmark: Barclays Capital U.S. Treasury Inflation Note Index.			
Lawton Chiles Endowment Fund			
One Year	10.44%	9.52%	0.92%
Three Years	8.59%	7.62%	0.97%
Five Years	5.63%	4.98%	0.65%
Ten Years	7.90%	7.46%	0.45%
Current Benchmark: Barclays Capital U.S. Treasury Inflation Note Index.			

LAWTON CHILES ENDOWMENT FUND

The year-end market value for TIPS was $73 million. The fund outperformed its benchmark by 92 basis points for the year due to superior security selection and yield curve exposure. TIPS exposure in the endowment is actively managed in an internal portfolio benchmarked against the Barclays Capital U.S. Treasury Inflation Note Index.

Real Estate Asset Class

FRS PENSION PLAN

The year-end market value for Real Estate was $7.1 billion. After accounting for external management fees and transaction costs, the asset class outperformed its target (a 90%/10% blend of the NCREIF-ODCE Gross Index and the Wilshire RESI Index, respectively) for the last year by 198 basis points. It has also had favorable results versus its target over long-term periods ending June 2010. Direct-owned private market investments and public market REIT managers outperformed for the year by 357 and 343 basis points, respectively, but private market commingled vehicles underperformed

[2] TIPS are issued by the U.S. Treasury and are similar to other treasury bonds in that they are fully guaranteed by the U.S. government. However, TIPS principal and coupon payments are adjusted to compensate for the effects of inflation. As such, their performance over the inflation cycle is significantly different than that of conventional (nominal) bonds.

Table S1-6: Real Estate Asset Class
Returns For Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	10.15%	12.14%	1.98%
Three Years	8.35%	9.93%	1.58%
Five Years	2.00%	3.24%	5.23%
Ten Years	6.80%	3.35%	3.45%
Fifteen Years	8.14%	5.36%	2.79%

Current Benchmark: A blend of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index - Open-ended Diversified Core Equity, gross of fees, weighted at 90%, and the Wilshire Real Estate Securities Index, weighted at 10%.

Recent favorable performance relative to benchmark in the Real Estate asset class has been due to heavy exposure to core properties and low leverage compared to peers.

by 53 basis points. Recent favorable performance relative to benchmark has been due to heavy exposure to core properties and low leverage compared to peers. Investments not meeting performance expectations are mainly in the value added and opportunistic sectors. These strategies rely on capital improvements and/or management repositioning activities and have been hurt inordinately by the extremely weak economic conditions of the last few years. Staff continues to work closely with investment advisors and partners to find ways to mitigate further declines in value.

The Real Estate asset class remains conservatively positioned. At fiscal year-end, 87% of the asset class was invested in core (stable value) assets, 10% in value added (enhanced return) assets and 3% in opportunistic (high return) assets. The targets are 70%, 20% and 10%, respectively. Of our total real estate assets, 62% are directly owned or owned in a joint venture, 25% are in commingled funds (19 funds) and 13% are in publicly traded real estate securities. Our strategy requires the asset class to be diversified by asset type, geography and manager, and these strategic diversification parameters were met. Looking forward, the asset class is well-positioned to not only weather the current economic malaise, but is also prepared to invest in stabilized core properties at attractive valuations and access market opportunities as the economy rebounds.

Private Equity Asset Class

FRS PENSION PLAN

The year-end market value for Private Equity was $4.4 billion. After accounting for external management fees and transaction costs, the asset class exceeded its target (the Russell 3000 Index plus 450 basis points) by 124 basis points.[3] Legacy Portfolios (described below) lagged by 1527 basis points, while Post-Asset Class Portfolios beat the benchmark by 533 basis points.

Table S1-7: Private Equity Asset Class
Returns For Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	21.44%	20.20%	1.24%
Three Years	1.34%	3.74%	2.40%
Five Years	4.23%	4.56%	0.33%
Ten Years	2.26%	3.77%	1.51%
Fifteen Years	6.29%	8.24%	1.95%

Current Benchmark: Russell 3000 Index plus 450 basis points.
Amounts are internal rates of return.

[3] All private equity returns in this report are calculated on a dollar-weighted basis, per industry convention. Other returns are calculated on a time-weighted basis.

Since its creation roughly ten years ago, the aggregate returns of Post-Asset Class Portfolios in Private Equity have exceeded their benchmark by 572 basis points.

TABLE S1-8: PRIVATE EQUITY ASSET CLASS - SINCE INCEPTION PERFORMANCE
Returns For Periods Ending June 30, 2010

	Inception Date	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan				
Total Asset Class	Jan 89	6.63%	8.76%	2.13%
PE Legacy Portfolios	Jan 89	5.17%	10.08%	4.91%
PE Post AC Portfolios	Sep 00	10.61%	4.89%	5.72%

Current Benchmark: Russell 3000 Index plus 450 basis points.
Amounts are internal rates of return.

"PE Post-AC Portfolios" is a composite of performance of all Private Equity partnerships that been entered since the SBA formally established and staffed a separate asset class for private equity investments. "PE Legacy Portfolios" encompasses those partnerships entered before the asset class was formally established. "Total Asset Class" encompasses both and is the basis of all performance data in the preceding Table SI-7.

At year-end, all of Private Equity was externally actively managed in over 100 partnerships and comparable vehicles. The overall allocation at year-end was 90% to corporate finance partnerships, 9% to venture capital partnerships and the remainder in special situation investments. The first private equity investments were made in 1989. Prior to November 1999, the SBA's private equity investments were the responsibility of certain employees within the SBA's Domestic Equities asset class (i.e., "Legacy Portfolios"). Subsequently, the SBA created a standalone asset class with a dedicated staff to focus exclusively on private market investments (i.e., "Post-Asset Class Portfolios"). Additionally, strategic planning within the asset class has been emphasized, with ongoing support from a specialist consultant. Although we cannot predict the ultimate performance of our ongoing private equity limited partnership vehicles, notable performance differences exist at this time between the legacy and post-1999 portfolios. Since its creation roughly ten years ago through the fiscal year-end, the aggregate managed returns of Post-Asset Class Portfolios have exceeded their benchmark and have exceeded the managed return of the Legacy Portfolios by 572 and 544 basis points, respectively. About 85% of the asset class was invested in the Post-Asset Class Portfolios at year-end.

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 partners' capital, and portfolio companies are held at cost, leading to a potential understatement of ultimate value.
- Due to numerous factors, including the lack of standardized valuation and reporting standards, the return information for 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.
- Interim returns may not be meaningful or indicative of ultimate performance during the early stages of the investment life cycle.

Strategic Investments Asset Class

FRS PENSION PLAN

The year-end market value for Strategic Investments was $4.5 billion, all of which was actively managed. For the year, Strategic Investments beat its short-term target (an average of individual portfolio level benchmark returns) by 1802 basis points. Debt-oriented managers and multi-sector managers beat their benchmarks by 4999 and 2998 basis points, respectively, while equity managers (predominantly global equities) lagged their benchmark by 197 basis points.

Table S1-9: Strategic Investments Asset Class
Returns For Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	28.88%	10.86%	18.02%
Three Years	8.41%	7.51%	0.89%
Current Benchmark: An average of individual portfolio level benchmark returns.			

For the year, Strategic Investments beat its short-term target by 1802 basis points.

Strategic Investments is almost entirely invested through external active managers. At year-end, the asset class included approximately $2.0 billion in global equities, $2.0 billion in debt-oriented investments, $349.5 million in multi-sector investments, and $82 million in cash. Additionally, about $2.0 billion of additional capital commitments could be called by debt-oriented managers. Strategic Investments continued its diligence into various hedge fund strategies, timber, and infrastructure and expects to make a capital commitment to one or more of these asset types during the first quarter of the next calendar year.

Cash Equivalents Asset Class

FRS PENSION PLAN

The year-end market value for Cash was $460.9 million, all of which was actively managed. Cash beat its target index (the iMoneyNet First Tier Institutional Money Market Funds Gross Index) over the past year by 159 basis points. This atypically strong performance reflects a recovery in prices of financial sector issues, and of defaulted and restructured asset-backed commercial paper. From a long-run perspective, cash is the least attractive asset for the Pension Plan because its historic return has fallen short of inflation. However, it does act as a buffer against market turbulence, and it provides a source of ready liquidity to meet monthly expenses and benefit obligations.

Table S1-10: Cash Equivalents Asset Class
Returns For Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	1.96%	0.37%	1.59%
Three Years	0.90%	2.16%	3.07%
Five Years	1.37%	3.22%	1.85%
Ten Years	2.05%	2.86%	0.81%
Fifteen Years	3.31%	3.67%	0.36%
Current Benchmark: iMoneyNet First Tier Institutional Money Market Funds Gross Index.			
FRS Investment Plan			
One Year	0.23%	0.37%	0.14%
Three Years	1.81%	2.16%	0.35%
Five Years	3.06%	3.25%	0.20%
Current Benchmark: iMoneyNet First Tier Institutional Money Market Funds Gross Index.			
Lawton Chiles Endowment Fund			
One Year	3.07%	0.39%	2.68%
Three Years	2.26%	1.74%	0.53%
Five Years	3.31%	2.95%	0.36%
Ten Years	2.90%	2.72%	0.17%
Current Benchmark: Standard & Poor's U.S. AAA & AA Rated Government Investment Pool All 30-Day Gross Yield Index.			

Atypically strong performance in the Cash asset class reflects a recovery in prices of financial sector issues, and of defaulted and restructured asset-backed commercial paper.

FRS INVESTMENT PLAN

The year-end market value for the FRS Select Yield Plus Money Market Fund was $882 million. The fund underperformed its benchmark (the iMoneyNet First Tier Institutional Money Market Funds Gross Index) by 14 basis points in part due to a conservative decision to avoid longer maturity securities or take incremental credit risk.

LAWTON CHILES ENDOWMENT FUND

The year-end market value for Cash was $7 million, all of which was actively managed in the CAMP-MM commingled cash vehicle. Cash beat its target index (the Standard & Poor's U.S. AAA and AA Rated Government Investment Pool All 30-Day Gross Yield Index) over the past year by 268 basis points. As in the FRS Pension Plan, this atypically strong performance reflects a recovery in prices of financial sector issues, and of defaulted and restructured asset-backed commercial paper.

SECTION 1

details for multi-asset class mandates

Section 1-B: Asset Allocation[4]

Determining the proper asset allocation is the most fundamental way in which an investor pursues his or her investment objective.

Introduction

A fund's exposure to various major asset types or classes[5] 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., 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 his 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 he rebalances his portfolio.[6] 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).

Asset Allocation in the FRS Pension Plan and the Lawton Chiles Endowment Fund

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 (LCEF). 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. Rebalancing is governed by formal 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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[4] This section covers the FRS Pension Plan and the Lawton Chiles Endowment Fund. The SBA's third multi-asset class mandate, the FRS Investment Plan, is not included because its asset allocation decisions are made by individual participants, not the SBA.

[5] 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.

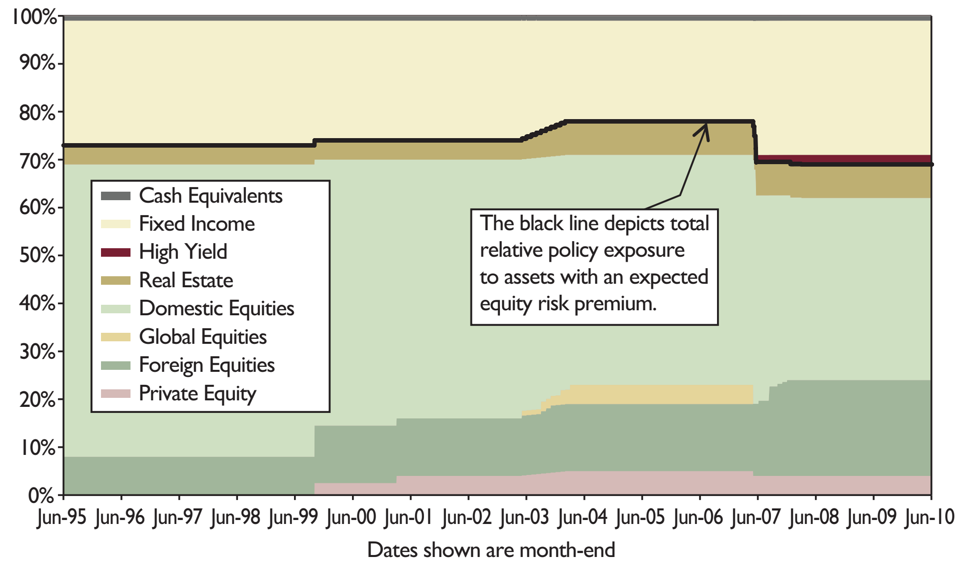
[6] Rebalancing does not necessarily involve trading to fully eliminate the misallocation. Because markets can change direction, effectively rebalancing themselves, the SBA's rebalancing policies mitigate this risk by rebalancing to a predefined "operating range" which is closer to, but not at, the policy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

No changes were made to the policy allocations for the FRS Pension Plan or the Lawton Chiles Endowment Fund during fiscal year 2009-10.

Prior to fiscal year 2009-10, the LCEF had wider asset allocation target ranges than the Pension Plan. However, the volatility of the LCEF's actual asset allocation relative to its target policy weights during the recent financial crisis was deemed unacceptable. Consequently, effective July 1, 2009, the LCEF's upper and lower target ranges for all asset classes were tightened by one percentage point, making them consistent with those of the Pension Plan. Rebalancing policies for the Pension Plan were unchanged.

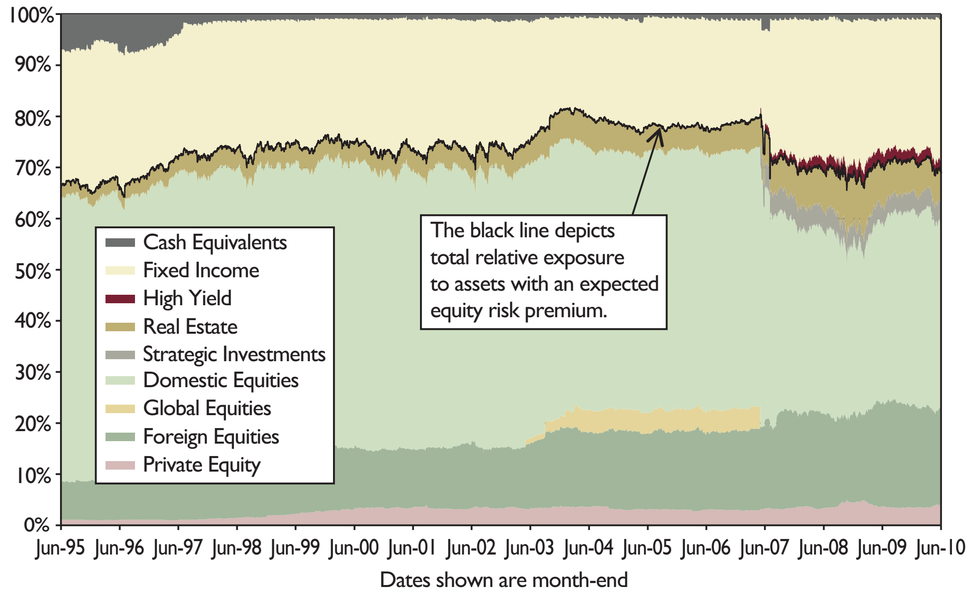
Charts S1-1 and S1-2 show policy weights and actual exposures, respectively, for the FRS Pension Plan over time.[7]

Chart S1-1: FRS Pension Plan Policy Weights by Asset Class
Fiscal Years 1996 to 2010



No changes were made to the FRS Pension Plan's target asset allocation during fiscal year 2009 10.

Chart S1-2: FRS Pension Plan Exposure by Asset Class
Fiscal Years 1996 to 2010



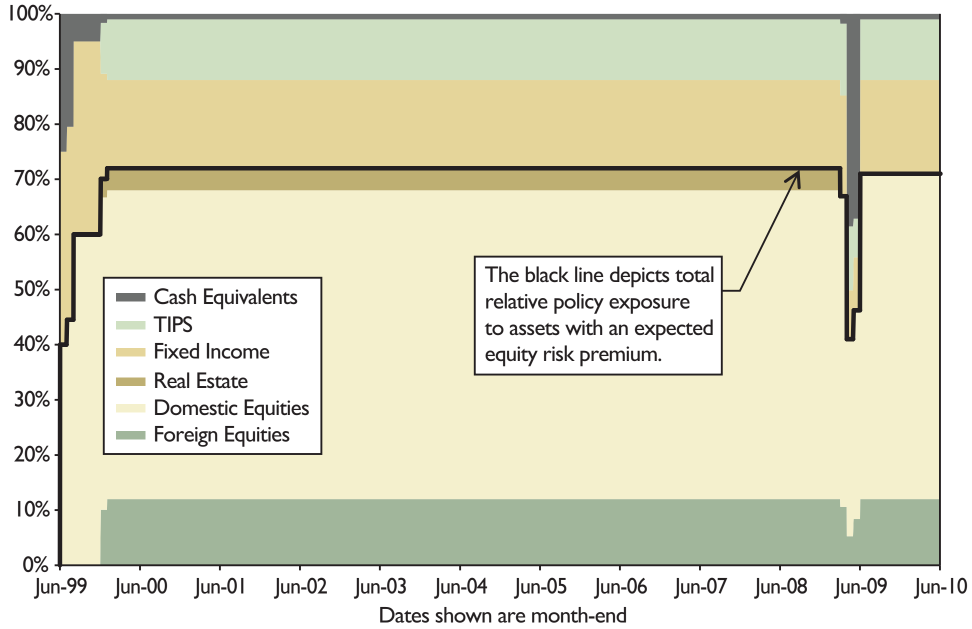
The movement in asset class exposures was driven by market volatility and external cash flows, coupled with two for mal rebalancings of the FRS Pension Plan portfolio.

[7] Since June 2007, the FRS Pension Plan's investment policy also allows for a target allocation to a Strategic Investments asset class (SI). Rather than being a fixed percentage weight, SI's policy weight is allowed to range from 0 to 10%. When its weight is greater than zero, policy target weights for the other asset classes are reduced pro-rata.

Charts S1-3 and S1-4 show policy weights and actual exposures, respectively, for the Lawton Chiles Endowment Fund over time.

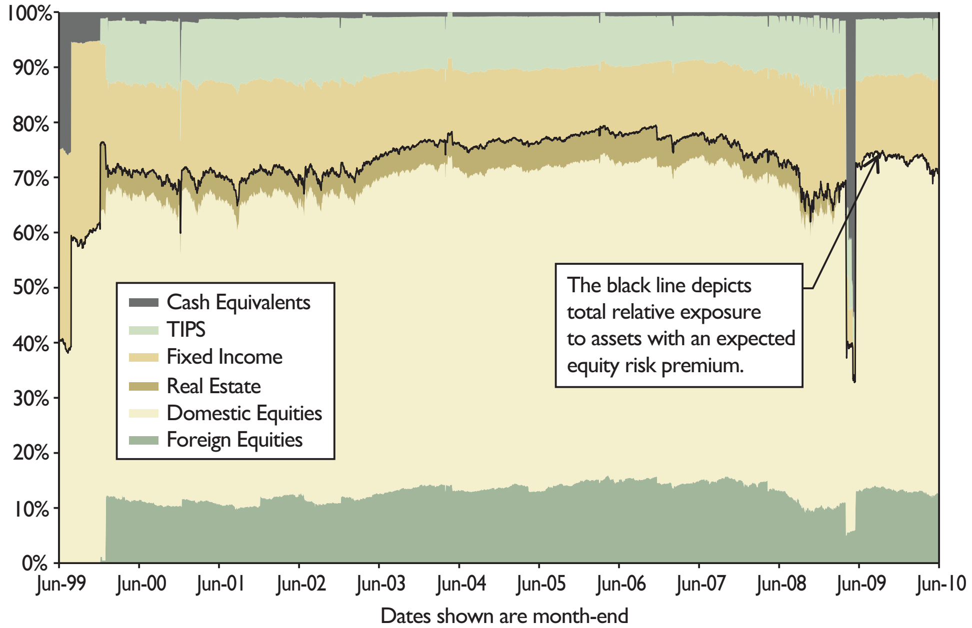
Effective July 1, 2009, the LCEF's upper and lower target ranges for all asset classes were tightened by one percentage point.

CHART S1-3: LAWTON CHILES ENDOWMENT FUND POLICY WEIGHTS BY ASSET CLASS
Fiscal Years 2000 to 2010



Last fiscal year's short lived policy weights shifts were related to a significant defunding of the Endowment. No changes were made to its target asset allocation during fiscal year 2009 10.

CHART S1-4: LAWTON CHILES ENDOWMENT FUND EXPOSURE BY ASSET CLASS
Fiscal Years 2000 to 2010



The movement in asset class exposures was driven by market volatility and a single payout late in the year, together with seven formal rebalancings of the LCEF portfolio.

Managing Asset Allocation During 2009-10

Within the Pension Plan, the first rebalancing of the fiscal year was triggered on September 17, 2009, by the Foreign Equities asset class. With the global economy in recovery mode, investors were making a move back into equities, particularly shares in emerging markets. This caused Foreign Equities' share of the Total Fund to rise above

With the global economy in recovery mode, investors were making a move back into equities, particularly shares in emerging markets.

its upper rebalance point, triggering a sale of $713.5 million in assets. The proceeds went primarily to Fixed Income which was able to deploy $693.3 million. Domestic Equities received the other $20.2 million since it was still slightly underweight relative to its policy target.

The only other rebalancing of the fiscal year was triggered on April 23, 2010, by Domestic Equities. By then, the recovery in U.S. stock markets had driven that asset class above its upper rebalance point, dictating the sale of $772.7 million in assets. This time the full proceeds of the sale were made available to Fixed Income.

Rebalancing activity was a good deal more frequent in the Lawton Chiles Endowment Fund as a total of seven rebalancings occurred. In six of these, monies were transferred from Domestic Equities to both Fixed Income and Cash. In the other, Fixed Income was the contributing asset class. Owing to the diminished value of the Chiles Endowment, the amounts involved in these rebalancings were relatively small. In total, Domestic Equities provided $15.6 million with Fixed Income receiving $10.9 million and Cash $4.7 million.

Asset Allocation Performance

Table S1-11 presents the component of the SBA's investment performance attributable to asset allocation. The managed return represents what was earned based on actual exposures. The benchmark return represents what would have been earned had exposures adhered strictly to the target weights. (Both are measured using index returns for the individual asset classes.) The last column represents the net return attributable to the SBA's management of asset allocation.

Table S1-11: Asset Allocation
Returns For Periods Ending June 30, 2010

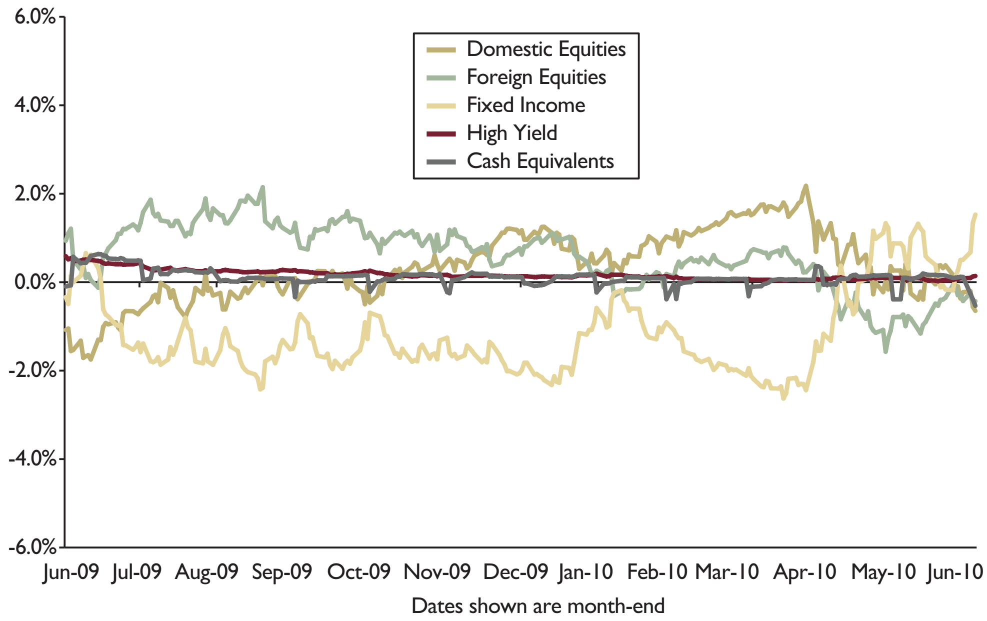
	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	11.47%	11.50%	0.03%
Three Years	4.36%	4.32%	0.05%
Five Years	2.67%	2.57%	0.09%
Ten Years	2.30%	2.23%	0.07%
Fifteen Years	6.84%	6.96%	0.12%
Current Benchmark: A weighted blend of individual asset class target indices as applicable; weights and benchmarks are established in the FRS Pension Plan Investment Policy Statement.			
Lawton Chiles Endowment Fund			
One Year	13.78%	13.67%	0.11%
Three Years	6.01%	6.07%	0.06%
Five Years	1.44%	1.04%	0.40%
Ten Years	1.99%	1.70%	0.29%
Current Benchmark: A weighted blend of individual asset class target indices as applicable; weights and benchmarks are established in the Lawton Chiles Endowment Fund Investment Policy Statement.			

Charts S1-5 and S1-6 below illustrate the difference between actual and target exposures over the course of fiscal year 2009-10.

Rebalancing activity was a good deal more frequent in the Lawton Chiles Endowment Fund.

Chart S1-5: FRS Pension Plan Daily Deviations from Target Policy Weights

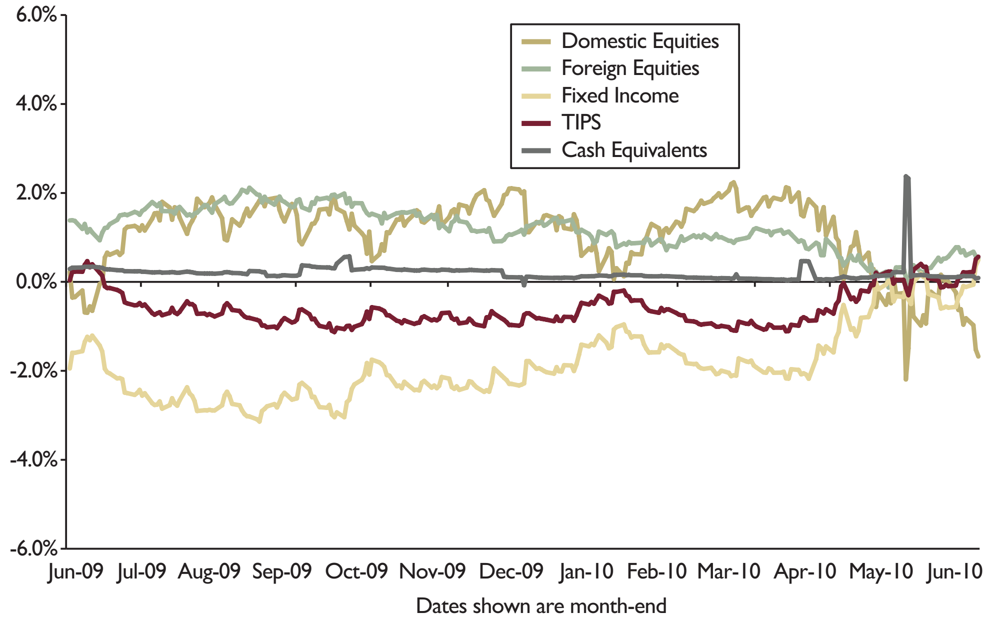
Fiscal Year 2009 10



The target weights upon which this chart is based assign asset allocation deviations in the fund's illiquid asset classes (real estate, private equity and strategic investments) to the most comparable public market classes, which are liquid, per the Investment Policy Statement for the fund.

Chart S1-6: Lawton Chiles Endowment Fund Daily Deviations from Target Policy Weights

Fiscal Year 2009 10



The brief spike in cash exposure in early June reflects liquidations made to fund the Endowment's program payout for the fiscal year.

SECTION 2

valuation changes by asset class and portfolio

FRS Pension Plan

TABLE S2-1: FRS PENSION PLAN

Change in Market Value – Fiscal Year 2009 10

	Market Value June 30, 2009	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2010
Domestic Equities	$35,144,917,273	$(2,052,631,888)	$5,788,182,128	$38,880,467,517
Foreign Equities	20,371,078,796	(2,680,620,772)	2,932,445,607	20,622,903,630
Fixed Income	25,993,942,845	1,152,338,781	4,018,882,466	31,165,164,092
High Yield	2,495,713,343	(681,677,960)	432,961,056	2,246,996,439
Real Estate	7,779,556,483	76,860,246	(794,025,648)	7,062,391,082
Private Equity	3,588,200,004	76,526,537	778,178,622	4,442,905,163
Strategic Investments	3,353,971,305	176,428,423	932,165,309	4,462,565,037
Cash & Miscellaneous Portfolios [1]	851,827,564	(238,472,278)	(152,430,460)	460,924,826
Total FRS Pension Plan	**$99,579,207,613**	**$(4,171,248,911)**	**$13,936,359,084**	**$109,344,317,786**

[1] The investment gain (loss) reported for the Cash/Short-Term Securities includes $15,132,969 in SBA investment service charges and $3,248,603 in bank fees 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 ($134,048,888), which reflects actual investment returns.

• Totals may not foot due to rounding.

TABLE S2-2: FRS PENSION PLAN DOMESTIC EQUITIES

Change in Market Value by Portfolio – Fiscal Year 2009 10

Account Name	Market Value June 30, 2009	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2010
Active All Cap:				
- Jacobs Levy Equity Management [2]	$0	$(147)	$147	$0
Active Large Cap:				
- Aronson Johnson Ortiz Collateral	275,433,510	0	40,168,136	315,601,647
- Aronson Johnson Ortiz Long	610,213,501	(7,000,000)	82,632,726	685,846,227
- Aronson Johnson Ortiz Short	(202,646,580)	0	(23,031,120)	(225,677,700)
- AXA Rosenberg [2]	339,633,311	(452,906,705)	113,273,487	93
- Delaware Investments	785,749,928	(11,376,740)	109,577,572	883,950,760
- Enhanced Investment Technologies, Inc.	1,291,545,014	(466,685,581)	235,619,391	1,060,478,825
- Jacobs Levy Collateral	320,483,122	0	63,232,289	383,715,411
- Jacobs Levy Long	706,131,794	147	82,901,422	789,033,362
- Jacobs Levy Short	(242,416,943)	0	(26,803,770)	(269,220,713)
- Quantitative Management Associates	746,008,514	91,389,211	161,881,335	999,279,059
- Smith Asset Management Large Cap Enhanced	855,445,231	(96,960,630)	129,417,335	887,901,937
- Wells Capital Management	354,371,136	(75,038,250)	57,634,908	336,967,794
Active Small Cap:				
- AQR Capital Management [2]	8	(8)	0	0
- AQR Portable Alpha [2]	97,735,394	(120,147,287)	22,411,897	4
- AQR R2000 Equity	86,708,906	106,195,998	24,188,698	217,093,602
- Cortina Asset Management	113,792,770	11,361,397	28,221,800	153,375,967
- Delta	28,562,590	(24,754)	6,965,867	35,503,704
- Fisher Investments	115,754,036	0	33,416,395	149,170,431
- Mesirow Small Cap Value Equity [1,2]	0	(29,617,040)	29,617,314	273
- PanAgora Asset Management	110,580,975	(7,645,336)	27,296,872	130,232,511
- R2K Futures Account [1]	0	501,297,720	(5,634,062)	495,663,658
- Stephens Investment Management Group	132,525,073	0	25,445,667	157,970,741
- TAMRO Capital Partners	115,608,361	18,512,924	22,843,289	156,964,575
- Turner Investment Partners [2]	109,599,548	(149,265,879)	39,666,332	1
- Tygh Capital Management	117,413,095	5,677,424	13,211,310	136,301,829
- Vaughan Nelson Investment Management	163,700,053	(16,682,373)	32,504,107	179,521,787
Passive:				
- Alamo [2]	220,908,955	(270,565,529)	49,656,575	0
- Avatar R1000 Index Fund	13,033,225,997	24,898,547	2,032,047,744	15,090,172,288
- Gryphon [2]	4,063,223,424	(4,505,992,810)	442,769,386	0
- Phoenix Portfolio	10,672,761,869	3,550,211,434	1,902,767,311	16,125,740,614
Other:				
- Domestic Equity Active STIP NAV Adjustment	(5,171,155)	0	488,343	(4,682,812)
- Domestic Equity Asset Class Transition	311,565	(29,265,666)	28,969,311	15,210
- Domestic Equity Passive STIP NAV Adjustment	8,872,490	0	673,940	9,546,430

(continued from page S18)

Table S2-2: FRS Pension Plan Domestic Equities
Change in Market Value by Portfolio – Fiscal Year 2009 10

Account Name	Market Value June 30, 2009	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2010
Other (continued):				
- Domestic Equity Policy Transition [2]	8	(8)	0	0
- Domestic Equity STIP Reserve Fund [2]	14,928,069	(23,934,915)	9,006,846	0
- Domestic Equity Small Cap Value Transition [2]	103,923,705	(99,067,033)	(4,856,672)	0
Total Domestic Equities	**$35,144,917,273**	**$(2,052,631,888)**	**$5,788,182,128**	**$38,880,467,517**

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

Table S2-3: FRS Pension Plan Foreign Equities
Change in Market Value by Portfolio – Fiscal Year 2009 10

Account Name	Market Value June 30, 2009	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2010
Developed Markets:				
- Aberdeen Asset Management	$622,934,059	$(65,000,000)	$217,558,778	$775,492,837
- Acadian Long	361,578,566	0	36,112,086	397,690,652
- Acadian Collateral	171,429,120	0	15,301,744	186,730,864
- Acadian Short	(122,214,134)	0	(10,308,641)	(132,522,774)
- Artisan Partners	1,195,774,729	(126,000,000)	126,016,657	1,195,791,386
- Ballie Gifford Overseas Limited [1]	0	826,187,918	(51,187,554)	775,000,365
- Barclays Global Inv. Index Plus	690,077,483	154,907,467	33,975,645	878,960,595
- Barclays Global Inv. Small Cap Strategy	618,722,576	(158,000,000)	108,603,848	569,326,424
- Barclays Global Inv. World Ex-US	3,816,560,239	(249,600,000)	307,740,422	3,874,700,661
- Barclays Global Inv. World Ex-US Alpha Tilts	1,922,772,295	(204,900,000)	177,307,777	1,895,180,073
- Capital Guardian Trust Company [2]	628,768,390	(727,833,942)	99,222,469	156,918
- Dimensional Fund Advisors	136,843,037	0	15,452,260	152,295,297
- Epoch Investment Partners	126,578,714	0	21,501,045	148,079,759
- Foreign Equity Internal Active	79,581,617	(17,890,358)	5,221,929	66,913,188
- Foreign Equity Restructuring	68	(36,466,164)	36,466,314	219
- Mondrian Investment Partners Small Cap	159,440,760	0	54,627,764	214,068,524
- Morgan Stanley Investment Management	873,821,699	(129,300,000)	64,968,688	809,490,387
- New Star Institutional Asset Management [2]	801,390,660	(918,412,136)	117,146,922	125,445
- Pinebridge Investments [3]	81,021,721	(20,000,000)	9,941,424	70,963,145
- Principal Global Investors - FE	145,637,833	0	24,624,385	170,262,218
- Pyramis Global Advisors	953,918,837	(63,000,000)	91,593,467	982,512,304
- Pyramis Global Advisors Trust Small Cap	160,626,559	0	22,110,080	182,736,640
- Sprucegrove Investment Management	1,149,752,140	(161,000,000)	209,035,001	1,197,787,141
- Templeton Investment Counsel	1,208,504,693	(220,800,000)	146,812,449	1,134,517,143
- Victory Capital Management	107,448,196	0	7,815,898	115,264,094
- Walter, Scott & Partners, Ltd.	656,203,823	0	88,395,782	744,599,605
- William Blair	135,635,101	0	33,107,426	168,742,527
Emerging Markets:				
- Acadian Asset Mgt Inc.	760,344,160	(133,000,000)	180,063,812	807,407,972
- EM Market Exposure [2]	33,307,017	(41,923,791)	8,616,980	205
- Genesis Emerging Markets	675,252,383	(78,900,000)	234,606,506	830,958,888
- JP Morgan Asset Management [2]	6,978	57	(7,035)	0
- Mondrian Investment Partners Ltd.	751,489,313	(110,000,000)	149,592,047	791,081,359
- State Street Global Advisors	641,330,447	(95,555,051)	150,332,051	696,107,448
- Trilogy	764,244,988	(154,700,000)	167,873,620	777,418,609
Frontier Markets:				
- Aberdeen Frontier Markets	40,601,243	0	12,687,849	53,289,091
- First State Frontier Markets [1]	0	40,000,000	9,270,037	49,270,037
- HSBC Global Frontier Markets [1]	0	40,000,000	4,781,163	44,781,163
Other:				
- Foreign Equity Cash	26,275,820	(29,402,698)	4,669,935	1,543,057
- Foreign Equity Active STIP NAV Adjustment Account	(4,580,138)	0	810,650	(3,769,488)
- Foreign Equity Passive STIP NAV Adjustment Account	(55,401)	0	3,331	(52,069)
- Foreign Equity Asset Allocation Portfolio	21,143	0	(19,422)	1,721
- Foreign Equity Policy Transition	32,060	(32,076)	16	0
Total Foreign Equities	**$20,371,078,796**	**$(2,680,620,772)**	**$2,932,445,607**	**$20,622,903,630**

[1] Account opened during the fiscal year.
[2] Manager terminated during the fiscal year. Closing balance represents residual flows.
[3] Formally known as AIG Global Investment Corp.
• Totals may not foot due to rounding.

TABLE S2-4: FRS PENSION PLAN FIXED INCOME
Change in Market Value by Portfolio – Fiscal Year 2009 10

Account Name	Market Value June 30, 2009	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2010
Aggregate:				
- Active Core	$5,625,390,805	$945,383,237	$1,011,352,544	$7,582,126,586
- BlackRock Core Bond Enhanced Index	2,414,447,170	392,100,000	279,305,029	3,085,852,200
- Goldman Sachs Core Plus	2,230,498,242	100,038,688	307,102,680	2,637,639,610
- Hartford Investment Management Core Plus	2,029,229,326	165,700,000	266,972,113	2,461,901,438
- Investment Grade AA Account [1]	0	(3,226)	147,641	144,416
- Principal Global Investors Core Plus	1,983,278,873	30,000,000	319,345,514	2,332,624,387
- Neuberger Berman Core	1,186,329,222	0	178,542,435	1,364,871,657
- Smith Breeden Associates	1,217,162,102	237,572,276	181,552,035	1,636,286,413
- Taplin, Canida & Habacht	653,464,942	90,000,000	81,412,766	824,877,708
- Western Asset Management Core Plus	2,239,325,853	155,000,000	389,021,619	2,783,347,472
Government/Corporate:				
- Fixed Income Gov't./Corp. Passive Account	2,878,320,744	699,069,273	350,425,677	3,927,815,695
Mortgage:				
- MBS Active Synthetic [2]	556,711,610	(864,731,230)	308,019,620	0
- MBS Enhanced Synthetic [2]	584,854,755	(614,848,781)	29,994,026	0
- Neuberger Berman Mortgage Passive	1,199,972,062	77,700,000	92,386,234	1,370,058,296
- Utendahl Capital Management	686,857,917	0	53,251,388	740,109,304
Other:				
- Fixed Income Active STIP NAV Adjustment Account	(6,475,774)	0	12,354,265	5,878,491
- Fixed Income Passive STIP NAV Adjustment Account	(4,672,608)	0	2,545,788	(2,126,820)
- Fixed Income STIP Reserve Cash [2]	519,247,604	(580,540,646)	61,293,043	0
- STIPFRS Reserve Liquidation Fund [1]	0	319,899,190	93,858,049	413,757,239
Total Fixed Income	**$25,993,942,845**	**$1,152,338,781**	**$4,018,882,466**	**$31,165,164,092**

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

TABLE S2-5: FRS PENSION PLAN HIGH YIELD
Change in Market Value by Portfolio – Fiscal Year 2009 10

Account Name	Market Value June 30, 2009	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2010
High-Yield Holdings:				
- High Yield Active Synthetic	$77,943,006	$250,000	$14,365,741	$92,558,747
- Neuberger Berman Asset Management [1]	695,971,608	(167,428,365)	127,370,222	655,913,465
- MacKay Shields, LLC	656,350,081	(144,900,000)	123,341,091	634,791,173
- Post Advisory Group	663,859,312	(301,100,000)	99,363,090	462,122,402
- Shenkman Capital Management LLC	370,216,345	(25,000,000)	57,534,497	402,750,842
Other:				
- High Yield Asset Allocation	1,434,296	(1,150,000)	170,067	454,363
- High Yield STIP Reserve Cash [2]	32,264,981	(42,349,595)	10,084,613	0
- High Yield STIPFRS NAV Adjustment Account	(2,326,286)	0	731,735	(1,594,551)
Total High Yield	**$2,495,713,343**	**$(681,677,960)**	**$432,961,056**	**$2,246,996,439**

[1] Formerly Lehman Brothers High Yield.
[2] Account closed during the fiscal year.
• Totals may not foot due to rounding.

TABLE S2-6: FRS PENSION PLAN REAL ESTATE
Change in Market Value by Investment Type[1] – Fiscal Year 2009 10

Account Name	Market Value June 30, 2009	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2010
Real Estate Holdings:				
- Commingled Funds	$2,085,926,728	$84,745,131	$(385,395,434)	$1,785,276,426
- Direct-Owned Investments	5,111,130,339	(5,227,896)	(743,949,524)	4,361,952,919
- Real Estate Investment Trusts (REITs)	568,606,529	89,380	335,011,227	903,707,137
- Real Estate Stock [2]	62	(63)	0	0
Other:				
- Real Estate Cash	14,139,788	(2,746,307)	225,241	11,618,722
- Real Estate STIPFRS NAV Adjustment Account	(246,963)	0	82,841	(164,122)
Total Real Estate	**$7,779,556,483**	**$76,860,246**	**$(794,025,648)**	**$7,062,391,082**

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

Table S2-7: FRS Pension Plan Private Equity
Change in Market Value by Portfolio – Fiscal Year 2009 10

Account Name	Market Value June 30, 2009	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2010
Partnerships:				
- 3i Eurofund V, L.P.	$22,472,461	$3,590,893	$(6,129)	$26,057,225
- 3I Growth Capital Fund [1]	0	20,068,800	468,649	20,537,449
- Advent International GPE VI	8,323,220	8,265,000	3,368,461	19,956,681
- Apollo Investment Fund IV, L.P.	41,800,759	(25,140,726)	24,774,166	41,434,199
- Apollo Investment Fund V, L.P.	85,337,631	(39,229,850)	22,048,521	68,156,302
- Apollo Investment Fund VI, L.P.	100,239,630	(12,143,849)	103,225,961	191,321,742
- Apollo Investment Fund VII, L.P.	25,733,053	26,556,744	31,791,807	84,081,604
- Ares Corporate Opportunities Fund III	25,596,948	13,932,337	6,169,473	45,698,757
- Blackstone Capital Partners V, L.P.	75,208,861	8,339,007	20,114,778	103,662,646
- Blackstone Capital Partners VI, L.P. [1]	0	383	(383)	0
- Carlyle Asia Growth Partners IV	2,162,878	16,297,997	6,043,991	24,504,866
- Carlyle Partners II, L.P.	15,061,480	(14,217,432)	3,039,901	3,883,949
- Carlyle Partners III, L.P.	32,663,122	(26,399,894)	22,975,165	29,238,393
- Carlyle Partners IV, L.P.	57,429,641	(2,911,578)	14,725,958	69,244,021
- Carlyle Partners V, L.P.	52,268,165	(901,189)	4,483,258	55,850,234
- Carlyle Partners Europe III, L.P.	12,745,421	3,266,634	(842,225)	15,169,830
- Centre Capital Investments II	30,225,771	(2,195,515)	6,617,038	34,647,294
- Charlesbank Equity Fund VII, L.P. [1]	0	8,414,851	(1,278,660)	7,136,191
- Charterhouse Capital Partners IX, L.P.	923,235	15,940,016	(3,963,839)	12,899,412
- Chartwell Capital Investors II, L.P.	18,343,546	(5,427,645)	(1,585,191)	11,330,710
- Cressey & Company Fund IV, L.P.	(492,108)	8,250,000	251,983	8,009,875
- CVC European Equity Partners V	9,388,117	9,153,515	113,089	18,654,722
- Cypress Equity Fund	2,039,482	(91,537)	302,265	2,250,210
- Energy Capital Partners L.P. [1]	0	36,660,074	(540,566)	36,119,508
- Fairview Ventures Fund II, L.P.	28,095,795	3,161,885	(115,640)	31,142,040
- Fairview Ventures Fund III, L.P.	11,005,953	8,705,421	(778,441)	18,932,933
- First Reserve Fund XI, L.P.	66,808,697	(2,846,405)	14,551,009	78,513,301
- First Reserve Fund XII, L.P.	43,984,906	24,119,091	(6,321,716)	61,782,281
- Freeman Spogli (FS) Partners V, L.P.	37,176,909	1,166,719	13,925,532	52,269,160
- FS Equity Partners, L.P. [1]	0	12,349,130	(1,669,766)	10,679,364
- Gores Capital Partners, L.P.	29,072,795	(4,564,121)	15,791,777	40,300,451
- Gores Capital Partners II, L.P.	26,109,078	(1,730,769)	6,597,763	30,976,071
- Gores Capital Partners III, L.P. [1]	0	25,941	(1,731,161)	(1,705,219)
- Green Equity Investors III, L.P.	4,764,832	71,392	709,654	5,545,878
- Green Equity Investors IV, L.P.	76,236,880	(1,486,018)	24,601,929	99,352,790
- Green Equity Investors V, L.P.	22,783,418	5,561,403	13,323,720	41,668,541
- Grove Street Partners LLC	100,484,402	19,079,346	5,186,482	124,750,230
- Grove Street Partners Buyouts LLC	29,064,652	20,132,307	4,171,351	53,368,310
- Grove Street Partners Ventures II LLC	3,243,660	14,502,334	(3,078,988)	14,667,006
- Hellman & Friedman Capital Partners V, L.P.	56,442,292	(7,705,048)	19,307,348	68,044,592
- Hellman & Friedman Capital Partners VI, L.P.	53,372,599	8,156,474	15,182,142	76,711,215
- Hellman & Friedman Capital Partners VII, L.P. [1]	0	5,153	(5,153)	0
- Hicks, Muse, Tate & Furst III, L.P.	21,386,609	0	10,001,715	31,388,324
- Hicks, Muse, Tate & Furst Fund IV, L.P.	15,482,355	0	3,533,327	19,015,682
- Hicks, Muse, Tate & Furst Fund V, L.P.	5,574,148	(1,888,093)	(20,762)	3,665,293
- Kelso Investment Associates VII, L.P.	39,620,501	0	10,389,880	50,010,381
- Kelso Investment Associates VIII, L.P.	6,579,598	6,648,747	3,056,041	16,284,386
- KKR European Fund III	132,716	16,525,315	(2,245,704)	14,412,328
- Kohlberg Investors V, L.P.	36,535,806	(2,931,604)	(3,073,896)	30,530,306
- Kohlberg Investors VI, L.P.	20,318,812	(2,804,783)	6,686,661	24,200,690
- KPS Special Situations Fund III, L.P. [1]	0	3,023,628	451,725	3,475,353
- Lexington Capital Partners IV, L.P.	40,028,828	(5,473,321)	3,059,736	37,615,243
- Lexington Capital Partners V, L.P.	40,341,285	(6,596,511)	4,285,810	38,030,584
- Lexington Capital Partners VI-B, L.P.	51,564,268	(969,454)	9,442,766	60,037,580
- Lexington Capital Partners VII, L.P. [1]	0	2,978,442	(2,955,631)	22,811
- Lexington Co-Investment Partners (Pools I & II), L.P.	8,118,807	(3,501,338)	7,158,841	11,776,310
- Lexington Co-Investment Partners II (Pools III & IV), L.P.	173,260,583	(27,982,982)	132,276,447	277,554,048

(continued from page S21)

Table S2-7: FRS Pension Plan Private Equity
Change in Market Value by Portfolio – Fiscal Year 2009 10

Account Name	Market Value June 30, 2009	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2010
Partnerships (continued):				
- Lexington Co-Investment Partners 2005, L.P.	243,382,224	(2,936,218)	57,872,078	298,318,084
- Liberty Partners II	22,852,009	448,497	8,032,022	31,332,528
- Liberty Partners III	63,235,322	(4,324,970)	(24,345,290)	34,565,062
- Liberty Partners V	95,391,721	(95,291,486)	38,630,042	38,730,277
- Liberty Partners VI	344,038,301	643,274	(12,027,098)	332,654,477
- Liberty Partners VII	44,617,862	555,635	5,358,991	50,532,488
- Liberty Partners Group II	0	220,940	(224,556)	(3,616)
- Lindsay Goldberg & Bessemer II, L.P.	79,598,961	5,529,342	(1,518,179)	83,610,124
- Lindsay Goldberg & Bessemer III, L.P.	3,539,712	3,124,034	(1,111,208)	5,552,538
- New Mountain Partners II, L.P.	43,615,044	(4,503,780)	5,547,737	44,659,001
- New Mountain Partners III, L.P.	22,434,811	6,761,973	(692,311)	28,504,473
- PAI Europe V, L.P.	7,150,230	900,864	563,985	8,615,079
- Pantheon Venture Partners II, L.P.	38,962,515	12,000,000	2,019,131	52,981,646
- Paul Capital Top Tier Investments II, L.P.	73,472,650	1,798,581	4,112,459	79,383,689
- Paul Capital Top Tier Investments III, L.P.	36,279,812	9,533,991	3,380,040	49,193,843
- Paul Capital Top Tier Investments IV, L.P.	14,171,223	13,401,852	1,608,852	29,181,927
- Paul Capital Top Tier Special Opportunities, L.P.	2,271,702	3,103,353	388,092	5,763,147
- Permira IV, L.P.	19,946,268	4,921,530	(1,457,350)	23,410,448
- Platinum Equity Capital Partners, L.P.	12,592,709	(4,063,503)	10,535,149	19,064,355
- Platinum Equity Capital Partners II, L.P.	20,157,634	(7,316,747)	13,352,082	26,192,969
- Pomona Capital VI, L.P.	33,962,863	(406,938)	2,443,154	35,999,079
- Pomona Capital VII, L.P.	14,181,938	(2,422,974)	1,416,085	13,175,049
- Providence Equity Partners VI, L.P.	18,264,256	5,985,412	2,893,310	27,142,978
- RCP Advisors Fund IV, L.P.	25,033,024	2,268,659	(53,118)	27,248,565
- RCP Advisors Fund V, L.P.	7,769,692	7,500,000	(143,786)	15,125,907
- RCP Advisors Fund VI, L.P.	1,872,435	5,000,000	(933,980)	5,938,455
- Ripplewood Partners I, L.P.	23,096,085	(1,545,358)	(19,417,639)	2,133,088
- Ripplewood Partners II, L.P.	71,149,340	(56,791,712)	24,769,379	39,127,007
- Riverside Capital Appreciation Fund V, L.P.	7,874,006	10,650,737	(1,110,739)	17,414,004
- Riverside Europe Fund IV, L.P. [1]	0	6,186,931	(1,276,558)	4,910,373
- TA XI, L.P. [1]	0	66,950	(66,950)	0
- Thoma Bravo Fund IX, L.P.	6,907,366	8,700,000	2,526,520	18,133,886
- Thoma Cressey Fund VIII L.P.	46,526,951	1,450,000	7,546,100	55,523,051
- Thomas H. Lee Equity Fund IV, L.P. [2]	360,469	(357,150)	(3,319)	0
- Thomas H. Lee Equity Fund V, L.P.	21,942,053	(608,260)	6,112,636	27,446,429
- Thomas H. Lee Equity Fund VI, L.P.	33,356,604	1,625,330	(469,906)	34,512,028
- TowerBrook Capital Partners, L.P.	48,561,896	(5,195,988)	9,816,974	53,182,882
- TowerBrook Investors III, L.P.	27,106,841	7,950,850	4,851,304	39,908,995
- TPG Partners IV (Cayman), L.P.	33,574,970	(8,175,512)	10,228,015	35,627,472
- TPG Partners V, L.P.	38,740,076	11,204,090	6,351,241	56,295,407
- TPG Partners VI, L.P.	2,564,404	27,980,662	2,835,037	33,380,103
- TSG Capital Fund II, L.P.	894,270	0	130,797	1,025,067
- Warburg Pincus Private Equity IX, L.P.	63,364,082	(8,064,375)	17,871,719	73,171,426
- Warburg Pincus Private Equity X, L.P	36,750,551	22,162,303	8,761,265	67,674,119
- Wellspring Capital Partners III, L.P.	31,527,183	(28,531,409)	9,017,381	12,013,155
- Wellspring Capital Partners IV, L.P.	46,560,160	2,513,403	5,574,458	54,648,021
- Willis, Stein & Partners II, L.P.	402,175	0	330,166	732,341
- Willis, Stein & Partners III, L.P.	67,760,729	(6,167,334)	3,895,560	65,488,955
Other:				
- Private Equity Cash	25,259,109	3,231,741	106,460	28,597,309
- Private Equity STIPFRS NAV Adjustment Account	63,269	0	160,123	223,391
Total Private Equity	**$3,588,200,004**	**$76,526,537**	**$778,178,622**	**$4,442,905,163**

[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 S2-8: FRS Pension Plan Strategic Investments

Change in Market Value by Portfolio – Fiscal Year 2009 10

Account Name	Market Value June 30, 2009	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2010
Equity:				
- Acadian Asset Management	$330,609,014	$(167,000,000)	$35,109,566	$198,718,580
- Blackstone	1,880,891	0	4,472	1,885,363
- Cevian Capital II, LTD [1]	0	100,031,106	2,994,894	103,026,000
- Fisher Investments, Inc. [2]	0	(24,883)	24,883	0
- Lexington GP Holdings [1]	0	41,559,316	(309,316)	41,250,000
- McLean Budden	707,610,099	(60,000,000)	61,585,738	709,195,837
- FTI Institutional (Templeton)	613,005,304	0	67,436,377	680,441,680
- Trilogy Global Advisors	299,043,601	0	37,113,984	336,157,584
- UBS Global Asset Management	1,674	(56,458)	176,707	121,923
- Walter Scott & Partners, Ltd. [2]	0	(1,399)	1,419	20
Debt-Oriented:				
- ABRY Advanced Securities Fund	45,846,362	40,989,352	30,014,057	116,849,771
- Apollo Credit Liquidity Fund	113,804,192	(61,601,084)	125,401,284	177,604,392
- Blackrock Carbon Capital III	35,608,513	(1,312,116)	875,805	35,172,202
- Blackstone Credit Liquidity Partners	74,271,787	(35,245,336)	133,548,351	172,574,802
- Carlyle Mezzanine Partners II	66,595,856	(19,985,476)	4,293,807	50,904,187
- Falcon Strategic Partners, L.P.	15,805,549	11,537,408	3,748,477	31,091,434
- Goldman Sachs Distressed Opportunities, L.P.	94,762,413	(3,164,249)	11,030,825	102,628,989
- Green Credit Investors	75,896,840	117,149,759	46,522,663	239,569,262
- GSO Capital Opportunities Fund	96,198,861	(3,627,309)	16,063,465	108,635,017
- Levine Leichtman Capital Partners IV [1]	0	14,361,700	(232,657)	14,129,043
- MS Mezzanine Partners Fund	26,319,426	(445,470)	(11,801,251)	14,072,705
- Oaktree Opportunity Fund VIII, L.P. [1]	0	27,500,000	0	27,500,000
- OCM Opportunities Fund VIIb	32,057,561	7,500,000	23,389,963	62,947,524
- PCG Special Situation Partners, L.P.	103,696,000	(19,546,647)	26,585,313	110,734,666
- Principal RE Debt Separate Account[1]	0	35,144,444	(19,983)	35,124,460
- Providence TMT Debt Opportunity Fund II[1]	0	35,608	(35,608)	0
- Providence TMT Special Situation Fund	89,630,828	23,559,865	60,890,134	174,080,827
- Special Situation Partners II, L.P.	49,914,522	(190,043)	25,436,346	75,160,825
- Square Mile Partners III, L.P.	21,797,584	14,148,294	(1,279,685)	34,666,193
- TAC 2007 (TPG Credit Fund)	132,272,372	(95,362,791)	130,782,912	167,692,493
- TCW Crescent Mezzanine Parnters V, L.P.	28,375,866	26,592,072	4,900,670	59,868,608
- Tricon IX, L.P.	39,856,101	16,493,828	811,677	57,161,606
- Varde Fund X, L.P. [1]	0	30,000,000	(555,326)	29,444,674
- VSS Structured Capital II	6,800,167	12,092,452	(1,543,913)	17,348,706
- Wayzata Opportunities Fund II, L.P.	36,167,059	(12,250,000)	21,702,024	45,619,083
Multi-Sector Strategies:				
- CVI Global Value Fund A	112,694,335	124,708,482	78,744,290	316,147,107
- Florida Growth Fund, L.P. [1]	0	24,451,815	(3,417,485)	21,034,330
- GI Partners Fund III, L.P.	5,765,590	5,564,928	601,092	11,931,610
Other:				
- Global Equities Cash Account	6,926,167	(6,566,757)	1,182,214	1,541,623
- Strategic Investments Cash Account	92,379,577	(10,611,987)	(52,901)	81,714,689
- SI STIPFRS NAV Adjustment Account	(1,622,807)	0	440,027	(1,182,780)
Total Strategic Investments	**$3,353,971,305**	**$176,428,423**	**$932,165,309**	**$4,462,565,037**

[1] Account opened during the fiscal year.
[2] Account closed during the fiscal year. Balances and activity reflect residual activity.
• 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 S2-9: FRS Pension Plan Cash & Miscellaneous Portfolios

Change in Market Value – Fiscal Year 2009 10

Account Name	Market Value June 30, 2009	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2010
Central Cash/Short-Term	$854,512,501	$(394,989,021)	$837,845	$460,361,325
STIPFRS NAV Adjustment Account	(2,684,936)	0	3,248,294	563,357
Cash Securities Lending Account [1]	0	156,516,743	(156,516,598)	144
Total Cash Asset Class [2]	**$851,827,564**	**$(238,472,278)**	**$(152,430,460)**	**$460,924,826**

[1] Account opened during the fiscal year.
[2] The investment gain (loss) reported for the Central Cash/Short-Term portfolio includes $15,132,969 in SBA investment service charges and $3,248,603 in bank fees that were paid out of this portfolio on behalf of the entire Florida Retirement System Trust Fund. Excluding these expenses, the investment gain (loss) reported for the Central Cash/Short-Term portfolio would have been ($134,048,888) which reflects actual investment returns.
• Totals may not foot due to rounding.

Table S2-10: FRS Pension Plan Value of Florida-Based Holdings
As of June 30, 2010

	All Florida Investments [1]	Growth & Technology [3]
Public Market Equities	$648,542,494	$390,855,771
Fixed Income	96,466,666	43,431,204
High Yield	36,761,000	22,943,075
Real Estate [4]	523,557,886	
Private Investments [2]	262,635,334	125,685,944
Total	**$1,567,963,381**	**$582,915,995**

[1] Includes companies domiciled in Florida; companies having their principal place of business in Florida; or real estate located in Florida.
[2] Private Investments includes private equity, private debt and venture capital investments. Data is as of March 31, 2010.
[3] Growth and technology investments tentatively identified through use of the methodology described in SBA memo dated September 26, 2008. Copies available upon request.
[4] 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-rata share of the Florida properties of these funds is valued at approximately $151 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.

Lawton Chiles Endowment Fund

Table S2-11: Lawton Chiles Endowment Fund Assets Under Management
Change in Market Value by Asset Class and Portfolio – Fiscal Year 2009 10

Account Name	Market Value June 30, 2009	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2010
Domestic Equities Portfolios:				
- Earnest Partners Inc. [2]	$0	$158	$(158)	$0
- Enhanced Investment Technologies, LLC [2]	0	158	(158)	0
- PanAngora Asset Management Inc. [2]	0	158	(158)	0
- Russell 1000 ex Tobacco Fund [2]	0	214	(214)	0
- Russell 3000 ex Tobacco Fund (LCEF)	333,482,697	(29,945,454)	55,620,585	359,157,829
- Transition Account (LCEF)	121,805	103,711	(106,312)	119,204
Foreign Equities Portfolios:				
- Capital Guardian	7,539	0	8,336	15,875
- Acadian	74,749,385	(5,300,000)	9,050,978	78,500,363
Fixed Income Portfolios:				
- Chiles Barclays Aggregate	85,250,739	14,859,435	9,544,498	109,654,672
Inflation-Indexed Bond Portfolios:				
- Chiles TIPS - Chiles Inflation Linked Treasury	62,693,314	3,100,000	6,708,556	72,501,870
Real Estate Portfolios: [3]				
- AEW Capital Management	48,196	(47,526)	(670)	0
- Invesco Institutional	20,525	(20,343)	(182)	0
Cash/Short-Term Portfolios:				
- Chiles Cash	7,327,274	(731,797)	236,176	6,831,653
- Chiles Securities Lending [1]	0	440,289.35	(440,189)	100
Total Lawton Chiles Endowment	**$563,701,474**	**$(17,540,998)**	**$80,621,090**	**$626,781,566**

[1] Account opened during the fiscal year.
[2] Account closed during the fiscal year.
[3] The Real Estate asset class in the Chiles Endowment was closed during the prior fiscal year. Balances reflect residual activity.
• Totals may not foot due to rounding.

Securities Lending Programs

TABLE S2-12: SECURITY LENDING BOOK AND MARKET VALUES BY PROGRAM
As of June 30, 2010

	Book Value [1]	Market Value	Unrealized Gain (Loss) on Investments
FRS Pension Plan			
Bank of New York Mellon	$3,053,574,802	$2,953,707,805	$(99,866,997)
Victory Capital Mgt. (KeyBank)	36,483,732	18,701,812	(17,781,920)
Deutsche Bank	1,711,451,177	1,705,686,327	(5,764,850)
Wachovia	511,343,401	466,966,403	(44,376,998)
Total FRS Pension Plan	$5,312,853,112	$5,145,062,347	$(167,790,765)
Lawton Chiles Endowment Fund			
Bank of New York Mellon	3,990,865	3,992,157	1,292
Wachovia	117,671	117,671	0
Total LCEF	$4,108,536	$4,109,828	$1,292
Other Funds			
Florida Lottery (BNY Mellon)	$845,691,910	$837,426,394	$(8,265,516)

[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 month-end in the SBA's various security lending programs. The SBA lends securities and receives cash and securities as collateral for the loans. The cash is invested. Earnings 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 cash and 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.

• Totals may not foot due to rounding.

TABLE S2-13: FRS PENSION PLAN
Net Security Lending Revenue by Fiscal Year

Fiscal Year	Amount
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)
Ten Year Total	**$384,698,132**

[1] In 2009-10, the recovery in value of various investments held in the securities lending reinvestment portfolio was not considered probable. Therefore, these securities were written down, resulting in a net realized loss. Net income without this loss was $38,001,712. The securities lending program was also transitioning to more conservative reinvestment guidelines during the fiscal year.

The valuations and accounting data contained in this supplement and in the main report reflect information current as of June 30, 2010 and are consistent with official investment return data as of that date supplied by the SBA's independent asset custodian, BNY Mellon Performance Reporting and Analytics Services. These valuations will not necessarily match information included in the State of Florida Comprehensive Annual Financial Report for fiscal year 2009-10, due to its inclusion of subsequent updates to private market investment valuations and timing differences in the recognition of receivables and other items.

Broader measures of SBA's costs and cost-effectiveness appear on page 25 of the main section of this report.

SECTION 3
cost information

The tables that follow disclose elements of the SBA's cost structure that historically have been of interest to stakeholders. Broader measures of SBA's costs and cost-effectiveness appear on page 25 of the main section of this report. The main section is available in hard copy upon request[8] or electronically at www.sbafla.com/annualreports.

TABLE S3-1: FRS PENSION PLAN EXTERNAL INVESTMENT MANAGEMENT FEES
Fiscal Year 2009 10

Asset Class	Dollar Amount	Return Basis[1]
Domestic Equities	$24,671,726	0.30%
Foreign Equities	67,595,960	0.31%
Fixed Income	18,190,750	0.10%
High Yield	8,488,263	0.37%
Real Estate	46,199,824	0.68%
Private Equity	80,529,799	2.04%
Strategic Investments	39,584,204	1.00%
Cash	74,904	0.03%
Total	**$285,335,431**	**0.44%**

[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.
• Totals may not foot due to rounding.

TABLE S3-2: FRS PENSION PLAN NET BROKERAGE COMMISSIONS
Fiscal Year 2009 10

Asset Class	Dollar Amount [1]
Domestic Equities	$9,945,135
Foreign Equities	24,292,998
Fixed Income	39,439
High Yield	4,448
Real Estate	1,273,683
Private Equity	20,273
Strategic Investments	2,171,176
Total	**$37,747,152**

[1] Brokerage commission amounts for the entire fiscal year are presented in the appropriate year-end asset class.
• Totals may not foot due to rounding.

TABLE S3-3: LAWTON CHILES ENDOWMENT FUND
EXTERNAL INVESTMENT MANAGEMENT FEES
Fiscal Year 2009 10

Asset Class	Dollar Amount[1]
Domestic Equities	$161
Foreign Equities	194,947
Fixed Income	34,676
Inflation Indexed Bonds	437
Real Estate	2
Cash	1,468
Total	**$231,691**

• The Dollar Amount includes the LCEF's proportionate share of manager fees paid in the Commingled Asset Management Program Money Market Pool.

[8] For a printed copy, contact John Kuczwanski at 850-413-1254 or john.kuczwanski@sbafla.com.

SECTION 4

compliance with investment strategy

In December 2009, the SBA organizationally created a new dedicated Risk Management and Compliance unit.

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, commodities, and real estate, in order to achieve his 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 the Investment Policy Statement or Investment Policy Guidelines for the fund. These documents are contained in the electronic supplements to the SBA's annual reports, available at www.sbafla.com/annualreports.

The SBA has taken an increasingly systematic approach to monitoring compliance to ensure that funds under its oversight comply with applicable statutory, regulatory and policy requirements. In December 2009, the SBA organizationally created a new 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 new unit brings enhanced focus and independence to SBA compliance processes throughout all SBA asset classes.

RMC's compliance function is now staffed by an embedded compliance officer for the Domestic Equity and Foreign Equity asset classes (since consolidated to Global Equity effective July 1, 2010) supported by an analyst, an embedded compliance officer supported by two compliance staff in the Fixed Income asset class, and a compliance officer responsible for external investment management oversight (including the private market asset classes) supported by two staff.

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 quarterly (or more frequently as necessary). These investment oversight groups are composed of the following members:

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

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

Each of the funds managed by the SBA (See Table 3 on page 23 in the main portion of this report) was in material compliance with their applicable investment strategy as of June 30, 2010. Compliance of the SBA's various funds with investment strategy was established through the process described below.

In the case of private market investment funds and limited partnerships, investor advisory boards and consultants provided an additional layer of oversight.

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 contained in Section 215.47, Florida Statutes, on a monthly basis for multi-asset class funds.

3. Investment guideline monitoring at the portfolio level was performed by public market external investment managers' compliance staff and SBA staff. SBA staff monitoring serves as the primary check for internally managed portfolios or as a secondary check on externally managed portfolios. In the case of private market investment funds and limited partnerships, investor advisory boards and consultants provided an additional layer of oversight. During the course of 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.

4. The Office of the General Counsel attested to the legality of contracts entered into by the SBA, including with respect 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.

SECTION 5

risks inherent in investing

Financial instruments are fundamentally categorized by type or asset class.

In the main section of this report, beginning on page 17, we noted the constellation of risks faced by an investor and the framework the SBA uses to prioritize and focus its risk management activities. In addition, we explained how diversification by security type can substantially mitigate security-specific risk in the overall portfolio. Here we provide additional details on financial instruments and their inherent risks as well as an inventory of enterprise-wide risks.

Financial Instrument Types

Section 215.44(5)(d), Florida Statutes, requires disclosure of "the risks inherent in investing in financial instruments of the major asset classes held in the fund." In this section, we discuss financial instrument types and security-specific risk.

Financial instruments are fundamentally categorized by type or asset class depending on whether they are equity based (reflecting an ownership interest in the issuing entity) or debt based (reflecting a loan the investor has made to the issuing entity; i.e., a debt of the issuer). If they are debt, they can be further categorized into short term (less than one year) or long term. Foreign exchange instruments are neither debt- nor equity-based and thus constitute a type-category of their own.[9]

Financial instruments can also be categorized by form depending on whether they are cash instruments or derivative instruments:

- Cash instruments are financial instruments whose value is determined directly by markets. They can be divided into securities, which are readily transferable, and other cash instruments such as loans and deposits, where both borrower and lender have to agree on a transfer.

- Derivative instruments are financial instruments which derive their value from one or more reference assets or indices. They can be divided into exchange-traded derivatives and over-the-counter (OTC) derivatives.

Table S5-1 below lists financial instruments by both type and form.

TABLE S5-1: FINANCIAL INSTRUMENTS BY TYPE AND FORM

	Instrument Form			
Instrument Type	**Securities**	**Other Cash Instruments**	**Exchange-traded Derivatives**	**OTC Derivatives**
Equity	Stocks	--	Stock options Equity futures	Stock options Other instruments
Long-Term Debt	Bonds	Loans	Bond futures Options on bond futures	Interest rate swaps Interest rate caps and floors Interest rate options Other instruments
Short-Term Debt	Bills, e.g., T-bills Commercial paper	Deposits Certificates of deposit	Short-term interest rate futures	Forward rate agreements
Foreign Exchange	--	Spot foreign exchange	Currency futures	Foreign exchange options Outright forwards Foreign exchange swaps Currency swaps

OTC derivatives in the "other instruments" category used by the SBA include structured notes, participatory notes and total return index swaps.

[9] A few specialized instruments, such as repurchase agreements, defy this type of categorization. Repurchase agreements (also known as repos or sale and repurchase agreements) allow a borrower to use a financial security as collateral for a cash loan at a fixed rate of interest. In a repo, the borrower agrees to sell a security to a lender and also agrees to buy the same security from the lender at a fixed price at some later date. A repo is equivalent to a cash transaction combined with a forward contract.

All securities carry inherent risk i.e., risk that is intrinsic to financial instruments.

During fiscal year 2009-10, the SBA's asset classes held the following types of financial instruments:

- Domestic Equities – stocks, equity futures, total return equity index swaps and structured notes
- Foreign Equities – stocks, equity futures, total return equity index swaps and participatory notes
- Fixed Income/High Yield/TIPS – all forms of long-term debt
- Real Estate – direct-owned real estate, real estate partnerships and funds (both open-end and closed-end funds), stocks, and total return equity index swaps
- Private Equity – partnership interests (certain partnerships and portfolios hold marketable securities and derivative instruments)
- Strategic Investments – stocks, participatory notes, and partnership interests
- Cash Equivalents – short-term debt securities and other cash instruments including repurchase agreements

Financial Instrument Risks

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 – The risk that a holder or seller will 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 – The risk that an issuer of debt securities or a borrower will 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.[10] 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 – The risk that an investment's value will 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.[11]

  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 – The risk that the return from investing will 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 – The risk of limited access to funds, failure to meet liquidity needs or loss resulting from 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.

> 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.

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

[11] Note that this drop in the bond's market price does not affect the dollar value of the interest payments to the bondholder. Long-term investors who hold the bond to maturity are thus indifferent to interest rate risk. However, they are subject to reinvestment risk – the possibility that investment opportunities are weak when the bond matures – and they may suffer opportunity costs during the holding period.

Under SBA policy, derivative instruments are authorized to be used as tools for managing risk or executing investment strategies more efficiently than could otherwise be done in cash markets.

- Capital Risk – The risk of losing the original investment.

  Capital risk can be thought of as an extreme form of other listed risks. It is the risk of losing one's entire investment. It applies to the securities of a single company that faces severe adverse idiosyncratic conditions, such as Enron where the company's stock became worthless. 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.[12]

- Currency Risk – The risk that an investment's value will 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 – The risk that the entire financial system will 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.

Additional Risks of Derivative Instruments

Under SBA policy, derivative instruments are authorized to be used as tools for managing risk or executing investment strategies more efficiently than could otherwise be done in cash markets. Derivative instruments are required as part of a prudent investment process and must not conflict with any other SBA policies or guidelines. The risks associated with derivative instruments are typically assessed within a total portfolio context. However, counterparty credit risk inherent in derivative instruments usage is separately measured, monitored and managed within asset classes and across asset classes.

Because derivative instruments derive their value from one or more reference assets or asset characteristics, they embody the risks inherent to those assets. However, they also present additional risks unique to their structure which may lead to disappointing results or losses that would not occur with cash instruments (see pages S41 and S42, respectively, for definitions of cash instruments and derivative instruments).

Derivative instruments carry basis risk, which is similar to market risk in financial instruments. Basis risk is the risk that the price or spread differences expected when the contract was executed will widen (or narrow) unexpectedly. This risk could cause losses for both parties or only one, depending on the nature of the contract. It often arises in the case of a commodity hedge, where the price movement one party seeks to insure against is measured within the contract by the price of a proxy commodity or rate.

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[12] Although less at risk than stockholders, a company's bondholders may also lose much or all of their money if the company goes bankrupt. Under the laws of many countries (including the United States and Canada), bondholders are in line to receive the proceeds of the sale of the assets of a liquidated company ahead of stockholders and some other creditors, but bank lenders, deposit holders (in the case of a deposit-holding institution such as a bank) and trade creditors may take precedence. As an example, after an accounting scandal and a Chapter 11 bankruptcy at the giant telecommunications company WorldCom, its bondholders ended up being paid 35.7 cents on the dollar. In a bankruptcy involving reorganization or recapitalization, as opposed to liquidation, bondholders may end up having the value of their bonds reduced, often through an exchange for a smaller number of newly-issued bonds. All in all, because there is no guarantee of how much money will remain to repay bondholders, they face capital risk as do stockholders.

Also, over-the-counter derivatives[13] expose investors to counterparty risk. Counterparty risk is the risk that a party to a derivatives contract may fail to meet its contractual obligation under the contract, causing losses to the other party. Counterparty risk stems largely from changes in the creditworthiness of an institution (e.g., bank, broker-dealer, insurer, pension fund) that is a party to the instrument. For example, suppose a corporation wanting a fixed interest rate loan for its business finds that banks only offer variable rate loans. It could – typically through an intermediary – swap payments with one or more other parties who want a variable rate, synthetically creating a fixed rate for the borrower. The intermediary stands between both end users to receive and make payments to/from both. However, if the intermediary goes bankrupt, the first business will lose its contractual agreement to make fixed rate payments and will have to pay a variable rate again. If interest rates have increased, it is possible that the first business may be adversely affected because it may not be prepared to pay the higher variable rate.

As with any organization investing on an institutional scale, the SBA faces a multitude of risks.

Many derivative instruments potentially carry leverage risk. At its simplest level, financial leverage takes the form of a loan or other borrowing (incurring a liability or debt), the proceeds of which are invested with the intent to earn a greater rate of return than the cost of interest. Thus an investor can gain exposure to a larger body of assets than the capital he could otherwise invest directly. While leverage allows greater potential returns than otherwise would have been available, the potential for loss is also greater.

If the investment becomes worthless, the loan principal and all accrued interest on the loan still need to be repaid. With direct investing, only principal is at risk. Thus, leverage risk includes the potential for losing more than the capital invested.

Leverage through derivatives is avoided by requiring that collateral or other financial resources be maintained to enable satisfying any liabilities created by derivatives. For instance, leverage risk could be incurred in the purchase of S&P index futures. Unless authorized, the SBA requires that a portfolio manager utilizing futures contracts must post required margin on a daily basis and also maintain cash collateral that is equal to the value of the futures contracts to pay any future liabilities and avoid leverage.

Enterprise-Wide Risks

The consequences of security-specific risks can be substantially mitigated through diversification. However, as with any organization investing on an institutional scale, the SBA faces a multitude of other risks. Over the past few years, the SBA has taken a comprehensive approach to the identification and management of all the risks it faces. The table below is a current inventory of identified risks. Procedures and policies are in place or under development to manage each.

Table S5-2: State Board of Administration
Enterprise-Wide Risk Inventory

1. Investment Management Risk

   a. Policy Risk – The risk that investment policies will be inconsistent with investment objectives because of ineffective policy design, changing objectives or reprioritization of competing objectives, or unexpected behavior of liabilities or risk premi ums (both levels and interactions).

      i. Policy Design Risk – The risk that an investment policy will not be effectively designed for achieving an investment objective.
      ii. Investment Objective Risk – The risk that simultaneous attainment of all objectives will not be possible, priority given to multiple objectives will not be appropriate, or changing circumstances will render existing objectives or priorities inappropriate.
      iii. Capital Market Assumption Risk – The risk that capital markets will not perform as expected.
      iv. Liability Risk – The risk that liabilities will not behave as expected.

[13] Exchange-traded derivatives have clearing corporations that eliminate counterparty risk.

(continued from page S33)

Table S5-2: State Board of Administration Enterprise-Wide Risk Inventory

b. Implementation Risk – The risk that decisions made in an attempt to achieve the investment objective for total fund, asset classes or individual investment mandates will cause material underperformance net of fees.

i. Strategic Risk – The risk that investment strategies used to structure total fund, asset classes or individual investment mandates will be unsuccessful, including utilizing/permitting material over/underweights to any of the following: asset class, style, market cap, sector, industries, geography, property type, currency, non benchmark securities, duration, credit quality, liquidity, vintage or any other risk factors.
ii. Portfolio Underperformance Risk – The risk that individual portfolios' performance will not meet or exceed benchmarks.
iii. Trading Risk – The risk that trades, traders or broker/dealers will not be properly authorized, trades will not be properly documented or executed, or trading costs will not be consistent with best execution.
iv. Asset Transition Risk – The risk that assets will not be cost effectively managed during asset transition (e.g., excessive transaction costs).
v. Model Risk – The risk that the models utilized will be inappropriate or misapplied.
vi. Due Diligence Risk – The risk that due diligence will not be adequately performed for a public or private asset class investment opportunity.
vii. Leverage Risk – The risk of imprudent or unauthorized use of leverage.
viii. Aggregate Issuer/Counterparty Credit Risk – The risk of undue concentration in firm wide exposure to an issuer or counterparty.

c. Inherent Risk – The risk that is inherently present in financial instruments and usually knowingly assumed when investing.

i. Market Risk – The risk that a holder or seller will experience a loss from unexpected price fluctuations.
ii. Credit Risk – The risk that an issuer of debt securities or a borrower will default on financial obligations (e.g., not able to make timely interest or principal payments).
iii. Interest Rate Risk – The risk that an investment's value will change due to a change in interest rates.
iv. Inflation Risk – The risk that the return from investing will not offset the loss in purchasing power due to inflation.
v. Liquidity Risk – The risk of limited access to funds, failure to meet liquidity needs or loss resulting from lack of market liquidity.
vi. Capital Risk – The risk of losing the original investment.
vii. Currency Risk – The risk that an investment's value will change due to a change in exchange rates.
viii. Systemic Risk – The risk that material portions of the global financial system and institutions will collapse or cease to function.

2. Governance/Management Risk – The risk that actions of the Board of Trustees or SBA management may cause assets to underperform expectations due to such factors as (1) organizational structure and poorly defined roles and responsibilities, (2) failure to meet fiduciary responsibilities, (3) insufficient funding or resources, (4) lack of ethical standards, etc.

3. Communication/Public Affairs/Reputational Risk – The risk associated with (1) the failure to develop and maintain understand ing or confidence of stakeholders, (2) inability to communicate, coordinate, manage, and maintain effective public relations, and (3) adverse warranted or unwarranted media exposure.

4. Legislative/Political Risk – The risk that legislative/executive and/or regulatory actions may adversely impact the SBA's ability to carry out its mission.

5. Compliance Risk

a. Laws, Rules, & Regulations – The risk of failure to comply with applicable laws, rules and regulations.

b. SBA Policies – The risk of failure to comply with SBA policies.

c. Investment Policy Guidelines – The risk of investment loss or not being able to achieve the portfolio's objective due to the manager's non compliance with investment policy guidelines.

d. Contractual Agreements – The risk of investment loss or disruption of services due to custodians', investment managers', or other service providers' non compliance with contractual agreements.

6. Fraud/Misconduct/Internal Controls Risk

a. Internal Staff – The risk of fraudulent activities (e.g., misappropriation of assets) or intentional/negligent misconduct of internal staff.

Table S5-2: State Board of Administration Enterprise-Wide Risk Inventory

(continued from page S34)

b. Service Providers – The risk of fraudulent activities (e.g., misappropriation of assets) or intentional/negligent misconduct of service providers.

c. External Parties – The risk of fraudulent activities (e.g., misappropriation of assets) or intentional/negligent misconduct of external parties (e.g., check forgers, computer hackers).

7. Service Provider Risk

a. Financial Condition – The risk of deterioration of a service provider's financial condition.

b. Service Level Quality – The risk that a service provider will fail to competently and/or timely deliver services of satisfactory quality.

c. Key Personnel – The risk of loss of key service providing personnel of an external service provider.

d. Premature/Unexpected Service Termination – The risk of premature/unexpected service termination by a service provider.

e. Internal Controls – The risk of loss or disruption of services provided to the SBA due to the service provider's poor design and/or implementation of internal controls.

8. Client Relationship Risk

a. Service Delivery – The risk of failure to deliver satisfactory investment or other support services to the clients of the SBA.

b. Education – The risk of failure to provide adequate education regarding investments, risks, operational procedures, etc., to clients/participants.

c. Communication/Reporting – The risk of failure to provide clients/participants with timely and/or accurate information.

d. Allocation of Investment Opportunities – The risk of inappropriate allocation of investment opportunities for internally managed client portfolios.

9. Operational Risk

a. Cash Management – The risk that residual cash will not be fully invested or will be overinvested (i.e., overdrafts).

b. Trade Settlement – The risk that trades will not be settled on a timely basis and/or in accordance with terms.

c. Transaction Processing – The risk that transactions (e.g., in wire processing) will not be processed on a timely and accurate basis.

d. Asset Reconciliation – The risk that asset reconciliations will not be performed accurately and on a timely basis.

e. Accounting and Financial Reporting – The risk that transactions will not be correctly accounted for and reported on in a timely fashion and in conformance with GAAP.

f. Valuation – The risk of incorrect, stale or missing valuations.

g. Performance Measurement – The risk that investment performance will not be accurately or timely measured.

h. Internal System Reliability/Electronic Data Integrity Risk – The risk that the SBA's internal technology platform does not function as intended and/or the information obtained from internal systems cannot be relied upon for investment decision making, financial reporting or other business purposes.

i. CAT Fund/DC Program Specific Risks – The risks in the Florida Hurricane Catastrophe Fund or Defined Contribution Program that are program specific and are not considered in the other risk categories of this framework.

j. Proxy Voting – The risk that proxy voting is not consistent, reliable, or conducted in a manner most likely to preserve or enhance the value of SBA equity holdings.

k. External Corporate Governance – The risk associated with not actively monitoring the governance structures of individual companies.

(continued from page S35)

Table S5-2: State Board of Administration Enterprise-Wide Risk Inventory

10. Human Capital Risk

a. Recruitment – The risk of failing to attract and recruit adequate and competent staff.

b. Retention – The risk of excessive rates of employee turnover.

c. Training and Development – The risk of inadequate training/development of knowledge, skills and abilities of staff.

d. Key Person/Succession – The risk of loss of key personnel or lack of adequate succession planning.

11. Security Risk

a. Physical Security

   i. Employee Security – The risk of harm to employees.
   ii. Facility Security – The risk of unauthorized access to the building and office space.

b. Network/System Security – The risk of unauthorized access to networks/systems by internal or external parties.

c. Information Security & Records Management

   i. Electronic Records/Data – The risk of not preserving the confidentiality and integrity of electronic records/data as they are collected/created, stored, transported, shared/distributed, retained or destroyed.
   ii. Physical Records/Data – The risk of not preserving the confidentiality and integrity of physical records/data as they are collected/created, stored, transported, shared/distributed, retained or destroyed.

12. Business Continuity/Infrastructure Risk

a. Facilities – The risk of business interruptions attributable to loss of use of SBA facilities.

b. Communication Systems – The risk of business interruptions due to ineffective or non operative telecommunication resources and/or equipment (i.e., telephone and internet).

c. Data/System Recovery – The risk of not being able to recover data required for performance of critical business functions.

d. Process Recovery – The risk of not being able to resume critical business processes after business interruptions.

13. Legal Risk

a. Contract Development – The risk that a contract does not accurately or adequately incorporate business, legal and other requirements of stakeholders.

b. Legal Advisory – The risk of incorrect and/or incomplete legal advice provided by internal or external counsel.

SECTION 6

SBA's non-investment management responsibilities

Section 6-A: MyFRS Financial Guidance

The goal of the MyFRS Financial Guidance Program is to provide objective information to help members make informed retirement planning choices that meet their individual goals and needs.

The award-winning MyFRS Financial Guidance Program is a landmark program that gives FRS members convenient access to personalized multimedia retirement planning services. 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 offers 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, short videos (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 Service 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.

Table S6-1 illustrates the demand for services offered by the MyFRS Financial Guidance Program.

TABLE S6-1: MYFRS FINANCIAL GUIDANCE PROGRAM
Fiscal Year 2009 10 Employee Usage

	Fiscal Year 2009-10	Change From Prior Year
Toll-Free MyFRS Guidance Line Counseling Calls	190,721	-3%
MyFRS.com Sessions	1,462,509	-6%
Retirement Income Forecasts	981,618	18%
New Hire Choice Service	6,405	-48%
2nd Election Choice Service	97,754	-5%
Personal Online Advisor Service	125,465	1%
Workshop Attendance	12,561	-1%
Personalized Printed Statements		
New Hire Benefit Comparison Statements	43,933	-10%
Personal Retirement Forecast Statements	Sent to employers via email for distribution	

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

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 today's mobile workforce because about one-half of new FRS

During the fiscal year, nearly 45,000 newly-hired employees had the opportunity to choose between the two FRS retirement plans.

hires will leave their jobs before meeting the six-year requirement to qualify for FRS Pension Plan benefits. The FRS Pension Plan offers employees formula-based pension benefits that are guaranteed for life, based on salary and years of service.

During the fiscal year, nearly 45,000 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 and 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 one of the unbiased financial planners and to log on to the program website www.MyFRS.com to run additional benefit projections using the online choice service.

Table S6-2 illustrates that the rate of active enrollment in the FRS Investment Plan held steady during the 2009-10 fiscal year following the unstable market conditions of 2008.

Table S6-2: FRS Enrollments by Newly-Hired Employees
Inception of the FRS Investment Plan through June 2010

	Defaults into Pension Plan	Active Enrollments into Pension Plan	Active Enrollments into Investment Plan*	Total Enrollments
Sept. 2002 – June 2003	86%	6%	8%	100%
FY 2003 04	74%	11%	16%	100%
FY 2004 05	61%	18%	21%	100%
FY 2005 06	58%	18%	24%	100%
FY 2006 07	59%	18%	23%	100%
FY 2007 08	54%	20%	26%	100%
FY 2008 09	55%	22%	23%	100%
FY 2009 10	56%	21%	23%	100%

* Includes active enrollments into the Hybrid Option.
• Historic amounts may differ from those previously reported due to reinstatements and plan reversals.
• Rounding may prevent rows from totaling to 100%.

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. In recent years, the proportion of employees who default into the FRS Pension Plan has been well below the levels experienced in the early years of the Investment Plan. The rate fell from a high of 86% in 2003 to a low of 54% in 2008. However, the last two fiscal years have seen small increases, with the defaults at 56% this past year. Nonetheless, the actual rate of conscious choice is likely higher than these numbers suggest. Survey data indicates that as many as 45% of defaulting members used the default option as their active retirement plan choice, believing that if they knowingly defaulted, there could be no clerical mistakes made in effectuating their plan choice.

Section 6-B: 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 2009-10, the SBA reviewed three separate proposals from investment providers to FDCP and SUSORP requesting new manager hiring or termination of existing managers.

Section 6-C: 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.

Section 6-D: Administrative Services

For an annual fee, 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 charged 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 support services received.

Section 6-E: Corporate Governance

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 disclosure, accurate financial reporting, ethical business practices and policies that protect and enhance the value of SBA investments.

Through our corporate governance activities, the SBA spurs public companies to take action on issues that may affect 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.

The SBA publishes an annual report detailing its corporate governance activities and objectives, and provides comprehensive disclosures surrounding proxy voting actions and other general information, available electronically at www.sbafla.com, under the Corporate Governance tab.

The SBA's corporate governance activities are focused on enhancing share value and ensuring that public companies are accountable to their shareowners.

SECTION 7
glossary of investment terms

This glossary is an abbreviated guide to investment/financial terminology and vocabulary often used by the State Board of Administration. While every effort has been made to present accurate and up-to-date definitions, this glossary should be used as a resource to assist readers, not as an authority. Institutional investing is a complex and rapidly changing field, and it would be impractical to include every applicable term. Readers should refer to standard texts and reference material for more detail.

Active asset managers	Asset managers who rely on analytical research, forecasts, and their own judgment and experience in making investment decisions on what investments to buy, hold and sell. This is in contrast to passive asset managers who seek to hold a defined mix of securities, typically to track the returns of a market index.
Alpha	A measure of risk-adjusted performance which captures risk attributable to the specific security rather than the overall market. A high alpha value implies that the investment has performed better than would have been expected relative to the overall market (beta).
Alternative Investments	Investments considered outside of the traditional publicly traded asset classes of stocks, bonds and cash. Examples of alternative investments include investments in a private equity fund, venture fund, hedge fund, or distress fund or a direct investment in a portfolio company through an investment manager.
Asset allocation	The division of assets on a percentage basis among different broad categories of investments, including stocks, bonds, etc. Asset allocation is a key strategy for managing the risk associated with investing and over the long-term will explain 90% of a fund's result.
Asset-Backed Commercial Paper	Short-term debt that is backed by assets held in trust to pay investors in the case of default, such as cash flows from receivables. Asset-backed commercial paper is issued by a financial institution and typically has a maturity of three to six months.
Asset-Backed Securities (ABS)	Bonds or notes backed by loans, accounts receivable, mortgages or other assets.
Asset class	An aggregation of one or more portfolios with the same principal asset type (global equities, for example).
Barclays Capital Aggregate Bond Index	A debt index for U.S. investment grade fixed income securities. The index covers the U.S. dollar

denominated, investment grade, fixed-rate, taxable bond market of SEC-registered securities.

Barclays U.S. TIPS Index — An index used to measure the performance of Treasury Inflation-Protected Securities which adjust their principal and coupon to match increases in inflation and decreases in deflation as measured by the Consumer Price Index.

Basis point — One one-hundredth of one percent; i.e., 1/10,000.

Benchmark return — A benchmark is an index or market average whose movement is considered a general indicator of the direction of the overall asset class and against which investors may measure the performance of portfolios or asset classes.

Beta — A measure of the portion of the volatility of a stock or portfolio that is correlated with movements in the overall stock market. A beta of less than one indicates lower risk than the market; a beta of more than one indicates higher risk than the market.

Bond — A debt security issued by a company or government agency. The bond issuer promises to pay the bond holder a stated rate of interest up to the date of maturity, when the issuer promises to repay the principal.

CAMP — Commingled Asset Management Program, an investment pool for certain non-pension assets managed by the SBA.

Cash instruments — Short-term bonds that mature in less than one year issued by governments, corporations and other borrowers.

Co-investment — An investment into a company that is backed by a private equity fund in which the investor participates.

Commercial Mortgage-Backed Securities (CMBS) — A type of mortgage-backed security backed by commercial mortgages rather than residential mortgages.

Commercial paper — Short-term debt obligations with maturities ranging from 2 to 270 days issued by banks, corporations, and other borrowers.

Commingled investment vehicle — An investment that pools funds of individual accounts with each account owning a share of the total investment.

Corporate Governance Program — A function carried on by the SBA and other institutional investors which focuses on the relationship between a company's officers, directors, shareowners, stakeholders and government regulators, and how these parties interact to oversee the operations of a company. Particular emphasis is placed on managing the inherent tensions between a company's shareowners and the board of directors and management. Proxy voting (e.g., voting for corporate boards of directors) is a key corporate governing activity.

Credit quality ratings	The best known agencies that provide credit quality ratings are Standard & Poor's, Moody's, and Fitch. Credit ratings of BBB or better are considered "investment grade"; credit ratings of BB and below are lower rated securities ("high yield bonds"); and credit ratings of CCC or below are considered to have the highest default risk.
Credit spread	The difference in interest rates between Treasury securities and non-Treasury securities which are identical in all respects except for quality rating.
Custodian	An organization, usually a bank, which holds assets for safekeeping and performs accounting and clearing functions.
Derivative instruments	Financial instruments which derive their value from the characteristics of one or more referenced assets. For example, a futures contract on the S&P 500 index has a value determined by the performance of the S&P 500 index.
Developed aggregate	A composite of portfolios consisting of investments in developed non-U.S. markets.
Diversification	An investment strategy for spreading investments among different markets, sectors, industries, time frames and securities. The goal is to protect the value of the overall portfolio in case a single security or market sector takes a serious downturn.
Domestic Equity (asset class, combined with Foreign Equity asset class to form the Global Equity asset class effective July 1, 2010)	An asset class consisting principally of stocks of companies incorporated in the United States.
Emerging market	A foreign economy that is developing and has created its own financial markets.
Emerging market aggregate	A composite of portfolios consisting of investments in emerging markets.
Enhanced index fund	A portfolio that aims to modestly outperform the underlying index by taking small overweight and underweight positions relative to an index and/or by using trading strategies opportunistically.

Equity risk premium	The excess return that stock investments provide over a risk-free rate. The premium stems from the risk-return tradeoff, in which a higher rate of return is required to entice investors to take on riskier investments. The risk-free rate in the market is often quoted as the rate on longer term government bonds, which are considered risk free because of the low chance that the government will default on its loans. However, the SBA typically uses this term to indicate the difference between returns on stocks and other ownership-interest investments from those of bonds and other credit instruments in general.
External asset management	Management of investments by outside financial experts acting as fiduciaries on behalf of the SBA.
Fed (Federal Reserve) Funds Rate	The interest rate that banks charge each other for the use of funds (typically overnight).
Fiduciary	A person legally appointed and authorized to exercise discretion over assets held in trust for another person. The fiduciary manages the assets solely for the benefit of the other person. Advisors can also serve as fiduciaries.
Fixed Income (asset class)	An asset class consisting principally of investment grade bonds.
Foreign Equity (asset class, combined with Domestic Equity asset class to form the Global Equity assset class effective July 1, 2010)	An asset class consisting principally of stocks of companies incorporated outside the United States.
Funded ratio	A measure commonly used to gauge the health of a pension fund, calculated by dividing actuarial assets by actuarial liabilities, expressed as a percentage. An index of 100% indicates full funding; i.e., assets are sufficient to pay all accrued benefits including those resulting from future service and salary increases.
Global Equity (asset class, new asset class that combines Domestic Equity and Foreign Equity asset classes effective July 1, 2010)	Combining of the Domestic and Foreign Equities asset classes, consisting principally of stocks of companies located in the United States or internationally.
Gross Domestic Product	The monetary value of all the finished goods and services produced within a country's borders, usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports minus imports.
Growth strategy	An investment strategy whose goal is to provide capital appreciation over the long-term in part by focusing on companies expected to have above average earnings growth.

Hedge fund	A private investment partnership in which the General Partner may take both long and short positions, use leverage and derivatives, and invest in many markets.
High yield bonds	Fixed income securities that are rated below investment grade (below BBB-) by the major rating agencies.
Inflation-protected security	A bond whose face value at maturity and contemporaneous interest yield are adjusted to compensate for inflation. This is in contrast to conventional or "nominal" bonds which are not inflation adjusted. They are sometimes referred to as "real" bonds.
Internal asset management	The direct management of investments by SBA staff.
Investment grade	A bond rating of AAA to BBB-.
Investment strategy	The plan an investor uses when deciding how to allocate capital among several asset types including stocks, bonds, cash equivalents, commodities, 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.
Large cap	Depending on the reference stock index (e.g., S&P, Russell, etc.), the largest 500 or 1,000 companies based on market capitalization. For example, the Russell Indices define large cap to encompass companies with over $5 billion in capitalization, which in the U.S. is approximately 1,000 firms.
Leverage	A loan or implicit borrowing, the proceeds of which are invested with the intent to earn a greater rate of return than the cost of interest.
LIBOR (London Interbank Offered Rate)	A daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale (interbank) money market.
Long-only investments	Investments in securities whose value is expected to increase over the investor's planning horizon. This is in contrast to short investing, where through special contractual arrangements an investor profits if specified securities decline in value over a pre-established time period.
Mandate	An SBA investment responsibility established as a requirement of Florida law.
Market capitalization	The value of a corporation as determined by the market price of its issued and outstanding common stock (number of shares times market price).

Mezzanine debt	A hybrid debt instrument incorporating a higher coupon with equity-based options, such as warrants, which is senior only to that of the common equity in a company's capital structure.
Mid cap	Middle-sized companies based on market capitalization, though exact size varies depending on the reference stock index. For example, the Russell Indices define mid cap to encompass companies with capitalization between $500 million and $5 billion.
Misfit	The difference between the aggregate return of the benchmarks of the individual portfolios that constitute an asset class or fund and the target index for that class or fund.
Mortgage-Backed Security (MBS)	A security backed by mortgage loans. Investors receive payments from the interest and principal payments of the underlying mortgages.
MSCI ACWI ex-U.S. Investable Market Index	A common benchmark for foreign equity asset classes: the Morgan Stanley Capital International All Country World Index excluding the U.S.
NASRA	National Association of State Retirement Administrators.
NCREIF-ODCE Index	The National Council of Real Estate Investment Fiduciaries – Open-ended Diversified Core Equity Index.
Net asset value (NAV)	The total market value of all the securities held, less any liabilities.
Passive asset management	An investment style that is intended to mirror a market index return, recognizing costs associated with buying and selling constituent securities.
Portable alpha	An investment strategy which has two separate components. Using the U.S. stock market as an example to illustrate the components, the first seeks to obtain portfolio returns that reflect only the manager's skill (alpha) in selecting investments within the U.S. stock market or in uncorrelated markets (e.g., short-term money markets), and thus be independent of the direction or magnitude of the U.S. stock market's movement. The elimination of stock market risk can potentially be accomplished through short selling or use of derivatives (e.g., futures, swaps, options). The second component seeks to obtain very low-cost U.S. stock market returns. This would typically be done through the use of futures or swaps.

Portfolio	Assets are managed within portfolios. A portfolio will typically contain one principal asset type (common stocks, for example), but may contain small amounts of other asset types as well. A portfolio is the basic organization unit of an asset class; an asset class is typically made up of several portfolios.
Private Equity (asset class)	An asset class consisting principally of equity investments through limited partnerships.
Proxy	The granting of authority by shareowners to others, most often corporate management, to vote their shares at an annual or special shareowners' meeting.
Real Estate (asset class)	An asset class consisting principally of direct-owned real properties, joint ventures, open-end and closed-end funds, and publicly traded real estate securities (e.g., Real Estate Investment Trusts).
Real Estate Investment Trust (REIT)	A trust that purchases and manages real estate property and pays net income to owners according to certain IRS requirements. REITs are generally publicly traded as stocks.
Rebalancing	Moving funds between asset classes to counteract the fact that asset classes perform differently over time and therefore make up different percentages of the fund than the desired long-term percentages.
Russell 1000	An index measuring the performance of approximately 1,000 of the largest companies in the U.S. equity markets.
Russell 2000	An index measuring the performance of the 2,000 smallest companies in the Russell 3000 Index.
Russell 3000	An index measuring the performance of approximately 3,000 of the largest companies in the U.S. equity markets.
S&P 500	An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors.
SBA managed return	The return actually earned by the investment activities of the SBA, commonly expressed as a percentage, net of fees.
SEC	The United States Securities and Exchange Commission.
Small cap	A company with market capitalization under $500 million.

STIPFRS	A cash sweep vehicle for all FRS portfolios intended to invest idle cash from multiple mandates in short-term fixed instruments.
Strategic Investments (asset class)	An asset class in the FRS Pension plan established to potentially contain a variety of portfolios which represent asset types or strategies not suitable for inclusion in other asset classes and a variety of opportunistic investments.
Structured Investment Vehicle (SIV)	A pool of investment assets that attempts to profit from credit spreads between short-term debt and long-term structured finance products such as asset-backed securities (ABS). Funding for SIVs comes from the issuance of commercial paper that is continuously renewed or rolled over; the proceeds are then invested in longer maturity assets that have less liquidity but pay higher yields. The SIV earns profits on the spread between incoming cash flows (principal and interest payments on ABS) and the high-rated commercial paper that it issues. SIVs often employ great amounts of leverage to generate returns.
Subprime	A classification of consumer borrowers considered to have poor credit histories and therefore low (i.e., below prime) credit scores.
Total return	The annual gain or loss on an equity or debt investment. It includes reinvested dividends or interest, plus any change in the market value of the investment. When total return is expressed as a percentage, it is figured by dividing the increase in value, plus dividends or interest, by the original purchase price.
Value added	The difference between the SBA's managed return and the fund's benchmark.
Value investing	A strategy of investing in stocks that are considered undervalued relative to other stocks.
Venture capital funds	A fund that invests in start-up companies with strong growth potential.
Wilshire RESI Index	An index used to measure the performance of publicly traded real estate securities in the United States.

SECTION 8

appendix

Investment Policy Statements/Guidelines

This appendix contains copies of all fund- or trust-level SBA investment policies that were modified or newly adopted during fiscal year 2009-10. Copies of all such documents that were in effect at the close of the prior fiscal are contained in the electronic supplement to the SBA's 2008-09 Investment Report, available at www.sbafla.com/annualreports.

CONTENTS

Burnham Institute

EXHIBIT A

INVESTMENT GUIDELINES

1. Through this Trust Agreement, OTTED and Awardee direct the Trustee to establish an investment program consistent with the following objectives:
   a) The primary objective is to provide liquidity to fund the anticipated disbursement schedule of Awardee through 2015, with very limited risk of principal. The principal disbursement schedule, not including partial interest payments and securities lending income payments described in paragraph 5 below, is set out in Table 1.
   b) A secondary objective is to construct such a portfolio, which maximizes the overall yield available in the market given the quality, liquidity and funding constraints.
2. Within five (5) business days of the execution of this Trust Agreement by the respective parties, the Trustee shall receive the Incentive Funds from OTTED, as provided for in Section 2 hereof. The Trustee shall promptly deposit the Incentive Funds in the Commingled Asset Management Program Money Market Pool (CAMP MM) and shall thereafter purchase individual fixed income securities in an orderly and expeditious fashion, subject to the following:
   a) The CAMP MM investment guidelines are described in Attachment 1 to Exhibit A.
   b) Fixed income investments will be made in high quality, readily marketable coupon-bearing securities which will mature in amounts, including earnings, reasonably sufficient to meet the anticipated disbursement schedule and subject to the following guidelines:
      i) Investments may be in bonds, notes, or other obligations of the United States or those guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof, consistent with Section 215.47(1)(a), Florida Statutes.
      ii) Investments may be in notes, bonds, and other obligations of agencies of the United States, consistent with Section 215.47(1)(i), Florida Statutes.
      iii) Except for those obligations identified in paragraph 2.b.i above, investments must be rated investment grade by at least one National Recognized Statistical Rating Organization (NRSRO), or if not rated, deemed by SBA to be the equivalent of investment grade. Short-term investments must be rated in the highest two categories by at least one NRSRO.
      iv) Investments shall be held until maturity, unless this Trust Agreement is amended.
      v) Investments shall be laddered in order to mature within the month of

iv) Investments shall be held until maturity, unless this Trust Agreement is amended.

v) Investments shall be laddered in order to mature within the month of scheduled disbursements.

c) Consistent with Section 4(e), the Trustee is authorized to lend, or provide for the lending of any securities purchased or held as investments under this Trust Agreement, to brokers, dealers or other borrowers pursuant to Section 215.47(16), Florida Statutes. All securities lending proceeds received by the Trust will be invested in CAMP MM, pending scheduled disbursements.

d) Any coupon interest and principal payments received from investments will be invested in CAMP MM, pending scheduled disbursements.

3. At all times, the Incentive Funds held by the Trustee shall be separately accounted for within CAMP MM, or such other applicable fund or individual securities in which the Incentive Funds may be deposited in the manner provided for in this Trust Agreement, and shall be expressly designated on the books and records thereof as trust funds to be held and invested pursuant to the terms of this Trust Agreement.
4. Should individual fixed income investments need to be liquidated prior to maturity, because of an amendment to this Trust Agreement, sales will not be constrained by either gains or losses resulting from such transactions.
5. In addition to the amounts shown in Table 1, Trustee shall also disburse annual interest earned by Trustee's investment of the Incentive Funds held in trust by Trustee to Awardee on September 30 of each year from 2007 through 2015 in accordance with Section 4(a). Further, securities lending income pursuant to Section 4(e) shall be disbursed consistent with the prior sentence. None of the foregoing shall preclude the Trustee from receiving fees and other charges as set forth in this Trust Agreement.

Exhibit A, Table 1: Principal Disbursement Schedule
(in 000's)

	Effective Date	September 30, 2009	September 30, 2010	September 30, 2011	September 30, 2012
Amount paid to Awardee by Trustee at OTTED's direction	$ 45,350	$17,071	$17,059	$18,325	$19,346

	September 30, 2013	September 30, 2014	September 30, 2015	Total
Amount paid to Awardee by Trustee at OTTED's direction[1]	$17,773	$15,937	$4,411	$155,272

ATTACHMENT 1 – EXHIBIT A

Investment Policy Guidelines
CAMP MONEY MARKET (Non-Qualified)
Effective November 20, 2008

I. Purpose and Scope

The purpose of these Investment Policy Guidelines ("Policy") is to set forth the investment objective, investment strategies, and authorized portfolio securities for the Commingled Asset Management Program Money Market Fund ("CAMPMM"). The Policy also describes the risks associated with an investment in the CAMPMM. The Policy does not apply to two securities issued by Florida East Funding LLC and Florida West Funding LLC that will be maintained in a separate account at BNY Mellon.

II. Overview of the CAMPMM

The State Board of Administration of Florida ("SBA") is charged with the powers and duties to administer and invest the CAMPMM, in accordance with the statutory fiduciary standards of care as contained in Section 215.47(9), Florida Statutes. The SBA has contracted with Federated Investment Counseling (the "Investment Manager") to provide investment advisory services for the CAMPMM.

The CAMPMM is governed by Chapter 215, Florida Statutes ("Applicable Florida Law").

III. Roles and Responsibilities

The Board of Trustees of the SBA ("Trustees") consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Trustees have delegated the administrative and investment authority to manage the CAMPMM to the Executive Director of the SBA, subject to Applicable Florida Law. The Trustees have appointed a six-member Investment Advisory Council.

IV. Amortized Cost Accounting

In March 1997, the Governmental Accounting Standards Board ("GASB") issued Statement 31, titled "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB 31 applies to CAMPMM.

GASB 31 outlines the two options for accounting and reporting for money market investment pools as either "2a-7 like" or fluctuating net asset value ("NAV"). GASB 31 describes a "2a-7 like" pool as an "external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the "1940 Act")." Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of $1.00 per share, provided that such funds meet certain conditions.

The CAMPMM will operate in a manner consistent with the diversification, credit quality and maturity conditions of Rule 2a-7. Accordingly, it qualifies for "2a-7 like" status under GASB 31, and is thereby permitted to use the amortized cost method to maintain a stable NAV of $1.00 per share.

V. Investment Objective

The primary investment objectives for the CAMPMM, in priority order, are safety, liquidity, and competitive returns with minimization of risks. Investment performance of the CAMPMM will be evaluated on a monthly basis against the Standard & Poor's U.S. AAA & AA Rated GIP All 30 Day Gross Yield Index. While there is no assurance that the CAMPMM will achieve its investment objectives, it endeavors to do so by following the investment strategies described in this Policy.

VI. Investment Strategies

The Investment Manager will invest the CAMPMM's assets in short-term, high-quality fixed income securities. To be considered high-quality, a security must be rated in the highest short-term rating category by one or more nationally recognized statistical rating organizations ("NRSROs"), or be deemed to be of comparable quality thereto by the Investment Manager, subject to Section 215.47(1)(j), Florida Statutes. The Investment Manager also may enter into special transactions for CAMPMM, like repurchase agreements.

The Investment Manager will perform a credit analysis to develop a database of issuers and securities that meet the Investment Manager's standard for minimal credit risk. The Investment Manager will monitor the credit risks of all the CAMPMM's portfolio securities on an ongoing basis by regularly reviewing the financial data, issuer news and developments, and ratings of NRSROs.

The Investment Manager will target a dollar-weighted average maturity range for the CAMPMM based on its interest rate outlook. The Investment Manager will formulate its interest rate outlook by analyzing a variety of factors, such as current and expected U.S. economic growth; current and expected interest rates and inflation; and the Federal Reserve Board's monetary policy. The Investment Manager will generally shorten the CAMPMM's dollar-weighted average maturity when it expects interest rates to rise and extend the CAMPMM's dollar-weighted average maturity when it expects interest rates to fall. The Investment Manager generally intends to maintain a dollar-weighted average maturity of 60 days or less for the CAMPMM.

The Investment Manager will generally limit exposure to not more than 25% of the CAMPMM's assets in a single industry sector, except that the Investment Manager may invest more than 25% in the financial services industry sector, which includes banks, broker-dealers, and finance companies. Government securities are not considered to be an industry.

The Investment Manager may invest up to 10% of the CAMPMM's assets in securities that are illiquid or of limited liquidity, as defined by the NRSRO that rates the Local Government Surplus Funds Trust Fund established by Chapter 218, Florida Statutes (the "LGIP").

In buying and selling portfolio securities for the CAMPMM, the Investment Manager will comply with the diversification, maturity and credit quality conditions imposed by Rule 2a-7 under the 1940 Act; with the criteria for a fund to maintain a AAAm rating (or the equivalent) by any NRSRO that rates the LGIP; and with the investment limitations imposed by Section 215.47, Florida Statutes.

The Investment Manager generally will comply with the following diversification limitations that are additional to those set forth in Rule 2a-7. First, at least 50% of the CAMPMM assets will be invested in securities rated "A-1+" or those deemed to be of comparable credit quality thereto by the Investment Manager, subject to Section 215.47(1)(j), Florida Statutes. Second, exposure to any single non-governmental issuer will not exceed 5% and exposure to any single money market mutual fund will not exceed 10% of CAMPMM assets.

VII. Portfolio Securities and Special Transactions

The Investment Manager will purchase only fixed income securities for the CAMPMM, and may engage in special transactions, for any purpose that is consistent with the CAMPMM's investment objective.

Fixed Income Securities are securities that pay interest, dividends or distributions at a specified rate. The rate may be a fixed percentage of the principal or adjusted periodically. In addition, the issuer of a short-term fixed income security must repay the principal amount of the security, normally within a specified time. The fixed income securities in which the CAMPMM may invest include corporate debt securities, bank instruments, asset backed securities, U.S. Treasury securities, U.S. government agency securities, insurance contracts, municipal securities, foreign securities, mortgage backed securities, and shares of money market mutual funds. However, the CAMPMM is not permitted to buy such fixed income securities to the extent that they require the CAMPMM to be an accredited investor or a qualified institutional buyer.

Special Transactions are transactions into which the CAMPMM may enter, including repurchase agreements and delayed delivery transactions.

For a more detailed description of the CAMPMM's portfolio securities and Special Transactions, please see "Additional Information Regarding the CAMPMM's Principal Securities" at Appendix A.

VIII. Principal Risks Associated with the *CAMPMM*

An investment in the CAMPMM is subject to certain risks. Any investor in the CAMPMM should specifically consider, among other things, the following principal risks before making a decision to make an investment in CAMPMM.

Risk that the CAMPMM will not Maintain a Stable Net Asset Value

Although the Investment Manager attempts to manage the CAMPMM such that it maintains a stable NAV of $1.00 per share, there is no guarantee that it will be able to do so. The CAMPMM is not registered under the 1940 Act or regulated by the SEC.

Interest Rate Risks

The prices of the fixed income securities in which the CAMPMM will invest rise and fall in response to changes in the interest rates paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall. However, market factors, such as demand for particular fixed income securities, may cause the price of certain fixed income securities to fall while the price of other securities rise or remain unchanged. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities. The Investment Manager will manage this risk by purchasing short-term fixed income securities.

Credit Risks

Credit risk is the possibility that an issuer of a fixed income security held by the CAMPMM will default on the security by failing to pay interest or principal when due. If an issuer defaults, the CAMPMM will lose money. The Investment Manager of the CAMPMM will manage this risk by purchasing high quality securities.

For additional information regarding the CAMPMM's non-principal risks, please see "Additional Risk Information" at Appendix B.

IX. Controls and Escalation Procedures

The SBA has engaged BNY Mellon ("Custodian") to provide asset safekeeping, custody, fund accounting and performance measurement services to the CAMPMM. The Custodian will mark to market the portfolio holdings of the CAMPMM on a daily basis, so that the SBA and the Investment Manager can monitor the deviations between the amortized cost price and market price. The Investment Manager will reconcile accounting and performance measurement reports with the Custodian on a regular basis, under the supervision of the SBA, in accordance with documented operational procedures to be approved by the SBA.

The SBA and third parties used to materially implement the CAMPMM will maintain internal control, fraud and ethics policies and procedures designed to prevent the loss of public funds.

The Executive Director will organize an Investment Oversight Group to regularly review, document and formally escalate compliance exceptions and events that may have a material impact on the CAMPMM. The Investment Oversight Group will meet and report monthly to the Executive Director, except upon the occurrence of a material event. The Investment Manager will disclose various items regarding the CAMPMM and its portfolio securities to the SBA in accordance with documented compliance procedures approved by the SBA. The SBA will, in turn, have an affirmative duty to immediately disclose any material impact on the CAMPMM to the participants.

1. When the deviation between the market value and amortized cost of the CAMPMM exceeds 0.25%, the Custodian will notify the Investment Manager and the Investment Oversight Group, and the Investment Manager will establish a formal action plan. The Investment Oversight Group will review the formal action plan and prepare a recommendation for the Executive Director's consideration.
2. When the deviation between the market value and amortized cost of the CAMPMM exceeds 0.50%, the Executive Director will promptly consider what action, if any, will be initiated. Where the Executive Director believes the extent of any deviation from the CAMPMM's amortized cost price per share may result in material dilution or other unfair results to investors or existing shareholders, he will cause the CAMPMM to take such action as he deems appropriate to eliminate or reduce to the extent reasonably practicable such dilution or unfair results.
3. The Investment Manager will perform daily compliance monitoring to ensure that investment practices comply with the requirements of this Policy, according to documented compliance procedures approved by the SBA. The Investment Manager will provide regular compliance reports and will communicate compliance exceptions within 24 hours of identification to the Investment Oversight Group. Additionally, the Investment Oversight Group will periodically conduct independent compliance reviews.
4. In the event that a security no longer meets the criteria for purchase due to default, event of insolvency, a credit rating downgrade or other material event ("Affected Security"), the Investment Manager must either dispose of the security within five business days or present a justification for the retention of the security to the Investment Oversight Group within three business days. If an Affected Security matures within 5 business days, no further action is required. An Affected Security

may be held after five days only if the Executive Director has determined, based upon a recommendation from the Investment Manager and the Investment Oversight Group, that it would not be in the best interest of the CAMPMM to dispose of the security taking into account market conditions that may affect an orderly disposition.

The Executive Director's delegated authority as described in this section is intended to provide him with sufficient authority and operating flexibility to make professional investment decisions in response to changing market and economic conditions.

X. Deposits and Withdrawals

Investors should refer to the separate CAMPMM Operating Procedures for detailed descriptions regarding how to make deposits in and withdrawals from the CAMPMM, including (1) any fees and limitations that may be imposed with respect thereto; and (2) reports provided to participants.

XI. Management Reporting

The Executive Director will be responsible for providing the following formal periodic reports to the Trustees:

1. An annual report on the SBA and its investment portfolios, including that of the CAMPMM.
2. A monthly report on performance and investment actions taken.

APPENDIX A

1.1. *Additional Information Regarding CAMPMM's Principal Securities*

Throughout this appendix it shall be understood that actions described as being taken by the CAMPMM refer to actions taken by the Investment Manager on behalf of the CAMPMM.

FIXED INCOME SECURITIES

Corporate Debt Securities

Corporate debt securities are fixed income securities issued by businesses. Notes, bonds, debentures and commercial paper are the most prevalent types of corporate debt securities. The CAMPMM also may purchase interests in bank loans to companies.

COMMERCIAL PAPER

Commercial paper is an issuer's obligation with a maturity of less than nine months. Companies typically issue commercial paper to pay for current expenditures. Most issuers constantly reissue their commercial paper and use the proceeds (or bank loans) to repay maturing paper. If the issuer cannot continue to obtain liquidity in this fashion, its commercial paper may default.

DEMAND INSTRUMENTS

Demand instruments are corporate debt securities that the issuer must repay upon demand. Other demand instruments require a third party, such as a dealer or bank, to repurchase the security for its face value upon demand. The CAMPMM treats demand instruments as short-term securities, even though their stated maturity may extend beyond one year.

Bank Instruments

Bank instruments are unsecured interest bearing deposits with banks. Bank instruments include, but are not limited to, bank accounts, time deposits, certificates of deposit and banker's acceptances. Yankee instruments are denominated in U.S. dollars and issued by U.S. branches of foreign banks. Eurodollar instruments are denominated in U.S. dollars and issued by non-U.S. branches of U.S. or foreign banks.

The CAMPMM will not invest in instruments of domestic and foreign banks and savings and loans unless they have capital, surplus, and undivided profits of over $100,000,000, or if the principal amount of the instrument is insured by the Bank Insurance Fund or the Savings Association Insurance Fund which are administered by the Federal Deposit Insurance Corporation. These instruments may include Eurodollar Certificates of Deposit, Yankee Certificates of Deposit, and Euro-dollar Time Deposits.

Asset Backed Securities

Asset backed securities are payable from pools of obligations, most of which involve consumer or commercial debts. However, almost any type of fixed income assets (including other fixed income securities) may be used to create an asset backed security. Asset backed securities may take the form of commercial paper, notes or pass-through certificates.

U.S. Treasury Securities

U.S. Treasury securities are direct obligations of the federal government of the United States. U.S. Treasury securities are generally regarded as having the lowest credit risks.

Agency Securities

Agency securities are issued or guaranteed by a federal agency or other government sponsored entity (GSE) acting under federal authority. Some GSE securities are supported by the full faith and credit of the United States. These include securities issued by the Government National Mortgage Association, Small Business Administration, Farm Credit System Financial Assistance Corporation, Farmer's Home Administration, Federal Financing Bank, General Services Administration, Department of Housing and Urban Development, Export-Import Bank, Overseas Private Investment Corporation, and Washington Metropolitan Area Transit Authority.

Other GSE securities receive support through federal subsidies, loans or other benefits. For example, the U.S. Treasury is authorized to purchase specified amounts of securities issued by (or otherwise make funds available to) the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, and Tennessee Valley Authority in support of such obligations.

A few GSE securities have no explicit financial support, but are regarded as having implied support

Credit System, Financing Corporation, and Resolution Funding Corporation.

Investors regard agency securities as having low credit risks, but not as low as Treasury securities. The CAMPMM treats mortgage-backed securities guaranteed by a GSE as if issued or guaranteed by a federal agency. Although such a guarantee protects against credit risks, it does not reduce market risks.

Insurance Contracts

Insurance contracts include guaranteed investment contracts, funding agreements and annuities. The CAMPMM treats these contracts as fixed income securities.

Municipal Securities

Municipal securities are issued by states, counties, cities and other political subdivisions and authorities.

Foreign Securities

Foreign securities are U.S. dollar-denominated securities of issuers based outside the United States. The CAMPMM considers an issuer to be based outside the United States if:

- it is organized under the laws of, or has a principal office located in, another country;
- the principal trading market for its securities is in another country; or
- it (or its subsidiaries) derived in its most current fiscal year at least 50% of its total assets, capitalization, gross revenue or profit from goods produced, services performed or sales made in another country.

Mortgage Backed Securities

Mortgage backed securities represent interests in pools of mortgages. The mortgages that comprise a pool normally have similar interest rates, maturities and other terms. Mortgages may have fixed or adjustable interest rates. Interests in pools of adjustable rate mortgages are known as ARMs.

Zero Coupon Securities

Certain of the fixed income securities in which the CAMPMM invests are zero coupon securities. Zero coupon securities do not pay interest or principal until final maturity unlike debt securities that provide periodic payments of interest (referred to as a "coupon payment"). Investors buy zero coupon securities at a price below the amount payable at maturity. The difference between the purchase price and the amount paid at maturity represents interest on the zero coupon security. Investors must wait until maturity to receive interest and principal, which increases the interest rate and credit risks of a zero coupon security.

Callable Securities

Certain of the fixed income securities in which the CAMPMM invests are callable at the option of the issuer. Callable securities are subject to reinvestment risks.

144A Securities

The SBA has determined that the CAMPMM constitutes a "qualified purchaser" as defined in Section 2(a)(51)(A)(iv) of the 1940 Act, as long as the CAMPMM in the aggregate owns and invests on a discretionary basis not less than $25,000,000 in investments, but does not constitute (i) a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act or (ii) an "accredited investor" as defined in Rule 501(a) promulgated under the Securities Act. The CAMPMM is restricted from purchasing or acquiring securities or investments that would require the CAMPMM to represent in connection with such purchase or acquisition that it is a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act or an "accredited investor" as defined in Rule 501(a) promulgated under the Securities Act.

Money Market Mutual Funds

The CAMPMM may invest in shares of registered investment companies that are money market mutual funds, including those that are affiliated with the Investment Manager, as an efficient means of implementing its investment strategies and/or managing its uninvested cash. These other money market mutual funds are managed independently of the CAMPMM and incur additional fees and/or expenses that would, therefore, be borne indirectly by the CAMPMM in connection with such investment. However, the Investment Manager believes that the benefits and efficiencies of this approach should outweigh the potential additional fees and/or expenses. The Investment Manager must obtain prior written consent of the SBA to invest the CAMPMM in money market mutual funds that are "affiliated persons" of the Investment Manager.

SPECIAL TRANSACTIONS

The Investment Manager on behalf of the CAMPMM may engage in the following special transactions.

Repurchase Agreements

Repurchase agreements involve transactions in which the CAMPMM buys a security from a dealer or bank and agrees to sell the security back at a mutually agreed-upon time and price. The repurchase price exceeds the sale price, reflecting the CAMPMM's return on the transaction. This return is unrelated to the interest rate on the underlying security. The CAMPMM will enter into repurchase agreements only with banks and other recognized financial institutions, such as securities dealers, deemed creditworthy by the Investment Manager.

The CAMPMM's custodian or subcustodian will take possession of the securities subject to repurchase agreements. The Investment Manager or subcustodian will monitor the value of the underlying security each day to ensure that the value of the security always equals or exceeds the repurchase price.

Repurchase agreements are subject to credit risks.

Delayed Delivery Transactions

Delayed delivery transactions, including when-issued transactions, are arrangements in which the CAMPMM buys securities for a set price, with payment and delivery of the securities scheduled for a future time. During the period between purchase and settlement, no payment is made by the CAMPMM to the issuer and no interest accrues to the CAMPMM. The CAMPMM records the transaction when it agrees to buy the securities and reflects their value in determining the price of its units. Settlement dates may be a month or more after entering into these transactions so that the market values of the securities bought may vary from the purchase prices. Therefore, delayed delivery transactions create interest rate risks for the CAMPMM. Delayed delivery transactions also involve credit risks in the event of a counterparty default.

Asset Coverage

In order to secure its obligations in connection with derivative contracts or special transactions, the CAMPMM will either own the underlying assets, enter into an offsetting transaction or set aside readily marketable securities with a value that equals or exceeds the CAMPMM's obligations. Unless the CAMPMM has other readily marketable assets to set aside, it cannot trade assets used to secure such obligations without terminating a special transaction. This may cause the CAMPMM to miss favorable trading opportunites or to realize losses on special transactions.

1.2. *APPENDIX B*

Additional CAMPMM Risk Information

Throughout this appendix it shall be understood that actions described as being taken by the CAMPMM refer to actions taken by the Investment Manager on behalf of the CAMPMM.

1. Liquidity Risks

Trading opportunities are more limited for fixed income securities that are not widely held. These features make it more difficult to sell or buy securities at a favorable price or time. Consequently, the CAMPMM may have to accept a lower price to sell a security, sell other securities to raise cash or give up an investment opportunity, any of which could have a negative effect on the CAMPMM's performance.

2. Concentration Risks

A substantial part of the CAMPMM's portfolio may be comprised of securities issued by companies in the financial services industry or companies with similar characteristics; or securities credit enhanced by banks or companies with similar characteristics. As a result, the CAMPMM may be more susceptible to any economic, business, political or other developments that generally affect finance companies. Developments affecting companies in the financial services industry or companies with similar characteristics might include changes in interest rates, changes in the economic cycle affecting credit losses and regulatory changes.

3. Risks of Foreign Investing

Foreign securities pose additional risks because foreign economic or political conditions may be less favorable than those of the United States. Securities in foreign markets also may be subject to taxation policies that reduce returns for U.S. investors.

4. Call Risks

If a fixed income security is called, the CAMPMM may have to reinvest the proceeds in other fixed income securities with lower interest rates, higher credit risks, or other less favorable characteristics.

5. Prepayment Risks

Unlike traditional fixed income securities, which pay a fixed rate of interest until maturity (when the entire principal amount is due), payments on asset-backed securities include both interest and a partial payment of principal. Partial payment of principal may be comprised of scheduled principal payments as well as unscheduled payments from voluntary prepayment, refinancing, or foreclosure of the underlying loans. If the CAMPMM receives unscheduled prepayments, it may have to reinvest the proceeds in other fixed income securities with lower interest rates, higher credit risks or other less favorable characteristics.

6. Risks Associated with Amortized Cost Method of Valuation

The CAMPMM will use the amortized cost method to determine the value of its portfolio securities. Under this method, portfolio securities are valued at the acquisition cost as adjusted for amortization of premium or accumulation of discount rather than at current market value. Accordingly, neither the amount of daily income nor the NAV is affected by any unrealized appreciation or depreciation of the portfolio. In periods of declining interest rates, the indicated daily yield on shares computed by dividing the annualized daily income on the CAMPMM's portfolio by the NAV as computed above may tend to be higher than a similar computation made by using a method of valuation based on market prices and estimates. In periods of rising interest rates, the opposite may be true.

Investment Portfolio Guidelines
Debt Service Funds
Bank of America Account Number: 003660048119

Approval by Deputy Executive Director: Kevin SigRist
Date: September 3, 2009

Purpose

In accordance with Section 215.69(1), Florida Statutes, the State Board of Administration administers all debt service funds for bonds issued by the Division of Bond Finance on behalf of any state agency, except as otherwise provided therein. Pursuant to Section 215.69(4), F.S., the Board is the agent of all reserve funds. The Board also acts as trustee of any sinking funds or other funds as provided for in Section 215.69(5), F.S. All such funds are invested by the Board in a manner consistent with the provisions of the authorizing bond resolutions.

Investment Objective

Debt Service Funds are considered non-discretionary accounts. An asset/liability matching strategy will generally be employed, with maturities matching scheduled principal and interest payments for original and refunded debt. Market judgment may be exercised in investing debt service reserves, as these funds may be placed in intermediate and/or long maturities unless restricted by bond indenture.

Implementation

Transactions are executed upon written instruction from the Debt Service section specifying the terms of investment.

The Division of Bond Finance shall determine the securities to be purchased for escrow funds.

Investment Restrictions/Compliance

Compliance with investment requirements will be determined before the close of the business day on which purchases are made by the designated compliance officer. No additional compliance process will be conducted on these funds due to the nature of the authorized investments. The following restrictions will be observed:

- Authorized investments for debt service are limited to U.S. Treasury securities (Federal Obligations) and any other investment specified in the bond indenture and approved by the Division of Bond Finance. Any additional investments may only be authorized via an amendment of these guidelines, except that repurchase agreements may be utilized with specific written instruction from the Debt Service section. Federal obligations shall not mean unit investment trusts or mutual funds.

- Maturities of investments will vary based upon the schedule of principal and interest payments on the various debt issues.

- The designated Compliance Officer will communicate compliance exceptions to the Investment Oversight Group at regular monthly meetings.

Evaluation

The Debt Service section maintains a debt service database used for evaluation.

Investment Portfolio Guidelines
Florida Lottery Prize Winners
BNY Mellon Accounting Number: FMXFF170002
BNY Mellon Name: Lottery

Approval by Deputy Executive Director: Kevin SigRist

Date: September 11, 2009

Purpose

The State Board of Administration is authorized by Section 24.120 Florida Statutes to invest prize winnings for the Florida Department of Lottery.

Investment Objective

The Board may provide investment services for various Department of Lottery games. The Board will invest winnings in accordance with a trust agreement between the Department of Lottery and the Board and pursuant to Sections 215.44 – 215.53 F.S.

As stated in the trust agreement, prize winnings will be invested in equal face amounts of U.S. Government or U.S. Government guaranteed debt, maturing on the same date each year for up to 29 years. Securities purchased may be zero coupon U.S. Treasury Strips or similar U.S. Government guaranteed obligations.

Transactions will be executed upon receiving written instruction from the Department of Lottery specifying the terms of investment. The investment process will be conducted on a competitive basis. Bids/offers will be solicited from dealers who are recognized by the Federal Reserve Bank of New York as primary reporting dealers for U.S. Government securities. Securities will be purchased from the firm offering the highest annual payment at the lowest cost over the required term. Sales will be executed with the firm providing the greatest total proceeds amount for a stream of cash flows.

Florida Lottery securities may be loaned to qualified borrowers in accordance with Florida Statutes.

Investment Restrictions/Compliance

Transactions will be reviewed on a monthly basis by the designated Compliance Officer.

Securities purchased may be zero coupon U.S. Treasury Strips or similar U.S. Government guaranteed obligations.

Evaluation

Transaction details will be reported to Lottery officials via facsimile or e-mail immediately following verification by SBA investment staff. Monthly reports will be provided to the Department of Lottery by the SBA Accounting unit.

The portfolio is managed on a non-discretionary basis, therefore a benchmark is not applicable.

Investment Policy Guidelines
Florida Hurricane Catastrophe Fund
and
Florida Hurricane Catastrophe Fund Finance Corporation (Pre-Event Liquidity Fund)
(Non-Qualified)
BNY Mellon Accounting Numbers: FMXFC030012 and FMXFC033052
BNY Mellon Name: FMXFCAN006 CATFund and FMXFCAN008 CAT2007A

Approval by Deputy Executive Director: Kevin SigRist

Date: January 20, 2010

Purpose

The Florida Hurricane Catastrophe Fund (FHCF) was created in November 1993 during a special legislative session. The purpose of the FHCF is to maintain a viable and orderly private sector residential insurance market in order to maintain sufficient capacity to enable residents of the state to obtain property insurance coverage. The FHCF provides reimbursement to insurers for a portion of their catastrophic hurricane residential property losses. The State Board of Administration of Florida (SBA) was given responsibility for establishing and operating the FHCF under Section 215.555, Florida Statutes. The statute created the Florida Hurricane Catastrophe Fund Finance Corporation (Corporation) as a public benefits corporation to provide a mechanism necessary for the cost-effective and efficient issuance of bonds. FHCF can issue pre-event taxable bonds or upon occurrence of a hurricane and a determination that the monies in the FHCF are or will be insufficient to pay the insurers under the reimbursement contracts, the Corporation may issue tax-exempt revenue bonds or engage in other financing transactions.

Prudent investment of the cash of the FHCF and the Corporation can serve to further the goal of maintaining residential property insurance capacity in the state. Therefore, the purpose of this policy is to set forth objectives, guidelines and restrictions applicable to the investment of the cash of the FHCF and the Corporation (collectively described herein as, “the Portfolios”, although all guidelines and other requirements apply individually to each FHCF and the Corporation portfolio).

Investment Policy Overview

The primary investment objective for the Portfolios is defined by the following prioritized goals: (i) liquidity, so that reimbursement to insurers can be paid in a timely manner; (ii) safety of principal; and (iii) competitive returns. Cash flow needs for the FHCF after a storm are difficult to project, but it is prudent to assume that significant amounts of cash would be needed to pay covered losses quickly. 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 achievement of these goals is of prime importance and should not be jeopardized in the quest for additional return on the Portfolios.

The investment policy guidelines will be reviewed at least annually, and revised as necessary, by the SBA and FHCF to evaluate the investment experience and market conditions to ensure their appropriateness. It will be necessary to monitor the impact of hurricane losses in the state to determine any potential liabilities of the FHCF, which will also affect the implementation of investment strategies.

Investment Restrictions/Compliance

The Portfolios should include only short-term, high quality and highly liquid fixed income securities as further described below.

Fixed Income Securities are securities that pay interest, dividends or distributions at a specified rate. The rate may be a fixed percentage of the principal or adjusted periodically. In addition, the issuer of a short-term fixed income security must repay the principal amount of the security, normally within a specified time. Permitted fixed income securities must be dollar-denominated and include corporate debt securities, bank instruments, US Treasury securities ("Government securities"), US Government Agency securities ("Agency securities"), Municipal securities, shares of Money Market mutual funds and other permitted types listed in Appendix A.

All securities purchased must be consistent with Section 215.47 of the Florida Statutes. Further:

(1) The SBA has determined that the FHCF constitutes (i) an "accredited investor" as defined in Rule 501(a)(7) promulgated under the Securities Act of 1933; as amended (the "Securities Act"), as long as the FHCF has total assets in excess of $5,000,000 and (ii) a "qualified purchaser" as defined in Section 2(a)(51)(A)(iv) of the Investment Company Act of 1940, as amended (the Investment Company Act") as long as the FHCF in the aggregate owns and invests on a discretionary basis not less than $25,000,000 in investments, but does not constitute a "qualified institutional buyer" as defined by the United States Securities and Exchange Commission in Rule 144A(a)(1) promulgated under the Securities Act of 1933. The SBA is restricted from purchasing or acquiring securities or investments on behalf of the FHCF that would require the SBA on behalf of the FHCF to represent in connection with such purchase or acquisition that it is a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act.

(2) The SBA has determined that the Corporation constitutes (i) an "accredited investor" as defined in Rule 501(a)(7) promulgated under the Securities Act of 1933; as amended (the "Securities Act"), as long as the Corporation has total assets in excess of $5,000,000 and (ii) a "qualified purchaser" as defined in Section 2(a)(51)(A)(iv) of the Investment Company Act of 1940, as amended (the Investment Company Act") as long as the Corporation in the aggregate owns and invests on a discretionary basis not less than $25,000,000 in investments, but does not constitute a "qualified institutional buyer" as defined by the United States Securities and Exchange Commission in Rule 144A(a)(1) promulgated under the Securities Act of 1933. The SBA is restricted from purchasing or acquiring securities or investments on behalf of the Corporation that would require the SBA on behalf of the Corporation to represent in connection with such purchase or acquisition that it is a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act.

For a more detailed description of allowable portfolio securities, please see "Types of Permitted Securities" at Appendix A.

Credit Quality

At the time of purchase, all investments must be rated in accordance with the following:

(1) Securities with short-term investment ratings must be rated in the highest applicable rating category from at least two of: Moody's, S&P, and/or Fitch (Moody's: P-1, S&P: A-1, Fitch: F1 without regard to any gradation within such category);

(2) Securities with long-term investment ratings must be rated by at least two of Moody's, S&P, and/or Fitch and must be at least A2 by Moody's, A by S&P, and/or A by Fitch;

(3) Money Market Funds must be rated Aaa by Moody's, AAAm by S&P or AAA by Fitch;

(4) Any asset-backed commercial paper or medium term note must have 100% liquidity support or credit enhancements in the form of an A-rated bank backstop. The Senior Investment Officer of Fixed Income is responsible for maintaining documentation, monitoring such liquidity and/or credit enhancements, and communicating changes to the designated Compliance Officer.

(5) Banker's Acceptances (BAs) and Certificates of Deposit (CDs) can be issued by any domestic or foreign bank with minimum capital of $100 million and the bank must have a minimum ratings of P-1 by Moody's or A-1 by S&P, or comparable long-term rating.

Diversification.

It is the FHCF's intent to maintain a properly diversified portfolio in order to reduce its risk from changes in the market for various classes of securities and to protect against changes in the financial health of any issuer of securities in the Portfolios. At the time of purchase:

(1) Treasury and Agency securities, Treasury and Agency money market funds, Notes whose principal and interest payments are fully insured by the FDIC, and Treasury and Agency Collateralized Repurchase Agreements must in total be at least 50% of the total portfolio's amortized cost.

(2) Corporate securities, Commercial Paper, Banker's Acceptances (BAs) and Certificates of Deposit (CDs), Municipal securities, and money market funds whose underlying assets are less than 100% Treasury and/or Agency securities in total cannot comprise more than 50% of the total portfolio's amortized cost.

(3) No more than 25% of the total portfolio's amortized cost shall be in a single industry sector except that the Portfolio Manager may invest more than 25% in the financial services industry sector, which includes banks, broker-dealers, and finance companies. This higher limit is in recognition of the large outstanding value of money fund instruments issued by financial services firms. Treasury and Agency securities are not considered to be part of an industry sector for these purposes.

(4) Securities of a single issuer (excluding Treasury and Agency securities) shall not represent more than 3% of the total portfolio's amortized cost. The Bloomberg Bond Ticker should be used to verify the issuer limit. The maximum single issuer limit can be 5% if timing issues related to delayed delivery transactions are the sole cause of this discrepancy, so long as the percentage is reduced back to 3% within 7 days.

(5) No more than 5% of the Portfolios may be invested in any one issuer of FDIC insured notes (issuer means the financial institution which issues through the Temporary Liquidity Guarantee Program and not the FDIC).

(6) Investments in an individual money market fund (including Treasury and Agency money market funds) shall be limited to those money market funds authorized as sweep vehicles at the SBA's custodian and, no more than 10% of the Portfolios may be invested in an individual money market fund (including any one Treasury or Agency money market fund).

(7) Municipal securities shall not represent more than 25% of the total portfolio's amortized cost.

(8) Repurchase Agreements shall not represent more than 25% of the total portfolio's amortized cost and must be collateralized at least 102% with U.S. Government, Agency, or Agency Mortgage Backed Securities. All Repurchase Agreements must be marked-to-market daily. The maximum percentage can be increased upon approval by Executive Director & Chief Investment Officer with a notification to FHCF.

(9) For Asset Backed Commercial Paper (ABCP) the supporting bank will be considered the issuer for concentration limit considerations.

Duration and Liquidity

The FHCF's intent under this policy is to have a short-term portfolio that can provide ready liquidity at a price approximating amortized cost. Limiting the duration of the investments in the Portfolios is one important way that this goal can be achieved. With that in mind, the following duration restrictions apply:

(1) Final maturities shall not exceed 397 days, with the exception of those for Government Securities and Agency Securities, which shall not exceed 3 years. The Portfolio Manager shall not enter into any contractual agreement for an investment that exceeds 3 years. No more than 20 percent (20%) of the Portfolios may be invested in fixed rate securities with remaining time to maturity exceeding 397 days.
(2) The dollar weighted average maturity to reset of the Portfolios shall not exceed 90 days (i.e., WAM shall not exceed 90 days), calculated using the interest rate reset period for any VROs.
(3) The dollar weighted average final maturity of the Portfolios shall not exceed 180 days (i.e., WAL shall not exceed 180 days), calculated using the stated legal maturity for any VROs.
(4) Banker's Acceptances and Certificates of Deposit must have a maximum maturity of less than 397 days.
(5) Repurchase Agreements can have a maximum term of 30 days.
(6) Asset-Backed Commercial Paper maturity is limited to 180 days.

Monitoring

The SBA will regularly monitor the FHCF portfolio to assess the Portfolios' ability to meet levels of credit risk, redemptions, and interest rate changes, including the following:

(1) On at least a weekly basis, the Senior Investment Officer will review and document the Portfolios':
  a. Interest rate sensitivity (i.e., days to reset).
  b. Spread duration (i.e., weighted average life and related measures).
  c. Natural maturity schedule.
  d. Holdings that meet the purchase requirements of these Investment Policy Guidelines, but:
    i. have elevated market risk and are on the "not approved list" for future purchases;
    ii. have elevated market risk.
  e. Holdings that do not meet the purchase requirements of these Investment Policy Guidelines.
(2) The designated Compliance Officer will perform monthly compliance monitoring to ensure that investment practices comply with the requirements of these Investment Portfolio Guidelines and will communicate compliance exceptions to the Investment Oversight Group and FHCF at regular monthly meetings. The Investment Oversight Group may agree to suspend the foregoing reporting to the extent that extraordinary market conditions, portfolio distributions, legacy portfolio holdings on October 30, 2009 or other events are expected to cause the Portfolios to remain out of compliance for a period of time and further reporting will not provide new information.
(3) At any time, in the event that a security no longer meets the criteria for purchase due to default, event of insolvency, a credit rating downgrade or other material event ("Affected Security"), the Senior Investment Officer must identify the Affected Security and cause the Portfolio Manager to either dispose of the security within 5 business days or present a justification for the retention of the security to the Investment Oversight Group within 3 business days. If an Affected Security matures within 5 business days, no further action is required. An Affected Security may be held after 5 days only if the Executive Director & Chief Investment Officer has determined, based upon a recommendation from the Senior Investment Officer and the Investment Oversight Group, that it would not be in the best interest of the Portfolios to dispose of the security taking into account market conditions that may affect an orderly disposition. FHCF and the Investment Oversight Group will be contemporaneously notified of any Affected Securities.
(4) When the deviation between the market value and amortized cost of FHCF exceeds:
  a. 0.50%, according to pricing information provided by the Custodian, the Portfolio Manager will establish a formal action plan. The Investment Oversight Group will review

the formal action plan and prepare a recommendation for the Executive Director & Chief Investment Officer's consideration.

b. 0.75%, according to pricing information provided by the Custodian, the Executive Director & Chief Investment Officer will promptly consider what action, if any, will be initiated. Where the Executive Director & Chief Investment Officer believes the extent of any deviation from FHCF amortized cost price per share may result in material dilution or other unfair results to asset classes or portfolios, the Executive Director & Chief Investment Officer will cause such action to be taken as the Executive Director & Chief Investment Officer deems appropriate to eliminate or reduce to the extent reasonably practicable such dilution or unfair results.

c. FHCF and the Investment Oversight Group will be contemporaneously notified should the deviation between the market value and amortized cost of the Portfolios exceed the preceding thresholds.

Other Restrictions

(1) Asset Backed Securities and Mortgage Backed Securities (including Agency MBS) are not permitted.
(2) Derivatives are not permitted.
(3) Subordinate obligations, regardless of ratings, are not permitted.
(4) Reverse Repurchase Agreements are not permitted.
(5) Securities Lending is not permitted.
(6) Variable or floating rate obligations with a demand feature are not permitted.
(7) Asset Backed Commercial Paper (ABCP) under the conditions described above are permitted, but extendible ABCP and commercial paper or medium term notes issued by Collateralized Debt Obligations are not permitted.
(8) All securities not explicitly listed as permitted investments are hereby deemed to be prohibited under this policy unless written permission is received from the Executive Director & Chief Investment Officer.
(9) Repurchase Agreements are only permitted when transacted with any registered broker/dealer or any U.S. branches of commercial banks whose unsecured short-term dollar-denominated debt obligations are rated at least "P-1" by Moody's and "A-1" by S &P without regard to gradation. However, term Repurchase Agreements are only permitted with counterparties with the highest such gradation (e.g., A-1+). In addition, (a) a specific written repurchase agreement must govern the transaction, (b) the securities must be held free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and (c) such party must be a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $100 million, and the Indenture Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee.

It is the responsibility of the SBA Fixed Income Staff to (i) ascertain prior to the purchase of any investment for the Portfolios that such purchase is allowable and that the Portfolios will be in compliance with all aspects of this policy subsequent to such purchase; and (ii) reasonably maintain compliance with all aspects of this policy. The FHCF staff will not independently verify compliance and therefore it is imperative for a robust and independent compliance process to be applied to the Portfolios as described above.

In addition, the SBA has an affirmative duty to immediately disclose any material impact on the Portfolios to the FHCF.

Evaluation

The Portfolios' performance evaluation will be conducted and reported to the FHCF monthly, net of all fees. The blend of 50% of the average of the three month Treasury Bill rate and 50% of the iMoneyNet First Tier Institutional Money Market Funds Gross Index will be used for evaluation. The SBA must provide reports on a monthly basis to enable the FHCF staff, advisory council, and governing board to understand how the Portfolios are invested and how they are performing versus the benchmark. As requested, the SBA will provide industry sector breakdowns, approved issuer and program lists and related credit analysis.

Appendix A-Types of Permitted Securities

Corporate Debt Securities

Corporate Debt securities are fixed income securities issued by private businesses. Notes, bonds, debentures and commercial paper are the most prevalent types of corporate debt securities. FHCF may also purchase interests in bank loans to companies.

Commercial Paper

Commercial Paper is an issuer's obligation with a maturity of less than 9 months. Companies typically issue commercial paper to pay for current expenditures. Most issuers constantly reissue their commercial paper and use the proceeds (or bank loans) to repay maturing paper. If the issuer cannot continue to obtain liquidity in this fashion, its commercial paper may default. Bank liquidity support for commercial paper can help reduce this risk.

Bank Instruments

Bank instruments are unsecured interest bearing deposits with banks. Bank instruments include, but are not limited to, bank accounts, time deposits, certificates of deposit and banker's acceptances. Yankee instruments are denominated in US dollars and issued by US branches of foreign banks. Eurodollar instruments are denominated in U.S. dollars and issued by non-U.S. branches of U.S. or foreign banks.

FHCF's Investment Managers will not invest in instruments of domestic or foreign banks and savings and loans unless they have capital, surplus and undivided profits of over $100,000,000, or if the principal amount of the instrument is insured by the Bank Insurance Fund or the Savings Association Insurance Fund which are administered by the Federal Deposit Insurance Corporation either directly or as part of CDARS (Certificate of Deposit Account Registry Service) program. These instruments may include Eurodollar Certificates of Deposit, Yankee Certificates of Deposit, and Eurodollar Time Deposits.

U.S. Treasury Securities

US Treasury securities are direct obligations of the federal government of the United States.

Agency Securities

Agency securities are issued or guaranteed by a federal agency or other Government-Sponsored Entity (GSE) acting under federal authority. Some GSE securities are supported by the full faith and credit of the United States. These include securities issued by the Government National Mortgage Association, Small Business Administration, Farm Credit System, Financial Assistance Corporation, Farmer's Home Administration, Federal Financing Bank, General Services Administration, Department of Housing and Urban Development, Export-Import Bank, Overseas Private Investment Corporation, and Washington Metropolitan Area Transit Authority.

Other GSE securities receive support through federal subsidies, loans, or other benefits. For example, the US Treasury is authorized to purchase specified amounts of securities issued by (or otherwise make funds available to) the federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Tennessee Valley Authority in support of such obligations.

A few GSE securities have no explicit financial support, but are regarded as having implied support because the federal government sponsors their activities. These include securities issued by the Farm Credit System, Financing Corporation, and Resolution Funding Corporation.

Notes issued through the US Government Temporary Liquidity Guarantee Program, whose interest and principal payments are fully and unconditionally guaranteed by the FDIC will be considered Agency Notes.

Municipal Securities

Municipal securities are issued by states, counties, cities, and other political subdivisions and authorities.

Foreign Securities

Foreign securities are US dollar-denominated securities of issuers based outside the United States. FHCF considers the issuer to be based outside the United States if: it is organized under the laws of, or has a principal office located in, another country; or it (or its subsidiaries) derived in its most current fiscal year at least 50% of its total assets, capitalization, gross revenue, or profit from goods produced, services performed or sales made in another country.

Money Market Mutual Funds

Money Market mutual funds are registered investment companies that comply with rule 2a-7 of the Investment Company Act of 1940.

Repurchase Agreements (REPOs)

Repurchase Agreements are a common form of short-term borrowing for dealers in government securities. The dealer sells the government securities to investors, usually on an overnight basis, and buys them back at an agreed upon price at a later date.

Florida Prepaid
March 31, 2010

EXHIBIT 1 TO ENCLOSURE 2: QMA LARGE CAP VALUE NARRATIVE OF STRATEGIC APPROACH

QMA uses a quantitative process to buy a diversified portfolio of low valued companies, including some of those that are the most out-of-favor. They do not look for catalysts that will reverse the fortunes of troubled companies. Rather, QMA looks to hold a diversified group of low valued companies, with the belief that, on average, the market has exaggerated their problems.

The investment objective is to exceed the Russell 1000 Value Index over a market cycle.

The philosophy underlying the large cap value product is that the most appropriate descriptor of low value is price/earnings ratio, using historic earnings which have been adjusted to get to historical operating earnings from continuing operations. An "expert system" identifies material items in reported earnings that warrant detailed review. Based on guidelines developed over the more than 20 years that adjustments have been made, team members verify that an appropriate adjustment is being made. Some of the more common examples of adjustments include: a gain or loss on the sale of an asset, a gain from a tax benefit or a charge due to corporate restructuring. The process does not attempt to recast GAAP earnings for accounting assumptions such as depreciation schedules or inventory valuation methods. Also, no attempt is made to project a company's earnings forward.

Adjusting earnings tends to add portfolio alpha when low fundamental valuations are favored in the market, but may detract from alpha when growth investing is dominating the market. The adjustment process results in a more diversified portfolio with respect to industry exposures than would otherwise be the case. Adjustments to earnings reduce the volatility of the earnings streams of the companies screened and held, and generally have the effect of lowering the portfolio turnover, which, in turn, is expected to increase alpha in the portfolio.

To improve the timing of purchases and sales the Manager focuses on persistency of low valuation by normalizing a company's price/earnings ratio over a two year period. Hence, companies must exhibit persistency of being low valued prior to purchase and being high valued prior to sale. Additionally, relative performance screens serve to give confirmation of low valued companies truly being out-of-favor prior to purchase, and in-favor prior to sale.

The portfolio typically consists of 125-200 security holdings in a modified equal weighting, with a maximum individual stock holding of generally 5% and a maximum single industry group of approximately 25%. The portfolio is normally fully invested, with cash typically representing 0-10%.

SCHEDULE B

of Agreement Between

QUANTITATIVE MANAGEMENT ASSOCIATES LLC ("Manager")

and the STATE BOARD OF ADMINISTRATION ("SBA")

The purpose of this Schedule B is to define the investment objective, special reporting requirements, and performance criteria for the Manager with respect to the Accounts and to cite any specific or unique investment authority or restrictions to the Manager.

1. **Investment Objective and Performance**: The Accounts are principally an equity management program for the SBA. The benchmark portfolio will be the Russell 1000 Value Index. A narrative explaining the Manager's strategic approach is set out below in this Schedule B. This information will be reviewed by both the Manager and the SBA and will be revised as necessary.

Manager performance will be gauged by the ability to meet or exceed the return of the benchmark portfolio consistently over time. Information sufficient to monitor performance against the benchmark will be prepared by the SBA and will be provided to the Manager at least semi-annually.

2. **Specific Investment Restrictions and Limitations**:

A. The Manager may select common stocks, Exchange Traded Funds (ETFs), and American Depositary Receipts (ADRs), and securities convertible into equity securities, and any such authorized equity securities may involve the issuance to the SBA of rights to purchase and warrants, as a result of the SBA’s ownership thereof, as authorized in Section 215.47 of the Florida Statutes.

B. The Manager is being hired as an equity only Manager. The cash holdings of the portfolio typically range from 0 to 10 percent. Holding cash or cash equivalents for the purpose of protecting the portfolio against perceived adverse equity market conditions will not be permitted. While the Manager is expected to remain fully invested over time, cash and cash equivalent holdings will be permitted up to a maximum of 10 percent of the Manager's portfolio for the purpose of making securities adjustments to the portfolio. As specified in Section 2 of this Agreement, the SBA will invest any cash balance that is in the Accounts, but the income and capital gain/loss from this investment will be credited to the Accounts.

C. The Manager shall confer with the SBA prior to commencing its investment program in order to ascertain SBA policies regarding investments and shall be bound by such policies and the Board's Comprehensive Investment Plans for the FCSP and FPCP (each a "CIP" and collectively, the "CIPs") attached hereto. In the event of a conflict between a CIP and the policies in this Schedule, the CIP shall prevail. However, notwithstanding the preceding sentence, the Manager may purchase as permitted investments, Exchange Traded Funds (ETFs), as provided in Paragraph 2.A. of this Schedule B, and further, the event market appreciation moves the value of a security to over 5% of the market value of the portfolio, the security will be sold down to the 5% limit within one month. The SBA shall provide the Manager with any amendments to the CIPs and the Manager shall not be responsible for complying with any amended CIP until it has received and has had a reasonable period of time to implement such CIP. The Manager may not invest in any instruments not specified herein in Schedule B.

D. Notwithstanding any provision of the Investment Management Agreement to the contrary, the Manager (i) is not authorized to invest in any publicly traded partnership which would cause the SBA to earn unrelated business taxable income under the provisions of Section

512(c)(2) of the Internal Revenue Code of 1986, as amended, (ii) is prohibited from acquiring or retaining for the Accounts any obligation, security or other investment which would be in violation of Sections 215.471 and 215.472, Florida Statutes, and (iii) shall divest of any Account investment in any institution doing business in or with Northern Ireland upon receipt of written direction from the SBA identifying the institution.

3. **Reporting**. The Manager will provide the Custodian with trade details on a daily basis and the Manager will also provide the Custodian with a monthly summary report to be used in the monitoring of performance.

The Manager will provide a performance report as well as a detailed schedule of all transaction costs to the SBA on a monthly basis.

4. **Revision**: The SBA may revise this Schedule B by written notification to the Manager without affecting any other parts of this Agreement. Any investment limitation or restrictions specified in Schedule B supersede any authority given in any other part of this Agreement.

ENCLOSURE: Manager's Narrative of Strategic Approach.

QMA uses a quantitative process to buy a diversified portfolio of low valued companies, including some of those that are the most out-of-favor. They do not look for catalysts that will reverse the fortunes of troubled companies. Rather, QMA looks to hold a diversified group of low valued companies, with the belief that, on average, the market has exaggerated their problems.

The investment objective is to exceed the Russell 1000 Value Index over a market cycle.

The philosophy underlying the large cap value product is that the most appropriate descriptor of low value is price/earnings ratio, using historic earnings which have been adjusted to get to historical operating earnings from continuing operations. An “expert system” identifies material items in reported earnings that warrant detailed review. Based on guidelines developed over the more than 20 years that adjustments have been made, team members verify that an appropriate adjustment is being made. Some of the more common examples of adjustments include: a gain or loss on the sale of an asset, a gain from a tax benefit or a charge due to corporate restructuring. The process does not attempt to recast GAAP earnings for accounting assumptions such as depreciation schedules or inventory valuation methods. Also, no attempt is made to project a company’s earnings forward.

Adjusting earnings tends to add portfolio alpha when low fundamental valuations are favored in the market, but may detract from alpha when growth investing is dominating the market. The adjustment process results in a more diversified portfolio with respect to industry exposures than would otherwise be the case. Adjustments to earnings reduce the volatility of the earnings streams of the companies screened and held, and generally have the effect of lowering the portfolio turnover, which, in turn, is expected to increase alpha in the portfolio.

To improve the timing of purchases and sales the Manager focuses on persistency of low valuation by normalizing a company’s price/earnings ratio over a two year period. Hence, companies must exhibit persistency of being low valued prior to purchase and being high valued prior to sale. Additionally, relative performance screens serve to give confirmation of low valued companies truly being out-of-favor prior to purchase, and in-favor prior to sale.

The portfolio typically consists of 125-200 security holdings in a modified equal weighting, with a maximum individual stock holding of generally 5% and a maximum single industry group of approximately 25%. The portfolio is normally fully invested, with cash typically representing 0-10%.

Investment Portfolio Guidelines
Gas Tax Trust Fund
Bank of America Account Number: 003660048119

Approval by Deputy Executive Director: Kevin SigRist

Date: September 3, 2009

Purpose

In accordance with Florida Statutes Section 344.26 and Article XII, Section 9(c) of the Florida State Constitution, the Gas Tax Trust Fund is a conduit for the distribution of debt service payments generated from County Gas Tax collections and remitted to the Department of Revenue and to the Department of Highway Safety and Motor Vehicles.

Investment Objective

The Gas Tax Trust Fund is considered a non-discretionary account. Transactions are executed upon written instruction from Financial Operations specifying the terms of investment. Funds held in anticipation of scheduled debt repayment are invested in U.S. Treasury securities or short-term repurchase agreements collateralized by U.S. Treasuries. Investment maturities are dictated by the schedule of principal and interest payments on the various debt issues.

Investment Restrictions/Compliance

Compliance with investment requirements will be determined by the designated compliance officer before the close of the business day on which purchases are made, except that repurchase agreement collateral will be verified before the close of business day following the day on which purchases are made. No additional compliance process will be conducted on this portfolio due to the nature of the authorized securities. The following restriction will be observed:

- Authorized investments are limited to U.S. Treasury securities or short-term repurchase agreements collateralized by U.S. Treasuries.

- The designated Compliance Officer will communicate compliance exceptions to the Investment Oversight Group at regular monthly meetings.

Evaluation

No performance evaluation will be conducted.

Investment Portfolio Guidelines
Retiree Health Insurance Subsidy Trust Fund
BNY Mellon Accounting Number: FMXFC121012
BNY Mellon Name: FMXFCAN005 HIS; Qualified

Approval by Deputy Executive Director: Kevin SigRist

Date: September 11, 2009

Purpose

The purpose of the Retiree Health Insurance Subsidy Trust Fund is to provide monthly subsidy payments to retired members of any state-administered retirement system to assist in paying the costs of health insurance. The trust fund shall be used to account for all moneys received and disbursed by the Division of Retirement pursuant to Section 112.363 of the Florida Statutes. An investment policy study of the mandate will be completed in 2009 to assess the implementation and benchmark.

Investment Objective

The objective of the fund is to provide the necessary liquidity to meet distribution requirements. Liquidity needs should be routinely evaluated, given statutory adjustments to contribution and/or benefit rates. The Division of Retirement can provide additional information as needed, relative to the projected cash flows of the fund. The projections will be used to develop appropriate investment strategies to maximize return.

Over a three-year moving period, annualized performance is expected to be competitive with the Merrill Lynch 1-year LIBOR CMTR Index.

Implementation

The portfolio is internally managed and under the span of control of the Senior Investment Officer of Fixed Income. However, this portfolio may be funded or defunded based on information provided by the Division of Retirement.

Investment Restrictions/Compliance

The following restrictions will be observed and checked monthly for compliance:

All securities purchased will be consistent with Section 215.47 of the Florida Statutes. The portfolio may only purchase money market and fixed income securities, and further:

- At the time of purchase, all securities must be rated investment grade. For short-term investment ratings, this shall be defined as the highest applicable rating from one Nationally Recognized Statistical Rating Organization (NRSRO) (S&P A-1; Moody's P-1; Fitch F1). For long-term investment ratings, this shall be defined as minimum mid-single A rating from one of the three NRSROs (S&P A; Moody's A2; Fitch A). There may be grade variations within these broad parameters. Provisional ratings of similar quality by the NRSROs and expected ratings by third party providers are acceptable, until such time as the official rating is provided.

- Securities of a single issuer shall not represent more than 5% of portfolio-amortized cost, excluding U.S. Treasuries and Agencies.

- Weighted average maturity shall not exceed 1.5 years. Final maturity dates will be used to calculate the weighted average maturity of the portfolio.

- A small percentage of invested funds, not to exceed 2% of portfolio amortized cost, may have maturities between 3 and 5 years. No individual security shall have a final maturity date longer than 5 years.

- The designated Compliance Officer will perform monthly compliance monitoring to ensure that investment practices comply with the requirements of these Investment Portfolio Guidelines and will communicate compliance exceptions to the Investment Oversight Group at regular monthly meetings.

- In the event that a security no longer meets the criteria for purchase due to default, event of insolvency, a credit rating downgrade or other material event ("Affected Security"), the Senior Investment Officer must identify the Affected Security within the monthly compliance cycle and cause the Portfolio Manager to either dispose of the security within 45 business days or present a justification for the retention of the security to the Investment Oversight Group at the next monthly meeting. If an Affected Security matures within 45 business days, no further action is required. An Affected Security may be held after 45 days only if the Executive Director has determined, based upon a recommendation from the Senior Investment Officer and the Investment Oversight Group, that it would not be in the best interest of the portfolio to dispose of the security taking into account market conditions that may affect an orderly disposition.

Evaluation

Performance evaluation will be conducted monthly. The Merrill Lynch 1-year LIBOR CMTR Index will be used for evaluation. The portfolio is considered actively managed for performance measurement purposes.

Wyndcrest DD Florida, Inc.

September 16, 2009

EXHIBIT A

INVESTMENT GUIDELINES

1. Through this Trust Agreement, OTTED and Awardee direct the Trustee to establish an investment program consistent with the following objectives:
   a) The primary objective is to provide liquidity to fund the disbursements to Awardee which are currently anticipated to be made through 2013, with very limited risk of principal. The anticipated principal disbursement schedule, not including partial interest and investment income payments described in paragraph 5 below, is set out in Table 1. The actual timing of disbursements will be made as per the terms of the Agreement and the Trust Agreement.
   b) A secondary objective is to construct such a portfolio, which maximizes the overall yield available in the market given the quality, liquidity and funding constraints.

   All investments made by Trustee of Grant Fund Award on deposit with Trustee shall first be approved in writing by the Treasurer of Awardee.

2. Within five (5) business days of the execution of this Trust Agreement by the respective parties, the Trustee shall receive the Grant Fund Award from OTTED, as provided for in Section 2 hereof. The Trustee shall promptly deposit said Grant Fund Award into one of the permissible money market funds identified in 2.a) and shall thereafter purchase individual fixed income securities in an orderly and expeditious fashion, subject to the guidelines and restrictions in 2.b).
   a) Permissible Money Market Funds
      i) Dreyfus Institutional Cash Advantage Fund (Product Code 0099, Ticker DADXX, CUSIP 26200V104)
      ii) Dreyfus Treasury Cash Management Fund (Product Code 0521, Ticker DTRXX, CUSIP 261908107)
      iii) Dreyfus Government Money Market Fund (Ticker DGCXX, CUSIP 262006208)
   b) Fixed income investments will be made in high quality, readily marketable securities which will mature in amounts, including earnings, reasonably sufficient to meet the anticipated disbursement schedule and subject to the following guidelines and restrictions:
      i) Investments may be in bonds, notes, or other obligations of the United States or those guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof, consistent with Section 215.47(1)(a), Florida Statutes. Should any such investments made by the Trustee cease to be obligations of the United States or those guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof

subsequent to making such investment, such investment shall no longer qualify under this section b.i).

ii) Investments may be in notes, bonds, and other obligations of agencies of the United States, consistent with Section 215.47(1)(i), Florida Statutes.

iii) Except for those obligations identified in paragraph 2.b.i above, investments must be rated investment grade by at least one National Recognized Statistical Rating Organization (NRSRO), or if not rated, deemed by SBA to be the equivalent of investment grade. Short-term investments must be rated in the highest two categories by at least one NRSRO.

iv) Provided that the projected cash flow needs of Awardee are met, investments shall be held until maturity, unless the Treasurer of Awardee with the requisite OTTED approval directs the Trustee in writing otherwise.

v) Investments shall be laddered in order to mature within the month of scheduled disbursements.

c) Any coupon interest, other investment income and principal payments received from investments will be invested in one of the permissible money market funds identified in 2.a above pending scheduled disbursements.

3. At all times, the Grant Fund Award held by the Trustee shall be separately accounted for within such applicable fund or individual securities in which the Grant Fund Award may be deposited in the manner provided for in this Trust Agreement, and shall be expressly designated on the books and records thereof as trust funds to be held and invested pursuant to the terms of this Trust Agreement.
4. Should individual fixed income investments need to be liquidated prior to maturity, because of an amendment to this Trust Agreement, sales will not be constrained by either gains or losses resulting from such transactions.
5. Securities lending by Trustee shall be permitted only if approved in writing by formal amendment to this Trust Agreement signed by the Treasurer of Awardee, and the SBA.

Exhibit A, Table 1: Anticipated Principal Disbursement Schedule

	1st Year	**2nd Year**	**3rd Year**
Disbursement Amount	$5,000,000	$4,000,000	$4,000,000
Disbursement Date	1/30/10	9/31/12	9/31/13

about the SBA

The SBA invests, manages and safeguards assets of the Florida Retirement System Trust Fund and 36 other funds for the State of Florida, local governments and various other entities. The SBA is a non-political organization with a professional investment management staff and a strong record of delivering positive long-term returns on investment.

Founded in 1943, the SBA is required to invest assets and discharge its duties in accordance with Florida law and in compliance with fiduciary standards of care. Under state law, the SBA and its staff are obliged to:

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

To ensure accountability, the SBA is subject to oversight by the Board of Trustees – the Governor, Chief Financial Officer and Attorney General – and a variety of bodies and organizations, and follows an array of formal policies and guidelines. The Trustees delegate authority to the Executive Director, who serves at the discretion of the Trustees and is responsible for managing and directing all administrative, personnel, budgeting, investment policy and investment functions.

To learn more about the SBA, visit our website at www.sbafla.com.

STATE BOARD OF ADMINISTRATION
SBA FLORIDA
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