STATE BOARD OF ADMINISTRATION

INVESTMENT REPORT SUPPLEMENT

TWO THOUSAND AND NINE

SBA

Our Mission

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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This 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 Dennis.MacKee@sbafla.com), and electronically at www.sbafla.com/annualreports. Both parts can be accessed and printed from this site.

SECTION 1
Details for multi-Asset Class Mandates

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

Domestic Equities Asset Class

BACKGROUND

Despite an almost 17% recovery in the June-ending quarter of 2009, domestic equity markets lost nearly 27% for the fiscal year. As the fiscal year began, stocks posted modest advances before tumbling in September when the long-simmering credit crisis engulfed the U.S. financial system. Aggressive U.S. Treasury and Federal Reserve intervention did little to calm investors as a persistent drumbeat of dismal economic news fueled fears of a global recession. However, as the first quarter of 2009 ended, some better-than-expected economic releases and improved corporate earnings prompted a sharp market recovery.

Against a volatile backdrop, the FRS Pension Plan Domestic Equities portfolio lost 26.34%, 22 basis points less than the loss of the target index.

Against a volatile backdrop, the FRS Pension Plan Domestic Equities portfolio lost 26.34%, 22 basis points less than the 26.56% loss of the Russell 3000 Index target. Passive strategies, which account for 80% of the aggregate portfolio, fell 26.29%, 33 basis points less than the benchmark's decline of 26.62%. Active strategies, which account for the remaining 20% of the portfolio, lost 26.40%, 23 basis points less than the 26.63% loss of the aggregate active benchmark.

Table S1-1: Domestic Equities Asset Class
Returns For Periods Ending June 30, 2009

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	-26.34%	-26.56%	0.22%
Three Years	-8.38%	-8.35%	-0.03%
Five Years	-1.87%	-1.84%	-0.03%
Ten Years	-1.47%	-1.61%	0.14%
Fifteen Years	6.89%	6.87%	0.02%
Current Benchmark: Russell 3000 Index.			
FRS Investment Plan			
One Year	-26.54%	-26.70%	0.16%
Three Years	-8.38%	-8.73%	0.35%
Five Years	-1.27%	-1.63%	0.36%
Current Benchmark: An exposure-weighted blend of the benchmark returns for each portfolio in the asset class.			
Lawton Chiles Endowment Fund			
One Year	-26.67%	-26.82%	0.15%
Three Years	-8.58%	-8.54%	-0.03%
Five Years	-2.20%	-2.04%	-0.16%
Ten Years	-1.91%	-1.74%	-0.17%
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.

PERFORMANCE DISCUSSION

FRS Pension Plan

Several portfolios are contained within the FRS Pension Plan passive aggregate. The most significant are the two internally managed index funds. The larger of the two targets the large cap Russell 1000 Index, while the other targets the broad Russell 3000 Index. Together, these two portfolios account for almost 85% of the passive aggregate. The remainder is invested in two swaps, one of which targets the Russell 3000 and the other the small cap Russell 2000. Several factors accounted for the good results of the passive investments, including careful management of the portfolio, the timing of investment decisions versus the underlying index, securities lending income, class action recoveries, and implementation of the trades associated with the June 2009 index reconstitution.

The FRS Pension Plan active portfolio has three primary segments – large cap, small cap, and all cap. The large cap and small cap segments are further subdivided into core, growth, and value. The large cap portion is the most significant, accounting for 72% of the active portfolio. The small cap segment is approximately 17% of the portfolio, with the remainder invested in all cap. Although large cap accounts for more than 90% of the Russell 3000 target, the asset class has 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 aggregate Domestic Equities portfolio is size and style neutral, risk-controlled, and highly diversified.

Importantly, the aggregate FRS Pension Plan Domestic Equities portfolio is size and style neutral, risk-controlled, and highly diversified.

The sub-aggregate returns within the FRS Pension Plan active portfolio were mixed. Total large cap active investments beat the Russell 1000 benchmark return by 35 basis points. Two of the three large cap portfolio segments – growth and value – performed well, but the core portfolio lagged. The aggregate small cap active portfolio ended the fiscal year 12 basis points behind its Russell 2000 benchmark. As was the case with large cap, the growth and value sleeves outperformed, but core lagged. Although the emphasis on the growth and value portions of the small cap portfolio has been increased, the core segment still accounts for 50% of this investment. Accordingly, the core portfolio's shortfall for the fiscal year offset the relative gains of the style segments. Despite the disappointing results of the core aggregate, three of the five strategies outperformed. There is only one all cap active strategy in the portfolio. The portfolio trailed its Russell 3000 benchmark by almost 5% during the fiscal year despite a better than 4% active gain in the final quarter of 2008. For the year, this short extension strategy added modest value on the short side of the portfolio, but the quantitative, highly diversified process was not productive on the long side.

FRS Investment Plan

Within the FRS Investment Plan, domestic equity funds returned -26.54% for the 12-month period. Small cap stocks, in general, outperformed large and mid cap stocks. The T. Rowe Price Small Cap Fund had the best return (-18.82%, or +6.19% over its Russell 2000 benchmark). Fidelity Growth Company and QMA's MidCap Quantitative Funds gave up over 29% in return and underperformed their benchmarks by 4.67% and 1.43%, respectively.

Lawton Chiles Endowment Fund

A legislative funding requirement significantly reduced the dollar value of the Lawton Chiles Endowment Fund (LCEF). The structure of its domestic equity component was simplified and made passive to reflect the reduced funds under management. In February, the three actively managed portfolios and the large cap passive portfolio were closed. At June 30, 2009, the internally managed Russell 3000 ex-Tobacco Index fund was the sole remaining domestic equity investment. For the fiscal year, the LCEF domestic equity aggregate lost 26.67%, 15 basis points less than the

26.82% loss of the Russell 3000 ex-Tobacco Index target. The Russell 3000 ex-Tobacco Index fund outperformed the target by 41 basis points with a 26.41% loss. As was the case with the FRS Pension Plan's passive investments, a number of factors accounted for the relatively good results of the LCEF passive portfolio including careful management, the timing of investment decisions versus the underlying index, securities lending income, class action recoveries and implementation of the trades associated with the June 2009 index reconstitution.

PORTFOLIO DEVELOPMENTS

A number of changes were made to the FRS Pension Plan portfolio during the year. The most significant were made in continued conformance with the recommendations made by Wilshire consultants in their November 2007 strategic review of the asset class. Wilshire recommended that the asset class reduce its reliance on traditional active management in the highly efficient U.S. equity market and instead pursue active return through risk-controlled enhanced index investments and through alternative/non-traditional strategies. To this end, two new large cap core enhanced index managers were funded and a large cap growth manager was fully converted from traditional active to enhanced index. Consistent with the parameters of the enhanced index category, all three investment managers target active risk levels of 2% or less.

The structure of the LCEF Domestic Equities component was simplified to reflect the reduced funds under management.

Other initiatives were associated with the construction of an alternative/non-traditional portfolio within the active aggregate. Two managers were fully converted from traditional active to short extension strategies during the fiscal year. Both managers had existing short extension products and significant experience managing market-neutral products. The short extension strategies enable these two quantitative managers, who rank order their investment universe, to more fully exploit their comprehensive views by shorting poorly ranked stocks and using the short sale proceeds to purchase additional long positions in highly ranked stocks. The offsetting long/short positions of these strategies ensure that full market exposure is maintained.

Another non-traditional approach that was implemented in the asset class for the first time during the fiscal year was a portable alpha strategy. Portable alpha strategies separate the active return (alpha) from the market return (beta) through pursuit of an active return stream that is uncorrelated with the underlying market index. In February, a traditional active small cap product was partially converted to fund the portable alpha strategy.

Aside from these strategic shifts, several changes were made to the mix of traditional active managers during the year. Three small cap managers were terminated due to concerns related not only to investment results but also to the underlying investment processes. This turnover was consistent with the initial intent to more actively manage the small cap portfolio in order to exploit the relative nimbleness afforded by smaller portfolio commitments.

Domestic Equities staff closely monitors the investment managers through daily performance updates, quarterly conference calls, annual visits and other discussions as market and/or organizational events warrant. Our focus in manager selection is to identify investment managers with a demonstrated ability to add value relative to the underlying market index. Diligent oversight ensures that the investment managers maintain the investment discipline for which they were selected.

Foreign Equities Asset Class

BACKGROUND

International equity markets experienced a brutal year. For the 12 months ending June 30, 2009, international markets fell almost 30%. Yet returns could have been worse. International markets were down 52.25% before staging a powerful rally in March. If there were a silver lining to the dismal market returns, it would be that the Foreign Equities asset class fell less than the market, outperforming by 71 basis points net of expenses.

Regarding the FRS Pension Plan, the developed standard aggregate, which represents almost 69% of the asset class, beat its benchmark by 195 basis points, resulting in a contribution of +129 basis points to the asset class excess return. The developed active small cap aggregate, which represents 8% of the asset class, underperformed its benchmark by 177 basis points. The emerging market aggregate, representing over 18% of the asset class, underperformed its benchmark by 64 basis points. Finally, a relatively new short extension strategy representing about 2% of the asset class underperformed by over 12%.

International equity markets experienced a brutal year before staging a powerful rally in March.

Table S1-2: Foreign Equities Asset Class
Returns For Periods Ending June 30, 2009

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	-29.49%	-30.20%	0.71%
Three Years	-5.12%	-5.80%	0.68%
Five Years	4.77%	4.48%	0.29%
Ten Years	3.70%	2.56%	1.14%
Fifteen Years	5.18%	4.23%	0.94%
Current Benchmark: A custom version of the Morgan Stanley Capital International ACWI Investable Market Index.			
FRS Investment Plan*			
One Year	-28.50%	-30.97%	2.46%
Three Years	-5.38%	-7.66%	2.28%
Five Years	3.64%	2.01%	1.63%
Current Benchmark: An exposure-weighted blend of the benchmark returns for each portfolio in the asset class.			
Lawton Chiles Endowment Fund			
One Year	-36.75%	-30.56%	-6.19%
Three Years	-8.52%	-5.74%	-2.77%
Five Years	3.32%	4.50%	-1.18%
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).

PERFORMANCE DISCUSSION

FRS Pension Plan

The FRS Pension Plan developed aggregate had a positive allocation effect with overweights to consumer discretionary, information technology and cash adding value. Stock selection had a modest positive impact as good stock selection within the information technology sector was mitigated by poor selection in financials. This aggregate is somewhat defensive in nature as reflected by its slightly lower beta and volatility compared to the target. Roughly 32% of the aggregate is invested in portfolios that closely track the benchmark.

Positive excess return in this portion of the portfolio was driven by actively managed fundamental strategies. These strategies have stock selection processes that focus on identifying undervalued companies and building portfolios from the bottom up. Stock selection created overweights to the best-performing market segments and underweights to the worst market segments.

Our allocation to quantitative ("quant") strategies detracted value. These strategies were negatively affected by factors that historically have provided reliable signals but which were stymied in an environment characterized by high volatility and wild swings.

Our exposure to international small cap stocks should have been a net positive in absolute terms. The international small cap index beat the standard developed market index by 179 basis points. Unfortunately, the small cap aggregate underperformed its benchmark by 177 basis points, thus mitigating the impact of our exposure to better performing markets. After adding modest value in the second half of 2008, the first half of 2009 proved disastrous for the small cap aggregate. Seven of the nine managers comprising the aggregate underperformed in 2009.

In general, our aggregate represents better value, higher quality and better growth characteristics than our asset class target index.

The common thread among our small cap active managers is a strong focus on fundamentals and quality. Prior to the March lows, market leadership was strongly biased to those stocks with visible and stable earnings, reasonable valuations, and strong balance sheets – companies our active managers often find attractive. This created a substantial dispersion in relative valuations with defensive stocks trading at historically high premiums and the most vulnerable stocks trading at extreme discounts. The massive rotation that occurred from March through early June caused an abrupt shift in market leadership to the most highly leveraged and vulnerable segments of the market. Thus, stocks with higher betas, negative price momentum and EPS downgrades outperformed stocks with lower betas, positive price momentum and EPS upgrades. While not pleasant, our underperformance in this environment is easier to understand given the aggregate's bias to fundamentals and quality.

Emerging market equities was the best-performing segment over the last 12 months. However, our emerging market aggregate underperformed by 64 basis points. Underperformance was driven by two quantitative managers. These managers experienced the same problems as our quant-oriented developed market managers. Fortunately, our fundamental active managers within emerging markets added value, thus mitigating some of the poor active returns of the two quant managers. In general, a focus on the burgeoning middle class within developing countries created overweights to the best-performing emerging market sectors – health care, consumer discretionary and consumer staples – and underweights to the worst-performing sectors – materials, energy and industrials. Performance was further enhanced by concentrated positions in better performing stocks.

Our small allocation to a short-extension strategy detracted from performance. This is a quant-based strategy benchmarked to the asset class target. Like our other quant strategies, this portfolio struggled. The magnitude of portfolio underperformance was exaggerated as the lowest ranked stocks that were sold short outperformed higher ranked stocks held in the portfolio. Selling short when stocks fall is normally beneficial unless they fall less than the stocks held in the benchmark. Further, the short proceeds were used to purchase more of the underperforming higher rank stocks, thus levering the impact.

Going forward, we remain diversified with respect to investment process, style, region and sector allocations. In general, our aggregate represents better value, higher quality and better growth characteristics than our 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. We expect performance to keep pace with the target during market rallies but to outperform when markets are under pressure.

FRS Investment Plan

Within the FRS Investment Plan, international equity funds declined 28.50% over the fiscal year, the largest decline of any asset class in the Investment Plan. However, all three international funds outperformed their respective benchmarks by a combined 2.46%.

Lawton Chiles Endowment Fund

The foreign equity portion of the Lawton Chiles Endowment Fund declined 36.75%, underperforming its custom benchmark (which excludes tobacco stocks) by 619 basis points. The LCEF uses a single manager due to the size of assets under management. Its performance is therefore driven by the manager's strategy which takes advantage of market inefficiencies and behavioral anomalies. As discussed above, the fiscal year was challenging for most quantitative-based strategies. In general, quant managers underperformed their more traditional peers in the market downturn of 2008 and the subsequent rally of 2009. Historically, this has been one of our better performing strategies. Prior to fiscal year 2008-09, the portfolio had outperformed by approximately 140 basis points net of fees since inception.

PORTFOLIO DEVELOPMENTS

There were no major changes within the Foreign Equities asset class in the FRS Pension Plan, but there were several activities worth noting. A first for the asset class was utilization of a synthetic overlay to achieve international equity exposure quickly in advance of more permanent allocations to equity managers. These were funded by liquidations in the Fixed Income asset class.

In addition, as part of the asset reallocation, a global equity mandate was transitioned to an international equity mandate. This particular portfolio, part of the developed market aggregate, outperformed its benchmark by almost 650 basis points for the first half of 2009.

Funding frontier market strategies was a new initiative during the year that encompassed a significant development effort. The first allocation to these strategies was made in June 2009.

Fixed Income was the only asset class in the FRS Pension Plan to earn a positive return for the fiscal year.

Fixed Income Asset Class

BACKGROUND

Fixed Income was the only asset class in the FRS Pension Plan to earn a positive return for the fiscal year. Nonetheless, it was the worst period for investment grade active management relative performance in Fixed Income ever recorded. The period was unique in the sense that it included both a widening in credit spreads to levels not seen in over 50 years and a large retracement of those spreads from their historic "wides." It was also unique in that it was the first year of performance under a restructured Fixed Income portfolio in the FRS Pension Plan. Because over 80% of the investment grade Fixed Income portfolio is actively managed, the collective portfolio generally has an overweight to spread sensitive sectors relative to the benchmark. As well, most active managers tend to increase exposure to spread sectors as spreads widen and thus become more attractive on a long-term basis. This mean-reversion strategy, which has worked well in the past, put active managers in a performance hole when credit spreads continued to widen far past historical highs in the fall of 2008. Each active manager's performance by year-end depended on the magnitude, timing and selection of credit exposure during the year. A few had positive returns, but the majority could not make up the lost ground from the market meltdown experienced from the third quarter of 2008 through the first quarter of 2009.

Table S1-3: Fixed Income Asset Class
Returns For Periods Ending June 30, 2009

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	2.05%	6.05%	-4.00%
Three Years	4.61%	6.56%	-1.96%
Five Years	4.14%	5.21%	-1.07%
Ten Years	5.58%	6.05%	-0.47%
Fifteen Years	6.58%	6.90%	-0.32%
Current Benchmark: Barclays Capital U.S. Aggregate Bond Index.			
FRS Investment Plan			
One Year	5.18%	4.76%	0.42%
Three Years	6.19%	5.86%	0.33%
Five Years	5.04%	4.76%	0.28%
Current Benchmark: An exposure-weighted blend of the benchmark returns for each portfolio in the asset class.			
Lawton Chiles Endowment Fund			
One Year	4.33%	6.05%	-1.72%
Three Years	6.10%	6.43%	-0.32%
Five Years	4.90%	5.01%	-0.11%
Ten Years	6.03%	5.98%	0.05%
Current Benchmark: Barclays Capital U.S. Aggregate Bond Index.			

The year was unique in that it included a widening in credit spreads to levels not seen in 50 years, followed by a large retracement.

PERFORMANCE DISCUSSION

FRS Pension Plan

Of nine active FRS Pension Plan investment grade managers, only three had returns in excess of their benchmark. Of these three, one is an enhanced index strategy that, by design, keeps total spread exposure lower than other active managers. The manager also benefited from correctly judging the timing of moving from the high quality MBS spread sector to other more undervalued sectors.

The best-performing manager for the period was a middle risk "core" manager who benefited from "starting from scratch" in July 2008 with new cash and, in general, had less spread exposure than others going into the meltdown in the third quarter. Consequently, with more "dry powder" available when spreads reached historic levels, the manager was in a better position to add spread risk which subsequently paid off.

The third manager, which had only minimal positive returns, also benefited from the timing of restructuring of the asset class in that it received a large amount of cash which cushioned the blow of the third quarter 2008 debacle.

In general, any active manager who had above benchmark exposure to the asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), investment grade credit (IG) or below investment grade (HY) sectors underperformed the benchmark in direct proportion to the overweight.

FRS Investment Plan

Within the FRS Investment Plan, Fixed Income funds gained the most over the year (up 5.18% as a group). PIMCO Total Return saw its broad thematic approach toward the world economic outlook bear fruit as it added 3.07% total return above the Barclays U.S. Aggregate Bond Index. On the other hand, its sister fund, PIMCO

High Yield, not only had a down year, reflective of the equity-like exposure in high yield securities, but it also gave up 5.60% compared to its benchmark. This underperformance was due in large part to a flight to quality in securities selection by the portfolio manager as well as a shift in portfolio style toward a broader thematic approach.

Lawton Chiles Endowment Fund

Prior to a restructuring late in the fiscal year, investment grade fixed income exposure in the Lawton Chiles Endowment Fund was attained through a passively managed internal government/corporate and an externally managed passive mortgage portfolio. Since May 2009, a single account run by an external manager has been employed. The benchmark remains the Barclays Aggregate Index.

Performance for the fiscal year ending June 30, 2009 was well below the benchmark, owing primarily to limited diversification. The relatively small size of the portfolio requires a trade-off between the number of issuers (diversification) and the tradable size of issues. During periods of market turmoil such as that witnessed recently, lack of diversification becomes a significant risk factor.

PORTFOLIO DEVELOPMENTS

As mentioned above, July 1, 2008 was the official beginning of a newly restructured Pension Plan Fixed Income asset class. In prior years, the asset class was comprised of a combination of the market capitalization weights of the investment grade universe, as represented by Barclays Aggregate Index, and the high yield universe as represented by the Barclays High Yield Ba/B 2% Issuer Constrained Index. As of July 1, 2007, Fixed Income was split into two separate asset classes, high yield and investment grade, with the aforementioned indexes as performance benchmarks.

The newly restructured FRS Pension Plan Fixed Income asset class was launched at the beginning of the fiscal year, July 1, 2008.

Major restructuring occurred within the investment grade asset class. In prior years, the structure had been one of core investment grade portfolios and "specialty mortgage managers." Following a structural review by the SBA and its investment consultant, it was determined that all active investment grade managers would be a core or core plus strategy. A search was completed and four new core plus managers were hired and funded. Existing internal core portfolios were converted from government/credit to full investment grade by adding the MBS component. Existing specialty MBS managers were converted to full investment grade by adding the government/credit component. Both strategies would use the same benchmark for performance, but core plus managers would be allowed to use below investment grade, non-dollar, emerging markets or other out-of-index sectors to add incrementally higher returns than core strategies.

In hindsight, the timing of the restructuring could not have been worse. The new core plus managers, as a whole, badly underperformed the benchmark. Most took advantage, to differing degrees, of their freedom to go "out of index" in riskier sectors and paid dearly for it. The internal government/credit portfolio was merged with an existing internal "synthetic MBS" portfolio which compounded negative performance due to structured notes that performed poorly in the meltdown and have not fully recovered in the credit rally.

Manager performance was extraordinarily poor in the fiscal year-ended and, were it not for across-the-board bad performance throughout the industry, retention would have been an issue. Because weak performance was understood, the biggest issue with managers was organizational. Market turmoil causes disruption and shake-ups in personnel as well as changes in management structure and even ownership of investment firms. We witnessed all of the above in the last fiscal year. After closely monitoring each evolving situation, most of which are continuing, we have not made any changes in our manager lineup. On a monthly basis, we monitor each manager's relative performance and relative risk exposure against its benchmark. In conjunction with our investment consultant, we monitor changes in key staff and other organizational issues in our external manager lineup.

The internally managed active investment grade portfolio has experienced ongoing recruitment and retention issues over the last several years. Lack of resources to keep compensation for qualified investment personnel competitive has led to several key positions remaining vacant. With the addition of the MBS component, emphasis is being placed on filling a senior position with a capable person with mortgage security expertise. The problems in the investment management industry that have affected our external managers' organizations and performance have also created an opportunity for us. In the last year, the number of qualified investment professionals looking for work has increased substantially, giving us a much larger pool of talent from which to fill longstanding open positions at the senior portfolio manager level. This, along with a renewed commitment from SBA management to address the competitive pay gap, should allow us to fill critical positions on the internal investment team.

Aggregate high yield performance was below benchmark, but the variation around it was substantial.

High Yield Asset Class

BACKGROUND

High Yield management is very different from that of investment grade bonds in that the former manages idiosyncratic risk and 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 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. The reverse is true for investment grade managers because they are normally overweight to non-U.S. Treasury spread sectors where relative value can be extracted. Consequently, they normally underperform their benchmarks in bad markets.

Following the overall trend in financial markets, the High Yield bond market, as measured by the SBA's benchmark Barclays Capital Ba/B Issuer Constrained Index, experienced a dramatic decline in November 2008, followed by a substantial, though not complete, recovery by June 2009. Yields rose from approximately 10% to a peak of 19% as returns fell by 28%. By the end of the fiscal year, cumulative returns were -3% and yields retraced to 11.5%. Fears of massive defaults and the virtual shutdown of the primary and secondary markets were responsible for the decline.

Table S1-4: High Yield Asset Class
Returns For Period Ending June 30, 2009

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	-2.44%	-1.77%	-0.67%

Current Benchmark: Barclays Capital U.S. High Yield Ba/B 2% Issuer Capped Index.

PERFORMANCE DISCUSSION

Aggregate performance was below benchmark, but the variation around it was substantial. Because the year under review captured both a dramatic spread widening and tightening, results for high yield managers were mixed. The individual manager results were mostly a function of how successful they were in picking good bonds prior to the sell-off and how much they understood and adjusted to systematic risk in the rally. Of the four, one did well in both phases, one did very well in the first phase but not so well in the second and the other two were undistinguished.

PORTFOLIO DEVELOPMENTS

The High Yield asset class, while separated from investment grade by the restructuring of the Fixed Income asset class, did not change in terms of strategy or managers.

TIPS Asset Class

BACKGROUND

Treasury Inflation-Protected Securities (TIPS) are similar to treasury bonds except that 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. Unfortunately, the relatively small size of the total market of these securities prevents a meaningful exposure in the FRS Pension Plan.

TIPS, which are fully guaranteed by the U.S. government as are their nominal counterparts, had unusually poor performance during the fiscal year ending June 2009. As the financial crisis unfolded, a flight to safety and liquidity caused investors to flock to U.S. Treasury securities, pushing their returns up by as much as 11% by December 2008. TIPS did not follow the same pattern, falling by as much as 22% at the height of the crisis and recovering to a cumulative return of -1% for the entire year. Nominal Treasuries posted a 6% return for the year. The unusual return pattern was due to investor fears of severe deflation and the lack of liquidity in the TIPS market, which is much smaller in size than nominal Treasuries.

The performance of TIPS over the inflation cycle is significantly different than that of conventional (nominal) bonds.

Table S1-5: TIPS Asset Class
Returns For Periods Ending June 30, 2009

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Investment Plan			
One Year	-0.93%	-1.12%	0.18%
Three Years	5.89%	5.77%	0.11%
Five Years	5.01%	4.94%	0.06%
Current Benchmark: Barclays Capital U.S. Treasury Inflation Note Index.			
Lawton Chiles Endowment Fund			
One Year	0.20%	-1.12%	1.32%
Three Years	6.46%	5.77%	0.69%
Five Years	5.52%	4.94%	0.58%
Current Benchmark: Barclays Capital U.S. Treasury Inflation Note Index.			

PERFORMANCE DISCUSSION

FRS Investment Plan

Within the FRS Investment Plan, TIPS experienced a slight downturn over the year as initial rising inflation expectations failed to materialize and low real yields hurt performance. However, the FRS Select TIPS Fund did outperform its benchmark by 0.18%.

Lawton Chiles Endowment Fund

TIPS exposure in the Lawton Chiles Endowment Fund is attained through an actively managed internal portfolio benchmarked against the Barclays U.S. TIPS Index. Performance for the fiscal year ending June 30, 2009 was significantly above the benchmark owing to superior security selection and yield curve exposure.

Real Estate Asset Class

BACKGROUND

The Real Estate asset class is conservatively managed and 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, 65% are directly owned or owned in a joint venture, 28% are in commingled funds (19 funds) and 7% are in publicly traded real estate securities. Our strategy requires the asset class to be diversified by asset type, geography and manager, and we met these strategic diversification parameters. Looking forward, we believe we are well-positioned to not only weather the current economic malaise, but are also prepared to take advantage of market opportunities as the economy rebounds.

Looking forward, we believe we are well-positioned to not only weather the current economic malaise, but are also prepared to take advantage of market opportunities as the economy rebounds.

The U.S. and the world economies have experienced tremendous upheavals in the financial markets. Real estate has not been left untouched, and challenges will continue to confront real estate assets in the coming months. Many of the commingled funds in which we invested used leverage (debt) to take advantage of market opportunities and to be competitive in the recent real estate boom. When the economy swooned and rents and occupancies declined, property values fell in tandem with the fundamentals. Unfortunately, the debt amount does not decline along with the revenue stream and the assets' market value, thus causing the breach of loan covenants and debt service payments. That scenario is today's issue; tomorrow's issue is finding a lender to refinance loans coming due. The mortgage travails of many homeowners have been widely reported, but the commercial property market did not go unscathed, and there will be challenges ahead facing owners of leveraged assets. Our direct-owned assets are minimally exposed to leverage; however, we will have to ride out the coming months as our commingled fund managers apply their financial acumen to dealing with poor real estate fundamentals as well as the debt portion of the fund's capital stack. An example, close to home, is our participation in a joint venture consisting of a portfolio of resort hotels located in resort-oriented cities. These well-regarded and popular hotels are experiencing reduced room rates and occupancies which, in turn, may hinder the venture's debt servicing and refinancing efforts.

Table S1-6: Real Estate Asset Class
Returns For Periods Ending June 30, 2009

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	-21.16%	-24.47%	3.31%
Three Years	-0.17%	-3.99%	3.82%
Five Years	8.43%	0.66%	7.77%
Ten Years	9.36%	5.10%	4.26%
Fifteen Years	9.35%	6.80%	2.55%

Current Benchmark: An average 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%.

PERFORMANCE DISCUSSION

Although our direct-owned portfolio has earned attractive returns over all time periods, other portions of the asset class have not fared as well. Over the trailing one- and three-year periods, the total asset class return has been negative, though it remains above benchmark. A particular disappointment during the past fiscal year was our investment in the Peter Cooper Village, a community of apartment buildings in New York City. The investment was made through a commingled fund (limited partnership) in June 2007 as a part of our opportunity (high return) segment. Unfortunately, consistent with the broad recession in the U.S., projected rent and occupancy expectations did not materialize. A high level of leverage was used in the capital structure which, along with weak income growth, undermined investors' equity positions. As a result, the total investment ($266 million) was written off in May 2009.

The decline in our total returns this past year has primarily stemmed from lower rents and occupancies. We have fared no worse than competitive properties in our markets as the distressed economy left few, if any, untouched. The most significant determinant of the forces affecting rents and occupancies is portrayed in the nation's jobless statistics. Rents, occupancies, and ultimately values will recover when the nation's labor market recovers.

PORTFOLIO DEVELOPMENTS

During the past year, investors mostly stayed on the sidelines as market conditions deteriorated, pricing became ambiguous, and lenders left the market. We also pulled back from the market. We sought no new acquisitions and deemed selling assets into this market was unwise as well. Staff focused its efforts on managing the Board's investments. We worked with our investment advisors to minimize the marginalization of our assets' positions in their respective markets. Most outstanding commitments with our external investment funds were not called during the year, fund managers realizing there were few attractive investment opportunities. The funds that did make calls on committed capital used the money to pay down debt or for capital improvements. At the time of publication of this report, signs were pointing to a slow and gradually improving real estate market, both in residential and commercial properties.

We expect performance to keep pace with the target during market rallies but to outperform when markets are under pressure.

During the year, Real Estate was removed from the asset class lineup for the Lawton Chiles Endowment Fund. The fund's investment policy and implementation strategy were simplified in response to the extraordinary liquidation of $1.1 billion that was required by the Legislature during the year.

Private Equity Asset Class

BACKGROUND

The Private Equity asset class had a market value of $3.6 billion at the end of the fiscal year, representing 3.6% of total FRS assets. The asset class had holdings in 100 investment vehicles managed by 48 different external managers. During the year, Private Equity committed $2.1 billion to 20 new partnerships.

Table S1-7: Private Equity Asset Class
Returns For Periods Ending June 30, 2009

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	-25.82%	-20.58%	-5.24%
Three Years	-3.88%	-3.76%	-0.12%
Five Years	2.00%	3.21%	-1.21%
Ten Years	3.26%	3.57%	-0.31%
Fifteen Years	5.26%	8.04%	-2.78%

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

Table S1-8: Private Equity Asset Class - Since Inception Performance

Returns For Periods Ending June 30, 2009

	Inception Date	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan				
Total Asset Class	Jan-89	5.48%	8.00%	-2.52%
PE Legacy Portfolios	Jan-89	5.11%	10.11%	-5.00%
PE Post-AC Portfolios	Sep-00	6.89%	0.19%	6.70%

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

"PE Post-AC Portfolios" is a composite of the performance of all Private Equity partnerships that have 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 S1-7.

PERFORMANCE DISCUSSION

Deteriorating credit markets dominated the private equity market during the year.

For the year, Private Equity generated a return of -25.82% versus the benchmark of -20.58%.[2] Deteriorating credit markets dominated the private equity market during the year. The effect of this lack of credit was both a decrease in deal volume, and consequently, a decrease in exit volume. This decrease in exit volume coupled with the adoption of FAS 157, a GAAP accounting requirement instructing general partners to mark portfolio companies according to metrics such as publicly traded comparables, had a negative effect on valuations as we ended the year. In addition, the lag in Private Equity valuations created an additional drag on relative performance as the public market equivalent benchmark rose approximately 30% during the last four months of the fiscal year.

Within the asset class, venture capital was the best-performing strategy during the year, generating a return of -14.18%. Leveraged buyout strategies were the worst performers, generating -27.02% for the year. On average, larger buyout funds tended to fare worse than their smaller peers, and more seasoned funds (funds greater than four years old) tended to fare better than younger funds still in their investment period. The primary factor driving this stratification of performance is the differing amount of leverage used by the funds at the portfolio company level. Larger buyout funds have generally employed more leverage in their investments, magnifying temporary write-downs due to company performance or public market comparables.

PORTFOLIO DEVELOPMENTS

During the year, Private Equity continued to remain proactive in developing new relationships and targeting new strategies within the asset class. Staff continues to work off of a forward calendar, building its pipeline of prospective investments months and even years in advance. New commitments were made in the energy sector and growth equity strategies. Private Equity also made the asset class' first investment in a fund focused on companies located in Asia. In the energy sector, Private Equity made a commitment of $200 million to First Reserve XII, the world's oldest and largest buyout group, to focus exclusively on a strategy of energy investments across a broad range of global energy sectors, and $100 million to Energy Capital Partners II, whose focus is on acquiring and developing high quality assets in the power generation, electric transmission, gas storage and pipeline, electric and gas distribution, and coal infrastructure sectors. In the growth equity strategy, Private Equity made a commitment of $100 million to TA Associates XI, a pioneer in growth equity investing whose successful track record dates back to the late 1960s. Private Equity also committed $75 million to Carlyle Asia Growth Partners VI

[2] All returns for this asset class are reported on a dollar-weighted (internal rate of return) basis.

during the year. This fund will seek to make investments in high-growth companies located primarily in China, India, Japan and South Korea.

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

BACKGROUND

The Strategic Investments asset class within the FRS Pension Plan was valued at $3.4 billion at the end of the fiscal year. The market was again difficult this year but showed signs of improvement late in the fiscal year, with the asset class up 4.69% during the fiscal fourth quarter. Global equities continued to represent a significant portion of total value for the asset class at $2.0 billion or 58.3%. The asset class included approximately $2.0 billion in global equities, $1.2 billion in debt-oriented investments, $118.5 million in multi-sector investments, and $92 million in cash as of June 30, 2009. For the fiscal year, Strategic Investments lagged its short- and long-term benchmarks by 12.57% and 38.84%, respectively.

The Strategic Investments asset class made $1.1 billion of allocations across credit strategies during the year to take advantage of severe dislocations in the credit markets.

Table S1-9: Strategic Investments Asset Class
Returns For Period Ending June 30, 2009

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	-34.58%	-22.00%	-12.57%

Current Benchmark: An exposure-weighted blend of individual portfolio level benchmark returns.

PERFORMANCE DISCUSSION

Based on marked-to-market values provided as of December and March, debt-oriented strategies were down 31.66% for the fiscal year and 14.84% for the fourth quarter, versus a benchmark of 4.26% and 2.3%, respectively. However, June markets – and consequently, valuations – had shown notable improvement, with some managers reporting positive performance during the period. The SBA expects this positive trend to continue into 2010. Global equity portfolios, still a major component of the asset class, were down 30.88% for the year (up 20.92% during fiscal fourth quarter) versus a benchmark of -28.80%. The Strategic Investments multi-sector strategies (with just one quarter of track record) were up 6.09% during the fiscal fourth quarter versus a 2.25% benchmark.

The performance of non-global equity portfolios in this asset class (84% at the year's open and 58% at fiscal year-end) reflects so-called stale valuations due to the time lag inherent in pricing private market investments. As such, they do not reflect the recovery in prices since March 2009 and in many cases reflect a holding period too short to be indicative of long-term performance.

PORTFOLIO DEVELOPMENTS

Credit

The Strategic Investments asset class made $1.1 billion of allocations across credit strategies including: opportunistic ($150 million), mezzanine ($650 million), and real estate ($305 million). The strategy is to take advantage of severe dislocations in the credit markets by partnering with managers with superior bottom-up credit skills who would identify and allocate capital to solid, creditworthy companies amid the market turmoil. As markets have improved, this portion of the portfolio is beginning to show signs of strength.

Corporate Governance Activist

During the fiscal year, Strategic Investments began efforts to introduce new strategies into the portfolio, including allocating capital to managers executing corporate governance activist strategies. The asset class is currently in the due diligence process for several corporate governance activist managers and is expected to commit capital to this strategy during the fiscal year.

The Florida Growth Fund will invest in technology and growth enterprises that have a significant presence in Florida.

Real Estate Debt

Strategic Investments also committed $783 million to real estate debt strategies during the fiscal year. Given the downturn in both the residential and commercial industries, the strategy is to partner with managers who exhibit a defensible niche, significant deal sourcing, and underwriting capabilities. The SBA sought managers it believed could take advantage of the lack of traditional financing sources by identifying, underwriting, and structuring loans for commercial properties and residential developments with strong underlying fundamentals (cash flow, strong tenants, high occupancy/demand, etc.).

Infrastructure

The SBA engaged Mercer Consulting to assist in identifying infrastructure fund managers. The Strategic Investments staff visited with several prospective infrastructure managers to gain insight into their investment processes. As of the fiscal year-end, the SBA had not yet determined whether it would make an allocation to any infrastructure fund(s).

Timber

In March, the SBA issued a request for information (RFI) to initiate the process of developing and implementing a timberland investment program that will include Individually Managed Accounts ("IMAs") and commingled funds. The SBA has engaged The Townsend Group to assist in identifying five timber managers for consideration.

Strategic Investments closed 13 new commitments (nearly $2.0 billion) during the fiscal year, across several strategies, including: ten investments totaling over $1.4 billion to debt-oriented funds; two investments totaling $350 million to multi-sector strategies; and $200 million to fund the Florida Growth Fund. The Florida Growth Fund will invest in technology and growth enterprises that have a significant presence in Florida.

The investment period for Morgan Stanley Mezzanine Partners expires August 31, 2009. The fund was approximately 25% invested and gave existing LPs the option to close the existing fund and roll remaining commitments into a new fund. Strategic Investments elected not to roll its remaining commitment in the Morgan Stanley Mezzanine Partners Fund once the investment period ends.

Cash Equivalents Asset Class

BACKGROUND

Short-term or cash-equivalent portfolios consist of the internally managed FRS Pension Plan Cash asset class; STIPFRS, a cash sweep vehicle for all Pension Plan portfolios; CAMP-MM, a commingled investment vehicle for non-pension assets; and the externally managed Florida PRIME portfolio, formerly known as the Local Government Investment Pool (LGIP).[3]

Table S1-10: Cash Equivalents Asset Class
Returns For Periods Ending June 30, 2009

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	-5.37%	1.72%	-7.09%
Three Years	0.21%	3.81%	-3.60%
Five Years	1.44%	3.62%	-2.19%
Ten Years	2.45%	3.39%	-0.94%
Fifteen Years	3.57%	4.02%	-0.45%
Current Benchmark: iMoneyNet First Tier Institutional Money Market Funds Gross Index.			
FRS Investment Plan			
One Year	1.11%	1.72%	-0.61%
Three Years	3.56%	3.87%	-0.31%
Five Years	3.50%	3.64%	-0.14%
Current Benchmark: iMoneyNet First Tier Institutional Money Market Funds Gross Index.			
Lawton Chiles Endowment Fund			
One Year	-0.44%	1.54%	-1.98%
Three Years	3.04%	3.36%	-0.31%
Five Years	3.15%	3.35%	-0.21%
Ten Years	3.12%	3.25%	-0.14%
Current Benchmark: Standard & Poor's U.S. AAA & AA Rated Government Investment Pool All 30-Day Gross Yield Index.			

Short-term markets were the genesis of the financial debacle that began in late 2007 and which is only now beginning to abate.

PERFORMANCE DISCUSSION

FRS Pension Plan

Performance of the FRS Pension Plan cash portfolio was far below its benchmark, reflecting the effects of both realized and unrealized marked-to-market losses on investments. Short-term markets were the genesis of the financial debacle that began in late 2007 and which is only now beginning to abate.

Holdings of Lehman Brothers and Washington Mutual, which were investment grade companies, caused losses which ate into prior years' gains when they defaulted in 2008. In addition, several investments in asset-backed commercial paper (ABCP) were forced to undergo restructuring of terms due to the inability of program managers to sell underlying assets in order to pay off the maturing commercial paper. While most are receiving monthly payments of interest and a partial payment of principal, prices of the securities remain at distressed levels and have negatively impacted portfolio performance.

[3] Performance data for mandates and trusts which consist of a single asset class are included in the main body of this report. Cash-only mandates and trusts include Florida PRIME, CAMP-MM and the Florida Hurricane Catastrophe Fund. As a sweep vehicle, the performance of STIPFRS is embedded within the performance of those FRS Pension Plan component portfolios which held residual cash.

FRS Investment Plan

The FRS Select Yield Plus Money Market Fund, plagued by this period of historically low short-term yields, was up only 1.11%. The fund ended the year with an annualized yield of only 0.35% and an average maturity of only 13 days. The fund underperformed its peer benchmark in part due to a flight to quality after the subprime/collateralized securities events that rocked the money market funds in 2007 and 2008. The fund's managers made a decision not to chase yield by extending the maturities of the securities they purchased.

Lawton Chiles Endowment Fund

The Lawton Chiles Endowment Fund is a participant in the CAMP-MM commingled cash vehicle, hence its performance mirrors that of CAMP-MM. Fiscal-year performance was below benchmark for many of the reasons described above in the FRS Cash discussion. One exception, however, is that unlike the FRS cash portfolio, the LCEF's cash portfolio (a position in CAMP-MM) is valued at amortized cost.

Performance of the FRS Pension Plan cash portfolio was far below its benchmark, reflecting the effects of both realized and unrealized marked-to-market losses on investments.

PORTFOLIO DEVELOPMENTS

As a result of the unprecedented events witnessed in the normally stable values of short-term investments, portfolio guidelines have been changed to better ensure liquidity and a net asset value of $1.00. The imperative to ensure price stability and liquidity will require a requisite trade-off in portfolio yield in the future.

SECTION 1
Details for multi-Asset Class Mandates

Section 1-B: Asset Allocation[4]

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 weaken.

Over 90% of the return of a diversified investment portfolio is attributable to its asset allocation.

Nonetheless, 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. But 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 the fund.[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

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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 investment mandate, the FRS Investment Plan, is not included because 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, SBA's rebalancing policies mitigate this risk by rebalancing to a predefined "operating range" which is closer to, but not at, the policy target.

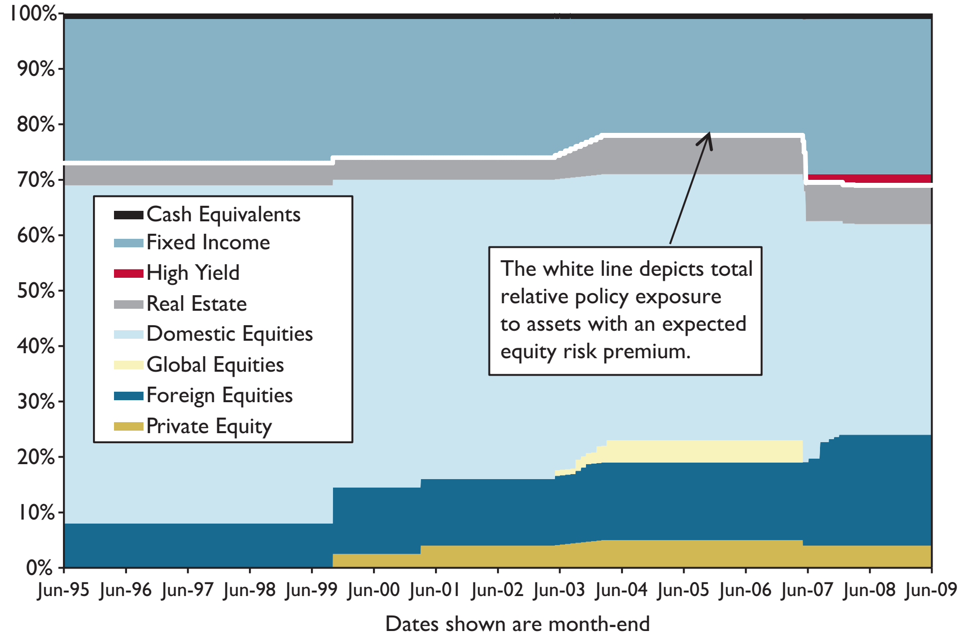
ranges and rebalancing procedures for each asset class. These policies also identify circumstances that may be conducive to tactical asset allocation.

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

Maintaining an exact asset allocation is difficult given the dynamic nature of markets and security prices.

Chart S1-1: FRS Pension Plan Policy Weights by Asset Class

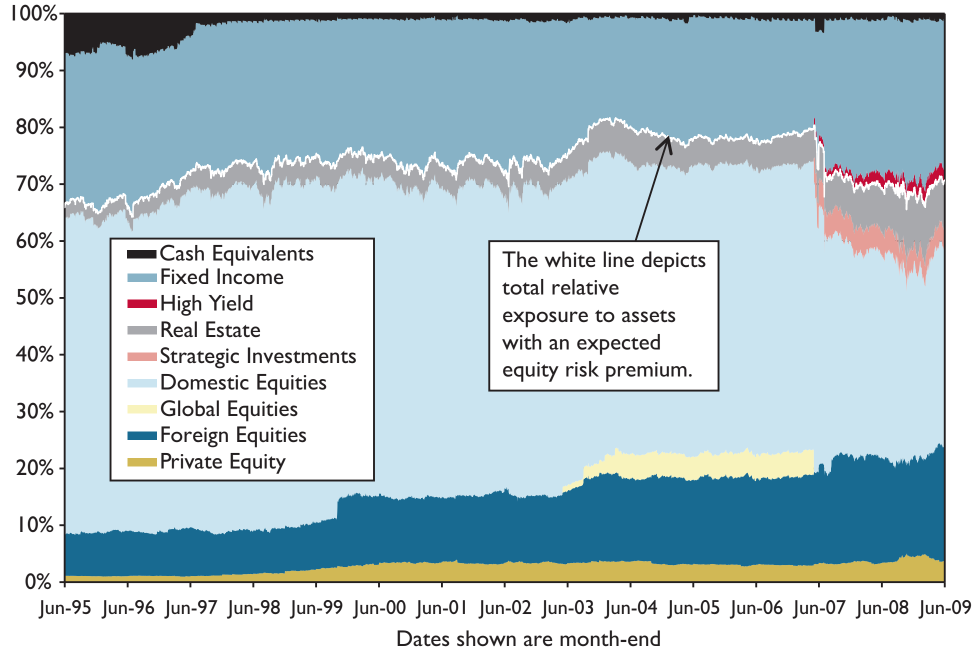
Fiscal Years 1996 to 2009



No changes were made to the FRS Pension Plan's target asset allocation during fiscal year 2008-09.

Chart S1-2: FRS Pension Plan Exposure by Asset Class

Fiscal Years 1996 to 2009



Risk in the FRS Pension Plan was reduced significantly in June 2007, as indicated by the white line in this and the prior chart.

[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.

Chart S1-3: Lawton Chiles Endowment Fund Policy Weights by Asset Class
Fiscal Years 2000 to 2009

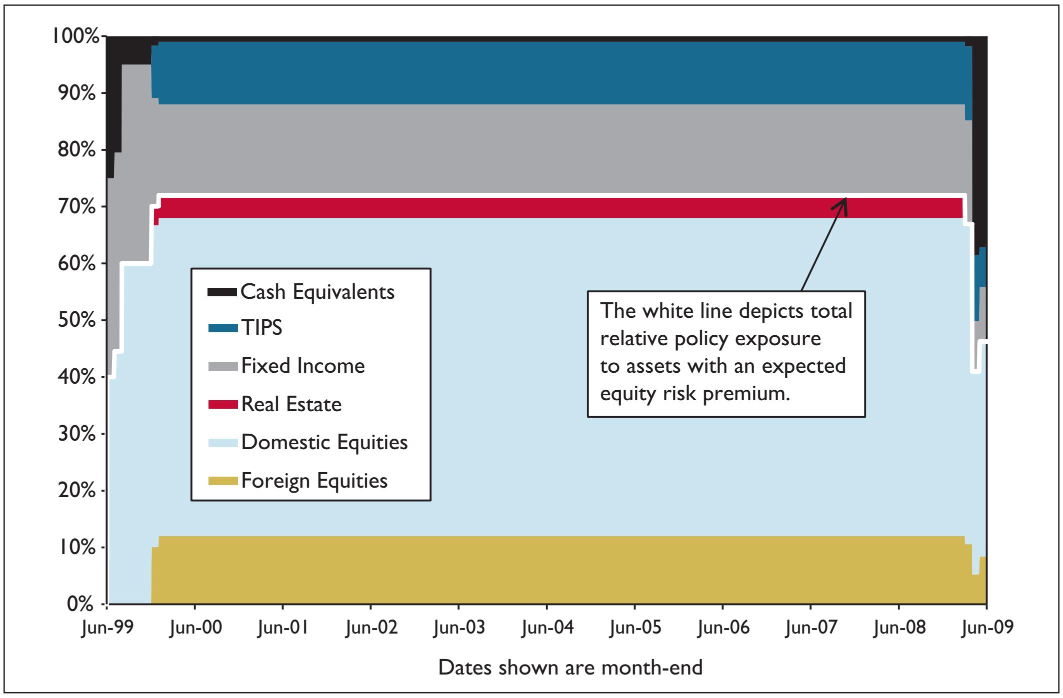
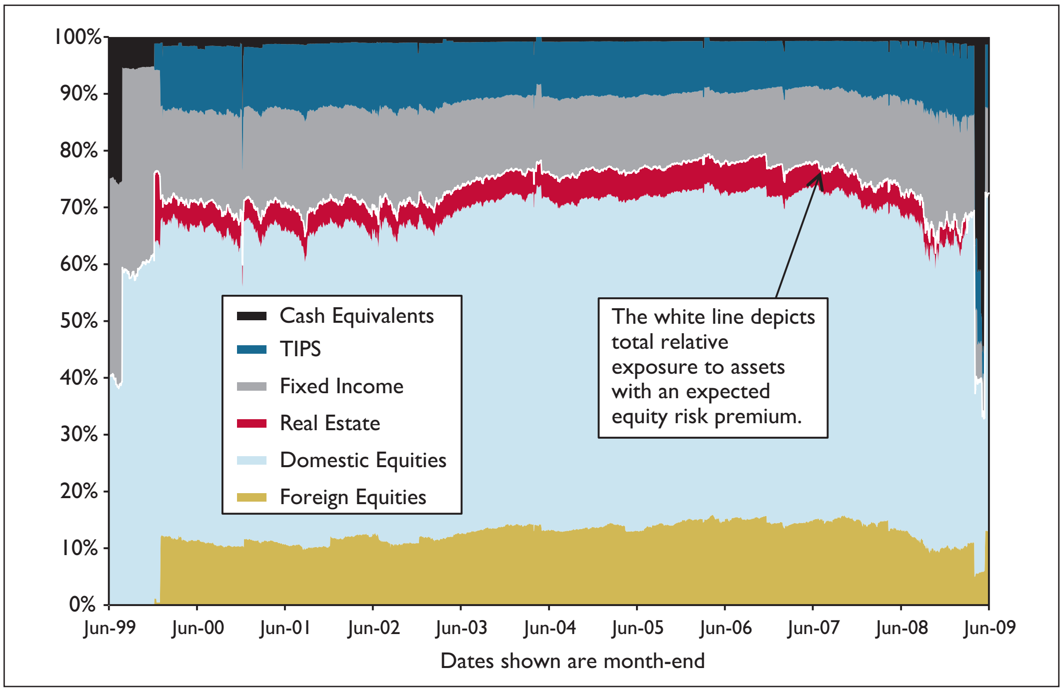


Chart S1-4: Lawton Chiles Endowment Fund Exposure by Asset Class
Fiscal Years 2000 to 2009



The Lawton Chiles Endowment Fund's target exposures fluctuated near the end of the fiscal year to facilitate extraordinary non-program asset liquidations required by the 2008 Legislature. New fixed weights were instituted effective July 1, 2009.

MANAGING ASSET ALLOCATION DURING 2008-09

The period of extreme financial market distress experienced in late 2008 and early 2009 presented special challenges to the SBA's discipline in managing asset allocation. As the year unfolded, equity asset classes were declining sharply in value as investors stampeded out of stocks. These declines in value had the potential to trigger rebalances by making the equity asset classes excessively underweight or non-equity asset classes overweight – or both.

The first FRS Pension Plan rebalancing of the fiscal year was triggered on July 15, 2008, due to what had been a gradual decline in equities because of worsening financial and economic conditions. With equities moving lower, the share of fixed income rose above its upper rebalance point. This required a sale of securities out of the Fixed Income asset class, with the proceeds redeployed to domestic and foreign equities. A few months later, the floodgates opened when the shock of the Lehman bankruptcy hit the system. On September 15, 2008, Fixed Income once again triggered a rebalance by moving to overweight status as stock markets plunged. This occurred again on September 29, and in October three rebalances were triggered in rapid succession on the 6th, 7th and 9th. The SBA executed the September rebalancings in the usual manner, but by October, matters had become more complicated. With liquidity problems greatly exacerbated in fixed income markets, the first two October rebalancings were executed using futures.

The period of extreme financial market distress experienced in late 2008 and early 2009 presented special challenges to the SBA's discipline in managing asset allocation.

Because of illiquidity and heightened volatility across the markets, normal rebalancing procedures were suspended and the rebalancing triggered on October 9 was not executed. Spreads on credit issues had soared to very high levels and broker-dealers were not facilitating trades with their own capital, implying that selling corporate bonds would involve realizing sizeable losses. Over the next few months, the public equity asset classes remained underweight. However, the SBA initiated a structured gradual build-up of cash starting in November 2008. In early 2009, this cash was used to gradually move asset classes back toward their target allocations. Two such trades occurred in early 2009, the last in early March, with the reallocations from fixed income to stocks just before equity markets hit bottom and began to rally. Nonetheless, it was not until stocks had recovered a good bit of lost ground that the FRS's asset allocation was back inside normal rebalancing tolerance ranges. This occurred at the beginning of April.

The Lawton Chiles Endowment Fund was buffeted by the same forces that impacted the Pension Plan. However, a significant additional factor was an extraordinary payout of $700 million directed by the 2009 Florida Legislature to take place in June 2009. [8] To minimize market impact, the accumulation of this large volume of cash was spread over the last quarter of the fiscal year. During that time, the endowment's asset classes were in "floating" status, meaning that short-term policy weights were equal to actual shares of the endowment. Along with raising liquidity for the payout, a goal of the funding process was to leave the endowment as close as practicable to its target asset allocations post payout, thereby eliminating distortions in asset allocation that had accumulated as a result of earlier market movements. A substantive change to the endowment's target asset allocation resulting from the extraordinary liquidations was the elimination of the Real Estate asset class. With a policy weight of just 4%, its remaining balance would have been quite small. Consequently, the portfolio was liquidated and its weight was reallocated to Domestic Equities (3%) and Fixed Income (1%) to maintain the fund's overall expected return and risk profile.

ASSET ALLOCATION PERFORMANCE

The SBA's disciplined approach to investing in a distressed environment stands in stark contrast to the reaction of many investors, particularly smaller ones, to the latest bear market. After more than 20 years of upbeat performance in stocks, they were psychologically unequipped to deal with the market's dramatic plunge. As

[8] This was in addition to a $354 million extraordinary payout during fiscal year 2008-09 that was mandated by the 2008 Legislature.

markets declined, fear soon turned to panic. Many financial advisers reported clients taking losses by selling out of equities and putting remaining wealth into "safe" instruments such as bank CDs. This type of reaction to market swings is understandable but not conducive to long-term wealth maximization. The best time to buy assets is when they are cheap, and the deeper a market downturn, the cheaper they become. Moreover, investors who completely sold out of stocks are likely to feel a need to buy back in – at least to some extent – once conditions improve. The primary beneficiary of this ill-timed churning will be their brokers.

Of course, to pursue the "sell high, buy low" discipline that rebalancing imposes requires that an investor has enough liquidity to hold assets whose prices are temporarily depressed until they recover. Investors with short time horizons may not feel they have that luxury, but as a long-term investor of Pension Plan assets, the SBA can afford to be patient.

Table S1-11 presents the component of performance attributable to asset allocation. The benchmark return represents what would have been earned had exposures adhered strictly to the target weights. The managed return represents what was earned based on actual exposures. (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. The generally positive results in the last column support the view that the SBA's rebalancing policies contain a well-formulated balance of performance risk against execution cost and that they have been applied with discipline. Larger positive return differentials for the Chiles Endowment reflect the fact that greater asset allocation risk is tolerated in the fund's rebalancing policy. This is due to the fact that, relative to the FRS Pension Plan, it has a significantly smaller asset size and an implementation strategy of generally lower investment risk in its individual asset classes. A larger tolerance range against a smaller asset base allows rebalancing trades to be of sufficient dollar size to capture pricing advantages and transaction cost savings associated with trading in institutional-sized lots.

The SBA's disciplined approach to investing in a distressed environment stands in stark contrast to the reaction of many investors, particularly smaller ones, to the latest bear market.

Table S1-11: Asset Allocation

Returns For Periods Ending June 30, 2009

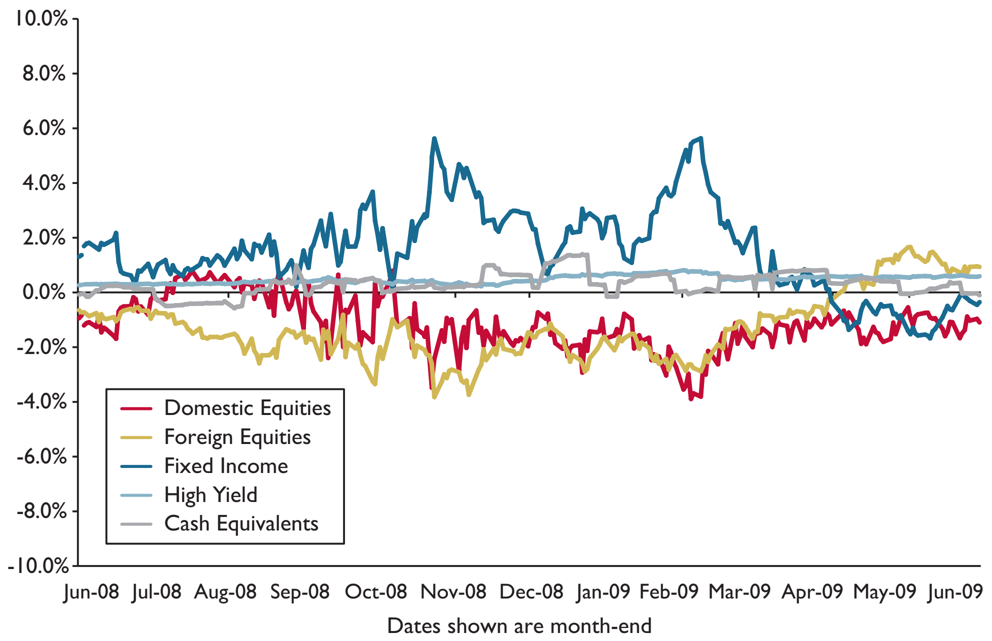
	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
FRS Pension Plan			
One Year	-17.76%	-17.89%	0.13%
Three Years	-2.50%	-2.55%	0.05%
Five Years	2.26%	2.16%	0.11%
Ten Years	2.08%	2.01%	0.06%
Fifteen Years	7.31%	7.43%	-0.12%
Current Benchmark: A weighted blend of individual asset class target indices as applicable; weights and benchmarks are established in the FRS Pension Plan Investment Policy Statement.			
Lawton Chiles Endowment Fund			
One Year	-21.59%	-22.48%	0.89%
Three Years	-4.97%	-5.29%	0.32%
Five Years	0.76%	0.35%	0.40%
Ten Years	1.57%	1.22%	0.35%
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 2008-09.

The SBA's rebalancing policies contain a well-formulated balance of performance risk against execution cost and have been applied with discipline.

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

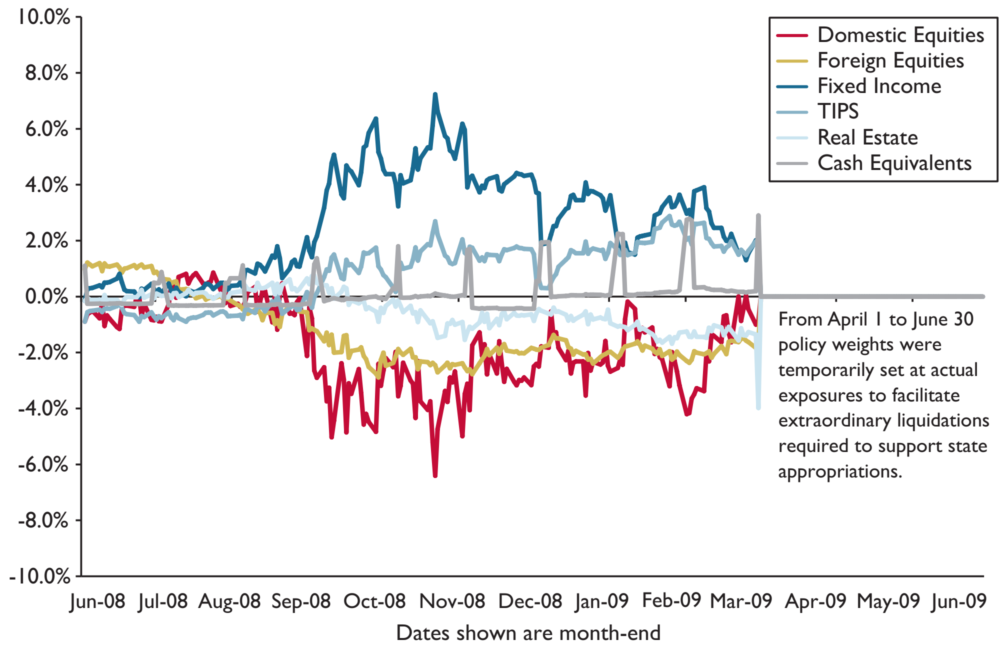
Fiscal Year 2008-09



The target weights upon which this chart is based assign asset allocation deviations in the fund's illiquid asset classes (Real Estate, Private Equity) to the most comparable public market classes, which are liquid, per the Investment Policy Statement for the fund. Also per that policy, Strategic Investments' exposure is deducted pro rata from the target weights of the other asset classes.

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

Fiscal Year 2008-09



As noted, LCEF policy allocations matched actual allocations during the last quarter of the fiscal year to facilitate major liquidations and fund restructuring necessitated by legislatively mandated extraordinary with-drawals that depleted approximately half the fund's assets.

SECTION 2
VALUATION CHANGES BY ASSET CLASS AND PORTFOLIO

FRS Pension Plan

TABLE S2-1: FRS PENSION PLAN
Change in Market Value – Fiscal Year 2008-09

	Market Value June 30, 2008	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2009
Domestic Equities	$45,100,277,569	$2,010,808,763	$(11,966,169,058)	$35,144,917,273
Foreign Equities	23,708,779,146	3,682,137,465	(7,019,837,816)	20,371,078,796
Fixed Income	35,010,386,467	(9,208,413,000)	191,969,379	25,993,942,845
High Yield	2,786,274,430	(198,810,000)	(91,751,087)	2,495,713,343
Real Estate	9,739,548,217	117,641,777	(2,077,633,512)	7,779,556,483
Private Equity	4,286,786,511	486,139,138	(1,184,725,645)	3,588,200,004
Strategic Investments	5,224,618,856	28,077,510	(1,898,725,061)	3,353,971,305
Cash/Short-Term Securities [1]	1,080,225,673	(156,068,159)	(72,329,950)	851,827,564
Total FRS Pension Plan	**$126,936,896,868**	**$(3,238,486,505)**	**$(24,119,202,750)**	**$99,579,207,613**

[1] The investment gain (loss) reported for the Cash/Short-Term Securities includes $15,596,393 in SBA investment service charges and $3,199,608 in bank fees paid out of the Cash/Short-Term asset class on behalf of the entire FRS Pension Plan. Excluding these expenses, the investment gain (loss) reported would have been ($53,533,949), 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 2008-09

Account Name	Market Value June 30, 2008	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2009
Active All Cap:				
- Jacobs Levy Equity Management [2]	$657,122,069	$(367,055,900)	$(290,066,169)	$0
- Private Capital Management [2]	183,609,388	(173,950,225)	(9,659,163)	0
Active Large Cap:				
- Aronson & Partners [2]	527,923,325	(359,840,900)	(168,082,425)	0
- Aronson Johnson Ortiz Collateral	357,453,964	0	(82,020,454)	275,433,510
- Aronson Johnson Ortiz Long	242,224,938	296,136,557	71,852,006	610,213,501
- Aronson Johnson Ortiz Short	(134,313,890)	0	(68,332,690)	(202,646,580)
- AXA Rosenberg	474,273,365	0	(134,640,054)	339,633,311
- Barclays Global Investors R1000 Alpha Tilts [2]	0	339,855	(339,855)	0
- Delaware Investments	1,077,619,831	(57,781,567)	(234,088,336)	785,749,928
- Enhanced Investment Technologies, Inc.	1,767,050,834	0	(475,505,820)	1,291,545,014
- Evergreen Investments	484,948,156	0	(130,577,020)	354,371,136
- Jacobs Levy Collateral	225,761,305	0	94,721,817	320,483,122
- Jacobs Levy Long	394,560,620	367,200,313	(55,629,140)	706,131,794
- Jacobs Levy Short	(141,960,197)	0	(100,456,746)	(242,416,943)
- Quantitative Management Associates	851,567,911	87,292,495	(192,851,893)	746,008,514
- Smith Asset Management Group [2]	466,579,545	(320,348,433)	(146,231,112)	0
- Smith Asset Management Large Cap Enhanced	463,402,394	466,674,656	(74,631,818)	855,445,231
Active Small Cap:				
- AQR Capital Management [2]	119,384,272	(75,262,494)	(44,121,770)	8
- AQR Portable Alpha [1]	0	80,000,000	17,735,394	97,735,394
- AQR R2000 Equity [1]	0	75,390,014	11,318,892	86,708,906
- Batterymarch Financial Management [2]	161,145,681	(163,749,732)	2,604,051	0
- Cortina Asset Management	131,919,318	0	(18,126,548)	113,792,770
- Delta	40,667,417	0	(12,104,827)	28,562,590
- Earnest Partners [2]	147,470,764	(92,982,303)	(54,488,461)	0
- Fisher Investments	157,191,782	0	(41,437,746)	115,754,036
- PanAgora Asset Management	186,692,764	(40,701,878)	(35,409,911)	110,580,975
- Renaissance Investment Management [2]	169,828,759	(168,767,234)	(1,061,525)	0
- Stephens Investment Management Group [1]	0	170,319,635	(37,794,562)	132,525,073
- TAMRO Capital Partners [1]	0	149,318,314	(33,709,952)	115,608,361
- Turner Investment Partners	206,162,445	(41,665,511)	(54,897,386)	109,599,548
- Tygh Capital Management	205,787,564	(27,473,904)	(60,900,565)	117,413,095
- Vaughan Nelson Investment Management	200,676,495	0	(36,976,443)	163,700,053
Passive:				
- Alamo	294,166,599	(3,327,523)	(69,930,121)	220,908,955
- Avatar R1000 Index Fund	16,148,121,829	1,157,599,980	(4,272,495,812)	13,033,225,997
- Gryphon	4,538,416,126	414,647,518	(889,840,220)	4,063,223,424
- Phoenix Portfolio	14,506,584,499	400,980,570	(4,234,803,200)	10,672,761,869

(continued from page S27)

Table S2-2: FRS Pension Plan Domestic Equities
Change in Market Value by Portfolio – Fiscal Year 2008-09

Account Name	Market Value June 30, 2008	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2009
Other:				
- Domestic Equity Active STIP NAV Adjustment	(9,542,754)	0	4,371,599	(5,171,155)
- Domestic Equity Asset Class Transition [1]	0	(17,072,346)	17,383,911	311,565
- Domestic Equity Passive STIP NAV Adjustment	(3,179,061)	0	12,051,551	8,872,490
- Domestic Equity Policy Transition	304,018	102,814,372	(103,118,382)	8
- Domestic Equity STIP Reserve Fund	655,494	59,092,130	(44,819,555)	14,928,069
- Domestic Equity Small Cap Value Transition [1]	0	92,982,303	10,941,402	103,923,705
Total Domestic Equities	**$45,100,277,569**	**$2,010,808,763**	**$(11,966,169,058)**	**$35,144,917,273**

[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 2008-09

Account Name	Market Value June 30, 2008	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2009
Developed Markets:				
- Aberdeen Asset Management	$446,015,030	$186,150,000	$(9,230,971)	$622,934,059
- Acadian Long	272,353,573	307,000,000	(217,775,007)	361,578,566
- Acadian Collateral	193,734,610	0	(22,305,490)	171,429,120
- Acadian Short	(107,130,949)	0	(15,083,185)	(122,214,134)
- AIG Global Investment Corporation	128,581,801	0	(47,560,080)	81,021,721
- Artisan Partners	1,357,408,998	235,598,012	(397,232,281)	1,195,774,729
- Barclays Global Investors Index Plus	1,002,211,807	0	(312,134,324)	690,077,483
- Barclays Global Investors Small Cap Strategy	1,083,449,548	(191,800,000)	(272,926,972)	618,722,576
- Barclays Global Investors World Ex-US	4,791,072,917	410,600,000	(1,385,112,678)	3,816,560,239
- Barclays Global Investors World Ex-US Alpha Tilts	2,604,622,480	150,100,000	(831,950,185)	1,922,772,295
- Capital Guardian Trust Company	969,990,538	(33,600,000)	(307,622,148)	628,768,390
- Dimensional Fund Advisors	170,075,631	10,000,000	(43,232,594)	136,843,037
- Epoch Investment Partners	48,445,720	78,000,000	132,994	126,578,714
- Foreign Equity Internal Active	106,127,605	8,400,000	(34,945,988)	79,581,617
- Mondrian Investment Partners Small Cap	161,571,912	60,000,000	(62,131,152)	159,440,760
- Morgan Stanley Investment Management	1,225,280,746	(37,900,000)	(313,559,047)	873,821,699
- New Star Institutional Asset Management	1,032,902,542	145,150,000	(376,661,882)	801,390,660
- Principal Global Investors - FE	109,959,136	76,000,000	(40,321,303)	145,637,833
- Pyramis Global Advisors	1,053,734,145	259,650,000	(359,465,308)	953,918,837
- Pyramis Global Advisors Trust Small Cap	115,583,208	69,000,000	(23,956,649)	160,626,559
- Sprucegrove Investment Management	1,215,098,057	266,300,000	(331,645,917)	1,149,752,140
- Templeton Investment Counsel	1,342,628,675	192,100,000	(326,223,982)	1,208,504,693
- Victory Capital Management	126,988,924	50,000,000	(69,540,728)	107,448,196
- Walter, Scott & Partners, Ltd. [1]	0	548,937,465	107,266,357	656,203,823
- William Blair [1]	119,188,117	63,000,000	(46,553,016)	135,635,101
Emerging Markets:				
- Acadian Asset Management Inc.	815,287,018	167,000,000	(221,942,858)	760,344,160
- EM Market Exposure	46,529,686	(700,000)	(12,522,669)	33,307,017
- Genesis Emerging Markets	813,552,610	35,000,000	(173,300,227)	675,252,383
- JP Morgan Asset Management [2]	668	(232,456)	238,765	6,978
- Mondrian Investment Partners Ltd.	762,705,930	121,950,000	(133,166,617)	751,489,313
- State Street Global Advisors	840,380,126	70,000,000	(269,049,679)	641,330,447
- Trilogy	869,393,199	93,676,989	(198,825,200)	764,244,988
Frontier Markets:				
- Aberdeen Frontier Markets [1]	0	40,000,000	601,243	40,601,243
Other:				
- Foreign Equity Cash	561,288	70,075,153	(44,360,621)	26,275,820
- Foreign Equity Active STIP NAV Adjustment Account	(9,496,696)	0	4,916,558	(4,580,138)
- Foreign Equity Passive STIP NAV Adjustment Account	(97,104)	0	41,703	(55,401)
- Foreign Equity Asset Allocation Portfolio	67,551	(60)	(46,348)	21,143
- Foreign Equity Emerging Markets Policy Transition	87	(87)	0	0
- Foreign Equity Policy Transition	12	232,723,000	(232,690,952)	32,060
- Foreign Equity Restructuring [1]	0	(40,551)	40,619	68
Total Foreign Equities	**$23,708,779,146**	**$3,682,137,465**	**$(7,019,837,816)**	**$20,371,078,796**

[1] Account opened during the fiscal year.
[2] Manager terminated during the fiscal year. Closing balance represents residual flows.
• Totals may not foot due to rounding.

Table S2-4: FRS Pension Plan Fixed Income

Change in Market Value by Portfolio – Fiscal Year 2008-09

Account Name	Market Value June 30, 2008	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2009
Aggregate:				
- Active Core	$8,891,737,615	$(3,195,067,441)	$(71,279,369)	$5,625,390,805
- BlackRock Core Bond Enhanced Index	3,852,451,359	(1,613,442,536)	175,438,347	2,414,447,170
- Fixed Income Synthetic Aggregate	1,061,926,717	(1,060,122,664)	(1,804,053)	0
- Goldman Sachs Core Plus	2,517,137,366	(409,741,620)	123,102,497	2,230,498,242
- Hartford Investment Management Core Plus	2,484,988,450	(484,500,389)	28,741,265	2,029,229,326
- Principal Global Investors Core Plus	2,462,094,945	(434,220,646)	(44,595,426)	1,983,278,873
- Neuberger Berman Core [1]	0	1,079,142,463	107,186,759	1,186,329,222
- Smith Breeden Associates	1,764,467,895	(612,482,831)	65,177,038	1,217,162,102
- Taplin, Canida & Habacht	704,796,173	(86,051,131)	34,719,900	653,464,942
- Western Asset Management Core Plus	2,492,886,282	(309,966,985)	56,406,556	2,239,325,853
Government/Corporate:				
- Fixed Income Government/Corporate Passive Account	3,007,659,281	(272,697,681)	143,359,144	2,878,320,744
Mortgage:				
- MBS Active Synthetic	1,089,588,914	(79,369,330)	(453,507,974)	556,711,610
- MBS Enhanced Synthetic	613,936,375	(6,797,883)	(22,283,738)	584,854,755
- Neuberger Berman Mortgage Passive	2,104,104,588	(1,018,122,225)	113,989,699	1,199,972,062
- Lehman Brothers Asset Management LLC [2]	152,934,179	(153,098,921)	164,742	0
- Trust Company of the West [2]	912,446,640	(912,307,991)	(138,649)	0
- Utendahl Capital Management	708,070,270	(85,483,871)	64,271,517	686,857,917
- Wellington Management Company [2]	422,720,944	(422,830,284)	109,340	0
Other:				
- Fixed Income Active STIP NAV Adjustment Account	(209,792,745)	0	203,316,971	(6,475,774)
- Fixed Income Passive STIP NAV Adjustment Account	(23,768,786)	0	19,096,178	(4,672,608)
- Fixed Income STIP Reserve Cash [1]	0	886,313,405	(367,065,801)	519,247,604
- Fixed Income Transition Account	5	(17,564,441)	17,564,436	0
Total Fixed Income	**$35,010,386,467**	**$(9,208,413,000)**	**$191,969,379**	**$25,993,942,845**

[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 2008-09

Account Name	Market Value June 30, 2008	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2009
High Yield Holdings:				
- High Yield Active Synthetic	$104,132,469	$(22,586,426)	$(3,603,037)	$77,943,006
- Neuberger Berman Asset Management [1]	762,854,576	(69,630,816)	2,747,848	695,971,608
- MacKay Shields, LLC	775,011,060	(86,001,119)	(32,659,860)	656,350,081
- Post Advisory Group	776,734,131	(77,830,021)	(35,044,798)	663,859,312
- Shenkman Capital Management LLC	378,082,731	(12,661,348)	4,794,962	370,216,345
Other:				
- High Yield Asset Allocation	1,416,174	(196,569)	214,691	1,434,296
- High Yield STIP Reserve Cash [2]	0	70,096,299	(37,831,318)	32,264,981
- High Yield STIPFRS NAV Adjustment Account	(11,956,711)	0	9,630,425	(2,326,286)
Total High Yield	**$2,786,274,430**	**$(198,810,000)**	**$(91,751,087)**	**$2,495,713,343**

[1] Formerly Lehman Brothers High Yield.
[2] Account opened 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 – Fiscal Year 2008-09

Account Name	Market Value June 30, 2008	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2009
Real Estate Holdings:				
- Commingled Funds	$3,252,902,665	$170,135,995	$(1,337,111,931)	$2,085,926,728
- Direct-Owned Investments	5,666,006,802	(157,219,157)	(397,657,306)	5,111,130,339
- Real Estate Investment Trusts (REITs)	819,182,157	89,638,494	(340,214,122)	568,606,529
- Real Estate Stock	62	0	0	62
Other:				
- Real Estate Cash	2,506,736	15,086,445	(3,453,394)	14,139,787
- Real Estate STIPFRS NAV Adjustment Account	(1,050,205)	0	803,242	(246,963)
Total Real Estate	**$9,739,548,217**	**$117,641,777**	**$(2,077,633,512)**	**$7,779,556,483**

• 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.
• Totals may not foot due to rounding.

Table S2-7: FRS Pension Plan Private Equity
Change in Market Value by Portfolio – Fiscal Year 2008-09

Account Name	Market Value June 30, 2008	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2009
Private Equity:				
- 3i Eurofund V, L.P.	$40,633,579	$6,610,213	$(24,771,330)	$22,472,461
- Advent International GPE VI [1]	0	$10,746,196	(2,422,976)	8,323,220
- Apollo Investment Fund IV, L.P.	110,367,671	(21,416,875)	(47,150,037)	41,800,759
- Apollo Investment Fund V, L.P.	119,127,169	8,712,180	(42,501,718)	85,337,631
- Apollo Investment Fund VI, L.P.	161,304,000	32,694,171	(93,758,541)	100,239,630
- Apollo Investment Fund VII, L.P.	14,628,397	30,102,968	(18,998,312)	25,733,053
- Ares Corporate Opportunities Fund III [1]	0	25,376,492	220,456	25,596,948
- Blackstone Capital Partners V, L.P.	85,714,055	23,041,138	(33,546,332)	75,208,861
- Blackstone Capital Partners VI, L.P. [1]	0	9,036	(9,036)	0
- Carlyle Asia Growth Partners IV [1]	0	3,555,563	(1,392,685)	2,162,878
- Carlyle Partners II	25,998,981	(23,822,972)	12,885,471	15,061,480
- Carlyle Partners III , L.P.	52,261,776	(1,938,088)	(17,660,566)	32,663,122
- Carlyle Partners IV, L.P.	74,260,690	(2,675,329)	(14,155,721)	57,429,641
- Carlyle Partners V, L.P. [1]	41,565,111	22,311,958	(11,608,904)	52,268,165
- Carlyle Partners Europe III, L.P.	17,156,296	5,590,757	(10,001,632)	12,745,421
- Centre Capital Investments II	45,563,651	(7,878,094)	(7,459,786)	30,225,771
- Charterhouse Capital Partners IX, L.P. [1]	0	801,120	122,115	923,235
- Chartwell Capital Investors II, L.P.	22,798,879	(1,315,795)	(3,139,538)	18,343,546
- Cressey & Company Fund IV, L.P. [1]	0	2,012,941	(2,505,049)	(492,108)
- CVC European Equity Partners V [1]	0	12,412,901	(3,024,784)	9,388,117
- Cypress Equity Fund	3,247,943	(226,093)	(982,368)	2,039,482
- Fairview Ventures Fund II, L.P.	28,859,038	4,292,494	(5,055,737)	28,095,795
- Fairview Ventures Fund III, L.P.	5,122,689	7,500,000	(1,616,736)	11,005,953
- First Reserve Fund XI, L.P.	67,400,799	13,191,623	(13,783,725)	66,808,697
- First Reserve Fund XII, L.P. [1]	0	57,512,506	(13,527,600)	43,984,906
- Freeman Spogli (FS) Partners V, L.P.	36,851,223	1,104,262	(778,576)	37,176,909
- FS Equity Partners, L.P. [1]	0	57,661	(57,661)	0
- Gores Capital Partners, L.P.	34,342,014	(9,501,140)	4,231,921	29,072,795
- Gores Capital Partners II, L.P.	18,016,382	9,531,237	(1,438,542)	26,109,078
- Green Equity Investors III, L.P.	10,489,591	120,058	(5,844,817)	4,764,832
- Green Equity Investors IV, L.P.	88,148,149	3,687,657	(15,598,926)	76,236,880
- Green Equity Investors V, L.P.	13,909,603	13,842,166	(4,968,351)	22,783,418
- Grove Street Partners LLC	88,126,289	23,768,740	(11,410,628)	100,484,402
- Grove Street Partners Buyouts LLC	22,487,746	13,332,877	(6,755,971)	29,064,652
- Grove Street Partners Ventures II LLC	281,093	5,482,897	(2,520,330)	3,243,660
- Hellman & Friedman Capital Partners V, L.P.	80,594,382	(2,084,481)	(22,067,609)	56,442,292
- Hellman & Friedman Capital Partners VI, L.P.	51,584,327	11,788,516	(10,000,244)	53,372,599
- Hellman & Friedman Capital Partners VII, L.P. [1]	0	51,493	(51,493)	0
- Hicks, Muse, Tate & Furst III, L.P.	38,823,907	(11,554,867)	(5,882,431)	21,386,609
- Hicks, Muse, Tate & Furst Fund IV, L.P.	22,349,366	(1,050,748)	(5,816,263)	15,482,355
- Hicks, Muse, Tate & Furst Fund V, L.P.	10,782,078	(2,108,998)	(3,098,932)	5,574,148
- Kelso Investment Associates VII, L.P.	67,020,828	1,223,448	(28,623,775)	39,620,501
- Kelso Investment Associates VIII, L.P.	1,598,226	6,032,437	(1,051,065)	6,579,598
- KKR European Fund III [1]	0	1,061,635	(928,919)	132,716
- Kohlberg Investors V, L.P.	41,965,550	2,442,327	(7,872,071)	36,535,806
- Kohlberg Investors VI, L.P.	9,630,328	11,452,989	(764,505)	20,318,812
- Lexington Capital Partners IV, L.P.	69,655,748	(1,485,148)	(28,141,772)	40,028,828
- Lexington Capital Partners V, L.P.	56,893,206	(1,859,359)	(14,692,562)	40,341,285
- Lexington Capital Partners VI-B, L.P.	52,025,095	15,532,764	(15,993,591)	51,564,268
- Lexington Co-Investment Partners (Pools I & II), L.P.	27,199,315	(4,671,838)	(14,408,670)	8,118,807
- Lexington Co-Investment Partners II (Pools III & IV), L.P.	320,781,098	4,464,235	(151,984,750)	173,260,583
- Lexington Co-Investment Partners 2005, L.P.	361,122,714	16,899,284	(134,639,774)	243,382,224
- Liberty Partners II	24,662,532	433,113	(2,243,636)	22,852,009
- Liberty Partners III	73,311,839	(2,947,929)	(7,128,588)	63,235,322

Table S2-7: FRS Pension Plan Private Equity

Change in Market Value by Portfolio – Fiscal Year 2008-09

(continued from page S30)

Account Name	Market Value June 30, 2008	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2009
Private Equity *(cont.)*:				
- Liberty Partners V	127,816,433	1,122,002	(33,546,715)	95,391,721
- Liberty Partners VI	412,323,123	7,273,327	(75,558,148)	344,038,301
- Liberty Partners VII	37,833,538	2,229,055	4,555,269	44,617,862
- Liberty Partners Group II	31,957	231,250	(263,207)	0
- Lindsay Goldberg & Bessemer II, L.P.	58,489,851	20,184,635	924,475	79,598,961
- Lindsay Goldberg & Bessemer III, L.P. [1]	0	4,751,514	(1,211,802)	3,539,712
- New Mountain Partners II, L.P.	43,511,702	2,609,693	(2,506,351)	43,615,044
- New Mountain Partners III, L.P.	11,182,017	11,590,703	(337,909)	22,434,811
- PAI Europe V, L.P.	105,773	12,554,453	(5,509,996)	7,150,230
- Pantheon Venture Partners II, L.P.	36,711,865	6,500,000	(4,249,350)	38,962,515
- Paul Capital Top Tier Investments II, L.P.	84,292,813	5,672,344	(16,492,508)	73,472,650
- Paul Capital Top Tier Investments III, L.P.	31,186,119	7,780,968	(2,687,275)	36,279,812
- Paul Capital Top Tier Investments IV, L.P.	2,330,368	13,374,600	(1,533,745)	14,171,223
- Paul Capital Top Tier Special Opportunities, L.P. [1]	0	2,302,043	(30,341)	2,271,702
- Permira IV, L.P.	29,239,369	9,003,666	(18,296,767)	19,946,268
- Platinum Equity Capital Partners, L.P.	32,981,915	(16,880,442)	(3,508,764)	12,592,709
- Platinum Equity Capital Partners II, L.P.	28,527,949	(376,981)	(7,993,334)	20,157,634
- Pomona Capital VI, L.P.	40,765,473	1,984,964	(8,787,574)	33,962,863
- Pomona Capital VII, L.P.	11,000,000	4,455,292	(1,273,354)	14,181,938
- Providence Equity Partners VI, L.P.	19,563,049	5,082,257	(6,381,050)	18,264,256
- RCP Advisors Fund IV, L.P.	16,907,417	7,500,000	625,607	25,033,024
- RCP Advisors Fund V, L.P.	3,758,185	5,000,000	(988,493)	7,769,692
- RCP Advisors Fund VI, L.P. [1]	0	2,503,909	(631,474)	1,872,435
- Ripplewood Partners I, L.P.	23,100,104	0	(4,019)	23,096,085
- Ripplewood Partners II, L.P.	59,616,480	14,429,863	(2,897,003)	71,149,340
- Riverside Capital Appreciation Fund V, L.P. [1]	0	10,036,315	(2,162,309)	7,874,006
- Thoma Bravo Fund IX, L.P. [1]	0	7,761,529	(854,163)	6,907,366
- Thoma Cressey Fund VIII L.P.	43,131,643	3,750,000	(354,692)	46,526,951
- Thomas H. Lee Equity Fund IV, L.P.	2,116,266	(49,412)	(1,706,385)	360,469
- Thomas H. Lee Equity Fund V, L.P.	34,997,301	(207,897)	(12,847,351)	21,942,053
- Thomas H. Lee Equity Fund VI, L.P.	37,669,967	7,283,851	(11,597,214)	33,356,604
- TowerBrook Capital Partners, L.P.	43,807,616	12,869,181	(8,114,901)	48,561,896
- TowerBrook Investors III, L.P. [1]	0	30,091,124	(2,984,283)	27,106,841
- TPG Partners IV (Cayman), L.P.	52,847,986	229,201	(19,502,217)	33,574,970
- TPG Partners V, L.P.	78,833,686	(12,387,444)	(27,706,166)	38,740,076
- TPG Partners VI, L.P.	4,073,654	8,046,430	(9,555,680)	2,564,404
- TSG Capital Fund III, L.P.	1,300,952	0	(406,682)	894,270
- Warburg Pincus Private Equity IX, L.P.	77,428,415	(1,809,525)	(12,254,808)	63,364,082
- Warburg Pincus Private Equity X, L.P.	30,246,955	20,953,113	(14,449,517)	36,750,551
- Wellspring Capital Partners III, L.P.	33,996,332	(3,329,919)	860,770	31,527,183
- Wellspring Capital Partners IV, L.P.	37,877,625	10,518,750	(1,836,215)	46,560,160
- Wellspring Capital Partners V, L.P. [1]	0	31,197	(31,197)	0
- Willis, Stein & Partners II, L.P.	1,381,685	(58,530)	(920,980)	402,175
- Willis, Stein & Partners III, L.P.	78,168,064	(601,651)	(9,805,684)	67,760,729
Other:				
- Private Equity Cash	81,946,933	(50,112,591)	(6,575,233)	25,259,109
- Private Equity STIPFRS NAV Adjustment Account[1]	(2,977,422)	0	3,040,691	63,269
Total Private Equity	**$4,286,786,511**	**$486,139,138**	**$(1,184,725,645)**	**$3,588,200,004**

[1] Account opened 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 2008-09

Account Name	Market Value June 30, 2008	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2009
Equity:				
- Acadian Asset Management	$570,317,078	$0	$(239,708,064)	$330,609,014
- Bank of Ireland Asset Management [2]	191,510	(191,858)	348	0
- Blackstone	2,882,098	0	(1,001,207)	1,880,891
- Fisher Investments, Inc. [2]	591,547,496	(327,787,642)	(263,759,854)	0
- McLean Budden	1,144,396,493	(150,000,000)	(286,786,394)	707,610,099
- FTI Institutional	918,951,939	(74,424,569)	(231,522,066)	613,005,304
- Trilogy Global Advisors	500,331,491	(45,000,000)	(156,287,890)	299,043,601
- UBS Global Asset Management	2,349,332	(2,395,568)	47,910	1,674
- Walter Scott & Partners, Ltd. [3]	660,570,308	(462,478,262)	(198,092,046)	0
Debt-Oriented:				
- ABRY Advanced Securities Fund [1]	0	50,308,074	(4,461,712)	45,846,362
- Apollo Credit Liquidity Fund	78,329,126	122,084,525	(86,609,459)	113,804,192
- Blackrock Carbon Capital III [1]	0	35,160,991	447,522	35,608,513
- Blackstone Credit Liquidity Partners	94,274,234	81,135,978	(101,138,425)	74,271,787
- Carlyle Mezzanine Partners II [1]	0	71,076,542	(4,480,686)	66,595,856
- Falcon Strategic Partners, L.P. [1]	0	16,711,155	(905,607)	15,805,549
- Goldman Sachs Distressed Opportunities, L.P.	144,173,739	(2,136,980)	(47,274,346)	94,762,413
- Green Credit Investors	49,169,166	84,555,778	(57,828,104)	75,896,840
- GSO Capital Opportunities Fund [1]	0	92,340,343	3,858,518	96,198,861
- MS Mezzanine Partners Fund	22,024,940	19,786,516	(15,492,030)	26,319,426
- OCM Opportunities Fund VIIb	3,767,805	33,750,000	(5,460,244)	32,057,561
- PCG Special Situation Partners, L.P.	153,282,035	(8,211,356)	(41,374,679)	103,696,000
- Principal RE Debt Separate Account [1]	0	5,341	(5,341)	0
- Providence TMT Special Situation Fund	35,004,660	73,082,149	(18,455,981)	89,630,828
- Special Situation Partners II, L.P.	53,153,619	10,409,891	(13,648,988)	49,914,522
- Square Mile Partners III, L.P. [1]	0	26,108,430	(4,310,846)	21,797,584
- TAC 2007 (TPG Credit Fund)	124,232,561	107,866,496	(99,826,685)	132,272,372
- TCW Crescent Mezzanine Parnters V, L.P. [1]	0	31,082,608	(2,706,742)	28,375,866
- Tricon IX, L.P. [1]	0	38,728,759	1,127,342	39,856,101
- VSS Structured Capital II [1]	0	7,518,471	(718,304)	6,800,167
- Wayzata Opportunities Fund II, L.P.	17,939,538	25,657,654	(7,430,133)	36,167,059
Multi-Sector Strategies:				
- CVI Global Value Fund A [1]	0	112,547,214	147,121	112,694,335
- GI Partners Fund III, L.P. [1]	0	8,678,905	(2,913,315)	5,765,590
Other:				
- Global Equities Cash Account	273,508	17,185,932	(10,533,273)	6,926,167
- Strategic Investments Cash Account	63,321,734	34,921,993	(5,864,150)	92,379,577
- SI STIPFRS NAV Adjustment Account	(5,865,554)	0	4,242,747	(1,622,807)
Total Strategic Investments	**$5,224,618,856**	**$28,077,510**	**$(1,898,725,061)**	**$3,353,971,305**

[1] Account opened during the fiscal year.
[2] Account closed during the fiscal year.
[3] Account transferred during the fiscal year.
• 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 Miscellaneous Portfolios
Change in Market Value – Fiscal Year 2008-09

Account Name	Market Value June 30, 2008	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2009
Central Cash/Short-Term	$1,125,385,036	$(156,068,159)	$(114,804,377)	$854,512,501
STIPFRS NAV Adjustment Account	(45,159,363)	0	42,474,427	(2,684,936)
Total Cash Asset Class [1]	**$1,080,225,673**	**$(156,068,159)**	**$(72,329,950)**	**$851,827,564**

[1] The investment gain (loss) reported for the Central Cash/Short-Term portfolio includes $15,596,393 in SBA investment service charges and $3,199,608 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 Cash/Short-Term asset class would have been ($53,533,949) 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, 2009

	All Florida Investments [1]	Growth & Technology [3]
Public Market Equities	$554,472,839	$418,849,380
Fixed Income	99,318,010	56,280,539
High Yield	43,831,234	29,757,386
Real Estate	879,613,499	-
Private Investments [2]	221,550,981	101,137,072
Total	**$1,798,786,563**	**$606,024,377**

[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, 2009.
[3] Growth and technology investments tentatively identified through use of the methodology described in SBA memo dated September 26, 2008. Copies available upon request.

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 2008-09

Account Name	Market Value June 30, 2008	Net Contributions and Transfers	Investment Gain (Loss)	Market Value June 30, 2009
Domestic Equities Portfolios:				
Earnest Partners Inc. [1]	$35,893,698	$(24,084,824)	$(11,808,874)	$0
Enhanced Investment Technologies, LLC [1]	244,649,569	(174,883,388)	(69,766,181)	0
PanAngora Asset Management Inc. [1]	37,535,068	(26,158,166)	(11,376,902)	0
Russell 1000 ex-Tobacco Fund [1]	643,997,452	(417,268,651)	(226,728,801)	0
Russell 3000 ex-Tobacco Fund	210,145,221	56,991,460	66,346,016	333,482,697
Transition Account	0	63,741,840	(63,620,035)	121,805
Foreign Equities Portfolios:				
Capital Guardian	1,783	0	5,756	7,539
Acadian	285,059,644	(99,177,516)	(111,132,743)	74,749,385
Fixed Income Portfolios:				
Chiles Barclays Aggregate	343,354,818	(269,803,352)	11,699,273	85,250,739
Inflation-Indexed Bond Portfolios:				
Chiles TIPS	215,450,419	(148,647,042)	(4,110,063)	62,693,314
Real Estate Portfolios: [2]				
AEW Capital Management [1]	40,209,635	(18,486,470)	(21,674,969)	48,196
Invesco Institutional [1]	41,957,108	(21,403,928)	(20,532,655)	20,525
Cash/Short-Term Portfolios:				
Chiles Cash	36,694,000	(29,362,689)	(4,037)	7,327,274
Total Lawton Chiles Endowment Fund	**$2,134,948,415**	**$(1,108,542,726)**	**$(462,704,215)**	**$563,701,474**

[1] Account closed during the fiscal year.
[2] The Real Estate asset class in the Chiles Endowment was closed during the fiscal year. Ending balances are residual amounts.
• Totals may not foot due to rounding.

Table S2-12: Security Lending Book and Market Values by Program

As of June 30, 2009

	Book Value [1]	Market Value	Unrealized Gain (Loss) on Investments
FRS Pension Plan			
Bank of New York Mellon	$6,242,970,768	$6,107,858,675	$(135,112,093)
Victory Capital Mgt. (KeyBank)	1,501,948,879	1,301,302,450	(200,646,430)
Dresdner	1,385,458,136	1,321,479,130	(63,979,006)
Wachovia	1,227,431,992	1,085,184,362	(142,247,630)
Total FRS Pension Plan	10,357,809,776	9,815,824,617	(541,985,159)
Lawton Chiles Endowment Fund			
Bank of New York Mellon	$13,817,110	$13,058,849	$(758,261)
Wachovia	57,668,045	57,668,045	0
Total LCEF	71,485,154	70,726,894	(758,261)
Other Funds			
Florida Lottery (BNY Mellon)	$887,773,470	$842,680,937	$(45,092,533)

[1] Book value in security lending programs is generally "amortized cost value," which includes the original cost of an investment, less investment discounts, plus investment premiums that are amortized over the life of the investment.

• 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 appropriate fund. 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, uninvested cash, interest receivable on investments or other receivables or payables that may be associated with securities lending. 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

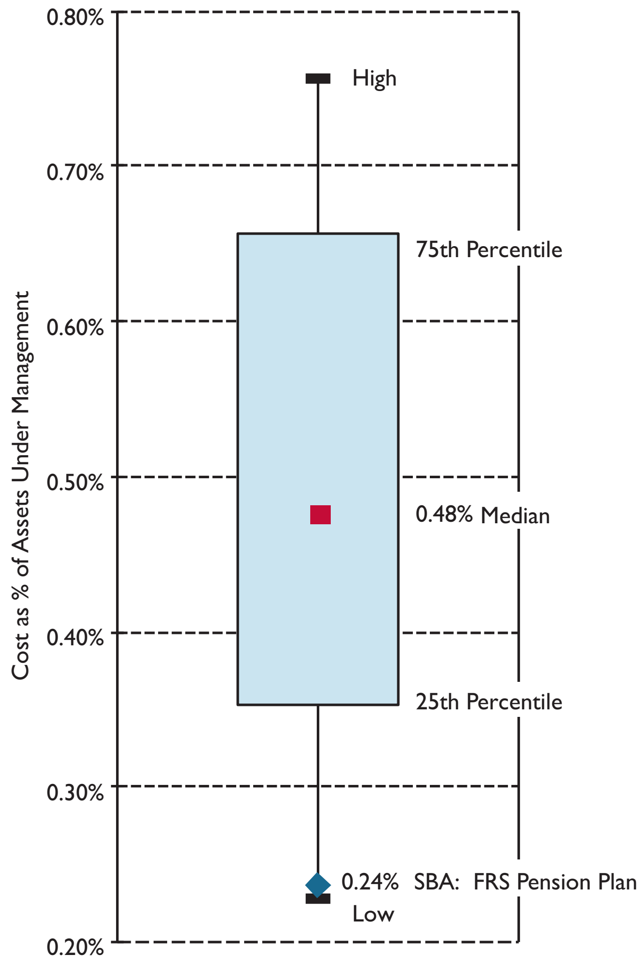
The valuations and accounting data contained in this supplement and in the main report reflect information current as of June 30, 2009 and are consistent with official investment return data as of that date supplied by the SBA's independent asset custodian, BNY Mellon Asset Servicing. These valuations will not necessarily match information included in the State of Florida Comprehensive Annual Financial Report for fiscal year 2008-09, due to its inclusion of subsequent updates to private market investment valuations and timing differences in the recognition of receivables and other items.

SECTION 3
Cost Information

The success of an investment management program is broadly measured by whether its investment objective is met (see discussion on page 20 in the main portion of this report). However, market-relative performance is important as well. This is especially true where the investment objective is measured over a long horizon, as for the FRS Pension Plan, the SBA's principal mandate.

Though investors cannot alter broad market performance, they can and typically should endeavor to outperform the general market, within reasonable risk limitations. Outperforming the market based upon selecting a superior-performing subset of securities is extremely challenging, particularly in well-developed markets, and certainly difficult to maintain over a long horizon. Outperforming the market through superior cost control, by comparison, is a significantly more reliable way to add value.

Chart S3-1: FRS Pension Plan Cost Comparison
All-In Calendar Year 2008 Costs
Universe of 17 Large Public and Private Pension Plans



Source: CEM Benchmarking Inc.

By virtue of the size of its operations, the SBA has the potential to capture significant scale economies, and it aggressively seeks to do so.

For fiscal year 2008-09, the SBA's total expense ratio, a measure of all-in costs relative to total assets under management, was 24 basis points, or 0.24%. Chart S3-1 puts the SBA's cost effectiveness into perspective. It compares the SBA's cost for the FRS Pension Plan to 16 other large public and private pension plans, selected by the independent firm CEM [Cost Effectiveness Measurement] Benchmarking Inc., as appropriate peer organizations.[9]

At 24 basis points, the SBA's all-in cost was second lowest within the universe, and 50% less than that of the median plan.

At 24 basis points, the SBA's all-in cost was second lowest within the universe and 50% less than that of the median plan.

[9] The comparison is for the FRS Pension Plan (the "Plan") only, since it is not practical to find peers appropriate to the particular total set of diverse investment mandates that the SBA manages. However, the Plan is the SBA's largest mandate, accounting for over 80% of assets under management. At 24 basis points, the cost of managing the Plan for calendar year 2008 (the period of the latest CEM study) was, coincidentally, the same as the SBA's all-in cost for all of its mandates for fiscal year 2008-09.

The tables that follow disclose elements of the SBA's cost structure that historically have been of interest to stakeholders.

Table S3-1: FRS Pension Plan External Investment Management Fees
Fiscal Year 2008-09

Asset Class	Dollar Amount	Return Basis[1]
Domestic Equities	$22,482,773	0.31%
Foreign Equities	52,253,306	0.28%
Fixed Income	17,738,670	0.10%
High Yield	8,644,300	0.36%
Real Estate	53,069,019	0.63%
Private Equity	75,686,232	1.86%
Strategic Investments	35,326,927	0.92%
Cash	74,964	0.02%
Total	**$265,276,191**	**0.42%**

[1] Return basis expresses external management fees as a percent of the average of the beginning and ending market 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 2008-09

Asset Class	Dollar Amount [1]
Domestic Equities	$14,521,454
Foreign Equities	23,885,970
Fixed Income	101,788
High Yield	5,870
Real Estate	871,541
Private Equity	1,813
Strategic Investments	3,335,286
Total	**$42,723,722**

[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 2008-09

Asset Class	Amount
Domestic Equities	$365,076
Foreign Equities	333,565
Fixed Income	49,062
Inflation-Indexed Bonds	1,906
Real Estate	197,993
Cash	12,695
Total	**$960,297**

• These amounts include the LCEF's proportionate share of manager fees paid in the Commingled Asset Management Program – Money Market and Fixed Income Pools.

SECTION 4
Compliance with Investment Strategy

Although there are numerous definitions of "Investment Strategy," the SBA considers the term to mean the plan an investor uses when deciding how to allocate capital among several asset types including stocks, bonds, cash equivalents, 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. The most recent version of these documents at the time this report was prepared are contained in the Appendix to this report beginning on page S56.

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. These compliance processes have undergone significant changes since early 2008, as longstanding processes were expanded and strengthened with new independent controls and reviews of compliance exceptions.

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.

Importantly, in 2008, Deloitte & Touche was engaged to compare the SBA's investment compliance program to the requirements of SEC-registered investment advisors and reported that:

> "Based on our experience, the SBA's investment operations and compliance program generally appear to be in line with our understanding of other similar organizations that are responsible for administering and managing retirement and/or other state assets. Based on our assessment and our understanding of leading industry practices of registered investment advisers, we identified a number of potential opportunities to improve upon or enhance existing processes, create new processes to increase operational efficiencies, and strengthen the SBA's overall governance structure."[10]

The majority of the Deloitte & Touche recommendations will be implemented in fiscal year 2009-10.

Each of the funds managed by the SBA (See Table 3 on page 19 in the main portion of this report) were in material compliance with their applicable investment strategy as of June 30, 2009. Compliance of the SBA's various funds with investment strategy was established through the process described below.

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

[10] "Compliance Program Assessment; Phase I - Strategic Analysis - Investment Management Compliance Program Review," Deloitte & Touche LLP, January 15, 2009.

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.

Each of the funds managed by the SBA was in material compliance with its respective investment strategy.

SECTION 5
Risks Inherent in Investing

In the main section of this report, beginning on page 20, 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. [11]

Financial instruments are fundamentally categorized by type or asset class …

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 utilized by the SBA include structured notes, participatory notes and total return index swaps.

[11] 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.

During fiscal year 2008-09, 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

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

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.[12] 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.[13]

  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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[12] Government-issued bonds generally carry less credit risk than private sector bonds. However, credit risk is only considered negligible for instruments of the United States government.

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

- 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.[14]

- 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.

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.

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 page S39 for definitions of cash instruments and derivatives).

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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[14] 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-taking 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. But because there is 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 [15] 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.

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.

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

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

I. 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 premiums (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.

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

(continued from page S43)

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/under weights 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 understanding 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.

(continued from page S44)

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

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 S45)

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 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 Services and their Personal Online Advisor Service. Members can enroll and manage their FRS Pension Plan or FRS Investment Plan benefits within the portal's secure single-sign-on architecture.
- Workshops – Ernst & Young conducts workshops annually throughout Florida on FRS retirement plan choice, retirement planning, financial planning, education planning, insurance planning, cash and debt management, and estate planning.

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

Fiscal year 2008-09 was the fourth year that personal retirement forecast statements were prepared for each active member of the FRS. In the past, these statements have provided a retirement income projection that included Social Security and FRS benefits. They also indicated how much retirement income could be needed from personal savings and how much could be saved in tax-deferred accounts to attain reasonable income replacement goals. Due to budget considerations, the 2009 statements did not include any personal projection data, but only information encouraging all FRS members to plan for retirement and giving them information on where to find the provided resources to help in their planning.

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

Table S6-1: MyFRS Financial Guidance Program

Fiscal Year 2008-09 Employee Usage

	Fiscal Year 2008-09	Change From Prior Year
Toll-Free MyFRS Guidance Line Counseling Calls	**197,622**	**7%**
MyFRS.com Sessions	1,562,260	-2%
Retirement Income Forecasts	835,254	0%
New Hire Choice Service	12,291	-28%
2nd Election Choice Service	102,733	-20%
Personal Online Advisor Service	123,857	-14%
Workshop Attendance	12,738	-16%
Personalized Printed Statements		
New Hire Benefit Comparison Statements	48,639	-34%
Personal Retirement Forecast Statements	Sent to employers via email for distribution	

Figures include usage data from the MyFRS supporting organizations of Ernst & Young, Financial Engines and Enterpulse. Employee assistance provided by the Division of Retirement is not included.

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 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 50,000 newly-hired employees had the opportunity to choose between the two FRS retirement plans: the FRS Pension Plan, a traditional defined benefit plan with six-year vesting; or the FRS Investment Plan, a self-directed defined contribution plan with one-year vesting. Each newly-hired employee received an FRS new employee enrollment kit that consisted of a benefit comparison statement projecting benefits under both plans, plan information on both retirement plans, a new hire video CD on the benefits offered in both plans, an investment fund summary showing the available investment funds in the Investment Plan 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 MyFRS.com to run additional benefit projections using the online choice service.

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.

Table S6-2 illustrates that active enrollments in the FRS Investment Plan declined during the 2008-09 fiscal year due to the unstable market conditions while active enrollments in the Pension Plan increased because of member interest in the safety and preservation of principal offered by the Pension Plan.

Table S6-2: FRS Enrollments by Newly-Hired Employees
Inception of the FRS Investment Plan through June 2009

	Defaults into Pension Plan	Active Enrollments into Pension Plan	Active Enrollments into Investment Plan[1]	Total Enrollments
Sept. 2002 – June 2003	87%	5%	8%	100%
FY 2003-04	74%	11%	16%	100%
FY 2004-05	62%	17%	21%	100%
FY 2005-06	59%	19%	22%	100%
FY 2006-07	59%	18%	23%	100%
FY 2007-08	55%	19%	26%	100%
FY 2008-09	56%	22%	23%	100%

[1] Includes active enrollments into the Hybrid Option.
• Rows may not sum to 100% due to rounding.

Employees who do not make an active plan choice are automatically enrolled in the FRS Pension Plan (default), but they are given one more opportunity during their active FRS career to switch plans. The number of members who defaulted to the FRS Pension Plan has come down since inception of the Plan, but the trend did not continue this past year, most likely due to the volatile markets. Since fiscal year 2005, the default rate has been reduced from 62% to 55%, but it increased slightly to 56% this past year. However, 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 mistakes made in 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 2008-09, the SBA reviewed 39 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 plays a vital role in supporting initiatives to ensure that public companies meet high standards of independent and ethical corporate governance.

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, full disclosure, clear and accurate financial reporting, ethical business practices and policies that protect the SBA's 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, available electronically at www.sbafla.com, under the Corporate Governance tab.

SECTION 7
Glossary of Investment Terms

The descriptions below are simplified definitions presented solely to assist readers in understanding the contents of this Investment Report.

Active asset managers	Active managers rely on analytical research, forecasts, and their own judgment and experience in making investment decisions on what investments to buy, hold and sell.
Alpha	A measure of risk-adjusted performance which factors in 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).
Asset allocation	The division of assets on a percentage basis among different broad categories of investments, including stocks, bonds, etc. Asset allocation is a strategy for managing the risk associated with investing.
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 or accounts receivable, not including mortgages.
Asset class	An aggregation of one or more portfolios with the same principal asset type (domestic 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 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 volatility of a stock relative to the overall 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 for certain non-pension assets managed by the SBA.

Cash instruments — Financial instruments whose values are determined directly by markets.

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

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

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

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 high default risk.

Custodian — An organization, usually a bank, which holds assets for safekeeping and performs accounting and clearing functions.

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

Corporate governance — 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.

Credit spread — The difference in interest rates between Treasury securities and non-Treasury securities which are identical in all respects except for quality rating.

Derivative instruments — Financial instruments which derive their value from the characteristics of one or more underlying assets.

Developed standard 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 Equities (asset class)	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 stock market.
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.
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.
Fixed Income (asset class)	An asset class consisting principally of investment grade bonds.
Foreign Equities (asset class)	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.
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 less imports.
Growth strategy	An investment strategy whose goal is to provide capital appreciation over the long-term but 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 (asset class)	An asset class consisting principally of 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 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.
Large cap	Depending on the reference index, 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)	An interest rate at which banks can borrow funds from other banks in the London interbank market.
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).
Mid cap	Middle-sized companies based on market capitalization, though exact size varies depending on the reference index. For example, the Russell Indices define mid cap to encompass companies with capitalization between $500 million and $5 billion.
Mortgage-Backed Security (MBS)	A security backed by mortgage loans. Investors receive payments from the interest and principal payments of the underlying mortgages.
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.

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.
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. Investable Market Index.
NASRA	National Association of State Retirement Administrators.
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.
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 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.
Real Estate Investment Trust (REIT)	A trust that uses pooled funds to purchase and manage real estate property. REITs are generally publicly traded.
Real Estate (asset class)	An asset class consisting principally of direct-owned real properties, real estate-based joint ventures, open-end and closed-end funds, and publicly traded real estate securities (e.g., Real Estate Investment Trusts).
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.
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).
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.
Subprime	A classification of home mortgage 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 investing	A strategy of investing in stocks that are considered undervalued relative to other stocks.
Value added	The difference between the SBA's managed return and the fund's benchmark.
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 the latest available fund- or trust-level SBA investment policies as of the publication of this Supplement.

CONTENTS

Approved by SBA Trustees December 9, 2008

FLORIDA RETIREMENT SYSTEM
DEFINED BENEFIT PLAN INVESTMENT POLICY STATEMENT

I. DEFINITIONS

Absolute Real Target Rate of Return - The total rate of return by which the FRS Portfolio must grow, in excess of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), in order to achieve the long-run investment objective.

Asset Class - An asset class is an aggregation of one or more portfolios with the same principal asset type.[1] For example, all of the portfolios whose principal asset type was stocks would be aggregated together as the Stock asset class. As such, it would contain primarily—but not exclusively—the principal asset type.

Asset Type - An asset type is a category of investment instrument such as common stock or bond.

Portfolio - A portfolio is the basic organization unit of the FRS Fund. Funds are managed within portfolios. A portfolio will contain one principal asset type (common stocks, for example), but may contain small amounts of other asset types as well. The discretion for this mix of asset types is set out in guidelines for each portfolio.

II. OVERVIEW OF THE FRS AND SBA

The State Board of Administration (Board) provides investment management of assets contributed and held on behalf of the Florida Retirement System (FRS). The investment of retirement assets is one aspect of the activity involved in the overall administration of the Florida Retirement System. The Division of Retirement (DOR), the administrative agency for the FRS, provides full accounting and administration of benefits and contributions, commissions actuarial studies, and proposes rules and regulations for the administration of the FRS. The State Legislature has the responsibility of setting contribution and benefit levels, and providing the statutory guidance for the administration of the FRS.

III. THE BOARD

The State Board of Administration has the authority and responsibility for the investment of FRS assets. The Board consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Board has statutory responsibility for the investment of FRS assets, subject to limitations on investments as outlined in Section 215.47, Florida Statutes.

[1] The Strategic Investments asset class is an exception, purposefully established to potentially contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Sections 215.44(2)(a) and 215.47(9), Florida Statutes.

The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the investment of FRS assets. A six-member Investment Advisory Council (IAC) is appointed by the Board. The IAC meets quarterly, and is charged with the review and study of general portfolio objectives, policies and strategies, including a review of investment performance.

The mission of the State Board of Administration is to provide superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards.

IV. THE EXECUTIVE DIRECTOR

The Executive Director is charged with the responsibility for managing and directing administrative, personnel, budgeting, and investment functions, including the strategic and tactical allocation of investment assets.

The Executive Director is charged with developing specific individual investment portfolio objectives and policy guidelines, and providing the Board with monthly and quarterly reports of investment activities.

The Executive Director has investment responsibility for maintaining diversified portfolios, and maximizing returns with respect to the broad diversified market standards of individual asset classes, consistent with appropriate risk constraints.

The Executive Director is responsible for evaluating the appropriateness of the goals and objectives in this Plan in light of actuarial studies and recommending changes to the Board when appropriate.

V. INVESTMENT OBJECTIVES

The investment objective of the Board is to provide investment returns sufficient for the plan to be maintained in a manner that ensures the timely payment of promised benefits to current and future participants and keeps the plan cost at a reasonable level. To achieve this, a long-term real return of 5% per annum (compounded and net of investment expenses) should be attained. This return objective is based on a set of capital market assumptions reflecting current long-term capital market expectations. As additional considerations, the Board seeks to avoid excessive volatility in short-term plan cost levels and excessive risk in long-term cost trends. To manage these risks, the volatility of annual returns should be reasonably controlled.

The Board's principal means for achieving this goal is through investment directives to the Executive Director. The main object of these investment directives is the asset class. The Board directs the Executive Director to manage the asset classes in ways that, in the Board's opinion, will maximize the likelihood of achieving the Board's investment objective. The Board establishes asset classes, sets permissible shares of the total portfolio's value for each and establishes performance benchmarks for them. In addition, it establishes a performance benchmark for the total portfolio.

VI. TARGET PORTFOLIO AND ASSET ALLOCATION RANGES

The Board's investment objective is an absolute one: achieve a specific rate of return, the absolute real target rate of return. In order to achieve it, the Board sets a relative objective for the Executive Director: achieve or exceed the return on a performance benchmark known as the Target Portfolio over time. The Target Portfolio is a portfolio composed of a specific mix of the authorized asset classes. The return on this portfolio is a weighted-average of the returns to passive benchmarks for each of the asset classes. The expectation is that this return will equal or exceed the absolute real target rate of return long-term and will thus assure achievement of the Board's investment objective.

This relative return objective is developed in a risk management framework. Risk from the perspective of the Board is failing to earn the absolute real target rate of return over long periods of time, and the asset mix is developed to minimize this risk. In selecting the Target Portfolio, the Board considers information from actuarial valuation reviews and asset/liability studies of the FRS, as well as historical asset class risk and return characteristics. In addition, the timing of cash demands on the portfolio to honor benefit payment liabilities are an important input. Periods of positive cash flow into the fund from net contributions and investment income receipts permit higher exposures to equities, while substantial cash demands on the portfolio may dictate lower equity exposures. Potential asset mixes are thus evaluated with respect to their expected return and volatility as well as risk.

The Target Portfolio defined in Tables 2, 4 and 5 has a long-term expected compound annual real return that approximates the absolute real target rate of return. To achieve the absolute real target rate of return, market risk must be borne, and Table 1 illustrates the potential range of real returns that could result over various investment horizons. Over a 30-year investment horizon there is a 10 percent probability that the Target Portfolio will experience a compound annual real return of 2.46 percent or less. Downside risk is considerably greater over shorter horizons, but the natural investment horizon for the Trust Fund is the very long-term.

Table 1: Expected Risk in Target Portfolio's Real Returns

Time Horizon	10th Percentile Real Return	90th Percentile Real Return
1 Year	-8.30%	20.28%
5 Years	-1.16%	11.59%
10 Years	0.62%	9.63%
15 Years	1.41%	8.77%
20 Years	1.89%	8.26%
25 Years	2.21%	7.91%
30 Years	2.46%	7.66%

Although the Target Portfolio has an expected return and risk associated with it, it is important to note that this expected return is neither an explicit nor an implicit goal for the managers of the Florida Retirement System Trust Fund (FRSTF). These figures are used solely in developing directives for fund management that will raise the probability of success in achieving the absolute real target rate of return. The Executive Director is held responsible not for specifically achieving the absolute real target rate of return in each period, but rather for doing at least as well as the market using the Target Portfolio's mix of assets.

In pursuit of incremental investment returns, the Executive Director may vary the asset mix from the target allocation based on market conditions and the investment environment for the individual asset classes. The Executive Director shall adopt an asset allocation policy guideline which specifies the process for making these tactical decisions. The guideline shall concentrate on the analysis of economic conditions, the absolute values of asset class investments and the relative values between asset classes. The Board establishes ranges for tactical allocations, as shown in Table 2:

Table 2: Authorized Asset Classes, Target Allocations and Policy Ranges

Asset Class	Target Allocation	Policy Range Low	Policy Range High
Domestic Equities	38%	30%	47%
Foreign Equities	20%	11%	25%
High Yield	2%	0%	7%
Fixed Income	28%	20%	36%
Real Estate	7%	2%	12%
Private Equity	4%	0%	7%
Strategic Investments*	--	0%	10%
Cash Equivalents	1%	0%	9%
Total Fund	100%	--	--

*In recognition of the dynamic nature of this asset class, there is no specific expected weight. Its actual allocation will vary within the policy range depending on the mix of included strategies at any given time. When the actual allocation of Strategic Investments is greater than zero, all other asset class target allocations shall be reduced pro-rata.

For purposes of determining compliance with these policy ranges, an asset class is considered to be an aggregation of one or more portfolios with substantially the same principal asset type.[2] An asset type is a category of investment instrument such as common stock or bond. For example, all of the portfolios whose principal asset type is bonds would be aggregated together as the Fixed Income asset class. As such, it would contain primarily—but not exclusively—the principal asset type. As a standard management practice, portfolio managers are expected to meet their goals for all assets allocated to their portfolio.

It is expected that the FRS Portfolio will be managed in such a way that the actual allocation mix will remain within these ranges. Investment strategies or market conditions which result in an allocation position for any asset class outside of the enumerated ranges for a period exceeding thirty days shall be reported to the Board, together with a review of conditions causing the persistent deviation and a recommendation for subsequent investment action.

The asset allocation is established in concert with the investment objective, capital market expectations, projected actuarial liabilities, and resulting cash flows. Table 3 indicates estimated net cash flows (employer contributions minus benefit payments) and associated probabilities that are implicit in this policy statement, assuming the Legislature adheres to system funding provisions in current law.

[2] The Strategic Investments asset class is an exception, purposefully established to potentially contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

Table 3: Estimated Net Cash Flow ($ millions)

	In 5 Years	In 10 Years
10th Percentile	-6,413	-8,661
25th Percentile	-5,808	-8,585
Median	-4,381	-6,074
75th Percentile	-3,491	-4,479
90th Percentile	-3,157	-1,953

VII. PERFORMANCE MEASUREMENT

Asset class performance is measured in accordance with a broad market index appropriate to the asset class. The indices identified in Table 4 are used as the primary benchmarks for the authorized asset classes:

Table 4: Authorized Target Indices

Asset Class	Index
Domestic Equities	The Russell 3000 Index
Foreign Equities	A custom version of the Morgan Stanley Capital International ACWI Investable Market Index, excluding the U.S., in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect investments in strategies which are required to comply with the provisions of the Protecting Florida's Investments Act
Fixed Income	The Barclays Capital U.S. Aggregate Bond Index
High Yield	The Barclays Capital U.S. High Yield Ba/B 2% Issuer Capped Index
Real Estate	An average 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%
Private Equity	The Domestic Equities target index return plus a fixed premium return of 450 basis points per annum
Strategic Investments	An average of individual portfolio level benchmark returns
Cash Equivalents	iMoneyNet First Tier Institutional Money Market Funds Gross Index

The return on the Target Portfolio shall be calculated as an average of the returns to the target indices indicated in Table 4 weighted by the target allocations indicated by Table 2, but adjusted for floating allocations indicated by Table 5.

Measurement of asset allocation performance shall be made by comparing the actual asset allocation times the return for the appropriate indices to the target allocation times the index returns. For asset classes with floating allocations, as defined in Table 5, the basis of tactical measurement shall be the asset class's actual share. Differences between these actual shares and the target shares stated in Table 2 shall be allocated as indicated in Table 5.

Performance measurement of the effectiveness of the implementation of the Private Equity asset class shall be based on an internal rate of return methodology, applied over significant periods of time. Performance measurement of the effectiveness of the implementation of the Strategic Investments asset class over short periods shall be assessed relative to an aggregation of its individual portfolios' benchmarks; over long periods of time it shall be assessed relative to the CPI, as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), plus 5%. Fundamentally, the Strategic Investments asset class is expected to improve the risk-adjusted return of the total fund over multiple market cycles.

Table 5: Asset Classes with Floating Allocations

Asset Class with Floating Allocation	Allocation of Difference Between Target and Actual Allocations
Private Equity	To Domestic Equities
Real Estate	40% to Domestic Equities and 60% to Fixed Income

VIII. ASSET CLASS PORTFOLIO MANAGEMENT

General Portfolio Guidelines

The Executive Director is responsible for developing asset class and individual portfolio policies and guidelines which reflect the goals and objectives of this Investment Policy Statement. In doing so, he is authorized to use all investment authority spelled out in Section 215.47, Florida Statutes, except as limited by this Plan or SBA Rules. The Executive Director shall develop guidelines for the selection and retention of portfolios, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board.

All asset classes shall be invested to achieve or exceed the return on their respective benchmarks over a long period of time. The portfolios shall also be well diversified with respect to the benchmark.

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2007-88, Laws of Florida, the "Protecting Florida's Investments Act. Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.473(6), Florida Statutes.

IX. REPORTING

The Board directs the Executive Director to coordinate the preparation of quarterly reports of the investment performance of the FRS by the Board's independent performance evaluation consultant.

The following formal periodic reports to the Board shall be the responsibility of the Executive Director:

- An annual report on the SBA and its investment portfolios, including that of the FRS.
- A monthly report on performance and investment actions taken.
- Special investment reports pursuant to Section 215.47(6), Florida Statutes.

X. IMPLEMENTATION SCHEDULE

This plan shall be effective upon approval. However, the change to a custom version of the Morgan Stanley Capital International Investable Market Index authorized in section VII shall be effective retroactively on April 1, 2008. The change to an aggregate benchmark to measure the effectiveness of the implementation of the Strategic Investments asset class authorized in section VII shall be effective retroactively on June 1, 2007.

Approved by SBA Trustees on December 9, 2008

FLORIDA RETIREMENT SYSTEM

Public Employee Optional Retirement Program
Investment Policy Statement

PURPOSE

The Public Employee Optional Retirement Program Investment Policy Statement (IPS) serves as the primary statement of Trustee policy regarding their statutory responsibilities and authority to establish and operate an optional defined contribution retirement program for members of the Florida Retirement System. The IPS shall serve as a guiding document pertaining to investment matters with respect to the Public Employee Optional Retirement Program. The Trustees will strive to make investment decisions consistent with this IPS. Section 121.4501(14), Florida Statutes, directs the Trustees of the State Board of Administration to approve the IPS. The IPS will be reviewed annually and will be revised or supplemented as policies are changed or developed.

DEFINITIONS

Participant – An employee who enrolls in the Public Employee Optional Retirement Program (PEORP), a participant-directed 401(a) program, in lieu of participation in the defined benefit program of the Florida Retirement System.

Investment Product – The result of a process that forms portfolios from securities and financial instruments in order to produce investment returns.

Investment Manager – A private sector company that provides one or more investment products.

Investment Funds – One of the investment options that may be chosen by participants. A Fund may be an aggregate of one or more investment products.

Bundled Provider - A private sector company that offers investment products, combined with recordkeeping and trading services, which are designed to meet individualized needs and requirements of plan participants, so as to afford value to participants not available through individual investment product.

Passively Managed Option – An investment management strategy that intends to produce the same level and pattern of financial returns generated by a market benchmark index.

Actively Managed Option – An investment management strategy that relies on security return predictions in an effort to out-perform the financial returns generated by a market benchmark index.

Performance Benchmark – A market benchmark index that serves as the performance measurement criterion for investment options.

I. **Third-Party Administrator or Recordkeeper** – A private sector company that provides administrative services, including individual and collective recordkeeping and accounting, IRC limit monitoring, enrollment, beneficiary designation and changes, disbursement of monies, and other centralized administrative functions.

III. OVERVIEW OF THE PEORP AND STATE BOARD OF ADMINISTRATION

A. The PEORP is a participant-directed 401(a) program selected by employees in lieu of participation in the defined benefit program of the Florida Retirement System. PEORP benefits accrue in individual accounts that are participant-directed, portable and funded by employer contributions and earnings. In accordance with Section 121.4501(15)(b), Florida Statutes, participants and beneficiaries bear the investment risks and reap the rewards that result when they exercise control over investments in their accounts. Fluctuations in investment returns directly affect participants' benefits.

B. The State Board of Administration (Board), Division of Retirement and affected employers administer the PEORP. The Board designs educational services to assist employers, eligible employees, participants and beneficiaries. The State Legislature has the responsibility for setting contribution levels and providing statutory guidance for the administration of the PEORP.

IV. THE BOARD

A. The Board consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Board shall establish an optional defined contribution retirement program for members of the Florida Retirement System and make a broad range of investment options, covering most major market segments, available to participants. The Board makes the final determination as to whether any investment manager or product, third-party administrator, education vendor or advice vendor shall be approved for the program.

B. The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Section 121.4501(15)(a), Florida Statutes.

C. The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the PEORP program. The Board appoints a six-member Investment Advisory Council (IAC). The IAC reviews the IPS and any proposed changes prior to its presentation to the Board of Trustees. The Council presents the results of its review to the Board of Trustees prior to the Trustees' final approval of the statement or any changes.

V. THE EXECUTIVE DIRECTOR

A. The Executive Director is responsible for managing and directing administrative, personnel, budgeting and investment-related functions, including the hiring and termination of investment managers, bundled providers and products.

B. The Executive Director is responsible for developing specific investment objectives and policy guidelines for investment options. The Executive Director is responsible for developing policies and procedures for selecting, evaluating, and monitoring the performance of investment managers and products to which employees may direct retirement contributions under PEORP, and providing the Board with monthly and quarterly reports of investment activities.

C. The Executive Director is responsible for maintaining diversified investment options, and maximizing returns with respect to the performance benchmarks of individual investment options, consistent with appropriate risk constraints. Each investment option will avoid excessive risk and have a prudent degree of diversification relative to its broad market performance benchmark.

D. The Executive Director shall adopt policies and procedures designed to prevent excessive participant trading between investment options from negatively impacting other participants.

E. The Executive Director is responsible for periodically reviewing this IPS and recommending changes to the Board of Trustees when appropriate.

VI. INVESTMENT OBJECTIVES

A. The PEORP investment program shall seek to achieve the following long-term objectives:

1) Offer a diversified mix of low-cost investment options that span the risk-return spectrum and give participants the opportunity to accumulate retirement benefits.
2) Offer investment options that avoid excessive risk, have a prudent degree of diversification relative to broad market indices and provide a long-term rate of return, net of all expenses and fees that seek to achieve or exceed the returns on comparable market benchmark indices.
3) Offer participants meaningful, independent control over the assets in their account with the opportunity to:
    a) Obtain sufficient information about the plan and investment alternatives to make informed investment decisions;
    b) Direct contributions and account balances between approved investment_options with a frequency that is appropriate in light of the market volatility of the investment options;
    c) Direct contributions and account balances between approved investment_options without the limitation of fees or charges; and

d) Remove accrued benefits from the plan without undue delay or penalties, subject to the contract and all applicable laws governing the operation of the program.

VII. PARTICIPANT CONTROL AND PROGRAM FIDUCIARY LIABILITY

A. This IPS is structured to be consistent with the Legislature's intent to assign liability for participants' investment losses to participants and provide a safe harbor for program fiduciaries.

B. In Sections 121.4501(8)(b)4. and 121.4501(15)(b), Florida law incorporates the federal law concept of participant control, established by regulations of the U.S. Department of Labor under section 404(c) of the Employee Retirement Income Security Act of 1974. The PEORP investment program shall incorporate these concepts by providing program participants the opportunity to give investment instructions and obtain sufficient information to make informed investment decisions. The PEORP program shall, in accordance with the 404(c) regulations and Florida law, provide participants an opportunity to choose from a broad range of investment alternatives.

C. If a participant or beneficiary of the PEORP exercises control over the assets in his or her account, pursuant to section 404(c) regulations and all applicable laws governing the operation of the program, no program fiduciary shall be liable for any loss to a participant's or beneficiary's account which results from such participant's or beneficiary's exercise of control.

D. The default option for FRS Investment Plan participants that fail to make a selection of investment options shall be the Moderate Balanced Fund, which otherwise meets the requirements of a qualified default investment alternative pursuant to regulations issued by the U.S. Department of Labor. The default option for FRS Pension Plan DROP participants who rollover funds from their DROP account to the PEORP as permitted by section 121.4501(21), Florida Statutes, and fail to make a selection of investment options shall be the FRS Select Money Market Fund.

VIII. PARTICIPANT EDUCATION AND INVESTMENT ADVICE

A. The education component of the PEORP program shall be designed by the Board to assist employers, eligible employees, participants, and beneficiaries in order to maintain compliance with section 404(c) regulations and to assist employees in their choice of defined benefit or defined contribution retirement programs. Educational services include, but are not limited to, disseminating educational materials; providing retirement planning education; explaining the differences between the defined benefit retirement plan and the defined contribution retirement plan; and offering financial planning guidance on matters such as investment diversification, investment risks, investment costs, and asset allocation. The following items must be made available to participants in sufficient time to allow them an opportunity to make informed decisions: -

- A description of all investment funds including: general investment objectives, risk and return characteristics, and type and diversification of assets.

- An explanation of how to give investment instructions and any limits or restrictions on giving instructions.
- A description of any transaction fees or expenses that are charged to the participant's account in connection with purchases or sales of an investment fund.
- Investment fund profiles as defined at Sections 121.4501(15)(c).
- Descriptions of the annual operating expenses for each investment alternative, such as investment management fees.
- The value of shares of all investment funds and a quarterly participant statement that accounts for contributions, investment earnings, fees, penalties, or other deductions.
- Information concerning the past investment performance of each investment fund, net of expenses, and relative to appropriate market indices.

B. Consistent with Sections 121.4501(8)(b)3. and 121.4501(10)(b), Florida Statutes, the education component shall provide system members with impartial and balanced information about program and investment choices. In addition, the approved education organization shall not be an approved investment provider or be affiliated with an approved investment provider. Educational materials shall be prepared under the assumption that the employee is an unsophisticated investor and all educational materials, including those distributed by bundled providers, shall be approved by the Board prior to dissemination. Participants shall have the opportunity to choose from different levels of education services, as well as a variety of delivery methods and media. All educational services offered by investment product providers shall be provided on a fee-for-service basis.

C. The Board shall contract for the provision of low-cost investment advice to participants that is supplemental to educational services and that is paid for by those receiving the advice. Investment advice shall consist of impartial and balanced recommendations about investment choices consistent with Rule 19-13.004, FAC. Participants shall have the opportunity to choose from different levels of customized investment advisory services, as well as a variety of delivery methods and media.

D. Bundled provider(s) selected to provide investment products for PEORP participants shall not provide any participant education services aimed at influencing the choice between the defined benefit and defined contribution programs of the Florida Retirement System. This initial education program will only be provided by the neutral education vendor hired to do so by the Board.

IX. ROLES OF THIRD-PARTY ADMINISTRATOR AND BUNDLED PROVIDER

A. The Board selects a single private party to serve as the third-party administrator for PEORP. The Board makes the final determination as to whether any third-party administrator shall be approved for the program. Administrative services such as individual and collective recordkeeping and accounting, IRC limit monitoring, enrollment, beneficiary designation and changes, disbursement of monies, and other centralized administrative functions shall be provided by the single third-party administrator selected by the Board. The SBA retains the right to delineate through the contract the specific administrative services to be provided by the Bundled Provider. The SBA also retains the right, consistent with Section 121.4501(8)(b)1., Florida Statutes, to enter into a contract with the Department of Management Services for certain administrative services.

B. Bundled provider(s) selected to provide investment products to the participants will provide administrative services that are uniquely relevant to the bundled provider mandate. The SBA shall specify the administrative services to be provided by the single third-party administrator and the bundled provider in the solicitation documents and contracts for services.

X. PEORP INVESTMENT OPTIONS AND PERFORMANCE BENCHMARKS

A. The authorized categories of PEORP investment options are contained in IPS-Table 1. The default option for participants that fail to make a selection of investment options shall be the Moderate Balanced Fund. The number of investment options shall not exceed the "Maximum Number of Options listed in IPS-Table 1 for each category, except to the extent that

1) Multiple investment options within the same category are simultaneously offered to facilitate a transitional mapping of contributions and account balances from a terminating option;
2) An investment option is temporarily closed to new contributions and account balance transfers.

IPS-Table 1: Authorized Investment Option Categories and Representative Performance Benchmarks and Retiree Annuities

Investment Option Categories	Maximum Number of Options	Representative Performance Benchmarks
Tier I: Core Investment Options		
Money Market	1	Money Fund Report Institutional Average (Tax.)
Inflation-Protected Bond	1	Barclays Capital U.S. Treasury Inflation Note Index
U.S. Bond	2	Barclays Capital Aggregate Bond Index
U.S. Core Stock	2	Russell 3000 Index
U.S. Small/Mid Stock	2	Russell 2000 Index
Foreign Stock	2	MSCI World, excluding U.S., Index
Tier II: Balanced Investment Options		
Conservative Balanced Fund	1	Weighted-Average of Constituent Fund Benchmarks per Table 2
Moderate Balanced Fund	1	Weighted-Average of Constituent Fund Benchmarks per Table 2
Aggressive Balanced Fund	1	Weighted-Average of Constituent Fund Benchmarks per Table 2
Tier III: Specialty Investment Options		
U.S. Large Value Stock	1	Russell 1000 Value Index

U.S. Large Growth Stock	1	Russell 1000 Growth Index
U.S. Small/Mid Value Stock	1	Russell 2000 Value Index
U.S. Small/Mid Growth Stock	1	Russell 2000 Growth Index
Global Stock	1	MSCI World Index
U.S. Short/Intermediate Bond	1	Barclays Capital Intermediate Aggregate Bond Index
High Yield Bond	1	Barclays Capital High Yield Index
Tier IV: Retiree Annuity Options (Section 121.591(1)(c), Florida Statutes)		
Immediate and Deferred Annuities	Not Applicable	Specified by the Executive Director

B. Investment options and investment products (i.e., that support Investment Funds that are composed of an aggregate of one or more investment products) may be provided by investment managers or bundled providers. Pursuant to Section 121.4501(9)(a), Florida Statutes, the Board shall select one or more providers who offer multiple investment products when such an approach is determined by the Board to afford value to participants otherwise not available through individual investment products.

C. Investment options may have performance benchmarks other than the "Representative Performance Benchmarks listed in IPS-Table 1, but any alternative performance benchmark must be identified in the investment guidelines required under Section XI of this IPS and provide substantial coverage of the financial market segment defined by the corresponding Representative Performance Benchmark.

D. Balanced funds are only available as a weighted average of Tier I and III options. The Board shall establish procedures for initiating rebalancings per approved investment guidelines.

E. With IAC review and input, the Executive Director shall periodically recommend changes to the authorized investment option categories in IPS-Table 1, as modifications are appropriate. Any recommended modifications must be justified in terms of the incremental costs and benefits provided to participants.

XI. GENERAL INVESTMENT OPTION GUIDELINES

A. The Executive Director is responsible for developing specific investment policies and guidelines for investment options, which reflect the goals and objectives of this IPS. In doing so, he is authorized to exercise and perform all duties set forth in Section 121.4501(9), Florida Statutes, except as limited by this IPS or Board Rules. General guidelines are as follows:

1) The Money Market fund seeks high current income consistent with liquidity and capital preservation. The fund will be actively managed and will primarily invest in high quality, liquid, short-term instruments to control credit risk and interest rate sensitivity. The fund's sensitivity to interest rate changes will approximate that of the performance benchmark.

2) The U.S. Bond funds seek high current income consistent with capital appreciation. The funds may be passively or actively managed and will primarily invest in securities contained in the benchmark, although other fixed income instruments which fit the funds' objectives may be selectively used to generate excess return, such as non-investment grade securities or securities issued by foreign entities. The funds' sensitivity to interest rate changes will closely approximate that of the performance benchmark.

3) The U.S. Large Stock funds seek capital appreciation and current income. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark. Other securities which fit the funds' objectives may be selectively used to generate excess return. The funds' investment process will not have a persistent bias toward the selection of securities that are predominantly in the growth or value style categories.

4) The Foreign Stock funds seek capital appreciation and current income. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark, although other securities which fit the funds' objectives may be selectively used to generate excess return, such as equity securities issued by corporations domiciled in emerging economies.

5) The Balanced Investment funds are diversified balanced portfolios designed to provide participants with pre-packaged asset allocation vehicles. The funds seek favorable long-term returns through investments in the Tier I and III Options according to the risk levels identified in IPS-Table 2. Asset allocations will generally be held within 5 percentage points of the optimal shares for their respective risk target, but short-term deviations may occur. Optimized asset allocations for the balanced funds shall be established using methodology consistent with the guidance rendered by the PEORP's education/advice vendor.

IPS-Table 2: Target Risk Levels of Balanced Investment Funds

	Conservative Balanced Fund	**Moderate Balanced Fund**	**Aggressive Balanced Fund**
All asset classes shall be included for optimization of each balanced fund to the risk levels indicated. Actual Tier I and III investment funds included in the balanced funds and their respective weightings shall be reported to the Trustees and communicated to participants.	A risk level equivalent to that of an all bond portfolio	A risk level equivalent to that of the average U.S. investor	A risk level approximately mid-way between that of an all equity portfolio and the Moderate Balanced Fund

6) The Inflation-Protected Bond fund seeks long-term total returns that keep pace with inflation in order to protect the purchasing power of accumulated participant benefits. The fund may be passively or actively managed and will primarily invest in the U.S. Treasury's inflation-indexed securities. The fund's sensitivity to interest rate changes will closely approximate that of the performance benchmark.

7) The High Yield Bond fund seeks high current income consistent with capital appreciation. The fund will be actively managed and will primarily invest in non-investment grade securities contained in the benchmark, although other fixed income instruments which fit the funds' objective may be selectively used to generate excess return, such as non-rated securities or securities issued by foreign entities. The fund's sensitivity to interest rate changes will closely approximate that of the performance benchmark.

8) The U.S. Large Value Stock fund seeks capital appreciation, and to a lesser degree, current income. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by lower price-to-book ratios and lower projected earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return.

9) The U.S. Small/Mid Stock funds seek capital appreciation. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark, although other securities which fit the funds' objectives may be selectively used to generate excess return. The funds' investment process will not have a persistent bias toward the selection of securities that are predominantly in the growth or value style categories.

10) The U.S. Large Growth Stock fund seeks capital appreciation. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by higher price-to-book ratios and projected higher earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return..

11) The U.S. Small/Mid Value Stock fund seeks capital appreciation, and to a lesser degree, current income. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by lower price-to-book ratios and lower projected earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return.

12) The U.S. Small/Mid Growth Stock fund seeks capital appreciation. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by higher price-to-book ratios and projected higher earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return.

13) Each investment option must:

(a) Have a prudent degree of diversification relative to its performance benchmark;
(b) Be readily transferable from a PEORP account to another PEORP investment option or to a private-sector or public-sector defined contribution plan accounts and self-directed individual retirement accounts;
(c) Allow transfers of participants' balances into and out of the option at least daily;
(d) Have no surrender fees or deferred loads/charges;
(e) Have no fees or charges for insurance features (e.g. mortality and expense risk charges);
(f) To the extent allowed by law, notwithstanding failure to meet one or more of the IPS Section XI(13)(b),(c)-(f) requirements, an option may be authorized if: (i) it produces significant and demonstrable incremental retirement benefits relative to other comparable products in the market place and comparable Tier I, Tier II, or Tier III options; and (ii) the incremental benefits are sufficient to offset all associated fees, charges and the expected economic cost of the variance(s) with the IPS Section XI(13)(b),(c)-(f) requirements. Comparability shall be based on the option's underlying investments within the broad categories of Money Market, U.S Fixed Income, U.S. Equities and Foreign Equities.

14) The investment product supporting any annuity option offered in Tier IV must have a prudent degree of diversification relative to its performance benchmark and, where applicable, providers shall have high independent ratings for financial strength and stability. Tier IV options may include allocated or unallocated immediate annuities with combinations of some of the following features:
(a) Single or flexible premium.
(b) Life or fixed period payouts.
(c) Single or joint life (survivors with an insurable interest).
(d) Complete or partial survivor benefits.
(e) Cash refund, installment refund or period certain features.
(f) Variable or fixed payments, non-participating, or income payable features.
(g) Deferred payments.

B. The long-term performance of each actively managed investment option is expected to exceed the returns on their performance benchmark, net of all fees and charges, while avoiding large year-to-year deviations from the returns of the performance benchmark. The long-term performance of each passively managed investment option is expected to closely approximate returns on the performance benchmark, net of all fees and charges. Investment managers are authorized to prudently use options, futures, notional principal contracts or securities lending arrangements, in accordance with the fiduciary standards of care, as contained in Section 121.4501(15)(a), Florida Statutes, investment guidelines and related policies.

Approved by SBA Trustees on December 9, 2008

XII. INVESTMENT MANAGER SELECTION AND MONITORING GUIDELINES

A. The Executive Director shall develop policies and guidelines for the selection, retention and termination of investment managers, bundled providers and products, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board, this IPS and provisions of Section 121.4501(9)(c), Florida Statutes.

When the Executive Director decides to terminate an investment fund in the PEORP, participants will be granted an opportunity to direct their assets to other PEORP investment fund options prior to the investment fund termination. Assets that are not directed by participants will be transferred or “mapped to the investment fund(s) that the Executive Director deems appropriate. The mapping factors that the Executive Director will consider include, but are not limited to, alignment of investment fund type (e.g., asset class, capitalization and style) and investment strategy (e.g., objectives, market focus, and implementation tactics).

B. In the selection of investment managers, investment products or bundled providers, consideration shall be given to their effectiveness in minimizing the direct and indirect costs of transferring the total present value of accumulated benefit obligations for existing employees that choose membership in PEORP from the defined benefit trust to the PEORP trust.

C. In the selection and monitoring of products from bundled providers, each proposed product will be evaluated on a stand-alone basis, pursuant to the requirement in Section 121.4501(9)(c)9., Florida Statutes. The cost-effectiveness of the levels of non-investment services supporting the products will also be evaluated relative to their benefits.

D. In the selection, retention and termination of bundled providers and their proposed products and services, value afforded, as that term is used in Section 121.4501(9)(a), Florida Statutes, shall be evaluated based on the value added to the process of accumulating retirement benefits for participants. This evaluation shall consider the following factors in arriving at any staff recommendation:

1) Additional products or services that are not otherwise available to the participants within the program;
2) The type and quality of investment products offered;
3) The type and quality of non-investment services offered; and
4) Other significant elements that provide value to participants, consistent with the mandates of Section 121.4501, Florida Statutes.

E. On at least an annual basis, a review will be conducted of the performance of each approved investment manager and product and related organizational factors to ensure continued compliance with established selection, performance and termination criteria, Board policy and procedures and all contractual provisions. The performance and termination criteria for each provider and investment product will be reflected in each employment contract.

F. In addition to reviewing the performance of PEORP's investment managers/options, the Executive Director will periodically review all costs associated with the management of PEORP's investment options, including:

1) Expense ratios of each investment option against the appropriate peer group; and

2) Costs to administer the Program, including recordkeeping, account settlement (participant balance with that of investment), allocation of assets and earnings, and (when applicable) the proper use of 12b-1 fees to offset these fees.

XIII. REPORTING

A. The Board directs the Executive Director to coordinate the preparation of quarterly reports of the investment performance of the PEORP by the Board's independent performance evaluation consultant.

B. The following formal periodic reports to the Board shall be the responsibility of the Executive Director: an annual investment report, an annual financial report and a monthly performance report.

XIV. IMPLEMENTATION SCHEDULE

This IPS is effective upon approval of the Board.

Investment Policy Guidelines
Florida Hurricane Catastrophe Fund Finance Corporation
(Pre-Event Liquidity Fund)
(Non-Qualified)

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 by improving the availability and affordability of residential property insurance in Florida. The FHCF provides reimbursement to insurers for a portion of their catastrophic hurricane residential property losses. The State Board of Administration of Florida (the"SBA") was given responsibility for establishing and operating the FHCF under Section 215.555, Florida Statutes.

From time to time, the Florida Hurricane Catastrophe Fund Finance Corporation (FHCFFC) will issue bonds to provide pre-event liquidity for current or subsequent hurricane seasons. The proceeds of the bond issues will be re-invested by the FHCFFC in a specific account known as a Pre-Event Liquidity Fund in order to insure timely payments of FHCF losses prior to the issuance of permanent financing by the corporation in the tax exempt market.

Investment Objective

The objective of the FHCFFC is to re-invest bond proceeds in highly liquid, relatively short-term investments in order to minimize the arbitrage cost on the pre-event bond issue. Strategies used must be constrained by the over-all need to match the average maturity of the fund to that of the pre-event bonds. Additionally, sufficient liquidity must be maintained to provide funds necessary to pay any hurricane losses. These strategies should be routinely reviewed to evaluate the investment experience and market conditions to ensure the appropriateness of strategic goals. 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. Liquidity is a primary consideration since insurers may file claims weekly. All securities purchased will be consistent with Section 215.47 of the Florida Statutes. Over a three-year moving period, performance is expected to be competitive with the U.S. Dollar Libor one-month constant maturity total return index.

All securities purchased will be consistent with Section 215.47 of the Florida Statutes. The SBA has determined that the FHCFFC 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 FHCFFC 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 FHCFFC in the aggregate owns and invests on a discretionary basis not less than $25,000,000 in investments, but not does not constitute a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act.

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

Investment Restrictions/Compliance

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

- The FHCFFC is restricted from purchasing or acquiring securities or investments that would require the FHCFFC to represent in connection with such purchase or acquisition that it is a "qualified institutional buyer" as defined in Rule 144(a)(1) promulgated under the Securities Act.

- 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 two of the three Nationally Recognized Statistical Rating Organization's (NRSRO) (S&P A1; Moody's P1; Fitch F1). For long-term investment ratings, this shall be defined as minimum single A rating from two of the three NRSRO's (S&P A-; Moody's A3; 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 final rating is provided. In the event of a downgrade, the portfolio manager will take all reasonable steps to bring the portfolio into compliance.

- Securities of a single issuer by security ticker shall not represent more than 5% of portfolio amortized cost (excluding U.S. Treasuries and Agencies) if less than or equal to one year to final maturity. If greater than one year to final maturity, single issuer exposure will be limited to 3% of portfolio amortized cost.

- At least 25% of portfolio-amortized cost should be invested in securities maturing within 3 months. 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 fund shall not enter into any contractual agreement for an investment that exceeds five years.

- Weighted average maturity shall not exceed 60 days. Reset dates will be used to calculate the weighted average maturity of the portfolio.

Evaluation

Performance evaluation will be conducted monthly. The U.S. Dollar LIBOR one-month constant maturity total return index will be used for evaluation.

Revised 7-1-08

Investment Policy Guidelines
Florida Hurricane Catastrophe Fund
(Non-Qualified)

Purpose

The Florida Hurricane Catastrophe Fund (FHCF) was created in Section 215.555, F.S. during an emergency session of the Legislature in 1993 following Hurricane Andrew. The purpose of the FHCF is to provide an ongoing source of reimbursement to residential property insurers for a portion of their catastrophic hurricane losses, in order to increase insurance capacity and to maintain a viable and orderly market for property insurance in Florida. 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. 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 revenue bonds or engage in other transactions.

Investment Objective

The objective of the FHCF is to invest in highly liquid, relatively short-term investment strategies. These strategies should be routinely reviewed to evaluate the investment experience and market conditions to ensure the appropriateness of strategic goals. 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. Liquidity is a primary concern since insurers may file claims weekly. All securities purchased will be consistent with Section 215.47 of the Florida Statutes. Over a three-year moving period, performance is expected to be competitive with the U.S. Dollar LIBOR one-month constant maturity total return index.

All securities purchased will be consistent with Section 215.47 of the Florida Statutes. 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 in Rule 144(a)(1) promulgated under the Securities Act.

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

Investment Restrictions/Compliance

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

- The FHCF is restricted from purchasing or acquiring securities or investments that would require the FHCF to represent in connection with such purchase or acquisition that it is a "qualified institutional buyer" as defined in Rule 144(a)(1) promulgated under the Securities Act.

- 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 two of the three Nationally Recognized Statistical Rating Organization's (NRSRO) (S&P A1; Moody's P1; Fitch F1). For long-term investment ratings, this shall be defined as minimum single A rating from two of the three NRSRO's (S&P A-; Moody's A3; 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 final rating is provided. In the event of a downgrade, the portfolio manager will take all reasonable steps to bring the portfolio into compliance.

- Securities of a single issuer by security ticker shall not represent more than 5% of portfolio amortized cost (excluding U.S. Treasuries and Agencies) if less than or equal to one year to final maturity. If greater than one year to final maturity, single issuer exposure will be limited to 3% of portfolio amortized cost.

- At least 10% of portfolio-amortized cost should be invested in securities maturing within 3 months. 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 fund shall not enter into any contractual agreement for an investment that exceeds five years.

- Weighted average maturity shall not exceed 365 days. Reset dates will be used to calculate the weighted average maturity of the portfolio.

Evaluation

Performance evaluation will be conducted monthly. The U.S. Dollar LIBOR one-month constant maturity total return index will be used for evaluation.

Revised 7-1-08

Adopted March 24, 2009

LAWTON CHILES ENDOWMENT FOR CHILDREN AND ELDERS
INVESTMENT POLICY STATEMENT

I. DEFINITIONS

Asset Class - An asset class is an aggregation of one or more portfolios with the same principal asset type. For example, all of the portfolios whose principal asset type was stocks would be aggregated together as the Stock asset class. As such, it would contain primarily—but not exclusively—the principal asset type.

Asset Type - An asset type is a category of investment instrument such as common stock or bond.

Portfolio - A portfolio is the basic organization unit of the Endowment. Funds are managed within portfolios. A portfolio will contain one principal asset type (common stocks, for example), but may contain small amounts of other asset types as well. The discretion for this mix of asset types is set out in guidelines for each portfolio.

Annuity - An agreement whereby the investor receives a specified periodic payment over a predetermined time period.

II. OVERVIEW OF THE ENDOWMENT FUND AND THE SBA

The State Board of Administration (Board) provides investment management of assets contributed and held on behalf of the Lawton Chiles Endowment Fund (Endowment), pursuant to s. 215.5601, F.S. as created by Chapter 99-167, L.O.F.

III. THE BOARD

The Board consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Board has statutory responsibility for the investment of Endowment assets, subject to limitations on investments as outlined in Section 215.47, Florida Statutes and the requirements specific to the Endowment contained in s. 215.5601, Florida Statutes.

The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in sections 215.47(9), Florida Statutes.

The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the investment of Endowment assets.

The mission of the State Board of Administration is to provide superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards.

Adopted March 24, 2009

IV. THE EXECUTIVE DIRECTOR

The Executive Director is charged with the responsibility for managing and directing administrative, personnel, budgeting, and investment functions, including the strategic and tactical allocation of invested assets.

The Executive Director is charged with developing specific individual investment portfolio objectives and policy guidelines, and providing the Board with monthly and quarterly reports of investment activities.

The Executive Director has investment responsibility for maintaining diversified portfolios, and maximizing returns with respect to the broad diversified market standards of individual asset classes, consistent with appropriate risk constraints.

The Executive Director is responsible for evaluating the appropriateness of the goals and objectives in this Plan and recommending changes to the Board when appropriate.

V. INVESTMENT OBJECTIVES

The investment objective of the Board is long-term preservation of the real value of the principal (contributed capital) and a specified regular annual cash outflow for appropriation, as nonrecurring revenue, utilizing a thirty-year planning horizon. The Board's principal means for achieving this goal are through defining the terms of the Endowment's annuity payout structure authorized under law and through investment directives to the Executive Director.

The main object of these investment directives is the asset class. The Board directs the Executive Director to manage the asset classes in ways that, in the Board's opinion, will maximize the likelihood of achieving the investment objective. The Board establishes asset classes, sets permissible shares of the total portfolio's value for each and establishes performance benchmarks for them. In addition, it establishes a performance benchmark for the total portfolio.

VI. PAYOUT FORMULA

Liquidation of fund assets to support the legislative appropriations process shall be made according to the following participating annuity structure. At the start of each state budget cycle, a payout amount from the Endowment shall be established for the upcoming fiscal year according to the following formula:

$$\boxed{s_i = (x)s_{i-1} + (1-x)V_i \max[GM - \frac{R+K}{30}, 0]}$$

where: x = 75%

s_i = real payout amount for the upcoming fiscal year;

s_{i-1} = real payout amount for the prior fiscal year, proportionally adjusted for any changes in the amount of contributed principal since the prior fiscal year;

V_i = real value of the endowment at the time s_i is determined;

GM = the expected real geometric return on the endowment's assets, given the asset allocation directed under Section VII;

R = the required change in the fund's net asset value in order for Vi to equal the real value of all contributions to the Endowment at the time s_i is determined; and

K = prudence constant corresponding to a shortfall probability of 20%.[1]

Payouts shall be made no more frequently than quarterly, at the start of each quarter, in pro-rata portions of s_i.

VII. TARGET PORTFOLIO AND ASSET ALLOCATION RANGES

In order to achieve the investment goal, the Board sets a relative objective for the Executive Director: achieve or exceed the return on a performance benchmark known as the Target Portfolio over time. The Target Portfolio is a portfolio composed of a specific mix of the authorized asset classes. The return on this portfolio is a weighted-average of the returns to passive benchmarks for each of the asset classes. The expectation is that this return will meet or exceed the target rate of return and will thus assure achievement of the Board's investment objectives.

This relative return objective is developed in a risk management framework. Risk from the perspective of the Board is failing to earn the target return over long periods of time, and the asset mix is developed to minimize this risk. In selecting the Target Portfolio the Board considers information related to specified future expenditures from the Endowment and historical asset class risk and return characteristics. Potential asset mixes are thus evaluated with respect to their expected return and volatility as well as risk.

Although the target portfolio has an expected return and risk associated with it, it is important to note that this expected return is neither an explicit nor an implicit goal for the managers of the Endowment. These figures are used solely in developing directives for fund management that will raise the probability of success in achieving the target rate of return. The Executive Director is held responsible not for specifically achieving the target rate of return in each period, but rather for doing at least as well as the market using the target portfolio's mix of assets.

In pursuit of incremental investment returns, the Executive Director may vary the asset mix from the target allocation based on market conditions and the investment environment for the individual asset classes. The Executive Director shall adopt an asset allocation policy guideline which specifies the process for making these tactical decisions. The guideline

[1] More specifically, K = the inverse of the standard normal cumulative distribution for a probability of 20% or less times the expected risk of the portfolio times the square root of the planning horizon (30 years).

shall concentrate on the analysis of economic conditions, the absolute values of asset class investments and the relative values between asset classes.

The Board establishes the Target Portfolio as being composed of the following Asset Classes and Target Allocations and, additionally, the Board establishes ranges for the actual allocations to limit the risk of deviating significantly from the long-run investment plan.

Table 1

Asset Class	Target Allocation	Policy Range
Domestic Equities	59%	54-64%
Fixed Income	17%	12-25%
Foreign Equities	12%	6-18%
Inflation-Indexed Bonds	11%	6-16%
Cash Equivalents	1%	0-10%

For purposes of determining compliance with these Policy Ranges, an Asset Class is considered to be an aggregation of one or more portfolios with substantially the same principal asset type. As a standard management practice, portfolio managers are expected to meet their goals for all assets allocated to their portfolio.

It is expected that the Endowment will be managed in such a way that the actual allocation mix will remain within these ranges. Investment strategies or market conditions which result in an allocation position for any asset class outside of the enumerated ranges for a period exceeding thirty days shall be reported to the Board, together with a review of conditions causing the persistent deviation and a recommendation for subsequent investment action.

Notwithstanding the prior paragraph, in the event of a mandated payout from the Endowment that is expected by the Executive Director to require an accumulation of cash that exceeds ten percent of the market value of the Endowment, all asset classes' Target Allocations will float and Policy Ranges will not be applicable. During such an event, Target Allocations will be equal to the actual month-end average balances for the respective asset classes as determined by the custodian. Actual allocations will be reported monthly to the Board. Once the mandated payout has been made, Target Allocations and Policy Ranges will revert to the values in Table 1.

In adopting this plan, the board recognizes that no additional contributions are anticipated under current law.

VIII. PERFORMANCE MEASUREMENT

Asset class performance is measured in accordance with a broad market index appropriate to the asset class. The following indices are used as benchmarks for the authorized asset classes:

Table 2

Asset Class	Index
Domestic Equities	The Russell 3000, excluding the equities of tobacco-related companies.
Fixed Income	The Barclays Capital U.S. Aggregate Bond Index
Foreign Equities	The Morgan Stanley Capital International Investable Market Index, excluding the U.S., in dollar terms, net of withholding taxes on non-resident institutional investors and excluding the equities of tobacco-related companies.
Inflation-Indexed Bonds	The Barclays Capital U.S. Treasury Inflation Note Index.
Cash Equivalents	The Standard & Poor's U.S. AAA & AA Rated Government Investment Pool All 30 Day Gross Yield Index

The return on the Target Portfolio shall be calculated as an average of the returns to the Target Indices indicated in Table 2 weighted by the Target Allocations indicated by Table 1, (recognizing that Table 1 is suspended if a mandated payout from the Endowment is of sufficient size).

Performance measurement of asset allocation performance shall be made by comparing the actual asset allocation times the return for the appropriate indices to the target allocation times the index returns.

IX. ASSET CLASS PORTFOLIO MANAGEMENT

General Portfolio Guidelines

The Executive Director is responsible for developing asset class and individual portfolio policies and guidelines which reflect the goals and objectives of this Investment Policy Statement. In doing so, he is authorized to use all investment authority spelled out in Section 215.47, Florida Statutes, except as limited by this Plan or SBA Rules. The Executive Director shall develop guidelines for the selection and retention of portfolios, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board.

All asset classes shall be invested to achieve or exceed the return on their respective benchmarks over a long period of time. The portfolios shall also be well diversified with respect to the benchmark.

Adopted March 24, 2009

REPORTING

The Board directs the Executive Director to coordinate the preparation of regular reports of the investment performance of the Endowment by the Board's independent performance measurement firm.

The Executive Director shall also make a status report to the Governor, the Speaker of the House of Representatives, the President of the Senate, the chairpersons of the respective appropriations and substantive committees of each chamber, and the Revenue Estimating Conference monthly.

SBA ADMINISTRATIVE COST

Administrative costs will be deducted from the fund at a rate not greater than that charged by the SBA for managing Florida Retirement System assets.

IMPLEMENTATION SCHEDULE

This plan shall be effective April 1, 2009.

Debt Service Funds

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

Approval by Deputy Executive Director Kevin SigRist

Date 9/3/09

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.

Department of Lottery Fund

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

Approval by Deputy Executive Director Kevin SigRist

Date 9/11/09

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.

Retiree Health Insurance Subsidy Trust Fund

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 9/11/09

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.

Revised

Scripps Florida Funding Corporation

ENCLOSURE 2

TO THE TRUST AGREEMENT BETWEEN

THE STATE BOARD OF ADMINISTRATION OF FLORIDA

AND SCRIPPS FLORIDA FUNDING CORPORATION

Background and Investment Objective

Investment Objectives

The objective of the portfolio will be to provide liquidity to fund the anticipated disbursement schedule of Scripps Florida Funding Corp. through 2010. Investments will be made in high quality, readily marketable securities which will mature in amounts, including earnings, sufficient to meet the anticipated funding needs. A secondary objective will be to construct such a portfolio, which maximizes the overall yield given the quality, liquidity and funding constraints.

All 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. Investments should mature within 6 months of scheduled disbursement date.

Should investments need to be liquidated prior to maturity, sales will not be constrained by either gains or losses resulting from such transactions.

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 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	$17,773	$15,937	$4,411	$155,272

ATTACHMENT 1 TO EXHIBIT A

Commingled Asset Management Program Money Market Pool (Actively Managed/Non-Qualified)

Background and Purpose

The CAMP Money Market Pool (CAMP MM) invests in U.S. dollar denominated high quality, liquid fixed income securities with shorter-term maturities. Changes in interest rates will cause volatility in the yield of CAMP MM. CAMP MM may be suitable for investors seeking liquidity and preservation of capital, rather than growth of capital. CAMP MM is a commingled pool managed actively for the benefit of SBA clients that are non-qualified for retirement fund status. CAMP MM is designed to provide daily liquidity to clients, based on a 1 day notice requirement. **An investment in CAMP MM is not a bank deposit and is not insured or guaranteed by the F.D.I.C. or any other government entity. It is possible to lose money investing in CAMP MM and returns may not keep pace with inflation. Nothing in this Pool Description shall be construed to contradict or contravene the disclaimers set forth in Paragraph 14 of the Agreement.**

Investment Objective and Process

The objective of CAMP MM is to exceed the average 30-day annualized yield achieved by the First Tier Institutional Money Market Funds published in the weekly iMoneyNet Fund Report ("benchmark") over market cycles. The investment process will emphasize the maintenance of a "2a-7 like" fund, reasonably complying with Part 270 of the Investment Company Act of 1940 (17 CFR 270.2a-7, Money Market Funds).

All securities purchased will be consistent with Section 215.47, Florida Statutes and may be loaned to qualified borrowers in accordance with Florida Statutes and consistent with SEC Rule 2a-7.

Investment Restrictions/Compliance

The following restrictions will typically be observed and checked at least monthly for compliance. Any exceptions will be resolved in a timely and prudent fashion, in the SBA's sole discretion:

- Non-qualified funds may not purchase 144A securities.
- Repurchase agreements must be fully collateralized by U.S. Government or agency securities.

- All eligible investments must be 2a-7 first tier securities at the time of purchase. In the event an issuer is downgraded below first tier, the SBA must justify retention.

- Exposure to a single issuer shall be limited to 5% of portfolio amortized cost, not to include the U.S. government, and exposure to second tier issuers shall not exceed 1% of portfolio amortized cost.

- The weighted average maturity shall not exceed 90 days. Reset dates will be used to calculate the weighted average maturity of the portfolio.

- Maturity of money market securities shall not exceed 397 days.

- Maturity of government securities shall not exceed 762 days.

- In the event that the deviation between market value and amortized cost exceeds ½ of 1 percent, the SBA shall promptly consider what action, if any, shall be initiated.

Evaluation

A performance evaluation will be conducted monthly versus the benchmark. At a minimum, the evaluation will compare three-year moving period performance of the CAMP MM and the benchmark.

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 2011, 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 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) Dreyfuss Institutional Cash Advantage Fund (Product Code 0099, Ticker DADXX, CUSIP 26200V104)
      ii) Dreyfuss Treasury Cash Management Fund (Product Code 0521, Ticker DTRXX, CUSIP 261908107)
      iii) Columbia Money Market Reserves Fund (Product Code CO238, Ticker NMCXX, CUSIP 19765K688)
   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 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.
      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) Investments may be in Commercial Paper rated A1-P1 or A2-P2 not to exceed 50 percent of the total portfolio. Such A2-P2 paper may not exceed 25 percent of the total portfolio and will be sold upon any downgrade or issue of credit watch; no single A1-P1 rated issue shall exceed 10 percent of the total portfolio or $5 million at the time of purchase; and no single A2-P2 rated issue shall exceed 5 percent of the total portfolio or $3 million at the time of purchase. Investment in asset backed commercial paper is not permitted.

iv) Investments may be made in certificates of deposit and bankers acceptances not to exceed the greater of $5 million or 10 percent of the total portfolio.

v) 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.

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

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

c) Any coupon interest 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 Incentive Funds held by the Trustee shall be separately accounted for within such 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 any and all interest earned by Trustee's investment of the Incentive Funds held in trust by Trustee to Awardee on June 1 of each year from 2008 through 2011 in accordance with Section 4(a). None of the foregoing shall preclude the Trustee from receiving fees and other charges as set forth in this Trust Agreement.

<u>Exhibit A, Table 1: Principal Disbursement Schedule</u>
(in 000's)

Disbursement Date	Initial Disbursement of Funds to Awardee, upon satisfaction of conditions in Section 4.4(b) of the Funding Agreement – Remainder of Funds disbursed to Trustee	June 1, 2008	June 1, 2009	June 1, 2010	June 1, 2011
Disbursement from OTTED to Awardee[1]	$20,000	$0	$0	$0	$0
Amount paid to Awardee by Trustee at OTTED's direction	$0	$23,000	$16,000	$12,000	$9,000
Reporting/ Funding Year	Year 1 Jan. 1, 2006 through May 31, 2008	Year 2 June 1, 2008 through May 31, 2009	Year 3 June 1, 2009 through May 31, 2010	Year 4 June 1, 2010 through May 31, 2011	Year 5 June 1, 2011 through May 31, 2012

[1] Amounts are set forth in the table are expressed in thousands. A total of $20,000,000 shall be released by OTTED to Awardee's upon the satisfaction of the Funding Conditions in Section 4.4(b). The remaining $60,000,000 concurrently shall be released by OTTED to the Trustee for subsequent disbursements. The amounts shown in this Exhibit reflect disbursements of funds to be directed by OTTED to Awardee unless Awardee requests an early disbursement pursuant to the Agreement. Trustee shall disburse, and Awardee shall receive, any and all interest earned on the Funds held in trust and invested by Trustee, at the time of each such disbursement directed to Awardee by OTTED. Requests for disbursement shall be made in accordance with the Agreement provided no Material Default has been declared and is continuing as of such date, in which case OTTED may reduce or eliminate disbursement of the funds in any year as provided in Section 11.3(b), (c) or (d) or Section 11.4(c) of the Agreement, as applicable.

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 and interest disbursement schedule 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 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 Cash Management Fund (Ticker DGCXX, CUSIP 262006208)

   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 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.
      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) Investments may be in Commercial Paper rated A1-P1 or A2-P2 not to exceed 50 percent of the total portfolio. Such A2-P2 paper may not exceed 25 percent of the total portfolio and will be sold upon any downgrade or issue of credit watch; no single A1-P1 rated issue shall exceed 10 percent of the total portfolio or $5 million at the time of purchase; and no single A2-P2 rated issue shall exceed 5

percent of the total portfolio or $3 million at the time of purchase. Investment in asset backed commercial paper is not permitted.

iv) Investments may be made in certificates of deposit and bankers acceptances not to exceed the greater of $5 million or 10 percent of the total portfolio.

v) 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.

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

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

c) Any coupon interest 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 Incentive Funds held by the Trustee shall be separately accounted for within such 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.

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

	Initial Disbursement	Second Disbursement	Third Disbursement	Fourth Disbursement	Fifth Disbursement	Final Disbursement
Disbursement Amount	$10,000	$20,000	$30,000	$24,090	$10,000	All remaining funds held in Trust by Trustee.
Amount paid to Awardee by Trustee at OTTED's direction	$0[1]	$20,000	$30,000	$24,090	$10,000	All remaining funds held in Trust by Trustee.
Anticipated Disbursement Date[2]	March 2008	June 2008	June 2009	June 2010	June 2011	March 2015

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[1] In accordance with Section 4.1(a) of the Funding Agreement, OTTED shall cause the Chief Financial Officer of the State of Florida to make the Initial Disbursement to the Pledged Account no later than five days subsequent to the Effective Date.

[2] For the avoidance of doubt, the actual Disbursement Dates may occur earlier than these anticipated Disbursement Dates and shall be determined solely by reference to whether the applicable Disbursement Conditions set forth in Section 4.4 of the Agreement have been complied with by Awardee or waived by OTTED. Any loss of interest income or principal as a result of the sale of securities to effect a Disbursement which is earlier than its anticipated Disbursement Date made at the request of the Awardee, shall be the sole responsibility and liability of the Awardee.

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 2011, with very limited risk of principal. The principal disbursement schedule, not including partial interest and investment 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.

   All investments made by Trustee of Incentive Funds on deposit with Trustee shall first be approved in writing by the Secretary and 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 remaining Incentive Funds from OTTED, as provided for in Section 2 hereof. The Trustee shall promptly deposit said Incentive Funds 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 coupon-bearing 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.
      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) Investments may be in Commercial Paper rated A1-P1 or better not to exceed 50 percent of the total portfolio. No single A1-P1 rated issue shall exceed 5 percent of the total portfolio. Investment in asset backed commercial paper is not permitted.
      iv) Investments may be made in certificates of deposit and bankers acceptances not to exceed the greater of $5 million or 10 percent of the total portfolio.
      v) 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.

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

vii) 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 Incentive Funds held by the Trustee shall be separately accounted for within such 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 any and all interest and other investment income earned by Trustee's investment of the Incentive Funds held in trust by Trustee to Awardee on June 1 of each year from 2008 through 2011 in accordance with Section 4(a). None of the foregoing shall preclude the Trustee from receiving fees and other charges as set forth in this Trust Agreement.
6. Securities lending by Trustee shall be permitted only if approved in writing by formal amendment to this Trust Agreement signed by the Secretary and Treasurer of Awardee, and the SBA.

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

	Initial Disbursement	Second Disbursement	Third Disbursement	Fourth Disbursement	Final Disbursement
Disbursement Amount	$15,000	$20,000	$20,000	$5,000	All remaining funds held in Trust by Trustee.
Amount paid to Awardee by Trustee at OTTED's direction	$0[1]	$20,000	$20,000	$5,000	All remaining funds held in Trust by Trustee.
Anticipated Disbursement Date[2]	April 2008	June 2009	June 2010	June 2011	June 2018

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[1] The Initial Disbursement will be made by the Chief Financial Officer of the State of Florida within five (5) days of the Effective Date in accordance with Section 4.1(a) of the Agreement.

[2] For the avoidance of doubt, the actual Disbursement Dates may occur earlier than these anticipated Disbursement Dates and shall be determined solely by reference to whether the applicable Disbursement Conditions set forth in Section 4.4 have been complied with by Awardee or waived by OTTED. Any loss of interest income or principal as a result of the sale of securities to effect a Disbursement which is earlier than its anticipated Disbursement Date made at the request of the Awardee, shall be the sole responsibility and liability of the Awardee.

ENCLOSURE 2

TO THE TRUST AGREEMENT BETWEEN

THE STATE BOARD OF ADMINISTRATION OF FLORIDA

AND THE FLORIDA PREPAID COLLEGE BOARD

Through this Agreement, the Client has authorized the SBA to contract with QMA to invest Funds in QMA Monthly Large Cap Value and QMA Daily Large Cap Value and such contract. The SBA shall be responsible for the monitoring of QMA's Large Cap Value strategy and related organizational issues as utilized as an investment manager for the Funds, according to the SBA Manager Monitoring Guidelines and shall promptly advise the Client if such manager is placed on Watch List. The SBA has the sole discretion to terminate QMA as an investment manager for the Client, without affecting or considering this Agreement. In the event of such termination of QMA as an investment manager for the Client, the SBA and the Client will mutually determine the status of QMA under this Agreement.

Absent express prior written amendment to this Agreement, the Client has responsibility for establishing and overseeing all custodial accounts as necessary, in its sole judgment, to facilitate investment of Funds in QMA Monthly Large Cap Value and QMA Daily Large Cap Value. The Client acknowledges the following:

1. Investment strategies providing higher expected long-term returns, including those actively managed, are likely to exhibit greater volatility than investment strategies providing lower expected long-term returns, including those passively managed.

2. Past performance is not indicative of future performance and erosion of the value of the Funds may naturally occur if market performance falls short of historical norms or forward looking expectations for periods of time.

3. Asset allocation will be the primary factor governing future investment returns for Funds under management, assuming sufficient diversification within QMA Monthly Large Cap Value and QMA Daily Large Cap Value.

4. QMA Monthly Large Cap Value and QMA Daily Large Cap Value will be actively managed and QMA's strategy and tactics that are implemented with an intent to outperform its Russell 1000 Value Index over multiple market cycles may cause it to underperform such Index, significantly and for extended periods of time.

The QMA Monthly Large Cap Value and the QMA Daily Large Cap Value Narrative of Strategic Approach is attached as an exhibit hereto.

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 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 15 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 4-6% 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 5 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. 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 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 15 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 4-6% and a maximum single industry group of approximately 25%. The portfolio is normally fully invested, with cash typically representing 0-10%.

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 and investment 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.

   All investments made by Trustee of Incentive Funds on deposit with Trustee shall first be approved in writing by the Secretary and 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 remaining Incentive Funds from OTTED, as provided for in Section 2 hereof. The Trustee shall promptly deposit said Incentive Funds 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 coupon-bearing 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.
      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) Investments may be in Commercial Paper rated A1-P1 or better not to exceed 50 percent of the total portfolio. No single A1-P1 rated issue shall exceed 5 percent of the total portfolio. Investment in asset backed commercial paper is not permitted.
      iv) Investments may be made in certificates of deposit and bankers acceptances not to exceed the greater of $5 million or 10 percent of the total portfolio.
      v) 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.

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

vii) 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.

At all times, the Incentive Funds held by the Trustee shall be separately accounted for within such 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.

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.

In addition to the amounts shown in Table 1 of this Exhibit A, Security Trustee shall also disburse annual interest earned or securities lending income by Security Trustee's investment of the Funds held in trust by Security Trustee to Awardee on December 1st of each year from 2007 to 2015 in accordance with Section 4.3 of the Agreement and Section 4 of the Trust Agreement. The foregoing shall not preclude Security Trustee from receiving fees and other charges as set forth in the Trust Agreement.

Securities lending by Trustee shall be permitted only if approved in writing by formal amendment to this Trust Agreement signed by the Secretary and Treasurer of Awardee, and the SBA.

ENCLOSURE 2

TO THE AMENDED AND RESTATED TRUST AGREEMENT

BETWEEN THE STATE BOARD OF ADMINISTRATION OF FLORIDA

AND THE FLORIDA EDUCATION FUND, INC.

Background, Investment Objective and Parameters

The Florida Education Fund, Inc. (the "Client") currently holds a portfolio consisting of bonds. This portfolio has been managed by the Florida Education Fund, Inc., through a private entity. The Client has entered into this Amended and Restated Trust Agreement with the SBA to manage the endowment funds set forth in Enclosure 5. Investment parameters which have been specified and mutually agreed to by the Client and the SBA are as follows:

1. Those securities identified on Enclosure 5 as "client directed" are held at the direction of the Client. The SBA is not responsible for the performance of these assets. Client directed assets will be liquidated and withdrawn by the client or become invested in commingled pools if and only to the extent that an authorized representative of the Client, so directs.

2. For assets that are not client directed, if any, the Client shall be responsible for the allocation of those assets among four commingled investment pools authorized under this Agreement: A money market pool (CAMP Money Market Fund), a liquidating pool of restricted former money market units (CAMP Money Market Fund Restricted), a fixed income pool (U.S. Debt Index Fund B) and a U.S. equity pool (Russell 3000 Index Fund B). The SBA shall select and monitor the investment manager for each individual commingled pool. Income from client directed assets that is not withdrawn shall be invested in the commingled money market pool, unless reallocated at the direction of the Client.

3. The investment objective for each investment pool:

CAMP Money Market Fund

The CAMP Money Market Fund is designed to provide a high quality, liquid vehicle. It is appropriate for funds with a short-term investment horizon where liquidity and the preservation of capital are of primary importance. To accomplish this objective, the portfolio will be structured reasonably compliant with Part 270 of the Investment Company Act of 1940 (17 CFR 270.2a-7, Money Market Funds). Performance is expected to be competitive with the Standard & Poor's U.S. AAA & AA Rated GIP All 30 Day Gross Yield Index. The CAMP Money Market Fund is managed by an external investment manager under contract to the SBA. Investment Guidelines are attached in Exhibit 1 in Enclosure 2.

CAMP Money Market Restricted Fund

The CAMP Money Market Restricted Fund's primary objective is to maximize the present value of distributions from segregated securities, which were originally purchased for the CAMP Money Market Fund but defaulted in the payment of principal and interest and were restructured or otherwise subject to workout. Investment Guidelines are attached in Exhibit 2 in Enclosure 2.

U.S. Debt Index Fund B

The U.S. Debt Index Fund B shall be invested and reinvested primarily in a portfolio of debt securities with the objective of approximating as closely as practicable the total rate of return of the market for debt securities as defined by the Barclays Capital Aggregate Bond Index. BGI will manage the U.S. Debt Fund according to the investment guidelines set forth in Exhibit A of the Grantor Trust executed by the Client and BGI.

Russell 3000 Index Fund B

The Russell 3000 Index Fund B shall be invested and reinvested in a portfolio of equity securities with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the segment of the United States market for publicly traded equity securities represented by the 3000 largest capitalized companies. BGI will manage the Russell 3000 Fund according to the investment guidelines set forth in Exhibit A of the Grantor Trust executed by the Client and BGI.

4. The Client recognizes that investment alternatives provided higher expected long-term returns are likely to exhibit greater volatility than investment alternatives providing lower expected long-term returns. The Client also recognizes that the past is not always a valid predictor of the future and erosion of the principal in the trust may naturally occur if market performance falls short of historical norms or forward looking expectations for specified periods of time. Finally, the Client recognizes that asset allocation will be the primary factor in governing future returns for its total portfolio, assuming sufficient diversification within each asset class.

5. Deposits and withdrawals:

Instructions

Funds for deposit must be wire transferred to the SBA's demand deposit account at BNYMellon within the 24 hours period. Wire instructions are as follows:

Federal Reserve Bank of Boston
ABA # 011001234
DDA # 01-0901
For: Florida State Board of Administration
Reference: FMXFX180012
Attn: John McEvoy 617-388-1911

Funds from redemption (withdrawals) will be wire transferred to the bank account information designated on the most recent Participant Account Maintenance Form received from a designated representative of the Client.

Contributions

Contributions to the Russell 3000 Fund may be made on any business day with 24 hours notice before 9:30 AM Pacific Time. This is called T-1 notification. "T" stands for the "trade date." "-1" means "minus one" day. Therefore, if the contribution is to be made on Wednesday, April 8, BGI must be notified anytime before Tuesday, April 7, at 9:30 AM Pacific Time. Client understands and agrees that the SBA must receive instructions from the Client in good form with sufficient time before the 9:30 AM Pacific Time deadline to instruct BGI on the Client's behalf.

Contributions to the US Debt Fund may be made on any business day but require more notice: "T-2 before noon Pacific Time." This means that if contributions are to be made on Wednesday, April 8, BGI must be notified anytime before noon Pacific Time on Monday, April 6. Client understands and agrees that the SBA must receive instructions from the Client in good form with sufficient time before the noon Pacific Time deadline to instruct BGI on the Client's behalf.

Contributions (deposits) to the CAMP Money Market Fund are allowed with 24 hours written notice and may be made on any business day.

Contribution notification to BGI will be initiated after written notification by the Client is received by the SBA and wire transfer of the funds from the Client is received by BNYMellon into the SBA's account. The subsequent timing of the notification and transfer of funds to BGI will follow the procedures explained above.

Written notification should be faxed to (850) 413-1097. The necessary form can be obtained by contacting Nina Willis, in Financial Operations at the SBA: (850) 413-1220.

Redemptions

Redemptions (withdrawals) have the same notification schedules as contributions.

6. Any liquidations of non-client directed assets, whether to maintain portfolio balance, to generate cash or to improve expected returns will be done with the objective of maximizing total return, net of fees, subject to risk considerations. It is the present, non-binding intent of the Client that withdrawals will be funded solely from interest earned and that the bonds listed as Client directed in Enclosure 5 will not be liquidated.

7. Upon receiving direction from the Client to liquidate and reinvest client directed assets in on or more of the commingled pools, the SBA investment staff at its discretion will liquidate and reinvest the proceeds per the allocation specified by the Client, consistent with the provisions of paragraph 6.

8. If additional assets are donated to the portfolio, the Client, by resolution of its Board, will identify whether or not they will be client directed. In the event their sale is restricted by a third party, they shall be identified as client directed.

9. CAMP Money Market Restricted Fund is not subject to Client requests for contributions or redemptions and any distributions from such Fund shall be directed by the SBA to CAMP Money Market Fund as a standing instruction.

ENCLOSURE 2
EXHIBIT ONE

Investment Policy Guidelines
CAMP MONEY MARKET (Non-Qualified)
Effective July 1, 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 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.

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 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 registered investment companies. 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 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.

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.

ENCLOSURE 2

EXHIBIT TWO

INVESTMENT PORTFOLIO GUIDELINES

Commingled Asset Management Program Money Market Restricted Fund

PURPOSE

The Commingled Asset Management Program Money Market Restricted Fund ("CAMP Money Market Restricted Fund") was established as an internally managed commingled portfolio in April 2008. CAMP Money Market Restricted Fund is a unitized fluctuating NAV portfolio with 2 specific holdings that were transferred out of the CAMP Money Market Fund because they had defaulted, were restructured and were not liquid: securities issued by Florida East Funding LLC and Florida West Funding LLC that will be maintained in a separate account at BNY Mellon.

INVESTMENT OBJECTIVE

The objective of the portfolio is to maximize the present value of distributions from illiquid securities.

IMPLEMENTATION

The portfolio is internally managed. The portfolio may be funded or defunded at the discretion of the SBA. The SBA may sell, exchange, or otherwise dispose of, or agree to the extension, workout or restructuring of the illiquid securities to meet the investment objective. Proceeds received from any sale, exchange or other disposition of securities may be invested in CAMP Money Market Fund or other money market sweep vehicles.

INVESTMENT RESTRICTIONS/COMPLIANCE

The portfolio will be managed consistent with Section 215.47 of the Florida Statutes and SBA policies. A detailed and comprehensive compliance checklist will be maintained and checked, consistent with SBA Policy 15-002.

EVALUATION

General review of performance and other relevant management issues will be conducted monthly. The portfolio is undiversified and the result of asset workout and restructuring, and will not be formally benchmarked against a market benchmark or peer universe. The portfolio is considered actively managed for performance measurement purposes.

Gas Tax Clearing Fund

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

Approval by Deputy Executive Director Kevin SigRist

Date 9/3/09

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.

Local Government Investment Pool (aka Florida PRIME)

Approved by SBA Trustees on July 28, 2009

Investment Policy Guidelines
Local Government Investment Pool (Non-Qualified)
Effective July 1, 2009

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 Local Government Surplus Funds Trust Fund (“Local Government Investment Pool or “LGIP). The Policy also describes the risks associated with an investment in the LGIP. This Policy does not relate to Fund B as defined at Section 218.421, Florida Statutes.

II. Overview of the LGIP

The Local Government Surplus Funds Trust Fund was created by an Act of the Florida Legislature effective October 1, 1977 (Chapter 218, Part IV, Florida Statutes). The State Board of Administration (“SBA) is charged with the powers and duties to administer and invest the LGIP, 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 LGIP.

The LGIP is governed by Chapters 215 and 218, Florida Statutes, and Chapter 19-7 of the Florida Administrative Code (collectively, “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 will annually certify that the LGIP is in compliance with the requirements of Chapter 218, Florida Statutes, and that the management of the LGIP is in accord with best investment practices.

The Trustees delegate the administrative and investment authority to manage the LGIP to the Executive Director of the SBA, subject to Applicable Florida Law. The Trustees appoint a six-member Investment Advisory Council and a six member Participant Local Government Advisory Council. Both Councils will at least annually review this Policy and any proposed changes prior to its presentation to the Trustees and will undertake other duties set forth in Applicable Florida Law.

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 the LGIP.

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

VI. Investment Strategies & Specific Limitations

The Investment Manager will invest the LGIP’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 LGIP, like repurchase agreements.

The Investment Manager will manage credit risk by purchasing only high quality securities. 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 LGIP’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 utilize a “new products or similar committee to review and approve new security structures prior to an investment of LGIP assets in such securities. The Investment Manager will consider and follow best practices in connection with minimal credit risk determinations.

The Investment Manager will manage interest rate risk by purchasing only short-term fixed income securities. The Investment Manager will target a dollar-weighted average maturity range for the LGIP 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 LGIP’s dollar-weighted average maturity when it expects interest rates to rise and extend the LGIP’s dollar-weighted average maturity when it expects interest rates to fall. The Investment Manager will exercise reasonable care to maintain a dollar-weighted average maturity of 60 days or less and a spread WAM of 120 days or less for the LGIP. A spread WAM is a calculation that does not permit the use of interest rate reset dates and instead only uses a security's stated (legal) final maturity date or Demand Feature to measure the WAM (Weighted Average Maturity). The remaining maturity of securities purchased by the Investment Manager shall not exceed 762 days for government floating rate notes/variable rate notes and will not exceed 397 days for other securities.

The Investment Manager will exercise reasonable care to limit exposure to not more than 25% of the LGIP'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. This higher limit is in recognition of the large outstanding value of money fund instruments issued by financial services firms. Government securities are not considered to be an industry.

The Investment Manager will exercise reasonable care to maintain at least 5% of the LGIP assets in securities accessible within one day and at least 20% of the LGIP assets in securities accessible within seven days. The Investment Manager may invest up to 10% of the LGIP assets in securities that are illiquid or of limited liquidity, as defined by the NRSRO that rates the LGIP.

In buying and selling portfolio securities for the LGIP, the Investment Manager will comply with the diversification, maturity and credit quality conditions imposed by Rule 2a-7 under the 1940 Act; with the requirements imposed by any NRSRO that rates the LGIP to ensure that it maintains a AAAm rating (or the equivalent); 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 LGIP assets will be invested in securities rated "A-1+ or those deemed to be of comparable credit quality thereto by the Investment Manager (i.e., so long as such deeming is consistent with the requirements of the NRSRO's AAAm (or equivalent) rating criteria), subject to Section 215.47(1)(j), Florida Statutes. The Investment Manager shall document each instance in which a security is deemed to be of comparable credit quality and its basis for such a determination. 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 the LGIP assets.

VII. Portfolio Securities and Special Transactions

The Investment Manager will purchase only fixed income securities for the LGIP, and may engage in special transactions, for any purpose that is consistent with the LGIP'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 LGIP 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 LGIP is not permitted to buy such fixed income securities to the extent that they require the LGIP to be a qualified institutional buyer.

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

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

VIII. Risks Associated with the LGIP

An investment in the LGIP is subject to certain risks. Any investor in the LGIP should specifically consider, among other things, the following principal risks before making a decision to purchase shares of the LGIP.

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

Although the Investment Manager attempts to manage the LGIP 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 LGIP 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 LGIP 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.

Credit Risks

Credit risk is the possibility that an issuer of a fixed income security held by the LGIP will default on the security by failing to pay interest or principal when due. If an issuer defaults, the LGIP will lose money.

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 LGIP 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 LGIP's performance.

Concentration Risks

A substantial part of the LGIP 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 LGIP 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.

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.

Call Risks

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

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 LGIP 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.

Risks Associated with Amortized Cost Method of Valuation

The LGIP 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 LGIP'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.

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

For additional information regarding the LGIP's principal securities and associated risks, please see Appendix A.

Stress Testing

To assist in managing the risks described above, the Investment Manager will regularly stress-test the LGIP to assess the portfolio's ability to meet levels of credit risk, shareholder redemptions and interest rate changes.

Client Concentration Risk Disclosure

The SBA shall post at least monthly on its website a disclosure of client concentration levels by type of client.

IX. Controls and Escalation Procedures

Section 218.409(2), Florida Statutes requires this Policy to document a system of internal controls designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the board or a professional money management firm. The controls include formal escalation reporting guidelines for all employees to address material impacts on the LGIP that require reporting and action.

The SBA has engaged BNY Mellon ("Custodian) to provide asset safekeeping, custody, fund accounting and performance measurement services to the LGIP. The Custodian will mark to market the portfolio holdings of the LGIP on a daily basis and will daily communicate both amortized cost price and mark to market price, so that the SBA and the Investment Manager can monitor the deviations between the amortized cost price and market price. By contractual agreement, the Investment Manager will reconcile accounting and performance measurement reports with the Custodian on a regular basis, under the supervision of the SBA.

The NRSRO that rates the LGIP will perform regular independent surveillance of the LGIP. The SBA and an independent investment consultant will regularly monitor the Investment Manager with respect to performance and organizational factors according to SBA manager monitoring policies.

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

Pursuant to written SBA policy, 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 LGIP. Minutes of the Investment Oversight Group's meetings and a listing of meeting participants shall be timely posted on the LGIP website.

The Investment Oversight Group will meet and report monthly to the Executive Director, except upon the occurrence of a material event. The SBA and the Investment Manager have an affirmative duty to immediately disclose any material impact on the LGIP to the participants.

1. When the deviation between the market value and amortized cost of the LGIP exceeds 0.25%, according to pricing information provided by the Custodian, 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 LGIP exceeds 0.50%, according to pricing information provided by the Custodian, 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 LGIP's amortized cost price per share may result in material dilution or other unfair results to investors or existing shareholders, he will cause the LGIP 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 LGIP 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. Nonetheless, the Trustees will at least monthly review and approve management summaries of material impacts on the LGIP, any actions or escalations taken thereon, and carry out such duties and make such determinations as are otherwise necessary under applicable law, regulation or rule.

Pursuant to Florida law, the Auditor General will conduct an annual financial audit of the LGIP, which will include testing for compliance with this Policy.

X. Deposits and Withdrawals

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

Approved by SBA Trustees on July 28, 2009

XI. Management Reporting

The Executive Director will be responsible for providing the formal periodic reports to the Trustees, legislative committees and other entities:

1. An annual report on the SBA and its investment portfolios, including that of the LGIP.
2. A monthly report on performance and investment actions taken.
3. Special reports pursuant to Chapter 218, Florida Statutes.

Appendix A
Additional Information Regarding LGIP's Principal Securities

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

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 LGIP 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 LGIP 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 LGIP 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 because the federal government sponsors their activities. These include securities issued by the Farm 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 LGIP 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 LGIP 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 LGIP 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 LGIP 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 LGIP invests are callable at the option of the issuer. Callable securities are subject to reinvestment risks.

144A Securities

The SBA has determined that the LGIP 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 LGIP 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 1940 Act, as long as the LGIP 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 in Rule 144A(a)(1) promulgated under the Securities Act. The LGIP is restricted from purchasing or acquiring securities or investments that would require the LGIP 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.

Money Market Mutual Funds

The LGIP 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 LGIP and incur additional fees and/or expenses that would, therefore, be borne indirectly by the LGIP 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 LGIP in money market mutual funds that are "affiliated persons of the Investment Manager.

SPECIAL TRANSACTIONS

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

Repurchase Agreements

Repurchase agreements involve transactions in which the LGIP 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 LGIP's return on the transaction. This return is unrelated to the interest rate on the underlying security. The LGIP will enter into repurchase agreements only with banks and other recognized financial institutions, such as securities dealers, deemed creditworthy by the Investment Manager.

The LGIP'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 LGIP 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 LGIP to the issuer and no interest accrues to the LGIP. The LGIP records the transaction when it agrees to buy the securities and reflects their value in determining the price of its units. Settlement dates may not be more than seven business days after entering into these transactions; nonetheless, the market values of the securities bought may vary from the purchase prices. Therefore, delayed delivery transactions create interest rate risks for the LGIP. 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 LGIP 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 LGIP's obligations. Unless the LGIP 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 LGIP to miss favorable trading opportunities or to realize losses on special transactions.

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Fund B Surplus Funds Trust Fund

Investment Policy Guidelines
Fund B Surplus Funds Trust Fund
(Non-Qualified)
Effective June 1, 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 Fund B Surplus Funds Trust Fund (“Fund B). This Policy does not relate to the Local Government Surplus Funds Trust Fund (“LGIP) created by an Act of the Florida Legislature effective October 1, 1977 (Chapter 218, Part IV, Florida Statutes).

II. Overview of Fund B

Fund B was created by an Act of the Florida Legislature effective June 1, 2008 (Section 218.421, Florida Statutes). The State Board of Administration (“SBA) is charged with the powers and duties to administer and invest Fund B. The SBA has contracted with Federated Investment Counseling (the “Investment Manager) to provide investment advisory services to Fund B.

Fund B is governed by Chapters 215 and 218, Florida Statutes, and Chapter 19-7 of the Florida Administrative Code (collectively, “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 will annually certify that Fund B is in compliance with the requirements of Florida law.

The Trustees delegate the administrative and investment authority to manage Fund B to the Executive Director of the SBA, subject to Applicable Florida Law. The Trustees appoint a six-member Investment Advisory Council and a six member Participant Local Government Advisory Council. Both Councils will at least annually review this Policy and any proposed changes prior to its presentation to the Trustees and will undertake other duties as set forth in Applicable Florida Law.

IV. Fluctuating Net Asset Value 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 Fund B. 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). Fund B will be accounted for as a fluctuating NAV pool.

V. Investment Objective

Fund B’s primary objective is to maximize the present value of distributions from Fund B. Fund B principally consists of Segregated Securities, which are securities originally purchased for the LGIP that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; (4) experienced elevated market illiquidity; or (5) did not meet the criteria of the nationally recognized statistical rating organization (“NRSRO) that provides the LGIP's AAAm rating.

In pursuing Fund B's investment objective, the Investment Manager may, in its sole discretion, sell, exchange, or otherwise dispose of, or agree to the extension, workout or restructuring of, Segregated Securities; provided that the Investment Manager determines, in its sole discretion, that such sale, exchange, disposition, extension, workout or restructuring is in the best interest of participants.

The Investment Manager may invest proceeds received from any sale, exchange or other disposition of Segregated Securities in securities that are eligible under this Policy for the LGIP. The Investment Manager, as part of a restructuring, workout, or exchange, also may accept securities that are not eligible under the Policy for the LGIP, in its sole discretion.

Past performance is no guarantee of future performance. An investment in the Fund B is not a bank deposit and is not insured or guaranteed by the FDIC or any other government entity. Investors may lose money investing in Fund B, and returns may not keep pace with inflation.

VI. Controls and Escalation Procedures

Section 218.421(2), Florida Statutes requires this Policy to document a system of internal controls designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the board or a professional money management firm. The controls include formal escalation reporting guidelines for all employees to address material impacts on Fund B that require reporting and action.

The SBA has engaged BNY Mellon ("Custodian) to provide asset safekeeping, custody, fund accounting and performance measurement services to Fund B. The Custodian will mark to market the portfolio holdings of the Fund B on a monthly basis. 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.

The SBA and third parties used to materially implement Fund B will maintain internal control, fraud and ethics policies and procedures.

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 Fund B. The Investment Oversight Group will meet and report monthly to the Executive Director, except upon the occurrence of a material event. The SBA and the Investment Manager have an affirmative duty to immediately disclose any material impact on Fund B to the participants.

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.

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. Nonetheless, the Trustees will at least monthly review and approve management summaries of material impacts on Fund B, any actions or escalations taken thereon, and carry out such duties and make such determinations as are otherwise necessary under law, regulation or rule. The Trustees will also review progress in returning the principal in Fund B to the participants at each meeting of the Trustees until Fund B self-liquidates or is terminated by law.

VII. Distributions

Participants in Fund B will receive periodic distributions to the extent that Fund B receives proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken.

To effect the distribution, the Investment Manager will transfer cash or securities to the LGIP for the benefit of Fund B shareholders. Such transfers will be consistent with the pro rata allocation of Fund B shareholders of record as of the initial partition of Segregated Securities within the LGIP.

VIII. Deposits and Withdrawals

Participants cannot make additional deposits into, or any withdrawals from, Fund B.

XI. Management Reporting

The Executive Director will be responsible for providing formal periodic reports to the Trustees, legislative committees and other entities:

1. An annual report on the SBA and its investment portfolios, including that of the LGIP.

2. A monthly report on performance and investment actions taken.

3. Special reports pursuant to Chapter 218, Florida Statutes.

Police and Firefighters' Premium Tax Trust Fund

INVESTMENT AGREEMENT ("Agreement")

BETWEEN THE STATE BOARD OF ADMINISTRATION ("SBA")

AND THE DIVISION OF RETIREMENT REGARDING

THE POLICE AND FIREFIGHTERS' PREMIUM TAX TRUST FUND (the "DIVISION/FUND")

SBA CONTRACT NO. 95-70

Pursuant to Sections 3 and 7 of Chapter 95-250, Laws of Florida, the SBA shall invest and reinvest the moneys of the Division/Fund in accordance with Sections 215.44-53, Florida Statutes. Therefore, the Division/Fund and the SBA agree to the following:

1. Authorized Investments. The SBA is authorized to invest the moneys of the Division/Fund in the following securities:

U.S. Government and agency securities
Repurchase Agreements
Other high quality money market securities
(i.e. commercial paper, bankers acceptances, certificates of deposit)

2. Designated Representatives. The following persons are the designated representatives of the Division/Fund and the SBA responsible for the day-to-day management and coordination of transactions and issues relevant to this Agreement.

For the Division/Fund	For the SBA
Jerry Todd	Barbara Jarriel *
Marcia Sharma	Lynn Thompson*
David Jones	Robert Copeland **
	Amy Crumpler**

* for investments
**for wire transfers

3. Transfers of Moneys. All transfers of moneys from the Division/Fund to the SBA pursuant to this Agreement and withdrawals of moneys therefrom shall be effected only by the persons named above in paragraph 2. Said persons shall be responsible for the establishment of an investment plan and schedule to ensure that the moneys needed by the Division/Fund shall be available for withdrawal on a timely basis.

4. Modification or Amendment. This Agreement constitutes the entire agreement between the Division/Fund and the SBA. It may not be modified or amended except in writing with the consent of both parties. Neither party shall unreasonably withhold its approval of an agreement modification.

5. Fees of the SBA. The fees shall be assessed monthly on the assets under management

at the end of the month. As soon as practicable after the month has ended, the SBA is authorized to deduct its fees from the funds on deposit with the SBA. The SBA is authorized to deduct from the Division/Fund the following:

> The standard fee assessed by the Board for investment management services. This fee is currently two basis points per annum on assets managed, but may be revised subject to SBA Rules 19-3.016(17).

6. Effective Date. The effective date of this Agreement is September 1, 1995.

STATE BOARD OF ADMINISTRATION

Ash Williams, Jr.
Executive Director

THE DIVISION OF RETIREMENT REGARDING POLICE AND FIREFIGHTER'S PREMIUM TAX TRUST FUND

A. J. McMullian, III
State Retirement Director

Approved as to legality:

Horace Schow II
General Counsel
FL Bar ID #0251471

ENCLOSURE 2

TO THE TRUST AGREEMENT BETWEEN

THE STATE BOARD OF ADMINISTRATION OF FLORIDA

AND FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.

The Client has directed the SBA to invest Funds in three of the Pools offered under the SBA's Commingled Asset Management Program. The SBA shall be responsible for the operation of each individual Pool. The Client retains all responsibility for the allocation of Funds among Pools and acknowledges the following:

1. Pools providing higher expected long-term returns are likely to exhibit greater volatility than Pools providing lower expected long-term returns.

2. The past is not always a valid predictor of the future and erosion of the value of the Funds may naturally occur if market performance falls short of historical norms or forward looking expectations for specified periods of time.

3. Asset allocation will be the primary factor governing future investment returns for Funds under management, assuming sufficient diversification within each Pool.

Investment Pool Descriptions are attached as exhibits hereto.

EXHIBIT 1 TO ENCLOSURE 2: POOL DESCRIPTION

Commingled Asset Management Program Money Market Pool
(Actively Managed/Non-Qualified)

Background and Purpose
The CAMP Money Market Pool (CAMPMM) invests in U.S. dollar denominated high quality, liquid fixed income securities with shorter-term maturities. Changes in interest rates will cause volatility in the yield of CAMPMM. CAMPMM may be suitable for investors seeking liquidity and preservation of capital, rather than growth of capital. CAMPMM is a commingled pool managed actively for the benefit of SBA clients that are non-qualified for retirement fund status. CAMPMM is designed to provide daily liquidity to clients, based on a 1 day notice requirement. **An investment in CAMPMM is not a bank deposit and is not insured or guaranteed by the F.D.I.C. or any other government entity. It is possible to lose money investing in CAMPMM and returns may not keep pace with inflation. Nothing in this Pool Description shall be construed to contradict or contravene the disclaimers set forth in Paragraph 13 of the Agreement.**

Investment Objective and Process
The objective of CAMPMM is to exceed the average 30-day annualized yield achieved by the First Tier Institutional Money Market Funds published in the weekly iMoneyNet Fund Report ("benchmark") over market cycles. The investment process will emphasize the maintenance of a "2a-7 like" fund, reasonably complying with Part 270 of the Investment Company Act of 1940 (17 CFR 270.2a-7, Money Market Funds).

All securities purchased will be consistent with Section 215.47, Florida Statutes and may be loaned to qualified borrowers in accordance with Florida Statutes and consistent with SEC Rule 2a-7.

Investment Restrictions/Compliance
The following restrictions will typically be observed and checked at least monthly for compliance. Any exceptions will be resolved in a timely and prudent fashion, in the SBA's sole discretion:

- Non-qualified funds may not purchase 144A securities.
- Repurchase agreements must be fully collateralized by U.S. Government or agency securities.
- All eligible investments must be 2a-7 first tier securities at the time of purchase. In the event an issuer is downgraded below first tier, the SBA must justify retention.
- Exposure to a single issuer shall be limited to 5% of portfolio amortized cost, not to include the U.S. government, and exposure to second tier issuers shall not exceed 1% of portfolio amortized cost.
- The weighted average maturity shall not exceed 90 days. Reset dates will be used to calculate the weighted average maturity of the portfolio.
- Maturity of money market securities shall not exceed 397 days.
- Maturity of government securities shall not exceed 762 days.
- In the event that the deviation between market value and amortized cost exceeds ½ of 1 percent, the SBA shall promptly consider what action, if any, shall be initiated.

Evaluation
A performance evaluation will be conducted monthly versus the benchmark. At a minimum, the evaluation will compare three-year moving period performance of the CAMPMM and the benchmark.

EXHIBIT 2 TO ENCLOSURE 2: POOL DESCRIPTION

COMMINGLED ASSET MANAGEMENT PROGRAM FIXED INCOME INDEX POOL
(Passively Managed/Non-Qualified)

Background and Purpose

The CAMP Fixed Income Index Pool (CAMPFI) primarily invests in U.S. dollar denominated investment grade fixed income securities with intermediate and longer maturities. Changes in interest rates will cause volatility in the net asset value of CAMPFI. As with any bond portfolio, the net asset value of CAMPFI will decline if interest rates rise. Consequently, CAMPFI may be an inappropriate investment for investors required to meet short-term cash needs; however, it may be suitable for investors that have a somewhat longer time horizon. CAMPFI is a commingled pool managed passively for the benefit of SBA clients that are non-qualified for retirement fund status. CAMPFI is designed to provide monthly liquidity to clients, based on a 3 day notice requirement. **An investment in CAMPFI is not a bank deposit and is not insured or guaranteed by the F.D.I.C. or any other government entity. It is possible to lose money investing in CAMPFI and returns may not keep pace with inflation. Nothing in this Pool Description shall be construed to contradict or contravene the disclaimers set forth in Paragraph 13 of the Agreement.**

Investment Objective and Process

The objective of CAMPFI is to attain the total return achieved by the Lehman Brothers Aggregate Bond Index ("benchmark") over market cycles. The investment process will emphasize the maintenance of a portfolio which closely matches the composition and structure of the benchmark (with the exclusion of 144A securities). This process is intended to help limit the periodic return differences between the portfolio and the benchmark over multi-year periods (i.e., tracking error or standard deviation of return differences).

All securities purchased will be consistent with Section 215.47, Florida Statutes. Portfolio securities may be loaned to qualified borrowers in accordance with Florida Statutes. Futures, options, ETF's and forward contracts may be utilized to facilitate asset allocation changes and gain market exposure for cash and/or receivables.

Investment Restrictions/Compliance

The following restrictions will be observed and checked monthly for compliance (except that insurance certifications are due at expiration). Although none are expected in the normal course of events, any exceptions will be resolved in a timely and prudent fashion, in the State Board's sole discretion:

- At the time of purchase, all securities will be rated investment grade by two of the nationally recognized services (i.e., Moody's Baa3; S&P BBB-; Fitch BBB-).
- No 144A securities are permitted.
- The modified adjusted duration should be +/- 0. 50 years of the benchmark.
- Any external investment manager will maintain and provide proof of insurance coverage that is comparable to the bonding requirements of ERISA Section 412 and fiduciary liability insurance in an amount not less than $1,000,000. Such manager will also provide an annual Investment Adviser Disclosure Statement as required by SEC Rule 204-3 (17 CFR 275.204-3).
- The mortgage-related portion of the CAMPFI may utilize the following securities/sectors:

- Government National Mortgage Association (GNMA).
- Federal National Mortgage Association (FNMA).
- Federal Home Loan Mortgage Corporation (FHLMC).
- Forward contracts ("TBA's") on GNMA, FNMA, and FHLMC securities.
- Notes secured by first mortgages on Florida real property, insured or guaranteed by the Federal Housing Administration or the U.S. Department of Veterans Affairs. Exposure is limited to 10% of mortgage-related portfolio market value.
- U.S. Treasury and Agency debentures. Exposure is limited to 10% of mortgage-related portfolio market value.

Evaluation

A performance evaluation will be conducted monthly versus the benchmark. At a minimum, the evaluation will compare three-year moving period performance of the CAMPFI and the benchmark to assess whether tracking error is consistent with institutional standards for comparable index portfolios.

EXHIBIT 3 TO ENCLOSURE 2: POOL DESCRIPTION

Commingled Asset Management Program Domestic Equity Index Pool

(Passively Managed /Non-Qualified)

Background and Purpose

The CAMP Domestic Equity Index Pool (CAMPDE) primarily invests in U.S. stocks that are included within the Russell 3000 Index, except that companies deemed tobacco-related have been excluded from the investable universe. CAMPDE is subject to the fluctuations of the stock market, thus principal is subject to substantial loss. Consequently, CAMPDE is an inappropriate investment for investors required to meet short-term cash needs; however, it may be suitable for investors that have a longer time horizon. CAMPDE is a commingled pool managed passively for the benefit of SBA clients that are non-qualified for retirement fund status. CAMPDE is designed to provide monthly liquidity to clients, based on a 3 day notice requirement. **An investment in CAMPDE is not a bank deposit and is not insured or guaranteed by the F.D.I.C. or any other government entity. It is possible to lose money investing in CAMPDE and returns may not keep pace with inflation. Nothing in this Pool Description shall be construed to contradict or contravene the disclaimers set forth in Paragraph 13 of the Agreement.**

Investment Objective and Process

The objective of CAMPDE is to attain the total return achieved by the Russell 3000 Index, excluding tobacco-related stocks ("benchmark") over market cycles. The investment process will emphasize the maintenance of a portfolio which closely matches the composition and structure of the benchmark. This process is intended to help limit the periodic return differences between the portfolio and the benchmark over multi-year periods (i.e., tracking error or standard deviation of return differences).

All securities purchased will be consistent with Section 215.47, Florida Statutes. Portfolio securities may be loaned to qualified borrowers in accordance with Florida Statutes. Futures, options, ETFs and SPDRs may be utilized to facilitate asset allocation changes and gain market exposure for cash. Derivatives will be regularly used to equitize dividend receivables.

Investment Restrictions/Compliance

The following restrictions will be observed and checked monthly for compliance. Although none are expected in the normal course of events, any exceptions will be resolved in a timely and prudent fashion, in the State Board's sole discretion:

- Any company identified by Russell Index Services as having a majority of income derived from tobacco operations will not be held in CAMPDE.
- Derivative products with underlying tobacco exposure may be used to accommodate cash flows provided the derivative products represent less than 5 percent of the portfolio and are held for a period of 15 business days or less.

Evaluation

A performance evaluation will be conducted monthly versus the benchmark. At a minimum, the evaluation will compare three-year moving period performance of the CAMPDE and the benchmark to assess whether tracking error is consistent with institutional standards for comparable index portfolios.

SCHEDULE B

POOL DESCRIPTION

Commingled Asset Management Program Money Market Pool (Actively Managed/Non-Qualified)

Background and Purpose

The CAMP Money Market Pool (CAMPMM) invests in U.S. dollar denominated high quality, liquid fixed income securities with shorter-term maturities. Changes in interest rates will cause volatility in the yield of CAMPMM. CAMPMM may be suitable for investors seeking liquidity and preservation of capital, rather than growth of capital. CAMPMM is a commingled pool managed actively for the benefit of SBA clients that are non-qualified for retirement fund status. CAMPMM is designed to provide daily liquidity to clients, based on a 1 day notice requirement. **An investment in CAMPMM is not a bank deposit and is not insured or guaranteed by the F.D.I.C. or any other government entity. It is possible to lose money investing in CAMPMM and returns may not keep pace with inflation.**

Investment Objective and Process

The objective of CAMPMM is to exceed the average 30-day annualized yield achieved by the First Tier Institutional Money Market Funds published in the weekly iMoneyNet Fund Report ("benchmark") over market cycles. The investment process will emphasize the maintenance of a "2a-7 like" fund, reasonably complying with Part 270 of the Investment Company Act of 1940 (17 CFR 270.2a-7, Money Market Funds).

All securities purchased will be consistent with Section 215.47, Florida Statutes and may be loaned to qualified borrowers in accordance with Florida Statutes and consistent with SEC Rule 2a-7.

Investment Restrictions/Compliance

The following restrictions will typically be observed and checked at least monthly for compliance. Any exceptions will be resolved in a timely and prudent fashion, in the SBA's sole discretion:

- Non-qualified funds may not purchase 144A securities.
- Repurchase agreements must be fully collateralized by U.S. Government or agency securities.
- All eligible investments must be 2a-7 first tier securities at the time of purchase. In the event an issuer is downgraded below first tier, the SBA must justify retention.

- Exposure to a single issuer shall be limited to 5% of portfolio amortized cost, not to include the U.S. government, and exposure to second tier issuers shall not exceed 1% of portfolio amortized cost.

- The weighted average maturity shall not exceed 90 days. Reset dates will be used to calculate the weighted average maturity of the portfolio.

- Maturity of money market securities shall not exceed 397 days.

- Maturity of government securities shall not exceed 762 days.

- In the event that the deviation between market value and amortized cost exceeds ½ of 1 percent, the SBA shall promptly consider what action, if any, shall be initiated.

Evaluation
A performance evaluation will be conducted monthly versus the benchmark. At a minimum, the evaluation will compare three-year moving period performance of the CAMPMM and the benchmark.

EXHIBIT A

INVESTMENT GUIDELINES

1. Through this Trust Agreement, OTTED and Awardee direct Trustee to establish an investment program with an objective to provide liquidity to fund the anticipated disbursement schedule of Awardee through 2011 with very limited risk of principal. The principal disbursement schedule, which does not include interest payments or securities lending income payments described in paragraph 5 below, is set out in Table 1 of this Exhibit A.

2. Within five (5) business days of the execution of this Trust Agreement by the respective parties, Trustee shall receive the Innovation Funds from OTTED, as provided for in Section 2 hereof. Trustee shall promptly deposit the Innovation Funds in the Commingled Asset Management Program Money Market Pool (CAMP MM), subject to the following:

   a) The CAMP MM investment guidelines are described in Attachment 1 to Exhibit A.

   b) Consistent with Section 4(e), 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.

   c) Any interest, principal payments or maturities received from investments will be invested and reinvested in CAMP MM, pending scheduled disbursements.

3. At all times, the Innovation Funds held by Trustee shall be separately accounted for within CAMP MM, or such other applicable fund or individual securities in which the Innovation 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. In addition to the amounts shown in Table 1 of this Exhibit A, Trustee shall also disburse annual interest earned or securities lending income by Trustee's investment of the Innovation Funds held in trust by Trustee to OTTED on December 15th or next business day, of each year from 2007 through 2011 in accordance with Section 4.3 of the Agreement and Section 4 of the Trust Agreement. The foregoing shall not preclude Trustee from receiving fees and other charges as set forth in the Trust Agreement.

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

	Effective Date	1st Year	2nd Year	3rd Year	4th Year	5th Year
Amount paid to Awardee by EFI at OTTED's direction	$6,600	$4,800	$4,300	$3,000	$1,300	Balance of Incentive Funds
Disbursement Date	11/30/06	10/01/07	10/01/08	10/01/09	10/01/10	10/01/11

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

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 because the federal government sponsors their activities. These include securities issued by the Farm 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.

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.

ENCLOSURE 2

TO THE TRUST AGREEMENT BETWEEN

THE STATE BOARD OF ADMINISTRATION OF FLORIDA

AND PINELLAS SUNCOAST TRANSIT AUTHORITY

The Client has directed the SBA to invest Funds in three of the Pools offered under the SBA's Commingled Asset Management Program. The SBA shall be responsible for the operation of each individual Pool. The Client retains all responsibility for the allocation of Funds among Pools and acknowledges the following:

1. Pools providing higher expected long-term returns are likely to exhibit greater volatility than Pools providing lower expected long-term returns.

2. The past is not always a valid predictor of the future and erosion of the value of the Funds may naturally occur if market performance falls short of historical norms or forward looking expectations for specified periods of time.

3. Asset allocation will be the primary factor governing future investment returns for Funds under management, assuming sufficient diversification within each Pool.

Investment Pool Descriptions are attached as exhibits hereto.

EXHIBIT 1 TO ENCLOSURE 2: POOL DESCRIPTION

Commingled Asset Management Program Money Market Pool
(Actively Managed/Non-Qualified)

Background and Purpose

The CAMP Money Market Pool (CAMPMM) invests in U.S. dollar denominated high quality, liquid fixed income securities with shorter-term maturities. Changes in interest rates will cause volatility in the yield of CAMPMM. CAMPMM may be suitable for investors seeking liquidity and preservation of capital, rather than growth of capital. CAMPMM is a commingled pool managed actively for the benefit of SBA clients that are non-qualified for retirement fund status. CAMPMM is designed to provide daily liquidity to clients, based on a 1 day notice requirement. **An investment in CAMPMM is not a bank deposit and is not insured or guaranteed by the F.D.I.C. or any other government entity. It is possible to lose money investing in CAMPMM and returns may not keep pace with inflation. Nothing in this Pool Description shall be construed to contradict or contravene the disclaimers set forth in Paragraph 14 of the Agreement.**

Investment Objective and Process

The objective of CAMPMM is to exceed the average 30-day annualized yield achieved by the First Tier Institutional Money Market Funds published in the weekly iMoneyNet Fund Report ("benchmark") over market cycles. The investment process will emphasize the maintenance of a "2a-7 like" fund, reasonably complying with Part 270 of the Investment Company Act of 1940 (17 CFR 270.2a-7, Money Market Funds).

All securities purchased will be consistent with Section 215.47, Florida Statutes and may be loaned to qualified borrowers in accordance with Florida Statutes and consistent with SEC Rule 2a-7.

Investment Restrictions/Compliance

The following restrictions will typically be observed and checked at least monthly for compliance. Any exceptions will be resolved in a timely and prudent fashion, in the SBA's sole discretion:

- Non-qualified funds may not purchase 144A securities.
- Repurchase agreements must be fully collateralized by U.S. Government or agency securities.
- All eligible investments must be 2a-7 first tier securities at the time of purchase. In the event an issuer is downgraded below first tier, the SBA must justify retention.
- Exposure to a single issuer shall be limited to 5% of portfolio amortized cost, not to include the U.S. government, and exposure to second tier issuers shall not exceed 1% of portfolio amortized cost.
- The weighted average maturity shall not exceed 90 days. Reset dates will be used to calculate the weighted average maturity of the portfolio.
- Maturity of money market securities shall not exceed 397 days.
- Maturity of government securities shall not exceed 762 days.
- In the event that the deviation between market value and amortized cost exceeds ½ of 1 percent, the SBA shall promptly consider what action, if any, shall be initiated.

Evaluation

A performance evaluation will be conducted monthly versus the benchmark. At a minimum, the evaluation will compare three-year moving period performance of the CAMPMM and the benchmark.

EXHIBIT 2 TO ENCLOSURE 2: POOL DESCRIPTION

Commingled Asset Management Program Fixed Income Index Pool

(Passively Managed /Non-Qualified)

Background and Purpose

The CAMP Fixed Income Index Pool (CAMPFI) primarily invests in U.S. dollar denominated investment grade fixed income securities with intermediate and longer maturities. Changes in interest rates will cause volatility in the net asset value of CAMPFI. As with any bond portfolio, the net asset value of CAMPFI will decline if interest rates rise. Consequently, CAMPFI may be an inappropriate investment for investors required to meet short-term cash needs; however, it may be suitable for investors that have a somewhat longer time horizon. CAMPFI is a commingled pool managed passively for the benefit of SBA clients that are non-qualified for retirement fund status. CAMPFI is designed to provide monthly liquidity to clients, based on a 3 day notice requirement. **An investment in CAMPFI is not a bank deposit and is not insured or guaranteed by the F.D.I.C. or any other government entity. It is possible to lose money investing in CAMPFI and returns may not keep pace with inflation. Nothing in this Pool Description shall be construed to contradict or contravene the disclaimers set forth in Paragraph 14 of the Agreement.**

Investment Objective and Process

The objective of CAMPFI is to attain the total return achieved by the Lehman Brothers Aggregate Bond Index ("benchmark") over market cycles. The investment process will emphasize the maintenance of a portfolio which closely matches the composition and structure of the benchmark (with the exclusion of 144A securities). This process is intended to help limit the periodic return differences between the portfolio and the benchmark over multi-year periods (i.e., tracking error or standard deviation of return differences).

All securities purchased will be consistent with Section 215.47, Florida Statutes. Portfolio securities may be loaned to qualified borrowers in accordance with Florida Statutes. Futures, options, ETF's and forward contracts may be utilized to facilitate asset allocation changes and gain market exposure for cash and/or receivables.

Investment Restrictions/Compliance

The following restrictions will be observed and checked monthly for compliance (except that insurance certifications are due at expiration). Although none are expected in the normal course of events, any exceptions will be resolved in a timely and prudent fashion, in the State Board's sole discretion:

- At the time of purchase, all securities will be rated investment grade by two of the nationally recognized services (i.e., Moody's Baa3; S&P BBB-; Fitch BBB-).
- No 144A securities are permitted.
- The modified adjusted duration should be +/- 0. 50 years of the benchmark.
- Any external investment manager will maintain and provide proof of insurance coverage that is comparable to the bonding requirements of ERISA Section 412 and fiduciary liability insurance in an amount not less than $1,000,000. Such manager will also provide an annual Investment Adviser Disclosure Statement as required by SEC Rule 204-3 (17 CFR 275.204-3).
- The mortgage-related portion of the CAMPFI may utilize the following securities/sectors:
  - Government National Mortgage Association (GNMA).
  - Federal National Mortgage Association (FNMA).
  - Federal Home Loan Mortgage Corporation (FHLMC).
  - Forward contracts ("TBA's") on GNMA, FNMA, and FHLMC securities.

- Notes secured by first mortgages on Florida real property, insured or guaranteed by the Federal Housing Administration or the U.S. Department of Veterans Affairs. Exposure is limited to 10% of mortgage-related portfolio market value.
- U.S. Treasury and Agency debentures. Exposure is limited to 10% of mortgage-related portfolio market value.

Evaluation

A performance evaluation will be conducted monthly versus the benchmark. At a minimum, the evaluation will compare three-year moving period performance of the CAMPFI and the benchmark to assess whether tracking error is consistent with institutional standards for comparable index portfolios.

EXHIBIT 3 TO ENCLOSURE 2: POOL DESCRIPTION

Commingled Asset Management Program Domestic Equity Index Pool
(Passively Managed /Non-Qualified)

Background and Purpose

The CAMP Domestic Equity Index Pool (CAMPDE) primarily invests in U.S. stocks that are included within the Russell 3000 Index, except that companies deemed tobacco-related have been excluded from the investable universe. CAMPDE is subject to the fluctuations of the stock market, thus principal is subject to substantial loss. Consequently, CAMPDE is an inappropriate investment for investors required to meet short-term cash needs; however, it may be suitable for investors that have a longer time horizon. CAMPDE is a commingled pool managed passively for the benefit of SBA clients that are non-qualified for retirement fund status. CAMPDE is designed to provide monthly liquidity to clients, based on a 3 day notice requirement. **An investment in CAMPDE is not a bank deposit and is not insured or guaranteed by the F.D.I.C. or any other government entity. It is possible to lose money investing in CAMPDE and returns may not keep pace with inflation. Nothing in this Pool Description shall be construed to contradict or contravene the disclaimers set forth in Paragraph 14 of the Agreement.**

Investment Objective and Process

The objective of CAMPDE is to attain the total return achieved by the Russell 3000 Index, excluding tobacco-related stocks ("benchmark") over market cycles. The investment process will emphasize the maintenance of a portfolio which closely matches the composition and structure of the benchmark. This process is intended to help limit the periodic return differences between the portfolio and the benchmark over multi-year periods (i.e., tracking error or standard deviation of return differences).

All securities purchased will be consistent with Section 215.47, Florida Statutes. Portfolio securities may be loaned to qualified borrowers in accordance with Florida Statutes. Futures, options, ETFs and SPDRs may be utilized to facilitate asset allocation changes and gain market exposure for cash. Derivatives will be regularly used to equitize dividend receivables.

Investment Restrictions/Compliance

The following restrictions will be observed and checked monthly for compliance. Although none are expected in the normal course of events, any exceptions will be resolved in a timely and prudent fashion, in the State Board's sole discretion:

- Any company identified by Russell Index Services as having a majority of income derived from tobacco operations will not be held in CAMPDE.
- Derivative products with underlying tobacco exposure may be used to accommodate cash flows provided the derivative products represent less than 5 percent of the portfolio and are held for a period of 15 business days or less.

Evaluation

A performance evaluation will be conducted monthly versus the benchmark. At a minimum, the evaluation will compare three-year moving period performance of the CAMPDE and the benchmark to assess whether tracking error is consistent with institutional standards for comparable index portfolios.

EXHIBIT A

INVESTMENT GUIDELINES

To expand on Paragraph Two of the Grantor Trust Agreement between Division of Blind Services within the Florida Department of Education (the "Grantor") and Barclays Global Investors, N.A. (the "Trustee"), the investment objectives can best be met by investing a portion of its assets in the following common trust fund(s). The Trustee confirms that, as of the date of this Agreement, the below investments are in compliance with Section 215.47 of Florida Statues.

Russell 3000 Index Fund B

The Russell 3000 Index Fund B shall be invested and reinvested in a portfolio of equity securities with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the segment of the United States market for publicly traded equity securities represented by the 3000 largest capitalized companies. The criterion for the selection of investments shall be the Russell 3000 Index. When deemed appropriate by the Trustee, the Trustee may invest a portion of the Russell 3000 Index Fund B in stock index futures contracts for the purpose of acting as a temporary substitute for investment in equity securities. The Russell 3000 Index Fund B will not engage in speculative futures transactions.

U.S. Debt Index Fund B

The U.S. Debt Index Fund B shall be invested and reinvested primarily in a portfolio of debt securities with the objective of approximating as closely as practicable the total rate of return of the market for debt securities as defined by the Barclays Capital Aggregate Bond Index. For purposes of this Fund "debt securities" shall include obligations issued or guaranteed by the United States government, its agencies or instrumentalities; investment grade obligations of United States corporations and dollar denominated debt obligations of other issuers included in the Index; mortgage-backed securities issued or guaranteed by the United States government or its agencies or instrumentalities; commercial mortgage-backed securities; and, investment grade asset-backed securities. When deemed appropriate by the Trustee, the Trustee may invest a portion of the U.S. Debt Index Fund B in interest rate futures contracts for the purpose of acting as a temporary substitute for investment in debt securities. The U.S. Debt Index Fund B will not engage in speculative futures transactions.

TRUST AGREEMENT

In order to satisfy the objectives set forth in the Florida Endowment for Vocational Rehabilitation Act ("Act"), being Section 413.615, Florida Statutes (1990 Supp.), the Board of Directors of the Florida Endowment Foundation for Vocational Rehabilitation ("Board") and the State Board of Administration ("SBA"), where the term "Parties" is sometimes used to refer to both the Board and the SBA, hereby enter into this Trust Agreement and agree to the following:

1. The SBA agrees to receive, invest, and reinvest all fines received from the clerks of the county courts and all gifts received from the Board which are transmitted to the SBA on behalf of the Board. The SBA will invest and reinvest these moneys in securities and obligations listed in Section 215.47, Florida Statutes, pursuant further to the provisions of Sections 215.44 through 215.53, Florida Statutes.

2. No later than August 1 of each year the SBA shall transmit the interest and investment income accruing to the Endowment Fund (as such term is defined in Section 413.615(1)(b), Florida Statutes) principal for the preceding fiscal year ending June 30 to the Board for deposit in the operating account as set forth in Section 413.615(10), Florida Statutes. At the time of said transmittal of interest and investment income the SBA shall provide the Board with a report including but not limited to the following items:

a. a description of how the moneys were invested for the preceding fiscal year;

b. a summary of the fines received from the clerks of each of the counties during the preceding fiscal year;

c. the total amount of principal which has accrued as of June 30 of the preceding fiscal year;

d. a summary presentation of the calculations and tabulations showing how the interest and investment income were generated during the preceding fiscal year; and

e. any other items of information that the Executive Director deems to be pertinent.

3. Pursuant to Section 318.(11), Florida Statutes, effective March 1, 1991, the clerks of the courts are authorized to deduct 5 percent of the $5 fine at issue "for administrative costs." Pursuant to Section 215.515, Florida Statutes, the Parties agree that the annual charge of the SBA for administrative costs and for performing its investment services to March 1, 1992, shall be 1 percent of the principal on deposit as of March 1, 1992. The Board and the SBA shall renegotiate the annual fee on an annual basis for subsequent years.

4. The Board will provide the clerks of the counties with appropriate instructions regarding the transmitting of the fines on a monthly basis to the SBA.

5. The SBA will transmit quarterly to the Board for the initial 12-month period after the fines have begun to be collected

the sums of moneys calculated by multiplying 0.15 times the fines received by the SBA during the quarter. The SBA will transmit said sums of moneys to the Board as soon as practicable after the quarter has ended, that is, March 31, 1991 (fines collected only for one month; June 30, 1991; September 30, 1991; December 31, 1991; and March 31, 1992 (applicable fines collected for only two months).

6. If permitted by law, either of the parties may terminate this Trust Agreement at any time, with or without cause, by giving the other Party written notice of at least thirty days prior to the date on which such termination is to become effective.

7. All notices, requests, instructions, other advice, or documents required hereunder shall be in writing and delivered personally or mailed by first-class mail, postage prepaid,

If to the SBA:

if mailed:

State Board of Administration
Post Office Drawer 5318
Tallahassee, Florida 32314-5318
Attention: Executive Director

if hand delivered:

State Board of Administration
Park 20 West
1230 Blountstown Highway
Tallahassee, Florida 32304
Attention: Executive Director

If to the Board:

The Florida Endowment Foundation
for Vocational and Rehabilitation
1709A Mahan Drive
Tallahassee, FL 32399-0696
Attention: Robert Mullins

8. If any provisions of this Trust Agreement are held invalid or unenforceable, such invalidity or unenforceability shall

not affect any other provisions, and this Trust Agreement shall be construed and enforced as if such provisions had not been included.

9. This Trust Agreement embodies the entire understanding of the Parties, supersedes any prior agreements or understandings with respect to the subject matter hereof, and cannot be altered, amended, supplemented, or abridged or any provisions waived except by written agreement of the Parties.

10. The effective date of this Trust Agreement is February 21, 1991.

IN WITNESS WHEREOF, the Parties have caused this Trust Agreement to be executed and attested by their respective officers thereunto duly authorized on the dates given below.

STATE BOARD OF ADMINISTRATION

C. Hinkle

Cliff Hinkle
Executive Director

Approved as to legality:

H. Schow II

Horace Schow II
General Counsel
FL Bar ID #0251471

FEB 22 1991

DATE

FLORIDA ENDOWMENT FOUNDATION FOR VOCATIONAL REHABILITATION

Walter A. Manley

Name:
Title:

Authorized Representative of the Board of Directors of the Florida Endowment Foundation for Vocational Rehabilitation

Robert Mullins

ATTEST

2-21-91

DATE

AMENDMENT SEVEN TO THE TRUST AGREEMENT

BETWEEN THE FLORIDA ENDOWMENT FOR VOCATIONAL REHABILITATION

("FEFVR") AND THE STATE BOARD OF ADMINISTRATION OF FLORIDA ("SBA")

SBA CONTRACT NO. 91-24

Pursuant to Ch. No. 96-418(HB1791), which became law on June 6, 1996, and which becomes effective as of November 4, 1996, and pursuant to paragraph 9 of the Trust Agreement, paragraph 2 is revised to read as follows:

2. The SBA will transmit funds in the Endowment Fund (as such term is defined in Section 413.615(1)(b), Florida Statutes, upon written request by the FEFVR, and in accordance with Section 413.615(4)(c), Florida Statutes. The FEFVR shall give three business days advance written notice to the SBA for transmittal of more than $1million. On a quarterly basis, the SBA shall provide the FEFVR with a report including but not limited to the following items:

a. a statement of account activity for the Quarter; and

b. a summary of the fines received from the clerks of the counties during the Quarter; and

c. the total amount of principal, contributions, and income which has accrued as of the end of the Quarter.

This Amendment Seven is dated September 4, 1996.

STATE BOARD OF ADMINISTRATION

Barbara Jarriel

Barbara Jarriel
Acting Executive Director

FLORIDA ENDOWMENT FOR VOCATIONAL REHABILITATION

President/Chair

Approved as to legality:

Horace Schow II
General Counsel
FL Bar ID# 0251471

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 and investment 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.

   All investments made by Trustee of Incentive Funds 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 remaining Incentive Funds from OTTED, as provided for in Section 2 hereof. The Trustee shall promptly deposit said Incentive Funds 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.
      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) Investments may be in Commercial Paper rated A1-P1 or better not to exceed 50 percent of the total portfolio. No single A1-P1 rated issue shall exceed 5 percent of the total portfolio. Investment in asset backed commercial paper is not permitted.
      iv) Investments may be made in certificates of deposit and bankers acceptances not to exceed 10 percent of the total portfolio.
      v) 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.

vi) 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.

vii) 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 Incentive Funds held by the Trustee shall be separately accounted for within such 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 any and all interest and other investment income earned by Trustee's investment of the Incentive Funds held in trust by Trustee to Awardee on June 1 of each year from 2008 through 2015 in accordance with Section 4(a). None of the foregoing shall preclude the Trustee from receiving fees and other charges as set forth in this Trust Agreement.
6. 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: Principal Disbursement Schedule

	1st Year	2nd Year	3rd Year	4th Year	7th Year
Disbursement Amount	$3,000,000	$3,000,000	$1,000,000	$1,000,000	Interest and Investment Income remaining in Trust Account
Disbursement Date	9/30/09	9/30/10	9/30/11	9/30/12	9/30/15

About the SBA

The SBA invests, manages and safeguards assets of the Florida Retirement System Trust Fund and other funds for the State of Florida and Florida local governments. 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 and a variety of bodies and organizations, and follows an array of formal policies and guidelines.

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

SBA

STATE BOARD OF ADMINISTRATION
SBA FLORIDA
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