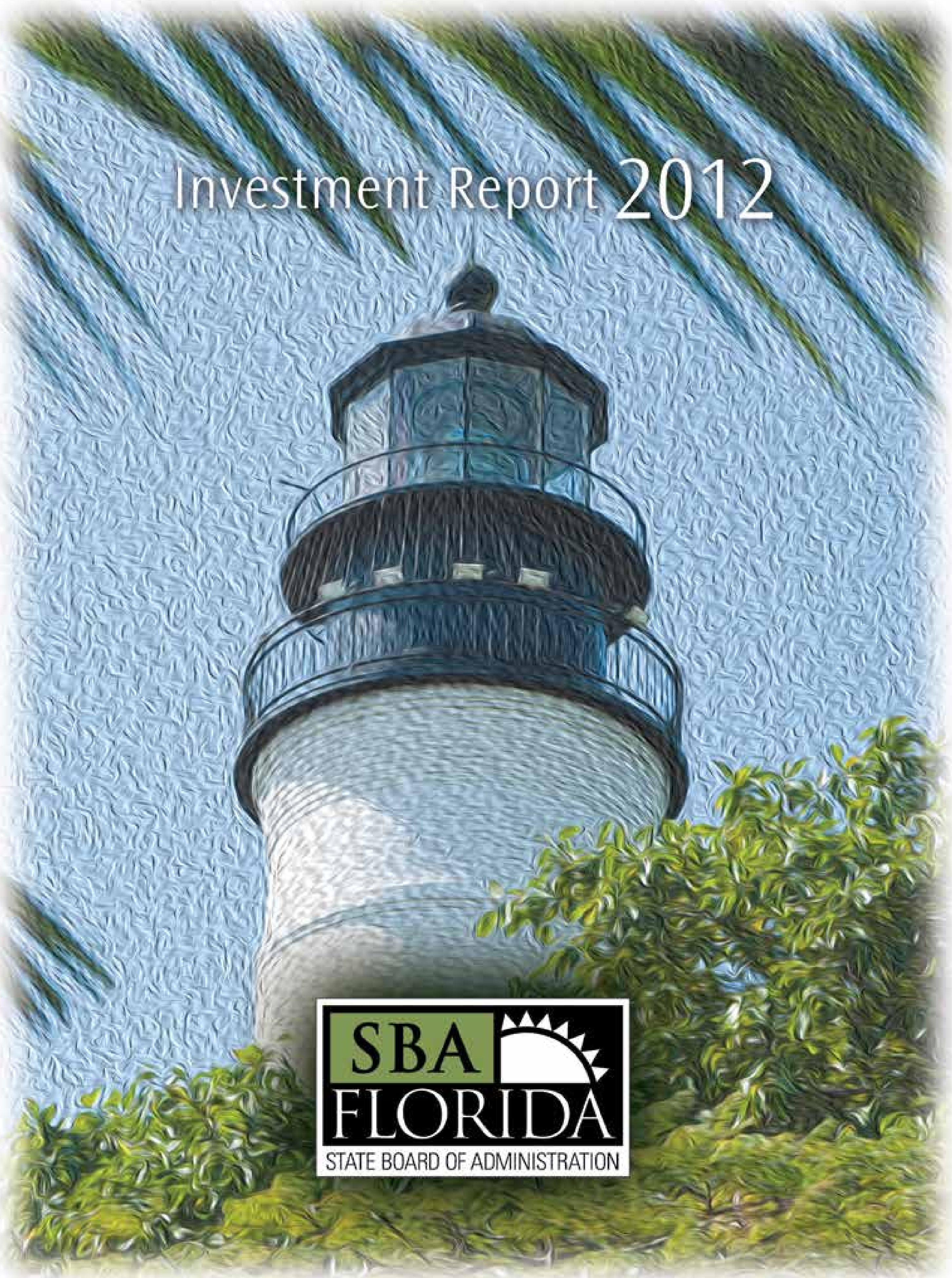
Investment Report 2012

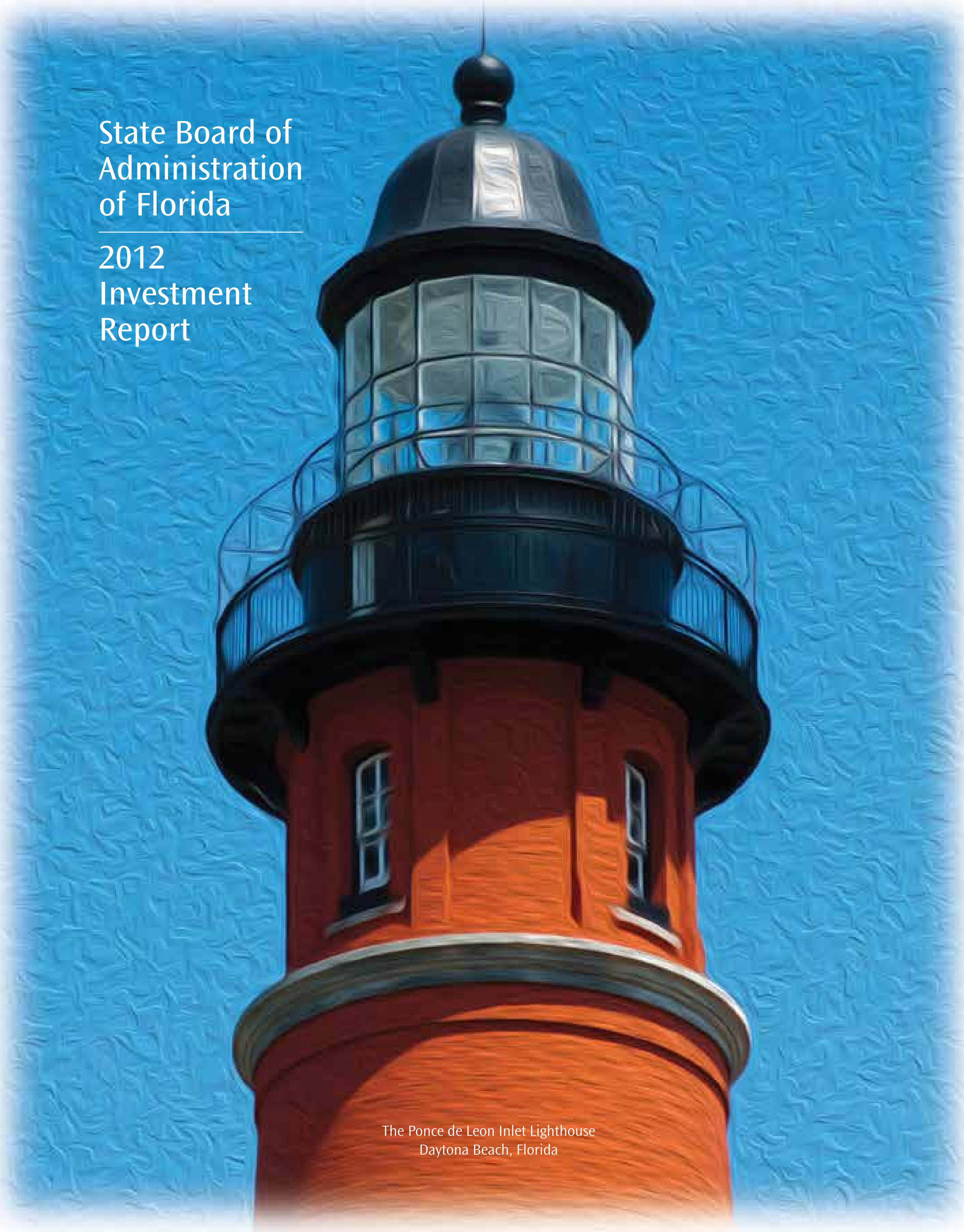


SBA FLORIDA

STATE BOARD OF ADMINISTRATION

State Board of Administration of Florida

2012 Investment Report



The Ponce de Leon Inlet Lighthouse
Daytona Beach, Florida

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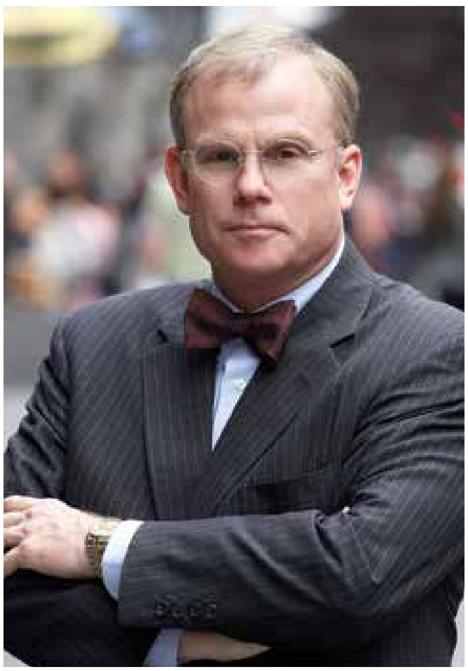
The investment performance information for the period ending June 30, 2012 presented herein represents investment returns based on official data supplied by the SBA's independent asset custodian and performance measurement service provider, BNY Mellon Performance Reporting and Analytics Services, as of that date. Market values and other performance-related information presented herein may not match that reported elsewhere due to possible inclusion of subsequent updates to private market investment valuations, timing differences in the recognition of receivables and other items, or differences in GASB accounting rules and SBA performance measurement policies.

Executive Director's Report and Transmittal



Ashbel C. Williams
Executive Director & CIO

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

It is my privilege to submit the annual Investment Report of the State Board of Administration of Florida (SBA) for the fiscal year ended June 30, 2012, pursuant to the requirements of Florida Statutes, Section 215.44(5).

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

PERFORMANCE

PENSION PLAN

The FRS Pension Plan beat its benchmark by 77 basis points (0.77%) while earning a positive 0.29% return and ending the year with a net asset value of $122.7 billion. The prior two fiscal years have delivered unusually strong back-to-back performances of 22% and 14% and we were fortunate, given the volatility of the financial markets, to hold on to those gains this past year. While we expect continued volatility, we are long-term investors and have positioned the portfolio to withstand short-term volatility in order to deliver the returns required to meet long-term pension obligations. The 77 bps over benchmark is largely attributable to good manager selection (alpha) on public equities and equates to $950 million in added value.

INVESTMENT PLAN

The FRS Investment Plan established in 2002 provides Florida's public employees with a portable, flexible alternative to the traditional defined benefit plan. The Plan's year-end assets of $7.138 billion reached a record level, representing an increase of $401 million over this time last year, while paying out $1.1 billion in benefits. Investment Plan returns for the year were 1.07%, missing its benchmark by 10 basis points. However, for the 3-, 5-, and since-inception periods, returns were above the benchmark (48 bps for three years, 62 bps for five years, and 35 bps for since-inception). The benchmark is based on the weighted average performance of various indices used to benchmark each investment option.

FLORIDA PRIME

Florida PRIME continues to be the preferred cash management fund for eligible participants throughout the state. While money market rates remain depressed, Florida PRIME served its clients well by focusing on safety and liquidity while generating excess returns (performance above the pool's benchmark) of 20 basis points (0.20%) and delivering over $21 million in investment earnings to its customers over the fiscal year. Fund B continues to pay principal and interest, with cumulative distributions to participants of over $1.7 billion through the June 2012 monthly distribution. As of June 30, 2012, 86.2% of the original principal in Fund B has been returned to participants. In April 2012, the SBA made a new education service available to participants in Florida PRIME. The Education Center offers affordable access to hundreds of online educational courses covering accounting, cash management, investments, auditing, and a wide range of other topics. The SBA is making this service available to all current or new pool investors.

LAWTON CHILES ENDOWMENT FUND

The Lawton Chiles Endowment Fund saw a 2.89% actual return; nine basis points below benchmark. The Fund has exceeded its benchmark for the 3-, 5-, 10-year and since-inception time periods. After falling to just 51.6% of the capital preservation objective in FY2009, the fund bounced back to 67.2% of the objective in FY2011, and for the year ended June 30, 2012, it remained relatively stable at 66.8% of the objective.

FLORIDA HURRICANE CATASTROPHE FUND

The health of the Florida Hurricane Catastrophe Fund continues to improve, benefitting from seven years without a hurricane making landfall in Florida. Changes made by the Florida Legislature have helped strengthen the fund's cash balance position and reduce its potential liabilities. The legislative phasing out of and the increased cost of optional coverage has improved the program's ability to pay its potential claims. However, the fund is still in a position of having to rely on substantial post-event debt issuance to meet its obligations. The uncertainty of hurricane events combined with the volatility of the financial markets can adversely impact the fund's performance. The fund finished the fiscal year with over $7 billion and projects $8.5 billion in cash reserves by 2012 calendar year-end; the highest to-date. We will continue to work closely with the Legislature to strengthen the fund and to stabilize the Florida's insurance market.

Costs

The SBA continues to be an industry leader in cost management. Our discipline of utilizing passive investment strategies and internal management where most appropriate, leveraging our size, experience, and expertise to manage external fees and prudently managing overhead costs all have contributed to the FRS Pension Plan having one of the lowest costs among peers at 30 bps "all-in" costs as measured by CEM, a leading independent external cost and performance analysis firm. The value of a low cost business model is especially evident in low return environments, where every basis point matters.

Pensacola Lighthouse
Pensacola Bay, Florida.

Operations

Just as the financial markets saw many transitions during the fiscal year, so did the SBA. By continuing implementation of the new asset allocation of the pension fund recently enabled by statutory changes, we expect to reduce short-term volatility somewhat and enhance long-term returns. Those adjustments, include a consolidation of the Domestic Equity and Foreign Equity asset classes into a Global Equity asset class to better reflect the market opportunity set and an increased allocation to alternative investments with an emphasis on less correlated returns.

Several personnel changes were made during the year. Among them; Trent Webster was appointed Senior Investment Officer-Strategic Investments and Private Equity, John Bradley was promoted to Director, Private Equity. Steve Spook, formerly Senior Portfolio Manager-Real Estate was promoted to Senior Investment Officer-Real Estate, and Kathryn Wojciechowski, formerly Senior Portfolio Manager-Fixed Income was promoted to Senior Investment Officer-Fixed Income. Mr. Ken Chambers was selected to serve as the SBA's new Inspector General. Ken was formerly Inspector General for the Florida State Court System. The expansion of the Investment Advisory Council (IAC) to nine members was completed with the appointments of Gary Wendt, Michael Price, William H. Harrell, Jr, and Ambassador Charles E. Cobb, all of whom bring exceptional investment knowledge to this highly capable and valued advisory body.

SBA Recognition

Some of our efforts which have been recognized by industry observers during the year, include:

The SBA was recognized by *aiCIO*, a leading industry publication, as an industry innovator in the category of Public Pension Plans over $15 billion for: "innovation for preservation of capital, understanding and acting upon material risks, long-term consistent results, and establishing a solid foundation for future returns."

The SBA's Defined Contribution Program earned a Second Place award in the 2012 Pensions & Investments Annual Eddy Awards—"Ongoing Education Program" category. The award was for excellent work educating participants in response to last year's legislative changes to the retirement system.

aiCIO magazine recognized the SBA's John Mogg, Senior Portfolio Manager-Strategic Investments, as an "Under Forty - Public Plan All-Star" in its March/April 2012 issue.

The Florida Hurricane Catastrophe Fund's 2005 Commutation Team won the Top Level Prudential Davis Productivity Award for closure of insurer claims from the 2005 hurricane season efficiently, fairly and economically.

At the 2012 Hedge Fund Industry Awards, *Institutional Investor* magazine awarded SBA Executive Director & CIO, Ash Williams, an "Outstanding Achievement Award for significant contributions to hedge fund management and investing, having displayed the highest professional and ethical standards and helping raise the standard for hedge fund managers and investors."

Looking Forward

Yogi Berra was right when he said "It's tough to make predictions, especially about the future." For that very reason, individuals and organizations spend a great deal of time, money and effort reading the tea leaves and drawing inferences about the future. Economists, political pundits and market strategists derive their incomes from the perception that they can offer insights that will in turn inform more profitable and prudent actions by those who subscribe to their services. In fact, the best of these services are truly helpful in gathering the facts, identifying key variables and handicapping potential outcomes for whatever the leading issues of the day may be. This in turn may provide advantage in capturing certain opportunities or avoiding perils. However, the most important decisions made by long-term oriented institutional investors usually are not dependent on the headline news issues of the day, which tend to be short term in nature. In a world where information is more available than ever, we will not bank on our ability to have consistently better facts or draw better inferences than other investors (competitors, since financial markets are a zero sum game). Tactics and execution are important, but strategy wins the long-term game.

Rather than make predictions on specific situations and build a strategy on these, our investment approach is to rely on a thoughtfully diversified portfolio to prudently protect and compound capital in a wide range of different investment environments. The investment exposures we choose will address certain needs and risks that will always be present in varying degrees. For example, we know that we need liquid assets to pay benefits every month; we know that we must have investments that offer some protection from inflation and we know that investments that capture economic growth (wherever it may be found) have a place in our portfolio. How these different parts of our portfolio perform relative to one another will vary through time but the aggregate mix or "asset allocation" is designed to maximize the probability that we attain desired return objectives over the long-term while constraining the risk of catastrophic loss in the interim. Given the amount of capital we are investing, we believe this approach to be prudent; the degree to which we are successful – or are not – will vary from year to year. Extreme results in any year, whether bad or good, will affect intermediate periods (3-, 5- or even 10-years) but with periodic adjustments to reflect changes in liabilities, investment opportunities, inflation, deflation, etc., history suggests that this approach is effective.

Having embraced long termism as the proper investment mindset, we are living in times of volatile financial markets so a brief look at several issues often identified as sources of market driving anxiety or exuberance is warranted.

• **Modest economic recovery** – Many have expressed disappointment with the pace and degree of the recovery since the financial crisis. The massive inventory of unsold homes and tighter mortgage credit held back the recovery of home prices. Business and consumer deleveraging held down spending which in turn held back capital expenditures, employment and wage growth. These circumstances are slowly turning around and head winds may become tail winds, at least for the U.S. economy. Housing is a good example. Over the past two to three years, the inventory of unsold homes has been materially reduced, population growth and obsolescence have continued but little new housing supply has been constructed. Prices are now firming and construction may be coming back in a number of markets.

• **Europe** – Few issues have provided more fuel for market volatility in the past year than the European sovereign debt crisis and related speculation on the survival or dissolution of the European Union. This is understandable given the links among European banks and their role in the global financial system. Most European policy makers seem to be working toward a solution with a broadly shared understanding that the 12 years of the European Union and its common currency have been beneficial. Attending to the details of needed fine tuning, balancing needed reforms, austerity and liquidity will be messy as the interests of the countries that have become uncompetitive are reconciled with those who have not. It will take time, but the incentives are there for a constructive outcome.

• **Earnings** – Corporations have enjoyed very strong earnings in recent years while paying down debt and lowering costs. Recognizing solid earnings and improving balance sheets, stock prices have appreciated (with meaningful volatility) since the crisis. Current analysts' estimates cluster around 5% to 10% growth in the earnings of the S&P 500 next year. Given the degree of cost reduction and delevering to date, the prospects for increased earnings are increasingly dependent on increasing sales and/or prices, neither of which is a given in light of softness in employment and wages.

• **Fiscal cliff** – Like the European situation, the fiscal cliff was created by government inability to reach a constructive and durable consensus on some combination of spending cuts, tax reforms and "revenue enhancements" that will tame deficit spending and responsibly empower economic competitiveness to sustain U.S. economic growth and living standards at an acceptable level. Also, like the European situation, the recognition that a solution must be identified and acted upon is accepted, but the process of getting there will be messy as the political calculus plays out to balance interests and progress toward balancing the budget.

• **Geopolitical** – The current permutation of the perennial geopolitical anxieties regarding the Middle East is a classic example of the sort of "exogenous" event that must be an asterisk to any market view or investment approach. If hostilities in this region escalate to a meaningful scale, disruption of regional petroleum production and/or export is a potential consequence. The near term ramifications of this would likely be fuel supply and price disruptions, flight to safety in financial assets and assorted additional negative influences on investment returns.

Economic and financial market challenges can be thought of as a source of opportunities. Dislocations in value, disruptions of liquidity, oversupply or scarcity of physical, financial or human resources present barriers to some and create investment opportunities for others. Our broadly diversified portfolio includes opportunistic strategies that exist to capitalize on situations of this nature. Circumstances that suppress broad market returns can be profitable for these strategies. While our broad investment strategy and asset mix are the primary drivers of our returns, opportunistic investing can turn economic lemons into lemonade, helping protect capital in tough times and add to longer term returns. During the past year, the portfolio was well served by opportunistic strategies capitalizing on the global thirst for yield, reduced flows of long-term investment capital, dislocation in real estate valuations, constrained credit availability, and disruptive technologies in energy, entertainment and services. Our primary asset classes, Global Equity and Fixed Income added significant value. We also benefited from partnerships with a number of highly capable investment managers skilled in finding, acquiring, improving and selling businesses strengthened by their initiatives. The world is always challenging and sometimes dangerous but we believe a prudent combination of diversification and opportunism, together with constant attention to risks and costs will serve our beneficiaries well over the fullness of time.

RETURNS, THE POWER OF DIVERSIFICATION

The chart below illustrates the power of SBA's investment approach over time. Looking across a five-year period, one can see that different asset classes will outperform at different times. While total fund returns will, by definition, be most influenced by the asset classes with the largest allocations (global equity and fixed income); many classes, including private equity, real estate, strategic investments and cash contributed meaningfully to the investment success of the Florida Retirement System Trust Fund. Finally, the large size of our portfolio favors a well-diversified approach. The value added by the investment process is illustrated by the fact that approximately 60 cents of every benefit dollar paid comes from investment returns; the remainder is employer and employee (as of 7/1/11) contributions.

HIGHER RETURNS ↑

FY 07-08	FY 08-09	FY 09-10	FY-10-11	FY 11-12
Real Estate	Fixed Income	Strategic Investments	Global Equity	Real Estate
Private Equity	Cash	Private Equity	Strategic Investments	Fixed Income
Fixed Income	Real Estate	Global Equity	Real Estate	Private Equity
Cash	Private Equity	Fixed Income	Private Equity	Strategic Investments
Strategic Investments	Global Equity	Cash	Fixed Income	Cash
Global Equity	Strategic Investments	Real Estate	Cash	Global Equity

We encourage you to review this report and the additional information and resources which are highlighted on the inside of this report's back cover and are available on the State Board of Administration's website at www.sbafla.com. Thank you for taking an interest in the SBA and its commitment to the principles of trust, integrity, and performance.

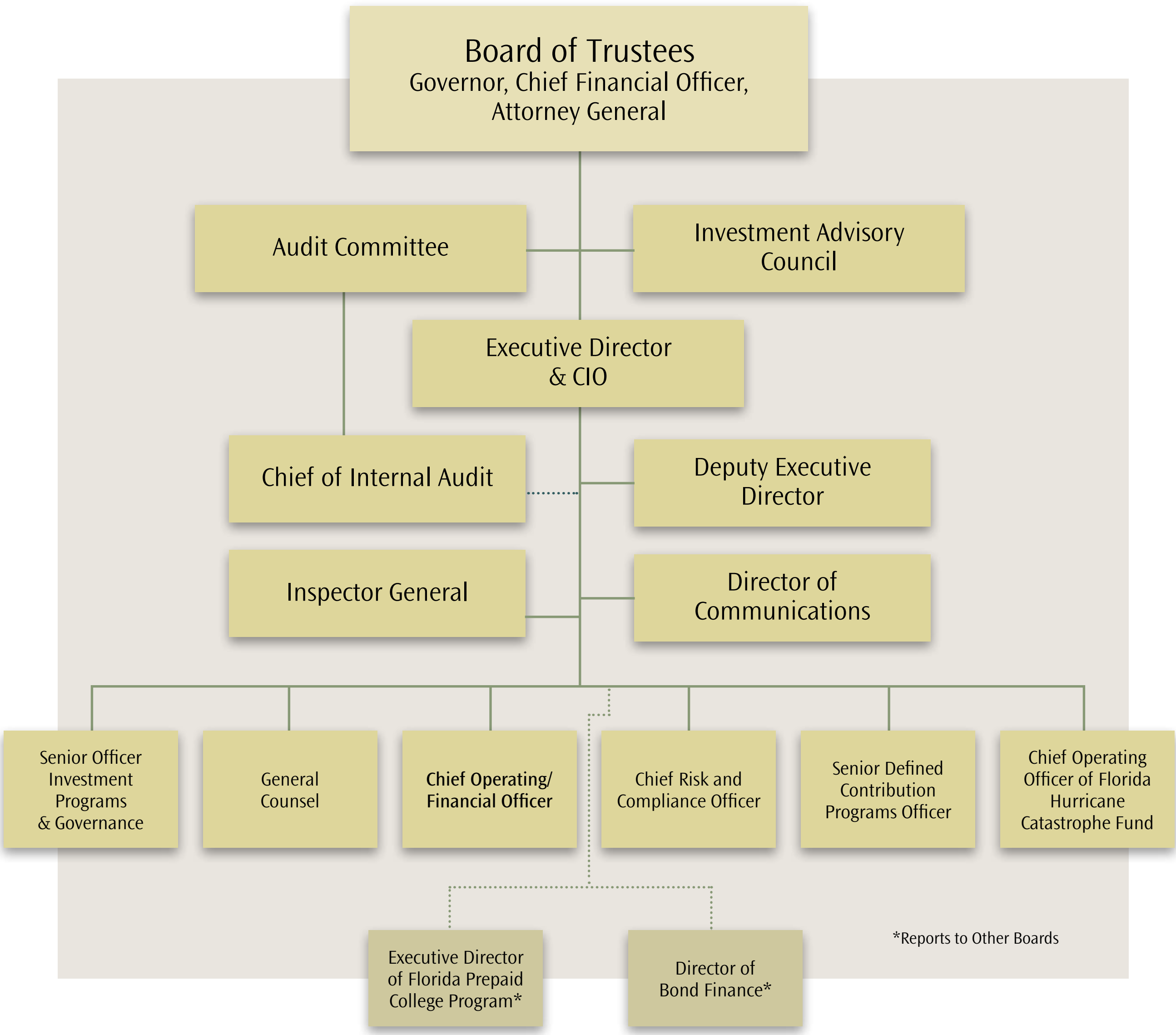
Respectfully submitted,

Ashbel C. Williams

Executive Director and Chief Investment Officer

State Board of Administration of Florida

SBA Organizational Structure and Oversight



The SBA is mandated by the Florida Constitution and is governed by a three-member Board of Trustees, comprised of the Governor as Chairman, the Chief Financial Officer as Treasurer and the Attorney General as Secretary. The Trustees, in concert with legislative directives, have ultimate oversight of strategy. They delegate authority to the Executive Director & Chief Investment Officer (CIO) to carry out the strategic direction in the day-to-day financial investments and operations of the agency. The Executive Director & CIO manages approximately 180 professional investment and administrative support staff.

To assist the Trustees and staff with their responsibilities, the Trustees appoint members who have specific knowledge and expertise to several councils, advisory boards and commissions.

Investment Advisory Council (IAC)

The IAC meets quarterly, or additionally as needed, to provide independent oversight of the SBA's general objectives, policies and strategies, while more broadly covering topics related to the general economic outlook. The IAC provides independent oversight of the SBA's funds and major investment responsibilities, ranging from the Florida Retirement System to the Lawton Chiles Endowment Fund. The Board of Trustees appoints nine members to serve on the IAC for four-year terms pursuant to Section 215.444(2), Florida Statutes.

Audit Committee (AC)

The AC exists to assist the Trustees of the State Board of Administration in fulfilling their oversight responsibilities. The primary duties and responsibilities of the AC are to serve as an independent and objective party to monitor the SBA's processes for financial reporting, internal controls and risks assessment, compliance and review and appraise the audit efforts of the SBA's independent auditors and Office of Internal Audit. The Board of Trustees appoints three members to serve for four-year terms.

Participant Local Government Advisory Council (PLGAC)

The PLGAC was statutorily created as an additional measure to ensure that Florida PRIME is operated and managed in the best interest of investors in the fund. The PLGAC reviews the administration of the trust fund and makes recommendations regarding such administration to the Trustees. The PLGAC prepares and submits a written biennial report to the Trustees, the Investment Advisory Council, and the Joint Legislative Auditing Committee that describes the activities and recommendations of the council. The Board of Trustees appoints six members to serve on the PLGAC for four-year terms, subject to confirmation by the Florida Senate. Members must possess special knowledge, experience, and familiarity obtained through active, long-standing, and material participation in the dealings of the trust fund.

Florida Hurricane Catastrophe Fund Advisory Council

The Board of Trustees appoints a nine-member advisory council to provide information and advice in connection with its duties related to the Florida Hurricane Catastrophe Fund (FHCF). The Council consists of an actuary, a meteorologist, an engineer, a representative of insurers, a representative of insurance agents, a representative of reinsurers, and three consumers.

Florida Commission on Hurricane Loss Projection Methodology

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

Consultants, Advisors and Auditors

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

Investment Consultants

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

Performance Measurement

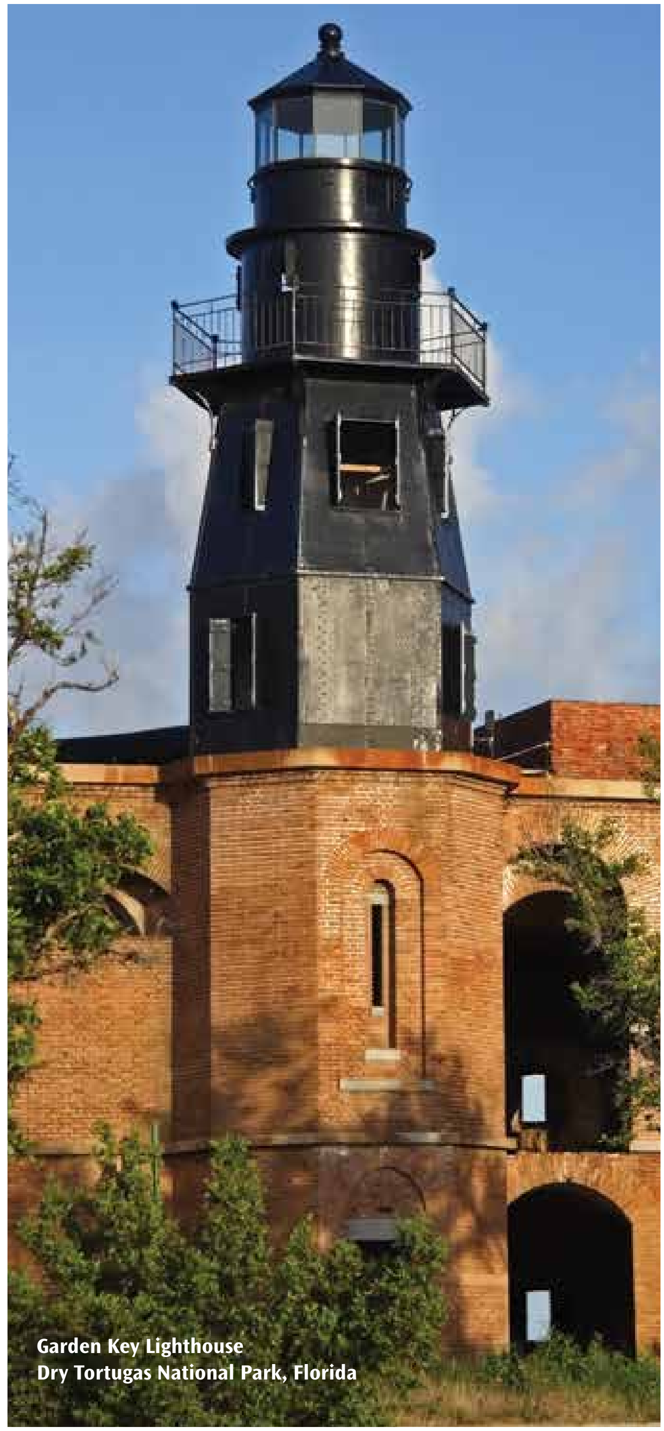
The SBA maintains relationships with firms that provide independent performance measurement services to assist in evaluating the cost effectiveness of certain components of the SBA's investment programs.

Special Projects

The SBA utilizes independent specialists and legal experts for special project work on a regular basis.

External Auditors

The SBA utilizes an external audit protocol whereby the Audit Committee, through the Chief of Internal Audit and the Executive Director & CIO, engages and oversees external auditors. The SBA obtains annual commercial audits of FRS Pension Plan, FRS Investment Plan and Florida Hurricane Catastrophe Fund financial statements. The Audit Committee employs a pool of external auditors to be used for special project audits.


Garden Key Lighthouse
Dry Tortugas National Park, Florida

During the year, assets under SBA management declined slightly to $151.75 billion, largely as the result of net distributions from the FRS Pension Plan. Table 1 shows details for each SBA fund.

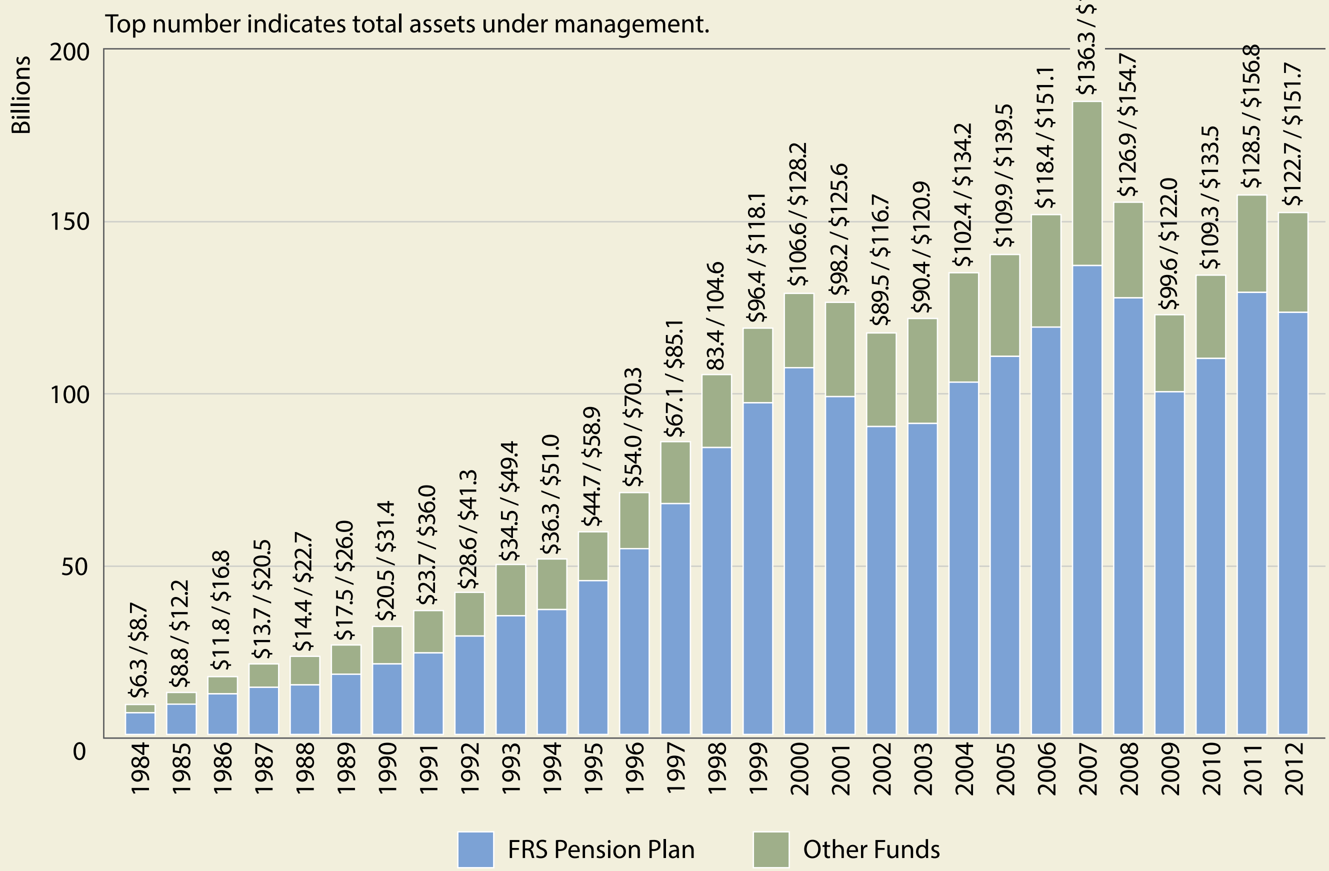
TABLE 1: Change in Assets Under Management - Fiscal Year 2011-12

	Market Value June 30, 2011	Investment Gain (Loss)	Contributions & (Distributions)	Market Value June 30, 2012
FRS Pension Plan	$ 128,532,863,218	$ 173,282,072	$ (5,960,171,739)	$ 122,745,973,551
Florida PRIME [1]	6,498,751,655	18,026,782	(263,967,835)	6,252,810,602
FRS Investment Plan	6,737,514,780	70,871,336	329,770,939	7,138,157,055
Florida Hurricane Catastrophe Fund	5,916,504,386	26,644,110	1,250,521,373	7,193,669,869
Florida Hurricane Catastrophe Finance Corporation	4,807,408,436	11,564,880	(142,780,854)	4,676,192,462
Debt Service	1,247,090,117	34,909,096	14,562,569	1,296,561,782
Lawton Chiles Endowment Fund	767,566,265	22,364,396	(13,800,000)	776,130,661
Department of the Lottery Fund	745,138,049	61,685,699	(145,570,003)	661,253,745
Fund B Surplus Funds Trust Fund	263,785,223	24,385,168	(56,300,000)	231,870,391
Retiree Health Insurance Subsidy Trust Fund	232,784,083	872,131	(51,463,988)	182,192,226
Police and Firefighters' Premium Tax Trust Fund	222,217,709	556,709	(4,721,110)	218,053,308
Florida Prepaid College Plan	191,353,650	3,006,416	(74,518,839)	119,841,227
Burnham Institute for Medical Research Fund	80,571,737	791,614	(23,521,981)	57,841,370
Florida College Investment Plan	50,553,465	1,189,246	1,950,875	53,693,586
PEORP Administrative Fund	37,269,552	157,633	(1,394,321)	36,032,864
SBA Administrative Fund	35,629,421	189,386	(2,386,181)	33,432,626
University of Miami	20,841,446	(980)	-	20,840,466
Scripps Florida Funding Corporation	46,413,389	92,175	(29,443,205)	17,062,359
Torrey Pines Institute for Molecular Studies Fund	9,870,249	196,974	(3,497,228)	6,569,995
Insurance Capital Build-up Program	6,301,533	60,715	(329,986)	6,032,262
Bond Fee Trust Fund	3,167,764	16,573	2,053,493	5,237,830
Florida Division of Blind Services	2,869,842	135,283	511,292	3,516,417
Max Planck	13,388,894	(1,208)	(10,000,000)	3,387,686
Bond Proceeds Trust Fund [2]	4,398,909	300	(1,189,909)	3,209,300
Arbitrage Compliance Trust Fund	2,580,851	11,450	86,780	2,679,081
Oregon Health & Science University	7,520,259	39,379	(5,000,000)	2,559,638
Gas Tax Clearing Fund [2]	-	(26,301)	1,571,594	1,545,293
Charles Stark Draper Laboratory	2,109,448	1,366	(1,000,000)	1,110,814
McKnight Doctoral Fellowship Program	1,485,562	17,278	(399,513)	1,103,327
SRI International Fund	251,453	17,250	-	268,703
FSU Research Foundation	249,761	19,824	(46,764)	222,821
Florida Prepaid College Plan Administrative Expense	49,607	227	(8,067)	41,767
Florida Endowment for Vocational Rehabilitation	2,048,710	4,362	(2,013,301)	39,771
Florida College Investment Plan Administrative Expense	46,226	219	(11,321)	35,124
Pinellas Suncoast Transit Authority	38,670	2,747	(6,918)	34,499
Inland Protection Financing Corporation	1,484	6	(61)	1,429
Total Assets Under Management	**$ 156,490,635,803**	**$ 451,084,313**	**$ (5,192,514,209)**	**$ 151,749,205,907**

[1]The Florida PRIME fund values at June 30, 2011 and June 30, 2012 have been reduced by $325,859,381 and $499,843,308, respectively. These values represent amounts that are reported by other SBA funds as investments in Florida PRIME (i.e., other funds managed by SBA that are invested in Florida PRIME). Contributions & (Distributions) and Investment Gain (Loss) have also been reduced by $172,819,759 and $1,164,168, respectively, for the same reason.

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

CHART 1: **Assets Under SBA Management**



MARKET VALUE AS OF JUNE 30 OF INDICATED YEAR

Asset Allocation

Boca Chita Lighthouse
Biscayne Bay National Park, Florida

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

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

In practice, maintaining an exact asset allocation is difficult given the dynamic nature of markets and security prices. The SBA typically determines reasonable bounds above and below desired asset allocations (known as the target or policy allocation) within which it accepts deviations from the target. This tolerance reflects the fact that trading in securities markets is not free. The SBA must balance the risk of disappointment from misallocation (i.e., not consistently holding their target asset mix) against the performance drag resulting from transaction costs. The scale tips when an asset class moves outside its tolerance range. At this point, the SBA is no longer willing to accept the risk from misallocation, so the portfolio will be rebalanced. This involves selling assets from classes in overweight status and using the proceeds to purchase assets that are underweight. Rebalancing is governed by specific policies that establish target ranges and rebalancing procedures for each asset class.

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

The SBA has a long-standing practice of periodically adjusting its target asset allocation based on a formal reevaluation of capital market assumptions, fund liabilities, and the investment objectives.

Table 2 shows the various asset classes utilized by different mandates overseen by the SBA.

TABLE 2: Asset Classes Represented in SBA Investment Portfolios as of June 30, 2012

Portfolios With Separately Managed Assets	U.S. Equities	Foreign Equities	Fixed Income	Treasury Inflation-Protected Securities	Real Estate	Private Equity	Strategic Investments	Cash Equivalents	Pooled Funds
FRS Pension Plan [1]	x	x	x	x	x	x	x	x	
FRS Investment Plan	x	x	x	x				x	
Florida Hurricane Catastrophe Fund			x					x	
Florida Hurricane Catastrophe Fund Finance Corporation			x					x	
Lawton Chiles Endowment Fund	x	x	x	x				x	
Bond Proceeds Trust Fund			x					x	
Burnham Institute for Medical Research Fund			x					x	
Debt Service			x					x	
Department of the Lottery Fund			x					x	
Florida College Investment Plan	x		x					x	
Florida Prepaid College Plan	x		x					x	
Gas Tax Clearing Fund			x					x	
Oregon Health & Science University			x					x	
Scripps Florida Funding Corporation			x					x	
Torrey Pines Institute for Molecular Studies Fund			x					x	
SBA Pooled Investment Products									
Florida PRIME								x	
Fund B Surplus Funds Trust Fund			x					x	
CAMP - Money Market - B			x					x	
Mandates Invested Solely in Pooled Funds									
Arbitrage Compliance									x
Charles Stark Draper Laboratory									x
Florida Division of Blind Services									x
Florida Endowment for Vocational Rehabilitation									x
FSU Research Foundation									x
Inland Protection Finance Corporation									x
Insurance Capital Build-up Program									x
Max Planck									x
McKnight Doctoral Fellowship Program									x
Pinellas Suncoast Transit Authority									x
Police and Fire Fighters' Premium Tax Trust Fund									x
Retiree Health Insurance Subsidy Trust Fund									x
Revenue Bond Fee Trust Fund									x
SBA Administrative Fund									x
SRI International Fund									x
University of Miami									x

Note: This table indicates asset types which are included as a matter of ongoing investment policy. Other asset types may also be held pursuant to a tactical investment strategy or for liquidity.

[1] The FRS Pension Plan also is authorized to allocate assets to a Strategic Investments asset class, which can consist of a variety of individual asset types.

Risk and the Investment Process

The SBA faces a collection of risks, some tied to the performance of the instruments themselves, some tied to the strategy for selecting the instruments, and yet others tied to the transactional processes through which investments are made. Every form of risk ultimately bears upon one fundamental consideration: the investment objective, i.e., the goals the SBA seeks to achieve in putting capital at risk.

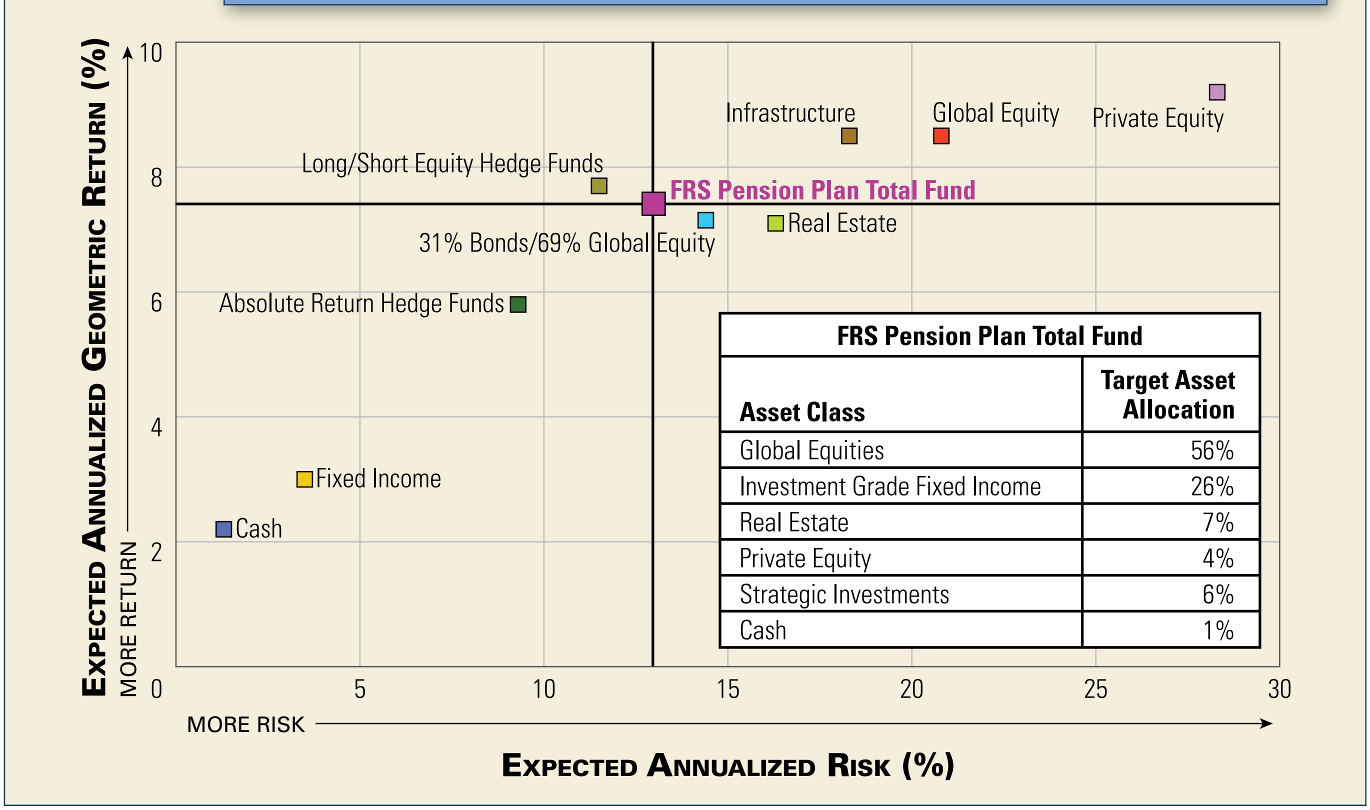
A clearly formulated investment objective is an essential first step in managing risk. It provides a basis for prioritizing those risks which should be avoided or minimized, those which may be mitigated, and those which must be accepted. Some degree of investment risk must be accepted in order to meet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

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

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

Chart 2 presents an example of how a diverse mix of asset classes and investment strategies can produce an attractive risk/return trade-off. For example, investing in a mix of 31% Bonds and 69% Global Equity has comparable risk, but a lower return than the target allocation for the overall FRS Pension Plan.

CHART 2: **Expected Risk and Return of FRS Pension Plan Total Fund as of June 30, 2012**



FRS Pension Plan Total Fund

Asset Class	Target Asset Allocation
Global Equities	56%
Investment Grade Fixed Income	26%
Real Estate	7%
Private Equity	4%
Strategic Investments	6%
Cash	1%

All securities carry inherent risk, which is common to financial instruments themselves. Inherent risk is different from policy risk and implementation risk, which exist in relation to the investment objective(s).

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

MARKET RISK

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

CREDIT RISK

This is the risk that an issuer of debt securities or a borrower may default on financial obligations. 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. For example, a credit rating downgrade by agencies such as Standard & Poor's and Moody's will typically cause the market price of the issuer's bonds to fall because of perceived increases in the possibility of a default. As with interest rate risk, this risk does not affect the bond's interest payments (provided the issuer does not actually default), but puts at risk the market price, of consequence to holders who may have to sell.

INTEREST RATE RISK

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

Prepayment risk is a special form of interest rate risk. It applies to bonds which are callable, 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 SBA may not actually experience the cash flows it expected. In practice, bonds are most often called when interest rates are falling, resulting in an adverse reinvestment situation for the SBA.

INFLATION RISK

This is the risk that the return from investing may not offset the loss in purchasing power due to inflation. Inflation is a reduction in the purchasing power of money. It can arise from an expansionary monetary policy, economic supply shock, or as a result of behavioral responses to general perceptions about future price growth. The SBA seeks to make financial gains in real terms; to increase the inflation adjusted value of the FRS Pension Plan funds under management to keep up with liability growth. But because investment gains are commonly reckoned in nominal (e.g., not-inflation adjusted) terms, the SBA will meet this goal only if the nominal investment gains exceed the rate of inflation.

Since inflation is a phenomenon affecting an economy's unit of exchange, inflation risk affects all commodities, including nearly every type of financial security. Equity instruments of certain companies are more resistant to this risk than those of others, depending on the pricing power of the company. Pricing power is the ability to charge a higher price without suffering a proportional reduction in sales volume. Real bonds, (e.g., Treasury Inflation-Protected Securities), are an exception. They are not subject to inflation risk since their stated yield and face value at maturity are adjusted to compensate for the contemporaneous rate of inflation.

LIQUIDITY RISK

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

CAPITAL RISK

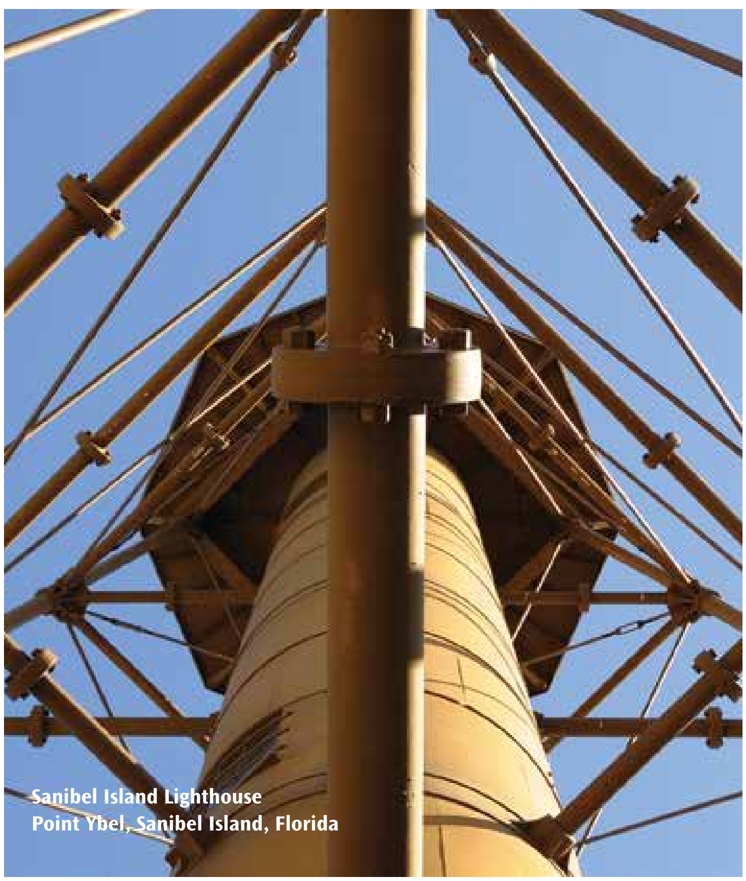
This is the risk of losing the original investment. Capital risk can be thought of as an extreme form of other listed risks, in that it is the risk of losing the entire investment. It typically applies to the securities of a single company that faces severe adverse idiosyncratic conditions, such as Enron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

CURRENCY RISK

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

SYSTEMIC RISK

This is the risk that the entire financial system may cease to function adequately. 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 investments bear systemic risk.



Sanibel Island Lighthouse
Point Ybel, Sanibel Island, Florida

Compliance with Investment Strategy

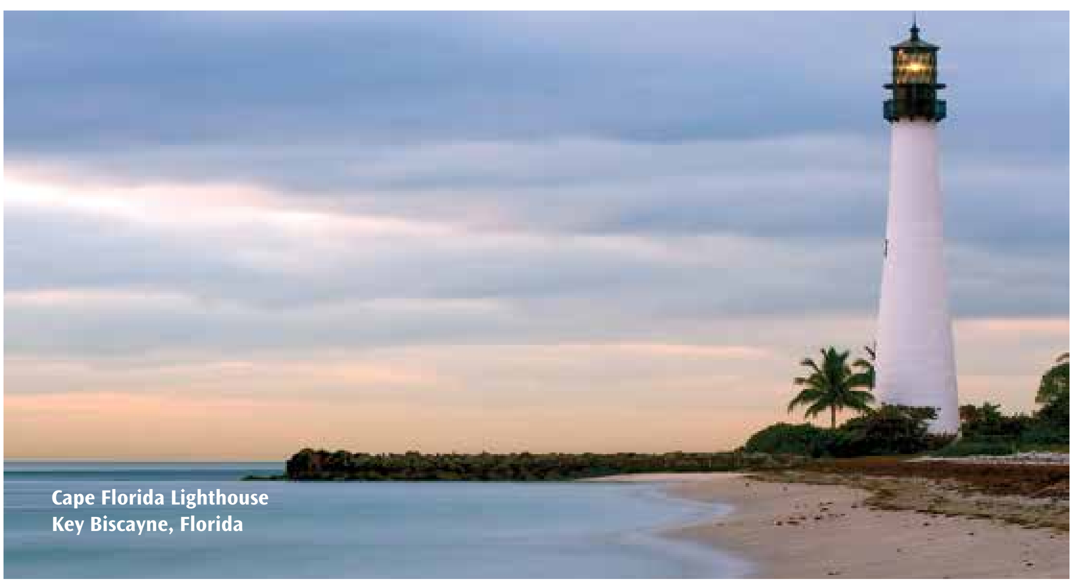
Although there are numerous definitions of "Investment Strategy," the SBA considers the term to mean the plan it uses when deciding how to allocate capital among several asset types including stocks, bonds, cash equivalents, alternative investments, and real estate, in order to achieve the investment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

The SBA takes a systematic approach to monitoring compliance to ensure that funds under its management comply with applicable statutory, regulatory and policy requirements. The SBA organizationally has a dedicated Risk Management & Compliance unit (RMC) under the direction of a Chief Risk and Compliance Officer. The Chief Risk & Compliance Officer reports to the Executive Director & CIO and, in order to maintain operational independence, the position's appointment and retention is subject to approval by the Trustees.

Investment Oversight Groups (as standing subcommittees of the SBA's Senior Investment Group) serve as the primary mechanism for the escalation, review, and evaluation of compliance exceptions to Investment Policy Statements and/or Investment Portfolio Guidelines as well as for evaluating the associated portfolio management responses to compliance exceptions. Public market asset class investment oversight groups meet no less frequently than monthly, while private market asset class investment oversight groups meet as necessary but no less frequently than quarterly. These investment oversight groups are composed of the following members:

- designated asset class compliance officer
- deputy executive director
- chief risk & compliance officer (as chair)
- senior investment officer for the applicable asset class
- director of enterprise risk management

Each of the funds managed by the SBA was in compliance with their applicable investment strategy as of June 30, 2012. During the fiscal year, periodic instances of individual portfolio policy and guideline compliance exceptions were reported to SBA senior management. None of the exceptions constituted non-compliance with investment strategy.



Cape Florida Lighthouse
Key Biscayne, Florida

Compliance Of The SBA's Various Funds With Investment Strategy Is Established Through The Process Described Below.

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

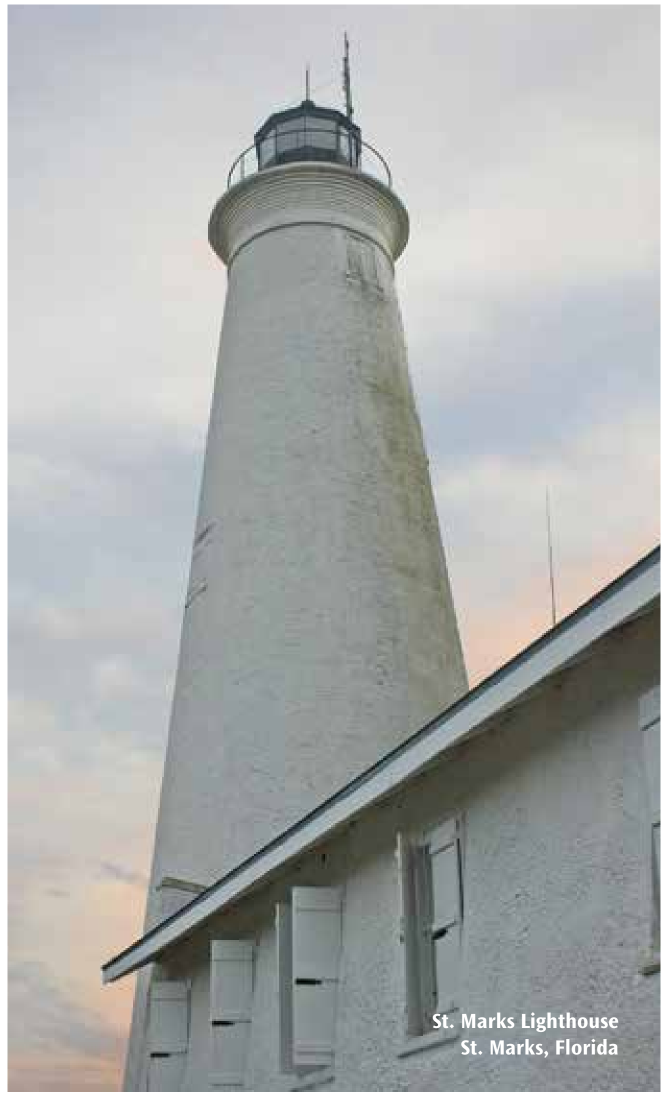
2. SBA staff monitors the limitations (including permitted securities and authorized ranges) contained in Section 215.47, Florida Statutes, on a monthly basis for multi-asset class funds.

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

4. For externally managed public market portfolios, investment guideline monitoring is primarily performed by external investment managers' compliance staff, although SBA staff conducts month-end holdings based compliance verification as a secondary check.

5. In the case of private market investment funds and limited partnerships, compliance is performed by SBA staff through a variety of means depending on the structure of the investment, including but not limited to, monitoring investment guideline compliance, obtaining manager certifications and verifying acquisition checklists. Investor advisory boards and consultants provide an additional layer of oversight.

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



St. Marks Lighthouse
St. Marks, Florida

SBA's Non-Investment Management Responsibilities

The MyFRS Financial Guidance Program

The award-winning MyFRS Financial Guidance Program gives all FRS members convenient access to personalized multimedia retirement planning assistance. Its goal is to provide objective information to help members make informed retirement planning choices that meet their individual goals and needs. The program provides no-charge retirement and financial planning services to both Pension Plan and Investment Plan members.

Members Receive Support Through Four Channels:

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

Table 3 indicates utilization of the various services offered by the MyFRS Financial Guidance Program.

TABLE 3: MyFRS Financial Guidance Program

	12-Months Ending June 30, 2012	Change From Prior Year
MyFRS Financial Guidance Line		
Total Calls	236,852	2%
Choice Calls	157,958	(8%)
Planning Calls	77,745	32%
Employer Calls	549	(1%)
MyFRS.com		
Total Website Visits	1,741,687	(3%)
Online Choice, 2nd Election Service & Advisor Service	87,491	(63%)

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

During the fiscal year, approximately 38,000 newly hired employees chose between the two FRS retirement plans: the FRS Pension Plan, a traditional defined benefit plan; or the FRS Investment Plan, a self-directed defined contribution plan. Each newly-hired employee received an FRS new employee enrollment kit that consisted of a benefit comparison statement projecting benefits under both plans, plan information on both retirement plans, a new hire video CD on the benefits offered in both plans, an investment fund summary showing the available investment funds in the Investment Plan together with their fees and projected returns, and a short-form enrollment application. New employees were encouraged to call the toll-free MyFRS Financial Guidance Line to speak with an unbiased financial planner and to log on to the program website MyFRS.com to run additional benefit projections using the online choice service. Table 4 presents enrollment rates for new hires.

TABLE 4: FRS Enrollments by Newly-Hired Employees

	Defaults Into Pension Plan*	Active Enrollments Pension Plan	Active Enrollments Investment Plan**
July 2008 - June 2009	25,923	10,692	11,116
July 2009 - June 2010	21,501	8,158	9,071
July 2010 - June 2011	21,049	9,047	9,960
July 2011 - June 2012	20,064	6,976	10,937

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

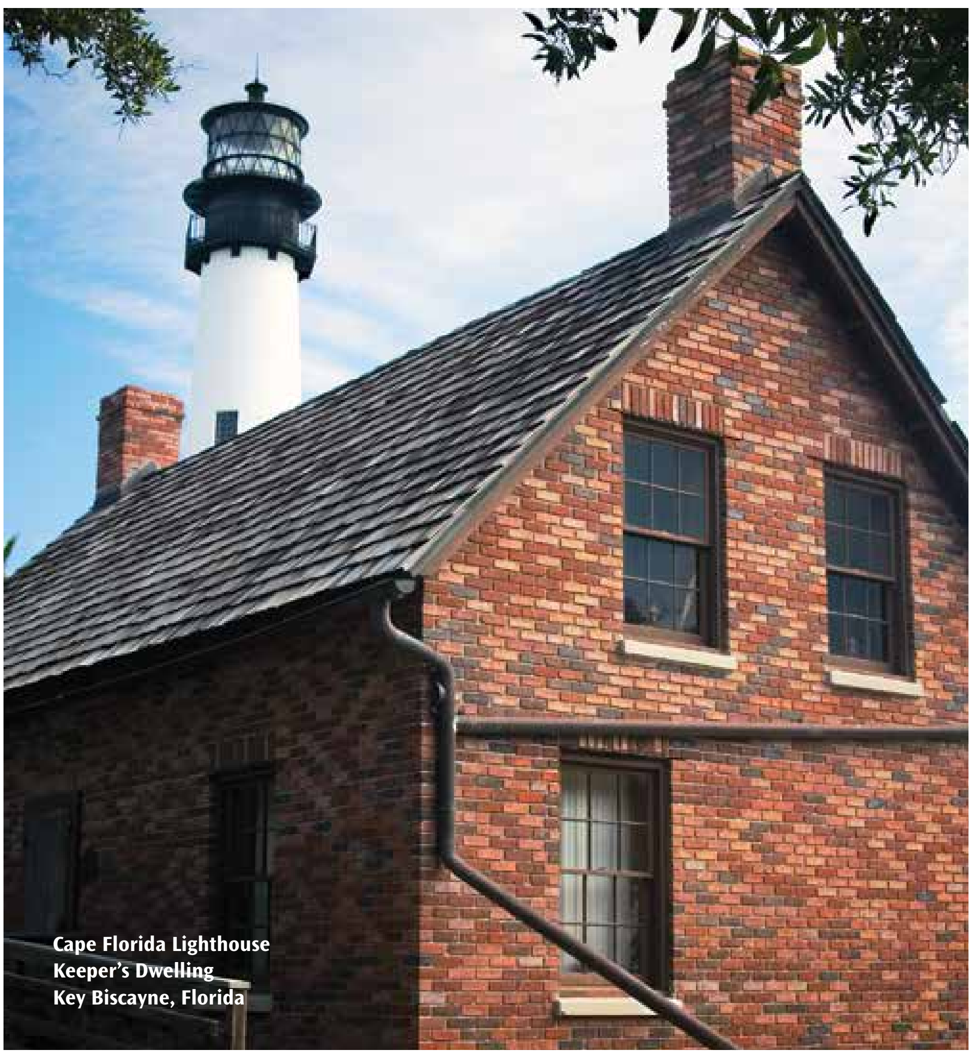
Active enrollments in the Investment Plan increased 4% and Pension Plan enrollments decreased 4% during the 2011-12 fiscal year. Employees who do not make an active plan choice are automatically enrolled (defaulted) in the FRS Pension Plan . The default enrollments remained unchanged from the prior fiscal year. Employees are given one more opportunity during their active FRS career to switch plans.

Members using their one time opportunity have consistently chosen to move from the Pension Plan to the Investment Plan.

Table 5 shows the statistics for utilization of second elections for the past four years.

TABLE 5: Second Elections

	Pension Plan	Investment Plan/ Hybrid
July 2008 - June 2009	373	4,160
July 2009 - June 2010	289	4,420
July 2010 - June 2011	381	8,330
July 2011 - June 2012	351	6,443
Total	1,630	32,329



Cape Florida Lighthouse
Keeper's Dwelling
Key Biscayne, Florida

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.

Corporate Governance

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

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

During the fiscal year ended June 30, 2012, the SBA executed votes on 9,420 public company proxies covering 84,881 individual voting items, including director elections, audit firm ratifications, executive compensation plans, mergers, acquisitions, and other management and shareowner proposals. The SBA's proxy votes were cast in 81 countries, with the top five countries comprised of the United States (2,827 votes), Japan (1,173), Hong Kong (604), United Kingdom (426), and Canada (405). The SBA voted "for" 77% of all proxy issues, "against" 16%, and abstained or did not vote due to share-blocking on 7% of issues. Of all votes cast, 19.2% were against the management-recommended vote, down from 21% during the same period ending in 2011.

Among all global proxy votes, the SBA cast at least one dissenting vote at 6,605 annual shareowner meetings, or 68.2 percent of all meetings. In addition to proxy voting, the SBA actively engages companies throughout the year, at times maintaining a year-round dialogue and analysis of corporate governance issues and other reforms. Engagement of this type can be a very effective way to advocate for positive changes and improve reporting by the companies in which the SBA invests. Improved corporate disclosures are a key objective of SBA engagement, as transparent and improved comparability can help all shareowners make better investment decisions.

The SBA's Corporate Governance unit prepares a separate annual report detailing its activities and additional reports on corporate governance topics covering a wide range of shareowner issues. Historical information, including prior reports, can be found within the governance section of the SBA's website, available at www.sbafla.com.

Corporate Officer/Trustee Services

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

Administrative Services

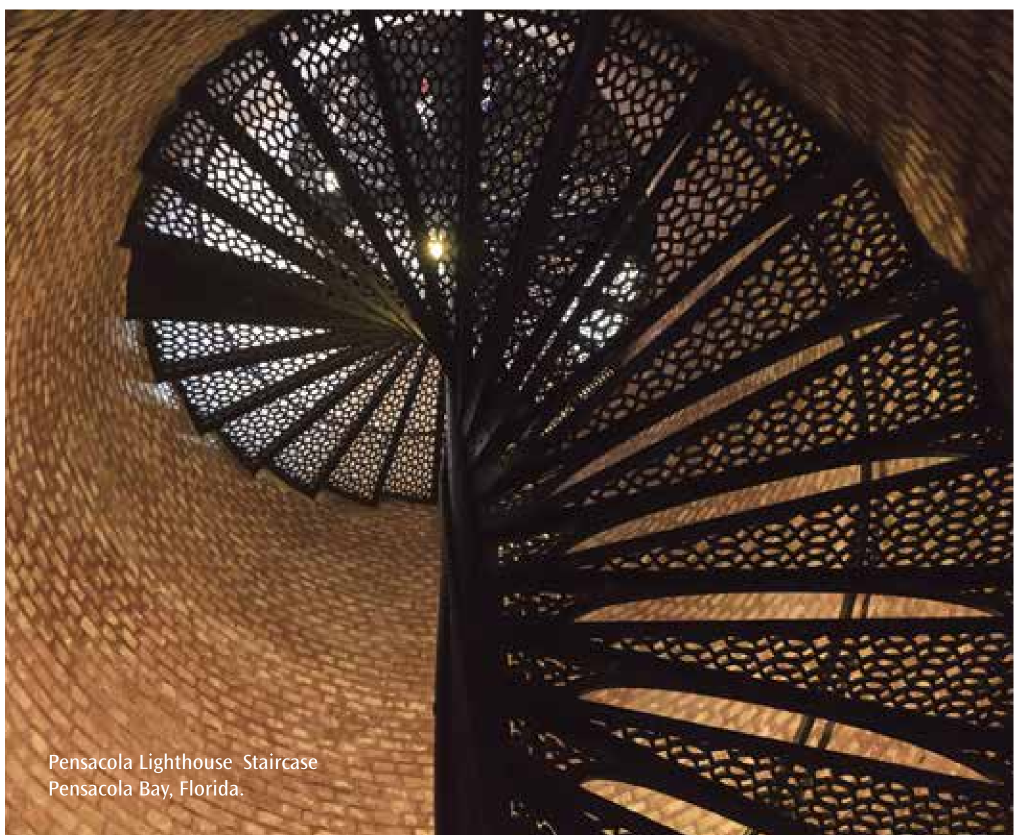
The SBA provides administrative support to the Division of Bond Finance and the Florida Prepaid College Board programs, including accounting, financial reporting, accounts receivable, accounts payable, cash management, facilities management, human resource management, purchasing, receiving, courier,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

Investment Policy Statements, Portfolio Guidelines and Trust Agreements

The State Board of Administration maintains Investment Policy Statements, Investment Portfolio Guidelines and Trust Agreements for funds it manages. The purposes of these are to describe the role and control elements of investment activities. The following funds' guidelines were changed during Fiscal Year 2011-12:

- Burnham Institute for Medical Research Fund
- Florida Endowment for Vocational Rehabilitation
- Florida PRIME
- Fund B Surplus Funds Trust Fund
- Florida Retirement System Pension Plan
- Florida Retirement System Investment Plan
- Lawton Chiles Endowment Fund
- Retiree Health Insurance Subsidy Trust Fund

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



Pensacola Lighthouse Staircase
Pensacola Bay, Florida.

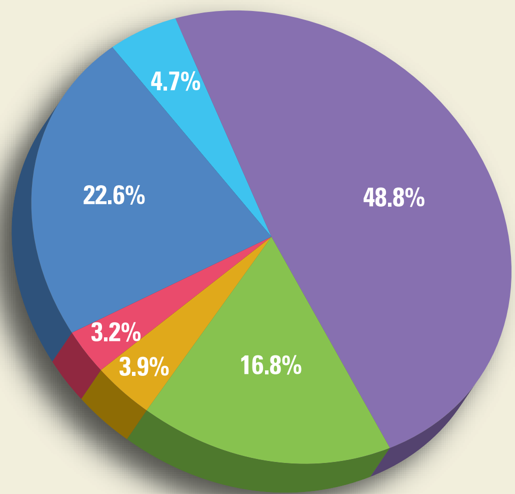
Florida Retirement System Pension Plan

Overview and Investment Objective

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

CHART 3: Source of Active Membership by Employer Type

% = Percent of Total Active Members on June 30, 2012



School Districts
304,073 members
$11.3 billion payroll

State
104,855 members
$4.0 billion payroll

State University System
24,055 members
$1.1 billion payroll

State Community Colleges
20,096 members
$0.9 billion payroll

Counties
140,939 members
$6.9 billion payroll

Cities and Special Districts
28,993 members
$1.4 billion payroll

Fiscal Year 2011-12
Total Members - 623,011
Actual Payroll - $25,509,326,581

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

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

The SBA's commitment to obtaining solid long-term performance is vital to ensuring that the FRS Pension Plan continues to help participating retirees meet their financial goals and that fund assets are invested prudently. However, investment gains alone are not sufficient to maintain the fund's financial health.

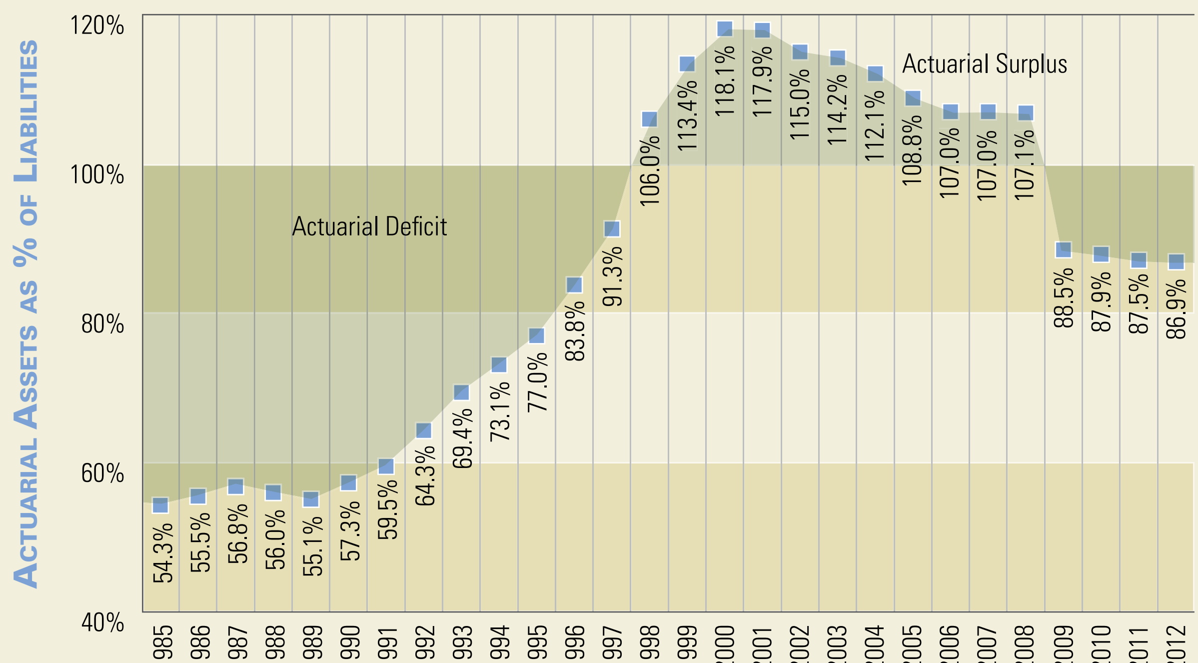
Annually determined actuarially sound rates of contribution into the fund are necessary to ensure that the investment base is large enough to meet future Pension Plan benefit obligations. Contribution rates are set by the state legislature, along with plan structure and benefit levels. The Division of Retirement in the Department of Management Services administers the Pension Plan, directs actuarial studies, and makes benefit payments.

During the history of the FRS, this has proven to be a productive partnership, with approximately $2 of every $3 paid to a retiree coming from investment gains, not from taxpayers or participants through contributions.

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

During the 11 years ending in 2009, the Pension Plan enjoyed an actuarial surplus, meaning that it was ahead of schedule in building wealth in order to fund its future benefit payment obligations. This allowed contribution rates to be lower than normal. Deficits mean that the plan has fewer assets than necessary to pay all current and future accrued and projected benefits. Actuaries agree that contributions should be higher than the normal cost level when a deficit exists.

CHART 4: FRS Pension Plan - Funded Ratio



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

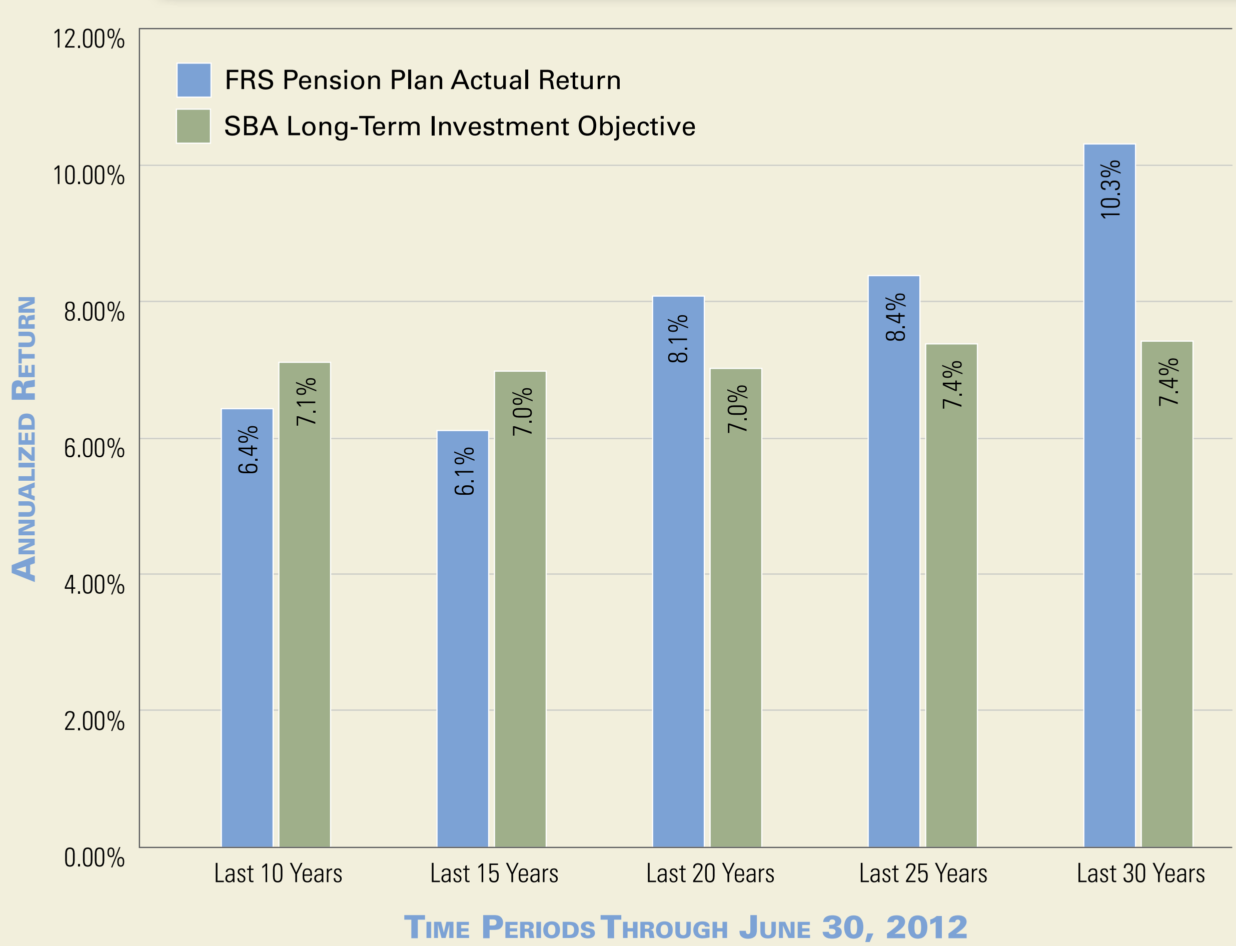
Performance

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

The SBA's actual returns on Pension Plan assets have met or exceeded the investment objective of the fund for the 20-, 25- and 30-year periods.

Chart 5 compares the SBA's actual return on Pension Plan assets to its investment objective of five percent real growth (inflation plus five percent) for the fund. The investment objective is derived from an asset/liability analysis of expected benefit growth, contribution levels, market performance, and a risk tolerance for the fund. Over the long-term – 20 years and greater – the SBA has consistently met its long-term objective. Fifteen-year performance reflects the impact of two unusually difficult periods for investors: the bursting of the tech bubble in the early 2000's, and the more recent mortgage crisis and global recession.

CHART 5: FRS Pension Plan - Long-Term Performance Results vs. SBA's Investment Objective



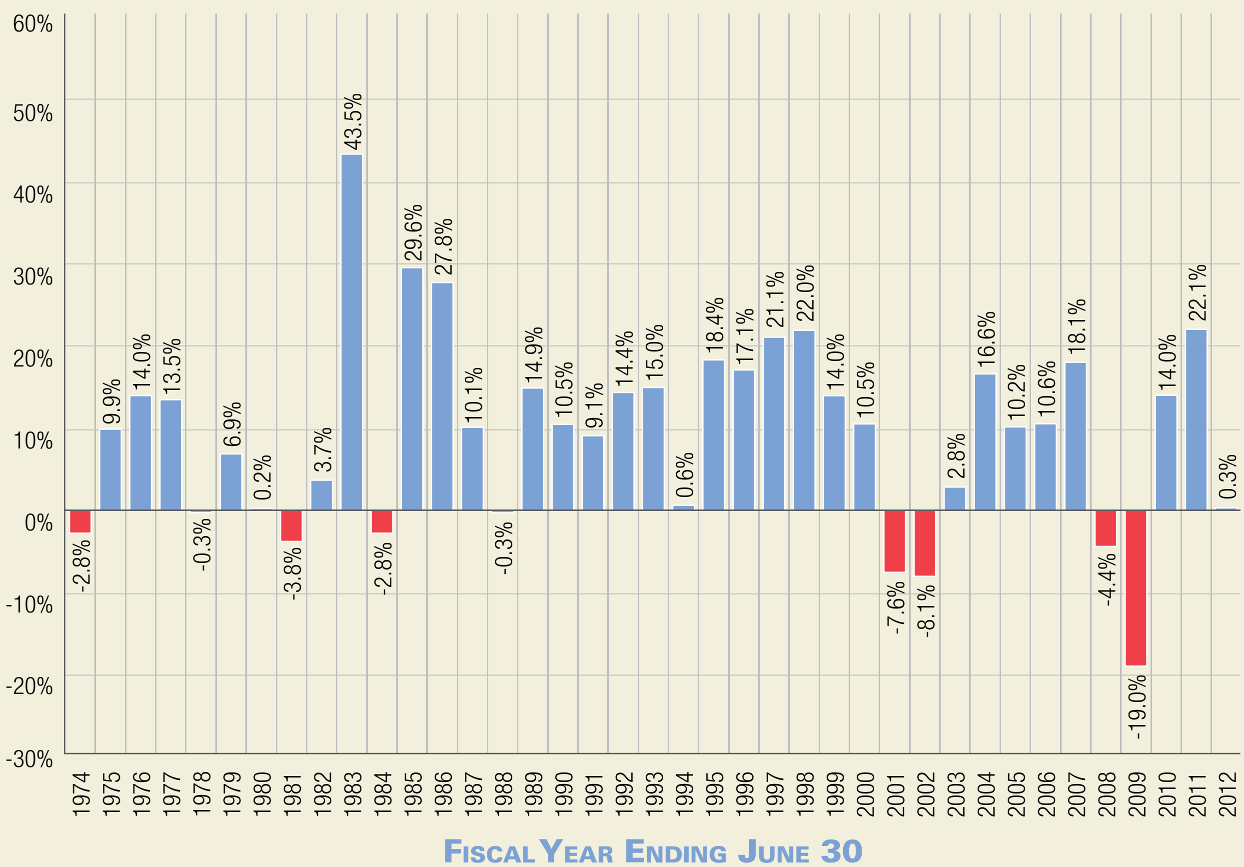
In addition to its investment objective for the Pension Plan, the SBA measures its investment performance relative to market-based benchmarks. Table 6 compares actual returns to the total fund benchmark for various periods ending June 30, 2012. Chart 6 provides the historical one-year returns earned by the Pension Plan.

TABLE 6: **FRS Pension Plan**

	SBA Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	0.29%	(0.49%)	0.77%
Three Years	11.77%	10.50%	1.27%
Five Years	1.56%	1.17%	0.39%
Ten Years	6.43%	6.11%	0.32%
Fifteen Years	6.11%	5.66%	0.45%

- All returns are annualized for periods indicated through June 30, 2012.
- Benchmark is a weighted blend of individual asset class target indices as applicable; weights and benchmarks are established in the FRS Pension Plan Investment Policy Statement.

CHART 6: **FRS Pension Plan - SBA Actual Returns by Fiscal Year**



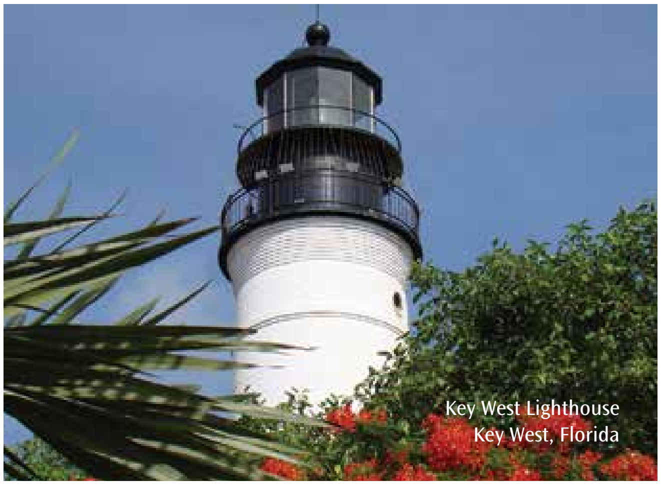
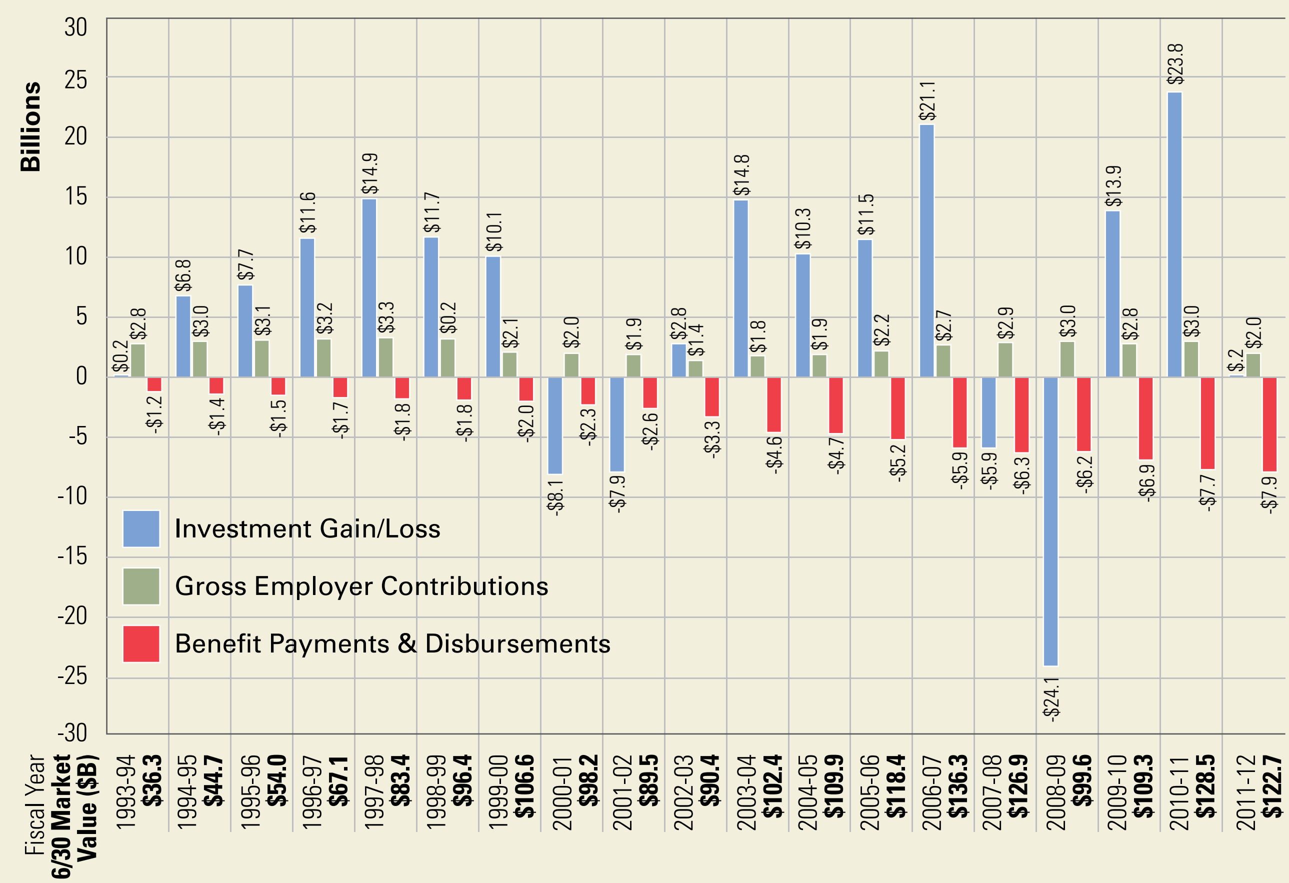

Key West Lighthouse
Key West, Florida

Chart 7 presents the key drivers of growth in the FRS Pension Plan's asset base. Over the period shown, investment returns (blue bars) have generally been positive, with two notable exceptions: the bursting of the tech bubble in the early part of this century and the mortgage crisis that began in 2008. Benefit payments (the red bars falling downward, representing outflows) have grown steadily over the period. Contributions into the fund (green bars) shrank during the early 2000's, reflecting the surplus the fund had at the time.

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



Cost

Tables 7 and 8 disclose elements of the SBA's cost structure that have historically been of interest to stakeholders. Chart 8 on the facing page puts the cost-effectiveness of the Pension Plan into perspective. The chart compares the SBA's cost to those of groups of similar-sized public and private retirement plans, selected by the independent firm CEM [Cost Effectiveness Measurement] Benchmarking Inc., as appropriate peer organizations.

TABLE 7: FRS Pension Plan - External Investment Management Fees Fiscal Year 2011-12

Asset Class	Dollar Amount	Return Basis[1]
Global Equity	$ 123,954,504	0.28%
Strategic Investments	62,398,574	1.30%
Fixed Income	7,969,720	0.08%
Real Estate	58,888,417	0.69%
Private Equity	92,103,481	1.57%
Cash	0	0.03%
Total	**$ 345,314,696**	**0.46%**

[1]External Investment Management Fees exclude carry/performance fees for real estate, infrastructure, hedge funds, private equity and overlays. Performance fees are included for the public market asset classes.

- Totals may not foot due to rounding.

TABLE 8: FRS Pension Plan - Net Brokerage Commissions

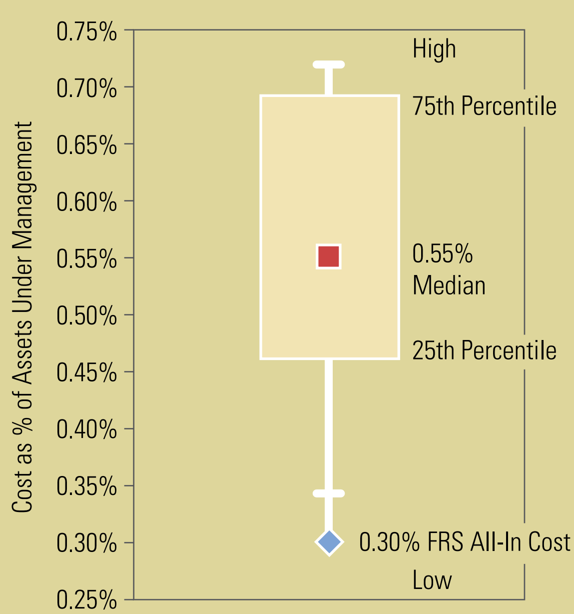
Asset Class	Dollar Amount[1]
Global Equity	$ 33,963,941
Strategic Investments	49,386
Fixed Income	1,174
Real Estate	1,824,538
Private Equity	369
Total	**$ 35,839,408**

[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.

CHART 8:

FRS Pension Plan Cost Comparison
All-In Calendar Year 2011 Costs
Universe of 17 Large Public and Private Pension Plans

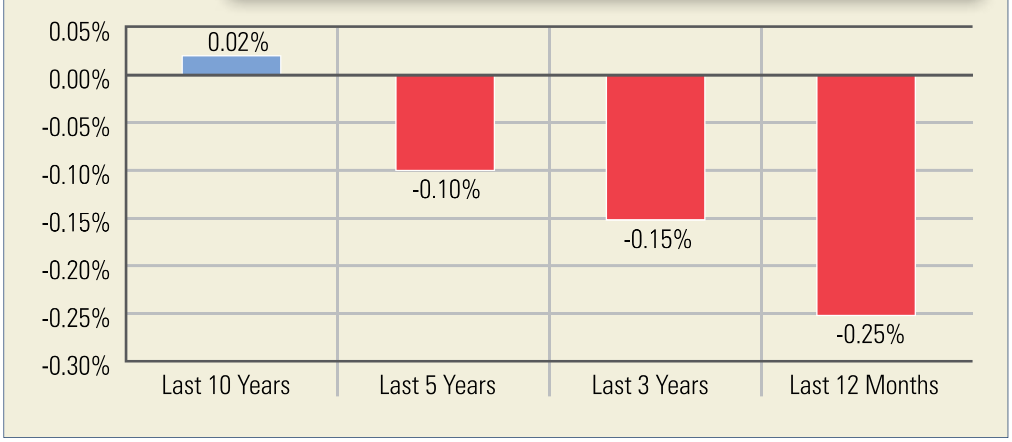


Source: CEM Benchmarking, Inc.

Asset Allocation

Returns attributed to asset allocation arise from differences between asset class actual and target allocations as percentages of the Total Fund. During the twelve-month period ended June 30, returns to asset allocation lagged the target return by 25 basis points. Longer term differences are shown in Chart 9 below.

CHART 9: Returns to Asset Allocation as of June 30, 2012



Rebalancing

The investment strategy for the Pension Plan is to implement the policy allocation within relatively narrow bands around policy target weights. The SBA manages this strategy through asset allocation and risk-budgeting policies. The SBA operated within this investment strategy for the Pension Plan portfolio throughout the year. For the FRS Pension Plan, one rebalance was triggered on September 22, 2011 in the amount of $964.8 million, moving money from Fixed Income to Global Equity.

Hillsboro Inlet Lighthouse
Hillsboro, Florida

Asset Classes

The Pension Plan portfolio is currently divided into six asset classes: Global Equity, Fixed Income, Real Estate, Private Equity, Strategic Investments and Cash Equivalents. Chart 10 shows the actual weight by asset class as of June 30. Asset class performance is measured against a broad market index appropriate to the asset class. The indices identified in Table 9 are used as the primary benchmarks for the asset classes.

CHART 10: Allocation by Asset Class as of June 30, 2012

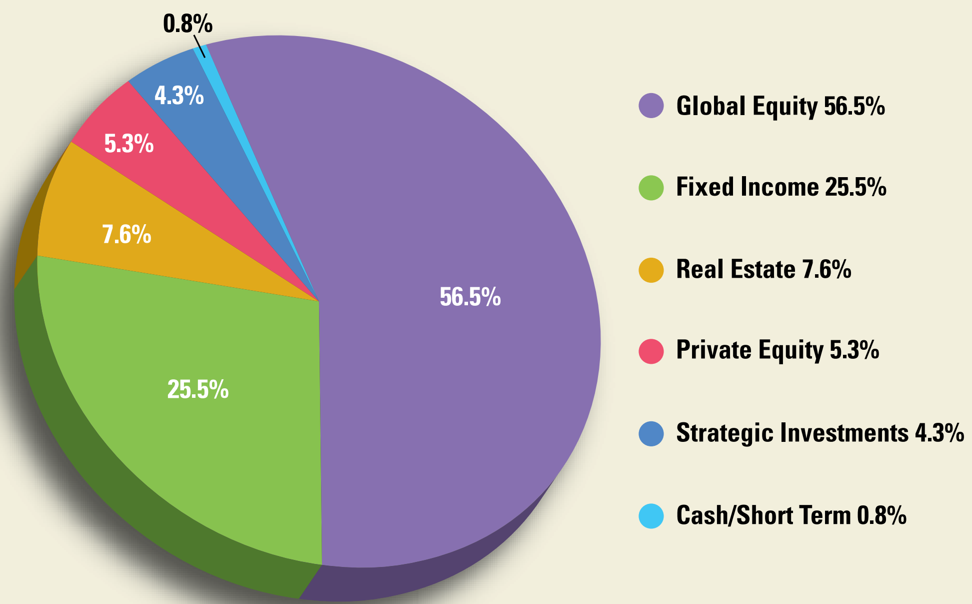


TABLE 9: Authorized Target Indices

Asset Class	Index
Global Equity	A custom version of the MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of witholding taxes on non-resident institutional investors, adjusted to reflect the provisions of the Protecting Florida's Investments Act
Fixed Income	The Barclays Capital U.S. Aggregate Index
Real Estate	An average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, Net of fees, weighted at 90%, and the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on non-resident institutional investors, weighted at 10%
Private Equity	The Russell 3000 index return plus a fixed premium return of 300 basis points per annum
Strategic Investments	A weighted-average of individual portfolio level benchmark returns
Cash Equivalents	iMoneyNet First Tier Institutional Money Market Funds Net Index

Table 10 presents returns by asset class over periods from one to fifteen years, as applicable, compared to benchmark returns.

TABLE 10: FRS Pension Plan - Returns by Asset Class for Periods Ending June 30, 2012

		SBA Actual Return	Benchmark Return	Actual Over (Under) Bmk.
Global Equity[1]				
	One Year	(5.11%)	(6.79%)	1.68%
	Three Years	12.73%	11.50%	1.23%
	Five Years	(1.46%)	(2.24%)	0.78%
	Ten Years	5.64%	5.33%	0.31%
	Fifteen Years	4.98%	4.56%	0.41%
Fixed Income				
	One Year	7.84%	7.47%	0.37%
	Three Years	9.54%	6.93%	2.61%
	Five Years	7.18%	6.79%	0.38%
	Ten Years	6.15%	5.82%	0.33%
	Fifteen Years	6.58%	6.37%	0.21%
Real Estate				
	One Year	12.75%	12.62%	0.13%
	Three Years	6.26%	6.08%	0.18%
	Five Years	0.56%	(0.14%)	0.70%
	Ten Years	8.02%	3.69%	4.33%
	Fifteen Years	8.90%	5.12%	3.78%
Private Equity[2]	One Year	7.22%	7.46%	(0.24%)
	Three Years	15.16%	19.65%	(4.49%)
	Five Years	4.39%	5.05%	(0.66%)
	Ten Years	6.50%	9.81%	(3.31%)
	Fifteen Years	7.07%	7.82%	(0.75%)
Strategic Investments				
	One Year	3.72%	3.27%	0.45%
	Three Years	16.79%	8.73%	8.06%
	Five Years	(1.03%)	(1.71%)	0.69%
Cash Equivalents				
	One Year	0.25%	0.06%	0.19%
	Three Years	0.86%	0.17%	0.69%
	Five Years	(0.42%)	1.32%	(1.74%)
	Ten Years	1.25%	2.09%	(0.83%)
	Fifteen Years	2.59%	2.96%	(0.38%)

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

[2]Per industry convention, Private Equity returns are presented on a dollar-weighted basis. Interim returns may not be meaningful or indicative of ultimate performance during the early stages of the investment life cycle.

- Tables may not foot due to rounding.

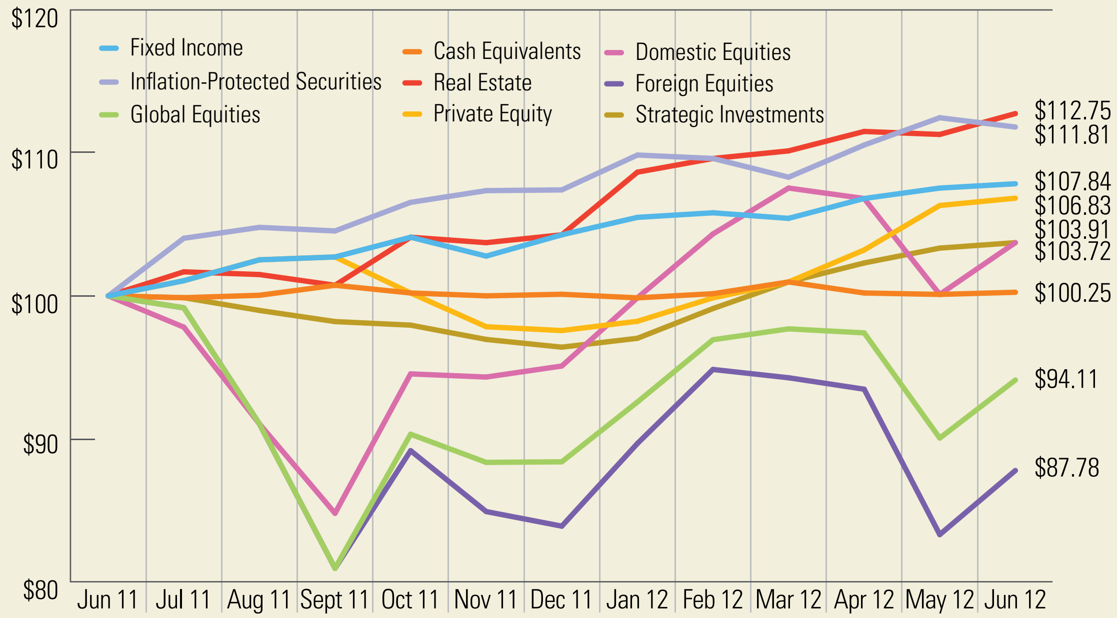
SBA CONTRACTS WITH PRIVATE EQUITY PARTNERSHIPS REQUIRE THE FOLLOWING DISCLOSURE:

- 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.

Chart 11 illustrates how returns over the year evolved for each class.

CHART 11:

Asset Class Net Investment Gains Growth of $100 Invested During FY 2011-12



Based on FRS Pension Plan asset class returns except that Inflation-Protected Securities is based on that class in the Lawton Chiles Endowment Fund.

Table 11 shows the impact each asset class had on the overall fund.

TABLE 11:

FRS Pension Plan - Change in Market Value Fiscal Year 2011-12

	Market Value 6/30/11	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/12
Global Equity				
Domestic Equities[1]	$ 32,863,872,707	$ (2,315,919,445)	$ 1,248,042,099	$ 31,795,995,361
Foreign Equities[1]	40,816,050,577	(1,824,747,241)	(4,916,014,866)	34,075,288,470
Global Equities[1]	3,689,983,984	(6,253,583)	(217,913,119)	3,465,817,282
Total Global Equity	77,369,907,269	(4,146,920,269)	(3,885,885,886)	69,337,101,114
Fixed Income	31,812,248,389	(2,886,066,335)	2,374,967,866	31,301,149,920
Real Estate	8,319,854,744	(93,000,000)	1,055,343,680	9,282,198,424
Private Equity	5,647,323,049	421,000,000	408,253,092	6,476,576,140
Strategic Investments	4,164,258,637	942,573,510	201,412,299	5,308,244,446
Cash/Short-Term Securities[2]	1,219,271,130	(197,758,645)	19,191,021	1,040,703,506
Total FRS Pension Plan	**$ 128,532,863,218**	**$ (5,960,171,739)**	**$ 173,282,072**	**$ 122,745,973,551**

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

[2] The investment gain (loss) reported for the Cash/Short-Term Securities includes $20,078,677 in SBA investment service charges, $219,220 in consulting and legal fees, and $2,050,821 in net bank fees (gross bank fees of $3,094,933 less bank fee rebates received of $1,044,112) paid out of the total Central Cash/Short-Term portfolio on behalf of the entire FRS Pension Plan. Excluding these expenses, the investment gain (loss) reported would have been $3,682,681, which reflects actual investment returns.

• Totals may not foot due to rounding.

Investment management can be divided into two broad categories of management style, each reflecting a fundamentally different view regarding how modern capital markets behave. These two schools of thought are generally referred to as passive and active management.

PASSIVE INVESTING – Passive managers attempt to construct their portfolios to closely approximate the performance of well-recognized market indices such as the Standard & Poor's 500 index (large U.S. companies), Russell 2000 index (small U.S. companies) or Morgan Stanley EAFE index (large international companies). Passive investing typically has the lowest management costs. Additional savings can be realized when these portfolios are managed in-house.

ACTIVE INVESTING – Active managers build a stock portfolio utilizing a wide variety of strategies for identifying companies believed to offer above-average prospects, i.e, those that can "beat the market." Regardless of the approach, all active managers share a common thread: they buy and sell securities selectively based on their evaluation of future events. Active investing, because of research and time requirements, tends to be more costly.

The State Board of Administration utilizes a mix of active and passive investment strategies, in addition to internally managed portfolios. The SBA employs an active investment strategy where the probability of being paid for assuming the increased cost and risk of active investing is greatest. Conversely, where there is the least likelihood to out perform market indices, the SBA tends to passively invest and save management costs associated with active management. One of the SBA's historical strengths has been operating at very low cost. The SBA's size and significant proportion of passive investments are among contributors to the SBA's cost advantage.

Table 12 below shows internal versus external management and the passive versus active management of the funds' resources.

TABLE 12:

Total Fund and Asset Class Allocation
June 30, 2012

Asset Class	Internal	External	Passive	Active	% of Total
Total Fund	**43.53%**	**56.47%**	**41.25%**	**58.75%**	**100.00%**
Global Equity	36.95%	63.05%	49.08%	50.92%	56.49%
Fixed Income	69.50%	30.50%	53.60%	46.40%	25.50%
Cash	100.00%	0.00%	0.00%	100.00%	0.85%
Real Estate	51.41%	48.59%	0.00%	100.00%	7.56%
Private Equity	1.01%	98.99%	0.00%	100.00%	5.28%
Strategic Investments	1.47%	98.53%	0.00%	100.00%	4.32%
Total Fund Public Markets	**47.19%**	**52.81%**	**49.08%**	**50.92%**	**84.03%**

Asset Class	Internal ($m)	External ($m)	Passive ($m)	Active ($m)	% of Total ($m)
Total Fund	**$ 53,431**	**$ 69,314**	**$ 50,628**	**$ 72,118**	**$ 122,746**
Global Equity	25,620	43,717	34,027	35,310	69,337
Fixed Income*	21,855	9,446	16,601	14,701	31,301
Cash**	1,041	-	-	1,041	1,041
Real Estate	4,772	4,510	-	9,282	9,282
Private Equity	66	6,411	-	6,477	6,477
Strategic Investments	78	5,230	-	5,308	5,308
Total Fund Public Markets	**$ 48,671**	**$ 54,478**	**$ 50,628**	**$ 52,521**	**$ 103,149**

* Includes STIPFRS Reserve Liquidation Fund

** Includes Securities Lending Account and TF STIPFRS NAV Adjustment Account

Portfolios by Asset Class

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

TABLE 13:

FRS Pension Plan - Global Equity
Change in Market Value Fiscal Year 2011-12

	Market Value 6/30/11	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/12
Domestic Equities				
Active All Cap:				
- Jacobs Levy Short Extension Strategy	$ 1,191,148,226	$ -	$ 1,386,818	$ 1,192,535,044
Active Large Cap:				
- Aronson Johnson Long	82,309,416	0	26,269,912	908,579,328
- Delaware Investments	797,516,999	(21,725,136)	86,527,502	862,319,365
- Enhanced Investment Technologies, Inc. [3]	22,503	(45,072)	22,569	0
- Quantitative Management Associates	943,305,181	0	21,554,615	964,859,796
- Smith Asset Management Large Cap Enhanced	1,058,107,955	(64,912,331)	53,458,421	1,046,654,045
Active Small Cap:				
- AQR R2000 Equity	151,895,467	(39,412,246)	(1,011,137)	111,472,084
- Cortina Asset Management	128,401,398	(35,293,458)	(7,868,377)	85,239,562
- Cupps	101,858,876	(9,679,363)	(6,223,029)	85,956,484
- Delta	48,631,009	0	(1,505,368)	47,125,641
- Fisher Investments	180,390,422	(17,607,917)	(3,800,299)	158,982,206
- BMO Asset Management	119,745,237	(32,404,901)	(6,184,121)	81,156,216
- PanAgora Asset Management	143,109,312	(30,206,006)	6,207,253	119,110,559
- Signia Capital	130,709,195	0	(15,887,801)	114,821,394
- Stephens Investment Management Group	116,206,142	(14,482,721)	1,589,974	103,313,395
- TAMRO Capital Partners	124,826,559	(22,866,852)	(818,572)	101,141,135
- Tygh Capital Management	98,101,350	(7,914,854)	(6,177,609)	84,008,887
- Vaughan Nelson Investment Management	201,539,287	(37,489,596)	(6,869,901)	157,179,790
Passive:				
- Avatar R1000 Index Fund	11,335,389,050	(441,635,472)	487,251,574	11,381,005,152
- Phoenix Portfolio	15,108,203,087	(1,535,431,589)	608,493,484	14,181,264,982
Other:				
- Domestic Equity Asset Class Transition	2,456,036	(4,811,879)	11,626,138	9,270,295
- Domestic Equity STIP Reserve Fund [3]	0	(53)	53	0
Total Domestic Equities	**$ 32,863,872,707**	**$ (2,315,919,445)**	**$ 1,248,042,099**	**$ 31,795,995,361**

Continued on page 40

Foreign Equities

Developed Markets:				
- Acadian Long	$ 625,839,291	$ (43,995,071)	$ (42,145,361)	$ 539,698,859
- Artisan Partners	1,796,703,118	(204,000,000)	(46,899,560)	1,545,803,558
- AQR Capital Management Small Cap	428,149,185	21,200,000	(51,072,304)	398,276,880
- Ballie Gifford Overseas Limited	1,777,922,351	0	(224,958,728)	1,552,963,623
- BlackRock Global Inv. Index Plus	1,500,415,764	0	(207,359,609)	1,293,056,156
- BlackRock Global Inv. Small Cap Strategy	1,083,317,645	(160,000,000)	(160,658,337)	762,659,307
- BlackRock Global Inv. World Ex-US	10,546,294,097	(644,000,000)	(1,437,378,225)	8,464,915,873
- BlackRock Global Inv. World Ex-US Alpha Tilts	2,494,342,084	(589,500,000)	(364,080,253)	1,540,761,831
- BlackRock Restructuring	11,888	(11,904)	82	65
- Capital Guardian Trust Company [3]	59,431	(53,330)	1,720	7,821
- Dimensional Fund Advisors	364,218,147	31,000,000	(65,166,177)	330,051,970
- Epoch Investment Partners	310,814,357	50,000,000	(51,218,060)	309,596,297
- Foreign Equity Internal Active [3]	9,943	(9,580)	4,629	4,992
- Franklin Templeton Small Cap	214,056,194	25,000,000	(24,417,799)	214,638,396
- Mondrian Investment Partners Small Cap	396,363,589	(10,000,000)	(34,088,414)	352,275,175
- Morgan Stanley Investment Management	1,714,204,604	0	(107,932,936)	1,606,271,668
- New Star Institutional Asset Management [3]	62,930	(181,359)	125,839	7,409
- PineBridge Investments [3]	9,310	(2,533)	(827)	5,950
- Principal Global Investors - FE	394,561,060	0	(44,760,146)	349,800,913
- Pyramis Global Advisors	1,741,376,219	0	(229,852,469)	1,511,523,749
- Pyramis Global Advisors Trust Small Cap	359,394,299	0	(54,076,021)	305,318,278
- Sprucegrove Investment Management	1,877,035,061	(125,000,000)	(171,859,489)	1,580,175,572
- Templeton Investment Counsel	1,734,622,764	0	(235,822,101)	1,498,800,663
- Victory Capital Management [3]	52,481	(50,731)	(1,188)	563
- Walter, Scott & Partners, Ltd.	1,724,835,775	0	(118,805,209)	1,606,030,566
- William Blair	334,402,840	50,000,000	(33,185,119)	351,217,721
Emerging Markets:				
- Aberdeen Asset Management	1,118,136,583	(120,000,000)	(45,987,024)	952,149,559
-Acadian Asset Mgt Inc.	1,161,459,013	0	(211,218,596)	950,240,417
- BlackRock EM	796,787,116	(65,000,000)	(125,988,038)	605,799,078
- DFA EM	428,804,429	0	(87,211,815)	341,592,614
- Genesis Emerging Markets	1,171,283,614	(140,000,000)	(137,487,945)	893,795,669
- Mondrian Investment Partners Ltd.	1,134,563,748	(107,000,000)	(79,817,273)	947,746,475
- State Street Global Advisors	907,351,460	0	(146,386,172)	760,965,287
- Trilogy	1,109,424,531	0	(199,178,663)	910,245,868
- Wells Capital Emerging Markets	657,261,615	108,100,000	(96,405,159)	668,956,455
- William Blair & Company, LLC	647,471,104	0	(66,760,311)	580,710,792
- William Blair Emerging Market Small Cap [1]	0	100,000,000	2,307,839	102,307,839
Frontier Markets:				
- Aberdeen Frontier Markets	92,769,666	0	(7,244,764)	85,524,902
- First State Frontier Markets	91,029,980	0	(3,833,222)	87,196,759
- HSBC Global Frontier Markets	78,891,646	0	(6,071,714)	72,819,931
Other:				
- Global Equity Cash	1,725,987	(1,236,915)	883,696	1,372,767
- Foreign Equity Policy Transition Acct	15,654	(5,814)	(9,636)	203
- Foreign Equity Policy Transition Acct [2]	4	(4)	0	0
Total Foreign Equities	**$ 40,816,050,577**	**$ (1,824,747,241)**	**$ (4,916,014,866)**	**$ 34,075,288,470**

Continued on page 41

Global Equities				
- Acadian Asset Management	$ 272,754,176	$ (232,623,180)	$ (40,124,590)	$ 6,405
- Epoch Investment Partners Global [1]	0	578,376,555	76,429,459	654,806,014
- Franklin Templeton	884,162,271	(734,117,363)	(149,839,632)	205,276
- Hexavest Inc. [1]	0	577,357,402	65,196,777	642,554,178
- Intech Investment Management	1,189,554,905	0	(53,285,127)	1,136,269,779
- McLean Budden	902,450,572	(771,323,174)	(131,103,510)	23,889
- Trilogy Global Advisors	441,055,010	0	(15,428,841)	425,626,169
- Schroders Investment Management [1]	0	573,819,759	32,505,813	606,325,572
Other:				
- Global Equities Cash Account [2]	7,050	(8,175)	1,125	0
- Citigroup Transition Account [1]	0	2,264,594	(2,264,594)	0
Total Global Equities	**$ 3,689,983,984**	**$ (6,253,583)**	**$ (217,913,119)**	**$ 3,465,817,282**
Total Global Equity	**$ 77,369,907,269**	**$ (4,146,920,269)**	**$ (3,885,885,886)**	**$ 69,337,101,114**

[1] Account opened during the fiscal year.
[2] Account closed during the fiscal year.
[3] Account closed in a prior year. Residual activity occurred in the current fiscal year.
• Totals may not foot due to rounding.

TABLE 14: FRS Pension Plan - Fixed Income Change in Market Value Fiscal Year 2011-12

Account Name	Market Value 6/30/11	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/12
Aggregate:				
- Active Core	$ 4,202,488,705	$ (413,000,000)	$ 309,544,095	$ 4,099,032,799
- BlackRock Core Bond Enhanced Index	3,206,387,338	(721,000,000)	226,127,560	2,711,514,898
- Investment Grade AA Account	3,326,666	64,561,089	(543,675)	67,344,080
- Neuberger Berman Core	1,448,856,569	0	102,081,054	1,550,937,623
- PIMCO Core	1,511,432,603	0	128,487,555	1,639,920,158
- Prudential Conservative Core [1]	0	937,591,167	71,101,993	1,008,693,161
- Smith Breeden Associates	1,729,018,333	(260,000,000)	127,716,842	1,596,735,175
- Taplin, Canida & Habacht	867,841,725	0	70,595,042	938,436,767
- REVE Note	672,500,102	0	86,200,009	758,700,110
Government/Corporate:				
- Fixed Income Gov't./Corp. Passive Account	11,227,511,153	(689,521,289)	955,715,826	11,493,705,690
Mortgage:				
- Fixed Income MBS Passive	5,559,186,948	(714,300,000)	261,926,222	5,106,813,170
Other:				
- Fixed Income Transition Account	1,002,131,511	(1,002,130,967)	708	1,252
- STIPFRS Reserve Liquidation Fund	381,566,736	(88,266,335)	36,014,635	329,315,036
Total Fixed Income	**$ 31,812,248,389**	**$ (2,886,066,335)**	**$ 2,374,967,866**	**$ 31,301,149,920**

[1] Account opened during the fiscal year.

• Totals may not foot due to rounding.

TABLE 15:

FRS Pension Plan - Private Equity
Change in Market Value Fiscal Year 2011-12

Account Name	Market Value 6/30/2011	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/12
Partnerships:				
- 3i Eurofund V, L.P.	$ 44,234,063	$ 1,142,576	$ (8,714,666)	$ 36,661,973
- 3I Growth Capital Fund	32,991,115	500,858	(10,579,091)	22,912,882
- ABRY Partners VII, L.P. [1]	0	16,119,739	643,812	16,763,550
- Advent International GPE VI	32,573,966	13,021,000	7,679,534	53,274,500
- APAX VIII, L.P. [1]	0	62,704	(62,704)	0
- Apollo Investment Fund IV, L.P.	18,131,748	(14,171,282)	1,258,690	5,219,156
- Apollo Investment Fund V, L.P.	59,272,392	0	(4,508,187)	54,764,205
- Apollo Investment Fund VI, L.P.	222,467,859	(11,452,540)	(1,510,167)	209,505,152
- Apollo Investment Fund VII, L.P.	119,729,004	24,556,175	16,345,970	160,631,149
- Ares Corporate Opportunities Fund III	55,995,180	4,625,571	10,403,511	71,024,263
- Ares Corporate Opportunities Fund IV, L.P. [1]	0	45,274	(45,274)	0
- AXA Secondary Fund V, L.P. [1]	0	17,965,234	(1,046,575)	16,918,659
- BC European Capital IX, L.P. [1]	0	10,034,386	(1,353,576)	8,680,810
- Berkshire Fund VIII, L.P. [1]	0	3,612,198	(381,785)	3,230,413
- Blackstone Capital Partners V, L.P.	124,628,364	(3,330,863)	10,062,888	131,360,390
- Blackstone Capital Partners VI, L.P.	(161,205)	25,609,953	(2,430,378)	23,018,370
- Carlyle Asia Growth Partners IV	28,506,579	17,566,864	(8,501,602)	37,571,841
- Carlyle Partners Europe III, L.P.	41,130,266	6,960,491	853,745	48,944,502
- Carlyle Partners II	13,794,786	(10,733,057)	5,529,304	8,591,033
- Carlyle Partners III , L.P.	22,449,769.00	(28,188,057)	8,717,397	2,979,109.00
- Carlyle Partners IV, L.P.	68,430,669	(16,500,760)	19,079,302	71,009,211
- Carlyle Partners V, L.P.	120,970,284	(3,192,092)	12,274,783	130,052,975
- Centre Capital Investments II	28,939,377	(31,585,678)	4,684,912	2,038,611
- Charlesbank Equity Fund VII, L.P.	18,541,345	9,627,955	972,888	29,142,187
- Charterhouse Capital Partners IX, L.P.	19,346,885	21,063,267	(1,061,217)	39,348,936
- Chartwell Capital Investors II, L.P.	10,637,680	(1,000,000)	509,666	10,147,346
- Cortec Group V L.P.	80,000	7,343,855	(840,376)	6,583,479
- Cressey & Company Fund IV, L.P.	11,944,861	2,750,000	450,602	15,145,463
- CVC European Equity Partners V	52,243,540	5,413,666	3,272,424	60,929,630
- Cypress Equity Fund	1,732,750	(896,163)	131,510	968,097
- Denham Commodity Partners Fund VI, L.P. [1]	0	4,263,246	(1,915,499)	2,347,748
- EnCap Energy Capital Fund VIII L.P.	3,182,929	16,121,325	6,872,717	26,176,972
- Energy Capital Partners II L.P.	23,628,677	23,327,698	2,451,269	49,407,644
- EnerVest Energy Fund XII-A, L.P.	11,012,955	20,850,309	1,354,638	33,217,902
- Fairview Special Opportunities Fund, L.P. [1]	0	9,113,425	(566,096)	8,547,329
- Fairview Ventures Fund II, L.P.	33,293,550	693,091	2,338,471	36,325,112
- Fairview Ventures Fund III, L.P.	37,044,201	11,875,491	10,485,181	59,404,872
- First Reserve Fund XI, L.P.	67,033,602	9,853,105	6,978,646	83,865,353
- First Reserve Fund XII, L.P.	92,356,203	29,788,258	26,309,810	148,454,271
- Francisco Partners III, L.P. [1]	0	2,750,000	(772,941)	11,977,059
- FS Equity Partners V, L.P.	34,708,747	(15,130,955)	15,326,347	34,904,139
- FS Equity Partners VI, L.P.	23,809,202	14,183,905	1,480,972	39,474,079
- Gores Capital Partners I, L.P.	36,326,775	(4,644,781)	(216,380)	31,465,614
- Gores Capital Partners II, L.P.	31,730,915	1,427,912	(582,764)	32,576,063

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- Gores Capital Partners III, L.P.	12,501,791	33,224,677	(1,450,093)	44,276,375
- Green Equity Investors III, L.P.	5,587,196	0	(4,683)	5,582,513
- Green Equity Investors IV, L.P.	115,428,587	4,821,738	14,793,521	135,043,846
- Green Equity Investors V, L.P.	80,046,440	(3,548,811)	7,731,572	84,229,201
- Green Equity Investors VI, L.P. [1]	0	53,715	(53,715)	0
- Grove Street Partners Buyouts LLC	78,067,869	11,582,285	10,774,783	100,424,937
- Grove Street Partners Buyouts II, LLC [1]	0	13,297,879	(311,705)	12,986,174
- Grove Street Partners Ventures LLC	162,327,506	34,986,991	(12,989,207)	184,325,290
- Grove Street Partners Ventures II, LLC	47,765,553	3,279,371	39,882,881	90,927,805
- Hellman & Friedman Capital Partners V, L.P.	60,509,388	(10,747,343)	5,265,979	55,028,024
- Hellman & Friedman Capital Partners VI, L.P.	89,708,434	(11,219,064)	(989,472)	77,499,898
- Hellman & Friedman Capital Partners VII, L.P. [1]	0	43,563,817	(4,701,625)	38,862,192
- Hicks, Muse, Tate & Furst III, L.P.	32,908,837	0	(8,988,581)	23,920,256
- Hicks, Muse, Tate & Furst Fund IV, L.P.	21,667,103	(17,981,150)	7,024,236	10,710,189
- Hicks, Muse, Tate & Furst Fund V, L.P.	2,114,904	(1,826,238)	1,309,879	1,598,545
- JH Whitney VII, L.P.	4,147,583	11,577,252	504,651	16,229,486
- Kelso Investment Associates VII, L.P.	47,733,569	(5,729,426)	681,075	42,685,218
- Kelso Investment Associates VIII, L.P.	33,141,792	14,456,342	(559,643)	47,038,491
- KKR European Fund III	23,448,833	5,932,892	(3,270,140)	26,111,586
- Kohlberg Investors V, L.P.	27,226,546	(2,045,924)	4,042,591	29,223,213
- Kohlberg Investors VI, L.P.	34,787,776	(3,749,546)	6,522,036	37,560,266
- KPS Special Situations Fund III, L.P.	5,475,675	21,971,469	60,748	27,507,892
- Lexington Capital Partners IV, L.P.	36,145,551	(17,583,169)	(316,379)	18,246,003
- Lexington Capital Partners V, L.P.	32,035,615	(7,901,476)	1,852,679	25,986,818
- Lexington Capital Partners VI-B, L.P.	71,447,599	(7,646,948)	4,727,445	68,528,096
- Lexington Capital Partners VII, L.P.	88,500,012	(118,822)	5,601,496	93,982,686
- Lexington Co-Investment Partners (Pools I & II), L.P.	10,650,557	(37,707)	(1,766,855)	8,845,995
- Lexington Co-Investment Partners 2005, L.P.	346,691,447	(32,410,346)	43,346,824	357,627,925
- Lexington Co-Investment Partners 2005 II (Pool III), L.P. [1]	0	56,270,386	(609,203)	55,661,183
- Lexington Co-Investment Partners II (Pools III & IV), L.P.	331,741,303	(44,471,856)	(14,272,163)	272,997,284
- Liberty Partners Group II	(4,591)	9,507	(7,319)	(2,403)
- Liberty Partners II	23,874,031	214,028	(3,003,809)	21,084,250
- Liberty Partners III	33,502,240	(9,918,065)	(13,584,175)	10,000,000
- Liberty Partners V	38,517,820	(18,212,211)	5,296,530	25,602,139
- Liberty Partners VI	317,239,469	(44,209,485)	(48,766,818)	224,263,166
- Liberty Partners VII	42,672,329	3,105,532	(9,387,316)	36,390,545
- Lindsay Goldberg & Bessemer II, L.P.	78,785,506	(26,561,211)	37,492,096	89,716,391
- Lindsay Goldberg III, L.P.	21,195,152	11,364,845	2,531,951	35,091,948
- Montagu Private Equity Fund IV	3,465,654	4,071,220	(628,451)	6,908,423
- New Mountain Partners II, L.P.	40,352,911	(17,771,529)	6,883,462	29,464,844
- New Mountain Partners III, L.P.	54,940,069	3,690,924	7,859,459	66,490,452
- PAI Europe V, L.P.	24,120,079	530,897	(1,386,456)	23,264,521
- Pantheon Global Secondary Fund IV, L.P.	20,506,900	6,474,931	4,737,438	31,719,269
- Pantheon Venture Partners II, L.P.	65,259,527	5,500,000	11,791,707	82,551,234
- Permira IV, L.P.	56,530,062	(38,863)	7,529,845	64,021,043
- Platinum Equity Capital Partners, L.P.	18,706,526	(2,199,949)	6,505,922	23,012,499
- Platinum Equity Capital Partners II, L.P.	45,206,503	4,841,499	18,673,779	68,721,781
- Platinum Equity Capital Partners III, L.P. [1]	0	32,840,033	(1,780,086)	31,059,947
- Pomona Capital VI, L.P.	38,421,026	(5,186,738)	2,215,900	35,450,188

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- Pomona Capital VI, L.P.	38,421,026	(5,186,738)	2,215,900	35,450,188
- Pomona Capital VI, L.P.	27,244,487	5,356,578	3,883,335	36,484,400
- Providence Equity Partners VI, L.P.	38,226,204	2,026,054	5,454,836	45,707,094
- Providence Equity Partners VII, L.P. [1]	0	9,418,042	(43,301)	9,374,741
- RCP Advisors Fund IV, L.P.	32,021,641	(324,491)	3,625,381	35,322,531
- RCP Advisors Fund V, L.P.	21,145,915	4,897,014	2,731,857	28,774,785
- RCP Advisors Fund VI, L.P.	10,242,868	6,441,148	383,787	17,067,803
- RCP Advisors Fund VII, L.P.	2,218,750	6,500,000	(1,872,366)	6,846,384
- RCP Advisors Fund VIII, L.P. [1]	0	1,250,000	0	1,250,000
- Ripplewood Partners II, L.P.	47,126,103		(4,461,556)	42,664,547
- Riverside Capital Appreciation Fund V, L.P.	37,111,785	14,457,986	6,432,804	58,002,575
- Riverside Europe Fund IV, L.P.	18,033,036	18,013,156	(5,401,678)	30,644,513
- Snow Phipps II, L.P.	5,569,504	6,973,873	3,910,584	16,453,960
- Strategic Investors Fund V-A, L.P. [1]	0	17,006,120	(912,687)	16,093,433
- Summit Partners Growth Equity Fund VIII-A, L.P. [1]	0	5,669,653	(44,653)	5,625,000
- TA XI, L.P. [1]	18,693,800	19,250,000	1,725,161	39,668,961
- Thoma Bravo Fund IX, L.P.	41,627,036	(20,925,971)	27,769,177	48,470,242
- Thoma Bravo Fund X, L.P. [1]	0	25,829,428	(949,111)	24,880,317
- Thoma Cressey Fund VIII L.P.	50,904,783	(17,084,116)	19,891,351	53,712,018
- Thomas H. Lee Equity Fund V, L.P.	20,534,329	(8,965,326)	3,854,903	15,423,906
- Thomas H. Lee Equity Fund VI, L.P.	53,579,817	1,651,964	2,873,176	58,104,957
- Top Tier Venture Capital II, L.P.	88,986,323	(11,279,889)	13,046,306	90,752,740
- Top Tier Venture Capital III, L.P.	63,571,244	(1,689,360)	6,040,875	67,922,760
- Top Tier Venture Capital IV, L.P.	60,347,076	18,249,944	6,111,895	84,708,915
- Top Tier Special Opportunities Fund	10,852,437	1,804,640	(912,327)	11,744,750
- TowerBrook Investors II, L.P.	57,790,935	(25,350,797)	8,041,703	40,481,841
- TowerBrook Investors III, L.P.	58,590,370	22,261,662	11,746,762	92,598,794
- TPG Growth II, L.P. [1]	0	7,877,012	(1,652,234)	6,224,778
- TPG Partners IV, L.P.	43,570,921	(15,395,996)	3,434,193	31,609,118
- TPG Partners V, L.P.	57,948,581	1,824,727	764,604	60,537,912
- TPG Partners VI, L.P.	88,544,726	16,867,326	6,093,987	111,506,038
- Trident V, L.P.	14,608,903	10,403,211	98,891	25,111,005
- TrueBridge-Kauffman Fellows Endowment Fund II, L.P. [1]	0	23,024,558	(1,175,332)	21,849,226
- TrueBridge/FLSBA Special Purpose, LLC. [1]	0	4,668,022	(61,153)	4,606,869
- TSG Capital Fund III, L.P.	72,830	0	0	72,830
- Warburg Pincus Private Equity IX, L.P.	71,666,794	(9,024,538)	16,469,906	79,112,162
- Warburg Pincus Private Equity X, L.P.	115,391,149	23,194,665	6,879,510	145,465,324
- Warburg Pincus Private Equity XI, L.P. [1]	0	12,657,302	(426,701)	12,230,601
- Wellspring Capital Partners III, L.P.	8,172,160	(57,871)	4,939,592	13,053,881
- Wellspring Capital Partners IV, L.P.	76,471,422	(6,430,929)	14,011,153	84,051,646
- Wellspring Capital Partners V, L.P. [1]	0	32,044,689	(4,054,077)	27,990,612
- Willis, Stein & Partners II, L.P.	64,198	0	38,892	103,090
- Willis, Stein & Partners III, L.P.	69,704,972	(17,955,580)	(17,060,864)	34,688,528
Other:				
- Private Equity Cash	68,850,237	(2,123,569)	(1,165,789)	65,560,878
Total Private Equity	**$ 5,647,323,049**	**$ 421,000,000**	**$ 408,253,092**	**$ 6,476,576,140**

[1] Account opened during the fiscal year. [2] Account closed during the fiscal year.

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

TABLE 16: FRS Pension Plan - Strategic Investments Change in Market Value Fiscal Year 2011-12

Account Name	Market Value 6/30/11	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/12
Debt-Oriented:				
- ABRY Advanced Securities Fund	$ 138,914,227	$ (31,771,018)	$ 6,566,967	$ 113,710,176
- ABRY Advanced Securities Fund II	14,980,614	42,097,710	4,069,020	61,147,344
- ABRY Senior Equity. L.P. III	18,603,555	23,757,826	3,157,031	45,518,412
- Apollo Credit Liquidity Fund	155,886,949	(36,245,964)	3,934,706	123,575,691
- Audax Credit Opportunities	118,469,437	85,756,127	12,539,226	216,764,790
- Bayview Opportunity Master Fund II b	58,150,143	26,870,033	7,301,837	92,322,013
- Blackrock Carbon Capital III	81,045,255	(8,916,117)	8,773,312	80,902,451
- Blackstone Credit Liquidity Partners	115,071,314	(35,506,864)	12,022,552	91,587,002
- Blackstone/GSO Capital Solutions Fund	31,762,165	28,644,831	2,115,128	62,522,124
- Carlyle Mezzanine Partners II	45,742,245	37,882,975	2,010,159	85,635,379
- Colony Distressed Credit Fund II [1]	0	30,125,509	416,529	30,542,038
- Crescent Mezzanine Partners VI [1]	0	74,134	(74,134)	0
- CVI Credit Value Fund A	44,937,000	49,502,378	12,288,503	106,727,881
- Falcon Strategic Partners III, L.P.	43,744,479	20,767,515	9,967,406	74,479,400
- Goldman Sachs Distressed Opportunities, L.P.	93,360,120	(10,586,619)	(2,060,189)	80,713,312
- GSO Capital Opportunities Fund	124,435,160	7,641,115	27,710,359	159,786,634
- GSO Capital Opportunities Fund II [1]	0	26,402,896	2,816,792	29,219,688
- Levine Leichtman Capital Partners IV	45,463,708	20,655,523	18,723,259	84,842,490
- Morgan Stanley Mezzanine Partners Pooled Fund	9,281,805	(7,603,974)	(895,472)	782,360
- Oaktree Opportunities Fund VIII, L.P.	81,810,491	25,000,000	3,070,434	109,880,925
- Oaktree Opportunities Fund VIIIb, L.P. [1]	0	20,000,000	246,462	20,246,462
- OCM Opportunities Fund VIIb	51,183,115	(22,050,000)	1,223,541	30,356,656
- PCG Special Situation Partners, L.P.	101,047,572	(14,574,965)	(3,265,301)	83,207,306
- Principal RE Debt (SBAF Mortgage Fund)	161,758,204	39,891,558	19,301,520	220,951,281
- Providence TMT Debt Opportunity Fund II	42,159,131	38,401,332	5,282,157	85,842,620
- Providence TMT Special Situation Fund	194,422,692	(56,433,570)	1,811,711	139,800,833
- Special Situation Partners II, L.P.	91,477,304	(8,105,138)	9,398,775	92,770,941
- Square Mile Partners III, L.P.	66,279,342	14,494,547	14,815,242	95,589,131
- TAC 2007 (TPG Credit Fund)	127,831,726	(29,899,427)	(31,586,776)	66,345,523
- TCW Crescent Mezzanine Partners V, L.P.	76,604,844	14,327,176	11,293,817	102,225,836
- Tricon IX, L.P.	64,432,137	20,950,516	8,339,769	93,722,422
- Varde Fund X, L.P.	53,516,923	35,000,000	2,695,332	91,212,254
- VSS Structured Capital II	30,359,089	(2,707,375)	3,847,715	31,499,429
- Wayzata Opportunities Fund II, L.P.	50,638,291	(10,300,002)	7,374,925	47,713,214
- Neuberger Berman Asset Management	210,355,309	0	19,647,364	230,002,673
Hedge Funds and Related Vehicles:				
- Anchorage Capital Fund [1]	0	100,050,761	4,246,656	104,297,417
- Cevian Capital II	139,818,544	0	(14,001,544)	125,817,000
- Gruss Global Investors Fund [1]	0	150,037,985	(595,033)	149,442,952
- Highline Capital Partners	147,322,141	0	664,451	147,986,592
- King Street Capital Fund	100,000,000	50,012,314	(583,918)	149,428,396
- KV Partners	183,277,476	41,942,091	(83,158,236)	142,061,331
- Mason Capital Fund	99,625,000	50,000,000	645,462	150,270,462
- P2 Capital Fund	120,183,072	0	1,067,817	121,250,889

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- Scopia PX LLC [1]	0	50,038,300	341,068	50,379,368
- Starboard Value and Opportunity Fund	50,052,165	75,000,000	18,080,089	143,132,254
- Taconic Opportunity Fund	100,000,000	50,013,763	(448,968)	149,564,795
Other Opportunistic and Special Situations:				
- Airline Credit Opportunities II	20,954,673	7,352,941	4,458,280	32,765,894
- Blackstone Unit Trusts	3,030,215	0	(443,974)	2,586,240
- CVI Global Value Fund A	355,231,067	(78,482,461)	24,895,870	301,644,476
- Florida Growth Fund, L.P.	121,656,010	24,688,994	6,391,463	152,736,467
- Florida Growth Fund Tranche II [1]	0	11,528,101	(876,752)	10,651,349
- GI Partners Fund III, L.P.	71,833,655	20,006,576	6,433,467	98,273,698
- Lexington GP Holdings	40,611,832	(3,365,061)	30,962,577	68,209,349
Real Assets:				
- Boston Timber Opportunities [1]	0	47,459,161	(23,264)	47,435,897
- Jackson Timberland Opportunities [1]	0	2,564,103	0	2,564,103
Other:				
- Strategic Investments Cash Account	64,513,527	10,609,766	(1,799,251)	73,324,042
- Strategic Investments Transition Account	2,424,916	(426,490)	276,360	2,274,786
Total Strategic Investments	**$ 4,164,258,637**	**$ 942,573,510**	**$ 201,412,299**	**$ 5,308,244,446**

[1] Account opened 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 17: FRS Pension Plan - Real Estate Change in Market Value Fiscal Year 2011-12

Account Name	Market Value 6/30/11	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/12
Agriculture Funds:				
- Goose Pond Agricultural, Inc.	$ 163,370,985	$ 1,488,667	$ 25,698,858	$ 200,558,510
- Sunshine Agriculture, Inc.	153,284,174	(29,098,317)	33,993,608	158,179,465
Joint Ventures:				
- IDI NALI A	125,774,860	(66,262,543)	22,527,142	82,039,459
- IDI NALI B [1]	0	16,436,043	1,467,150	17,903,193
- IDI NALI C [1]	0	52,102,051	(3,741,520)	48,360,531
- IDI NALI D [1]	0	18,571,454	0	18,571,454
- Konover South Portfolio Holdings, LLC	30,973,386	(1,116,035)	731,805	30,589,155
- MS Inland Fund, LLC	76,397,953	(11,071,216)	16,173,922	81,500,659
- MS NHP Fund, LLC	143,367,639	(16,384,839)	5,052,002	132,034,802
- Ramco	63,907,470	6,703,624	11,252,617	81,863,711
Pooled Funds:				
- Beacon Capital SP Fund VI	35,333,644	3,143,564	2,308,972	40,786,180
- BlackRock Granite Fund	131,748,943	(5,028,108)	14,434,841	141,155,676
- BlackRock Retail Opportunity Fund	18,049,455	0	(3,016,795)	15,032,660

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- Blackstone Real Estate Partners VI	206,263,673	4,951,124	21,926,239	233,141,036
- Blackstone Real Estate Partners VII [1]	0	62,121,488	3,976,486	66,097,974
- Carlyle Realty Partners VI [1]	0	16,730,810	(1,333,042)	15,397,768
- Diamond Property Fund	35,324,687	(171,938)	1,349,176	36,501,925
- EMI Pooled Fund Expenses Account	4,750	252,820	(257,570)	0
- Enhanced Property Fund	56,265,599	(3,103,381)	9,172,771	62,334,989
- Hines US Office Value Added Fund II	33,802,981	13,942,310	(136,304)	47,608,987
- JP Morgan Pooled Fund	266,484,193	(11,725,027)	28,507,044	283,266,210
- JP Morgan Special Situation Fund	90,505,746	(385,160)	15,071,519	105,192,104
- MS Resorts [2]	0	75,000	(75,000)	0
- Prime Property Fund	226,447,090	(9,318,703)	31,737,060	248,865,447
- Principal Financial Group Pooled Fund	184,375,008	0	23,435,218	207,810,226
- Prudential PRISA	209,537,290	(7,427,628)	32,459,929	234,569,591
- Prudential PRISA Fund II	105,090,632	(2,865,950)	19,168,318	121,393,000
- Prudential PRISA Fund III	124,528,663	(1,795,330)	27,123,202	149,856,535
- Rockpoint Real Estate Fund III, L.P.	73,828,814	(22,104,421)	25,062,435	76,786,829
- Rockpoint Real Estate Fund VI, L.P. [1]	0	834,429	(834,429)	0
- RREEF America REIT Pooled Fund	256,799,673	(20,659,583)	29,664,675	265,804,765
- UBS Pooled Fund	202,968,146	(6,590,643)	26,023,212	222,400,715
Principal Investments:	4,216,852,346	(82,413,590)	625,672,521	4,760,111,277
Real Estate Investment Trusts (REITs):				
- AEW Global REIT	268,648,604	0	6,858,228	275,506,832
- CohenSteers Global REIT	266,937,695	0	(4,770,667)	262,167,028
- Invesco Global REIT	269,431,371	(5)	5,926,770	275,358,137
- Invesco Institutional (N.A.), LLC [2]	126,817	(13,409)	(113,408)	0
- RREEF Global REIT	268,495,331	0	2,978,675	271,474,006
Other:				
- Real Estate Cash Account	13,656,952	(1,533,724)	(146,485)	11,976,743
- Real Estate Transition Account	1,270,175	(1,283,837)	14,507	846
Total Real Estate Investments	**$ 8,319,854,744**	**$ (93,000,000)**	**$ 1,055,343,680**	**$ 9,282,198,424**

[1] Account opened during the fiscal year. [2] Account closed during the fiscal year.

- For certain real estate 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 18: FRS Pension Plan - Miscellaneous Portfolios Change in Market Value Fiscal Year 2011-12

Account Name	Market Value 6/30/11	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/12
Central Cash/Short-Term	$ 1,219,578,976	$ (160,613,391)	$ (18,666,037)	$ 1,040,299,549
TF STIPFRS NAV Adjustment Account	(307,987)	0	711,634	403,647
Cash Securities Lending Account	141	(37,145,254)	37,145,424	310
Total Cash Asset Class[1]	**$ 1,219,271,130**	**$ (197,758,645)**	**$ 19,191,021**	**$ 1,040,703,506**

[1] The investment gain (loss) reported for the Cash/Short-Term Securities includes $20,078,677 in SBA investment service charges, $219,220 in consulting and legal fees, and $2,050,821 in net bank fees (gross bank fees of $3,094,933 less lending bank fee rebatesreceived of $1,044,112) paid out of the total Central Cash/Short-Term portfolio on behalf of the entire FRS Pension Plan. Excluding these expenses, the investment gain (loss) reported would have been $3,682,681, which reflects actual investment returns.

- Totals may not foot due to rounding.

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

Table 20 shows investment positions held at year-end in the SBA's various securities lending programs for the FRS Pension Plan. The SBA lends securities and receives cash and securities as collateral for the loans. The cash is invested. Earnings on investments, net of broker rebates, are split between the lending agent and the SBA. When security loans mature and the borrowed securities are returned to the SBA, the cash and securities received as collateral are returned to the borrower. This information does not include non-cash security loans. Amounts are based on information provided by the lending agents.

TABLE 19:

FRS Pension Plan Net Securities Lending Revenue by Fiscal Year

2000-01	$	45,645,138
2001-02		49,744,143
2002-03		34,568,715
2003-04		34,558,808
2004-05		38,447,917
2005-06		50,490,779
2006-07		54,097,509
2007-08		115,505,817
2008-09		96,168,151
2009-10[1]		(134,528,845)
2010-11		43,594,622
2011-12		43,777,884
Twelve Year Total	**$**	**472,070,638**

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

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

TABLE 20:

FRS Pension Plan - Securities Lending Book and Market Values as of June 30, 2012

		Book Value[1]		Market Value		Unrealized Gain (Loss) on Investments
FRS Pension Plan						
Bank of New York Mellon	$	2,663,171,167	$	2,561,983,695	$	(101,187,472)
Deutsche Bank		2,378,322,580		2,376,284,185		(2,038,395)
Total FRS Pension Plan	**$**	**5,041,493,747**	**$**	**4,938,267,880**	**$**	**(103,225,867)**

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

• The data does not include lending activity within commingled fund structures; which is the convention for the balance of this report.

• Totals may not foot due to rounding.

Florida Growth Fund and Florida Based Technology and Growth Investments

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

The Legislature made a determination that such investments would economically benefit the state. These investments may include space technology, aerospace and aviation engineering, computer technology, renewable energy, and medical and life sciences. The SBA created the Florida Growth Fund as the vehicle to carry out this mandate.

As part of the initiative, Florida Statute requires the SBA to report the year-end value of all the Pension Plan's Florida based investments, as well as the component that can be considered growth and technology. Table 21 provides those figures for all Pension Plan investments that meet the criteria.

TABLE 21:

	All Florida Holdings	Growth & Technology
Asset Class	Net Asset Value	Net Asset Value
Separate Accounts - Direct		
Global Equity	$ 559,375,103	$ 324,676,669
Fixed Income	84,236,182	31,955,362
Real Estate - Core[1]	299,719,606	-
Real Estate - Non-Core[1]	5,761,689	-
Sub-Total Separate Accounts	**$ 949,092,580**	**$ 356,632,031**
Commingled Accounts - Indirect[2]		
Real Estate - Commingled[3]	168,018,283	-
Private Equity - Commingled[4]	299,559,291	190,399,285
Strategic Investments - Commingled	304,902,076	84,907,623
Sub-Total Commingled	**772,479,650**	**275,306,908**
Total	**$ 1,721,572,230**	**$ 631,938,939**

[1] Real Estate Core and Non-Core Data as of March 31, 2012, net of debt.

[2] The Pension Plan owns Florida investments in commingled funds valued at $772,479,650. The Pension Plan owns shares of each commingled fund, not the underlying assets, i.e., property, equity or debt instruments. The assets are owned by the funds.

[3] Real Estate Commingled Account Data as of June 30, 2012, net of debt.

[4] Private Equity Data as of March 31, 2012.

Florida Retirement System Investment Plan

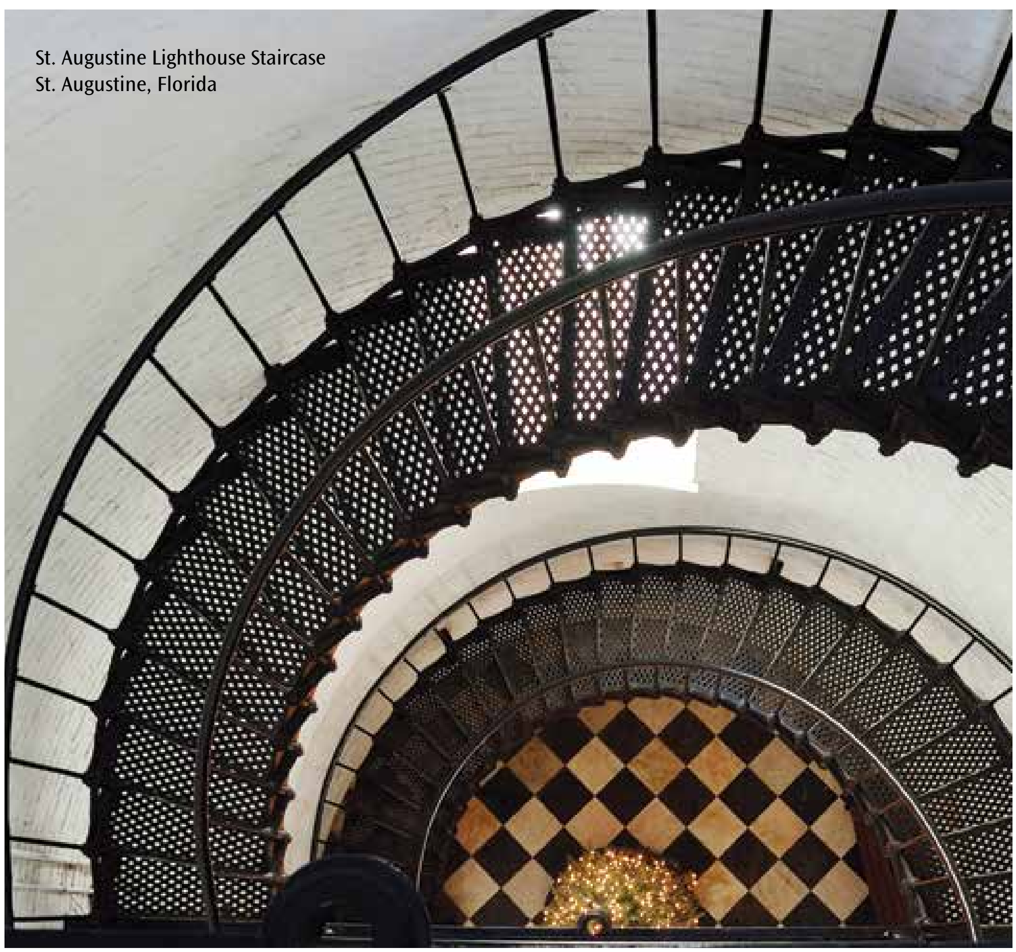
Overview and Investment Objective

The Florida Retirement System (FRS) Investment Plan was established by the Legislature to provide Florida's public employees with a portable, flexible alternative to the FRS traditional defined benefit plan. Since opening its first employee account nearly ten years ago, the FRS Investment Plan has become one of the largest optional public-sector defined contribution retirement plans in the U.S., with over 144,000 members and $7.1 billion in assets as of June 30, 2012.

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

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

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

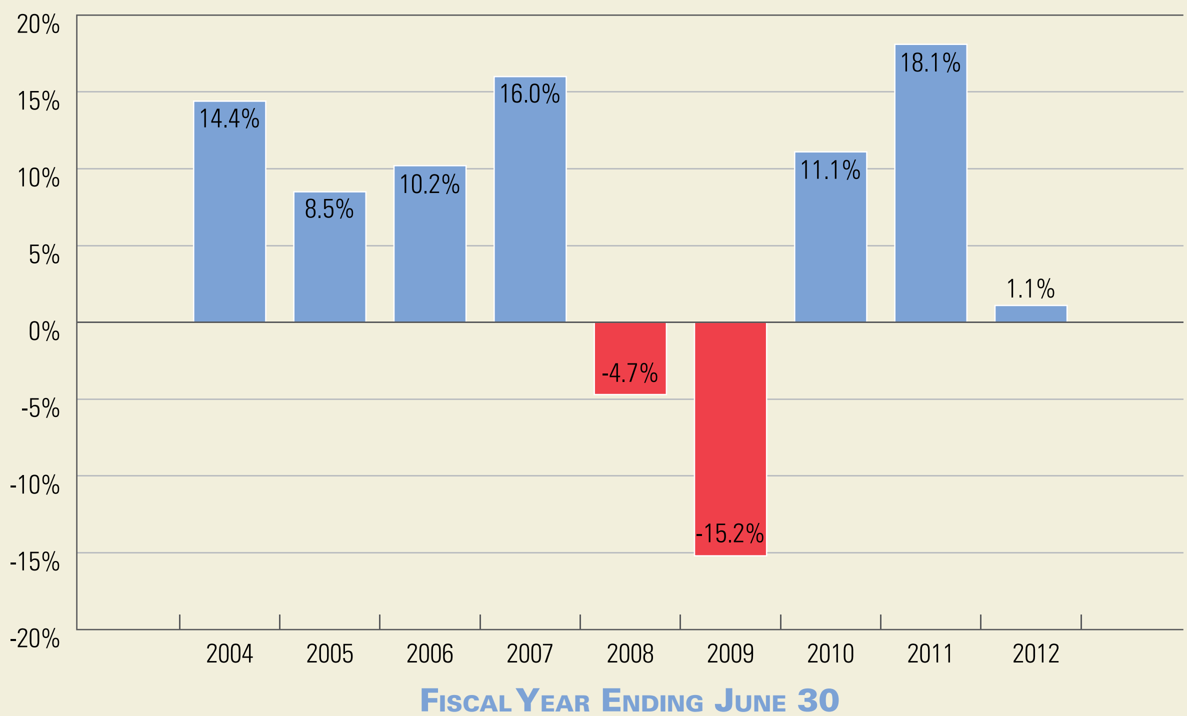


St. Augustine Lighthouse Staircase
St. Augustine, Florida

Performance

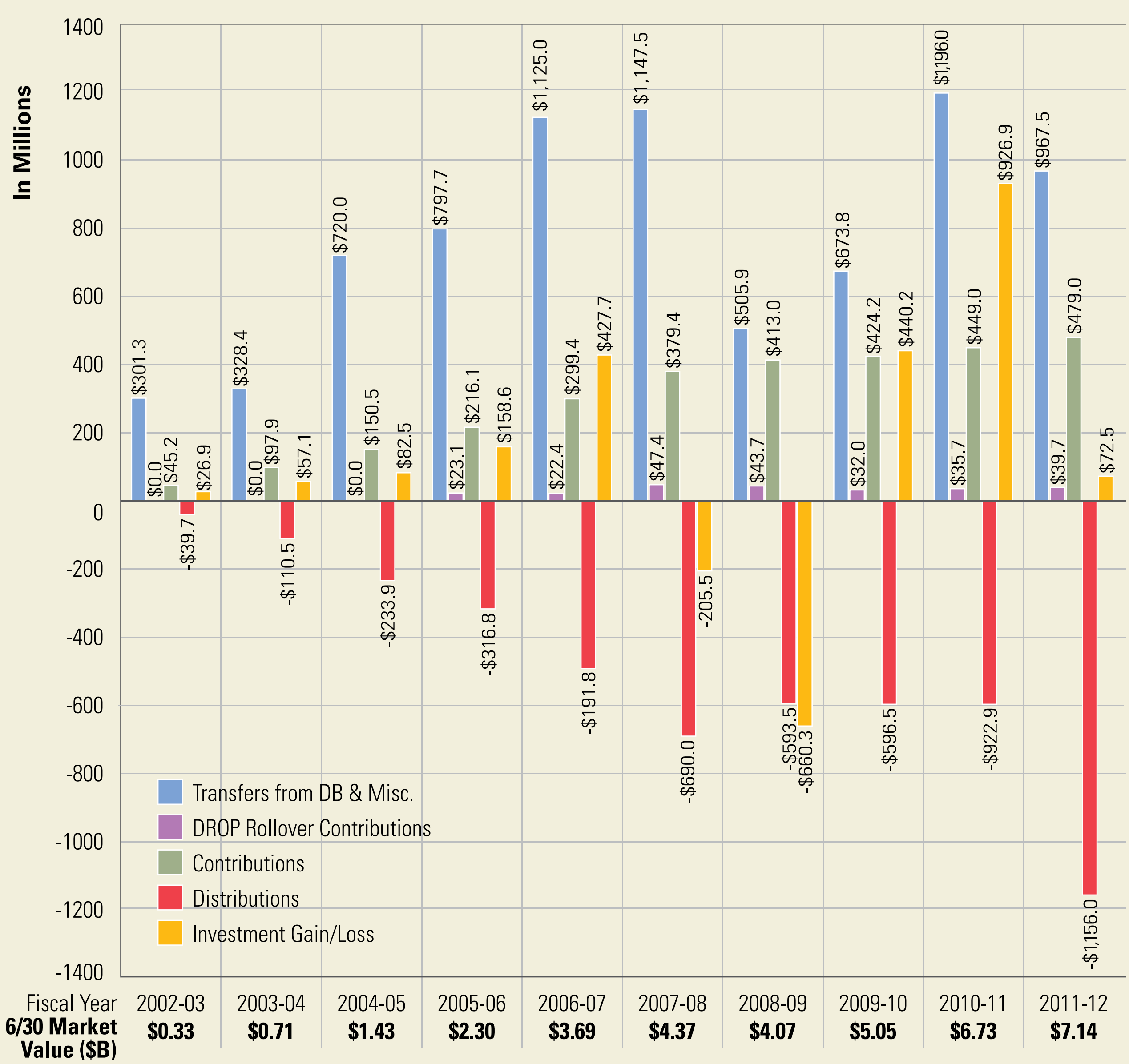
Investment performance in the FRS Investment Plan is measured on an absolute basis (actual returns) and relative to appropriate market benchmarks for each investment option. Performance data is aggregated for the total fund and for each product type, using participant allocations as the weighting factors.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

CHART 12: **FRS Investment Plan Actual Returns by Fiscal Year**



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

CHART 13: **FRS Investment Plan - Annual Change in Total Fund Value by Source**



St. Augustine Inlet Lighthouse
St. Augustine, Florida

Costs

Total plan cost equals the sum of investment option management fees plus administrative, education and fiduciary costs. The FRS Investment Plan's total plan cost (or expense ratio) for fiscal year 2011-12 was 38.0 basis points (bps). This exceeded its benchmark cost of 35.0 bps by 3 bps, or 0.03%. The benchmark cost is an estimate of what our cost would be if the Plan paid the peer median cost for each of the investment options and for the education, administration and fiduciary functions. The reason for exceeding the benchmark is the extensive education program offered to all FRS members. Without these costs the Investment Plan would be lower than all peers.

Investment Options

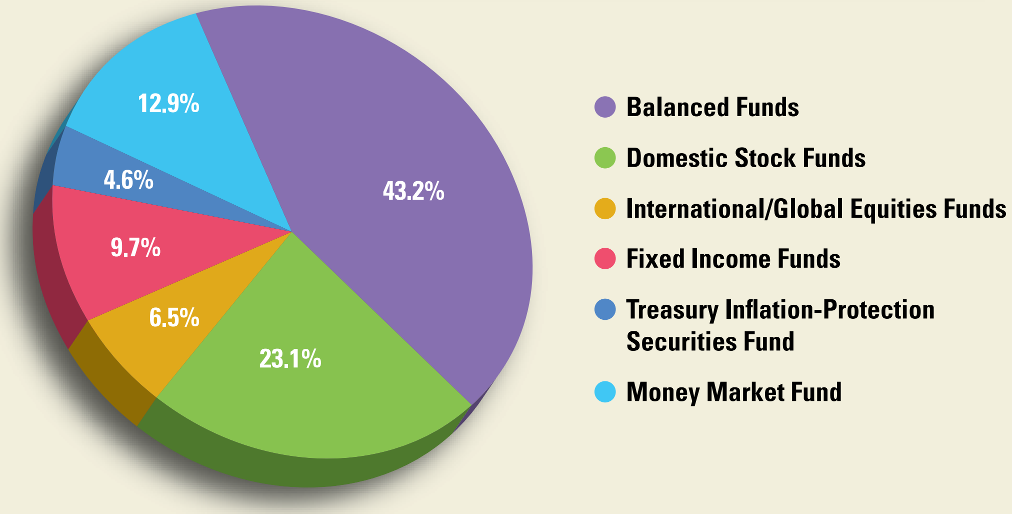
The FRS Investment Plan offers a diversified array of fund options that span the risk and return spectrum. In 2004 comprehensive review of the original 42 fund options resulted in the options being consolidated to 20 funds in the five asset classes offered today. The 20 funds are offered in the asset classes consisting of a Money Market Fund, U.S. Treasury Inflation-Protected Securities, Fixed Income, Domestic Equities and International Equities. Average fees across all investment funds are highly competitive at 0.22%.

TABLE 22: Average Investment Manager Fees

FRS Investment Plan Expense Ratio*	0.22%
Peer DC Plan Expense Ratio*	0.24%

*Source: CEM Benchmarking 2011 Report – Custom Peer Group for SBA of 19 DC plans including corporate and public plans with assets between $2.0 – $12.6 billion.

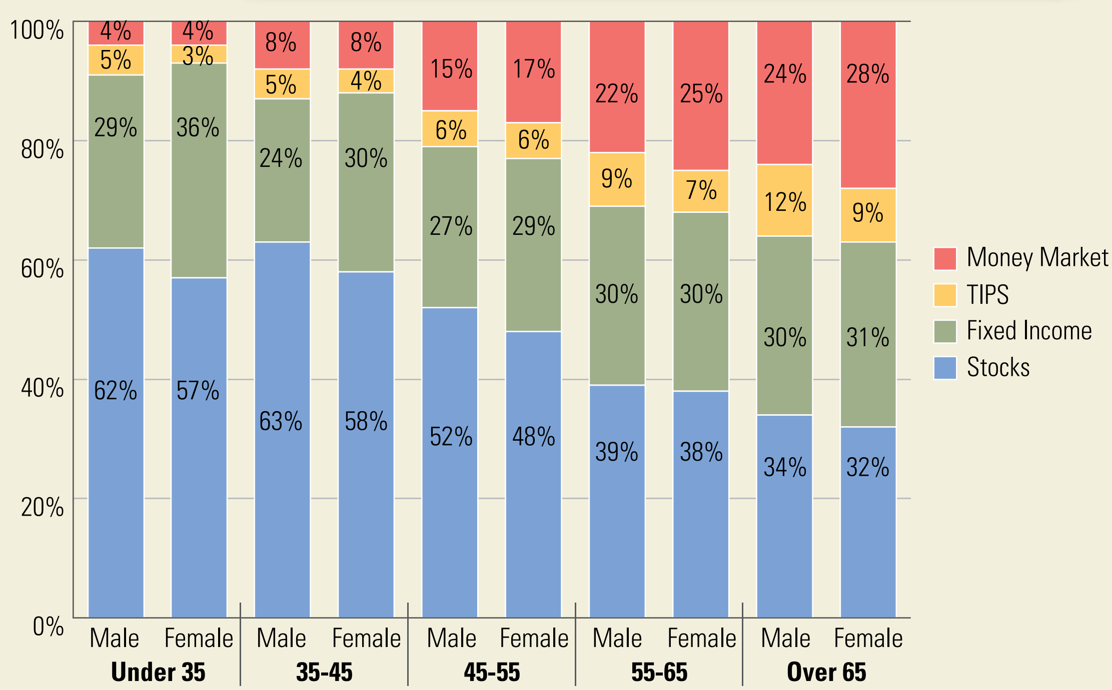
CHART 14: **FRS Investment Plan - Assets by Product Type**
$7.14 Billion Market Value as of June 30, 2012



*Asset allocation is a result of member investment selection.

Generally speaking, it appears participants are making age appropriate investment decisions based on the distributions illustrated in Chart 15.

CHART 15: **FRS Investment Plan - Asset Allocation by Age and Gender as of June 30, 2012**



Balanced Funds

These funds are particularly appropriate for "one-stop shopping." They seek favorable long-term returns by keeping costs low and investing across multiple asset classes to diversify and control risk. They invest in various investment funds in different proportions to keep their overall level of risk relatively steady over time. The proportions and specific funds included in each Balanced Fund may change over time. Financial Engines, a federally registered investment advisor and fiduciary to the FRS, will periodically provide updated investment fund mixes to the FRS which they believe will provide the best balance between expected risk and return.

TABLE 23: **FRS Investment Plan - Balanced Funds**

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2012

	Last 12 Months			Last 3 Years			Last 5 Years			Since Inception		
	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added
Balanced Funds												
FRS Select Conservative Balanced Fund PB: Conservative Balanced Aggregate Index	3.38%	3.35%	0.03%	5.87%	5.65%	0.22%	3.50%	3.03%	0.47%	5.02%	4.56%	0.46%
FRS Select Moderate Balanced Fund PB: Moderate Balanced Aggregate Index	1.53%	1.56%	(0.03%)	9.61%	9.37%	0.24%	0.95%	0.51%	0.44%	6.36%	6.17%	0.19%
FRS Select Aggressive Balanced Fund PB: Aggressive Balanced Aggregate Index	(0.41%)	(0.19%)	(0.22%)	10.45%	10.47%	(0.02%)	(1.07%)	(1.13%)	0.05%	6.45%	6.64%	(0.19%)

• PB stands for "performance benchmark"

Money Market Funds

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

TABLE 24: **FRS Investment Plan - Money Market Fund**

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2012

	Last 12 Months			Last 3 Years			Last 5 Years			Since Inception		
	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added
Money Market												
FRS Select Yield Plus Money Market Active Fund PB: Institutional Money Market Average Index	0.25%	0.06%	0.20%	0.25%	0.17%	0.08%	1.18%	1.32%	(0.13%)	2.10%	2.14%	(0.04%)

• PB stands for "performance benchmark"

Inflation-Protected Securities Funds

These funds invest in United States Treasury inflation-protected securities (TIPS). TIPS provide two types of return. First, there is a fixed interest rate that's been around 2% to 4% since TIPS were first issued in 1997. Second, there is a return of principal (the starting amount of the investment) and interest (the additional earnings over time) that is "protected," or indexed to inflation. As inflation rises, so does the amount of principal and interest received. So if the fixed rate is 3% and inflation is 3%, investors receive a total interest rate of about 6%. The day-to-day value of inflation-protected securities varies with changes in inflation and interest rates, but these funds offer a promise of keeping up with inflation that is unique to this type of investment.

TABLE 25: **FRS Investment Plan - TIPS Fund**

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2012

	Last 12 Months			Last 3 Years			Last 5 Years			Since Inception		
	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added
TIPS												
FRS Select U.S. Treasury Inflation-Protected Securities Index Fund PB: Barclays Capital TIPS Index	11.80%	11.66%	0.14%	9.71%	9.63%	0.08%	8.57%	8.44%	0.13%	7.13%	7.12%	0.02%

• PB stands for "performance benchmark"

Bond Funds

These funds invest primarily in bonds, which are like IOUs – a company or government agency borrows money and pays it back with interest to the bondholder (the entity making the loan). The quality of a bond is reflected in the credit rating of the company or agency that issues the bond. The short-term risk of bond funds is relatively low. However, over time, the value of a bond is affected by interest rates, inflation, and other factors. When inflation or interest rates go up, the value of bonds goes down because they pay a fixed rate of interest (the market sees other investments as being more attractive). Therefore, bonds and bond funds don't always protect the value of retirement savings against inflation.

TABLE 26: **FRS Investment Plan - Fixed Income Funds**

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2012

	Last 12 Months			Last 3 Years			Last 5 Years			Since Inception		
	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added
Fixed Income												
FRS Select U.S. Bond Enhanced Index Fund PB: Barclays Capital Aggregate Bond Index	7.70%	7.47%	0.23%	7.11%	6.93%	0.18%	7.14%	6.79%	0.34%	5.74%	5.55%	0.19%
PIMCO Total Return Fund PB: Barclays Capital Aggregate Bond Index	6.80%	7.47%	(0.68%)	8.54%	6.93%	1.61%	9.08%	6.79%	2.29%	6.82%	5.55%	1.27%
Pyramis Intermediate Duration Pool Fund PB: Barclays Capital Intermediate Aggregate Bond Index	5.83%	5.28%	0.55%	7.16%	5.98%	1.18%	5.91%	6.25%	(0.34%)	5.37%	5.11%	0.25%
FRS Select High Yield Fund PB: Barclays Capital US HiYld Ba/B-1% Issuer Cap	7.57%	8.47%	(0.91%)	n/a%	n/a%	n/a%	n/a%	n/a%	n/a%	10.23%	10.99%	(0.76%)

• PB stands for "performance benchmark"

U.S. Stock Funds

These funds invest primarily in equity shares or stocks issued by U.S. companies. The short-term risk of stocks has been much higher than bonds. However, over long periods of time, stocks have generally performed better than bonds.

TABLE 27: **FRS Investment Plan - Domestic Equities Funds**

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2012

	Last 12 Months			Last 3 Years			Last 5 Years			Since Inception		
	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added
Domestic Equities												
FRS Select U.S. Stock Market Index Fund PB: Russell 3000 Index	3.94%	3.84%	0.10%	16.82%	16.73%	0.09%	0.50%	0.39%	0.11%	6.82%	6.75%	0.07%
Pioneer Fund PB: S&P 500 Index	(4.09%)	5.45%	(9.54%)	12.69%	16.40%	(3.71%)	(1.38%)	0.22%	(1.60%)	5.54%	6.24%	(0.70%)
FRS Select U.S. Large Value Stock Active Fund PB: Russell 1000 Growth Index	3.80%	5.76%	(1.96%)	16.52%	17.50%	(0.98%)	3.65%	2.87%	0.79%	6.60%	6.68%	(0.09%)
FRS Select U.S. Large Growth Stock Active Fund PB: Russell 1000 Growth Index	2.44%	3.01%	(0.56%)	16.06%	15.80%	0.26%	(1.61%)	(2.19%)	0.58%	(1.61%)	(2.19%)	0.58%
Fidelity Growth Company Fund PB: Russell 3000 Growth Index	3.66%	5.05%	(1.39%)	20.03%	17.55%	2.48%	4.99%	2.79%	2.20%	10.57%	6.87%	3.70%
Fidelity Low-Priced Stock Fund PB: Russell 2500 Value Index	(0.75%)	(1.49%)	0.74%	17.49%	18.78%	(1.29%)	1.97%	(0.20%)	2.17%	10.04%	8.92%	1.13%
Prudential Mid-Cap Quantitive Core Equity Fund PB: S&P Mid-Cap 400 Index	(2.58%)	(2.33%)	(0.25%)	21.15%	19.36%	1.79%	2.72%	2.55%	0.17%	8.19%	7.83%	0.36%
American Beacon Small-Cap Value Fund PB: Russell 2000 Value Index	(3.16%)	(1.44%)	(1.72%)	18.81%	17.43%	1.38%	0.18%	(1.05%)	1.23%	5.97%	5.37%	0.60%
T Rowe Price Small Cap Stock Fund PB: Russell 2000 Index	1.65%	(2.08%)	3.73%	22.72%	17.80%	4.93%	4.33%	0.54%	3.79%	10.02%	8.85%	1.18%

• PB stands for “performance benchmark”

Foreign Stock Funds

These funds invest primarily in equity shares or stocks issued by foreign companies. Foreign stocks are affected by additional risk factors such as foreign laws and regulations, differences in accounting practices, political risk (foreign governments are sometimes unstable), and currency risk (differences in the relative value of domestic and foreign money). Over the long term, foreign stocks have not performed quite as well as U.S. stocks, but they have provided diversification benefits.

TABLE 28: **FRS Investment Plan - Global/International Equities Funds**

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2012

	Last 12 Months			Last 3 Years			Last 5 Years			Since Inception		
	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added
Global/International Equities												
FRS Select Foreign Stock Index Fund PB: MSCI World ex U.S. Index	(13.77%)	(14.13%)	0.36%	6.56%	6.20%	0.36%	(5.32%)	(5.67%)	0.35%	7.03%	6.74%	0.30%
American Funds EuroPacific Growth Fund PB: MSCI All Country World ex U.S. Index	(12.62%)	(14.15%)	1.53%	7.52%	6.82%	0.70%	(2.24%)	(5.44%)	3.20%	5.37%	2.63%	2.74%
American Funds New Perspective Fund PB: MSCI World Index	(3.25%)	(4.98%)	1.74%	12.64%	10.97%	1.67%	0.64%	(2.96%)	3.59%	9.23%	6.34%	2.89%

• PB stands for “performance benchmark”

Florida PRIME/Fund B

Overview and Investment Objective

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

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

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

Eligible Participants

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

As of June 30, 2012, Florida PRIME had a net asset value of $6.75 billion, comprising assets held in 1,556 investor accounts on behalf of 843 participants.

Boca Grande Entrance Rear Range Lighthouse
Gasparilla Island, Florida

Performance

For the year ending June 30, 2012, Florida PRIME delivered an aggregate $21.4 million in investment earnings to its investors. Relative performance of Florida PRIME has been strong over short- and long-term time periods. For the period ending June 30, 2012, Florida PRIME generated excess returns (performance above the pool's benchmark) of approximately 20 basis points (0.20%) over the last 12 months, 14 basis points (0.14%) over the last three years, and 15 basis points (0.15%) over the last 5 years. By historical standards, absolute returns have been low over the past three years reflecting the near-zero Federal Funds rate strategy employed as part of the overall stimulus strategy of the Federal Reserve Board of Governors.

CHART 16: **Florida PRIME - SBA Actual Yields by Fiscal Year**

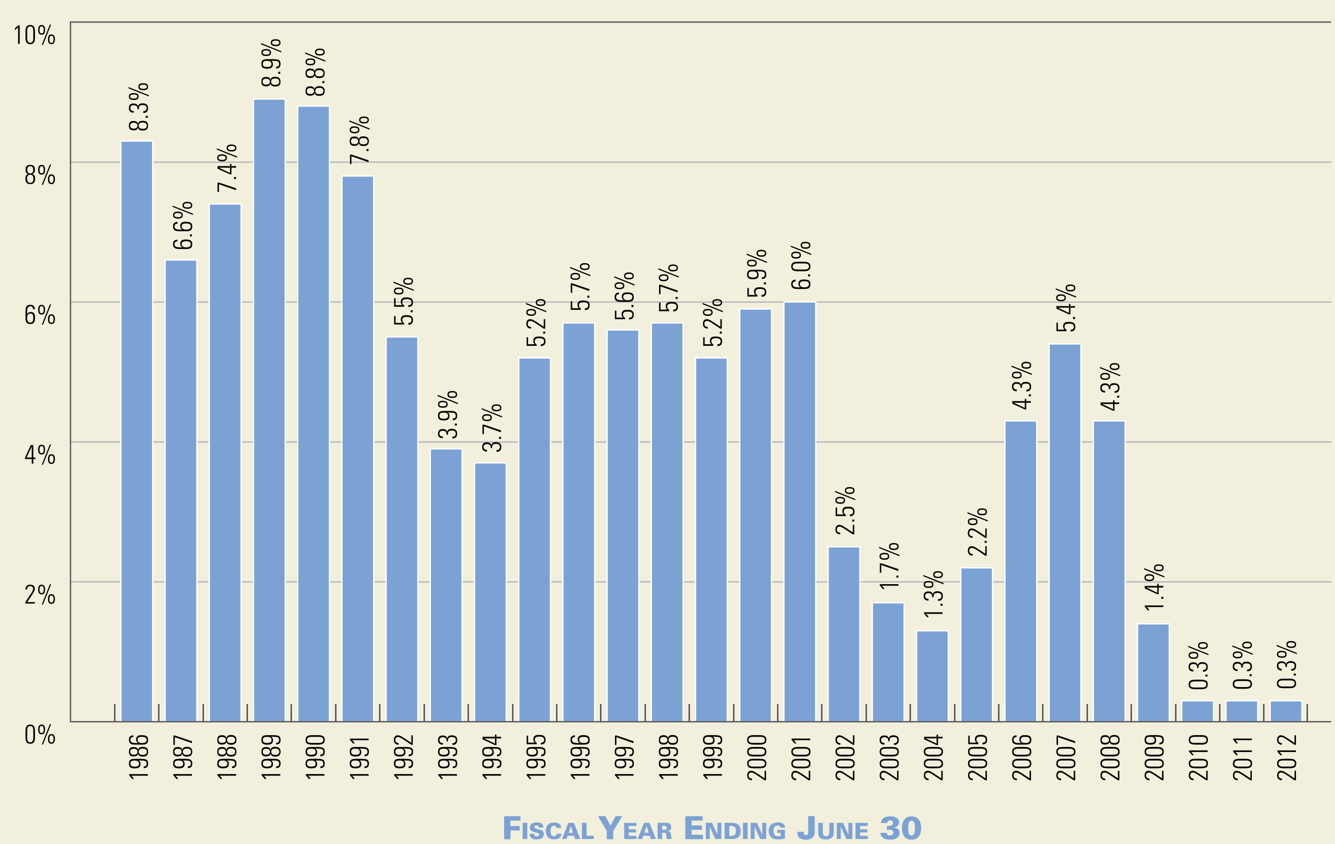


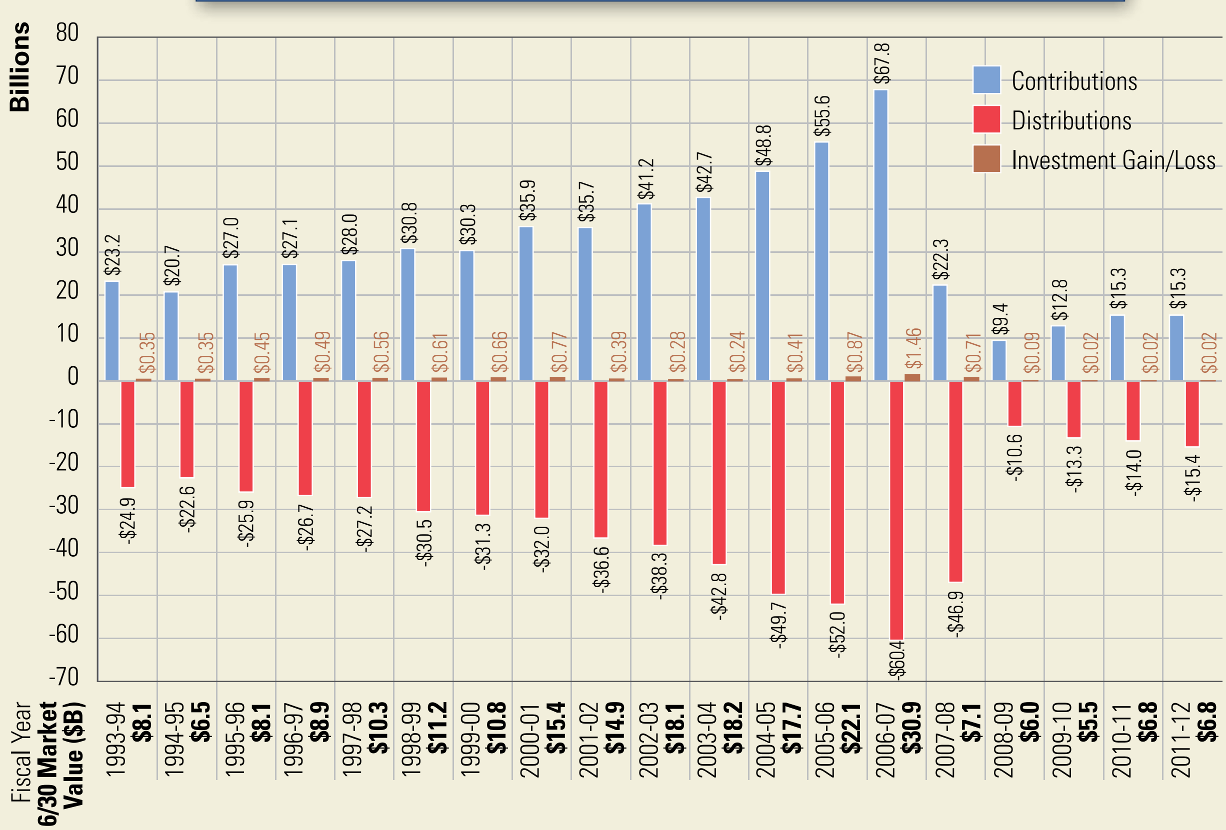
TABLE 29: Florida PRIME - Yields for Periods Ending June 30, 2012

	SBA Actual Yield	Benchmark Yield	Actual Over (Under) Bmk.
One Year	0.29%	0.09%	0.20%
Three Years	0.29%	0.15%	0.14%
Five Years	1.31%	1.15%	0.15%
Ten Years	2.14%	1.90%	0.23%
Fifteen Years	3.10%	2.87%	0.23%
Twenty Years	3.51%	3.34%	0.18%
Twenty-Five Years	4.33%	4.19%	0.15%

- All yields are annualized for periods indicated through June 30, 2012.
- Yields are net of fees, and reflect the yield calculation pursuant to Chapter 19-7.011, Florida Administrative Code.
- Benchmark is the S&P AAA/AA Rated GIP All 30-Day Net Index for all time periods except the period July, 1994 to March, 1995 where an approximation using one month LIBOR was used.

During the fiscal year ending June 30, 2012, participant deposits totaled $15.3 billion; participant withdrawals totaled $15.4 billion, for a net decrease of approximately $0.07 billion (or -1.05 percent) in the pool's net asset value.

CHART 17: Florida PRIME - Annual Change in Total Fund Value by Source



Cost

As the lowest-cost investment pool in the state, Florida PRIME offers the best value for governmental investors, with total fees that are a fraction of the cost of other investment options. Florida PRIME's all-in fees are approximately one-fourth (1/4) those of its closest competitor. Florida PRIME's fees are by far the lowest of any similar government investment pool ("GIP") in the State of Florida and are lower than most other GIPs nationwide and other institutional money market products. All investors are charged a uniform rate to participate in Florida PRIME. As of June 30, 2012, the fee charged to Florida PRIME investors was 2.43 basis points (or 0.0243%) of their account value. This charge covers the cost of investment management, record keeping, legal compliance, maintenance of a fund rating, and fiduciary oversight of the investment pool.

According to the most recent iMoneyNet™ report on GIPs, the average total cost for all types of money market funds was 14.39 basis points. The average fee for GIPs classified as money market funds was 7.59 basis points. These fee levels, approaching three to six times the cost of Florida PRIME, are roughly commensurate with other statewide GIPs available to local governments in Florida, which range from 11 to 19 basis points depending on the specific level of temporary fee waiver in effect.

According to iMoneyNet™ data, the average fee level for privately-sponsored money market funds, a category of funds excluding government-sponsored investment pools, stands at 20.64 basis points.

Fund B

The primary objective of the Fund B Surplus Funds Trust Fund (Fund B) is to maximize the present value of distributions from the Fund. Since the inception of Fund B on December 7, 2007, all the investments have undergone some level of restructuring and have been converted to distinct legal entities under SBA control. The securities remaining in Fund B are legacy items from four issuers whose financial circumstances gave rise to the November 2007 run on the Local Government Investment Pool. Through June 2012, investors cumulatively received distributions from Fund B totaling $1.73 billion or approximately 86.2% of their original balances.

TABLE 30: Fund B Surplus Funds Trust Fund Returns for Periods Ending June 30, 2012

	SBA Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	11.15%	NA	NA
Three Years	29.34%	NA	NA
Since Inception	4.41%	NA	NA

- All returns are annualized for periods indicated through June 30, 2012.
- As a liquidating fund, this portfolio does not have a market-based benchmark. Its investment objective is to maximize the present value of distributions to participants.
- Inception of the fund is December 2007.

Florida Hurricane Catastrophe Fund/ Florida Hurricane Catastrophe Fund Finance Corporation

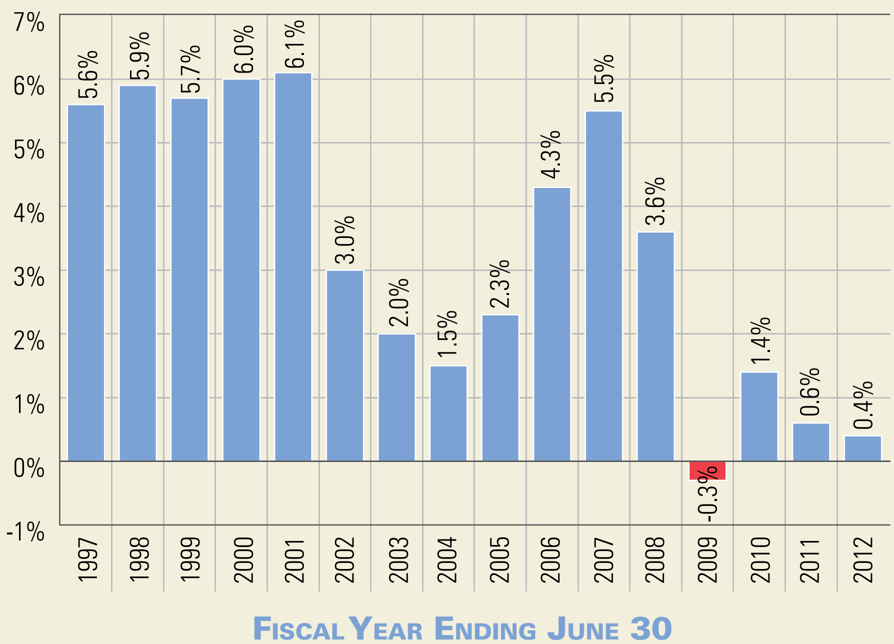
The Florida Hurricane Catastrophe Fund (FHCF) was created in 1993 in response to Florida's property insurance crisis resulting from Hurricane Andrew. The purpose of this state tax-exempt trust fund is to encourage additional insurance capacity in the state by providing a stable and ongoing source of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

Pensacola Light Fresnel Lens
Pensacola Bay, Florida

Performance

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

CHART 18: **Florida Hurricane Catastrophe Fund SBA Actual Returns by Fiscal Year**



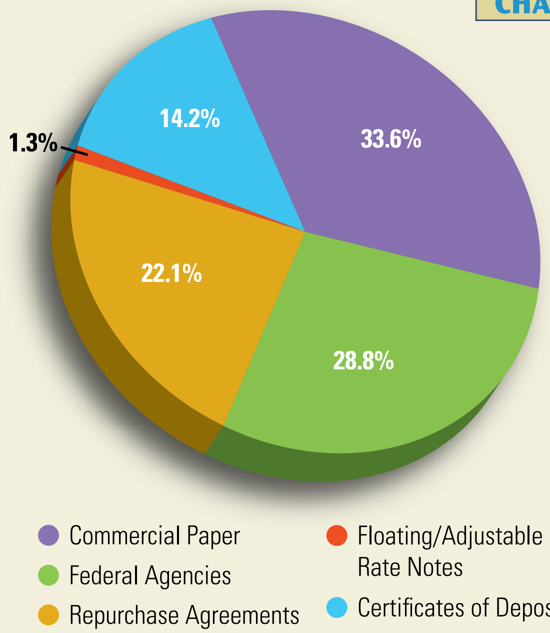
Earnings for the most recent period continue to be modest by historical standards, due to the Fund's conservative investment policy and the low interest rate environment during the year.

TABLE 31: **Florida Hurricane Catastrophe Fund Returns for Periods Ending June 30, 2012**

	SBA Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	0.39%	0.06%	0.34%
Three Years	0.79%	0.14%	0.65%
Five Years	1.14%	1.26%	(0.13%)
Ten Years	2.11%	1.91%	0.20%
Fifteen Years	3.18%	2.85%	0.32%

- All returns are annualized for periods indicated through June 30, 2012.
- Benchmark is a blend of 50% of the average three month Treasury Bill rate and 50% of the iMoneyNet First Tier Institutional Money Market Fund Net Index.

CHART 19: **FHCF FUND Investments by Security Type $7.2 Billion Market Value as of June 30, 2012**



Portfolio

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

Florida Hurricane Catastrophe Fund Finance Corporation

CHART 20: **FHCF Finance Corporation Investments by Security Type $4.7 Billion Market Value as of June 30, 2012**

The Florida Hurricane Catastrophe Fund Finance Corporation (Corporation) was created as a public benefits corporation to provide a mechanism for the cost-effective and efficient issuance of bonds to fund hurricane losses for the Florida Hurricane Catastrophe Fund (Fund).

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

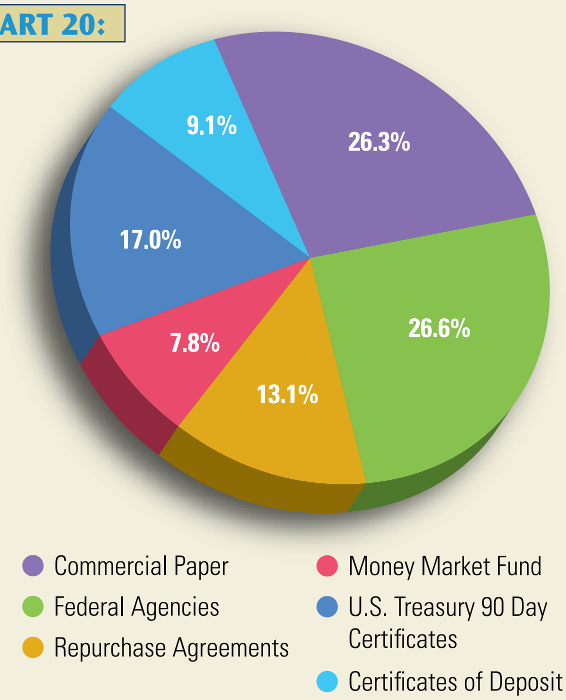
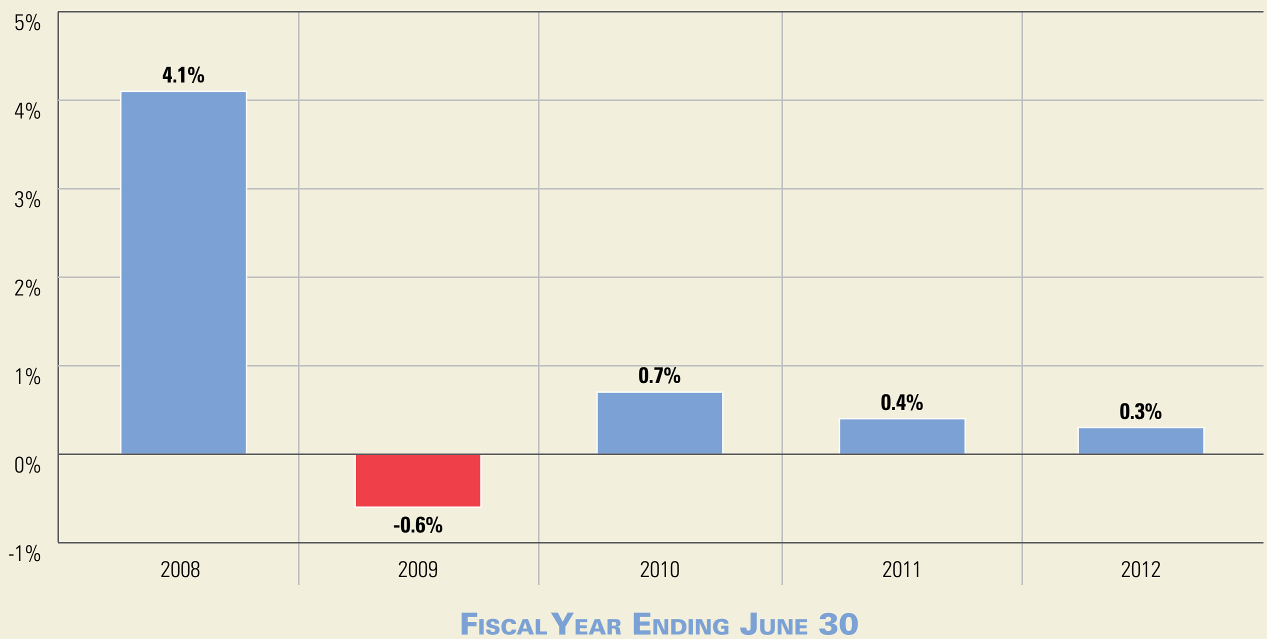


CHART 21: FHCF Finance Corporation
SBA Actual Returns by Fiscal Year



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

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

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

TABLE 32: FHCF Finance Corporation
Returns for Periods Ending June 30, 2012

	SBA Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	0.33%	0.06%	0.27%
Three Years	0.48%	0.14%	0.35%
Five Years	0.98%	1.26%	(0.28%)
Since Inception	1.67%	1.91%	(0.24%)

- All returns are annualized for periods indicated through June 30, 2012.
- Benchmark is a blend of 50% of the average three month Treasury Bill rate and 50% of the iMoneyNet First Tier Institutional Money Market Fund Net Index.
- Inception of the Finance Corporation was August 2006.
- Performance does not include the Cat 2006 A Fund, The Cat 2008 A Fund and the Cat 2010 A Fund which are invested in State and Local Government Series (SLGS) securities.

Lawton Chiles Endowment Fund

Overview and Investment Objective

Created by the Florida Legislature in 1999, the purpose of the Lawton Chiles Endowment Fund (LCEF) is to invest a portion of the state's tobacco settlement monies to provide a perpetual source of enhanced funding for health maintenance and research programs related to tobacco use. The SBA has the statutory authority and responsibility for the investment of LCEF assets, subject to certain investment limitations and consistent with an Investment Policy Statement approved by the SBA Trustees.

Capital Preservation Objective

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

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

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

As illustrated in Chart 22, this structure proved quite beneficial. Following fiscal year 2001-02, the Fund was able to make steady progress toward attainment of the statutory investment objective, namely to provide a regular cash outflow for appropriation yet preserve the inflation-adjusted value of contributed capital. The goal was achieved in fiscal year 2005-06. Reflecting the robust markets of fiscal year 2006-07, the Fund closed that year with a 12.6% surplus position, and, after payouts, closed the following year very close to the objective.

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

St. Augustine Inlet Lighthouse
St. Augustine, Florida

CHART 22: **LCEF Capital Preservation Objective**
Percent of Objective That Was Attained by Fiscal Year End

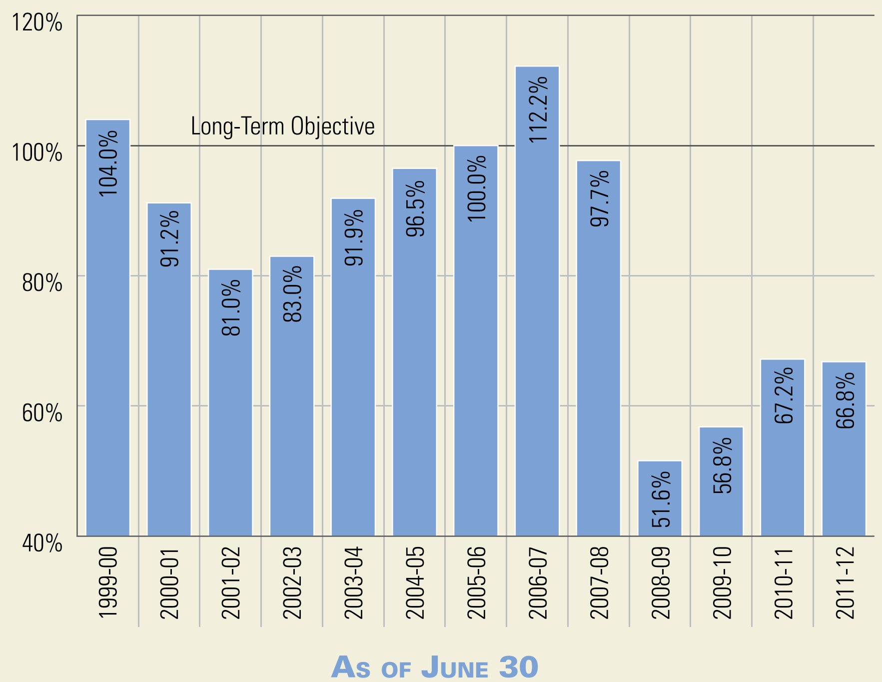
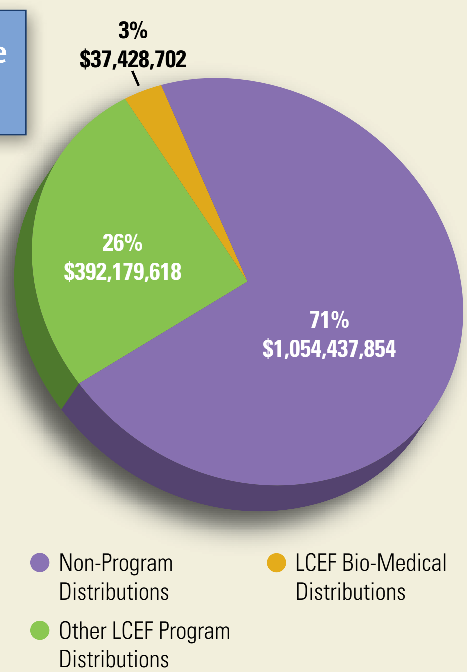


CHART 23: **Total LCEF Payouts Since Inception by Type**



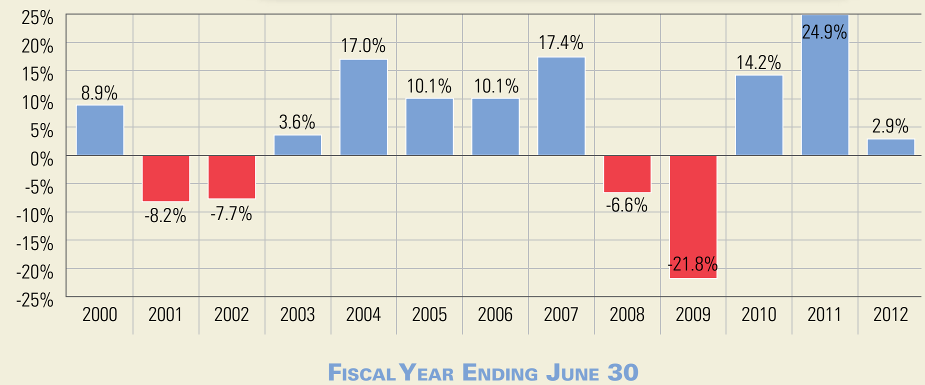
Since then, a recovery in the markets, diminished payouts and a statutory alteration to the real preservation target have led to a modest recovery. By the end of fiscal year 2010-11, the Fund's net asset value had risen to two-thirds of the objective amount. Though declining slightly, it remained near two-thirds of the objective amount in fiscal year 2011-12.

As of June 30, 2012, the inflation-adjusted value of cumulative net contributions to the LCEF was approximately $842 million (in 1999 dollars).

Performance

Chart 24 illustrates actual returns for the LCEF for each year since its inception. Negative returns over two years early in the millennium and two years more recently are reflections, respectively, of the bursting of the tech bubble and the more recent mortgage crisis.

CHART 24: Lawton Chiles Endowment Fund SBA Actual Returns by Fiscal Year



In addition to the statutory investment objective for the Endowment Fund, the SBA measures performance relative to market-based benchmarks. Table 33 compares actual returns to the benchmark return for various periods ending June 30, 2012.

TABLE 33: Lawton Chiles Endowment Fund Returns for Periods Ending June 30, 2012

	SBA Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	2.89%	2.98%	(0.09%)
Three Years	13.64%	13.17%	0.47%
Five Years	1.38%	1.11%	0.27%
Ten Years	6.33%	5.97%	0.35%
Since Inception	4.19%	3.86%	0.33%

- All returns are annualized for periods indicated through June 30, 2012.
- Benchmark is 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.
- Inception of the fund is July 1999.

Chart 25 illustrates the components of year-to-year change in the endowment's net asset value. The fund received external infusions of capital (i.e. contributions) only in the first four years of its existence (grey bars). Since then, the only support for annual payouts (tan bars) has been earnings on those initial investments (blue bars). The Fund's assets were substantially reduced by the extraordinary payout that occurred in FY2008-09 (red bar). In that year, net asset value fell to $564 million from $2.1 billion the prior year, a decline that was exacerbated by a drop in asset value of $463 million caused by the mortgage crisis.

CHART 25: **Lawton Chiles Endowment Fund Annual Change in Total Fund Value by Source**

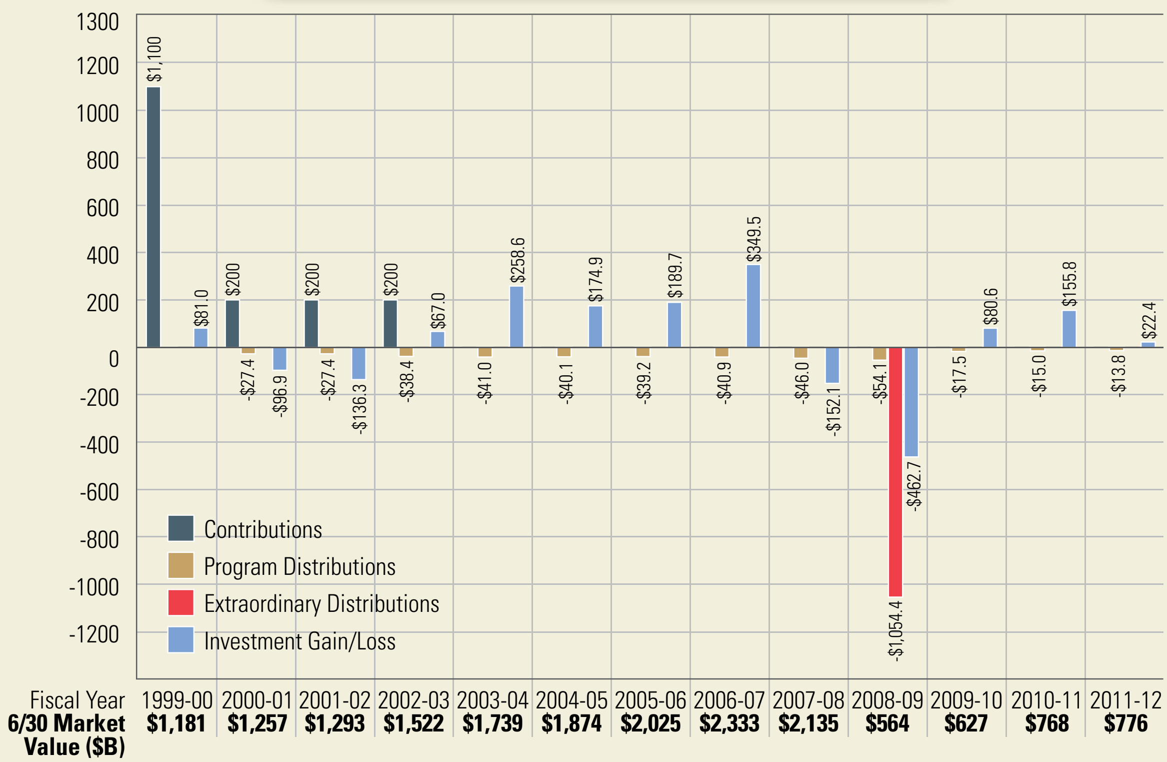


TABLE 34: **External Investment Management Fees Fiscal Year 2011-12**

Asset Class	Dollar Amount[1]
Domestic Equities	$ 67
Foreign Equities	194,577
Fixed Income	43,213
Inflation-Indexed Bonds	295
Cash	295
Total	**$ 238,460**

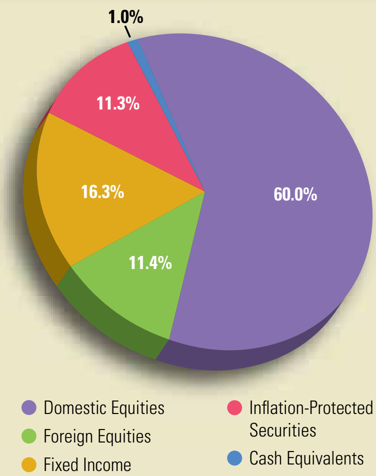
[1]The dollar amount includes the LCEF's proportionate share of manager fees paid in the Commingled Asset Management Program Money Market Pool.

Cost

Table 34 presents the external investment management fees paid by the fund.

CHART 26:

Lawton Chiles Assets by Type $776.1 Million as of June 30, 2012



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

Asset Allocation

The principal performance measure of a fund's asset allocation is a weighted composite of the benchmark returns of each of its asset classes, where the weights are the policy allocations for each class. Table 35 compares what would have been earned had actual exposures adhered strictly to the target weights and had the fund earned only the benchmark return for each asset class; and the deviation from the policy weights that occurred in practice added to or detracted from the policy return of the fund. Chart 26 shows the actual asset allocation for the LCEF as of June 30, 2012.

TABLE 35: **LCEF Returns to Asset Allocation Periods Ending June 30, 2012**

	Policy Return	Implementation Return
One Year	2.40%	(0.58%)
Three Years	12.98%	(0.19%)
Five Years	1.03%	(0.08%)
Ten Years	6.16%	0.18%
Since Inception	4.10%	0.24%

Asset Classes

As of June 30, 2012, assets of the Lawton Chiles Endowment Fund are currently divided into five classes: Domestic Equities; Foreign Equities; Fixed Income, Inflation-Indexed Bonds and Cash Equivalents. Table 36 presents returns by asset class over various periods ending June 30, 2012.

TABLE 36: **Lawton Chiles Endowment Fund Actual Returns by Asset Class for Periods Ending June 30, 2012**

	SBA Actual Return	Benchmark Return	Actual Over (Under) Bmk.
Domestic Equities			
One Year	3.55%	3.41%	0.14%
Three Years	16.71%	16.50%	0.21%
Five Years	0.34%	0.17%	0.17%
Ten Years	5.61%	5.63%	(0.02%)
Foreign Equities			
One Year	(13.11%)	(15.12%)	2.01%
Three Years	10.29%	7.19%	3.10%
Five Years	(4.62%)	(4.45%)	(0.17%)
Ten Years	6.93%	6.80%	0.13%
Fixed Income			
One Year	7.40%	7.47%	(0.07%)
Three Years	7.21%	6.93%	0.28%
Five Years	6.77%	6.79%	(0.03%)
Ten Years	5.70%	5.63%	0.07%

	SBA Actual Return	Benchmark Return	Actual Over (Under) Bmk.
TIPS			
One Year	11.81%	11.66%	0.15%
Three Years	9.88%	9.63%	0.25%
Five Years	8.99%	8.44%	0.56%
Ten Years	7.61%	7.23%	0.38%
Cash Equivalents			
One Year	0.72%	0.12%	0.60%
Three Years	1.69%	0.26%	1.43%
Five Years	1.76%	1.12%	0.64%
Ten Years	2.34%	1.98%	0.36%

Portfolios by Asset Class

Table 37 shows the beginning and ending market values for each asset class and individual Endowment Fund portfolios, together with net contributions and transfers, and investment gain or loss.

TABLE 37: Lawton Chiles Endowment Fund Assets Under Management Market Value Change by Asset Class and Portfolio, Fiscal Year June 30, 2012

	Market Value 6/30/11	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/12
Domestic Equities Portfolios				
Russell 3000 ex Tobacco Fund (Chiles Domestic Equity Portfolio)	$ 456,085,649	$ (8,025,842)	$ 17,383,689	$ 465,443,495
Transition Account (Chiles Domestic Equity Trading)	116,651	(164,437)	184,115	136,329
Foreign Equities Portfolios				
Acadian - Chiles (ICEF) - Foreign Equities	104,068,548	(1,800,000)	(13,651,034)	88,617,514
Fixed Income Portfolios				
Chiles Barclays Aggregate	119,538,863	(1,500,000)	8,765,977	126,804,841
Inflation-Indexed Bond Portfolios				
Chiles TIPS - Chiles Inflation Linked Treasury	80,265,231	(2,200,000)	9,344,587	87,409,818
Cash/Short-Term Portfolios				
Chiles Cash	7,491,221	175,042	52,295	7,718,558
Chiles Securities Lending	101	(284,763)	284,767	105
Total Lawton Chiles Endowment	**$ 767,566,265**	**$ (13,800,000)**	**$ 22,364,396**	**$ 776,130,661**

- Totals may not foot due to rounding.

Table 38 presents securities lending details for the Fund.

TABLE 38: Lawton Chiles Endowment Fund Securities Lending Book and Market Values as of June 30, 2012

	Book Value[1]	Market Value	Unrealized Gain (Loss) on Investments
Bank of New York Mellon	$ 20,212,497	$ 20,207,321	$ (5,176)
Total LCEF	**$ 20,212,497**	**$ 20,207,321**	**$ (5,176)**

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

- This table shows investment positions held at month-end in the SBA's various security lending programs. The SBA lends securities and receives cash and securities as collateral for the loans. The cash is invested. Earnings on investments, net of broker rebates, are split between the lending agent and the SBA. When security loans mature and the borrowed securities are returned to the SBA, the cash and securities received as collateral are returned to the borrower. This information does not include non-cash security loans. Amounts are based on information provided by the lending agents.
- Totals may not foot due to rounding.

Other Funds Under Management

In addition to the major mandates and investment pools discussed earlier in this report, the SBA either managed or facilitated the management of assets for 17 other clients, within four broad categories. The clients and nature of the SBA's responsibilities are enumerated below. Assets may be held in one or more of the SBA's investment pools as well as in separately managed portfolios. Return data is not calculated individually for these clients either because the client's assets are managed in a pooled investment product, or because returns are not indicative of the SBA's effectiveness in managing the assets.

Portfolios Managed Under Fiduciary Discretion

- Retiree Health Insurance Subsidy Trust Fund

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

Portfolios with Dedicated Bond Strategies

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

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

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

Program Directed Assets – Specific Terms

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

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

Client Directed Assets – Investment Products

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

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

The Ponce de Leon Inlet Lighthouse
Daytona Beach, Florida

Cape Florida Lighthouse
Key Biscayne, Florida

For Additional Resources And Information On The State Board Of Administration Of Florida Links Are Available At

www.sbafla.com under the newsroom tab:

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

Non-SBA Resources And Information:

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

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