

Investment Report 2012-13

Fort Matanzas near St. Augustine, Florida. Completed in 1742, it guarded Matanzas Inlet.



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The investment performance information for the period ending June 30, 2013 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.



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**TO THE TRUSTEES OF THE FLORIDA STATE BOARD
OF ADMINISTRATION 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, 2013, 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 responsibilities to invest Florida's assets are executed ethically, prudently, and in strict accordance with applicable law, policies, and fiduciary standards.

PERFORMANCE - Returns Remain on Track

In FY 2012-13 all major mandates showed positive returns and beat their respective benchmarks

PENSION PLAN

The FRS Pension Plan posted strong investment performance for the fiscal year ending June 30, 2013, earning a 13.12% return, beating its benchmark by 111 basis points, and ending the year with a market value of \$132.4 billion. After net distributions of \$6.2 billion to participants, this represents a fund balance increase of \$9.6 billion more than last year's fiscal year-end figure.

All asset classes earned positive returns during the fiscal year, led by the Global Equity asset class which earned 18.56%. Strategic Investments, Real Estate, and Private Equity asset classes each earned 16.16%, 14.92%, and 10.41%, respectively. Fixed Income and Cash each earned .38% and .29%, respectively.

While we are always pleased to see strong annual performance, our focus is on the long-term—20, 25, and 30 years. For these periods the fund has generated returns of 8.0%, 8.9%, and 9.4%, respectively. The strong long-term performance can be attributed to a prudent investment policy conceived and executed by a dedicated staff, thoughtful diversification of assets, continued cost controls, and profitable selection of external investment partner.

INVESTMENT PLAN

The FRS Investment Plan, established to provide Florida's public employees with a flexible alternative to the traditional pension plan, posted year-end gains in both returns and participation. The one-year return

based on aggregate employee fund selection was 10.12%, beating a benchmark of 9.68%. The benchmark is based on the weighted aggregate performance of various indices representing each investment option. Beating the benchmark is the result of superior strategy execution by the managers selected by the SBA. The FRS Investment Plan has surpassed its benchmark for the one, three, five, and 10-year periods and since its inception just over 10 years ago.

The SBA's investment in participant education and financial counseling also appears to be effective. Research indicates that participants are generally making age appropriate investment decisions.

This fiscal year, 26% of newly hired employees elected to join the Investment Plan and 5,741 Pension Plan members used their second election to switch to the Investment Plan, resulting in a record high 150,721 member accounts. The Plan's year-end assets of \$7.9 billion were also at a record-setting level.

FLORIDA PRIME

Florida PRIME provided investment services to nearly 900 participants at the end of June 2013 with a market value of \$7.3 billion. For the 12-month period ending June 30, 2013, Florida PRIME returned 0.25 percent and beat its benchmark by 17 basis points. Florida PRIME and its predecessor, the LGIP, have beaten the benchmark for 17 consecutive years. Florida PRIME remains the premier local government investment pool available in Florida today by offering superior liquidity, transparency, and performance at a fraction of the cost of competitors.

As of June 30, 2013, the Fund B Surplus Funds Trust Fund (Fund B) had a market value of \$147.8 million. Of the original participant balances in Fund B, \$1.88 billion, or 93.4%, has been returned to clients. The SBA continues to manage Fund B to maximize the present value of cash distributions to participants.

Hewitt EnnisKnupp (HEK) completed the annual Best Practices Review of Florida PRIME™ and again found that the pool "is being managed in a manner consistent with best practices." Additionally, the annual outside legal compliance review found that Florida PRIME™ continues to operate in compliance with Sections 218.405 — 218.415, Florida Statutes. Both of these findings have been consistent since inception of the reviews in 2008.

LAWTON CHILES ENDOWMENT FUND (LCEF)

This fiscal year's return on the endowment was 7.82%, beating the benchmark return by 161 basis points. LCEF has exceeded the benchmark for the one, three, five, 10-year, and since-inception time periods. Florida statutes direct the SBA to manage the LCEF as a perpetual endowment, implying preservation of capital and a sustainable spending rate. However, in spite of a strong history of investment performance, the proportion of the preservation objective sits at just 57.6%, largely due to non-program distributions used to support general appropriations. This year, \$350 million was transferred to the state's general fund in June 2013. Plans call for that money to be repaid to the endowment.

FLORIDA HURRICANE CATASTROPHE FUND (FHCF)

In 2013 Florida enjoyed its eighth year without a hurricane landfall, resulting in continued improvement in the health of the fund. Changes made by the Florida Legislature two years ago have strengthened the fund's cash balance position and reduced its potential liabilities, but the fund still may have to rely on

substantial post-event debt issuance to meet its obligations. The fund is managed to be able to quickly reimburse insurers in the event of a hurricane, so the prioritized goals are liquidity, safety of principal and competitive returns. The FHCF achieved a .43% actual return, beating the benchmark by 35 basis points. The fund has beaten its benchmarks for the one, three, five, ten, and 15-year time periods.

COSTS - Remain Low

The adage "Watch your pennies and your dollars will grow" is still true. The SBA continues to lead the industry in cost management. While historically low cost, as of calendar year 2012, the SBA became the lowest all-in cost provider among peers. Our approach to utilizing passive investment strategies and internal management where most appropriate, leveraging our size, experience, and expertise to manage external fees and diligently managing overhead costs all have contributed to the FRS Pension Fund having the "all-in" lowest cost among our peers as measured by CEM benchmarking, a leading independent external cost and performance analysis firm.

OPERATIONS - Continue to Improve

Implementation of the Strategic Investments portfolio has been very successful. Since inception, the asset class has beaten its benchmark by 152 basis points and reduced the risk profile of the total fund. The Strategic Investments asset class has fulfilled its role of providing additional diversification and contributing to the Florida Retirement System Trust Fund's performance. Investment strategies accessed through Strategic Investments have profited from a variety of valuation anomalies associated with the dislocations and volatility associated with the financial crisis, helping protect and compound the pension fund's assets.

We are benefiting from improvements made in the SBA's risk management, control and compliance policies, organizational structure, and resources. The financial crisis provided stark reminders to financial institutions everywhere that we must monitor, and manage risks from many directions, including those that may not be currently evident. In 2009, the SBA created an independent Enterprise Risk Management and Compliance Program to apply a holistic approach that has resulted in close cooperation among internal and external audit teams, investment and financial control staff and SBA management at all levels. Based on shared values and a coordinated approach, all funds managed by the SBA were in compliance with their applicable investment strategy as of June 30, 2013.

Subject to the guidance of the Audit Committee, the SBA regularly undergoes numerous external and internal audits. Financial statement audits of 68 entities of the SBA during the fiscal year all received clean reports. Our effort to reduce the number of outstanding audit recommendations has continued to be successful. All outstanding audit issues prior to 2012 have been addressed and closed reflecting a proper tone at the top and effective cooperation of teams throughout the SBA.

The Investment Advisory Council focused its attention throughout the year on refinements to asset allocation in an effort to identify the most efficient mix to minimize pension fund risk while providing the best opportunity to meet our investment objectives as we adjust portfolios to reflect uncertain financial and economic environments. I value the expertise of the IAC members and thank them for their time and talent as we work toward a shared goal of maintaining investment policies that are responsive to near-term economic and financial realities while retaining focus on accomplishing our long-term investment objectives.

LOOKING FORWARD - Continued Patience, Discipline, and Diligent Oversight

UNCERTAINTY

With uncertainty surrounding U.S. fiscal policy, global economies and the undetermined tapering of quantitative easing by the Federal Reserve, Fixed Income absolute returns will likely remain challenged. However, this asset class continues to be an important source of fund liquidity and a buffer to significant market corrections or negative changes in economies. We have made appropriate adjustments to our fixed income strategy and those of other asset classes to prudently deliver the best investment mix we can in the continuing slower growth, low interest rate environment.

History shows uncertainty creates opportunities for patient and disciplined investors like the SBA. Hence, the timely build-out of our strategic asset class designed to accommodate opportunistic strategies should be able to take advantage of dislocations and valuation anomalies that may arise during the recalibration of markets and economies as de-levering continues, recovery progresses and monetary stimulus declines.

GLOBAL ECONOMY

In 2010, the Investment Policy Statement for the Pension Plan was adjusted to better recognize the global investment opportunity set, particularly for the public markets. It was anticipated that this change would improve returns while reducing risk, in part as a result of geo-political diversification. Likewise, we believe there is opportunity to further diversify and expand our private equity and real estate holdings globally. While we are proceeding cautiously with this global approach, we do expect significant growth to come from the more global perspective of all asset classes.

PENSION FUND

The health of any pension plan still stands on three legs – reasonable benefits, responsible funding and solid long-term investment performance. Of those three legs, the SBA is responsible for and has delivered solid, long-term investment performance. Recent actions by the Board of Trustees and the legislature have, and continue to, address the other two legs. The result of this alliance is probably best captured in the words of Alicia H. Munnell, author of the 2012 book *State and Local Pensions-What Now?* and Director of the Center for Retirement Research at Boston College; “Florida is the poster child for a well-run pension system.”

I encourage you to review this report and the additional information and resources highlighted inside this report’s back cover which 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.

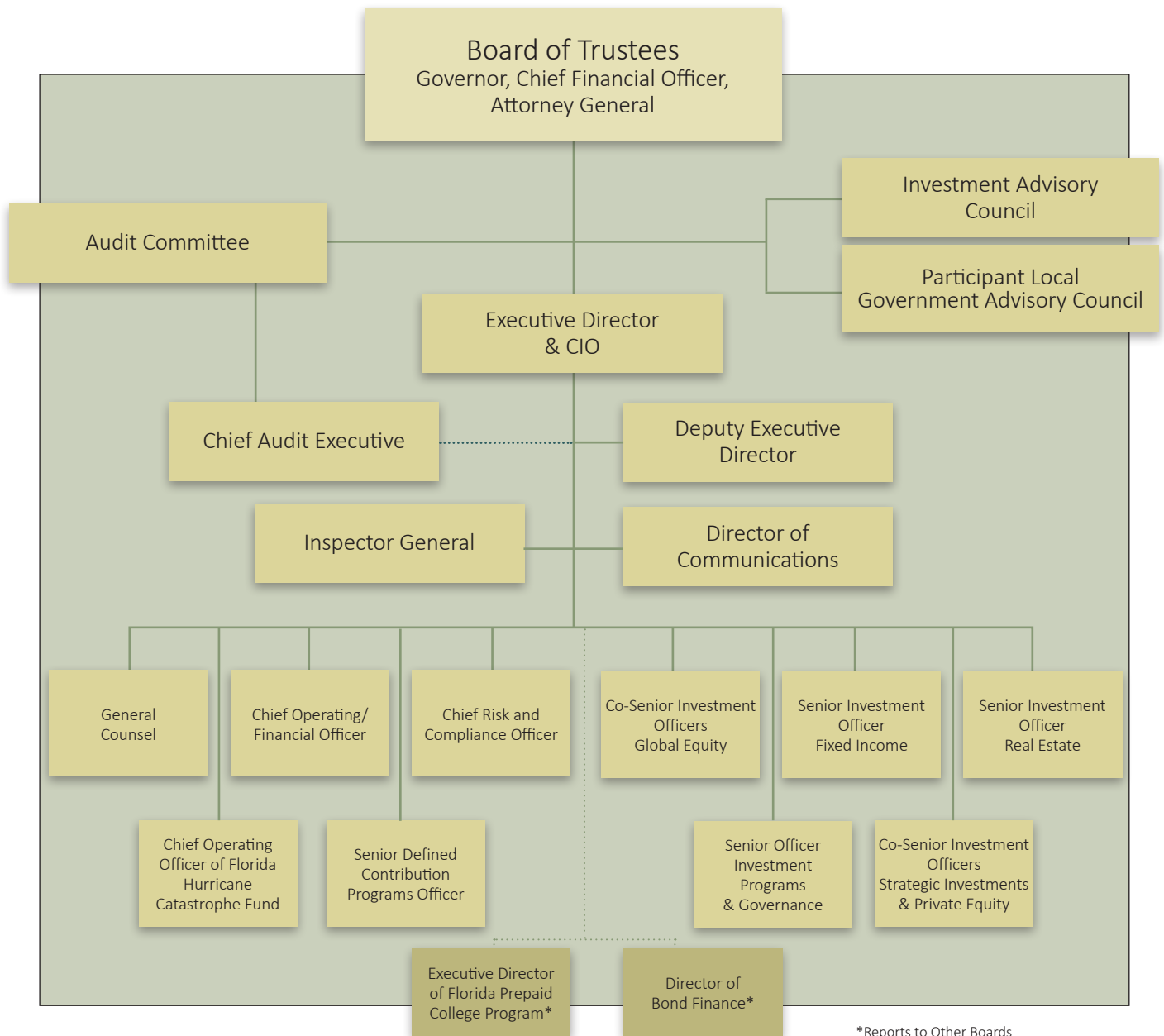
Respectfully submitted,



Ash Williams
Executive Director & CIO

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 and the Attorney General. 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 200 professional investment and administrative support staff.



Consultants, Advisors and Auditors

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 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.

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 Audit Executive 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. All other funds are subject to audit by the Auditor General of the State of Florida. The Audit Committee employs a pool of external auditors to be used for special project audits.



Cannons at the intercoastal inlet at Fort Clinch, Florida.

SBA Mandate Overview

During the year, assets under SBA management increased by \$10 billion to \$161.83 billion. Table 1 shows details for each SBA fund.

TABLE 1:

Change in Assets Under Management - Fiscal Year 2012-13

	Market Value June 30, 2012	Investment Gain (Loss)	Contributions & (Distributions)	Market Value June 30, 2013
FRS Pension Plan	\$ 122,745,973,551	\$ 15,825,997,095	\$ (6,189,055,380)	\$ 132,382,915,266
Florida Hurricane Catastrophe Fund	7,193,669,869	34,705,672	1,245,672,291	8,474,047,832
FRS Investment Plan	7,138,157,055	720,157,310	25,491,048	7,883,805,413
Florida PRIME™ ¹	6,252,810,602	17,533,940	532,064,016	6,802,408,558
State Board of Administration Finance Corporation ²	4,676,192,462	2,827,076	(1,436,286,438)	3,242,733,100
Debt Service	1,296,561,782	27,361,885	(140,752,228)	1,183,171,439
Department of the Lottery Fund	661,253,745	(10,171,273)	(127,407,457)	523,675,015
Lawton Chiles Endowment Fund	776,130,661	66,378,650	(363,189,230)	479,320,081
Police and Firefighters' Premium Tax Trust Fund	218,053,308	1,008,704	6,382,000	225,444,012
Fund B Surplus Funds Trust Fund	231,870,391	61,533,820	(145,620,000)	147,784,211
Florida Prepaid College Plan	119,841,227	30,334,056	(5,851,765)	144,323,518
Retiree Health Insurance Subsidy Trust Fund	182,192,226	1,033,560	(61,818,280)	121,407,506
Florida College Investment Plan	53,693,586	10,259,892	(16,318,839)	47,634,639
Burnham Institute for Medical Research Fund	57,841,370	186,133	(19,029,162)	38,998,341
PEORP Administrative Fund	36,032,864	276,068	342,572	36,651,504
SBA Administrative Fund ³	32,377,481	211,980	1,815,842	34,405,303
University of Miami	20,840,466	2,926	0	20,843,392
Bond Fee Trust Fund	5,237,830	27,874	850,076	6,115,780
Bond Proceeds Trust Fund ⁴	3,209,300	1,894	2,711,062	5,922,256
Insurance Capital Build-up Program	6,032,262	180,634	(1,024,757)	5,188,139
Torrey Pines Institute for Molecular Studies Fund	6,569,995	37,694	(1,833,173)	4,774,516
Scripps Florida Funding Corporation	17,062,359	20,681	(12,367,024)	4,716,016
Florida Division of Blind Services	3,516,417	333,604	350,000	4,200,021
Max Planck	3,387,686	(397)	0	3,387,289
Arbitrage Compliance Trust Fund	2,679,081	20,271	15,041	2,714,393
Oregon Health & Science University	2,559,638	10,438	0	2,570,076
McKnight Doctoral Fellowship Program	1,103,327	231,649	0	1,334,976
Charles Stark Draper Laboratory	1,110,814	925	0	1,111,739
SRI International Fund	268,703	57,778	0	326,481
FSU Research Foundation	222,821	62,338	(169,267)	115,892
Florida College Investment Plan Administrative Expense	35,124	426	9,167	44,717
Florida Endowment for Vocational Rehabilitation	39,771	10,606	(29,087)	21,290
Pinellas Suncoast Transit Authority	34,499	9,201	(25,756)	17,944
Inland Protection Financing Corporation	1,429	13	61	1,503
Florida Prepaid College Plan Administrative Expense	41,767	424	(41,740)	451
Gas Tax Clearing Fund ⁴	1,545,293	(38,086)	(1,507,207)	0
Total Assets Under Management	\$151,748,150,762	\$ 16,790,605,461	\$(6,706,623,614)	\$ 161,832,132,609

¹ The Florida PRIME™ fund values at June 30, 2012 and June 30, 2013 have been reduced by \$499,843,308 and \$476,391,200, 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 \$25,001,533 and \$1,549,424, respectively, for the same reason.

² Effective June 1, 2013, the name of the Florida Hurricane Catastrophe Fund Finance Corporation was changed to the State Board of Administration Finance Corporation.

³ The SBA Administrative Fund's market value for June 30, 2012, has been revised down by \$1,055,145. Included in this fund's market value is the general control disbursement account, which is used to issue checks for most funds managed by the SBA. This account temporarily holds and invests the cash received from other funds to cover issued checks, until those checks eventually clear at the bank. The reported market value for the SBA Administrative Fund has always included the investment balance in the general control disbursement account, but was not reduced by the balance of outstanding checks payable. In an effort not to overstate the fund's reported market value, it is necessary to deduct the value of the outstanding checks payable at June 30, 2012, of \$1,055,145. The reported market value for June 30, 2013, has also been reduced by the balance of outstanding checks for that date, totaling \$1,113,311.

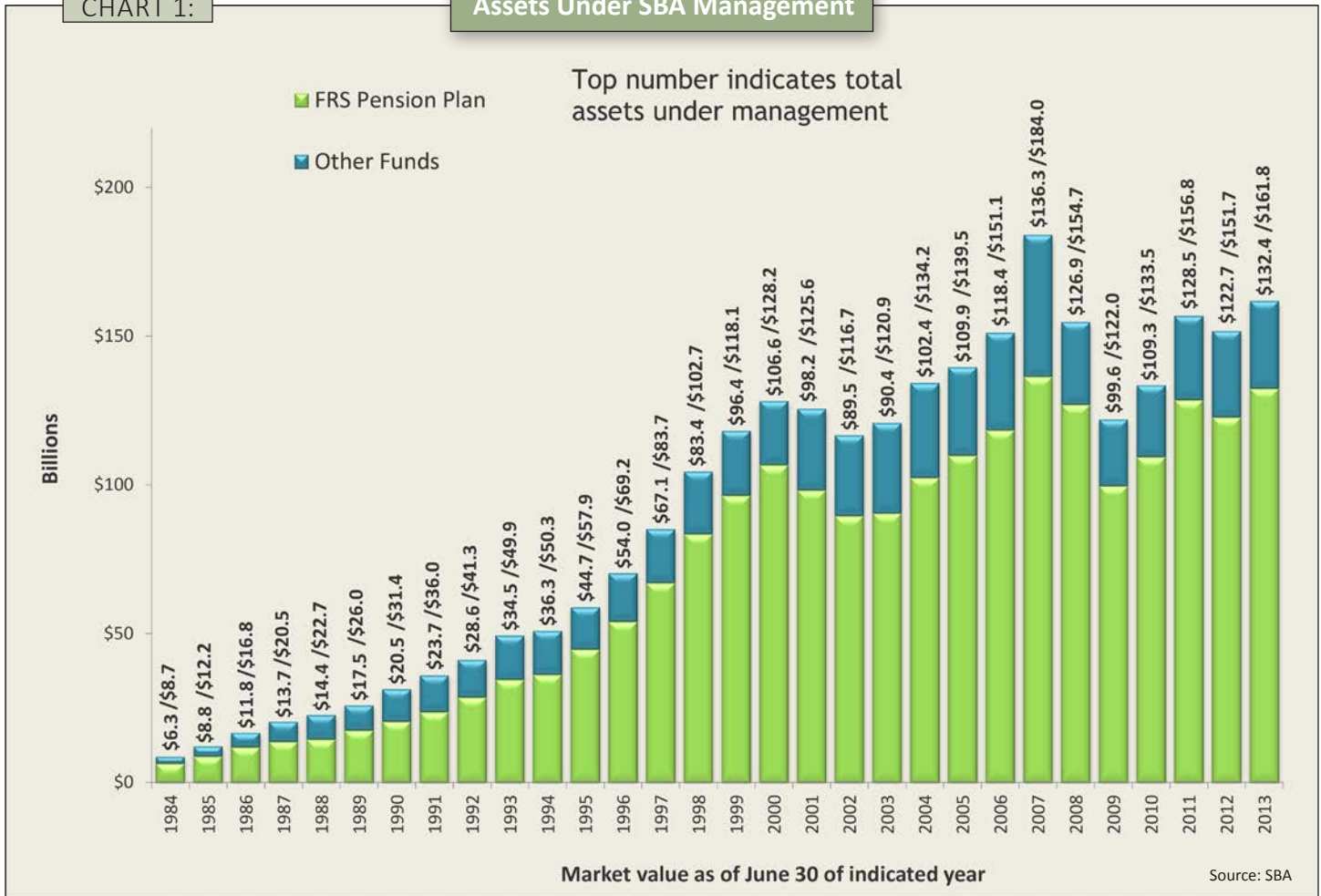
⁴ The fund balance is periodically zero due to cash flows.

Source: SBA



CHART 1:

Assets Under SBA Management



From 1984 to 1992, the total assets under SBA management reported for "Other Funds" were equal to the original cost value of investments, plus accrued interest receivable, plus or minus any pending sales or purchases of investments. Beginning in 1993, investments are reported at fair market value rather than original cost value.

Total assets under SBA management reported for "Other Funds" was revised from 1993 to 1998 to remove assets held by the Florida Prepaid College Fund that were managed outside of the SBA. The 1993 total assets under SBA management reported for "Other Funds" was also revised to reflect total assets under management of the SBA at fair market value. The amount previously reported for 1993 included assets at original cost, plus accrued interest receivable.

Asset Allocation

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.

	FY 07-08	FY 08-09	FY 09-10	FY-10-11	FY 11-12	FY 12-13
Better Performing ↑	Real Estate	Fixed Income	Strategic Investments	Global Equity	Real Estate	Global Equity
	Private Equity	Cash	Private Equity	Strategic Investments	Fixed Income	Strategic Investments
	Fixed Income	Real Estate	Global Equity	Real Estate	Private Equity	Real Estate
	Cash	Private Equity	Fixed Income	Private Equity	Strategic Investments	Private Equity
	Strategic Investments	Global Equity	Cash	Fixed Income	Cash	Fixed Income
	Global Equity	Strategic Investments	Real Estate	Cash	Global Equity	Cash

Source: SBA

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 agrees with this view and generally avoids tactical asset allocation. However, in June 2013, expectations for near-term bond returns had worsened markedly and the SBA refrained from executing a rebalancing that would have resulted in a transfer of \$729.8 million from Global Equity to Fixed Income.

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, 2013

Portfolios With Separately Managed Assets	U.S. Equities	Foreign Equities	Fixed Income	Treasury Inflation-Protected Securities	Real Estate	Private Equity	Strategic Investments	Cash Equivalents
FRS Pension Plan	x	x	x	x	x	x	x	x
FRS Investment Plan	x	x	x	x				x
Florida Hurricane Catastrophe Fund			x					x
State Board of Administration Finance Corporation ¹			x					x
Debt Service			x					x
Lawton Chiles Endowment Fund	x	x	x	x				x
Department of the Lottery Fund			x					x
Retiree Health Insurance Subsidy Trust Fund								x
Florida Prepaid College Plan	x		x					x
Burnham Institute for Medical Research Fund			x					x
Florida College Investment Plan	x		x					x
Scripps Florida Funding Corporation			x					x
University of Miami			x					x
Max Planck			x					x
Torrey Pines Institute for Molecular Studies Fund			x					x
Oregon Health & Science University Bond Proceeds Trust Fund			x					x
Florida Division of Blind Services	x		x					x
Charles Stark Draper Laboratory								x
McKnight Doctoral Fellowship Program			x					x
SRI International Fund			x					x
Gas Tax Clearing Fund			x					x
SBA Pooled Investment Products								
Florida PRIME™								x
Fund B Surplus Funds Trust Fund			x					x
CAMP- Money Market- B			x					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 Effective June 1, 2013, the name of the Florida Hurricane Catastrophe Fund Finance Corporation was changed to the State Board of Administration Finance Corporation.

Source: SBA



A Cannon at Fort Barrancas, NAS Pensacola, Florida.

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.

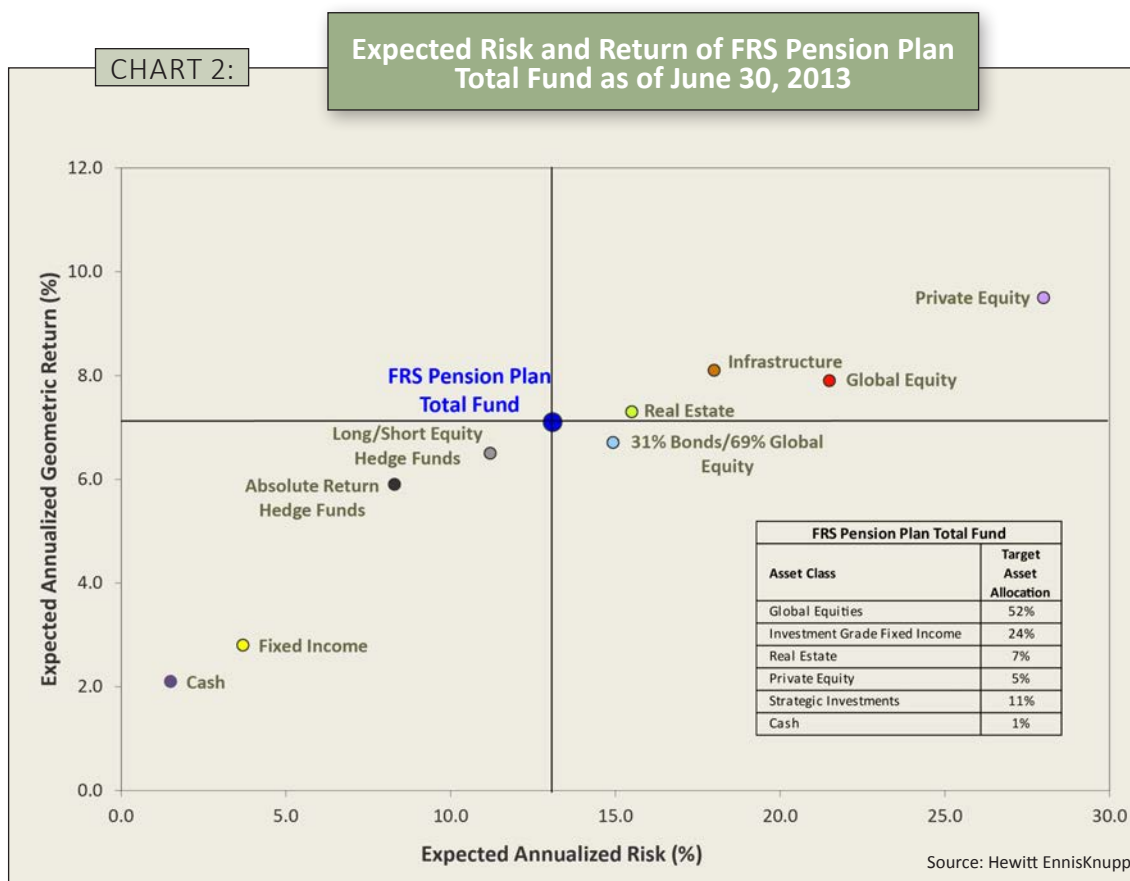
A clearly formulated investment objective is an essential first step in managing risk. It provides a basis for prioritizing those risks which should be avoided or minimized, those which may be mitigated, and those which must be accepted. Some degree of investment risk must be accepted in order to meet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



Standing tall along the Matanzas River is the watchtower Fort Matanzas in St. Augustine, Florida.

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.

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 and Compliance unit (RMC) under the direction of a Chief Risk & 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 affirmation 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
- 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 its applicable investment strategy as of June 30, 2013. During the fiscal year, periodic instances of individual portfolio policy and guideline

compliance exceptions were reported. None of the exceptions constituted material non-compliance with investment strategy.

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 periodic 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™.

SBA's Non-Investment Management Responsibilities

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.

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 54,000 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.

Active enrollments in the Investment Plan decreased by 2% and Pension Plan enrollments decreased by 2.5% during the 2012-13 fiscal year. Employees who do not make an active plan choice are automatically enrolled (defaulted) in the FRS Pension Plan. The default enrollments increased by almost 5% 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.

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, 2013, the SBA executed votes on 9,820 public company proxies covering 89,060 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 80 countries, with the top five countries comprised of the United States (2,875 votes), Japan (1,175), Hong Kong (645), United Kingdom (443), and Canada (385). The SBA voted "for" 80.4 percent of all proxy issues, "against" 15.9 percent, and abstained or did not vote due to share-blocking on 3.7 percent of issues. Of all votes cast, 18.2 percent were against the management-recommended vote, down from 19 percent during the same period ending in 2012.

Among all global proxy votes, the SBA cast at least one dissenting vote at 6,559 annual shareowner meetings, or 66.8 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.



Fort Matanzas roof hatch to fort rooftop in St. Augustine, Florida.

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 2012-13:

- **Florida Hurricane Catastrophe Fund**
- **State Board of Administration Finance Corporation**¹
- **Florida Prepaid College Plan**
- **Florida College Investment Plan QMA Account**
- **Max Planck**
- **University of Miami**

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



¹ Effective June 1, 2013, the name of the Florida Hurricane Catastrophe Fund Finance Corporation was changed to the State Board of Administration Finance Corporation.

The walls of Fort Pickens in Pensacola, 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.

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 Fund'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.

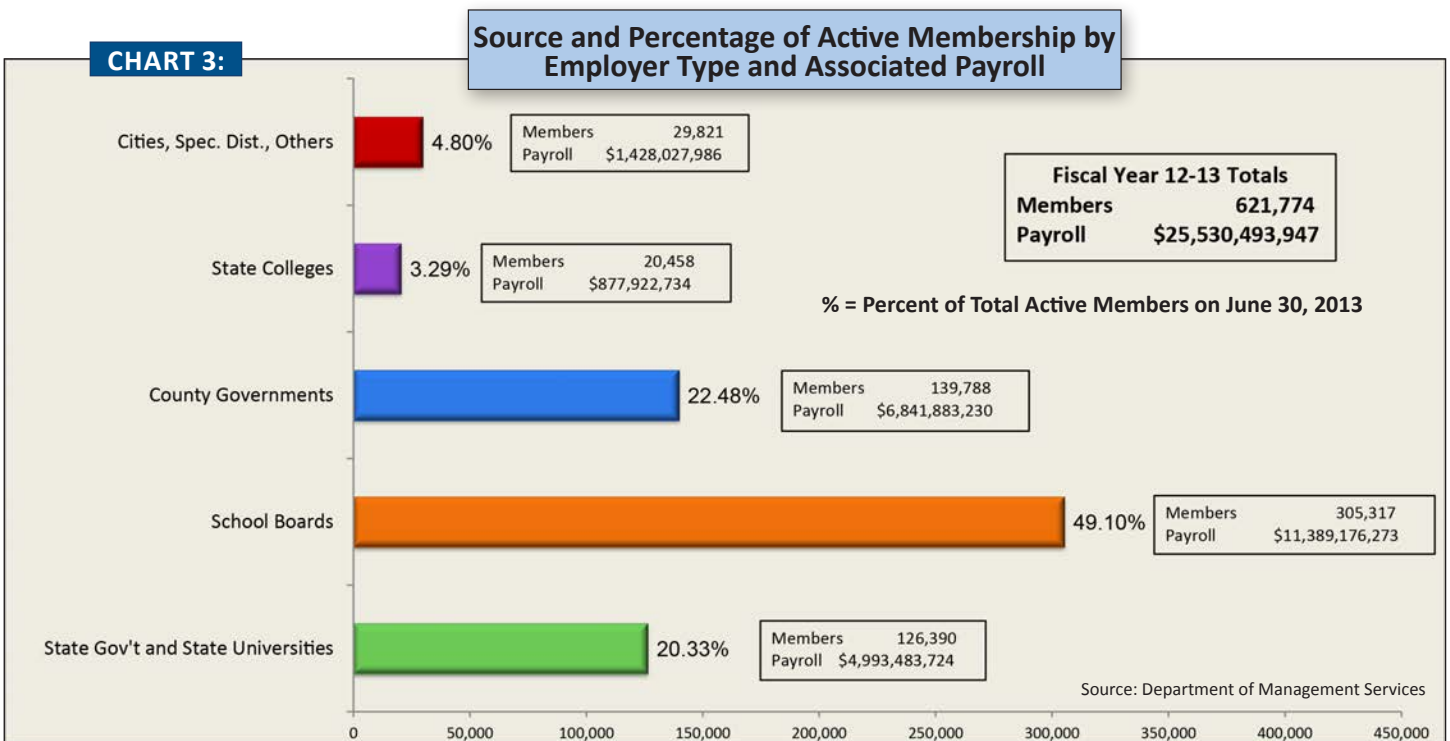
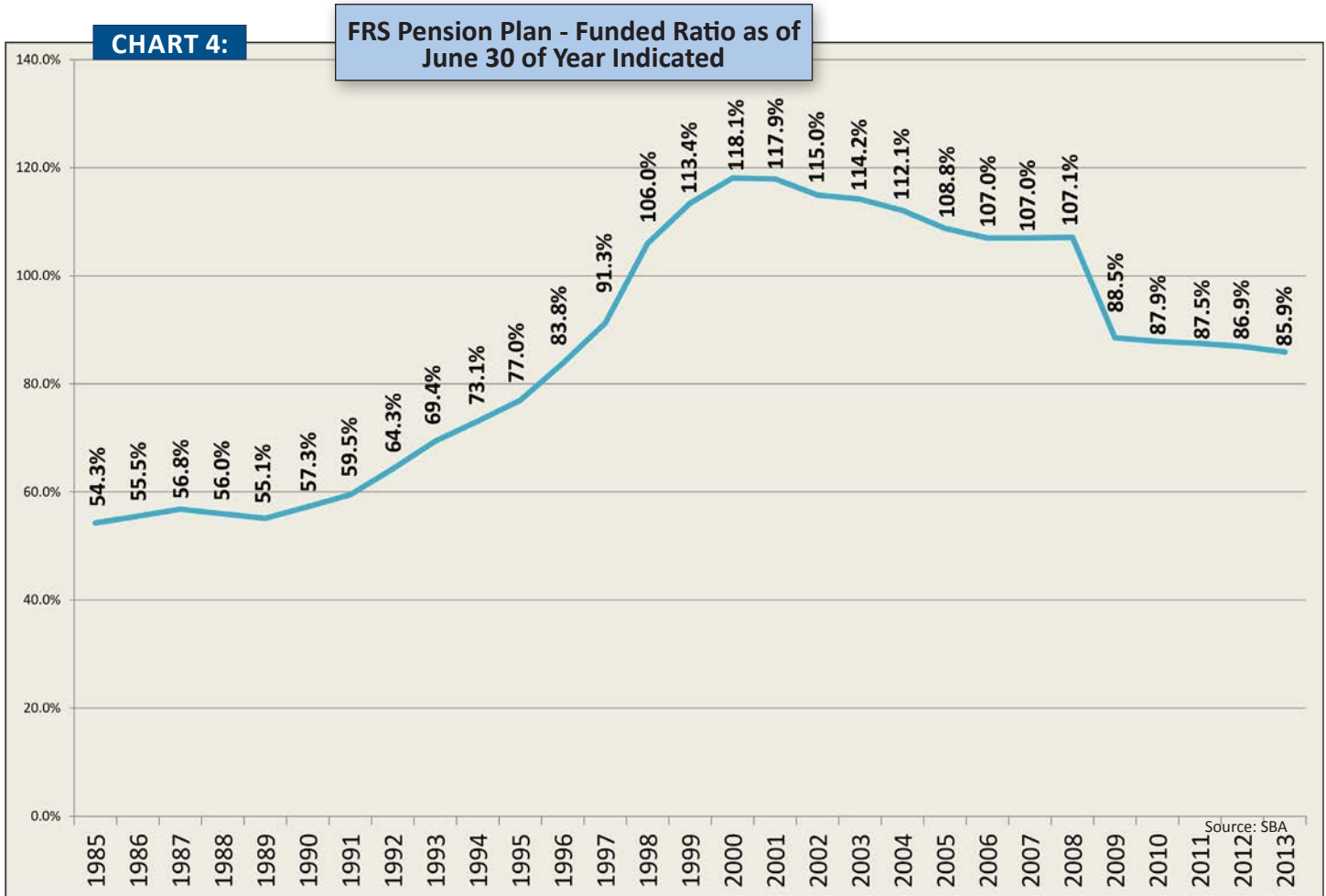


Chart 4 shows the funded ratio, a comparison of a pension fund’s assets to its projected liabilities, of the Florida Retirement System Pension Plan. A funded ratio at or above 100% indicates that the fund is fully able to cover its long-term obligations (payment obligations to current and future retirees).

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 projected 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 projected future future benefit obligations. Actuaries agree that contributions should be higher than the normal cost level in order to pay down the projected deficit.



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 to keep costs at a reasonable level, given actuarially required contributions. The SBA’s operating goal is to earn a compounded return of five percent plus the rate of inflation per annum over the long run.

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. This 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.

In addition to its investment objective for the Pension Plan, the SBA measures its investment performance relative to market-based benchmarks. Table 3 compares actual returns to the total fund benchmark for various periods ending June 30, 2013.

The SBA's actual returns on Pension Plan assets have met or exceeded the long-term investment objective of the fund for the 10-, 20-, 25- and 30-year periods.

CHART 5:

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

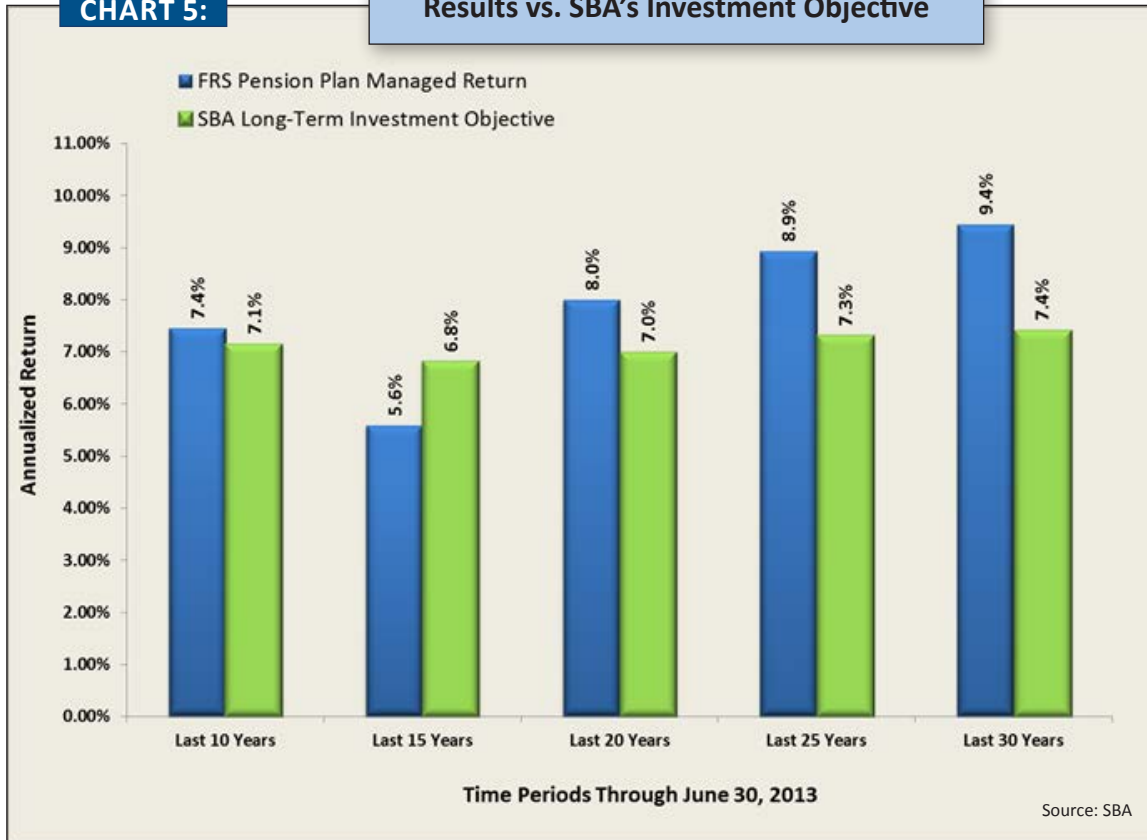


TABLE 3:

FRS Pension Plan Actual Return vs. Benchmark

	Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	13.12%	12.01%	1.11%
Three Years	11.47%	10.67%	0.80%
Five Years	5.04%	4.41%	0.63%
Ten Years	7.45%	6.95%	0.49%
Fifteen Years	5.58%	5.06%	0.51%

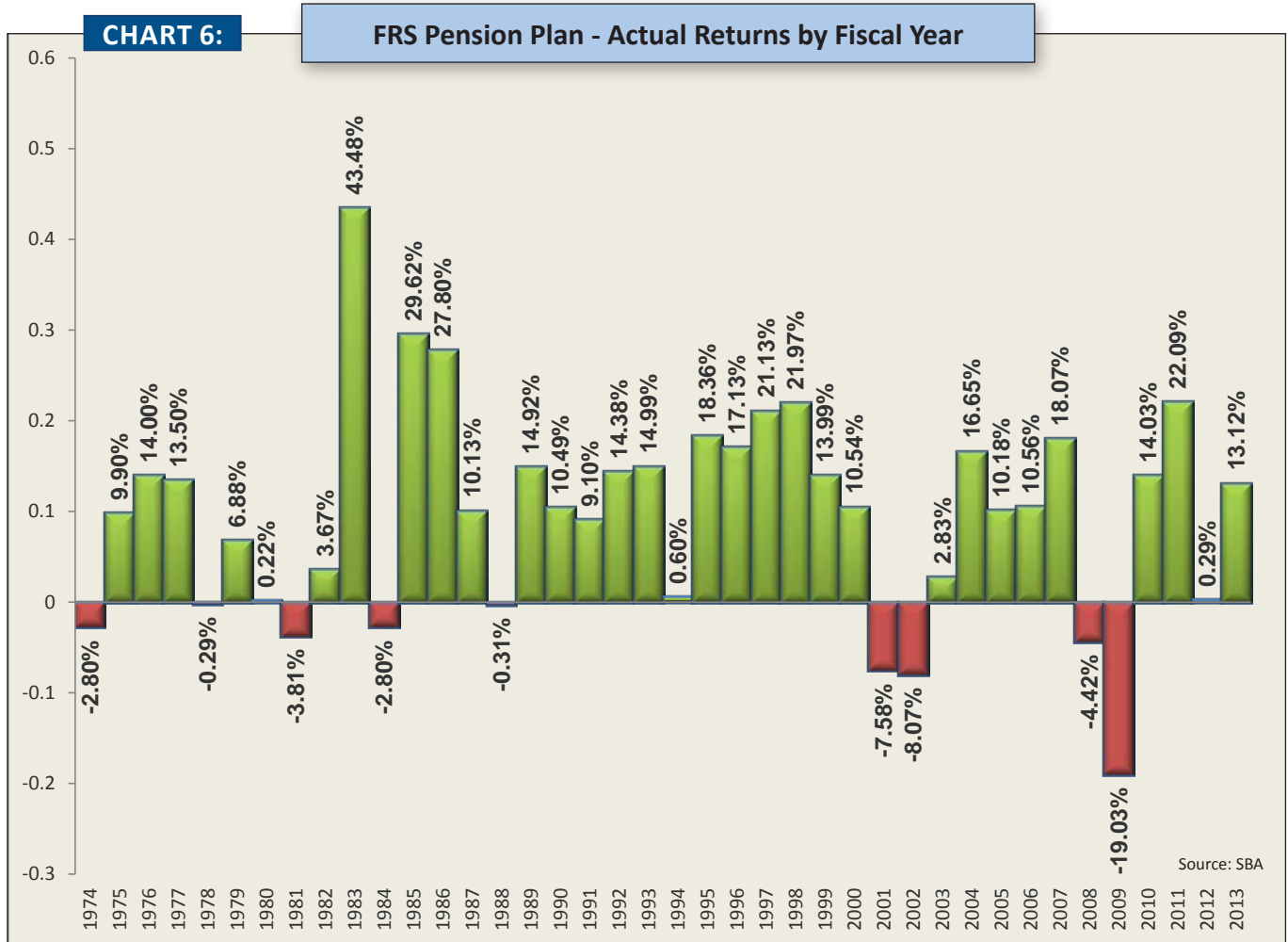
- All returns are annualized for periods indicated through June 30, 2013.
- Benchmark is a weighted blend of individual asset class target indices as applicable; weights and benchmarks are established in the FRS Pension Plan Investment Policy Statement.
- Totals may not foot due to rounding.

Source: SBA

The SBA's actual returns on Pension Plan assets have met or exceeded the performance benchmarks for the 1-, 3-, 5-, 10- and 15-year periods.

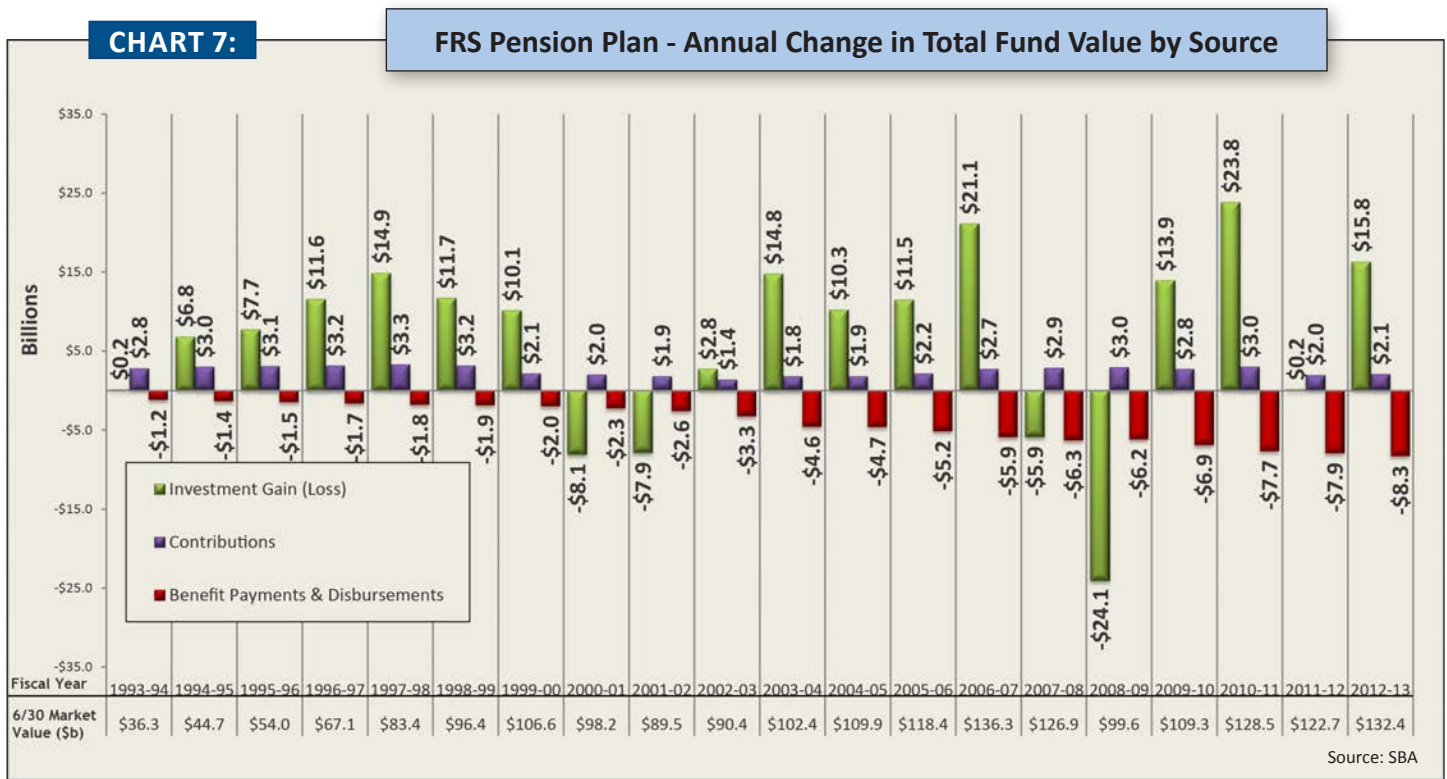
Chart 6 provides the historical one-year returns earned by the Pension Plan.

The SBA has earned a positive return on Pension Plan assets in 31 of the last 40 years, or over three-quarters of the time. In 23 of those years, the return exceeded 10%.



Interior arches at Fort Pickens in Pensacola, Florida

Chart 7 presents the key drivers of growth in the FRS Pension Plan's asset base. Over the period shown, investment returns (green 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. This is typical of a mature plan. Contributions into the fund (purple bars) shrank during the early 2000's, reflecting the surplus the fund had at the time.



The open courtyard in Fort Jefferson on Garden Key in the Dry Tortugas National Park.



Cost

Tables 4 and 5 present elements of the SBA's cost structure that have historically been of interest to stakeholders.

FRS Pension Plan - External Investment Management Fees Fiscal Year 2012-13

TABLE 4:

Asset Class	Dollar Amount	Return Basis ¹
Global Equity	\$ 130,406,756	0.27%
Strategic Investments	90,193,380	1.46%
Fixed Income	14,416,460	0.14%
Real Estate	59,363,135	0.62%
Private Equity	101,096,837	1.54%
Total	\$ 395,476,568	0.49%

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

• Totals may not foot due to rounding.

Source: SBA

FRS Pension Plan - Net Brokerage Commissions

TABLE 5:

Asset Class	Dollar Amount ¹
Global Equity	\$ 33,487,168
Strategic Investments	50,761
Fixed Income	446,120
Real Estate	2,025,643
Private Equity	7,352
Total	\$ 36,017,044

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.

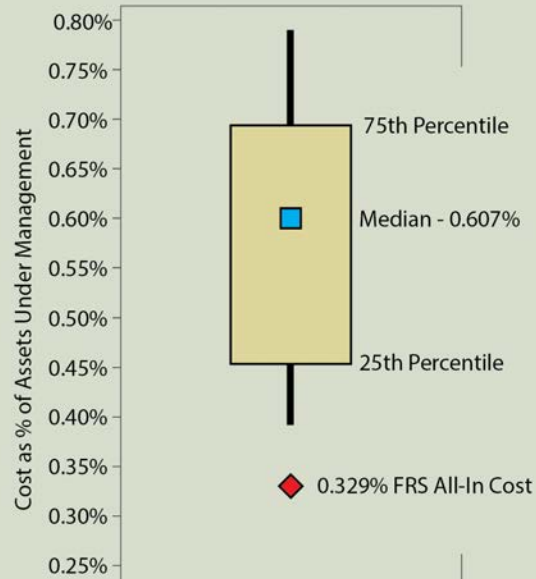
Source: SBA

The SBA's all-in costs are at the low end of the spectrum.

Chart 8 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 retirement plans, selected by the independent firm CEM [Cost Effectiveness Measurement] Benchmarking Inc., as appropriate peer organizations.

FRS Pension Plan Cost Comparison All-In Calendar Year 2012 Costs Universe of 17 Large Public Pension Plans

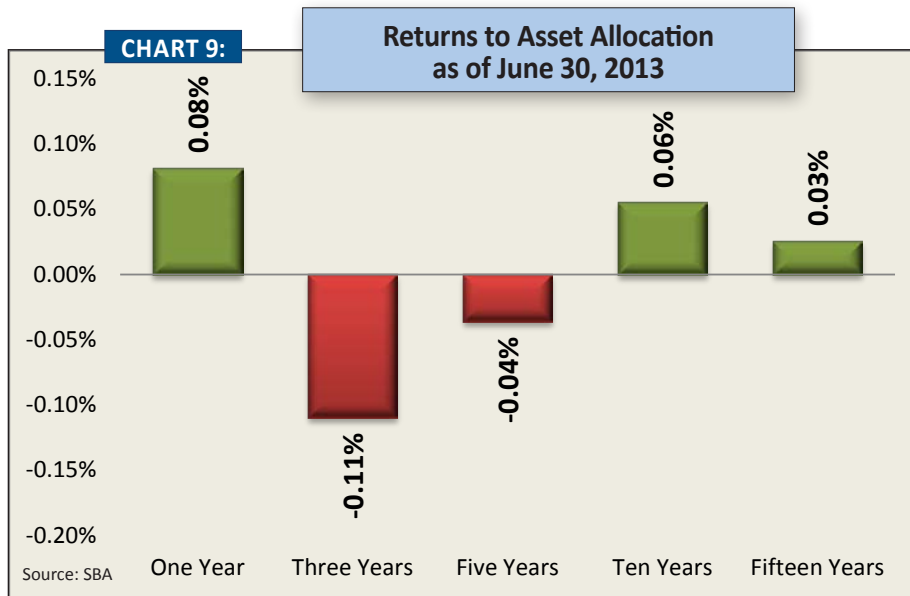
CHART 8:



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 2013, returns to asset allocation beat the target return by 8 basis points. Longer term differences are shown in Chart 9.



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. Asset class performance is measured against a broad market index appropriate to the asset class. The indices identified in Table 6 are used as the primary benchmarks for the asset classes.

TABLE 6: 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 withholding 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

Source: SBA

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. For the FRS Pension Plan, one rebalance was triggered on May 7, 2013, but was not executed. The rebalance would have shifted \$729.8 million from Global Equity to Fixed Income, but adverse expectations for Fixed Income returns made such a move unattractive.

**FRS Pension Plan - Returns by Asset Class
for Periods Ending June 30, 2013**

TABLE 7:

	Actual Return	Benchmark Return	Actual Over (Under) Bmk.
Global Equity			
One Year	18.56%	17.23%	1.33%
Three Years	13.81%	12.41%	1.40%
Five Years	4.28%	3.30%	0.98%
Ten Years	7.50%	7.04%	0.45%
Fifteen Years	4.54%	4.06%	0.48%
Fixed Income			
One Year	0.38%	(0.69%)	1.07%
Three Years	4.72%	3.51%	1.21%
Five Years	6.13%	5.19%	0.94%
Ten Years	5.06%	4.67%	0.39%
Fifteen Years	5.75%	5.45%	0.29%
Real Estate			
One Year	14.92%	10.12%	4.80%
Three Years	15.35%	14.37%	0.97%
Five Years	1.68%	(0.14%)	1.83%
Ten Years	8.83%	3.90%	4.93%
Fifteen Years	9.22%	5.13%	4.09%
Private Equity ¹			
One Year	10.41%	24.55%	(14.14%)
Three Years	11.78%	21.62%	(9.84%)
Five Years	5.49%	11.71%	(6.22%)
Ten Years	8.20%	11.89%	(3.69%)
Fifteen Years	6.57%	8.31%	(1.74%)
Strategic Investments			
One Year	16.16%	9.83%	6.33%
Three Years	12.81%	8.39%	4.42%
Five Years	3.89%	1.95%	1.95%
Cash Equivalents			
One Year	0.29%	0.05%	0.24%
Three Years	0.31%	0.06%	0.25%
Five Years	(0.53%)	0.45%	(0.98%)
Ten Years	1.11%	1.95%	(0.84%)
Fifteen Years	2.21%	2.61%	(0.40%)

¹ 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.

Source: SBA

Table 7 presents returns by asset class over periods from one to 15 years, as applicable, compared to benchmark returns.

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 10 illustrates how returns over the year performed for each class.

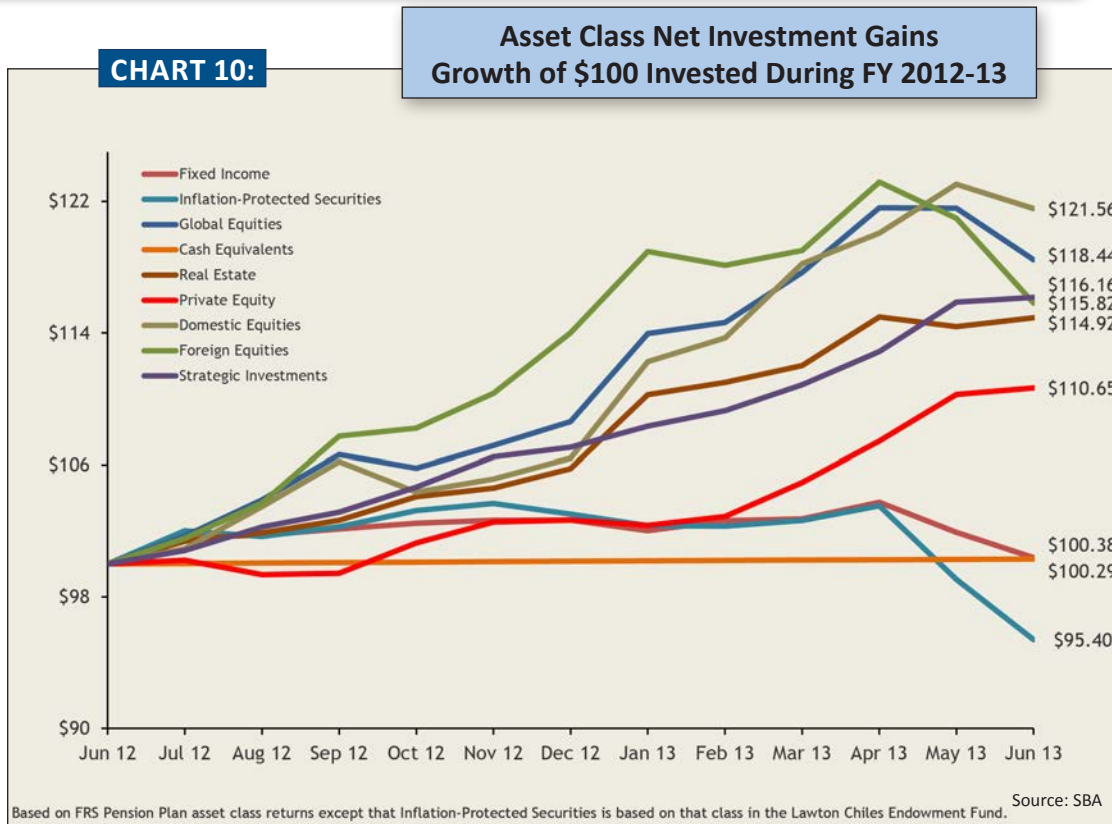


Table 8 shows the dollar impact each asset class had on the overall fund.

TABLE 8:

FRS Pension Plan - Change in Market Value
Fiscal Year 2012-13

	Market Value 6/30/12	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/13
Global Equity				
Domestic Equities ¹	\$ 31,795,995,361	\$ (2,236,737,870)	\$ 6,680,447,787	\$ 36,239,705,277
Foreign Equities ¹	34,075,288,470	(2,041,443,204)	5,394,415,527	37,428,260,794
Global Equities ¹	3,465,817,282	504,631,074	623,018,376	4,593,466,732
Total Global Equity	69,337,101,114	(3,773,550,000)	12,697,881,690	78,261,432,803
Fixed Income	31,301,149,920	(2,405,179,433)	212,927,445	29,108,897,932
Real Estate	9,282,198,424	(501,013,425)	1,362,357,909	10,143,542,908
Private Equity	6,476,576,140	(260,000,000)	675,465,477	6,892,041,617
Strategic Investments	5,308,244,446	503,522,881	940,799,661	6,752,566,988
Cash/Short-Term Securities ²	1,040,703,506	247,164,597	(63,435,086)	1,224,433,017
Total FRS Pension Plan	\$ 122,745,973,550	\$ (6,189,055,380)	\$ 15,825,997,096	\$ 132,382,915,266

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 asset class includes \$28,824,331 in various expenses (including SBA investment service charges, consulting, legal, and bank fees) paid out of the Cash Expense Account and Central Cash/Short-Term Account on behalf of the entire FRS Pension Plan. Also, beginning in June 2013, the SBA began including the net unrealized gain (loss) on invested cash collateral in the securities lending program in the total market value of the Cash Securities Lending Account. In this first year of inclusion, the entire outstanding net unrealized loss of \$73,421,688 as of June 30, 2013, is reflected in the Investment Gain (Loss) column. Excluding the expenses paid in the Cash Expense and Central Cash/Short-Term Accounts and the net unrealized loss reflected in the Cash Securities Lending Account, the reported investment gain (loss) for the Cash/Short-Term Securities asset class would have been a positive \$38,810,933.

• Totals may not foot due to rounding.

Source: SBA

Passive vs Active Investing

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 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 internally.

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 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 outperform 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 9 shows internal versus external management and the passive versus active management of the funds' resources.

**Total Fund and Asset Class Allocation
June 30, 2013**

TABLE 9:

Asset Class	Internal	External	Passive	Active	% of Total
Total Fund	42.49%	57.51%	41.33%	58.67%	100.00%
Global Equity	38.61%	61.39%	51.08%	48.92%	59.12%
Fixed Income	66.66%	33.34%	51.01%	48.99%	21.99%
Cash	100.00%	0.00%	0.00%	100.00%	0.92%
Real Estate	50.97%	49.03%	0.00%	100.00%	7.66%
Private Equity	1.64%	98.36%	0.00%	100.00%	5.21%
Strategic Investments	0.70%	99.30%	0.00%	100.00%	5.10%
Total Fund Public Markets	47.62%	52.38%	49.73%	50.27%	83.09%

Asset Class	Internal (\$m)	External (\$m)	Passive (\$m)	Active (\$m)	% of Total (\$m)
Total Fund	\$ 56,251	\$ 76,132	\$ 54,708	\$ 77,675	\$ 132,383
Global Equity	30,216	48,045	39,973	38,288	78,261
Fixed Income ¹	19,479	9,630	14,735	14,374	29,109
Cash ²	1,224	0	0	1,224	1,224
Real Estate	5,170	4,973	0	10,144	10,144
Private Equity	113	6,779	0	6,892	6,892
Strategic Investments	47	6,705	0	6,753	6,753
Total Fund Public Markets \$	52,384	\$ 57,618	\$ 54,708	\$ 55,294	\$ 110,002

¹ Includes STIPFRS Reserve Liquidation Fund

² Includes Securities Lending Account and TF STIPFRS NAV Adjustment Account

Source: SBA

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.

FRS Pension Plan - Global Equity Change in Market Value Fiscal Year 2012-13

TABLE 10:

	Market Value 6/30/12	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/13
<u>Domestic Equities</u>				
<u>Active All Cap:</u>				
- Jacobs Levy Short Extension Strategy ²	\$ 1,192,535,044	\$ (1,284,538,001)	\$ 91,997,787	\$ (5,170)
<u>Active Large Cap:</u>				
- Aronson Johnson Long	908,579,328	0	244,978,797	1,153,558,125
- Delaware Investments	862,319,365	0	147,911,630	1,010,230,995
- Quantitative Management Associates	964,859,796	0	247,864,010	1,212,723,806
- Smith Asset Management Large Cap Enhanced	1,046,654,045	(39,991,825)	160,282,727	1,166,944,947
<u>Active Small Cap:</u>				
- AQR R2000 Equity	111,472,084	0	27,501,957	138,974,041
- BMO Asset Management	81,156,216	12,754,121	26,385,670	120,296,007
- Cortina Asset Management	85,239,562	21,157,839	25,193,869	131,591,270
- Cupps	85,956,484	14,131,693	28,797,255	128,885,433
- Delta	47,125,641	20,602,604	14,517,561	82,245,806
- Fisher Investments	158,982,206	0	41,949,489	200,931,695
- PanAgora Asset Management	119,110,559	0	38,468,854	157,579,413
- Signia Capital	114,821,394	0	22,532,364	137,353,758
- Stephens Investment Management Group	103,313,395	19,374,318	23,578,339	146,266,052
- TAMRO Capital Partners	101,141,135	0	18,993,136	120,134,271
- Tygh Capital Management ²	84,008,887	(86,733,571)	2,724,699	15
- Vaughan Nelson Investment Management	157,179,790	0	42,228,915	199,408,706
<u>Passive:</u>				
- Avatar R1000 Index Fund	11,381,005,152	(793,886,568)	2,410,210,175	12,997,328,759
- Phoenix Portfolio	14,181,264,982	(87,232,094)	3,041,213,178	17,135,246,066
<u>Other:</u>				
- Domestic Equity Asset Class Transition	9,270,295	(32,168,123)	22,909,111	11,283
- Domestic Equity STIP Reserve Fund	0	(208,263)	208,263	0
Total Domestic Equities	\$ 31,795,995,361	\$ (2,236,737,870)	\$ 6,680,447,787	\$ 36,239,705,277
<u>Foreign Equities</u>				
<u>Developed Markets:</u>				
- Acadian Long	\$ 539,698,859	\$ 0	\$ 86,009,807	\$ 625,708,666
- AQR Capital Management Small Cap	398,276,880	(20,000,000)	80,094,007	458,370,888
- Artisan Partners	1,545,803,558	(294,000,000)	337,911,495	1,589,715,053
- Ballie Gifford Overseas Limited	1,552,963,623	(128,000,000)	256,514,893	1,681,478,515
- BlackRock Global Inv. Index Plus	1,293,056,156	0	227,041,153	1,520,097,309
- BlackRock Global Inv. Small Cap Strategy	762,659,307	(201,500,000)	130,371,159	691,530,466
- BlackRock Global Inv. World Ex-US	8,464,915,873	(109,000,000)	1,484,917,353	9,840,833,226
- BlackRock Global Inv. World Ex-US Alpha Tilts	1,540,761,831	(132,000,000)	283,796,747	1,692,558,579
- BlackRock Restructuring	65	(43)	(22)	0
- Capital Guardian Trust Company	7,821	(32)	1	7,789
- Dimensional Fund Advisors	330,051,970	(10,000,000)	79,021,356	399,073,326
- Epoch Investment Partners	309,596,297	0	67,262,235	376,858,531
- Foreign Equity Internal Active	4,992	(3,771)	139	1,361
- Franklin Templeton Small Cap	214,638,396	0	66,822,880	281,461,275

Continued on next page

Account Name - continued	Market Value 6/30/2012	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/13
- Mondrian Investment Partners Small Cap	352,275,175	(35,000,000)	58,117,297	375,392,471
- Morgan Stanley Investment Management	1,606,271,668	(187,000,000)	316,462,928	1,735,734,596
- New Star Institutional Asset Management ³	7,409	0	10	7,419
- PineBridge Investments ³	5,950	(923)	(66)	4,961
- Principal Global Investors- FE	349,800,913	(50,000,000)	83,801,097	383,602,010
- Pyramis Global Advisors	1,511,523,749	(175,000,000)	316,987,680	1,653,511,430
- Pyramis Global Advisors Trust Small Cap	305,318,278	0	63,828,708	369,146,986
- Sprucegrove Investment Management	1,580,175,572	(75,000,000)	235,959,366	1,741,134,938
- Templeton Investment Counsel	1,498,800,663	0	302,949,139	1,801,749,802
- Victory Capital Management ³	563	0	14	576
- Walter, Scott & Partners, Ltd.	1,606,030,566	(149,000,000)	234,644,069	1,691,674,635
- William Blair	351,217,721	(35,000,000)	76,067,310	392,285,031
<u>Emerging Markets:</u>				
- Aberdeen Asset Management	952,149,559	(130,000,000)	68,973,418	891,122,977
- Acadian Asset Mgt Inc.	950,240,417	(112,000,000)	90,779,614	929,020,031
- AQR Capital Mgt. Emerging Markets Small Cap ¹	0	96,000,000	2,941,538	98,941,538
- BlackRock EM	605,799,078	(50,000,000)	24,824,483	580,623,561
- DFA EM	341,592,614	0	19,689,765	361,282,379
- Genesis Emerging Markets	893,795,669	(100,000,000)	70,016,056	863,811,725
- Mondrian Investment Partners Ltd.	947,746,475	(105,000,000)	85,682,727	928,429,202
- State Street Global Advisors	760,965,287	0	26,518,626	787,483,913
- Trilogy	910,245,868	(68,100,000)	18,340,319	860,486,188
- Wells Capital Emerging Markets	668,956,455	0	38,125,529	707,081,984
- William Blair & Company, LLC	580,710,792	0	51,989,543	632,700,335
- William Blair Emerging Market Small Cap	102,307,839	26,000,000	26,762,768	155,070,607
<u>Frontier Markets:</u>				
- Aberdeen Frontier Markets	85,524,902	3,000,000	31,899,448	120,424,350
- First State Frontier Markets	87,196,759	0	25,706,539	112,903,298
- HSBC Global Frontier Markets	72,819,931	0	22,770,202	95,590,133
<u>Other:</u>				
- Global Equity Cash	1,372,767	(824,196)	800,102	1,348,673
- Foreign Equity Policy Transition Acct	203	(14,238)	14,036	0
- Foreign Equity Policy Transition Acct 2	0	0	61	61
Total Foreign Equities	\$ 34,075,288,470	\$ (2,041,443,204)	\$ 5,394,415,527	\$ 37,428,260,794
<u>Global Equities</u>				
- Acadian Asset Management ³	\$ 6,405	\$ (11,322)	\$ 11,478	\$ 6,561
- Epoch Investment Partners Global	654,806,014	0	103,615,304	758,421,318
- Franklin Templeton ³	205,276	(107,846)	6,481	103,911
- Hexavest Inc.	642,554,178	0	105,153,456	747,707,634
- Intech Investment Management	1,136,269,779	0	233,830,724	1,370,100,503
- McLean Budden ³	23,889	(19,383)	132	4,638
- MFG Asset Management ¹	0	482,788,164	7,621,656	490,409,820
- Schroders Investment Management	606,325,572	0	112,711,679	719,037,251
- Trilogy Global Advisors	425,626,169	0	81,937,447	507,563,616
<u>Other:</u>				
- Global Equities Transition Account ¹	0	21,981,460	(21,869,980)	111,481
Total Global Equities	\$ 3,465,817,282	\$ 504,631,074	\$ 623,018,376	\$ 4,593,466,732
Total Global Equity	\$ 69,337,101,114	\$ (3,773,550,000)	\$ 12,697,881,690	\$ 78,261,432,803

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.

Source: SBA

TABLE 11:

**FRS Pension Plan - Fixed Income
Change in Market Value Fiscal Year 2012-13**

Account Name	Market Value 6/30/12	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/13
<u>Aggregate:</u>				
- Active Core	\$ 4,099,032,799	\$ 251,000,000	\$ (18,184,028)	\$ 4,331,848,772
- BlackRock Core Bond Enhanced Index	2,711,514,898	(315,000,000)	436,638	2,396,951,536
- Investment Grade AA Account	67,344,080	0	8,308,942	75,653,023
- Neuberger Berman Core	1,550,937,623	0	(4,439,238)	1,546,498,385
- PIMCO Core	1,639,920,158	250,000,000	(10,188,249)	1,879,731,909
- Prudential Conservative Core	1,008,693,161	0	(6,891,128)	1,001,802,033
- REVE Note	758,700,110	(885,000,000)	241,314,425	115,014,536
- Smith Breeden Associates	1,596,735,175	250,000,000	14,424,016	1,861,159,191
- Taplin, Canida & Habacht	938,436,767	0	5,083,603	943,520,369
<u>Government/Corporate:</u>				
- Fixed Income Gov't./Corp. Passive Account	11,493,705,690	(1,050,000,000)	(44,319,440)	10,399,386,250
<u>Mortgage:</u>				
- Fixed Income MBS Passive	5,106,813,170	(722,000,000)	(49,528,258)	4,335,284,912
<u>Other:</u>				
- Fixed Income Transition Account	1,252	0	4	1,256
- STIPFRS Reserve Liquidation Fund	329,315,036	(184,179,433)	76,910,158	222,045,762
Total Fixed Income	\$ 31,301,149,920	\$ (2,405,179,433)	\$ 212,927,445	\$ 29,108,897,932

• Totals may not foot due to rounding.

Source: SBA

TABLE 12:

**FRS Pension Plan - Private Equity
Change in Market Value Fiscal Year 2012-13**

Account Name	Market Value 6/30/2012	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/13
<u>Partnerships:</u>				
- 3i Eurofund V, L.P.	\$ 36,661,973	\$ (4,258,442)	\$ 8,960,049	\$ 41,363,580
- 3I Growth Capital Fund	22,912,882	0	2,858,776	25,771,658
- ABRY Partners VII, L.P.	16,763,550	35,483,749	2,067,715	54,315,014
- Advent International GPE VI	53,274,500	(7,481,920)	13,310,574	59,103,154
- Advent International GPE VII, L.P. ¹	0	22,497,677	(868,892)	21,628,785
- APAX VIII, L.P.	0	12,610,484	(405,255)	12,205,229
- Apollo Investment Fund IV, L.P.	5,219,156	(580,870)	(974,349)	3,663,937
- Apollo Investment Fund V, L.P.	54,764,205	(38,533,452)	7,456,217	23,686,970
- Apollo Investment Fund VI, L.P.	209,505,152	(75,070,113)	37,327,751	171,762,790
- Apollo Investment Fund VII, L.P.	160,631,149	(67,569,713)	50,845,770	143,907,206
- Ares Corporate Opportunities Fund III	71,024,263	(9,143,231)	12,072,885	73,953,917
- Ares Corporate Opportunities Fund IV, L.P.	0	8,433,086	(2,147,117)	6,285,969
- AXA Secondary Fund V, L.P.	16,918,659	30,171,280	14,290,193	61,380,132
- BC European Capital IX, L.P.	8,680,810	16,598,593	6,764,825	32,044,227
- Berkshire Fund VIII, L.P.	3,230,413	13,674,782	(1,460,865)	15,444,330
- Blackstone Capital Partners V, L.P.	131,360,390	(22,039,764)	21,304,311	130,624,937
- Blackstone Capital Partners VI, L.P.	23,018,370	23,859,726	7,242,113	54,120,209
- Carlyle Asia Growth Partners IV	37,571,841	1,924,656	1,131,840	40,628,337

Continued on next page

Account Name - continued	Market Value 6/30/2012	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/13
- Carlyle Partners Europe III, L.P.	48,944,502	(8,107,017)	10,673,216	51,510,701
- Carlyle Partners II	8,591,033	(7,862,791)	989,189	1,717,431
- Carlyle Partners III, L.P.	2,979,109	(5,858,173)	3,363,045	483,981
- Carlyle Partners IV, L.P.	71,009,211	(31,056,408)	5,991,653	45,944,456
- Carlyle Partners V, L.P.	130,052,975	4,241,097	25,190,425	159,484,497
- Carlyle Partners VI, L.P. ¹	0	59,885	(59,885)	0
- Centre Capital Investments II	2,038,611	(2,000,003)	157,593	196,201
- Charlesbank Equity Fund VII, L.P.	29,142,187	6,208,449	2,117,900	37,468,536
- Charterhouse Capital Partners IX, L.P.	39,348,936	7,423,691	7,929,253	54,701,880
- Chartwell Capital Investors II, L.P.	10,147,346	(83,158)	(622,572)	9,441,616
- Cortec Group V, L.P.	6,583,479	10,097,196	2,990,510	19,671,185
- Cressey & Company Fund IV, L.P.	15,145,463	12,500,000	4,206,681	31,852,144
- CVC European Equity Partners V	60,929,630	(1,078,458)	7,102,492	66,953,664
- Cypress Equity Fund	968,097	(412,705)	(101,684)	453,709
- Denham Commodity Partners Fund VI, L.P.	2,347,748	13,440,366	(1,685,628)	14,102,486
- EnCap Energy Capital Fund VIII, L.P.	26,176,972	12,867,546	(110,102)	38,934,416
- EnCap Energy Capital Fund IX, L.P. ¹	0	5,536,458	(681,775)	4,854,684
- Energy Capital Partners II, L.P.	49,407,644	26,644,740	12,804,200	88,856,584
- EnerVest Energy Fund XII-A, L.P.	33,217,902	23,420,652	339,835	56,978,389
- EnerVest Energy Institutional Fund XIII-A, L.P. ¹	0	2,674,145	(1,163,924)	1,510,221
- Fairview Special Opportunities Fund, L.P.	8,547,329	23,083,485	(920,383)	30,710,431
- Fairview Ventures Fund II, L.P.	36,325,112	(2,018,101)	1,055,593	35,362,604
- Fairview Ventures Fund III, L.P.	59,404,872	(2,570,735)	6,662,251	63,496,388
- First Reserve Fund XI, L.P.	83,865,353	(4,709,521)	1,150,543	80,306,376
- First Reserve Fund XII, L.P.	148,454,271	7,218,908	7,137,797	162,810,976
- Francisco Partners III, L.P.	11,977,059	21,375,000	(623,341)	32,728,718
- FS Equity Partners V, L.P.	34,904,139	(24,798,349)	4,866,107	14,971,897
- FS Equity Partners VI, L.P.	39,474,079	1,239,382	9,847,395	50,560,856
- Gores Capital Partners I, L.P.	31,465,614	(522,617)	(9,877,168)	21,065,829
- Gores Capital Partners II, L.P.	32,576,063	(3,657,902)	6,077,653	34,995,814
- Gores Capital Partners III, L.P.	44,276,375	13,024,359	1,985,312	59,286,046
- Green Equity Investors III, L.P.	5,582,513	0	(3,308)	5,579,205
- Green Equity Investors IV, L.P.	135,043,846	(36,796,907)	23,312,773	121,559,712
- Green Equity Investors V, L.P.	84,229,201	(19,932,071)	15,826,633	80,123,763
- Green Equity Investors VI, L.P.	0	18,755,897	(783,083)	17,972,814
- Grove Street Partners Buyouts LLC	100,424,937	(11,404,967)	10,117,801	99,137,772
- Grove Street Partners Buyouts II, LLC	12,986,174	22,003,956	(733,175)	34,256,955
- Grove Street Partners Ventures LLC	184,325,290	(8,108,605)	2,837,069	179,053,755
- Grove Street Partners Ventures II, LLC	90,927,805	27,835,444	15,430,799	134,194,048
- GS Partners Ventures III, L.P. ¹	0	3,731,826	(481,733)	3,250,092
- Hellman & Friedman Capital Partners V, L.P.	55,028,024	(27,145,640)	6,337,489	34,219,873
- Hellman & Friedman Capital Partners VI, L.P.	77,499,898	(32,181,413)	13,759,926	59,078,411
- Hellman & Friedman Capital Partners VII, L.P.	38,862,192	11,825,730	(708,104)	49,979,818
- Hicks, Muse, Tate & Furst III, L.P.	23,920,256	(1,542,088)	4,337,973	26,716,141
- Hicks, Muse, Tate & Furst Fund IV, L.P.	10,710,189	0	113,592	10,823,781
- Hicks, Muse, Tate & Furst Fund V, L.P.	1,598,545	(1,183,110)	328,000	743,435
- Insight Venture Partner VIII, L.P. ¹	0	32,571	(32,571)	0
- JH Whitney VII, L.P.	16,229,486	11,443,784	1,191,498	28,864,768
- Kelso Investment Associates VII, L.P.	42,685,218	(16,134,568)	(296,859)	26,253,791
- Kelso Investment Associates VIII, L.P.	47,038,491	18,130,494	3,953,148	69,122,133
- KKR Asia Fund II, L.P. ^{1,2}	0	20,599	(20,599)	0
- KKR European Fund III	26,111,586	8,914,911	5,383,969	40,410,466
- Kohlberg Investors V, L.P.	29,223,213	(2,659,860)	2,974,114	29,537,467
- Kohlberg Investors VI, L.P.	37,560,266	(11,015,778)	3,888,590	30,433,078
- KPS Special Situations Fund III, L.P.	27,507,892	(5,882,471)	5,466,630	27,092,052
- KPS Special Situations Fund IV, L.P. ¹	0	56,686	(56,686)	0

Continued on next page

Account Name - continued	Market Value 6/30/2012	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/13
- Lexington Capital Partners IV, L.P.	18,246,003	(2,993,949)	67,871	15,319,925
- Lexington Capital Partners V, L.P.	25,986,818	(7,421,513)	418,437	18,983,742
- Lexington Capital Partners VI-B, L.P.	68,528,096	(15,123,262)	7,547,470	60,952,304
- Lexington Capital Partners VII, L.P.	93,982,686	12,453,964	16,478,409	122,915,059
- Lexington Co-Investment Partners (Pools I & II), L.P.	8,845,995	127,485	6,772,284	15,745,764
- Lexington Co-Investment Partners 2005, L.P.	357,627,925	(59,977,482)	24,803,942	322,454,385
- Lexington Co-Investment Partners 2005 II (Pool III), L.P.	55,661,183	89,049,220	17,408,148	162,118,551
- Lexington Co-Investment Partners II (Pools III & IV), L.P.	272,997,284	(187,658,511)	68,290,298	153,629,071
- Lexington Middle Market Investors III, L.P. ¹	0	56,538	1,687,875	1,744,413
- Liberty Partners Group II	(2,403)	4,551	(2,912)	(764)
- Liberty Partners II	21,084,250	(15,203,331)	(3,980,919)	1,900,000
- Liberty Partners III	10,000,000	(6,721,851)	(278,149)	3,000,000
- Liberty Partners V	25,602,139	(25,575,603)	5,588,553	5,615,089
- Liberty Partners VI	224,263,166	(15,618,128)	(88,707,319)	119,937,720
- Liberty Partners VII	36,390,545	52,507	(4,949,063)	31,493,989
- Lindsay Goldberg & Bessemer II, L.P.	89,716,391	(15,484,141)	4,477,778	78,710,028
- Lindsay Goldberg III, L.P.	35,091,948	22,313,470	5,058,431	62,463,849
- Montagu Private Equity Fund IV	6,908,423	9,117,332	334,146	16,359,901
- New Mountain Partners II, L.P.	29,464,844	(19,360,384)	11,003,165	21,107,625
- New Mountain Partners III, L.P.	66,490,452	10,305,559	10,934,073	87,730,084
- PAI Europe V, L.P.	23,264,521	6,305,683	4,471,149	34,041,353
- Pantheon Global Secondary Fund IV, L.P.	31,719,269	16,912,500	7,254,336	55,886,105
- Pantheon Venture Partners II, L.P.	82,551,234	(4,000,000)	8,787,792	87,339,026
- Permira IV, L.P.	64,021,043	(12,962,994)	6,526,578	57,584,627
- Platinum Equity Capital Partners, L.P.	23,012,499	(6,951,132)	2,325,470	18,386,837
- Platinum Equity Capital Partners II, L.P.	68,721,781	(15,203,332)	269,176	53,787,625
- Platinum Equity Capital Partners III, L.P.	31,059,947	(15,929,847)	8,460,808	23,590,908
- Pomona Capital VI, L.P.	35,450,188	(6,764,628)	(129,118)	28,556,442
- Pomona Capital VII, L.P.	36,484,400	(8,946,068)	2,525,604	30,063,936
- Providence Equity Partners VI, L.P.	45,707,094	(1,677,308)	(155,703)	43,874,083
- Providence Equity Partners VII, L.P.	9,374,741	1,827,993	(462,683)	10,740,051
- RCP Advisors Fund IV, L.P.	35,322,531	(3,318,682)	7,296,711	39,300,561
- RCP Advisors Fund V, L.P.	28,774,785	921,603	4,904,469	34,600,857
- RCP Advisors Fund VI, L.P.	17,067,803	9,258,885	1,589,115	27,915,803
- RCP Advisors Fund VII, L.P.	6,846,384	10,000,000	149,318	16,995,703
- RCP Advisors Fund VIII, L.P.	1,250,000	3,785,131	(1,144,973)	3,890,158
- Ripplewood Partners II, L.P.	42,664,547	(1,999,730)	8,531,774	49,196,591
- Riverside Capital Appreciation Fund V, L.P.	58,002,575	(6,015,087)	6,020,643	58,008,131
- Riverside Capital Appreciation Fund VI, L.P. ¹	0	54,859	(54,859)	0
- Riverside Europe Fund IV, L.P.	30,644,513	6,617,488	6,105,986	43,367,987
- Silver Lake Partners IV, L.P. ¹	0	48,854	(48,854)	0
- Snow Phipps II, L.P.	16,453,960	6,379,904	(375,371)	22,458,493
- Strategic Investors Fund V-A, L.P.	16,093,433	9,537,590	(176,435)	25,454,589
- Strategic Investors Fund V-A Opportunity, L.P. ¹	0	13,763,944	(174,097)	13,589,847
- Summit Partners Growth Equity Fund VIII-A, L.P.	5,625,000	11,875,819	(830,794)	16,670,025
- SVB Strategic Investors VI-A, L.P. ¹	0	1,909,778	(34,778)	1,875,000
- TA XI, L.P.	39,668,961	7,250,000	7,024,435	53,943,396
- Thoma Bravo Fund IX, L.P.	48,470,242	(7,970,789)	12,037,166	52,536,619
- Thoma Bravo Fund X, L.P.	24,880,317	22,699,636	6,078,851	53,658,804
- Thoma Cressey Fund VIII, L.P.	53,712,018	(15,006,900)	11,898,150	50,603,268
- Thomas H. Lee Equity Fund V, L.P.	15,423,906	(11,061,229)	773,767	5,136,444
- Thomas H. Lee Equity Fund VI, L.P.	58,104,957	3,238,240	5,646,764	66,989,961
- Top Tier Venture Capital II, L.P.	90,752,740	(27,080,122)	8,554,139	72,226,757
- Top Tier Venture Capital III, L.P.	67,922,760	(5,096,515)	(3,011,227)	59,815,018

Account Name - continued	Market Value 6/30/2012	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/13
- Top Tier Venture Capital IV, L.P.	84,708,915	5,889,281	2,557,114	93,155,310
- Top Tier Special Opportunities Fund	11,744,750	406,749	(2,363,171)	9,788,328
- TowerBrook Investors II, L.P.	40,481,841	(161,148)	2,353,020	42,673,713
- TowerBrook Investors III, L.P.	92,598,794	4,799,211	(1,467,366)	95,930,639
- TowerBrook Investors IV, L.P. ¹	0	50,012	(50,012)	0
- TPG Growth II, L.P.	6,224,778	12,040,134	(1,456,170)	16,808,742
- TPG Partners IV, L.P.	31,609,118	(8,742,686)	3,931,167	26,797,598
- TPG Partners V, L.P.	60,537,912	(7,031,801)	13,648,541	67,154,652
- TPG Partners VI, L.P.	111,506,038	13,869,641	26,100,084	151,475,763
- Trident V, L.P.	25,111,005	10,650,111	1,174,565	36,935,681
- TrueBridge/FLSBA Special Purpose, LLC	4,606,869	7,575,000	(648,450)	11,533,419
- TrueBridge/FLSBA Special Purpose II, LLC ¹	0	8,888	(8,888)	0
- TrueBridge-Kauffman Fellows Endowment Fund II, L.P.	21,849,226	27,001,796	255,440	49,106,461
- TrueBridge-Kauffman Fellows Endowment Fund III, L.P. ¹	0	6,294,440	(644,612)	5,649,829
- TSG Capital Fund III, L.P.	72,830	0	0	72,830
- Warburg Pincus Private Equity IX, L.P.	79,112,162	(38,426,622)	5,986,862	46,672,402
- Warburg Pincus Private Equity X, L.P.	145,465,324	(19,001,550)	17,101,022	143,564,796
- Warburg Pincus Private Equity XI, L.P.	12,230,601	23,520,000	2,741,661	38,492,262
- Wellspring Capital Partners III, L.P.	13,053,881	(16,770,351)	3,951,032	234,562
- Wellspring Capital Partners IV, L.P.	84,051,646	(47,385,789)	8,094,886	44,760,743
- Wellspring Capital Partners V, L.P.	27,990,612	(244,591)	(1,295,494)	26,450,527
- Willis, Stein & Partners II, L.P.	103,090	(128,883)	25,793	0
- Willis, Stein & Partners III, L.P.	34,688,528	(24,128,204)	(5,077,816)	5,482,508
<u>Other:</u>				
- Private Equity Cash	65,560,878	47,801,590	(33,785)	113,328,683
- Private Equity Cash Expense ¹	0	1,708,389	(1,708,389)	0
Total Private Equity	\$ 6,476,576,140	\$ (260,000,000)	\$ 675,465,477	\$ 6,892,041,617

¹ Account opened during the fiscal year.

² Account was renamed from Triton Fund IV, L.P. to KKR Asia Fund II, L.P. in May 2013.

• 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.

Source: SBA

FRS Pension Plan - Strategic Investments Change in Market Value Fiscal Year 2012-13

TABLE 13:

Account Name	Market Value 6/30/12	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/13
<u>Debt-Oriented:</u>				
- ABRY Advanced Securities Fund, L.P.	\$ 113,710,176	\$ (80,685,087)	\$ 26,640,377	\$ 59,665,466
- ABRY Advanced Securities Fund II, L.P.	61,147,344	(856,326)	15,792,809	76,083,827
- ABRY Senior Equity III, L.P.	45,518,412	(1,783,350)	10,707,854	54,442,916
- ABRY Senior Equity IV, L.P. ¹	0	10,112,958	(126,115)	9,986,843
- Anchorage Capital Fund, L.P.	104,297,417	50,000,000	28,014,453	182,311,870
- Apollo Credit Liquidity Fund, L.P.	123,575,691	(64,995,666)	19,159,503	77,739,528
- Audax Credit Opportunities, LLC	216,764,790	0	15,735,783	232,500,573
- Bayview Opportunity Master Fund II b, L.P.	92,322,013	(67,861,840)	23,014,146	47,474,319
- Bayview Opportunity Master Fund III b, L.P. ¹	0	90,422,898	(166,177)	90,256,721
- BlackRock Carbon Capital III, Inc.	80,902,451	(51,248,534)	7,749,601	37,403,517
- BlackRock Carbon Capital V, Inc. ¹	0	9,908	(9,908)	0
- Blackstone Credit Liquidity Partners, L.P.	91,587,002	(93,342,644)	6,323,982	4,568,340

Continued on next page

Account Name - continued	Market Value 6/30/2012	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/13
- Blackstone/GSO Capital Solutions Fund, L.P.	62,522,124	15,753,964	11,129,114	89,405,202
- Carlyle Mezzanine Partners II, L.P.	85,635,379	6,777,748	12,565,498	104,978,625
- Colony Distressed Credit Fund II, L.P.	30,542,038	30,835,129	5,717,965	67,095,132
- Crescent Mezzanine Partners VI, L.P. ¹	0	27,089,098	42	27,089,140
- CVI Credit Value Fund A, L.P.	106,727,881	0	39,583,379	146,311,260
- CVI Credit Value Fund II A, L.P. ¹	0	80,039,570	(39,570)	80,000,000
- CVI Global Value Fund A, L.P.	301,644,476	(152,683,324)	63,845,937	212,807,089
- Distressed Managers II FL, L.P.	80,713,312	(15,389,792)	(6,178,961)	59,144,559
- Falcon Strategic Partners III, L.P.	74,479,400	(9,034,598)	6,551,558	71,996,360
- Falcon Strategic Partners IV, L.P. ¹	0	34,316,668	236,879	34,553,548
- GSO Capital Opportunities Fund, L.P.	159,786,634	(115,190,289)	44,855,301	89,451,646
- GSO Capital Opportunities Fund II, L.P.	29,219,688	(6,005,380)	7,799,679	31,013,987
- GSO Capital Solutions Fund II, L.P. ¹	0	54,142	(54,142)	0
- King Street Capital Fund, L.P.	149,428,396	50,000,000	26,483,712	225,912,108
- Levine Leichtman Capital Partners IV, L.P.	84,842,490	(984,945)	25,792,339	109,649,884
- Levine Leichtman Capital Partners V, L.P. ¹	0	1,240,927	(1,240,927)	0
- Morgan Stanley Mezzanine Partners Pooled Fund, L.P.	782,360	(588,854)	(68,450)	125,056
- Neuberger Berman Asset Management, LLC	230,002,673	(246,490,544)	17,438,922	951,051
- Oaktree Opportunities Fund VIII, L.P.	109,880,925	(32,500,000)	18,038,856	95,419,781
- Oaktree Opportunities Fund VIIIb, L.P.	20,246,462	25,000,000	3,646,964	48,893,426
- Oaktree Opportunity Fund IX, L.P. ¹	0	10,032,447	(64,446)	9,968,001
- OCM Opportunities Fund VIII, L.P.	30,356,656	(21,450,875)	5,560,426	14,466,207
- PCG Special Situation Partners, L.P.	83,207,306	(26,245,807)	5,408,822	62,370,321
- Principal RE Debt (SBAF Mortgage Fund), LLC	220,951,281	(49,897,326)	19,518,429	190,572,384
- Providence TMT Debt Opportunity Fund II, L.P.	85,842,620	8,906,728	16,301,619	111,050,967
- Providence TMT Special Situation Fund, L.P.	139,800,833	(80,647,430)	20,894,147	80,047,550
- Special Situation Partners II, L.P.	92,770,941	(17,090,695)	8,906,564	84,586,810
- Square Mile Partners III, L.P.	95,589,131	(41,376,444)	10,070,635	64,283,322
- TAC 2007 (TPG Credit Fund), L.P.	66,345,523	(67,613,275)	8,962,128	7,694,376
- TCW Crescent Mezzanine Partners V, L.P.	102,225,836	(24,316,601)	12,401,174	90,310,410
- Tricon IX, L.P.	93,722,422	9,655,256	10,786,175	114,163,853
- Tricon XI, L.P. ¹	0	56,570,221	2,312,566	58,882,787
- Trigate Property Partners II, L.P. ¹	0	5,961,592	(513,204)	5,448,389
- Varde Fund X, L.P.	91,212,254	15,000,000	19,141,690	125,353,944
- VSS Structured Capital II, L.P.	31,499,429	17,762,076	6,515,258	55,776,763
- Wayzata Opportunities Fund II, L.P.	47,713,214	(12,775,021)	7,871,841	42,810,034
- Wayzata Opportunities Fund III, L.P. ¹	0	8,536,533	(1,137,496)	7,399,037
Equity:				
- Blackstone Unit Trusts	2,586,240	0	1,338,823	3,925,064
- Cevian Capital II, L.P.	125,817,000	0	22,102,000	147,919,000
- Highline Capital Partners, L.P.	147,986,592	0	18,817,588	166,804,180
- KV Partners, L.P.	142,061,331	24,140,124	39,903,031	206,104,486
- Lexington GP Holdings, L.P.	68,209,349	(4,871,178)	5,390,241	68,728,412
- P2 Capital Fund, L.P.	121,250,889	0	40,991,457	162,242,345
- Providence Equity Global Group, L.P. ¹	0	71,006,598	5,269,043	76,275,641
- Scopia PX, LLC	50,379,368	50,001,347	5,883,721	106,264,436
- Scout Capital Partners II, L.P. ¹	0	200,068,773	31,236,394	231,305,167
- Starboard Value and Opportunity Fund	143,132,254	0	19,426,323	162,558,577
- Three Bridges Europe Fund, L.P. ¹	0	75,044,360	4,556,849	79,601,209
Flexible Mandates:				
- Davidson Kempner Institutional Partners, L.P. ¹	0	100,062,520	(62,520)	100,000,000
- Gruss Global Investors Fund, L.P.	149,442,952	8,759	12,544,750	161,996,461
- Mason Capital Fund, L.P.	150,270,462	50,000,000	19,563,812	219,834,274
- OZ Domestic Partners II, L.P. ¹	0	200,090,714	26,801,794	226,892,508
- Taconic Opportunity Fund, L.P.	149,564,795	50,000,707	32,640,304	232,205,806
- York Capital Management, L.P. ¹	0	150,061,237	21,775,418	171,836,655

Account Name - continued	Market Value 6/30/2012	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/13
<u>Special Situations:</u>				
- Airline Credit Opportunities II, L.P.	32,765,894	14,705,882	5,771,360	53,243,136
- Florida Growth Fund, LLC	152,736,467	22,632,460	21,495,111	196,864,038
- Florida Growth Fund Tranche II, LLC	10,651,349	29,910,388	(1,660,513)	38,901,224
- GI Partners Fund III, L.P.	98,273,698	(13,156,534)	13,821,147	98,938,311
<u>Real Assets:</u>				
- Boston Timber Opportunities, LLC	47,435,897	74,123,000	8,487,945	130,046,842
- Global Infrastructure Partners II, L.P. ¹	0	46,756,340	5,910,421	52,666,762
- IFM Global Infrastructure (US), L.P. ¹	0	53,451	(53,451)	0
- Jackson Timberland Opportunities, LLC	2,564,103	96,944,342	(1,185,536)	98,322,908
- RK Mine Finance Fund II, L.P. ¹	0	24,117,650	(791,998)	23,325,651
<u>Other:</u>				
- Strategic Investments Cash Account	73,324,042	(33,198,102)	163,564	40,289,505
- Strategic Investments Cash Expense Account ¹	0	1,996,827	(1,996,827)	0
- Strategic Investments Transition Account	2,274,786	0	782,677	3,057,463
Total Strategic Investments	\$ 5,308,244,446	\$ 503,522,881	\$ 940,799,661	\$ 6,752,566,988
¹ Account opened during the fiscal year.				
<ul style="list-style-type: none"> 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. 				
Source: SBA				

TABLE 14:

**FRS Pension Plan - Real Estate
Change in Market Value Fiscal Year 2012-13**

Account Name	Market Value 6/30/12	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/13
<u>Agriculture Funds:</u>				
- Goose Pond Agricultural, Inc.	\$ 200,558,510	\$ (166,594)	\$ 40,362,889	\$ 240,754,805
- Sunshine Agriculture, Inc.	158,179,465	(16,170,126)	18,714,178	160,723,517
<u>Joint Ventures:</u>				
- Campus Advantage ¹	0	786,856	0	786,856
- IDI NALI A	82,039,459	(4,462,884)	16,977,756	94,554,331
- IDI NALI B	17,903,193	(1,574,901)	1,861,207	18,189,499
- IDI NALI C	48,360,531	(4,063,289)	13,800,913	58,098,154
- IDI NALI D	18,571,454	8,754,461	(1,561,778)	25,764,137
- Konover South Portfolio Holdings, LLC	30,589,155	(801,169)	(1,311,450)	28,476,536
- MS Inland Fund, LLC	81,500,659	1,711,230	16,642,657	99,854,546
- MS NHP Fund, LLC	132,034,802	(15,011,066)	31,655,118	148,678,854
- Ramco	81,863,711	27,210,182	19,230,774	128,304,667
<u>Pooled Funds:</u>				
- Beacon Capital SP Fund V	40,786,180	(6,668,329)	434,525	34,552,376
- BlackRock Diamond Property Fund	36,501,925	(128,377)	4,796,729	41,170,277
- BlackRock Granite Fund ²	141,155,676	(150,762,274)	9,606,598	0
- BlackRock Retail Opportunity Fund	15,032,660	0	(618,643)	14,414,017
- Blackstone Real Estate Partners VI	233,141,036	(23,424,717)	33,585,604	243,301,923
- Blackstone Real Estate Partners VII ¹	66,097,974	77,649,000	25,824,970	169,571,944
- Brookfield-Fairfield US Multifamily Fund I ¹	0	36,170,431	2,497,935	38,668,366
- Carlyle Realty Partners VI	15,397,768	13,971,187	5,410,010	34,778,965
- EMI Pooled Fund Expenses Account	0	240,000	(240,000)	0
- Hines US Office Value Added Fund II	47,608,987	(550,155)	3,224,227	50,283,059
- JP Morgan Special Situation Fund	105,192,104	(650,330)	14,601,569	119,143,343

Continued on next page

Account Name - continued	Market Value 6/30/2012	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/13
- JP Morgan Strategic Property Fund	283,266,210	(12,050,589)	36,846,411	308,062,031
- Prime Property Fund	248,865,447	(10,019,195)	35,604,005	274,450,257
- Principal Enhanced Property Fund	62,334,989	(16,011,707)	7,992,874	54,316,156
- Principal US Property Fund	207,810,226	0	26,982,873	234,793,099
- Prudential PRISA	234,569,591	(8,071,869)	20,301,947	246,799,669
- Prudential PRISA Fund II	121,393,000	(2,738,246)	12,650,077	131,304,831
- Prudential PRISA Fund III	149,856,535	(2,455,323)	20,729,933	168,131,145
- Rockpoint Real Estate Fund III, L.P.	76,786,829	(40,604,022)	18,275,274	54,458,080
- Rockpoint Real Estate Fund IV, L.P. ¹	0	22,542,146	528,842	23,070,988
- RREEF America REIT Pooled Fund	265,804,765	(63,400,652)	28,278,785	230,682,898
- Starwood Opportunity Fund IX ¹	0	21,046,828	2,182,785	23,229,612
- UBS Pooled Fund	222,400,715	(6,796,671)	19,075,468	234,679,512
Principal Investments:	4,760,111,277	(319,622,766)	722,934,683	5,163,423,195
Real Estate Investment Trusts (REITs):				
- AEW Global REIT	275,506,832	0	38,402,258	313,909,090
- CohenSteers Global REIT	262,167,028	1,333	35,995,060	298,163,421
- Invesco Global REIT	275,358,137	(1)	39,193,017	314,551,153
- RREEF Global REIT	271,474,006	1,333	41,068,515	312,543,854
Other:				
- Real Estate Cash Account	11,976,743	(5,130,326)	57,327	6,903,744
- Real Estate Cash Expense Account ¹	0	238,037	(238,037)	0
- Real Estate Transition Account	846	(871)	25	0
Total Real Estate Investments	\$ 9,282,198,424	\$ (501,013,425)	\$ 1,362,357,909	\$ 10,143,542,908

¹ Account opened during the fiscal year.

² Account closed 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.

Source: SBA

TABLE 15:

**FRS Pension Plan - Miscellaneous Portfolios
Change in Market Value Fiscal Year 2012-13**

Account Name	Market Value 6/30/12	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/13
Cash Expense Account ^{1,2}	\$ 0	\$ 28,792,669	\$ (28,792,669)	\$ 0
Central Cash/Short-Term ²	1,040,299,549	251,654,196	4,614,621	\$ 1,296,568,366
TF STIPFRS NAV Adjustment Account	403,647	0	712,031	1,115,678
Cash Securities Lending Account ³	310	(33,282,268)	(39,969,069)	(73,251,027)
Total Cash Asset Class	\$ 1,040,703,506	\$ 247,164,597	\$ (63,435,086)	\$ 1,224,433,017

¹ Account opened during the fiscal year.

² The investment gain (loss) amounts reported for the Cash Expense and the Central Cash/Short-Term Accounts include \$28,792,669 and \$31,662, respectively, in various expenses (including SBA investment service charges, consulting, legal and bank fees) paid on behalf of the entire FRS Pension Plan.

³ Beginning in June 2013, the SBA began including the net unrealized gain (loss) on invested cash collateral in the securities lending program in the total market value of the Cash Securities Lending Account. In this first year of inclusion, the entire outstanding net unrealized loss of \$73,421,688 as of June 30, 2013 is reflected in the Investment Gain (Loss) column. Excluding this loss, the Cash Securities Lending Account would have reported a net investment gain of \$33,452,619, which consisted primarily of securities lending income receipts from July 2012 to February 2013. Beginning in March 2013, security lending income receipts are now being deposited into each individual portfolio.

• Totals may not foot due to rounding.

Source: SBA

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 loaned, borrowers provide collateral, such as cash or government securities, of value equal to or greater than the loaned securities. As shown in Table 16, 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 16: FRS Pension Plan Net Securities Lending Revenue by Fiscal Year

2000-01	\$	45,645,138
2001-02		49,744,143
2002-03		34,628,432
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
2012-13		48,168,513
Total	\$	520,298,868

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.

Source: SBA



Fort Pickens historical national park in northwest Florida.



Fort Jefferson on Garden Key in the Dry Tortugas National Park

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 17 provides those figures for all Pension Plan investments that meet the criteria.

TABLE 17:

All Florida Holdings

Growth & Technology

Asset Class	Net Asset Value	Net Asset Value
Separate Accounts- Direct		
Global Equity	\$ 609,597,919	\$ 331,887,499
Fixed Income	84,632,743	33,922,109
Real Estate- Core ¹	309,575,830	0
Real Estate- Non-Core ¹	75,467,218	0
Sub-Total Separate Accounts	\$ 1,079,273,710	\$ 365,809,608
Commingled Accounts- Indirect ²		
Real Estate- Commingled ³	166,776,870	0
Private Equity- Commingled ⁴	286,039,780	78,612,700
Strategic Investments- Commingled	289,300,486	134,881,651
Sub-Total Commingled	742,117,136	213,494,351
Total	\$ 1,821,390,846	\$ 579,303,959

¹ Real Estate Core and Non-Core Data as of June 30, 2013, net of debt.

² The Pension Plan owns Florida investments in commingled funds valued at \$742,117,135.88. 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, 2013, net of debt.

⁴ Private Equity Data as of March 31, 2013.

Source: SBA

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 11 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 150,000 members and \$7.9 billion in assets as of June 30, 2013.

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 achieves or exceeds 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 19 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.

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.

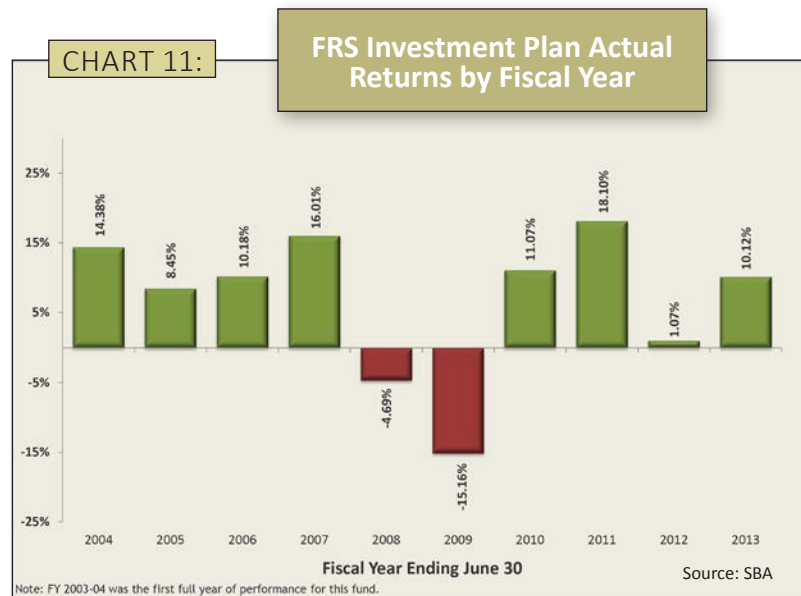


TABLE 18:

FRS Investment Plan Returns vs. Benchmark

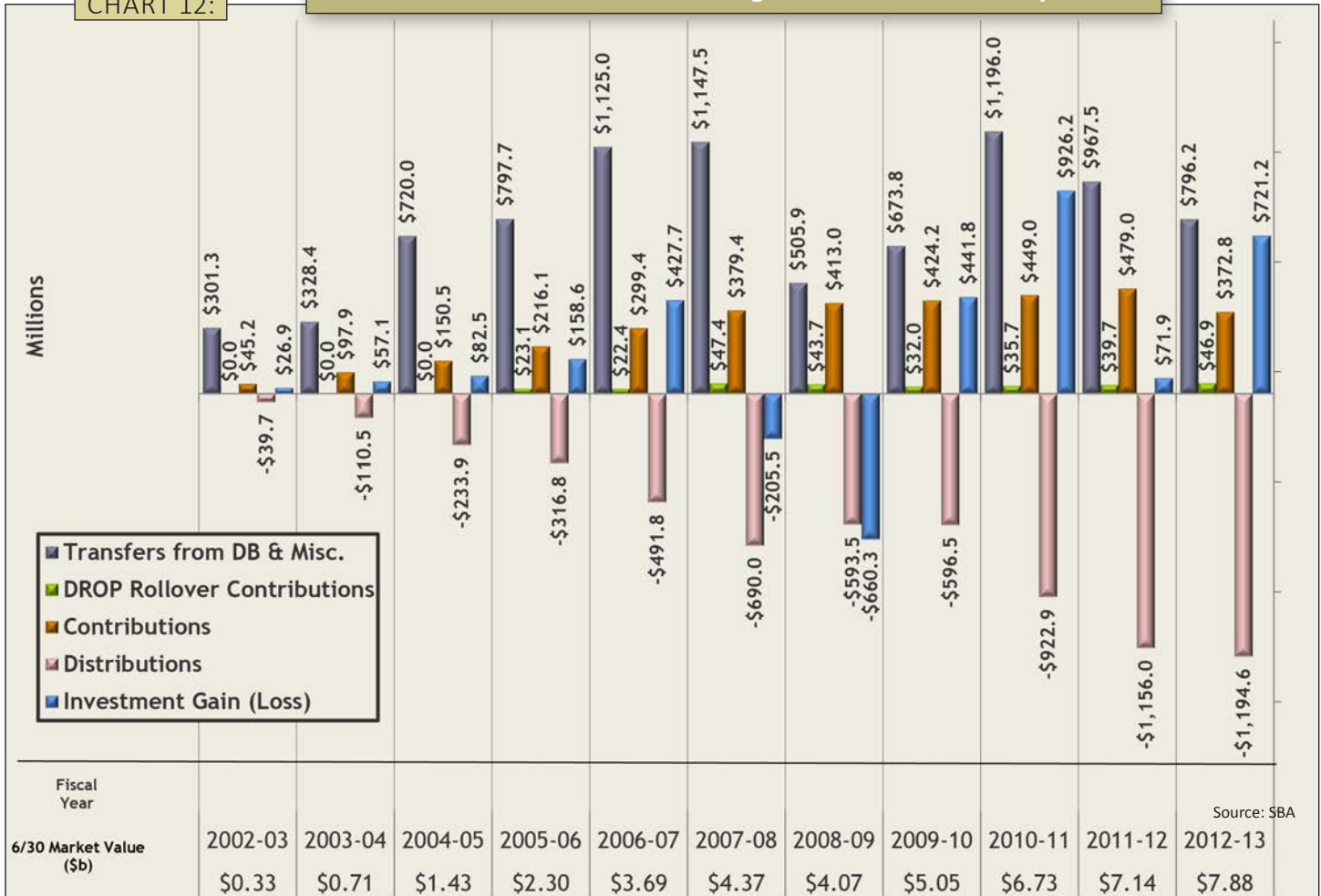
	Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	10.12%	9.68%	0.45%
Three Years	9.54%	9.16%	0.38%
Five Years	4.38%	3.94%	0.43%
Ten Years	6.47%	6.11%	0.36%
Since Inception	6.70%	6.33%	0.37%

- All returns are annualized for periods indicated through June 30, 2013.
- Benchmark is a weighted blend of individual asset class target indices as applicable per the FRS Investment Plan Investment Policy Statement; weights are based on contemporaneous market valuations, per participant asset allocation choices.
- Inception of the fund is August, 2002.

Source: SBA

CHART 12:

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



U.S. Civil War cannon embrasure at Fort Pickens, Gulf Islands National Seashore.



Costs

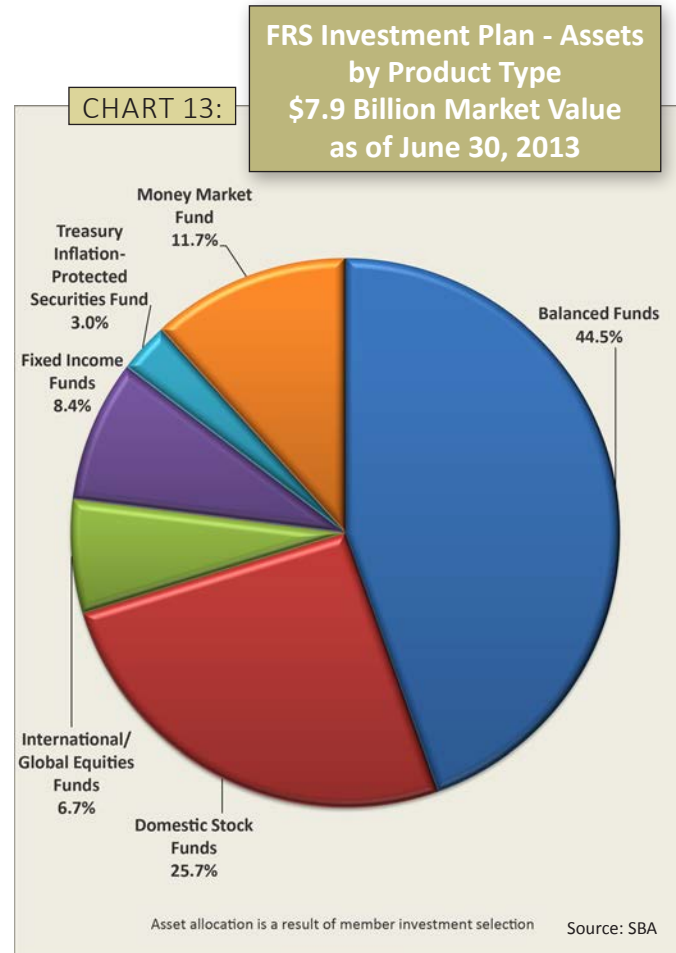
Total plan cost equals the sum of investment option management fees plus administrative, education and fiduciary costs. The FRS Investment Plan’s total plan cost (or expense ratio) for fiscal year 2012-13 was 37.0 basis points (bps). This exceeded its benchmark cost of 36.0 bps by 1 bp, or 0.01%. The benchmark cost is an estimate of what the 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, a comprehensive review of the original 42 fund options resulted in the options being consolidated to 19 funds in the five asset classes. As of June 30, 2013, 19 funds are offered in the asset classes consisting of a Money Market Fund, a U.S. Treasury Inflation-Protected Securities fund, Fixed Income, Domestic Equities and International Equities. Average fees across all investment funds are highly competitive at 0.20%.

Average Investment Manager Fees	
FRS Investment Plan Expense Ratio*	0.20%
Peer DC Plan Expense Ratio*	0.27%
Source: SBA	

*Source: CEM Benchmarking Inc. 2012 Report – Custom Peer Group for SBA of 20 DC plans including corporate and public plans with assets between \$2.4 – \$14.1 billion.

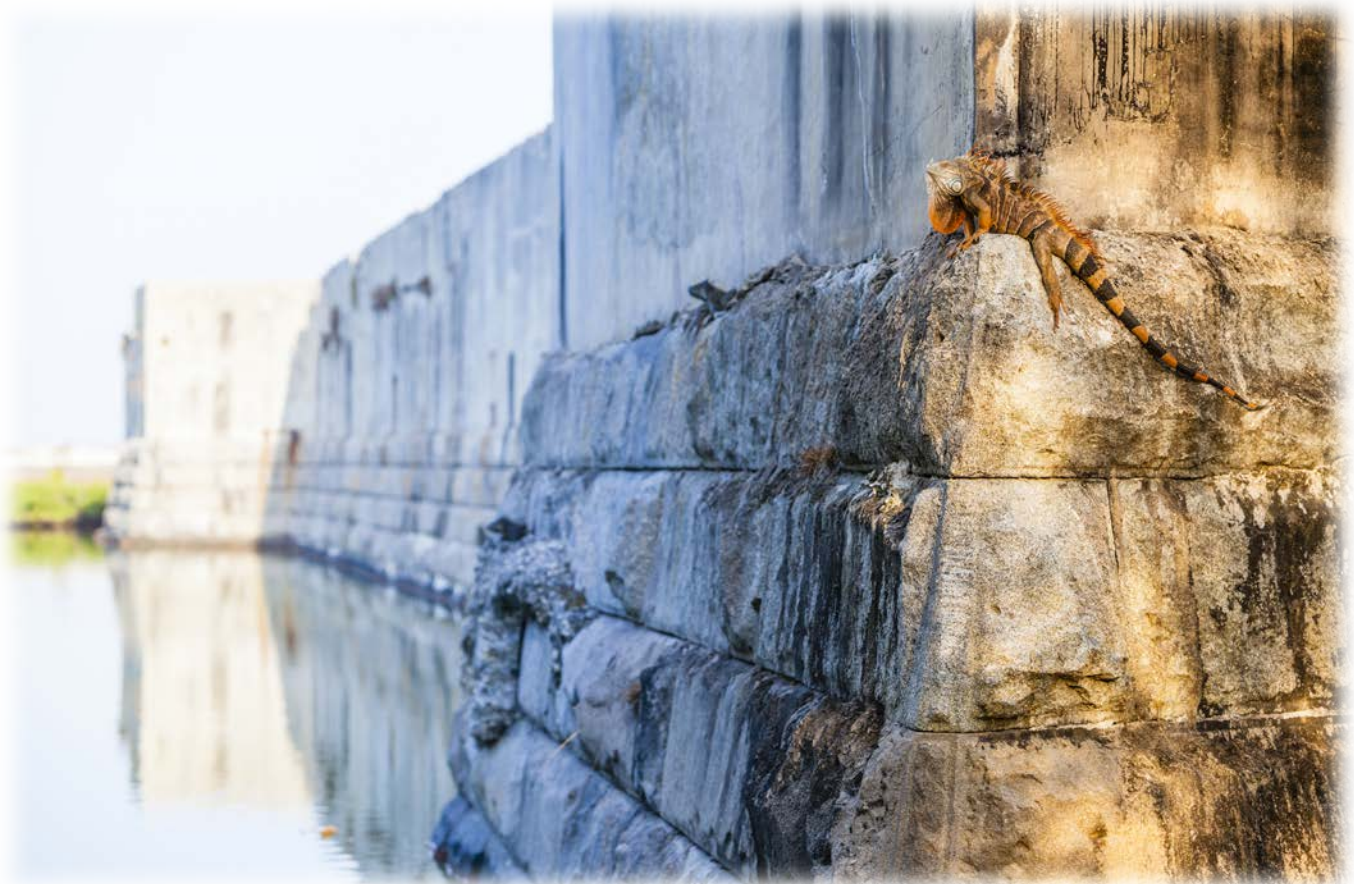
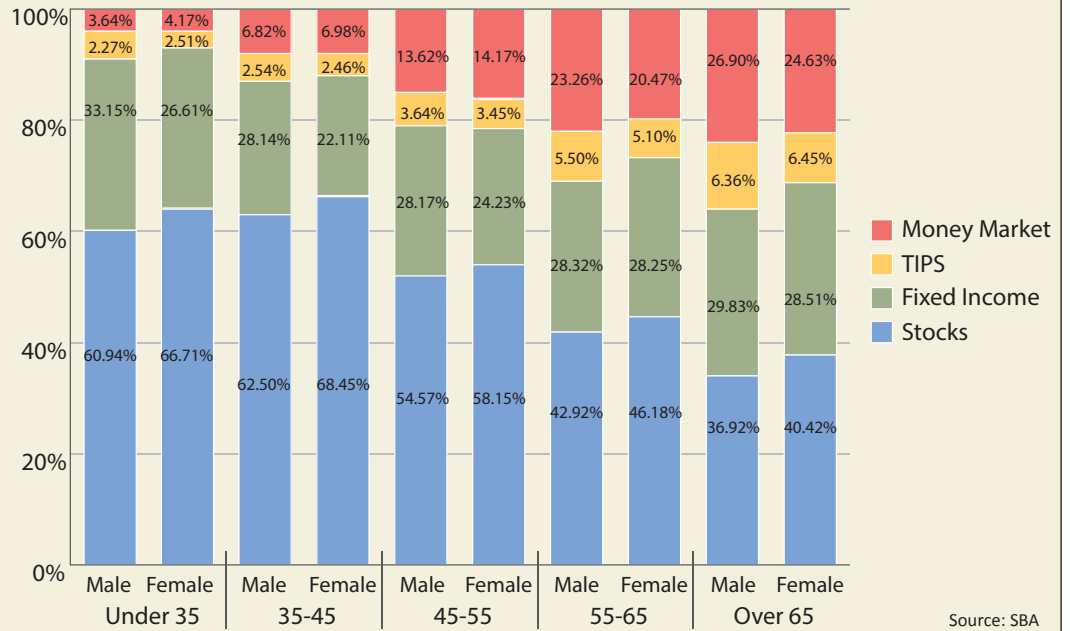


Fort Zachary Taylor State Park in Key West, Florida.

CHART 14:

FRS Investment Plan - Asset Allocation by Age and Gender as of June 30, 2013

Generally speaking, it appears participants are making age appropriate investment decisions based on the allocations illustrated in Chart 14.



Fort Zachary Taylor State Park in Key West, Florida.

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 20:

FRS Investment Plan - Balanced Funds

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2013

Fund Name Benchmark	Last 12 Months			Last 3 Years			Last 5 Years			Last 10 Years		
	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	2.23%	1.99%	0.25%	4.27%	4.03%	0.24%	3.10%	2.72%	0.38%	4.64%	4.20%	0.44%
FRS Select Moderate Balanced Fund PB: Moderate Balanced Aggregate Index	9.52%	9.12%	0.40%	8.98%	8.77%	0.21%	3.96%	3.50%	0.46%	6.35%	6.13%	0.22%
FRS Select Aggressive Balanced Fund PB: Aggressive Balanced Aggregate Index	13.87%	13.68%	0.19%	11.30%	11.19%	0.11%	3.27%	3.20%	0.07%	6.97%	7.10%	(0.13%)

Source: SBA

Money Market Fund

This fund invests in short-term securities (financial instruments or obligations) that are high quality and can be sold quickly with little loss of value. The 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 21:

FRS Investment Plan - Money Market Fund

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2013

Fund Name Benchmark	Last 12 Months			Last 3 Years			Last 5 Years			Last 10 Years		
	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	0.28%	0.05%	0.23%	0.26%	0.06%	0.20%	0.43%	0.45%	(0.03%)	1.96%	1.98%	(0.02%)

Source: SBA

Treasury Inflation-Protected Securities Fund

This fund invests in United States Treasury Inflation-Protected Securities (TIPS). TIPS are U.S. government bonds and, like other bonds, pay a fixed rate of interest based on the face value of the bond when issued. TIPS bonds are designed to provide long-term inflation protection by attaching the face value of the bond to changes in inflation. When inflation increases, the adjusted face value would decrease. As with all bonds, TIPS are a promise of payment at a point in the future. As actual and anticipated interest rates and inflation rise and fall, the current value of those future payments will rise and fall as well.

TABLE 22:

FRS Investment Plan - TIPS Fund

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2013

Fund Name Benchmark	Last 12 Months			Last 3 Years			Last 5 Years			Last 10 Years		
	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	(4.75%)	(4.78%)	0.03%	4.70%	4.63%	0.06%	4.50%	4.41%	0.09%	5.24%	5.19%	0.05%
												Source: SBA

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 do not always protect the value of retirement savings against inflation.

TABLE 23:

FRS Investment Plan - Fixed Income Funds

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2013

Fund Name Benchmark	Last 12 Months			Last 3 Years			Last 5 Years			Last 10 Years		
	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	(0.62%)	(0.69%)	0.07%	3.62%	3.51%	0.11%	5.46%	5.19%	0.27%	4.70%	4.52%	0.18%
PIMCO Total Return Fund PB: Barclays Capital Aggregate Bond Index	1.09%	(0.69%)	1.78%	4.53%	3.51%	1.02%	7.12%	5.19%	1.93%	5.83%	4.52%	1.31%
Pyramis Intermediate Duration Pool Fund PB: Barclays Capital Intermediate Aggregate Bond Index	0.78%	(0.12%)	0.89%	3.56%	3.03%	0.53%	5.06%	4.76%	0.30%	4.32%	4.31%	0.01%
FRS Select High Yield Fund PB: Barclays Capital US HiYld Ba/B-1% Issuer Cap	7.46%	8.43%	(0.97%)	9.50%	10.33%	(0.83%)	n/a	n/a	n/a	n/a	n/a	n/a
												Source: SBA

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 24:

FRS Investment Plan - Domestic Equities Funds

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2013

Fund Name Benchmark	Last 12 Months			Last 3 Years			Last 5 Years			Last 10 Years		
	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	21.50%	21.46%	0.03%	18.69%	18.63%	0.06%	7.36%	7.25%	0.11%	7.88%	7.81%	0.07%
Pioneer Fund ¹ PB: S&P 500 Index	19.89%	20.60%	(0.71%)	14.98%	18.45%	(3.47%)	4.95%	7.01%	(2.06%)	7.00%	7.30%	(0.30%)
FRS Select U.S. Large Value Stock Active Fund PB: Russell 1000 Growth Index	25.44%	25.32%	0.12%	18.91%	18.51%	0.40%	7.35%	6.67%	0.68%	n/a	n/a	n/a
FRS Select U.S. Large Growth Stock Active Fund PB: Russell 1000 Growth Index	15.33%	17.07%	(1.73%)	17.56%	18.68%	(1.12%)	7.44%	7.47%	(0.03%)	7.26%	7.40%	(0.14%)
Fidelity Growth Company Fund PB: Russell 3000 Growth Index	18.29%	17.56%	0.73%	20.27%	18.78%	1.50%	7.69%	7.58%	0.11%	10.66%	7.57%	3.09%
Fidelity Low-Priced Stock Fund PB: Russell 2500 Value Index	27.35%	26.88%	0.47%	19.38%	18.92%	0.46%	10.06%	9.42%	0.64%	11.57%	10.16%	1.41%
Prudential Mid-Cap Quantitative Core Equity Fund PB: S&P Mid-Cap 400 Index	28.56%	25.18%	3.38%	21.49%	19.45%	2.04%	10.03%	8.91%	1.12%	n/a	n/a	n/a
American Beacon Small-Cap Value Fund PB: Russell 2000 Value Index	28.03%	24.77%	3.27%	18.63%	17.33%	1.29%	10.14%	8.59%	1.55%	n/a	n/a	n/a
T Rowe Price Small Cap Stock Fund PB: Russell 2000 Index	23.62%	24.21%	(0.58%)	21.85%	18.67%	3.17%	13.15%	8.77%	4.38%	11.01%	9.53%	1.48%

¹ The Pioneer Fund manager was terminated during the fiscal year.

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 25:

FRS Investment Plan - Global/International Equities Funds

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2013

Fund Name Benchmark	Last 12 Months			Last 3 Years			Last 5 Years			Last 10 Years		
	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	17.42%	17.07%	0.35%	10.19%	9.43%	0.77%	(0.46%)	(0.84%)	0.38%	8.12%	7.86%	0.26%
American Funds EuroPacific Growth Fund PB: MSCI All Country World ex U.S. Index	15.88%	14.14%	1.74%	9.44%	8.48%	0.97%	1.48%	(0.80%)	2.29%	n/a	n/a	n/a
American Funds New Perspective Fund PB: MSCI World Index	19.85%	16.42%	3.43%	14.66%	13.02%	1.63%	5.23%	2.32%	2.91%	10.06%	7.17%	2.89%

Source: SBA

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, the 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 corporation, or any other political subdivision or direct support organization of the state.

As of June 30, 2013, Florida PRIME™ had a net asset value of \$7.3 billion, comprising assets held in 1,766 investor accounts on behalf of 883 participants. During the fiscal year, the fund's assets increased by approximately \$526 million, representing an 8% rise in net asset value.

Wooden footpath entrance of Fort Jefferson National Park in the Dry Tortugas.



Performance

For the fiscal year ending June 30, 2013, Florida PRIME™ delivered an aggregate \$18.6 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, 2013, Florida PRIME™ generated excess returns (performance above the pool's benchmark) of approximately 17 basis points (0.17%) over the last 12 months, 18 basis points (0.18%) over the last three years, and 13 basis points (0.13%) over the last 5 years. By historical standards, absolute returns have been low over the past four years, reflecting the near-zero Federal Funds rate strategy employed as part of the overall stimulus strategy of the Federal Reserve Board of Governors.

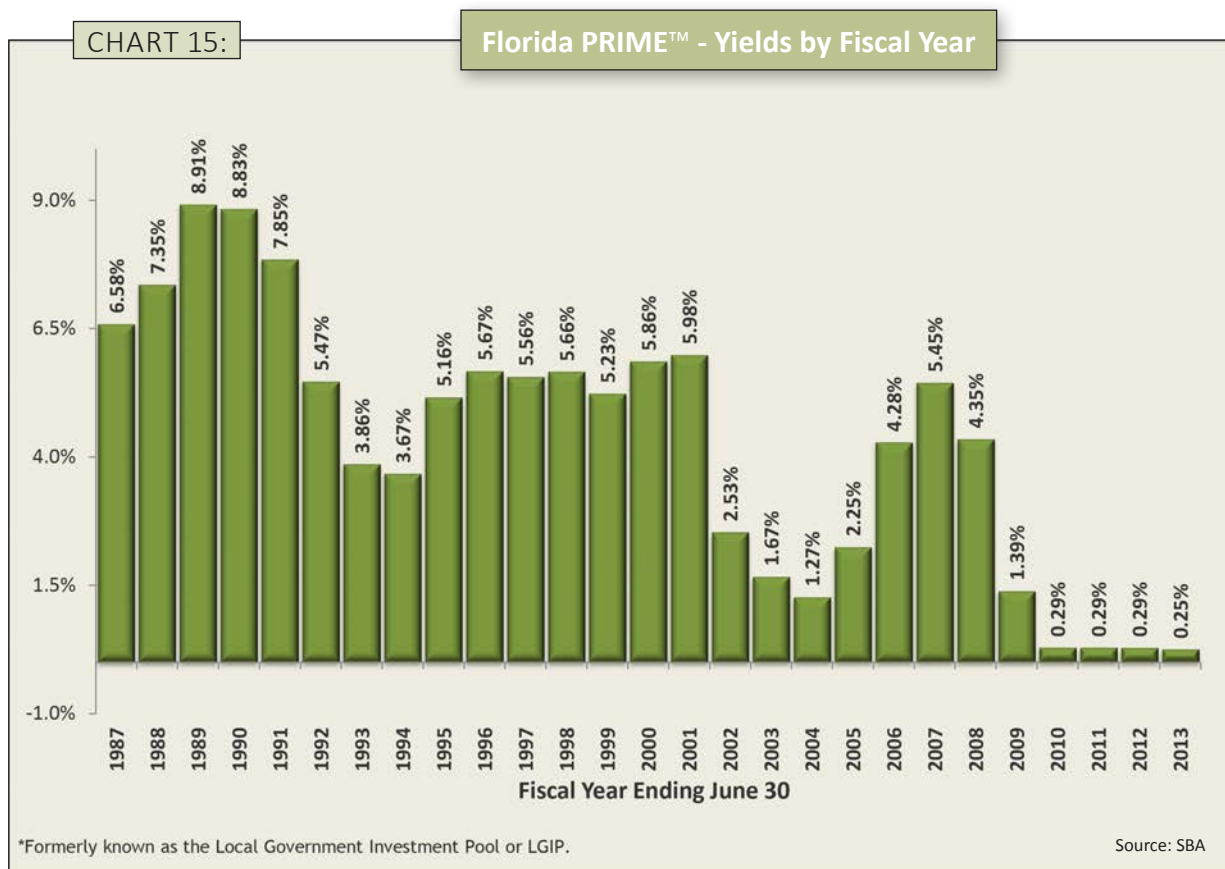


TABLE 26: Florida PRIME™ - Yields for Periods Ending June 30, 2013

	Actual Yield	Benchmark Yield	Actual Over (Under) Bmk.
One Year	0.25%	0.08%	0.17%
Three Years	0.28%	0.10%	0.17%
Five Years	0.50%	0.37%	0.13%
Ten Years	1.99%	1.78%	0.21%
Fifteen Years	2.74%	2.51%	0.23%
Twenty Years	3.33%	3.17%	0.16%
Twenty-Five Years	4.05%	3.89%	0.16%

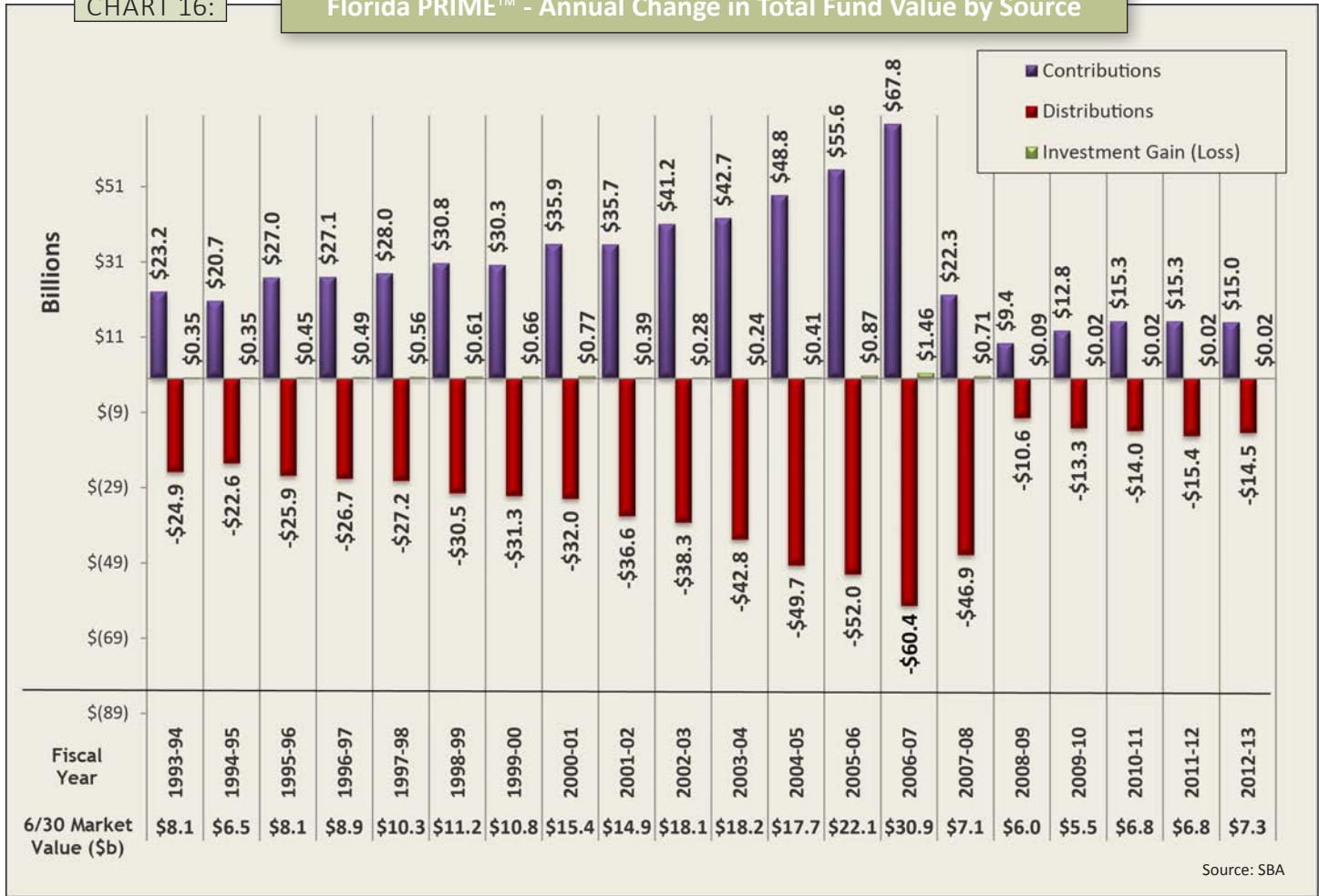
- All yields are annualized for periods indicated through June 30, 2013.
- Yields are net of fees, and reflect the yield calculation pursuant to Chapter 19-7.011, Florida Administrative Code.
- Benchmark is the S&P AAA/AA Rated GIP All 30-Day Net Index for all time periods except the period July, 1994 to March, 1995 where an approximation of one-month LIBOR was used.

Source: SBA

During the fiscal year ending June 30, 2013, participant deposits totaled \$15.0 billion; participant withdrawals totaled \$14.5 billion, for a net increase of approximately \$0.53 billion (or 8 percent) in the pool's net asset value.

CHART 16:

Florida PRIME™ - Annual Change in Total Fund Value by Source



Source: SBA

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, 2013, the fee charged to Florida PRIME™ investors was 2.83 basis points (or 0.0283%) 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 22 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. As of June 30, 2013, the average expense ratio among all "prime" institutional money market funds equaled 20 basis points (actual charges) and 43 basis points (fees incurred but not charged), indicating a high proportional amount of fund expenses being temporarily waived.

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 2013, investors cumulatively received distributions from Fund B totaling \$1.88 billion or approximately 93.4% of their original balances.

TABLE 27:

Fund B Surplus Funds Trust Fund Returns for Periods Ending June 30, 2013

	Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	27.76%	n/a	n/a
Three Years	21.67%	n/a	n/a
Since Inception	8.3%	n/a	n/a

- All returns are annualized for periods indicated through June 30, 2013.
- 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.

Source: SBA



The Castillo de San Marcos, built 1672-1695, served primarily as an outpost of the Spanish Empire, guarding St. Augustine, the first permanent European settlement in the continental United States, and also protecting the sea route for treasure ships returning to Spain.

Florida Hurricane Catastrophe Fund/ State Board of Administration 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 most property and casualty insurers.

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. 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.

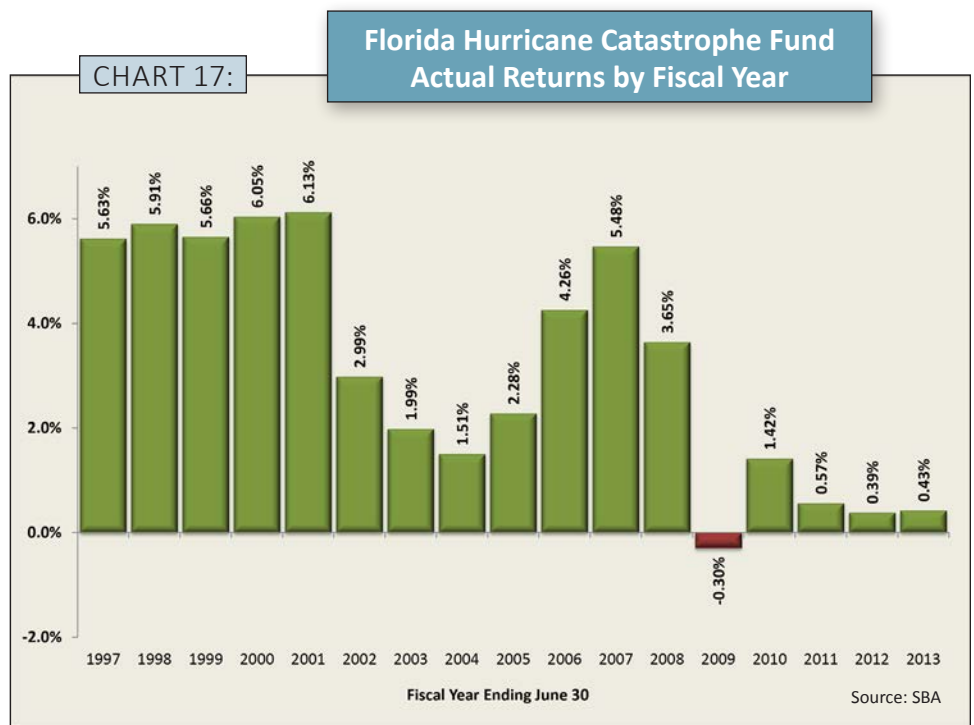
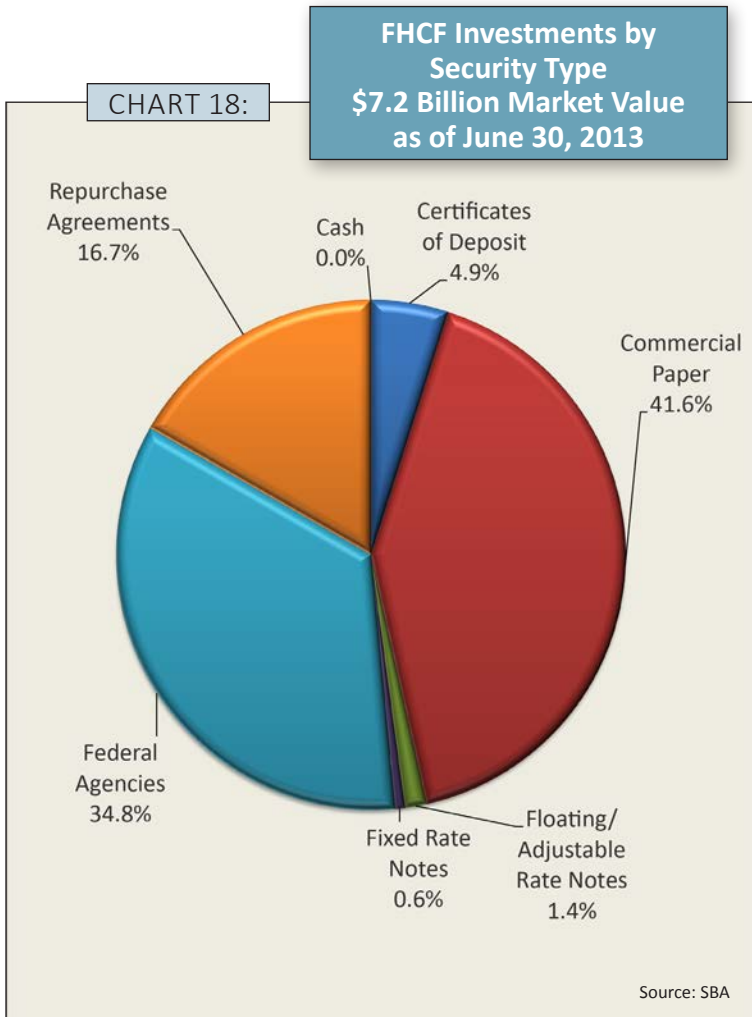


TABLE 28: Florida Hurricane Catastrophe Fund Returns for Periods Ending June 30, 2013

	Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	0.43%	0.08%	0.35%
Three Years	0.46%	0.09%	0.38%
Five Years	0.50%	0.42%	0.08%
Ten Years	1.95%	1.80%	0.15%
Fifteen Years	2.81%	2.49%	0.32%

- All returns are annualized for periods indicated through June 30, 2013.
- 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.

Source: SBA



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.



Cannons at Castillo de San Marcos

During the 18th century, the Castillo went from Spanish control to British and back to the Spanish, all by treaty. The Spanish remained in power in Florida until the area was purchased by the United States in 1821. Called Fort Marion at the time, the Castillo was used by the U.S. army until 1899.

State Board of Administration Finance Corporation

(Effective June 1, 2013, the name of the Florida Hurricane Catastrophe Fund Finance Corporation was changed to the State Board of Administration Finance Corporation)

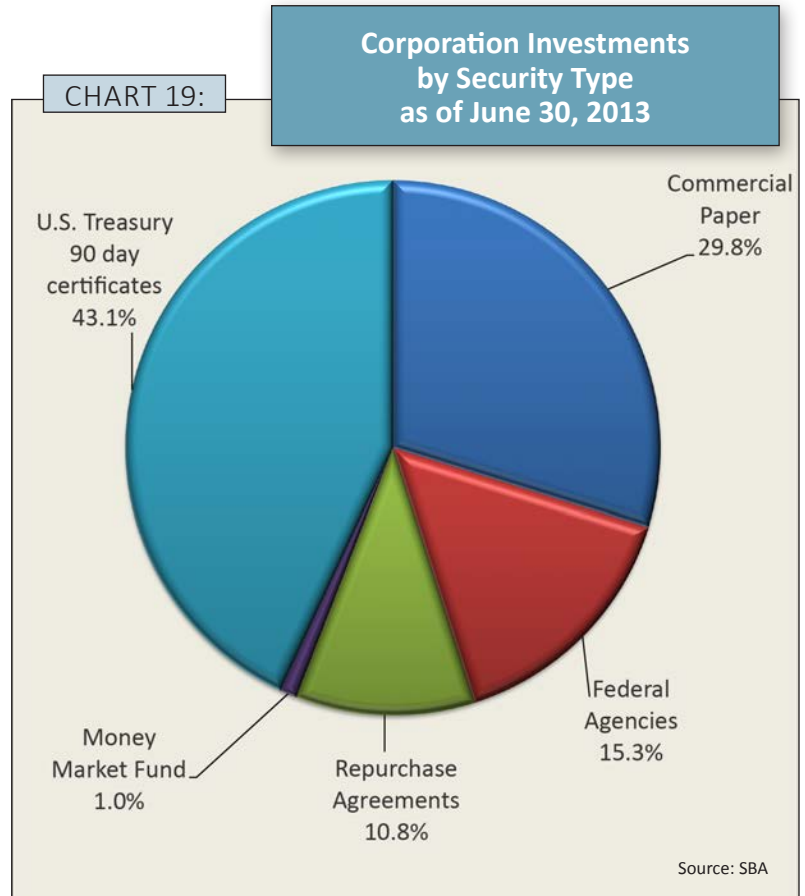
The State Board of Administration Finance Corporation (Corporation) was created as a public benefits corporation to provide a mechanism for the cost-effective and efficient issuance of bonds to fund hurricane losses for the Florida Hurricane Catastrophe Fund (Fund).

During the fiscal year, the Fund continued to reimburse participating insurers for hurricane losses occurring in 2004 and 2005. In response, the Corporation issued tax-exempt revenue bonds in the amount of \$1.35 billion in fiscal year 2006-07, \$625 million in fiscal year 2008-09, and \$676 million in fiscal year 2009-10. The funding source for the repayment of these bonds is a 1% emergency assessment on the direct written premium of most property and casualty lines of business in Florida. This assessment increased to 1.3% on January 1, 2011. The Series 2006A Revenue Bonds matured on July 1, 2012.

Pre-Event Financing

In order to provide a source of additional funds to reimburse insurers for hurricane losses related to future covered events, the Corporation issued \$3.5 billion pre-event, taxable, floating rate notes in 2007, which matured on October 15, 2012. The Corporation has since issued \$2 billion pre-event revenue bonds in April 2013. 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.



Cannon guarding the harbor at Castillo de San Marcos

The Castillo was made a National Monument in 1924 and became part of the National Park system in 1933. In 1942, Congress restored the original name. The park consists of the original historic Castillo fortress itself with its attendant grounds, some 25 total acres.

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

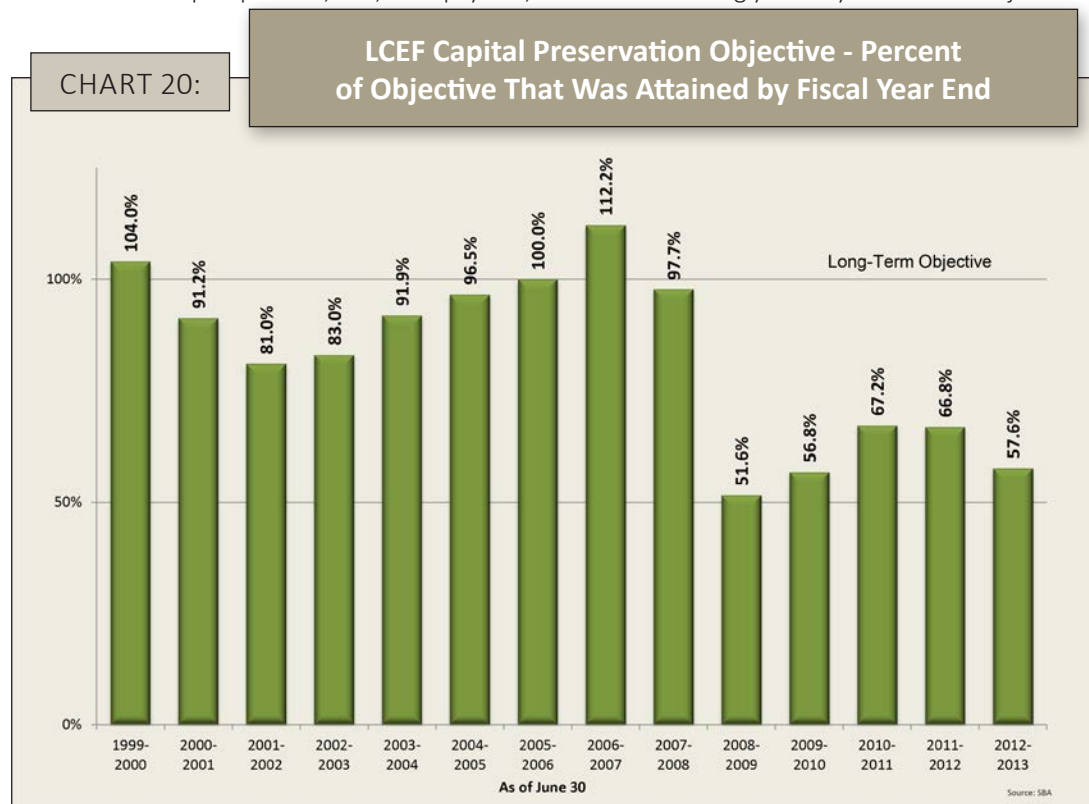
Florida law specifies that the LCEF shall be managed as a perpetuity, with an investment objective of long-term preservation of the real value of the principal. The law further requires a specified regular annual cash outflow for appropriation, as nonrecurring revenue.

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.

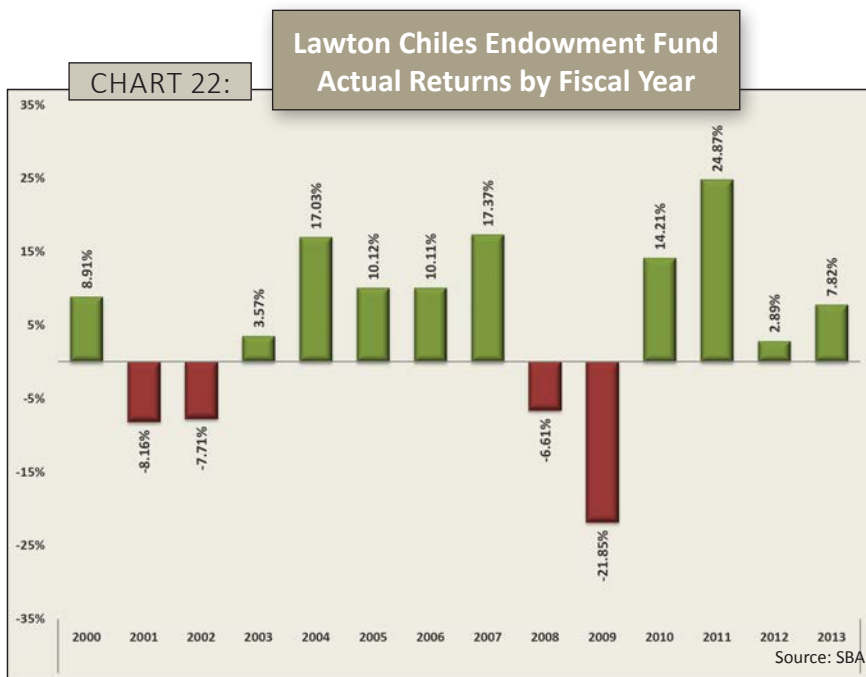
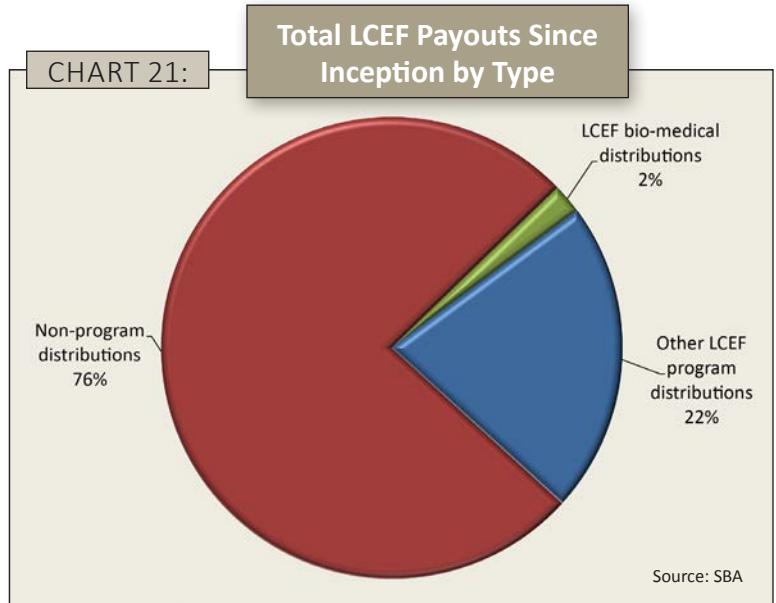
The changes, effective July 1, 2003, replaced the previous fixed annuity payout structure with a participating annuity structure. Under the new structure, 75% of the regular annual cash outflow is based on the prior year inflation-adjusted payout; the remaining 25% is based on a factor designed to increase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

As illustrated in Chart 20, 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.



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. Much of that progress was undone, however, by another large extraction from the endowment in fiscal 2012-13 with \$350.0 million being transferred to the State's general fund in June 2013. This reduced the proportion of the preservation objective attained to just 57.6%. This money is currently planned to be repaid to the endowment, but the bulk of that repayment is not due until fiscal year 2021-22. As of June 30, 2013, the inflation-adjusted value of cumulative net contributions to the LCEF was approximately \$591 million (in 1999 dollars).



Performance

Chart 22 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 financial crisis.

In addition to the statutory investment objective for the Endowment Fund, the SBA measures performance relative to market-based benchmarks. Table 29 compares actual returns to the benchmark return for various periods ending June 30, 2013.

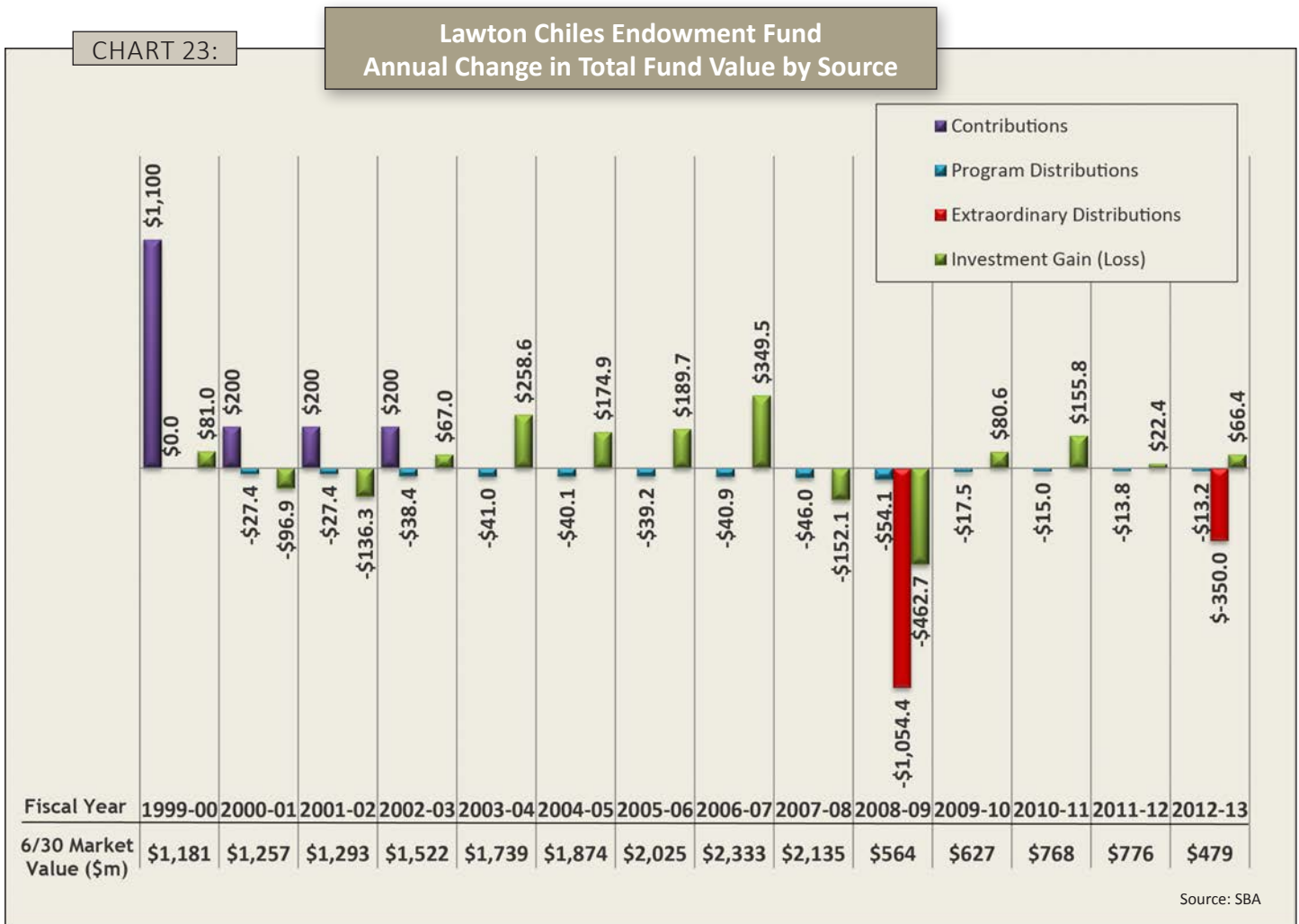
TABLE 29: Lawton Chiles Endowment Fund Returns for Periods Ending June 30, 2013

	Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	7.82%	6.21%	1.61%
Three Years	11.48%	10.64%	0.84%
Five Years	4.34%	3.60%	0.74%
Ten Years	6.76%	6.22%	0.54%
Since Inception	4.45%	4.03%	0.42%

- All returns are annualized for periods indicated through June 30, 2013.
- 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.

Source: SBA

Chart 23 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 (purple bars). Since then, the only support for annual payouts (blue bars) has been earnings on those initial investments (green bars). The Fund’s assets were substantially reduced by the extraordinary payouts that occurred in FY 2008-09 and FY 2012-13 (red bars).



Cost

Table 30 presents the external investment management fees paid by the fund.

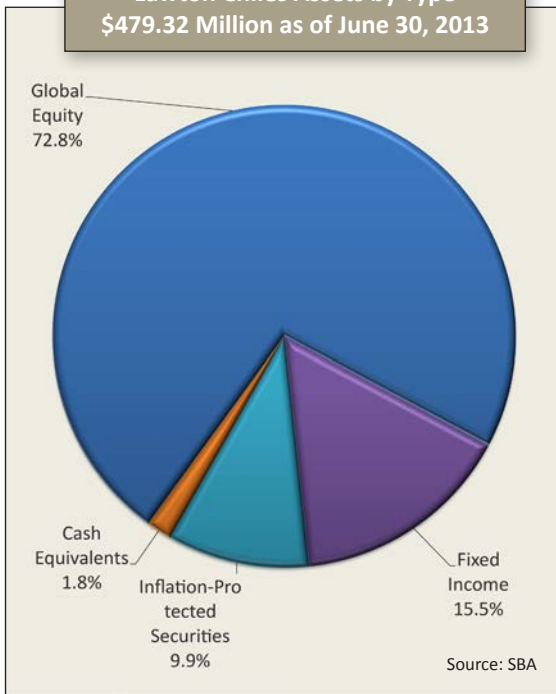
TABLE 30: External Investment Management Fees Fiscal Year 2012-13

Asset Class	Dollar Amount
Global Equity	\$ 353,939
Fixed Income	42,894
Total	\$ 396,833

Source: SBA

CHART 24:

**Lawton Chiles Assets by Type
\$479.32 Million as of June 30, 2013**



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. Chart 24 shows the actual asset allocation for the LCEF as of June 30, 2013. Table 31 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.

TABLE 31:

**LCEF Returns to Asset Allocation
Periods Ending June 30, 2013**

	Policy Return	Implementation Return
One Year	6.38%	6.21%
Three Years	10.48%	10.64%
Five Years	3.76%	3.60%
Ten Years	6.45%	6.22%
Since Inception	4.26%	4.03%

Source: SBA

Asset Classes

As of June 30, 2013, assets of the Lawton Chiles Endowment Fund are currently divided into four classes: Global Equity, Fixed Income, Inflation-Protected Securities and Cash Equivalents. Table 32 presents returns by asset class over various periods ending June 30, 2013.

TABLE 32:

**Lawton Chiles Endowment Fund Actual Returns
by Asset Class for Periods Ending June 30, 2013**

	Actual Return	Benchmark Return	Actual Over (Under) Bmk.
Global Equity			
One Year	19.82%	17.53%	2.29%
Three Years	17.13%	15.70%	1.43%
Five Years	5.82%	5.14%	0.68%
Ten Years	7.97%	7.65%	0.32%
Fixed Income			
One Year	(0.12%)	(0.69%)	0.56%
Three Years	3.76%	3.51%	0.25%
Five Years	5.13%	5.19%	(0.06%)
Ten Years	4.60%	4.52%	0.08%
TIPS			
One Year	(4.60%)	(4.78%)	0.18%
Three Years	4.65%	4.63%	0.02%
Five Years	4.87%	4.41%	0.46%
Ten Years	5.58%	5.19%	0.39%
Cash Equivalents			
One Year	0.50%	0.08%	0.41%
Three Years	0.84%	0.16%	0.68%
Five Years	1.02%	0.48%	0.54%
Ten Years	2.24%	1.85%	0.38%

Source: SBA

Portfolios by Asset Class

Table 33 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 33:

Lawton Chiles Endowment Fund Assets Under Management Market Value Change by Asset Class and Portfolio, Fiscal Year June 30, 2013

	Market Value 6/30/12	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/13
<u>Domestic Equities Portfolios</u> ¹				
Russell 3000 ex Tobacco Fund (Chiles Domestic Equity Portfolio)	\$ 465,443,495	\$ (477,474,452)	\$ 12,030,957	\$ 0
Transition Account (Chiles Domestic Equity Trading)	136,329	(149,100)	12,771	0
<u>Foreign Equities Portfolios</u> ¹				
Acadian (Chiles Foreign Equity)	88,617,514	(94,034,025)	5,416,511	0
<u>Global Equities Portfolios</u>				
Russell 3000 ex Tobacco Fund (Chiles Domestic Equity Portfolio)	0	(67,873)	94,752	26,879
Transition Account (Chiles Domestic Equity Trading)	0	75,417	31,858	107,275
Acadian (Chiles Foreign Equity)	0	298,650,033	50,029,461	348,679,494
<u>Fixed Income Portfolios</u>				
Chiles Barclays Aggregate	126,804,841	(52,900,000)	629,238	74,534,079
<u>Inflation-Indexed Bond Portfolios</u>				
Chiles TIPS- Chiles Inflation Linked Treasury	87,409,818	(37,200,000)	(2,626,288)	47,583,530
<u>Cash/Short-Term Portfolios</u>				
Chiles Cash	7,718,558	2,370	668,461	8,389,389
Chiles Securities Lending ²	105	(91,600)	90,930	(565)
Total Lawton Chiles Endowment	\$ 776,130,661	\$ (363,189,230)	\$ 66,378,651	\$ 479,320,081

• Totals may not foot due to rounding.

¹ The Domestic Equities and Foreign Equities asset classes were merged into a single Global Equities asset class effective September 1, 2012.

² Beginning June 2013, the SBA began including the total unrealized gain/(loss) on invested cash collateral in the Chiles Securities Lending Account. Previously, invested cash collateral was not included in the total market value of this portfolio.

Source: SBA

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 several 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. For select clients, the SBA utilizes Florida PRIME™ for short-term cash allocations. For all of these clients, 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 the 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 whether and when to invest or withdraw their assets from these investment products.

Fort Matanzas near St. Augustine, Florida. Completed in 1742, it guarded Matanzas Inlet.



For additional resources and information on the
State Board of Administration of Florida, please visit:
www.sbafla.com

SBA Resources under the 'Performance and Reports' tab:

- FRS Monthly, Quarterly, Annual Reports
 - PFIA Quarterly Reports
- Corporate Governance Annual Report
 - 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
- Florida PRIME™/Fund B Audited Financial Statements
- Florida Hurricane Cat Fund Audited Financial Statements
- Update on FRS Investment Plan/Pension Plan Choices

Non-SBA Resources And Information under the 'Performance and Reports' tab:

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

Resources on the 'Newsroom' web page:

- Topics At A Glance
- Glossary of Terms
- News Archive

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