

**STATE BOARD OF ADMINISTRATION
INVESTMENT REPORT
2014-2015**



Cover is of the Santa Fe River, which is a 75-mile river in northern Florida. The watershed of the river is approximately 1,380 square miles and spreads across southern Columbia, southern Suwannee, western Bradford, far southern Baker, Union, northern and eastern Gilchrist, and northern Alachua counties.

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The investment performance information for the period ending June 30, 2015 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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Los Angeles, CA

TO THE TRUSTEES OF THE FLORIDA STATE BOARD OF ADMINISTRATION AND HONORABLE MEMBERS OF THE FLORIDA SENATE AND FLORIDA 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, 2015, 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 fulfilling its responsibility to invest Florida’s assets ethically, prudently, and in strict accordance with applicable law, policies, and fiduciary standards.

The State Board of Administration finished the year with \$179.97 billion in assets under management across 35 mandates.

PERFORMANCE – POSITIVE RETURNS CONTINUE IN FY 2014-15 ALL MAJOR MANDATES SHOWED POSITIVE RETURNS FOR THE SIXTH CONSECUTIVE YEAR

PENSION TRUST FUND

Performance figures for the fiscal year ended June 30, 2015 show the FRS Pension Trust Fund earning a net 3.67%, beating its benchmark by 143 basis points and ending the year with a market value of \$148.0 billion.

The year’s return increases the total to six years of positive returns since the end of the financial crisis, four of which were double digit returns. All asset classes earned positive net returns during the fiscal year, led by the Private Equity asset class earning 14.96%. Real Estate, Strategic Investments, Fixed Income, Global Equity, and Cash & Cash Equivalents each earned 11.92%, 6.77%, 1.99%, 1.92%, and 0.21%, respectively.

We continue to be pleased with our performance, especially the \$2.0 billion in value added by our staff over the benchmark return for the year. To put this added value in a tangible context, it translates to \$2.0 billion added to the Florida Retirement System Pension Trust Fund.

Growth rarely occurs smoothly, so we focus on the long-term performance targets. Performance for the 20-, 25-, and 30-year periods exceed the actuarial assumed rates of return, generating returns of 8.1%, 8.7%, and 9.3%, respectively.

INVESTMENT PLAN

The FRS Investment Plan, established to provide Florida’s public employees with a flexible alternative to the traditional pension plan, also posted year-end gains in returns and participation. The one-year net return based on aggregate employee fund selection was 2.58%, beating a benchmark of 2.08%. The benchmark is based on the weighted aggregate of the performance of various indices representing each member’s chosen asset allocation. SBA’s thoughtful strategy, manager selection, and oversight positioned Investment Plan Participants to benefit from superior performance in a challenging market environment.

The implementation of and transition to Target Date Funds at the start of the fiscal year went smoothly. Target Date Funds serve beneficiary interests by simplifying investment decision-making and reducing the number and complexity of actions required of the plan participants. Target Date Funds make it easy for participants to make the right allocation decisions by building them into each strategy; appropriately reflecting their stated retirement intentions and related risk tolerances. Avoiding common investment mistakes such as market timing, too little or too much risk, or holding excessive cash is helpful in preserving and growing retirement savings over time.

During the fiscal year ended June 30, 2015, 24% of newly hired employees elected to join the Investment Plan, and 5,068 Pension Plan members used their second election to switch to the Investment Plan resulting in a record high of 163,456 member accounts. The Investment Plan's year-end assets totaled \$9.14 billion.

FLORIDA PRIME™

Florida PRIME™, the local government investment pool, provided investment services to 801 participating agencies with more than 1,500 accounts. For the 12-month period ending June 30, 2015, Florida PRIME™ participant yield was 0.17% beating its benchmark by 12 basis points and ending the year with a market value of \$7.0 billion. Much of the excess performance can be attributed to our industry-low 1.8 basis point equivalent fee structure. Florida PRIME™, and its predecessor the LGIP, have now beaten the benchmark for 19 consecutive years and remains the premier local government investment pool available in Florida today by offering superior liquidity, transparency, and performance at a cost of approximately 25% of its closest competitor.

FUND B

As of September 2014, \$2,009,451,941 or 100% of the original participants' principal was returned to the participants. As a result, Fund B participants did not realize any losses of their original principal balances.

Throughout the fiscal year, the SBA worked with Trustee's staff, legislative staff, and relevant stakeholder groups to achieve the most equitable method of allocating Fund B's surplus reserves of \$43,336,266. The Participant Local Government Advisory Council (PLGAC) determined the most equitable distribution of the remaining reserve was a pro-rata share of withheld November 2007 interest. This required a change in Florida Law, which was successfully pursued during the 2015 legislative session. The legislation was signed into law on May 21, 2015 with an effective date of July 1, 2015. The SBA subsequently distributed the residual balance consistent with the recommendation of the PLGAC resulting in 102.2% of the original principal balance being returned to participants.

LAWTON CHILES ENDOWMENT FUND (LCEF)

This fiscal year's return on the endowment was 0.73% versus a benchmark return of 0.76%. 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 69.8%, largely due to non-program distributions used to support general appropriations.

FLORIDA HURRICANE CATASTROPHE FUND (FHCF)

Florida completed its ninth hurricane season without a hurricane landfall, resulting in continued improvement in the health of the fund. Additionally, the FHCF achieved a 0.27% actual return on its fund balance of \$11.6 billion, beating the benchmark by nine basis points. The FHCF has beaten its benchmarks for the one-, three-, five-, 10-, and 15-year time periods.

STATE BOARD OF ADMINISTRATION FINANCE CORPORATION

The State Board of Administration Finance Corporation (formerly the Florida Hurricane Finance Corporation), provides the mechanism for the cost effective issuance of bonds to fund hurricane losses. The Corporation issued pre-event bonds in 2013 and earned 0.28% for the fiscal year ending June 30, 2015, beating its benchmark 10 basis points.

COSTS – WE CONTINUE TO BE THE LOW COST LEADER

While historically low cost, beginning calendar year 2012, the SBA became the lowest “all-in” cost provider among North American large pension funds. I am proud to say that according to the most recent data available (CY 2014), the FRS Pension Trust Fund continues to have the “all-in” lowest cost among our peers as measured by CEM Benchmarking, a leading independent external cost and performance analysis firm. This distinction is important and becomes even more valuable in low market-return environments. This efficiency saved the Pension Trust Fund over \$279 million in just one-year when compared to the median cost of peer funds.

OPERATIONS

FLORIDA HURRICANE CATASTROPHE FUND (FHCF) – Reinsurance

The FHCF is administered by the SBA for the purpose of providing a stable source of reimbursement for residential property insurers doing business in Florida. For over 20 years, it has served its purpose well, entering the 2015 hurricane season with a liquidity reserve of a very healthy \$14.8 billion.

Historically, the market pricing for reinsurance, particularly at relevant attachment points for the FHCF, has not been low enough to be considered an attractive alternative to pre- or post-event bonding. However, due to the build-up of the FHCF’s cash balance (enabling reinsurance options at relatively high attachment points), as well as levels of capital and competition in the reinsurance market, pricing and terms for reinsurance reached levels that warranted our action. On April 14, 2015, the Board of Trustees authorized the purchase of \$1 billion in reinsurance. As a result, the FHCF is better able to manage its risk at a very reasonable cost by providing true risk transfer for the first \$1 billion in excess of the fund’s cash balance. The purchase by the FHCF did not adversely impact FHCF participating insurers regarding the prices and volume of coverage that they may have needed for the current hurricane season.

CHANGES IN INVESTMENT POLICY STATEMENTS (IPS)

In recognition of what appears to be a long-term trend of muted returns, the Actuarial Estimating Conference reduced the assumed actuarial rate of return estimate from 7.75% to 7.65% for the Pension Trust Fund effective July 1, 2014. While the IPS long-term return objective is expressed in terms of real growth (5% over inflation), the SBA supported the more conservative estimate in light of market conditions.

In December 2014, the IAC recommended, and the Board of Trustees subsequently approved minor adjustments to the Private Equity and Real Estate asset class benchmarks to better reflect the respective asset classes’ current opportunity sets.

CORPORATE GOVERNANCE- Valuing the Vote

In September of 2014, SBA Governance staff began a first of its kind empirical analysis aimed at evaluating the economic impact of SBA proxy voting activity. The study was completed in June 2015; specifically analyzing the impact that SBA proxy voting decisions had on director elections where there were dual nominees (i.e., proxy contests). The results of the study demonstrate added value when voted shares involved proxy contests. The study also quantified the impact on stock price performance related to these votes, showing positive double digit increases in nominal and industry-relative total-stockholder-returns (TSR) over one-, three-, and five-year time periods.

The study demonstrated SBA equity value linked to proxy contest holdings increased by \$572 million in the five years after a contest is announced during the study's time frame from 2006 through 2014. The \$572 million measures the actual impact on the value of SBA's holdings for all of the companies in the study, either from their initial contest to the five years after their last contest, or through the end of 2014 if the last contest was after 2011. The complete study is available on SBA's website at www.sbafla.com.

LOOKING FORWARD – Continued Volatility in a Global Economy

The continued uncertainty surrounding U.S. monetary and fiscal policy, energy, global economies, regional conflicts, and an array of possible central bank actions is sure to perpetuate a challenging investment environment over the near-term. No one can predict the impacts of any one of these issues much less their combined effects, but as long-term investors with a diversified portfolio, we expect continued market volatility and believe our long-term outlook will serve our stakeholders well. Time and time again, we have seen discipline and patience rewarded. As in the past, we will take a long-term view, rely on a well thought-out diversified strategy and rebalance as appropriate. To the extent market dislocations occur, large, liquid, long-term oriented institutions like the SBA can be buyers of assets at compelling valuations, taking advantage of short-term stresses to help drive our long-term success.

I would like to reiterate what most experts and I believe are the critical elements of a healthy pension plan – reasonable benefits, responsible funding, and solid, long-term investment performance. Of those three components, the SBA is responsible for, and has delivered, solid, long-term investment performance. The Board of Trustees and the legislature have, and continue to address the other two elements. The result of this alliance is a resilient retirement system capable of meeting its promises to participants while being fiscally responsible.

Institutional Investor magazine, a leading global financial magazine focused primarily on international finance and known for its extensive industry research and rankings, recognized the Florida Retirement System Pension Plan as the **“Public Plan of the Year”** as part of the 2015 Annual Investor Intelligence Awards Program. The award recognizes the hard work, commitment, and dedication of our Trustees, staff, and the members of our advisory councils and committees. I would like to add my thanks to them for their hard work, support, and dedication. Our pattern of success has been largely attributable to their talent, active support, and participation.

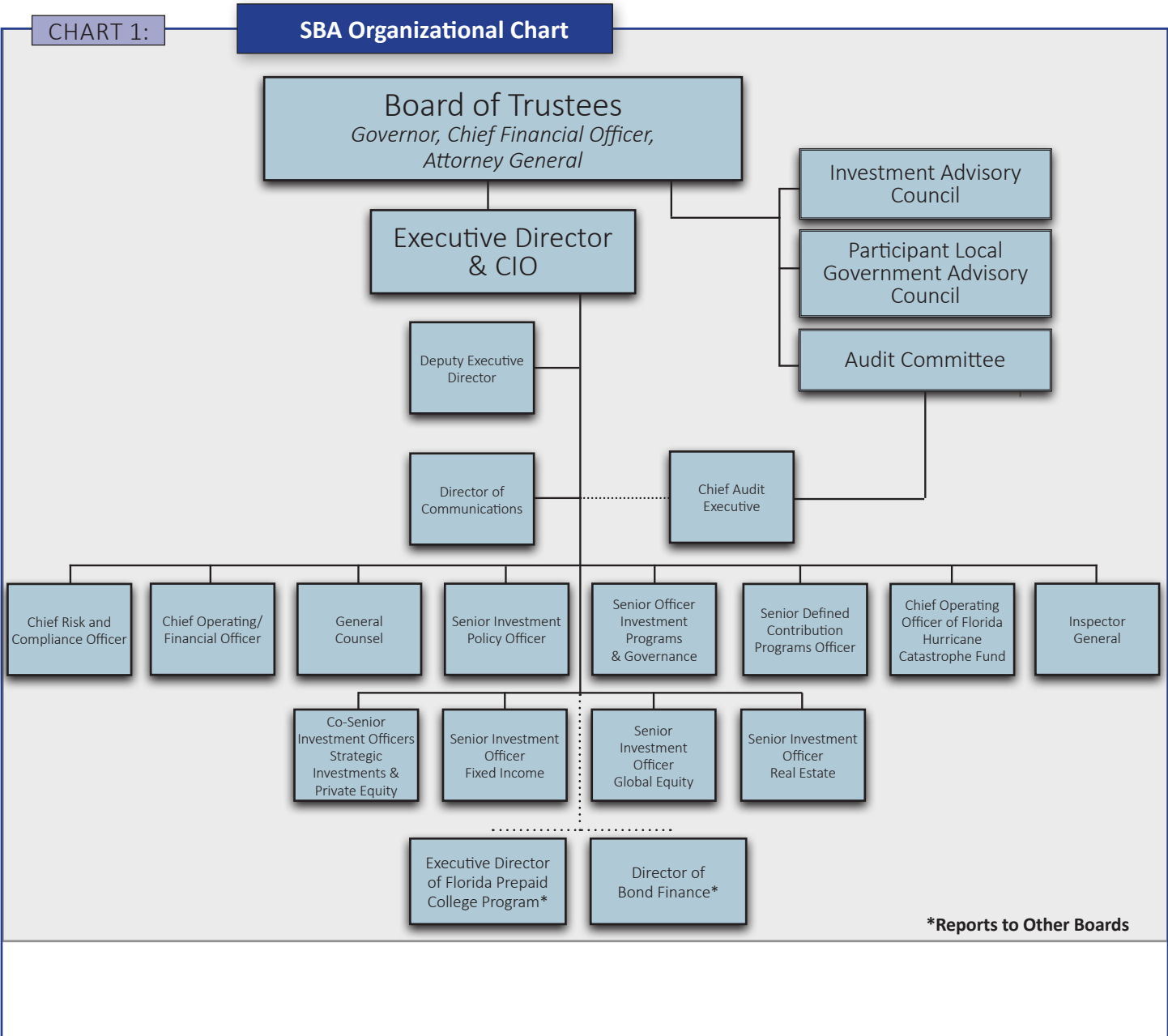
Respectfully submitted,



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 over 200 professional investment and administrative support staff.



Advisors, Consultants 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 to 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 that fund. The PLGAC reviews the administration of Florida PRIME™ 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 (FHCF) Advisory Council

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 who provide information and advice in connection with its duties related to the FHCF. The Board of Trustees appoints nine members to the advisory council.

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 and is administratively housed within the State Board of Administration. The Commission consists of the following 12 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, 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, a licensed professional structure engineer who is a full-time member of the State University System with expertise in wind mitigation techniques appointed by the Governor, and five members appointed by the Chief Financial Officer, as follows: an actuary employed full-time by a property and casualty insurer which was responsible for at least 1% 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 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 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 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 which 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 Statutes (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.



The Aucilla River rises close to Thomasville, Georgia, and passes through the Big Bend region of Florida, emptying into the Gulf of Mexico at Apalachee Bay. The river is 89 miles long. In Florida, the Aucilla River forms the eastern border of Jefferson County, separating it from Madison County on the northern part, and from Taylor County to the south. The lower part of the river disappears underground and reappears several times, and is known as the Aucilla River Sinks. The Aucilla River is a rich source of late Pleistocene and early Holocene animal bones and human artifacts, and is the subject of the Aucilla River Prehistory Project, which includes the Page-Ladson prehistory site. During the first Spanish period in Florida the Aucilla River was the boundary between the Apalachee people and the Timucua-speaking Yustaga (or Uzachile) people.

Photo credit - "Jefferson-Madison Aucilla River north01" by Ebyabe - Own work. Licensed under CC BY-SA 3.0 via Commons - https://commons.wikimedia.org/wiki/File:Jefferson-Madison_Aucilla_River_north01.jpg#/media/File:Jefferson-Madison_Aucilla_River_north01.jpg

SBA Mandate Overview

During the year, assets under SBA management decreased by \$1.0 billion to \$180.0 billion. Table 1 shows details for each SBA fund.

TABLE 1:

Change in Assets Under Management - Fiscal Year 2014-15

	Market Value June 30, 2014	Investment Gain (Loss)	Net Contributions (Withdrawals)	Market Value June 30, 2015
FRS Pension Plan	\$149,097,956,343	\$5,348,086,725	\$(6,473,096,739)	\$147,972,946,329
FRS Investment Plan	9,040,724,856	223,768,600	(126,578,480)	9,137,914,975
Lawton Chiles Endowment Fund	626,104,239	4,602,422	(5,000,000)	625,706,661
Debt Service	1,164,669,733	12,813,430	(347,327,016)	830,156,146
Gas Tax Clearing Fund ²	0	(1,806)	1,806	0
Florida PRIME™ ¹	6,741,255,281	11,603,657	(130,568,231)	6,622,290,707
Fund B Surplus Funds Trust Fund	56,709,170	17,372,358	(30,746,941)	43,334,587
Florida Hurricane Catastrophe Fund	9,721,074,498	31,845,058	1,849,388,350	11,602,307,906
State Board of Administration Finance Corporation	3,361,168,868	5,655,313	(1,307,443,677)	2,059,380,504
Department of the Lottery Fund	441,606,868	14,067,536	(83,365,186)	372,309,219
Retiree Health Insurance Subsidy Trust Fund	60,485,268	209,232	(45,294,813)	15,399,687
Police and Firefighters' Premium Tax Trust Fund	228,527,206	379,970	(3,934,000)	224,973,176
Florida Prepaid College Plan Administrative Expense	14,341,697	5,685	(13,474,691)	872,691
Florida Prepaid College Plan	214,356,180	7,618,554	48,620,537	270,595,271
Florida College Investment Plan Administrative Expense	597,202	427	(341,824)	255,805
Florida College Investment Plan	59,162,267	1,393,631	3,193,913	63,749,811
SBA Administrative Fund	39,800,421	182,726	4,912,952	44,896,099
PEORP Administrative Fund	33,827,799	88,300	(7,775,428)	26,140,671
Bond Fee Trust Fund	6,441,390	13,823	(453,082)	6,002,131
Arbitrage Compliance Trust Fund	2,690,611	7,353	(22,819)	2,675,145
Bond Proceeds Trust Fund ²	0	269	5,134,331	5,134,600
Burnham Institute for Medical Research Fund	18,254,041	3,722	(16,761,649)	1,496,115
Torrey Pines Institute for Molecular Studies Fund	3,557,606	11,507	0	3,569,114
SRI International Fund	104,896	11,104	0	116,000
University of Miami	20,877,982	37,048	0	20,915,030
Max Planck ³	3,392,293	5,197	(3,397,490)	0
Oregon Health & Science University	2,573,444	1,075	0	2,574,519
Charles Stark Draper Laboratory	1,112,153	464	0	1,112,618
Florida Division of Blind Services	4,789,425	224,433	0	5,013,859
Insurance Capital Build-up Program	6,500,155	38,836	(698,628)	5,840,363
Inland Protection Financing Corporation	1,520	5	(61)	1,463
Florida Endowment for Vocational Rehabilitation ³	5,370	2,037	(7,407)	0
McKnight Doctoral Fellowship Program ³	1,654,803	45,414	(1,700,217)	0
FSU Research Foundation ³	30,087	22,207	(52,294)	0
Pinellas Suncoast Transit Authority ³	4,658	1,767	(6,425)	0
Total Assets Under Management	\$180,974,358,332	\$5,680,118,081	\$(6,686,795,210)	\$179,967,681,203

¹ The Florida PRIME™ fund values at June 30, 2014 and June 30, 2015 have been reduced by \$450,246,763 and \$380,705,042, 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™). The amount reported for Net Contributions (Withdrawals) has been increased by \$70,155,743, and Investment Gain(Loss) has been reduced by \$614,022, for the same reason.

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

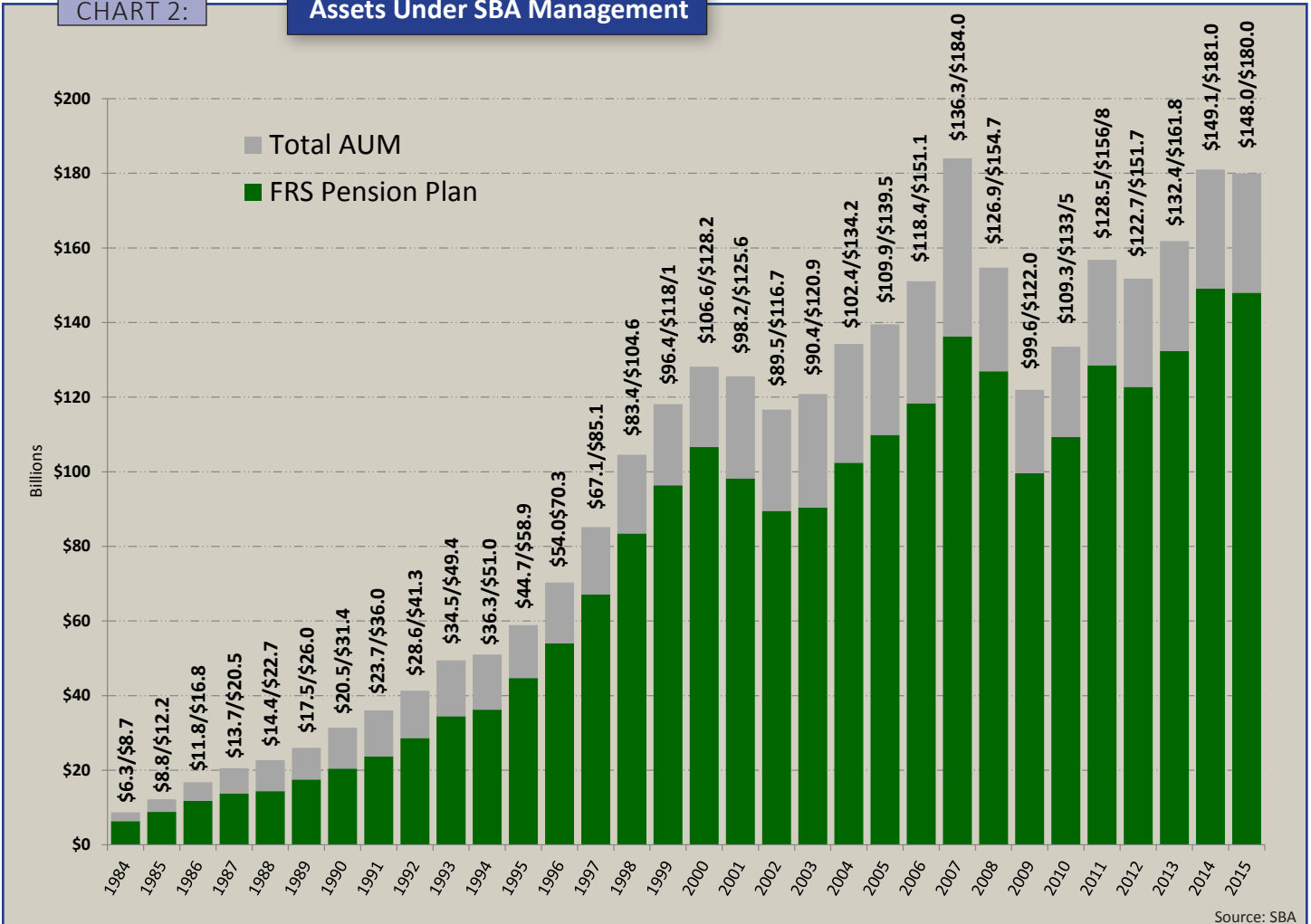
³ The Account was closed during the fiscal year.

• Totals may not total due to rounding

Source: SBA

CHART 2:

Assets Under SBA Management



Source: SBA

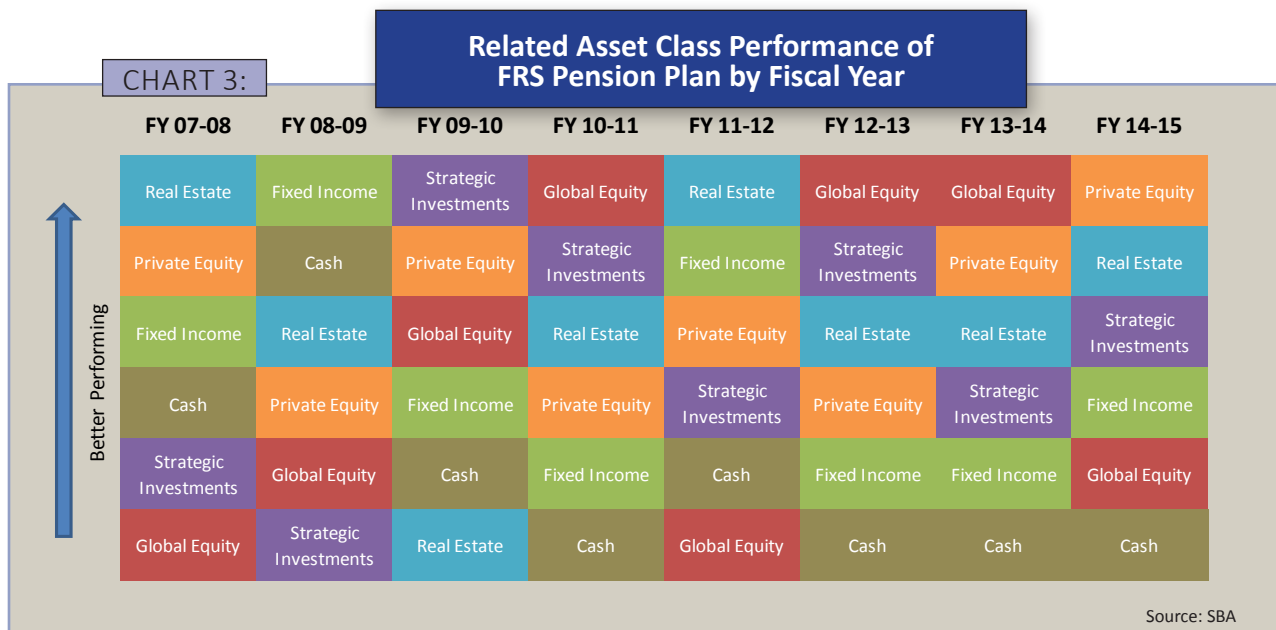
From 1984 to 1992, the total assets under SBA management reported for "Other Funds" were equal to the original cost value of investments, plus accrued interest receivable, plus or minus any pending sales or purchases of investments. Beginning in 1993, investments are reported at fair market value rather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



The Loxahatchee River (Seminole for river of turtles) is a 7.6 mile river near the southeast coast of Florida. It is a National Wild and Scenic River, one of only two in the state, and received its federal designation on May 17, 1985. The source of the Loxahatchee River is in Riverbend Park on the south side of Indiantown Road about 1.5 miles west of I-95 and Florida's Turnpike in Jupiter, Florida. The Loxahatchee River flows out of the Jupiter Inlet and into the Atlantic Ocean. This river was the inspiration for Florida film producer Elam Stoltzfus' 2005 project "Our Signature: the Wild and Scenic Loxahatchee River," a film done in conjunction with the Loxahatchee River Preservation Initiative.

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 disappointing returns, particularly when equity markets are stressed.



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

In practice, maintaining an exact asset allocation is difficult given the dynamic nature of markets and security prices. The SBA typically determines reasonable limits 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 adjust 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.

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.

Risk and the Investment Process

Investing involves a tradeoff between return and risk. Investments expected to produce a higher rate of return over time are associated with a higher level of risk. The first step in the investment process is to develop a clear investment objective. Once a clear investment objective has been formulated, risks posing a threat to achieving that investment objective are identified, analyzed, and ultimately managed.

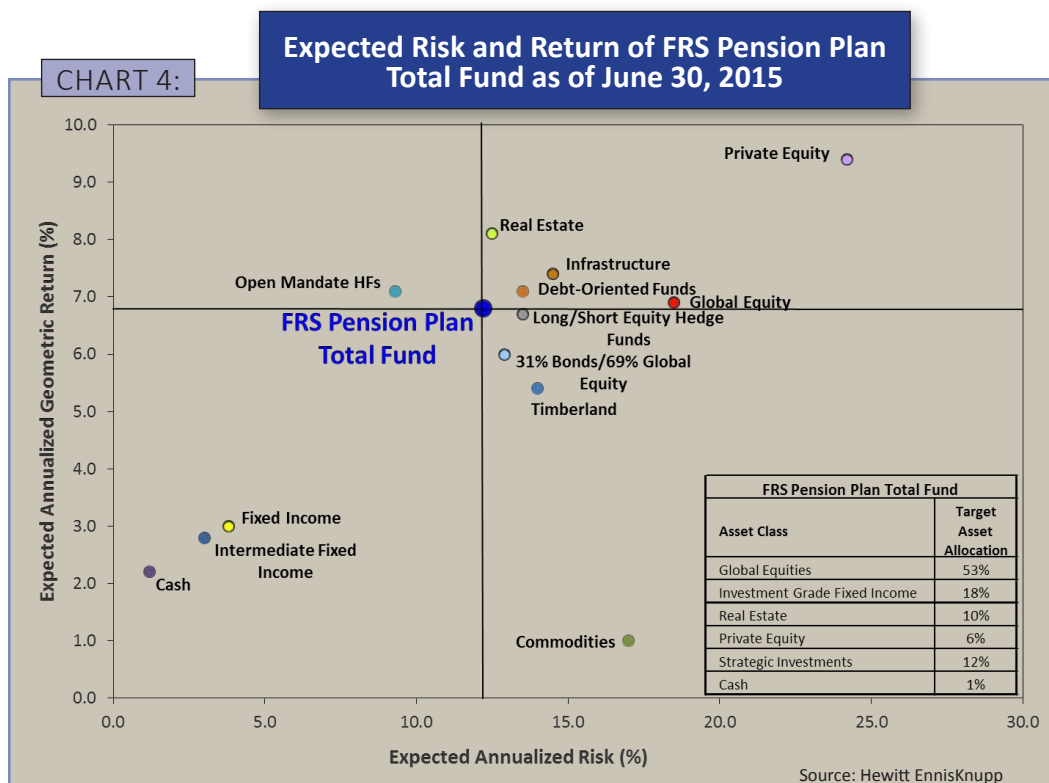
The process of risk management involves identifying risks that should be avoided or mitigated, and those which must be accepted. The SBA has developed a risk framework to identify and categorize risks impacting the SBA. The framework considers a wide range of factors including risks which are specific to the investments themselves, operational processes used to manage the investments, and the environment in which the SBA operates.

Investment management risk is one risk in the SBA's risk framework and encompasses those forms of risk that directly arise in the pursuit of an investment return. Other types of risk consider 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 do so cost-effectively.

Inherent risk is one sub-category of investment management risk identified in the SBA's risk management framework. All securities carry inherent risk, which is common to financial instruments. This risk is knowingly assumed by the investor, and sets the foundation for the risk/return tradeoff. Inherent risk includes those risks that relate to performance of the financial markets as a whole (market risk or systematic risk), as well as risks which can be diversified away (idiosyncratic or unsystematic risk).

While each investment in a portfolio may have widely varying returns, a thoughtfully constructed portfolio will diversify sufficiently across a broad range of investments so that the portfolio has a high probability of meeting the investment objective. In a highly diversified portfolio, the goal is for strongly performing securities to more than offset the impact of poorly performing securities in any given time period.

Chart 4 presents examples of how various asset classes and investment strategies carry different risk/return tradeoffs. For example, investing in a mix of 31% Bonds and 69% Global Equity has slightly higher risk and a lower return than the target allocation for the overall FRS Pension Plan.



The SBA uses the following classifications to describe inherent risk:

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 that can cause the demand for a particular security to increase or decrease. The demand for a stock, for example, is influenced by revised earnings expectations. Demand can also depend on a number of other factors including changing economic conditions, geopolitical events, inclusion in a particular market index, availability of similar securities, perceptions regarding specific industries, or company-specific factors.

CREDIT RISK

Credit risk is a characteristic of debt instruments. It is the risk that an issuer or borrower of debt securities may default on financial obligations. Changes in investor perceptions of the possibility of a default by the issuer cause a bond's prices to fluctuate and may increase 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 increases the volatility of the market price, which is of consequence to holders who may have to sell.

INTEREST RATE RISK

This is the risk that an investment's value will change due to a change in interest rates. Interest rate risk affects bondholders more than stockholders. Due to the inverse relationship between interest rates and price, fixed-rate debt instruments are subject to interest rate risk, meaning their market prices will decrease in value when generally prevailing interest rates rise. This allows the SBA the ability to earn 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 callable bonds which are debt instruments that include an option for the issuer to "call" in the bond and repay debt early. In practice, bonds are most often called when interest rates are falling, resulting in higher reinvestment risk for the SBA. Once a bond is called, issuers can reissue the bonds at a lower interest rate. Thus, the SBA may not actually experience the larger cash flows it expected and must reinvest at lower market interest rates.

INFLATION RISK

This is the risk that investment returns will be lower than the rate of inflation, a reduction in the purchasing power of money. It can arise from expansionary monetary policy, economic supply shock, or as a result of behavioral responses to general perceptions about future price growth. The SBA seeks 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. Because investment gains are commonly presented in nominal (e.g., not inflation adjusted) terms, the SBA will meet this goal only if nominal investment gains exceed the rate of inflation.

Since inflation is a phenomenon affecting an economy's unit of exchange, inflation risk affects 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 buyer for a security it wishes to sell. The term "liquidity risk" distinguishes a form of market risk which typically occurs when demand for a given security is weak, or the supply of a security is low.

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. Currency risk arises from differences in current or expected real growth, interest rates, inflation, and macro-policies between the countries.



The Miami River is a river that drains out of the Everglades and runs through the city of Miami. The 5.5-mile long river flows from the terminus of the Miami Canal at Miami International Airport to Biscayne Bay. It was originally a natural river inhabited at its mouth by the Tequesta Indians, but it was dredged and is now polluted because of its route through Miami-Dade County. The mouth of the river is now home to the Port of Miami and many other businesses whose pressure to maintain it has helped to improve the river's condition.

Photo credit - "Mouth of Miami River 20100211" by Marc Averette - Own work. Licensed under CC BY 3.0 via Commons - https://commons.wikimedia.org/wiki/File:Mouth_of_Miami_River_20100211.jpg#/media/File:Mouth_of_Miami_River_20100211.jpg

SYSTEMIC RISK

This is the risk that material portions of the global financial system will collapse or 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 company or cluster of companies (e.g. the financial sector) could cause a cascading failure, potentially bankrupting or bringing down the entire system or market. All investments bear systemic risk.

IDIOSYNCRATIC RISK

This is the risk specific to an individual security. It may be based on the company itself or the industry in which the company operates. Otherwise known as "specific" or "unsystematic" risk, this risk can be mitigated through proper portfolio diversification.

Compliance with Investment Strategy

Although there are numerous definitions of “Investment Strategy,” the SBA considers the term to mean the result of careful planning to determine the allocation of capital among various asset types including stocks, bonds, private equity, strategic investments, real estate, and cash equivalents, in order to achieve investment objectives. In addition to the asset allocation decision, investment strategy also includes selecting the appropriate benchmark indices (indicating baseline return and risk) and determining allowable deviations from targeted allocations for the major asset types. Investment Policy Statements or Investment Portfolio Guidelines are developed to provide a framework within which to execute investment strategies by clearly stating the investment objectives and benchmarks, as well as the required portfolio parameters such as permissible securities and exposure limits.

The SBA takes a systematic approach to monitoring compliance with investment guidelines to ensure that investment strategy is executed as intended for each of the funds under management. Organizationally, the SBA has a dedicated Risk Management and Compliance unit under the direction of a Chief Risk & Compliance Officer, whose responsibility is to assist the Executive Director & CIO in promoting and enhancing prudent risk management, accountability, and compliance with investment guidelines, SBA policies, rules, and regulations.

Investment Oversight Groups for each asset class and for the Total Fund serve as the primary mechanism for the escalation, review, and resolution of compliance violations. These groups regularly review any compliance exceptions and the associated risks that

may have a material impact on portfolios, develop and document responses to exceptions and, in the case of material compliance violations, provide recommendations to the Executive Director & CIO for final determination. Membership includes the Chief Risk & Compliance Officer as chairman, the designated asset class compliance officer, the Senior Investment Officer for the applicable asset class, and the Director of Enterprise Risk Management. Investment Oversight Groups meet routinely and may also meet on an ad hoc basis.

Investment Policy Statement limitations on asset allocation are routinely monitored, as are more stringent internal rebalancing policy requirements for the FRS Pension Plan, the FRS Investment Plan, and the Lawton Chiles Endowment Fund. SBA staff routinely monitor the limitations including permitted securities and authorized ranges contained in Section 215.47, Florida Statutes.

For internally managed public market portfolios, SBA staff perform routine testing to determine compliance with portfolio guidelines and with the internal policies which govern trading practices. Tests may be conducted on parameters such as eligible securities, credit quality, concentration limits, liquidity, authorized traders, and approved counterparties. Results of compliance testing on internally managed public market portfolios are routinely reviewed by the respective Investment Oversight Groups.

SBA staff also perform routine compliance testing on externally managed public market portfolios. Tests may be conducted on parameters such as eligible securities, credit quality, concentration limits, and liquidity. The results of compliance testing on externally managed public market portfolios are regularly reviewed by the applicable Investment Oversight Groups. External investment managers are required to notify the SBA in writing of a failure to comply with any term of the Investment Management Agreement, and on an annual basis, they must certify compliance with the terms and provisions of their contracts.

In the case of private market investment funds and limited partnerships, compliance testing is performed by SBA staff through a variety of means, depending upon the structure of the investment. The SBA monitors investment guideline compliance, reviews manager certifications, and completes acquisition checklists to ensure proper documentation is in place prior to committing funds. The results of compliance testing on private market funds are regularly reviewed by the applicable Investment Oversight Groups. In addition, external manager oversight staff conduct site visits with selected managers and general partners throughout the year.



The Econlockhatchee River (Econ River for short) is a 54.5 mile-long north-flowing blackwater tributary of the St. Johns River, the longest river in Florida. The Econ River flows through Osceola, Orange, and Seminole counties in Central Florida, just east of the Orlando Metropolitan Area (east of State Road 417). Its name means "River of Mounds", and it is a designated Outstanding Florida Waters.

"Econo River 09" by Dominika Durtan - Own work. Licensed under GFDL via Commons - https://commons.wikimedia.org/wiki/File:Econo_River_09.jpg#/media/File:Econo_River_09.jpg

SBA's Non-Investment Management Responsibilities

MyFRS Financial Guidance Program

The award-winning MyFRS Financial Guidance Program gives all Florida Retirement System (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 EY (formerly known as 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 – EY 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 FRS 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 65,000 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 approximately 1% and Pension Plan enrollments increased by approximately 1% during the 2014-15 fiscal year. Employees who do not make an active plan choice are automatically enrolled (defaulted) to the FRS Pension Plan. The default enrollments increased by approximately 1% 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 governance philosophy encourages companies to adhere to responsible, transparent practices that correspond with increasing shareowner value and to appropriately consider the input of their shareowners. 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, 2015, the SBA executed votes on 10,296 public company proxies covering 99,320 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 (3,001 votes), Japan (1,182), India (456), United Kingdom (436), and Taiwan (430). The SBA voted "for" 74.3% of all proxy issues, "against" 23.8%, and abstained or did not vote due to share-blocking on 1.9% of issues. Of all votes cast, 21.8% were against the management-recommended vote, up from 19.4% during the same period ending in 2014.

Among all global proxy votes, the SBA cast at least one dissenting vote at 7,699 annual shareowner meetings, or 78.2% of all meetings. In addition to proxy voting, the SBA actively engages companies it invests in throughout the year, at times maintaining a year-round dialogue and analysis of corporate governance issues and other reforms. Engagement by investors can be a very effective way to advocate for positive changes and improve reporting by the companies in which the SBA invests. Improved corporate disclosures are a key objective of SBA engagement, as transparent and improved comparability can help all shareowners make better investment decisions.

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

Corporate Officer/Trustee Services

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

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

Administrative Services

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

Investment Policy Statements, Portfolio Guidelines and Trust Agreements

The State Board of Administration maintains Investment Policy Statements, Investment Portfolio Guidelines, and Trust Agreements for funds it manages. The purposes of these are to describe the role and control elements of investment activities. The following funds' guidelines were changed during Fiscal Year 2014-15:

- **Florida Hurricane Catastrophe Fund and SBA Finance Corporation**
- **Florida PRIME**
- **Florida PRIME Fund B Surplus Funds Trust Fund**
- **Florida Retirement System Pension Plan**

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.



The Wakulla River is an 11-mile-long river in Wakulla County, Florida. It carries the outflow from Wakulla Springs, site of the Edward Ball Wakulla Springs State Park, to the St. Marks River 3 miles north of the Gulf of Mexico. The river, due to its clear, clean water, was once used to film underwater scenes during north Florida's cinema boom. Movies filmed in Wakulla Springs and river include several *Tarzan* movies, starring Johnny Weissmuller, and *Creature from the Black Lagoon*.

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% of total assets under SBA management. The FRS Pension Plan serves a working and retired membership base of nearly one million public employees.

The SBA follows statutory guidelines and a substantial body of internal policies and procedures in investing the FRS Pension Plan assets. 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 reasonable 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.

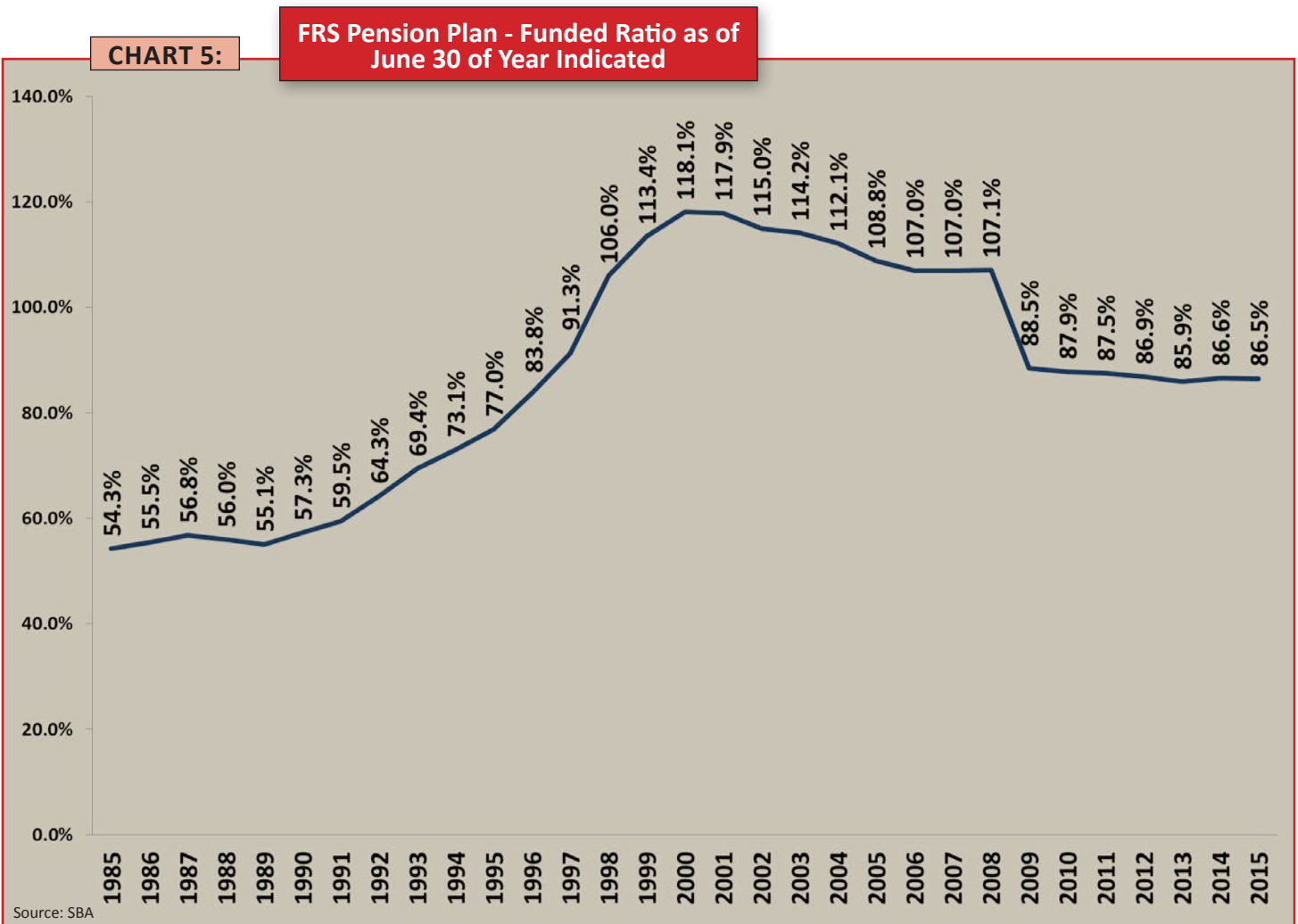
Historically, assigning funding and design responsibility to the legislature, benefit management to the Department of Management Services, and investment management to the SBA has proven to be a productive partnership, with approximately \$2 of every \$3 paid to a retiree coming from investment gains, not from taxpayers or participants through contributions.



The Chattahoochee River forms the southern half of the Alabama and Georgia border, as well as a portion of the Florida border.

Chart 5 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 accumulated benefit obligations.

During the 11 years ending in 2009, the Pension Fund 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. Actuarial deficits (a funded ratio below 100%) mean that the Fund has fewer assets than necessary to pay all current and projected accumulated benefit obligations. Actuaries agree that contributions should be higher than the normal cost level in order to pay down any 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 investment objective is to earn a compounded return of 5% plus the rate of inflation per annum over the long run.

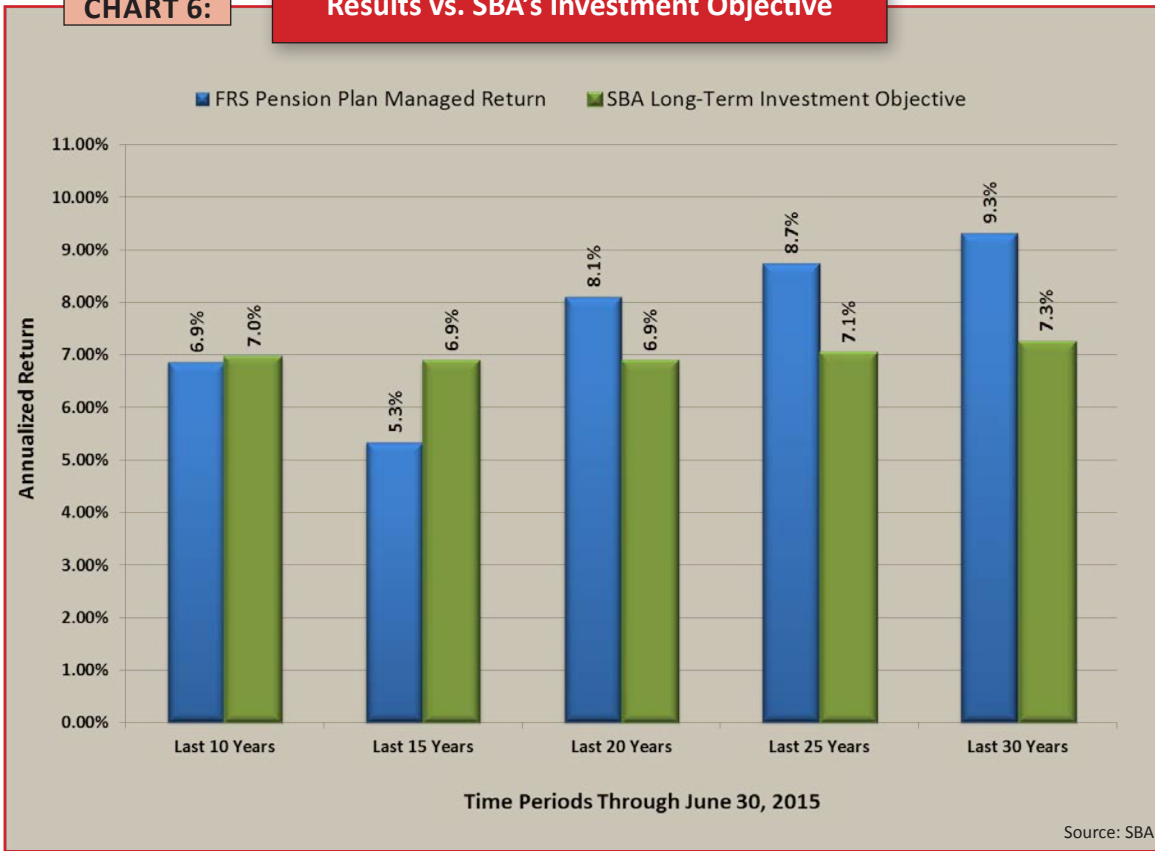
Chart 6 (page 24) compares the SBA’s actual return on Pension Plan assets to its investment objective of 5% real growth (inflation plus 5%) for the fund. This objective is derived from an asset/liability analysis of expected benefit growth, contribution levels, market performance, and a risk tolerance 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 2 (page 24) compares actual returns to the total fund benchmark for various periods ending June 30, 2015.

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

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

CHART 6:



FRS Pension Plan Actual Return vs. Benchmark

TABLE 2:

	Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	3.67%	2.24%	1.43%
Three Years	11.24%	10.25%	0.99%
Five Years	11.01%	10.15%	0.86%
Ten Years	6.86%	6.29%	0.57%
Fifteen Years	5.33%	4.80%	0.53%

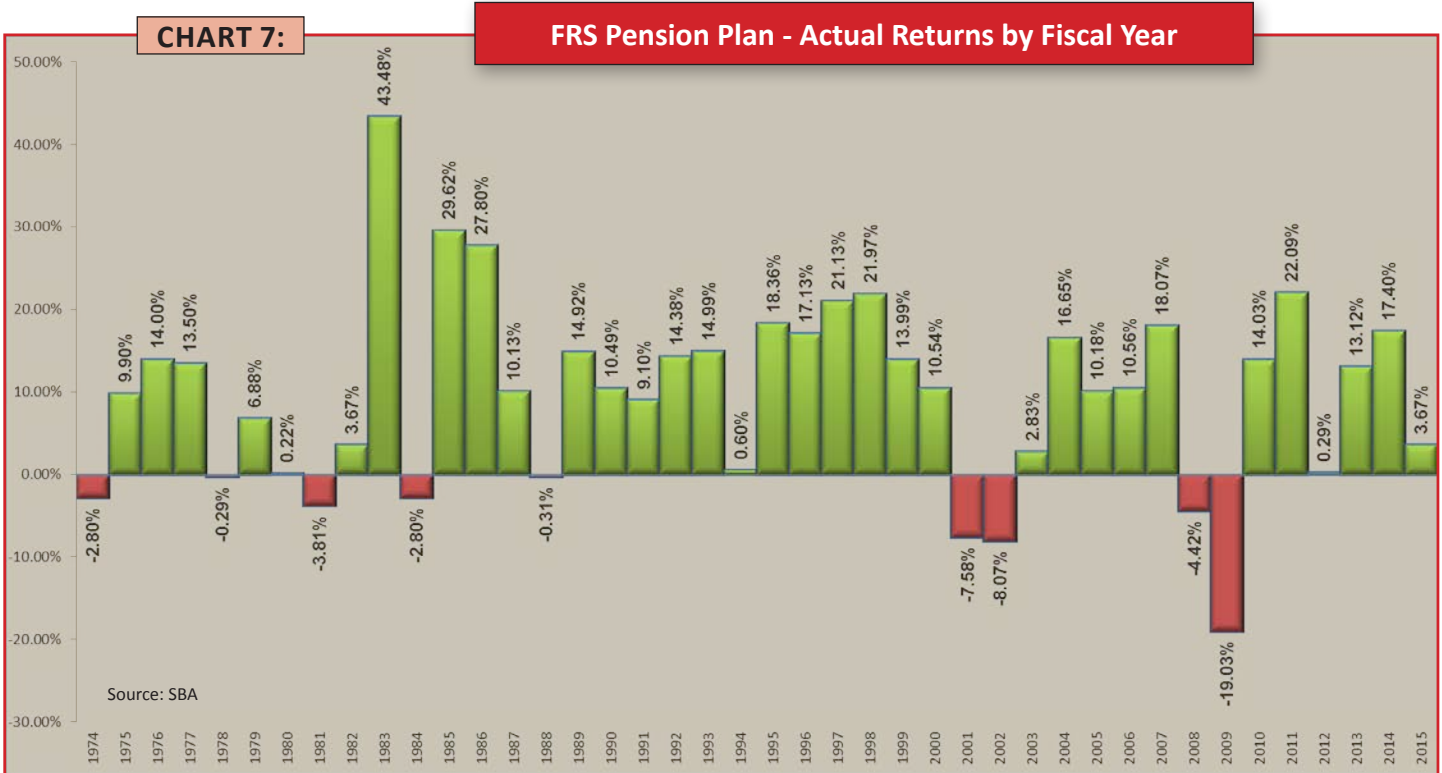
- All returns are annualized for periods indicated through June 30, 2015.
- Benchmark is a weighted blend of individual asset class target indices as applicable; weights and benchmarks are established in the FRS Pension Plan Investment Policy Statement.
- Numbers may not total due to rounding.

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

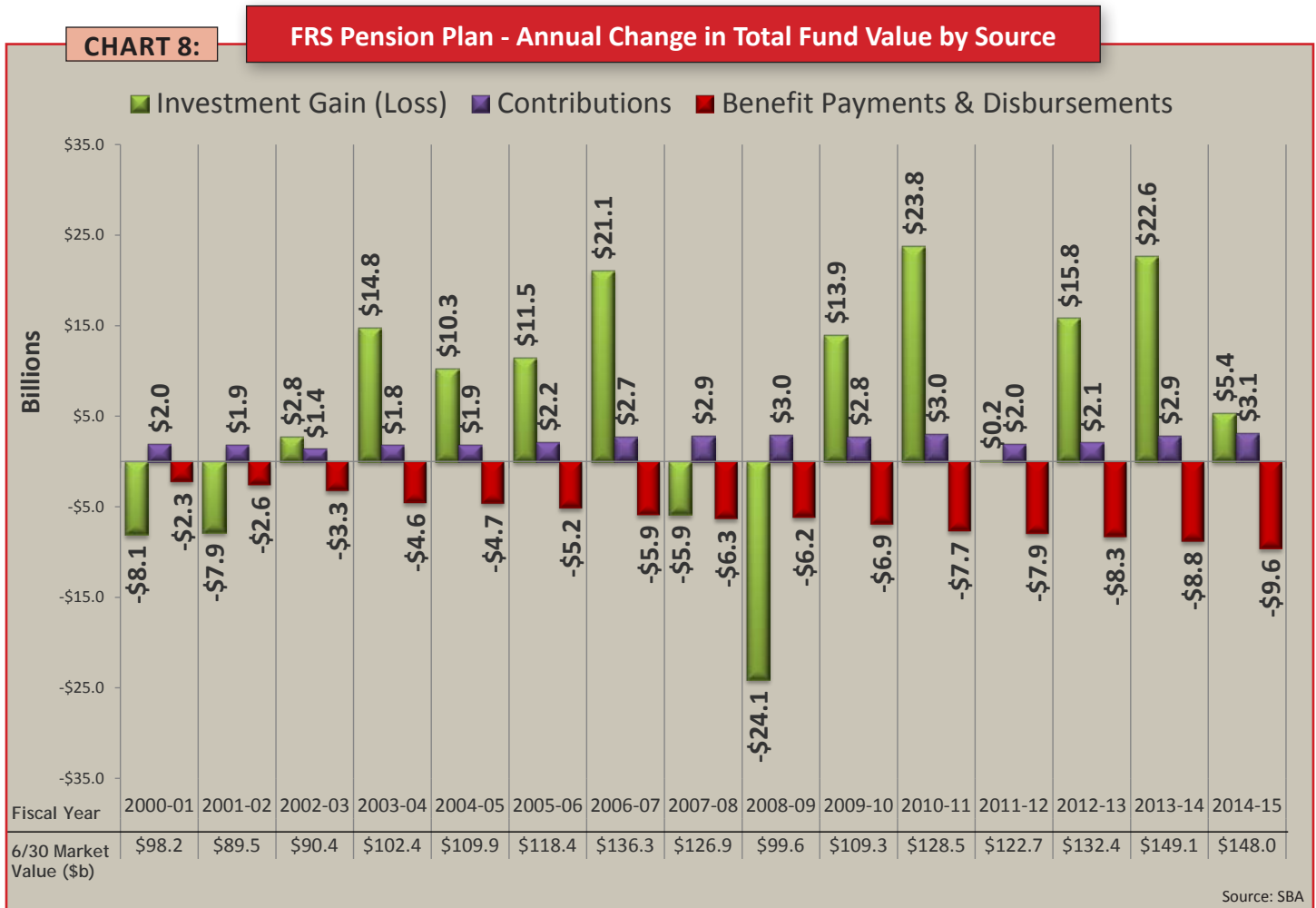
The SBA has earned a positive return on Pension Plan assets in 33 of the last 42 years, or over three-quarters of the time. In 24 of those years, the return exceeded 10%.



The New River is a river in South Florida. The river originates in the Everglades and flows east. After passing through Fort Lauderdale, the river enters the Atlantic Ocean at Port Everglades cut. The river is entirely within Broward County and is composed from the junction of three main canals which originate in the Everglades, splitting off from the Miami Canal. They are the North New River Canal, which flows on the north side of State Road 84 / Interstate 595; the South New River Canal, which flows on the north side of Griffin Road and the south side of Orange Drive; and a canal which flows south of Sunrise Boulevard.

Photo credit - New River 1 - "New River (Fort Lauderdale)" by tia_inspirativa from Fort Lauderdale, USA - Riverwalk. Licensed under CC BY 2.0 via Wikimedia Commons

Chart 8 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.



Source: SBA



The Rainbow River is located in Dunnellon, Florida, in the southwest corner of Marion County, about 20 miles southwest of Ocala, 100 miles northwest of Orlando and 100 miles north of the Tampa Bay area. It is formed by a first-magnitude spring (Rainbow Springs) that is ranked fourth in the state for volume of discharge.

Cost

Tables 3 and 4 present elements of the SBA's cost structure that have historically been of interest to stakeholders.

TABLE 3:

FRS Pension Plan - External Investment Management Fees Fiscal Year 2014-15

Asset Class	Dollar Amount	Return Basis ¹
Global Equity	\$ 142,764,050	0.27%
Strategic Investments	128,456,250	1.43%
Fixed Income	8,256,687	0.08%
Real Estate	71,577,392	0.62%
Private Equity	127,914,325	1.58%
Total	\$ 478,968,704	0.52%

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.

• Numbers may not total due to rounding.

Source: SBA

TABLE 4:

FRS Pension Plan - Net Brokerage Commissions

Asset Class	Dollar Amount ¹
Global Equity ²	\$ 31,574,280
Strategic Investments	35,814
Fixed Income	589,731
Real Estate	1,989,848
Private Equity	1,059
Total	\$ 34,190,732

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

² The amount reported for the Global Equity asset class includes \$2,969,367 that is SBA's estimated share of broker commissions that were paid in commingled funds.

• Numbers may not total due to rounding.

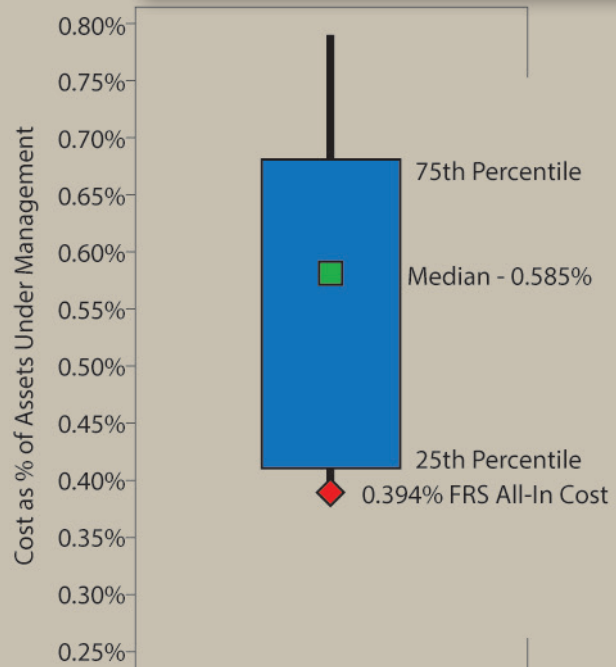
Source: SBA

The SBA's all-in costs is the lowest among its peer group

Chart 9 puts the cost-effectiveness of the Pension Plan into perspective. The chart compares the SBA's cost to those of similar-sized public retirement plans, selected by the independent firm CEM [Cost Effectiveness Measurement] Benchmarking Inc., as appropriate peer organizations.

CHART 9:

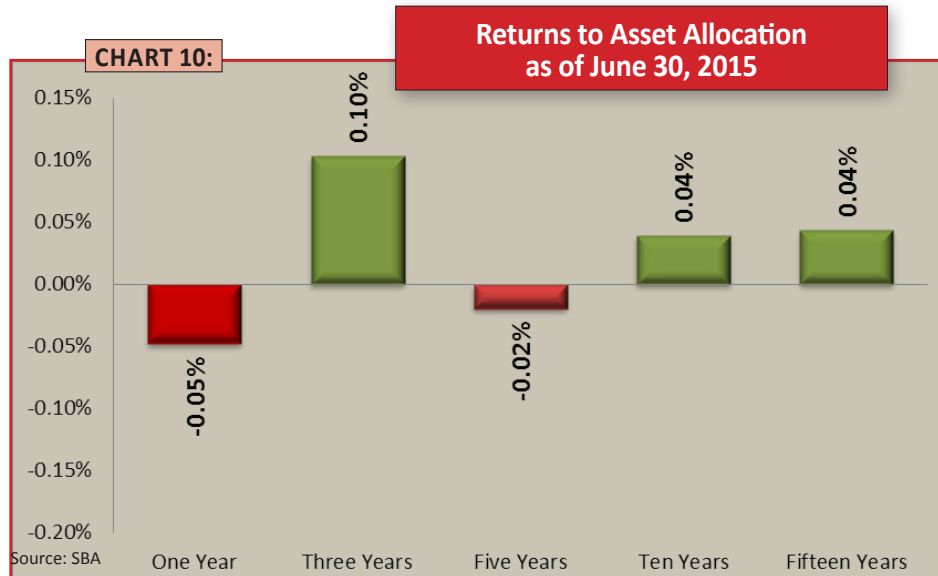
FRS Pension Plan Cost Comparison All-In Calendar Year 2014 Costs Universe of 17 Large Public Pension Plans



Source: CEM Benchmarking Inc.

Asset Allocation

Returns attributed to asset allocation arise from differences between asset class actual and target allocations as percentages of the Total Fund. During the 12-month period ending June 30, 2015, returns to asset allocation lagged the target return by 5 basis points. Longer term differences are shown in Chart 10.



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 5 are used as the primary benchmarks for the asset classes. The benchmarks provided in Table 5 were in effect on June 30, 2015.

TABLE 5: Authorized Target Indices as of June 30, 2015

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 nonresident institutional investors, adjusted to reflect the provisions of the Protecting Florida's Investments Act
Fixed Income	The Barclays Capital U.S. Intermediate Aggregate Index
Real Estate	The core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 76.5%, and the non-core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 13.5%, plus a fixed return premium of 150 basis points per annum, and the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on nonresident 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 & 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.

**FRS Pension Plan - Returns by Asset Class
for Periods Ending June 30, 2015**

TABLE 6:

		Actual Return	Benchmark Return	Actual Over (Under) Bmk.
Global Equity				
	One Year	1.92%	0.89%	1.02%
	Three Years	14.28%	13.42%	0.86%
	Five Years	13.16%	12.07%	1.09%
	Ten Years	6.72%	6.16%	0.56%
	Fifteen Years	4.22%	3.67%	0.55%
Fixed Income				
	One Year	1.99%	1.89%	0.10%
	Three Years	2.04%	1.48%	0.56%
	Five Years	3.98%	3.14%	0.84%
	Ten Years	4.81%	4.40%	0.40%
	Fifteen Years	5.76%	5.41%	0.34%
Real Estate				
	One Year	11.92%	11.33%	0.59%
	Three Years	13.91%	11.43%	2.48%
	Five Years	14.57%	13.46%	1.11%
	Ten Years	8.10%	4.78%	3.32%
	Fifteen Years	9.33%	6.62%	2.71%
Private Equity ¹				
	One Year	14.96%	3.77%	11.19%
	Three Years	15.08%	18.62%	(3.54%)
	Five Years	14.04%	19.21%	(5.17%)
	Ten Years	9.46%	11.55%	(2.09%)
	Fifteen Years	6.28%	8.17%	(1.89%)
Strategic Investments				
	One Year	6.77%	3.05%	3.72%
	Three Years	11.97%	7.99%	3.98%
	Five Years	11.65%	7.86%	3.79%
Cash & Cash Equivalents				
	One Year	0.21%	0.03%	0.18%
	Three Years	0.24%	0.03%	0.21%
	Five Years	0.27%	0.05%	0.22%
	Ten Years	0.82%	1.62%	(0.80%)
	Fifteen Years	1.45%	1.91%	(0.46%)

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.

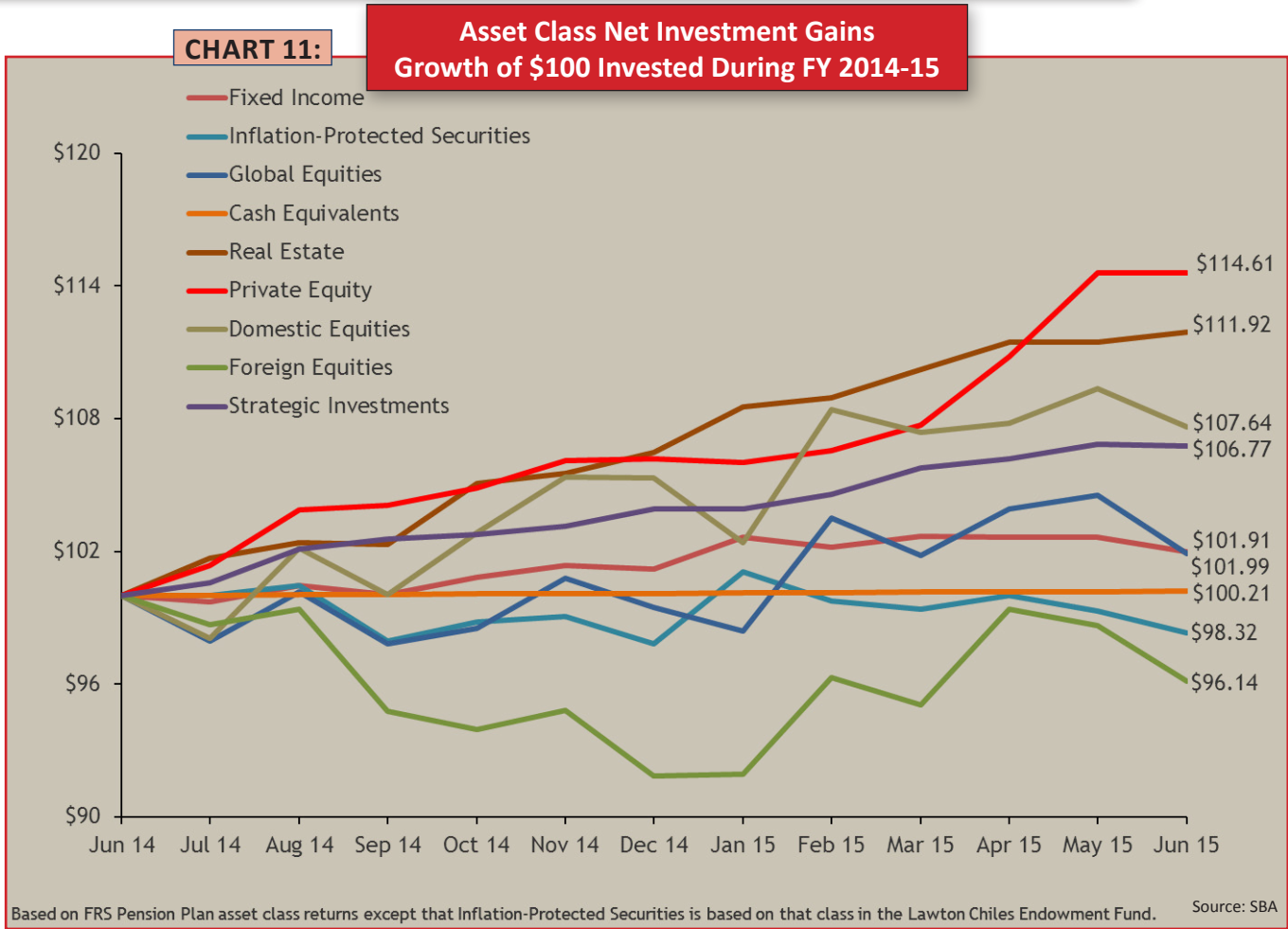
• Numbers may not total due to rounding..

Source: SBA

SBA CONTRACTS WITH PRIVATE EQUITY PARTNERSHIPS REQUIRE THE FOLLOWING DISCLOSURE:

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

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



FRS Pension Plan - Change in Market Value Fiscal Year 2014-15

TABLE 7:

	Market Value 6/30/2014	Net Contributions & (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2015
Global Equity	\$89,816,448,308	\$(5,537,111,009)	\$1,722,362,302	\$86,001,699,601
Fixed Income	30,067,981,115	(1,352,196,988)	597,383,562	29,313,167,689
Real Estate	11,057,496,323	(80,800,000)	1,307,608,970	12,284,305,293
Private Equity	8,075,293,670	(290,000,000)	1,152,906,979	8,938,200,649
Strategic Investments	8,112,038,740	1,508,619,795	598,677,921	10,219,336,456
Cash/Short-Term Securities ¹	1,968,698,186	(721,608,536)	(30,853,009)	1,216,236,641
Total FRS Pension Plan	\$149,097,956,343	\$(6,473,096,739)	\$5,348,086,725	\$147,972,946,329

¹ The investment gain (loss) reported for the Cash/Short-Term Securities asset class includes \$33,398,137 in SBA investment service charges and bank fees paid in several cash expense accounts on behalf of the entire FRS Pension Plan. Excluding these expenses, the reported gain (loss) would have been a positive \$2,545,128.

• Numbers may not total 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 Russell 1000 Index (large U.S. companies), Russell 3000 Index (large & small U.S. companies) or MSCI World ex-US Investable Market Index (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 a very low cost. The SBA’s size and significant proportion of passive investments are contributors to the SBA’s cost advantage.

Table 8 shows internal versus external management and the passive versus active management of the funds’ resources.

**Total Fund and Asset Class Allocation
June 30, 2015**

TABLE 8:

Asset Class	Internal	External	Passive	Active	% of Total
Global Equity	39.1%	60.9%	49.5%	50.5%	58.1%
Fixed Income ¹	66.8%	33.2%	48.7%	51.3%	19.8%
Cash & Cash Equivalents ²	100.0%	0.0%	0.0%	100.0%	0.8%
Real Estate	60.8%	39.2%	0.0%	100.0%	8.3%
Private Equity	10.2%	89.8%	0.0%	100.0%	6.0%
Strategic Investments	0.5%	99.5%	0.0%	100.0%	6.9%
Total Fund	42.5%	57.5%	38.4%	61.6%	100.0%

Asset Class	Internal (\$m)	External (\$m)	Passive (\$m)	Active (\$m)	Total (\$m)
Global Equity	33,605	52,396	42,578	43,423	86,002
Fixed Income ¹	19,568	9,745	14,270	15,043	29,313
Cash & Cash Equivalents ²	1,216	0	0	1,216	1,216
Real Estate	7,474	4,810	0	12,284	12,284
Private Equity	910	8,028	0	8,938	8,938
Strategic Investments	54	10,165	0	10,219	10,219
Total Fund	\$ 62,828	\$ 85,145	\$ 56,848	\$ 91,125	\$ 147,973

¹ Includes STIPFRS Reserve Liquidation Fund

² Includes Securities Lending Account and TF STIPFRS NAV Adjustment Account

• Numbers may not total due to rounding.

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.

TABLE 9:

FRS Pension Plan - Global Equity Change in Market Value Fiscal Year 2014-15

Account Name	Market Value 6/30/2014	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2015
Domestic Equities				
Active Large Cap:				
- AJO, LP. ⁷	\$1,363,008,938	\$0	\$94,291,936	\$1,457,300,874
- Jackson Square Partners	1,305,187,085	0	163,393,951	1,468,581,035
- Quantitative Management Associates	1,455,547,151	0	44,495,247	1,500,042,398
- Smith Asset Management Large Cap Enhanced	1,477,941,643	0	233,095,690	1,711,037,334
Active Small Cap:				
- AQR R2000 Equity	174,061,513	(9,910,058)	15,256,317	179,407,771
- BMO Asset Management	152,677,041	0	3,901,544	156,578,585
- Cortina Asset Management	151,422,709	0	299,150	151,721,859
- Cupps	128,753,683	0	9,308,826	138,062,510
- Delta	105,877,640	6,300,000	9,736,028	121,913,669
- Fisher Investments	224,391,180	(24,316,303)	17,374,034	217,448,911
- PanAgora Asset Management	187,585,404	(20,367,613)	14,101,150	181,318,941
- Signia Capital ²	168,471,786	(30,000,000)	(4,393,020)	134,078,766
- Stephens Investment Management Group	173,625,135	0	9,170,103	182,795,238
- TAMRO Capital Partners	136,603,972	0	7,517,356	144,121,328
- Vaughan Nelson Investment Management	233,672,357	(19,776,503)	23,737,304	237,633,158
Active Micro Cap:				
- Acuitas ¹	0	125,000,000	17,692,683	142,692,683
Passive:				
- Avatar R1000 Index Fund	13,214,170,632	(2,329,210,682)	1,017,138,879	11,902,098,829
- Nova Portfolio	2,723,331,500	2,070,065,131	170,075,036	4,963,471,667
- Phoenix Portfolio	18,119,687,331	(3,352,521,166)	1,283,230,708	16,050,396,873
Other:				
- Domestic Equity Asset Class Transition	1,563,486	(1,126,486)	(436,964)	37
Total Domestic Equities	41,497,580,188	(3,585,863,680)	3,128,985,959	41,040,702,466
Foreign Equities				
Developed Markets:				
- Acadian Asset Management ⁵	790,555,173	608,076,977	(59,294,801)	1,339,337,349
- AQR Capital Management Small Cap	571,930,554	0	(2,903,919)	569,026,635
- Artisan Partners	1,968,980,663	(124,000,000)	3,031,606	1,848,012,269
- Ballie Gifford Overseas Limited	1,940,055,442	(84,000,000)	(26,778,427)	1,829,277,015
- BlackRock Global Inv. Index Plus	1,893,017,991	0	(89,473,679)	1,803,544,312
- BlackRock Global Inv. Small Cap Strategy	790,149,054	110,000,000	(19,203,601)	880,945,453
- BlackRock Global Inv. World Ex-US	10,561,182,978	(966,000,000)	(495,064,278)	9,100,118,700
- BlackRock Global Inv. World Ex-US Alpha Tilts	2,156,265,907	0	(44,631,521)	2,111,634,386
- BlackRock Restructuring ⁴	0	0	0	0
- Capital Guardian Trust Company ^{2,3}	1,106	0	(1,106)	0
- Dimensional Fund Advisors	539,568,057	0	(29,274,109)	510,293,948
- Epoch Investment Partners	435,763,792	0	(18,022,924)	417,740,868
- Foreign Equity Internal Active ³	1,433	0	(267)	1,166
- Franklin Templeton Small Cap	355,596,344	0	(14,354,921)	341,241,422
- Mondrian Investment Partners Small Cap	436,097,984	0	(10,603,628)	425,494,356
- Morgan Stanley Investment Management	1,992,635,059	0	(36,325,554)	1,956,309,505
- New Star Institutional Asset Management ^{2,3}	7,445	0	(7,445)	0
- PineBridge Investments ³	4,688	0	(873)	3,815
- Principal Global Investors- FE	452,577,217	0	5,694,270	458,271,487
- Pyramis Global Advisors ²	1,692,924,223	(1,567,345,366)	(125,219,502)	359,355
- Pyramis Global Advisors Trust Small Cap	434,753,814	0	(9,397,620)	425,356,194
- Sprucegrove Investment Management	1,925,574,659	101,408,792	(136,827,587)	1,890,155,864
- Templeton Investment Counsel	2,058,177,243	62,498,823	(88,507,509)	2,032,168,557
- Victory Capital Management ³	607	0	(113)	494

Account Name - continued	Market Value 6/30/2014	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2015
- Walter, Scott & Partners, Ltd.	1,913,316,271	104,474,073	(13,267,969)	2,004,522,375
- William Blair	439,821,216	0	(5,411,051)	434,410,165
Emerging Markets:				
- Aberdeen Asset Management	931,867,318	(35,000,000)	(65,037,927)	831,829,392
- Acadian Asset Management Inc.	956,237,232	(80,000,000)	1,411,121	877,648,353
- AQR Capital Mgt. Emerging Markets Small Cap	111,146,479	77,100,000	6,497,188	194,743,667
- BlackRock Emerging Markets Index Plus	665,457,022	(325,000,000)	(42,417,250)	298,039,773
- Dimensional Fund Advisors EM	414,692,346	0	(31,268,884)	383,423,462
- Genesis Emerging Markets	897,804,386	0	(74,377,776)	823,426,609
- M&G Investment Management ¹	0	800,000,000	11,307,229	811,307,229
- Mondrian Investment Partners Ltd.	972,828,732	0	(90,553,517)	882,275,214
- Somerset Capital ¹	0	802,485,879	(33,856,107)	768,629,772
- State Street Global Advisors	884,074,630	(633,644,230)	(46,786,016)	203,644,384
- Trilogy ²	884,335,945	(804,569,081)	(79,761,639)	5,224
- Wells Capital Management Emerging Markets	786,833,330	0	(47,459,668)	739,373,662
- William Blair & Company, LLC	757,940,569	0	(2,371,509)	755,569,060
- William Blair Emerging Markets Small Cap	220,508,861	(25,000,000)	21,637,141	217,146,002
Frontier Markets:				
- Aberdeen Frontier Markets	141,961,756	0	(9,241,070)	132,720,686
- First State Frontier Markets	121,236,641	0	(17,614,003)	103,622,638
- HSBC Global Frontier Markets	123,683,924	0	(3,880,224)	119,803,701
- William Blair China A-Shares ¹	0	74,204,812	80,203,794	154,408,606
Total Foreign Equities	42,219,568,091	(1,904,309,321)	(1,639,415,646)	38,675,843,124
Dedicated Global Equities				
Active:				
- Acadian Asset Management ³	6,866	0	(1,278)	5,587
- Epoch Investment Partners Global	947,724,562	0	(34,890,676)	912,833,885
- Franklin Templeton ³	106,870	(79,808)	(5,812)	21,250
- Hexavest Inc.	884,736,587	0	19,702,268	904,438,855
- Intech Investment Management	1,457,968,587	0	42,405,776	1,500,374,364
- McLean Budden ^{2,3}	3,539	(2,808)	(732)	0
- MFG Asset Management	572,384,690	0	41,097,397	613,482,087
- Schroders Investment Management	932,692,241	0	10,187,451	942,879,692
- Trilogy Global Advisors	811,156,365	0	28,248,014	839,404,380
Passive:				
- Atlas Portfolio	494,309,456	52,745,102	15,244,321	562,298,879
Total Dedicated Global Equities	6,101,089,764	52,662,486	121,986,729	6,275,738,978
Currency Overlay				
- Cambridge Managed ²	(612,071)	(2,938,390)	3,550,461	0
- CIBC Global Managed	(1,478,762)	(17,773,715)	18,826,781	(425,696)
- Harmonic Managed	1,220,580	(3,136,379)	5,416,761	3,500,961
- P/E Global Managed	(1,747,720)	(42,798,121)	46,197,969	1,652,128
- Record Managed ¹	0	844,732	(1,337,711)	(492,979)
Total Currency Overlay	(2,617,974)	(65,801,873)	72,654,261	4,234,414
Other				
- Citigroup Global Transition ⁶	3,069	(30,587,415)	30,586,598	2,252
- Global Equity Cash ⁶	824,930	(5,970,432)	10,323,806	5,178,304
- Global Equities Cash Expense ⁶	176	2,759,227	(2,759,403)	0
- Global Equity Policy Transition Acct 1 ⁶	64	0	(2)	62
- Global Equity Policy Transition Acct 2 ^{4,6}	0	0	0	0
- Global Equities Transition Account 1 ^{4,6}	0	0	0	0
Total Other	828,239	(33,798,620)	38,151,000	5,180,619
Total Global Equity	\$89,816,448,308	\$(5,537,111,009)	\$1,722,362,302	\$86,001,699,601

¹ Account opened during the fiscal year.

² Strategy terminated or account closed during the fiscal year.

³ Strategy terminated in a prior fiscal year. Residual activity occurred in the current fiscal year.

⁴ Account inactive during the fiscal year.

⁵ Account strategy changed from "All Country" to "Developed Markets" during the fiscal year.

⁶ Account moved from "Foreign Equity Other" or "Global Equities Other" to "Other" to be used by all sub group components in the Global Equity asset class.

⁷ Account name changed from "Aronson Johnson Long" to "AJL, LP".

• Totals may not total due to rounding.

TABLE 10:

FRS Pension Plan - Fixed Income Change in Market Value Fiscal Year 2014-15

Account Name	Market Value 6/30/2014	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2015
Aggregate:				
- Active Core	\$4,559,784,566	\$501,932,447	\$97,519,403	\$5,159,236,417
- BlackRock Core Bond Enhanced Index	2,490,317,536	300,000,000	50,912,630	2,841,230,166
- Investment Grade AA Account	130,986,523	(11,112,254)	4,083,342	123,957,610
- Neuberger Berman Core	1,608,261,517	200,000,000	22,872,548	1,831,134,065
- PIMCO Core	1,937,023,818	(1,698,413,935)	11,806,838	250,416,721
- Prudential Conservative Core	1,036,390,580	200,000,000	20,605,446	1,256,996,026
- Smith Breeden Associates	1,956,235,050	350,000,000	52,292,938	2,358,527,988
- Taplin, Canida & Habacht	990,026,970	200,000,000	16,923,124	1,206,950,095
Government/Corporate:				
- Fixed Income Gov't./Corp. Passive Account	10,156,064,098	(795,461,200)	172,600,463	9,533,203,361
Mortgage:				
- Fixed Income MBS Passive	5,114,651,190	(517,395,266)	139,477,568	4,736,733,492
Other:				
- Fixed Income Cash Expense Account	0	341,068	(341,068)	0
- Fixed Income Transition Account ¹	0	(849,791)	854,438	4,646
- Fixed Income Transition Account ²	0	0	0	0
- Fixed Income Transition Account II ²	0	0	0	0
- STIPFRS Reserve Liquidation Fund	88,239,267	(81,238,056)	7,775,892	14,777,103
Total Fixed Income	\$30,067,981,115	\$(1,352,196,988)	\$597,383,562	\$29,313,167,689

¹ Account opened during the fiscal year.

² Account inactive during the fiscal year.

• Numbers may not total due to rounding.

Source: SBA

TABLE 11:

FRS Pension Plan - Private Equity Change in Market Value Fiscal Year 2014-15

Account Name	Market Value 6/30/2014	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2015
Partnerships:				
- 3i Eurofund V, L.P. ²	\$52,868,095	\$(47,885,588)	\$(4,982,507)	\$0
- 3i Growth Capital Fund ²	27,040,702	(19,550,727)	(7,489,975)	0
- ABRY Partners VII, L.P.	68,941,984	(2,866,481)	12,216,044	78,291,547
- ABRY Partners VIII, L.P. ¹	0	16,662,182	(1,405,293)	15,256,889
- Accel-KKR Structured Capital Partners II, L.P. ¹	0	1,992,474	(778,805)	1,213,669
- Advent International GPE VI	62,932,603	(5,221,608)	7,040,543	64,751,538
- Advent International GPE VII, L.P.	54,137,808	25,170,106	4,350,024	83,657,938
- Apax VIII, L.P.	34,745,864	23,344,215	8,921,846	67,011,925
- Apollo Investment Fund VI, L.P.	146,944,780	(56,852,698)	(3,937,141)	86,154,941
- Apollo Investment Fund VII, L.P.	125,165,527	(65,587,040)	12,610,695	72,189,183
- Apollo Investment Fund VIII, L.P.	7,231,202	34,316,104	(373,804)	41,173,503
- Ares Corporate Opportunities Fund III, L.P.	83,125,043	(7,495,504)	15,558,141	91,187,680
- Ares Corporate Opportunities Fund IV, L.P.	46,239,934	71,095,433	14,744,477	132,079,844
- ASF VI, L.P.	19,379,705	31,001,166	8,974,015	59,354,886
- Asia Alternatives FL Investor, L.P.	78,269	21,528,463	(888,338)	20,718,394
- Atlas Capital Resources II, L.P.	1,503,503	3,910,202	644,087	6,057,792
- AXA LBO Fund V, L.P.	35,182,875	11,021,109	(6,304,364)	39,899,620
- AXA Secondary Fund V, L.P.	71,009,346	(9,781,107)	10,895,646	72,123,885

Continued on next page

Account Name - continued	Market Value 6/30/2014	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2015
- BC European Capital IX, L.P. ²	53,543,931	(51,749,268)	(1,794,663)	0
- Berkshire Fund VIII, L.P.	21,653,689	11,300,985	2,362,372	35,317,046
- Blackstone Capital Partners V, L.P.	122,907,704	(42,980,971)	24,191,664	104,118,397
- Blackstone Capital Partners VI, L.P.	105,411,627	27,147,782	11,414,760	143,974,168
- Carlyle Asia Growth Partners IV, L.P.	53,961,124	(2,842,264)	6,152,547	57,271,407
- Carlyle Partners IV, L.P.	22,078,841	(14,021,915)	2,746,621	10,803,547
- Carlyle Partners V, L.P.	176,798,509	(66,394,966)	32,071,443	142,474,986
- Carlyle Partners VI, L.P.	38,521,680	24,322,583	621,762	63,466,025
- Carlyle Partners Europe III, L.P. ²	46,985,904	(60,329,869)	13,343,965	0
- Charlesbank Equity Fund VII, L.P.	56,103,045	(3,951,572)	29,535,937	81,687,410
- Charlesbank Equity Fund VIII, L.P. ¹	0	9,142,177	(6,340)	9,135,837
- Charterhouse Capital Partners IX, L.P. ²	67,005,535	(64,773,888)	(2,231,647)	0
- Cortec Group V, L.P.	33,369,782	10,651,175	9,711,645	53,732,602
- Cressey & Company Fund IV, L.P.	32,914,377	(16,077,928)	19,839,889	36,676,338
- Cressey & Company Fund V, L.P. ¹	0	10,173,552	(48,552)	10,125,000
- CVC Capital Partners VI	358,790	6,697,434	(1,573,480)	5,482,743
- CVC European Equity Partners V	77,551,972	(21,185,867)	7,739,800	64,105,906
- DCPF VI Oil and Gas Co-investment Fund, L.P.	4,512,739	8,573,507	(543,770)	12,542,476
- Denham Commodity Partners Fund VI, L.P.	36,079,649	1,753,309	1,894,113	39,727,071
- EnCap Energy Capital Fund VIII, L.P.	54,420,780	(2,552,829)	(3,428,450)	48,439,502
- EnCap Energy Capital Fund IX, L.P.	13,516,527	23,500,978	(2,388,714)	34,628,791
- EnCap Energy Capital Fund X, L.P. ¹	0	3,765,734	(500,415)	3,265,319
- EnCap Flatrock Midstream Fund III, L.P. ¹	0	2,298,886	(770,224)	1,528,662
- Energy Capital Partners II, L.P.	103,875,604	(41,685,378)	3,050,157	65,240,383
- Energy Capital Partners III, L.P.	5,489,788	23,667,262	(3,613,159)	25,543,891
- Energy & Minerals Group Fund III, L.P.	0	59,711,826	(230,356)	59,481,470
- EnerVest Energy Fund XII-A, L.P.	49,792,311	(7,723,252)	5,211,208	47,280,267
- EnerVest Energy Institutional Fund XIII-A, L.P.	35,897,451	57,463,949	(8,257,055)	85,104,345
- Equistone Partners Europe Fund V, L.P. ¹	0	6,226,582	(756,125)	5,470,457
- Fairview Special Opportunities Fund, L.P.	89,573,604	51,584,926	49,544,152	190,702,682
- Fairview Special Opportunities Fund II, L.P. ¹	0	2,442,277	(128,342)	2,313,935
- Fairview Ventures Fund II, L.P.	36,623,680	(7,930,319)	6,646,182	35,339,543
- Fairview Ventures Fund III, L.P.	79,706,051	(15,295,783)	20,666,038	85,076,306
- First Reserve Fund XI, L.P.	58,096,009	(3,938,634)	(25,576,277)	28,581,098
- First Reserve Fund XII, L.P.	154,897,580	(12,138,318)	(32,347,440)	110,411,822
- Francisco Partners III, L.P.	69,394,988	5,109,864	11,551,547	86,056,398
- Francisco Partners IV, L.P. ¹	0	14,511,256	(767,506)	13,743,750
- FS Equity Partners VI, L.P.	82,799,767	(24,275,081)	31,031,763	89,556,449
- FS Equity Partners VII, L.P. ¹	0	11,803,540	(1,700,149)	10,103,391
- Gores Capital Partners I, L.P. ³	20,287,783	(6,152,714)	(14,135,069)	0
- Gores Capital Partners II, L.P. ³	29,375,919	(15,753,045)	(13,622,874)	0
- Gores Capital Partners III, L.P. ³	87,636,455	(77,229,038)	(10,407,417)	0
- Green Equity Investors V, L.P.	83,043,240	(26,240,167)	11,007,435	67,810,508
- Green Equity Investors VI, L.P.	64,927,975	46,204,732	10,193,132	121,325,839
- Grove Street Partners Buyouts LLC	105,182,686	(19,186,401)	12,122,181	98,118,466
- Grove Street Partners Buyouts II, LLC	57,419,240	26,669,133	6,770,707	90,859,081
- Grove Street Partners Ventures, LLC	194,049,047	(43,537,890)	14,761,572	165,272,729
- Grove Street Partners Ventures II, LLC	207,084,633	(9,216,652)	78,831,148	276,699,130
- GS Partners Ventures III, L.P.	19,482,513	35,183,482	5,461,377	60,127,371
- Hellman & Friedman Capital Partners V, L.P.	9,826,509	(7,582,289)	(162,847)	2,081,373
- Hellman & Friedman Capital Partners VI, L.P.	49,573,250	(21,479,249)	5,065,885	33,159,886
- Hellman & Friedman Capital Partners VII, L.P.	129,950,480	(17,395,502)	21,084,247	133,639,225
- Hellman & Friedman Capital Partners VIII, L.P. ¹	0	41,794	(41,794)	0
- Inflexion Buyout Fund IV, L.P. ¹	0	550,245	(394,537)	155,708
- Inflexion Partnership Capital Fund I, L.P. ¹	0	404,683	(405,492)	(809)
- Insight Venture Partners VIII, L.P.	48,166,137	16,165,873	9,666,976	73,998,987

Continued on next page

Account Name - continued	Market Value 6/30/2014	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2015
- Insight Venture Partners IX, L.P. ¹	0	12,017,113	(652,440)	11,364,673
- Insight Venture Partners Growth-Buyout Co-invest Fund, L.P. ¹	0	8,500,000	0	8,500,000
- JH Whitney VII, L.P.	42,495,926	12,234,530	8,289,429	63,019,885
- Kelso Investment Associates VII, L.P. ³	6,381,000	(4,944,846)	(1,436,154)	0
- Kelso Investment Associates VIII, L.P. ³	88,455,340	(111,027,028)	22,571,688	0
- KKR Asia Fund II, L.P.	24,950,010	6,499,599	9,437,139	40,886,748
- KKR European Fund III ²	51,761,775	(52,188,449)	426,674	0
- Kohlberg Investors VI, L.P. ³	15,157,449	(20,043,238)	4,885,789	0
- KPS Special Situations Fund III, L.P.	39,241,639	(22,612,750)	15,996,271	32,625,161
- KPS Special Situations Fund IV, L.P.	12,172,287	956,431	2,279,468	15,408,186
- Lexington Capital Partners IV, L.P.	9,963,140	(4,996,033)	905,926	5,873,033
- Lexington Capital Partners V, L.P.	14,313,046	(4,311,123)	1,002,311	11,004,234
- Lexington Capital Partners VI-B, L.P.	59,157,174	(24,056,721)	2,444,513	37,544,966
- Lexington Capital Partners VII, L.P.	133,260,104	(31,310,374)	14,942,765	116,892,495
- Lexington Capital Partners VIII, L.P. ¹	0	17,725,445	10,454,144	28,179,589
- Lexington Co-Investment Partners II (Pools III & IV), L.P.	86,534,943	(4,962,022)	6,477,880	88,050,801
- Lexington Co-Investment Partners 2005, L.P.	330,281,982	(101,030,702)	61,669,620	290,920,900
- Lexington Co-Investment Partners 2005 II (Pool III), L.P.	220,414,406	95,794,738	62,749,801	378,958,945
- Lexington Middle Market Investors III, L.P.	22,456,325	6,405,495	(1,762,176)	27,099,644
- Liberty Partners III ²	0	(245,117)	245,117	0
- Liberty Partners V ²	2,563,734	(2,175,405)	(388,329)	0
- Liberty Partners VI	17,927,983	(20,284,837)	5,721,854	3,365,000
- Liberty Partners VII	18,956,872	(2,625,770)	(3,962,399)	12,368,703
- Liberty Partners Group II	(158)	2,800	(3,085)	(443)
- Lindsay Goldberg & Bessemer II, L.P. ³	55,727,171	(51,003,603)	(4,723,569)	(1)
- Lindsay Goldberg III, L.P. ³	69,573,750	(85,016,129)	15,442,379	0
- Montagu Private Equity Fund IV	24,081,539	5,878,110	719,309	30,678,959
- New Mountain Partners II, L.P.	6,717,864	(6,545,765)	3,863,596	4,035,695
- New Mountain Partners III, L.P.	97,056,707	(6,375,290)	(2,970,256)	87,711,161
- New Mountain Partners IV, L.P.	2,056,744	20,486,736	(771,204)	21,772,276
- OpenView Venture Partners IV, L.P. ¹	0	3,725,690	(486,744)	3,238,946
- PAI Europe V, L.P. ²	40,383,042	(37,835,444)	(2,547,599)	0
- Pantheon Global Secondary Fund IV, L.P.	68,770,423	(27,550,000)	1,020,512	42,240,935
- Pantheon Venture Partners II, L.P.	90,945,776	(20,400,002)	20,509,749	91,055,523
- Permira IV, L.P.	51,835,609	(18,961,528)	(297,133)	32,576,948
- Permira V, L.P.	19,512,676	27,907,364	(1,954,724)	45,465,316
- Platinum Equity Capital Partners, L.P.	17,543,889	(4,173,848)	(7,636,869)	5,733,172
- Platinum Equity Capital Partners II, L.P.	52,193,201	(8,928,771)	(5,028,007)	38,236,423
- Platinum Equity Capital Partners III, L.P.	46,662,998	2,330,671	39,525,383	88,519,052
- Pomona Capital VI, L.P.	26,104,529	(6,578,774)	(324,216)	19,201,539
- Pomona Capital VII, L.P.	26,832,068	(12,999,914)	98,503	13,930,657
- Post Oak Energy Partners II, L.P.	4,508	3,356,164	(599,166)	2,761,507
- Providence Equity Partners VI, L.P.	35,012,069	(7,102,518)	2,918,216	30,827,767
- Providence Equity Partners VII, L.P.	31,496,731	49,467,163	3,640,074	84,603,968
- RCP Advisors Fund IV, L.P.	37,408,103	(13,852,647)	11,453,867	35,009,323
- RCP Advisors Fund V, L.P.	40,783,412	(8,199,087)	8,115,121	40,699,446
- RCP Advisors Fund VI, L.P.	32,112,272	1,545,039	8,470,953	42,128,264
- RCP Advisors Fund VII, L.P.	22,576,124	7,500,000	5,638,148	35,714,272
- RCP Advisors Fund VIII, L.P.	7,941,117	7,500,000	1,140,156	16,581,273
- RCP Advisors Fund IX, L.P.	500,000	4,548,988	(772,528)	4,276,460
- Riverside Capital Appreciation Fund V, L.P.	48,370,767	(35,947,394)	16,910,806	29,334,179
- Riverside Capital Appreciation Fund VI, L.P.	7,074,130	18,124,018	1,440,033	26,638,181
- Riverside Europe Fund IV, L.P. ²	44,865,874	(36,700,118)	(8,165,756)	0
- Rubicon Technology Partners, L.P.	0	7,745,470	(1,075,654)	6,669,816
- Silver Lake Partners IV, L.P.	13,708,604	9,432,199	15,394,077	38,534,880
- Siris Partners III, L.P. ¹	0	592,780	(622,367)	(29,587)

Account Name - continued	Market Value 6/30/2014	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2015
- Snow Phipps II, L.P. ³	29,882,421	(37,120,673)	7,238,252	0
- Summit Partners Growth Equity Fund VIII-A, L.P. ³	65,259,109	(82,969,044)	17,709,935	0
- SVB Capital Partners III, L.P.	2,591,753	3,944,528	198,636	6,734,917
- SVB Strategic Investors Fund V-A, L.P.	72,645,814	20,120,165	14,073,150	106,839,129
- SVB Strategic Investors Fund V-A Opportunity, L.P.	26,650,637	8,500,000	6,036,929	41,187,566
- SVB Strategic Investors VI-A, L.P.	14,385,890	42,500,000	(515,089)	56,370,801
- SVB Strategic Investors Fund VII, L.P. ¹	0	10,093,677	(31,177)	10,062,500
- TA XI, L.P. ³	66,740,460	(81,776,033)	15,035,573	0
- Thoma Bravo Fund IX, L.P.	48,027,814	(42,984,809)	22,539,697	27,582,702
- Thoma Bravo Fund X, L.P.	97,975,571	(35,739,899)	28,048,577	90,284,249
- Thoma Bravo Fund XI, L.P.	3,588,924	68,632,804	162,530	72,384,258
- Thoma Bravo Special Opportunities Fund I, L.P.	30,762,954	7,421,615	858,502	39,043,071
- Thoma Bravo Special Opportunities Fund II, L.P. ¹	0	12,841,526	(125,000)	12,716,526
- Thoma Cressey Fund VIII, L.P.	49,575,818	(31,111,723)	20,083,233	38,547,328
- Thomas H. Lee Equity Fund VI, L.P.	72,960,609	(34,004,042)	57,744,964	96,701,531
- Top Tier Special Opportunities Fund, L.P.	8,200,917	(251,819)	(1,581,343)	6,367,756
- Top Tier Venture Capital II, L.P.	72,212,227	(10,828,684)	7,501,377	68,884,920
- Top Tier Venture Capital III, L.P.	63,059,063	(11,383,576)	6,763,845	58,439,332
- Top Tier Venture Capital IV, L.P.	113,890,523	(12,667,068)	26,771,573	127,995,028
- TowerBrook Investors II, L.P.	46,030,826	(21,092,970)	9,048,596	33,986,452
- TowerBrook Investors III, L.P.	123,125,508	(36,346,574)	2,830,953	89,609,887
- TowerBrook Investors IV, L.P.	(207,328)	13,544,479	4,422,452	17,759,603
- TPG Growth II, L.P.	53,897,092	33,170,445	37,994,574	125,062,111
- TPG Growth III, L.P. ¹	0	51,489	(51,489)	0
- TPG Partners V, L.P. ³	71,463,462	(67,034,863)	(4,428,599)	0
- TPG Partners VI, L.P. ³	173,682,231	(195,523,231)	21,841,000	0
- Trident V, L.P.	66,030,076	6,237,703	6,454,288	78,722,067
- Trident VI, L.P. ¹	0	12,643,635	(1,201,344)	11,442,291
- TrueBridge/FLSBA Special Purpose, LLC	33,252,858	10,500,000	9,269,913	53,022,771
- TrueBridge/FLSBA Special Purpose II, LLC	1,263,050	6,587,500	887,205	8,737,755
- TrueBridge-Kauffman Fellows Endowment Fund II, L.P.	92,524,321	5,500,000	27,566,007	125,590,328
- TrueBridge-Kauffman Fellows Endowment Fund III, L.P.	20,040,188	35,000,000	2,580,107	57,620,295
- TSG Capital Fund III, L.P.	23,246	0	(3,852)	19,394
- Venture Overage Fund, L.P. ¹	0	74,512,500	0	74,512,500
- W Capital Partners III, L.P.	18,324,588	11,877,076	1,201,790	31,403,454
- Warburg Pincus Private Equity IX, L.P.	31,839,022	(10,567,500)	(3,776,853)	17,494,669
- Warburg Pincus Private Equity X, L.P.	132,409,520	(26,261,147)	6,232,801	112,381,174
- Warburg Pincus Private Equity XI, L.P.	90,711,724	30,744,800	26,268,444	147,724,968
- Wellspring Capital Partners IV, L.P.	44,077,156	(2,389,507)	4,760,031	46,447,680
- Wellspring Capital Partners V, L.P.	47,402,950	21,730,810	24,796,591	93,930,351
- WPEF VI Feeder Fund, L.P. ¹	0	52,642	(52,642)	0
- WPEF VI Overflow Feeder Fund, L.P. ¹	0	18,627	(18,627)	0
Other:				
- Private Equity Cash	67,678,704	749,620,623	882,367	818,181,694
- Private Equity Cash Expense	0	1,969,170	(1,969,170)	0
- Private Equity Transition	182,641,152	(91,303,127)	(17,449)	91,320,576
Total Private Equity	\$8,075,293,670	\$(290,000,000)	\$1,152,906,979	\$8,938,200,649

¹ Account opened during the fiscal year.

² Account closed during the fiscal year.

³ Account assets sold or partnership interest sold during the fiscal year. Account will be closed unless residual activity occurs.

• 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.

• Numbers may not total due to rounding.

Source: SBA

FRS Pension Plan - Strategic Investments
Change in Market Value Fiscal Year 2014-15

TABLE 12:

Account Name	Market Value 6/30/2014	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2015
Debt-Oriented:				
- ABRY Advanced Securities Fund, L.P.	\$10,781,678	\$(9,227,403)	\$866,394	\$2,420,669
- ABRY Advanced Securities Fund II, L.P.	95,973,685	8,850,779	9,320,647	114,145,111
- ABRY Advanced Securities Fund III, L.P.	1,428,458	26,761,337	(548,359)	27,641,437
- ABRY Senior Equity III, L.P.	47,344,221	(27,541,674)	11,221,706	31,024,253
- ABRY Senior Equity IV, L.P.	18,141,414	9,389,438	2,278,963	29,809,815
- Anchorage Capital Partners, L.P.	211,473,092	0	11,539,712	223,012,805
- Apollo Credit Liquidity Fund, L.P.	26,127,269	(3,595,661)	(1,917,145)	20,614,463
- Audax Credit Opportunities, LLC	250,207,636	111,800	16,347,385	266,666,821
- Bayview Opportunity Master Fund II b, L.P.	29,179,156	(20,276,759)	6,932,402	15,834,800
- Bayview Opportunity Master Fund III b, L.P.	153,072,082	(23,856,622)	21,361,575	150,577,035
- Benefit Street Partners CRE Conduit Co., L.P. ¹	0	125,155,837	(5,819,207)	119,336,630
- Blackrock Carbon Capital III, Inc. ²	10,474,308	(10,471,496)	(2,811)	0
- BlackRock Carbon Capital V, Inc.	116,190,693	(2,313,964)	9,894,675	123,771,405
- Blackstone Credit Liquidity Partners, L.P.	3,468,568	(2,943,570)	(81,269)	443,729
- Blackstone/GSO Capital Solutions Fund, L.P.	75,635,140	(21,989,666)	(229,501)	53,415,973
- Canyon Value Realization Fund, L.P. ¹	0	100,059,691	4,859,812	104,919,503
- Carlyle Mezzanine Partners II, L.P.	86,422,157	(53,022,407)	5,911,496	39,311,246
- Castlake III, L.P.	21,688,594	34,370,061	3,655,095	59,713,750
- Centerbridge Capital Partners III, L.P. ¹	0	8,010,872	(400,882)	7,609,990
- Cerberus Institutional RE Partners III, L.P.	64,556,685	65,200,040	16,274,991	146,031,715
- Colony Distressed Credit Fund II, L.P.	61,362,646	(7,655,003)	5,953,449	59,661,092
- Colony Distressed Credit & Special Sit Fund III, L.P.	35,425,226	14,939,153	2,722,034	53,086,413
- Crescent Mezzanine Partners VI, L.P.	55,538,211	34,924,805	6,668,191	97,131,207
- CVI Credit Value Fund A, L.P.	152,282,777	(58,546,349)	19,590,943	113,327,371
- CVI Credit Value Fund II A, L.P.	222,182,341	194	8,129,624	230,312,158
- CVI Credit Value Fund III A, L.P. ¹	0	20,060,465	(60,465)	20,000,000
- CVI Global Value Fund A, L.P.	142,658,991	(75,639,392)	18,132,393	85,151,992
- Distressed Managers II FL, L.P.	55,410,287	(27,407,660)	4,730,414	32,733,041
- Falcon Strategic Partners III, L.P.	63,841,603	(9,890,302)	4,418,066	58,369,367
- Falcon Strategic Partners IV, L.P.	41,393,800	16,142,266	9,913,464	67,449,531
- GSO Capital Opportunities Fund, L.P.	71,918,469	(33,083,230)	7,898,213	46,733,452
- GSO Capital Opportunities Fund II, L.P.	45,072,519	14,223,921	9,539,194	68,835,634
- GSO Capital Solutions Fund II, L.P.	5,370,633	28,760,746	7,191,683	41,323,062
- King Street Capital Fund, L.P.	245,030,404	0	2,549,805	247,580,209
- Levine Leichtman Capital Partners IV, L.P.	70,674,449	(23,547,675)	653,431	47,780,205
- Levine Leichtman Capital Partners V, L.P.	22,396,449	35,065,523	9,343,012	66,804,984
- Marathon European Credit Opp Fund II, L.P. ¹	0	88,051,792	2,387,631	90,439,423
- Neuberger Berman Asset Management, LLC ²	953,214	(955,989)	2,775	0
- Oaktree Opportunities Fund VIII, L.P.	83,446,037	(23,225,613)	(1,721,936)	58,498,488
- Oaktree Opportunities Fund VIIIb, L.P.	60,839,251	(10,727,558)	331,121	50,442,814
- Oaktree Opportunities Fund IX, L.P.	67,016,831	32,000,000	(2,843,574)	96,173,257
- OCM Opportunities Fund VIIb, L.P.	10,978,219	(3,803,341)	(842,237)	6,332,641
- PCG Special Situation Partners, L.P.	60,134,236	(3,282,956)	8,193,390	65,044,670
- Principal RE Debt (SBAF Mortgage Fund), LLC	236,178,387	(3,832,941)	21,808,372	254,153,818
- Providence Debt Fund III, L.P.	39,927,244	34,228,640	6,139,789	80,295,673
- Providence TMT Debt Opportunity Fund II, L.P.	99,752,039	(39,459,535)	7,020,118	67,312,622
- Providence TMT Special Situation Fund, L.P.	44,829,204	(41,135,554)	2,466,371	6,160,021
- Special Situation Partners II, L.P.	68,911,917	(11,410,496)	2,465,166	59,966,587
- Square Mile Partners III, L.P.	46,298,815	(23,599,226)	5,720,183	28,419,772
- TCW Crescent Mezzanine Partners V, L.P.	58,000,602	(17,605,671)	4,518,232	44,913,163
- Tricon Housing Partners I US, L.P. ³	109,355,690	(30,343,758)	12,453,465	91,465,397
- Tricon Housing Partners II US, L.P. ⁴	40,289,440	16,423,633	7,804,512	64,517,586
- Trigate Property Partners II, L.P.	15,965,283	11,368,807	2,098,798	29,432,888
- TSSP Adjacent Opportunities Partners, L.P. ¹	0	26,165,834	1,156,476	27,322,310
- Varde Fund X, L.P.	143,190,040	(15,598,207)	13,389,966	140,981,798
- Varde Fund XI, L.P.	192,653,972	0	11,529,613	204,183,585
- VSS Structured Capital II, L.P.	49,715,800	(23,760,545)	32,006,598	57,961,853

Account Name - continued	Market Value 6/30/2014	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2015
- Wayzata Opportunities Fund II, L.P.	20,759,297	(9,061,518)	4,354,524	16,052,303
- Wayzata Opportunities Fund III, L.P.	16,203,006	20,310,000	(1,851,052)	34,661,954
Diversifying Strategies:				
- AQR Managed Futures Fund II, L.P. ¹	0	200,102,072	(8,063,457)	192,038,615
- Caerus DT Fund, LLC ¹	0	300,105,039	27,673,016	327,778,055
- Elan Fund, L.P. ¹	0	300,097,874	19,720,879	319,818,753
- Healthcare Royalty Partners III, L.P. ¹	0	533,229	111,782	645,012
- Overland Relative Value Fund, LLC ¹	0	150,114,649	150,640	150,265,290
- Vine Media Opportunities Fund III, L.P. ¹	0	37,718,739	(216,562)	37,502,178
Equity:				
- Blackstone Unit Trusts	5,992,498	(1,377,488)	1,515,527	6,130,537
- Cevian Capital II, L.P.	185,084,000	0	1,197,000	186,281,000
- Highline Capital Partners, L.P.	202,027,034	0	20,966,213	222,993,247
- JHL Capital Group Fund, LLC	99,481,697	0	11,009,238	110,490,935
- KV Partners, LLC	178,118,962	(36,491,915)	(30,751,249)	110,875,798
- Lexington GP Holdings, L.P.	69,371,699	(7,273,162)	30,598,053	92,696,590
- P2 Capital Fund, L.P.	195,662,876	0	8,178,918	203,841,794
- Providence Equity Global Group, LLC	143,299,002	(8,888,786)	24,619,498	159,029,714
- Scopia PX, LLC	110,835,424	0	15,460,748	126,296,171
- Starboard Value and Opportunity Fund, LLC	240,931,349	0	50,307,754	291,239,103
- Three Bridges Europe Fund, L.P.	85,525,288	0	10,647,437	96,172,725
Flexible Mandates:				
- Coastline Fund, L.P. ¹	0	22,847,136	(51,150)	22,795,986
- Davidson Kempner Institutional Partners, L.P.	107,703,809	0	2,308,060	110,011,869
- Gruss Global Investors (Enhanced) II, L.P. ⁵	172,792,091	50,061,675	10,714,820	233,568,586
- HBK Fund II, L.P.	159,885,561	0	1,710,404	161,595,965
- Litespeed Partners, L.P.	108,460,747	0	(16,088,705)	92,372,042
- Luxor Capital Partners, L.P.	101,621,515	0	(7,943,623)	93,677,892
- Mason Capital Fund, L.P.	235,099,407	0	(43,196,354)	191,903,054
- OZ Domestic Partners II, L.P.	244,663,402	0	26,875,862	271,539,264
- Taconic Opportunity Fund, L.P.	250,001,380	0	2,210,287	252,211,667
- York Capital Management, L.P.	208,998,260	0	5,321,409	214,319,668
Global Macro:				
- MKP Opportunity Partners, L.P.	150,000,000	47,428	11,765,633	161,813,061
Special Situations:				
- Castlelake Aviation II, L.P.	61,328,060	652,218	4,200,497	66,180,775
- Florida Growth Fund, LLC	212,382,256	(69,580,582)	13,988,555	156,790,229
- Florida Growth Fund Credit Tranche, LLC	9,182,315	8,506,180	429,450	18,117,945
- Florida Growth Fund Tranche II, LLC	79,366,373	6,345,783	11,037,841	96,749,997
- Florida Growth Fund II Tranche I, LLC ¹	0	20,511	(20,511)	0
- GI Partners Fund III, L.P.	66,147,226	(11,525,873)	3,501,407	58,122,760
- GI Partners Fund IV, L.P.	118,900	42,082,567	(4,231,638)	37,969,829
Real Assets:				
- Bayview Opportunity Fund IV b, LLC ¹	0	42,854,411	(2,623,089)	40,231,322
- Boston Timber Opportunities, LLC	184,620,504	(2,371,575)	10,098,987	192,347,916
- EIG Energy Fund XVI, L.P.	9,212,908	17,665,246	(9,343,598)	17,534,556
- Global Infrastructure Partners II, L.P.	65,133,240	5,443,977	14,382,474	84,959,691
- IFM Global Infrastructure (US), L.P.	0	300,000,000	8,318,001	308,318,001
- Jackson Timberland Opportunities, LLC	107,963,749	37,134,473	10,182,729	155,280,951
- Orion Mine Finance Fund I, L.P.	51,259,464	3,165,111	(3,211,130)	51,213,445
Other:				
- Strategic Investments Cash Account	27,615,060	17,367,306	174,774	45,157,140
- Strategic Investment Cash Expense Account	0	1,926,647	(1,926,647)	0
- Strategic Investments Transition Account	4,030,519	(426,991)	(459,691)	3,143,838
Total Strategic Investments	\$8,112,038,740	\$1,508,619,795	\$598,677,921	\$10,219,336,456

¹ Account opened during the fiscal year.

² Account closed during the fiscal year.

³ Name changed from Tricon IX, L.P. to Tricon Housing Partners I US, L.P.

⁴ Name changed from Tricon XI, L.P. to Tricon Housing Partners II US, L.P.

⁵ Name changed from Gruss Global Investors Fund, L.P. to Gruss Global Investors (Enhanced) II, L.P.

• For certain strategic investment accounts, market values are estimates of value which may or may not represent what would actually be 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.

• Numbers may not total due to rounding.

Source: SBA

TABLE 13:

FRS Pension Plan - Miscellaneous Portfolios Change in Market Value Fiscal Year 2014-15

Account Name	Market Value 6/30/2014	Net Contributions (Withdrawals)	Investment Gain (Loss) ²	Market Value 6/30/2015
Cash Expense Account ¹	\$0	\$115,917	\$(115,917)	\$0
Central Cash/Short-Term	2,024,386,934	(755,261,897)	2,179,088	1,271,304,125
TF STIPFRS NAV Adjustment Account ²	522,244	0	(6,319,778)	(5,797,533)
Cash Securities Lending Account ³	(56,210,992)	255,224	6,685,817	(49,269,951)
Total Fund Cash Expense Account ¹	0	33,282,220	(33,282,220)	0
Total Cash Asset Class	\$1,968,698,186	\$(721,608,536)	\$(30,853,009)	\$1,216,236,641

¹ The Cash Expense Account and the Total Fund Cash Expense Account are both used to pay various expenses (including SBA investment service charges and bank fees) on behalf of the entire FRS Pension Plan. Excluding these expenses, the reported investment gain (loss) would have been \$0 for both accounts.

² The TF STIPFRS NAV Adjustment Account is used to record the difference between the net market value of the Short-Term Investment Pool (STIPFRS) the SBA utilizes to invest cash balances in the FRS Pension Plan and the total participant balances (carried at amortized cost) of all the individual portfolios that are invested in the pool.

³ The SBA includes 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 fiscal year 2015, the net unrealized loss decreased, resulting in an unrealized gain of \$6,941,040 that is included in the Investment Gain (Loss) column. Excluding this gain, the Cash Securities Lending Account would have reported a net investment loss of \$255,223, which consisted primarily of realized loss on the sale of securities lending collateral investments during the fiscal year.

• Numbers may not total due to rounding.

Source: SBA

TABLE 14:

FRS Pension Plan - Real Estate Change in Market Value Fiscal Year 2014-15

Account Name	Market Value 6/30/2014	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2015
Agriculture Funds:				
- Goose Pond Agricultural, Inc. ⁵	\$268,823,683	\$(302,832,458)	\$34,008,775	\$0
- Sunshine Agriculture, Inc. ⁵	171,096,537	(210,435,849)	39,339,312	0
Joint Ventures:				
- Campus Advantage ⁵	89,632,912	(93,366,035)	3,733,123	0
- IDI NALI A ⁵	108,907,286	(115,844,546)	6,937,260	0
- IDI NALI B ⁵	17,640,704	(20,271,213)	2,630,509	0
- IDI NALI C ⁵	67,396,802	(73,416,504)	6,019,702	0
- IDI NALI D ⁵	49,503,688	(62,931,359)	13,427,672	0
- Konover South Portfolio Holdings, LLC ²	(6,092)	(523,731)	529,823	0
- MS Inland Fund, LLC ²	7,972	78,303	113,726	200,000
- MS NHP Fund, LLC ⁵	155,123,832	(181,495,755)	26,371,922	0
- Ramco	137,136,357	(325,676)	21,946,995	158,757,676
Pooled Funds:				
- Beacon Capital Strategic Partners Fund V, L.P.	28,339,542	(11,809,191)	3,585,854	20,116,205
- BlackRock Diamond Property Fund, Inc.	44,133,152	(13,313,543)	(3,051,725)	27,767,884
- BlackRock Retail Opportunity Fund ²	485,141	(485,193)	52	0
- Blackstone Real Estate Partners Asia, L.P.	45,088,401	49,788,775	7,778,362	102,655,538
- Blackstone Real Estate Partners VI, L.P.	292,261,870	(176,949,229)	70,850,040	186,162,681
- Blackstone Real Estate Partners VII, L.P.	255,165,115	(14,676,223)	64,022,854	304,511,746
- Brookfield-Fairfield US Multifamily Fund I, L.P.	56,446,780	(9,872,353)	7,030,397	53,604,824
- Brookfield-Fairfield US Multifamily Fund II, L.P.	8,034,462	22,002,848	3,904,217	33,941,527
- CapMan Nordic Real Estate Fund ¹	0	23,821,958	(825,502)	22,996,456
- Carlyle Realty Partners VI, L.P.	57,480,221	(11,345,322)	14,530,146	60,665,045
- Carlyle Realty Partners VII, L.P. ¹	0	5,683,074	(979,634)	4,703,440
- CIM Fund VIII, L.P. ¹	0	16,017,082	(1,403,026)	14,614,056
- EMI Pooled Fund Expenses Account	0	40,821	(40,821)	0
- Europa Fund IV, L.P.	0	35,753,280	(1,483,007)	34,270,273
- Heitman Value Partners III, L.P. ¹	0	8,630,594	0	8,630,594
- Hines Value Added Fund II, L.P.	41,082,401	(21,864,330)	20,629,274	39,847,345
- JP Morgan EOP Fund III ¹	0	98,048	(296,209)	(198,161)
- JP Morgan Special Situation Fund	134,601,451	(3,630,279)	23,307,729	154,278,901
- JP Morgan Strategic Property Fund	333,113,099	(13,787,774)	40,108,664	359,433,989
- Prime Property Fund, LLC	299,724,735	(12,332,958)	47,290,375	334,682,151
- Principal Enhanced Property Fund, L.P. ³	46,064,218	(49,096,668)	3,032,451	0

Account Name - continued	Market Value 6/30/2014	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2015
- Principal US Property Fund	261,723,580	0	37,148,734	298,872,314
- Prologis USFL, L.P. ¹	0	37,592	(37,592)	0
- Prudential PRISA	269,823,112	(9,386,170)	36,874,458	297,311,400
- Prudential PRISA Fund II	148,448,214	(3,961,469)	20,297,954	164,784,699
- Prudential PRISA Fund III	183,389,449	(31,478,344)	41,722,139	193,633,243
- Rockpoint Real Estate Fund III, L.P.	24,330,240	(6,729,353)	(1,335,650)	16,265,237
- Rockpoint Real Estate Fund IV, L.P.	31,494,589	7,176,874	10,121,905	48,793,368
- Rockpoint Real Estate Fund V, L.P. ¹	0	191,181	(191,181)	0
- RREEF America REIT II Pooled Fund	249,209,013	(10,092,342)	35,804,742	274,921,413
- Starwood Distressed Opp Fund IX Global, L.P.	78,235,414	(24,648,600)	28,444,939	82,031,753
- Starwood Opportunity Fund X Global, L.P. ¹	0	80,314	1,431,055	1,511,369
- Tristan EPISO 3, L.P.	8,192,664	32,720,795	(1,789,492)	39,123,966
- UBS Pooled Fund, L.P.	249,124,860	(7,432,774)	28,391,263	270,083,349
Principal Investments⁵	5,642,697,530	1,162,020,706	601,915,159	7,406,633,395
Real Estate Investment Trusts (REITs):				
- AEW Global REIT	313,223,852	0	5,513,044	318,736,896
- CohenSteers Global REIT	248,151,578	0	5,546,074	253,697,652
- Invesco Global REIT	313,722,367	0	2,059,289	315,781,656
- RREEF Global REIT	309,438,131	0	3,200,442	312,638,574
Other:				
- Real Estate Cash Account	19,007,466	48,858,496	(23,122)	67,842,840
- Real Estate Cash Expense Account	0	534,501	(534,501)	0
- Real Estate Transition Account ⁴	0	0	0	0
Total Real Estate Investments	\$11,057,496,323	\$ (80,800,000)	\$1,307,608,970	\$12,284,305,293

1 Account opened during the fiscal year.
2 Strategy terminated or account closed during a prior fiscal year. Balances and activity reflect residual activity.
3 Strategy terminated or account closed during the fiscal year. Balances and activity reflect residual activity.
4 Account inactive during the fiscal year.
5 On April 1, 2015, several portfolios were reclassified to roll up into the "Principal Investments" composite. To reflect this change, net asset values as of March 31, 2015, are reported as "transfers out" in the original separately reported portfolios, and as "transfers in" to the "Principal Investments" line. These are not true "transfers", but are reflected only to show the change in classification.

- 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.
- Numbers may not total due to rounding.

Source: SBA

TABLE 15:

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
2013-14	44,532,896
2014-15	38,044,668
Total	\$ 602,876,431

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.

• Numbers may not total due to rounding.

Source: SBA

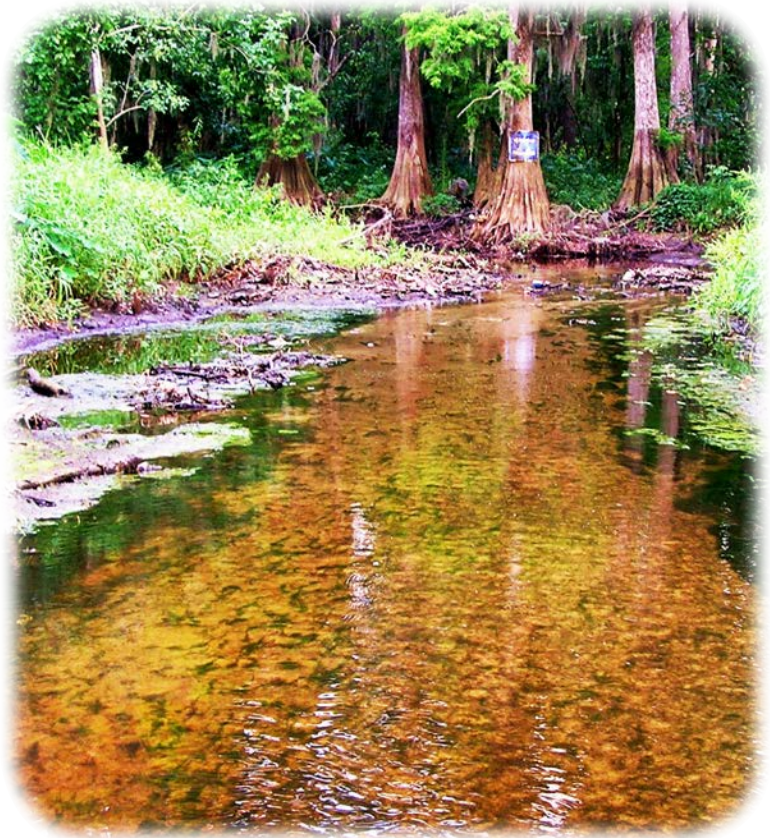
Securities lending is the short-term loan of securities for a fee. With its large portfolio of assets, the Pension Plan is well suited to such a program. Mutual funds and ETFs typically have lending programs for the same reasons. The demand to borrow shares usually comes from hedge funds or short-sellers. 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 15, the program has provided significant gains over the long-term. However, fallout from the mortgage crisis resulted in losses during Fiscal Year 2009-10. In response, the program was restructured to a more conservative set of re-investment guidelines.

Florida 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.

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 Statutes require 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 16 provides those figures for all Pension Plan investments that meet the criteria.



The Peace River is a river in the southwestern part of the Florida peninsula. It originates at the juncture of Saddle Creek and Peace Creek northeast of Bartow in Polk County and flows south through Hardee County to Arcadia in DeSoto County and then southwest into the Charlotte Harbor estuary at Port Charlotte in Charlotte County.

Photo credit - "Streamflow changes along upper Peace River, Fl 3" by PD-USGov-Interior-FWS - Licensed under Public Domain via Wikimedia

TABLE 16:

All Florida Holdings

Growth & Technology⁵

Asset Class	Net Asset Value	Net Asset Value
Separate Accounts- Direct		
Global Equity	\$ 788,919,308	\$ 437,306,780
Fixed Income	70,677,700	28,911,939
Real Estate- Core ¹	343,748,659	0
Real Estate- Non-Core ¹	66,402,774	0
Sub-Total Separate Accounts	\$ 1,269,748,441	\$ 466,218,718
Commingled Accounts- Indirect ²		
Real Estate- Commingled ³	316,363,292	0
Private Equity- Commingled ⁴	237,586,367	40,784,631
Strategic Investments- Commingled	488,665,659	123,497,282
Sub-Total Commingled	1,042,615,317	164,281,914
Total	\$ 2,312,363,759	\$ 630,500,632

¹ Real Estate Core and Non-Core data as of June 30, 2015, net of debt.

² The Pension Plan owns Florida investments in commingled funds valued at \$1,042,615,317. 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, 2015, net of debt.

⁴ Private Equity data as of March 31, 2015.

⁵ Included in All Florida Holdings

• Numbers may not total due to rounding..

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 in 2002, the FRS Investment Plan has become one of the largest optional public-sector defined contribution retirement plans in the U.S., with more than 163,000 members and \$9.14 billion in assets as of June 30, 2015.

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 features 21 funds, including 11 funds spread across five asset classes, and 10 retirement date funds that are mixtures of various asset classes. A Self-Directed Brokerage Account is also available.

The SBA follows Florida Statutes’ 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.

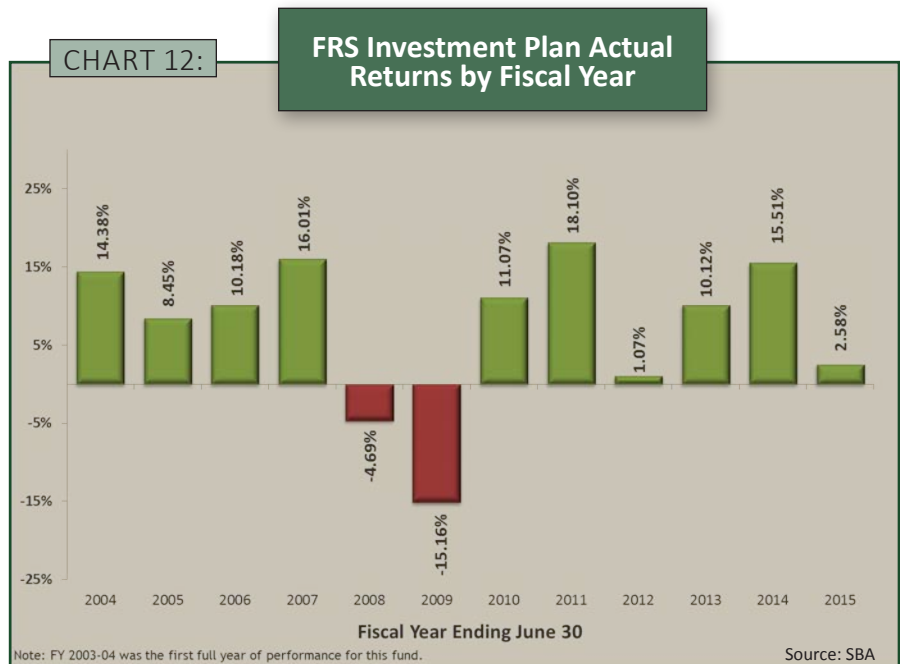


TABLE 17:

FRS Investment Plan Returns vs. Benchmark

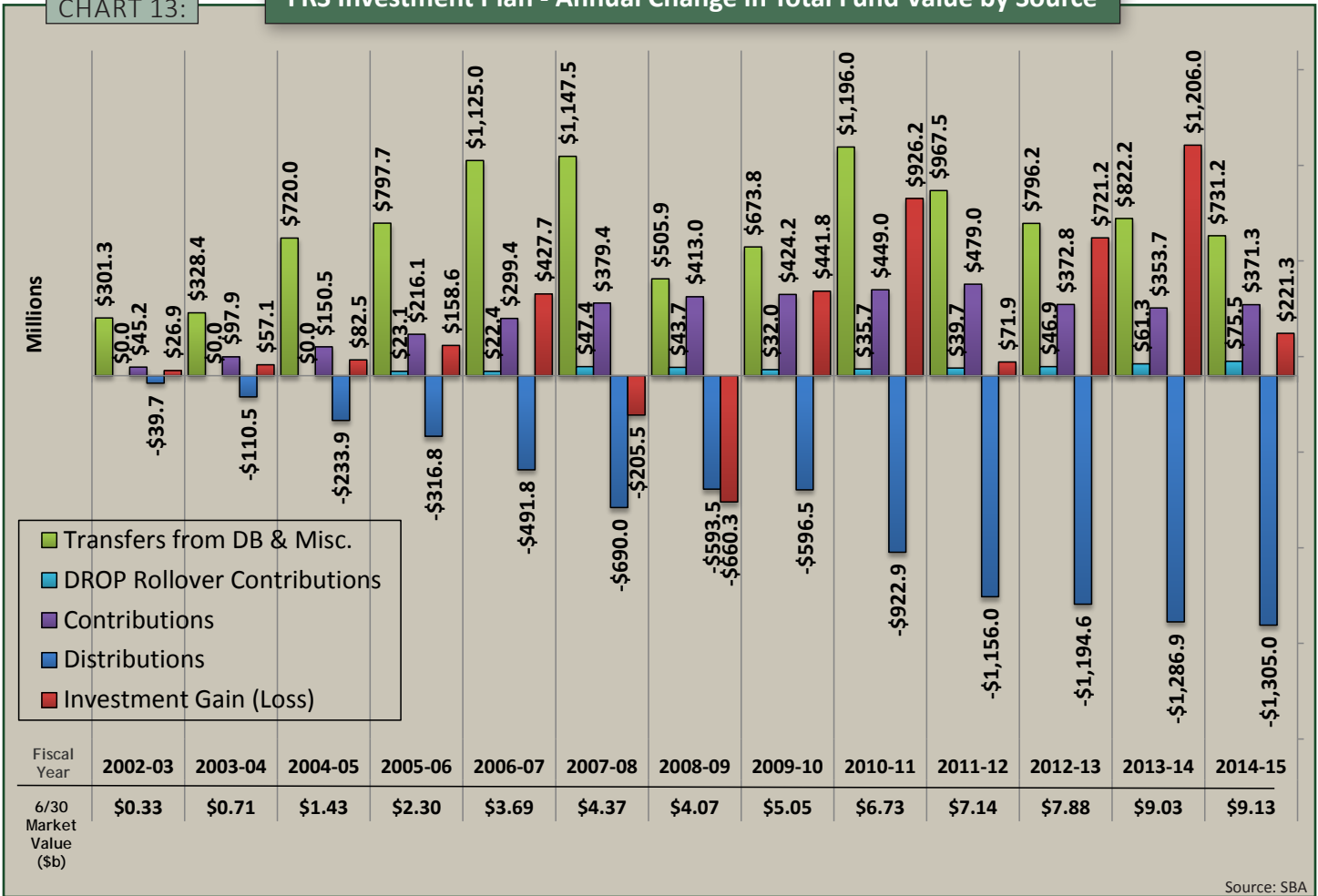
	Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	2.58%	2.08%	0.50%
Three Years	9.28%	8.81%	0.47%
Five Years	9.27%	8.85%	0.42%
Ten Years	5.99%	5.47%	0.52%
Since Inception	7.03%	6.65%	0.38%

- All returns are annualized for periods indicated through June 30, 2015.
- 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.
- Numbers may not total due to rounding.

Source: SBA

CHART 13:

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



Source: SBA



The Silver River is a short spring-fed river located east of Ocala in Marion County, Florida. Fed by Silver Springs, it connects the springs to the Ocklawaha River, passing through a pristine woodland environment. The river was probably named for its silvery appearance.

Costs

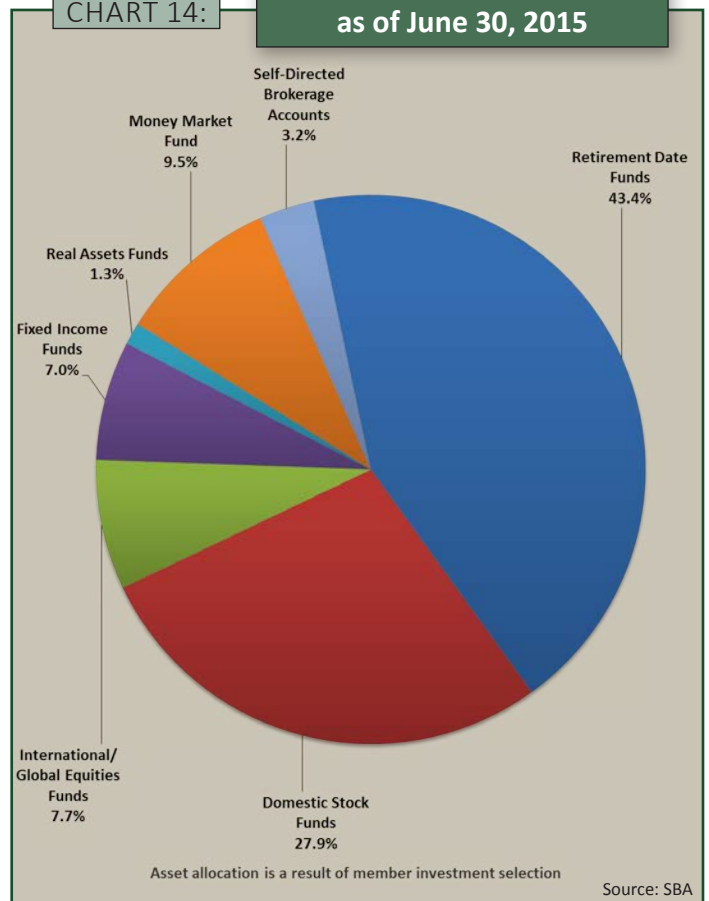
Total plan cost equals the sum of investment option management fees plus administrative, education and fiduciary costs. The FRS Investment Plan’s total plan cost (or expense ratio) for calendar year 2014 was 37 basis points (bps). This exceeded its benchmark cost of 28 bps by 9 bps, or 0.09%.

The benchmark cost equals the Plan’s asset mix multiplied by the size-adjusted peer median cost for each asset category.

The reason for exceeding the benchmark is the extensive education program and resources offered to all FRS members. Without these costs, the Investment Plan would be comparable to all peers.

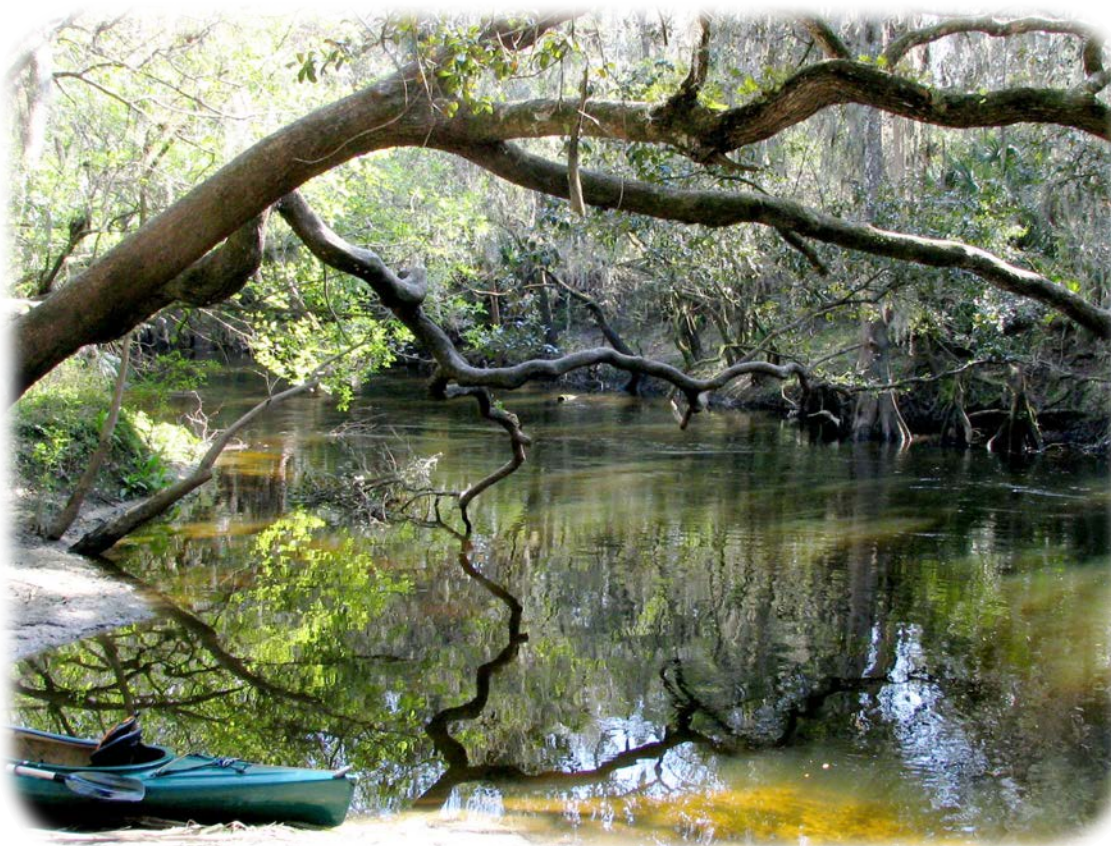
**FRS Investment Plan - Assets
by Product Type
\$9.14 Billion Market Value
as of June 30, 2015**

CHART 14:



Investment Options

The FRS Investment Plan offers a diversified array of fund options that span the risk and return spectrum. Effective July 1, 2014, the Investment Plan fund lineup changed. The changes, which were approved by the State Board of Administration’s Investment Advisory Council and Trustees (Governor, Chief Financial Officer, and Attorney General), simplified the existing fund lineup. Some of the funds were combined to create new funds, and a slate of Retirement Date Funds replaced the FRS Select Balanced Funds. Average fees across all investment funds are highly competitive at 0.21%.



The Alafia River is 25 miles long, with a watershed of 335 square miles in Hillsborough County, Florida, flowing into Tampa Bay. For centuries the Alafia was home to the Tocobaga Indians. From their settlement at the mouth of the river to their hunting camps upstream, the Indians left traces of their lives and activities.

In the sixteenth century, the expeditions of Pánfilo de Narváez and Hernando de Soto explored the coastal areas of Tampa Bay and visited the Indians, making the first written account and charting the first maps of the Alafia River. On an early map the name 'Alafia' does not appear, but rather the translation, Hunting River. The 'Alafia' is a native word meaning "River of Fire." This is due to the strong red/brown color caused by tiny algae spores in the water.

Photo credit - "Alafia River near Lithia Springs Park" by Mwanner at en.wikipedia. Licensed under CC BY-SA 3.0 via Wikimedia Commons

Retirement Date Funds

Retirement Date Funds invest in a diversified portfolio of other FRS Investment Plan funds and use an asset allocation concept called “target date funds.” The mix of funds in each Retirement Date Fund is based on the amount of time a participant has before retirement, and the mix gradually changes as their retirement date nears. This gradual change follows a careful investment allocation strategy called a “glide path.”

TABLE 18:

FRS Investment Plan - Retirement Date Funds

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2015

Fund Name Performance Benchmark	Last 12 Months			Last 3 Years			Last 5 Years			Last 10 Years			Since Inception		
	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added
FRS 2055 Retirement Date Fund 2055 Retirement Custom Index	1.67%	1.37%	0.30%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.67%	1.37%	0.30%
FRS 2050 Retirement Date Fund 2050 Retirement Custom Index	1.67%	1.37%	0.30%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.67%	1.37%	0.30%
FRS 2045 Retirement Date Fund 2045 Retirement Custom Index	1.67%	1.37%	0.30%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.67%	1.37%	0.30%
FRS 2040 Retirement Date Fund 2040 Retirement Custom Index	1.67%	1.37%	0.30%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.67%	1.37%	0.30%
FRS 2035 Retirement Date Fund 2035 Retirement Custom Index	1.66%	1.39%	0.27%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.66%	1.39%	0.27%
FRS 2030 Retirement Date Fund 2030 Retirement Custom Index	1.47%	1.34%	0.14%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.47%	1.34%	0.14%
FRS 2025 Retirement Date Fund 2025 Retirement Custom Index	0.97%	0.93%	0.03%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.97%	0.93%	0.03%
FRS 2020 Retirement Date Fund 2020 Retirement Custom Index	0.38%	0.53%	(0.15%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.38%	0.53%	(0.15%)
FRS 2015 Retirement Date Fund 2015 Retirement Custom Index	(0.18%)	0.11%	(0.29%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(0.18%)	0.11%	(0.29%)
FRS Retirement Income Fund Retirement Income Custom Index	(0.44%)	(0.09%)	(0.35%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(0.44%)	(0.09%)	(0.35%)

• Numbers may not total due to rounding.

Source: SBA

Money Market Fund

Money Market Funds invest in short-term securities (financial instruments or obligations) that are high quality and can be sold quickly with little loss of value. Because of these investments, the funds have limited risk of declining in value. However, over the long term, money market investment returns have been modest and may not keep pace with inflation. Money market funds are not FDIC insured or guaranteed.

TABLE 19:

FRS Investment Plan - Money Market Fund

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2015

Fund Name Performance Benchmark	Last 12 Months			Last 3 Years			Last 5 Years			Last 10 Years			Since Inception		
	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added
FRS Money Market Fund iMoneyNet Money Fund Average	0.16%	0.03%	0.13%	0.21%	0.03%	0.17%	0.23%	0.03%	0.18%	1.63%	1.64%	(0.01%)	1.66%	1.64%	0.01%

• Numbers may not total due to rounding.

Source: SBA

Real Assets Fund

Real Assets Funds invest in a diversified array of assets that may help offset inflationary pressures. These assets include, but are not limited to, U.S. Treasury inflation-linked securities, commodities, real estate investment trusts, gold, and other securities. The funds seek long-term real (net of inflation) returns to preserve the future purchasing power of accumulated assets. Participants could lose money over short or long periods by investing in this fund and returns may not keep pace with inflation.

TABLE 20:

FRS Investment Plan - Real Assets Fund

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2015

Fund Name Performance Benchmark	Last 12 Months			Last 3 Years			Last 5 Years			Last 10 Years			Since Inception		
	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added
FRS Real Assets Fund Barclays FRS Custom Real Assets Index	(4.64%)	(4.29%)	(0.33%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(4.64%)	(4.29%)	(0.33%)

• Numbers may not total due to rounding.

Source: SBA

Bond Funds

Bond Funds invest primarily in fixed income securities which are similar to IOUs. 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.

TABLE 21:

FRS Investment Plan - Bond Funds

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2015

Fund Name Performance Benchmark	Last 12 Months			Last 3 Years			Last 5 Years			Last 10 Years			Since Inception		
	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added
FRS U.S. Bond Enhanced Index Fund Barclays Capital Aggregate Bond Index	1.92%	1.86%	0.06%	1.92%	1.83%	0.10%	3.46%	3.35%	0.11%	4.64%	4.44%	0.20%	4.85%	4.68%	0.17%
Pyramis Intermediate Duration Pool Fund Barclays Capital Intermediate Aggregate Bond Index	1.57%	1.89%	(0.32%)	2.01%	1.74%	0.27%	3.19%	2.89%	0.30%	4.23%	4.22%	0.01%	4.58%	4.32%	0.26%
FRS Core Plus Fixed Income Fund FRS Custom Core Plus Fixed Income Index	0.82%	1.36%	(0.53%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.82%	1.36%	(0.53%)

• Numbers may not total due to rounding.

Source: SBA

U.S. Stock Funds

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

TABLE 22:

FRS Investment Plan - U.S. Stock Funds

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2015

Fund Name Performance Benchmark	Last 12 Months			Last 3 Years			Last 5 Years			Last 10 Years			Since Inception		
	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added
FRS U.S. Stock Market Index Fund Russell 3000 Index	25.26%	25.22%	0.04%	16.52%	16.46%	0.06%	19.40%	19.33%	0.07%	8.30%	8.23%	0.07%	9.43%	9.37%	0.09%
FRS U.S. Large Cap Equity Fund Russell 1000 Index	9.44%	7.37%	2.07%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	9.44%	7.37%	2.07%
FRS U.S. Small/Mid Cap Equity Fund FRS Custom Small/Mid Cap Index	5.82%	5.04%	0.78%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.82%	5.04%	0.78%

• Numbers may not total due to rounding.

Source: SBA

Foreign and Global Stock Funds

Foreign and Global Stock Funds invest primarily in stocks issued by foreign companies. Compared to U.S. stocks, foreign stocks are affected by additional risk factors such as foreign laws and regulations, differences in accounting practices, political, and currency risks. Over the long-term, foreign stocks have provided additional diversification benefits.

TABLE 23:

FRS Investment Plan - Foreign and Global Stock Funds

Annual Average Investment Returns After Deducting Fees – Data Through June 30, 2015

Fund Name Performance Benchmark	Last 12 Months			Last 3 Years			Last 5 Years			Last 10 Years			Since Inception		
	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added	Actual Return	Benchmark Return	Value Added
FRS Foreign Stock Index Fund MSCI All Country World Index ex US IMI Index	(4.45%)	(4.97%)	0.52%	11.70%	11.27%	0.43%	9.69%	9.05%	0.65%	5.54%	5.20%	0.34%	8.10%	7.77%	0.33%
American Funds EuroPacific Growth Fund MSCI All Country World ex U.S. Index	0.95%	(4.85%)	5.80%	12.71%	9.92%	2.79%	10.13%	8.23%	1.90%	5.54%	5.20%	0.34%	7.42%	4.66%	2.76%
American Funds New Perspective Fund MSCI All Country World Index	5.76%	0.71%	4.96%	15.56%	12.96%	2.59%	14.18%	12.32%	1.86%	9.17%	6.03%	3.14%	10.67%	7.84%	2.83%

• Numbers may not total due to rounding.

Source: SBA

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 and 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 referred to as, "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 the SBA's nine-member Investment Advisory Council, which are responsible for review of the Florida PRIME™ Investment Policy Statement and any proposed changes prior to its presentation to the Trustees, and may undertake other duties set forth in applicable Florida law.

Eligible Participants

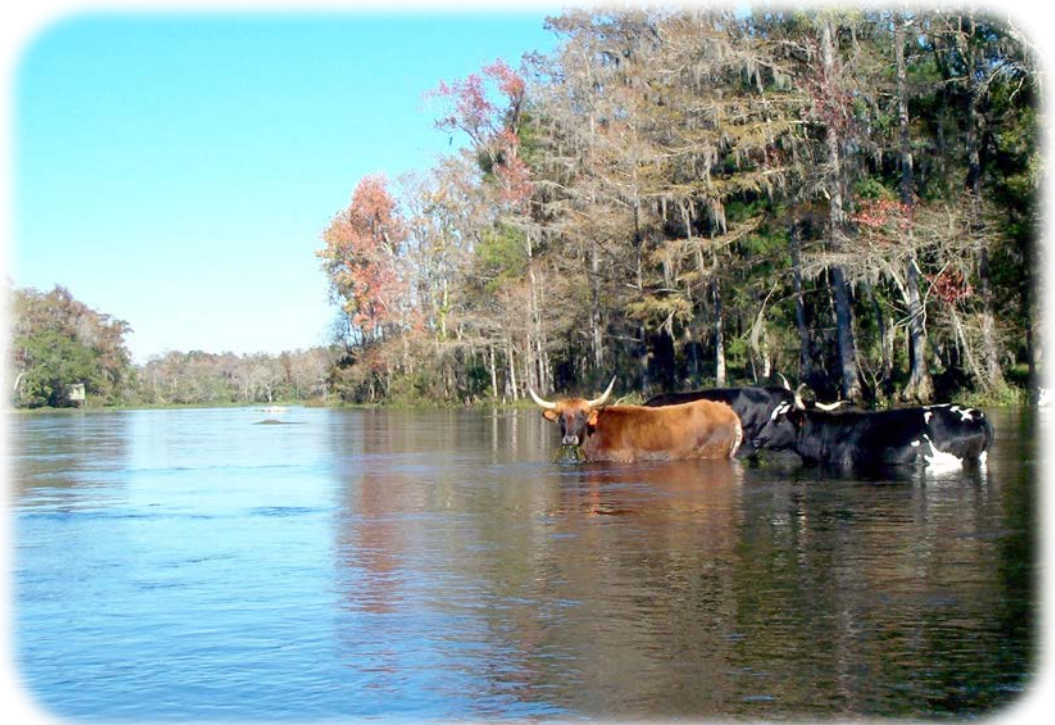
Units of local government eligible to participate in Florida PRIME™ include, but are not limited to, any county, municipality, school district, special district, clerk of the circuit court, sheriff, property appraiser, tax collector, supervisor of elections, state university, state college, community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

As of June 30, 2015, Florida PRIME™ had a net asset value of \$7 billion, comprising assets held in 1,549 investor accounts on behalf of 801 participants. During the fiscal year, the fund's assets decreased by approximately \$188 million, representing a 2.6% decrease in net asset value.

The St. Marks River is a river in the Big Bend region of Florida. It has been classified by the Florida Department of Environmental Protection as an Outstanding Florida Water, and is the easternmost river within the Northwest Florida Water Management District.

The St. Marks River begins in eastern Leon County, Florida and flows 36 miles through Leon and Wakulla counties into Apalachee Bay, an arm of the Gulf of Mexico. It has a drainage basin of 1,150 square miles in size. It has one significant tributary, the Wakulla River.

A few miles south of its source the St. Marks passes under a natural bridge at Natural Bridge Battlefield Historic State Park and then disappears underground to become a subterranean river for about one-half mile. The river emerges at the St. Marks River Rise, a first magnitude spring, to pass over a stretch of rocks, forming rapids.



Performance

For the fiscal year ending June 30, 2015, Florida PRIME™ delivered an aggregate \$12.5 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, 2015, Florida PRIME™ generated excess returns (performance above the pool's benchmark) of approximately 12 basis points (0.12%) over the last 12 months, 14 basis points (0.14%) over the last three years, and 15 basis points (0.15%) over the last five years. By historical standards, absolute returns have been low over the past five years, reflecting the near-zero Federal Funds rate strategy employed as part of the stimulative monetary policy of the Federal Reserve Board of Governors.

CHART 15:

Florida PRIME™ - Yields by Fiscal Year

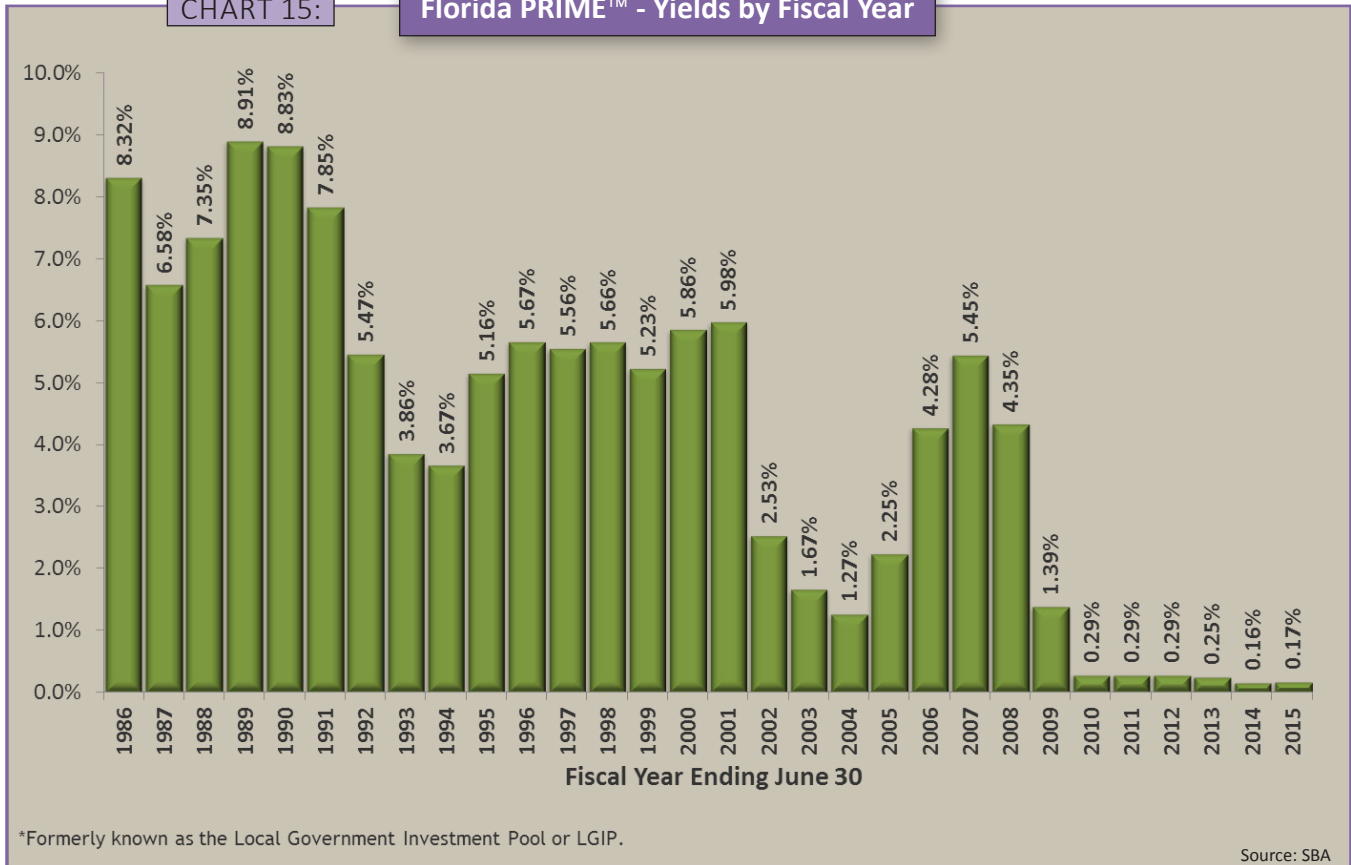


TABLE 24:

Florida PRIME™ - Participant Performance Data Through June 30, 2015

	Florida PRIME 30 Day Avg Yield ¹	Benchmark Yield ²	Actual Over (Under) Bmk.
One Year	0.17%	0.05%	0.12%
Three Years	0.20%	0.06%	0.13%
Five Years	0.23%	0.08%	0.15%
Ten Years	1.67%	1.51%	0.16%
Fifteen Year	2.02%	1.82%	0.20%
Twenty Years	2.90%	2.70%	0.20%
Twenty-Five Years	3.36%	3.16%	0.20%

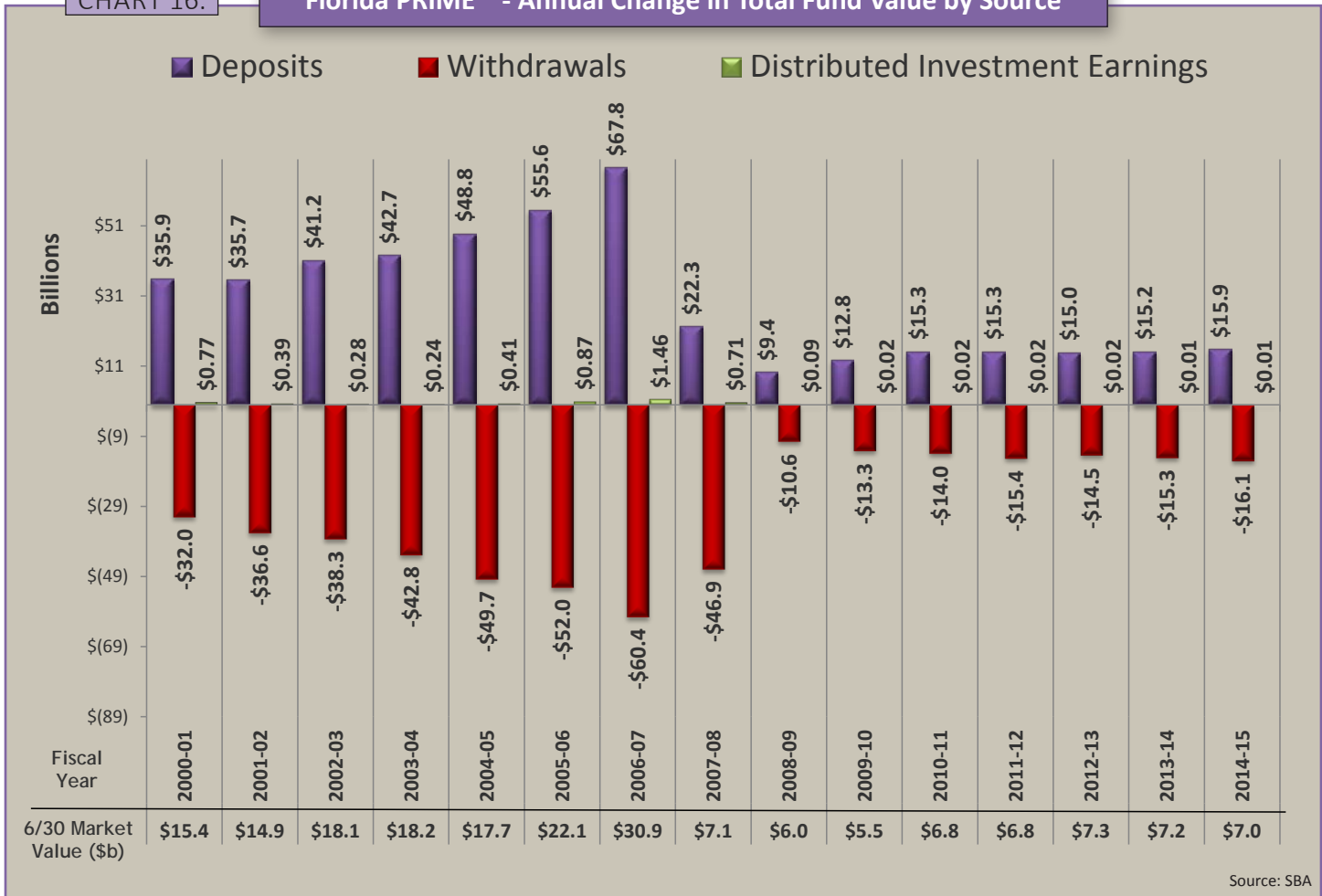
- All yields are annualized for periods indicated through June 30, 2015.
 - Yields are net of fees, and reflect the yield calculation pursuant to Chapter 19-7.011, Florida Administrative Code.
 - Benchmark is the S&P AAA/AA Rated GIP All 30-Day Net Index for all time periods except the period July, 1994 to March, 1995 where an approximation using one month LIBOR was used.
 - Numbers may not total due to rounding.
- Net of fees. Participant yield is calculated on a 365-day basis and includes adjustments for expenses and other accounting items to reflect realized earnings by participants.
 - The net-of-fee benchmark is the S&P AAA/AA Rated GIP All 30-day Net Index for all time periods.

Source: SBA

During the fiscal year ending June 30, 2015, participant deposits totaled \$15.9 billion and participant withdrawals totaled \$16.1 billion, for a net decrease of approximately \$188 million 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. The all-in fees of Florida PRIME™ are approximately one-fourth (1/4) those of its closest competitor, by far the lowest of any similar government investment pool (“GIP”) in the State of Florida, and 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, 2015, the fee charged to Florida PRIME™ investors was 3.0 basis points (or 0.03%) of 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. Due to investment management fee rebates within the portfolio, actual fees charged to participants averaged approximately 1.8 basis points (or 0.018%).

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 charged among all taxable, registered money market funds, excluding government-sponsored investment pools, stands at 15 basis points. 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 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. As of September 2014, 100% of the original principal in Fund B had been returned to fund participants. Through June 2015, investors cumulatively received distributions from Fund B totaling \$2.01 billion. Additional returns and legal settlements resulted in a remaining reserve balance within Fund B equal to \$43.2 million as of June 30, 2015, which was distributed pursuant to statutory requirements in July 2015. Since the inception of Fund B, participants have received approximately 102.2% of their original principal balances.

TABLE 25:

Fund B Surplus Funds Trust Fund Returns for Periods Ending June 30, 2015

	Actual Return
One Year	23.49%
Three Years	20.24%
Five Years	19.64%
Since Inception	10.50%

- All returns are annualized for periods indicated through June 30, 2015.
- 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 was December 2007.

Source: SBA



The Steinhatchee River is a short river in the Big Bend region of Florida. The river rises in the Mallory Swamp just south of Mayo in Lafayette County and flows for 34.5 miles out of Lafayette County, forming the boundary between Dixie County and Taylor County to the Gulf of Mexico. It has a drainage basin of 586 square miles. The river has also been known as the Hittenhatchee, Esteenhatchee, and Isteenhatchee.

The only communities along the river are Steinhatchee and Jena near its mouth. The river is not developed, being used solely for recreation and as a port for landings of locally caught commercial fish such as sheepshead, mullet, gag and red grouper, Spanish mackerel, white grunt, hogfish, stone crab, and blue crab. About 1 mile of the river goes underground as a subterranean river near where U.S. Route 19 crosses the river. Eight miles from the river's mouth is Steinhatchee Falls, where the river drops several feet.

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 tax-exempt state 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 funded 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 fully for their covered losses 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.

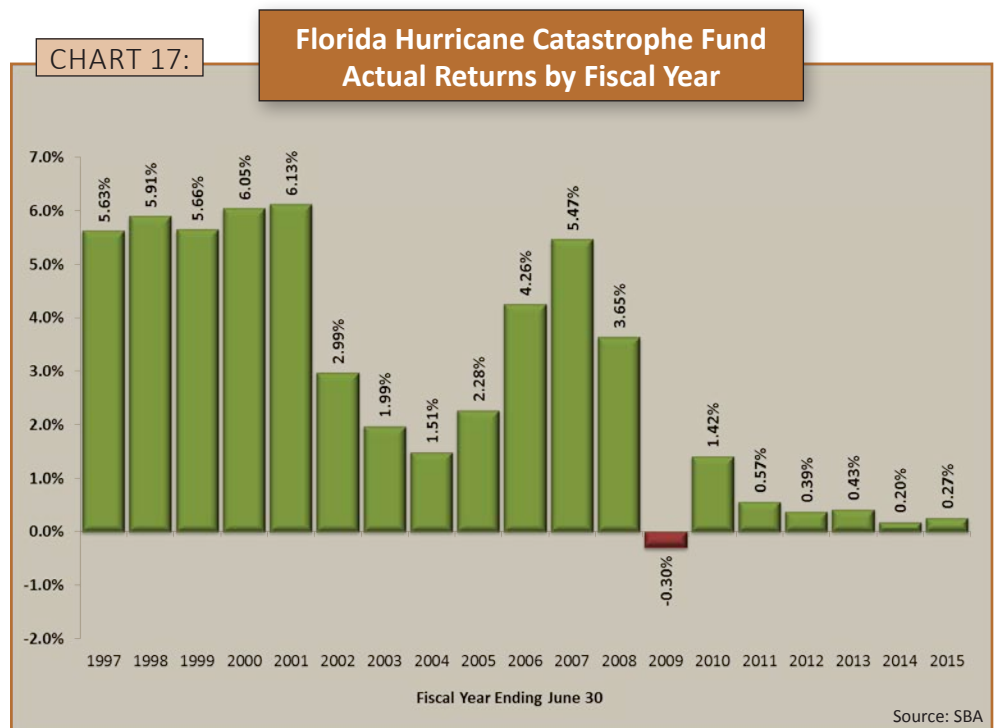


TABLE 26: Florida Hurricane Catastrophe Fund Returns for Periods Ending June 30, 2015

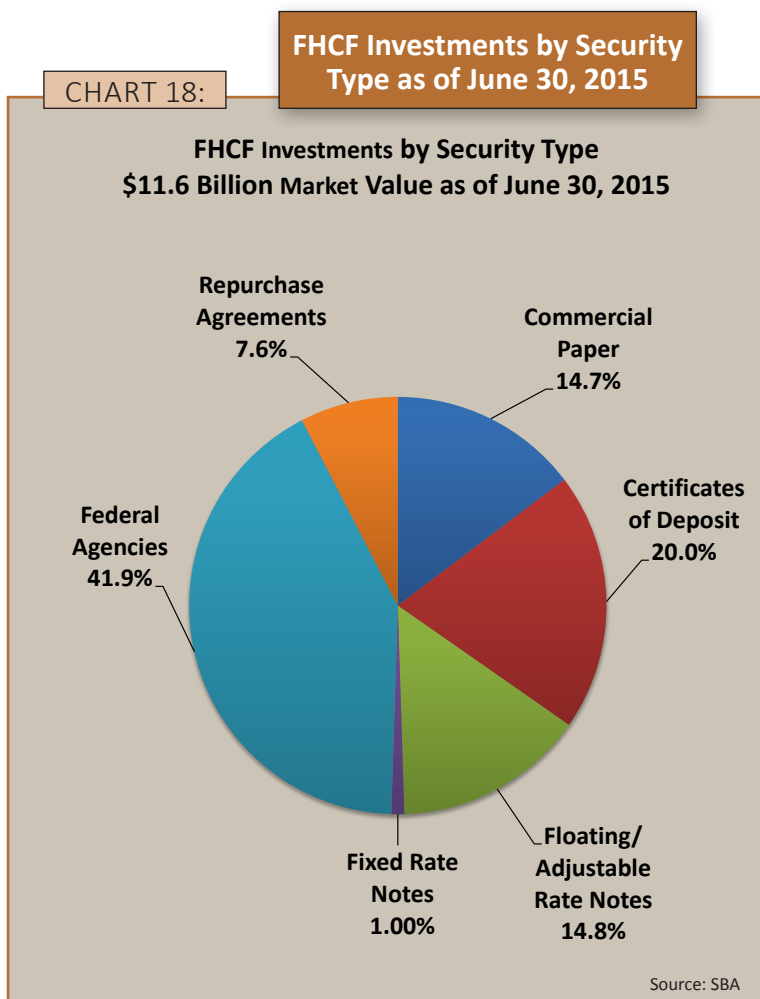
	Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	0.27%	0.19%	0.09%
Three Years	0.30%	0.10%	0.20%
Five Years	0.37%	0.10%	0.28%
Ten Years	1.62%	1.56%	0.06%
Fifteen Years	2.07%	1.81%	0.25%

- All returns are annualized for periods indicated through June 30, 2015.
- Benchmark is a blend of 75% of the Bank of America Merrill Lynch 1-Year U.S. Treasury Bill Index and 25% of the iMoney Net First Tier Institutional Money Market Funds Net Index.
- Inception of the Fund was July 1996.
- Numbers may not total due to rounding.

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 could 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.



The St. Johns River is the longest river in the state of Florida and its most significant for commercial and recreational use. At 310 miles long, it winds through or borders 12 counties, three of which are the state's largest.

Photo credit - "Cypress trees Tosohatchee" by Mani3 - Own work (Original text: self-made). Licensed under Public Domain via Commons - https://commons.wikimedia.org/wiki/File:Cypress_trees_Tosohatchee.JPG#/media/File:Cypress_trees_Tosohatchee.JPG

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 prior fiscal year, the Fund made its final loss reimbursement payment to participating insurers for hurricane losses occurring in 2004 and 2005. In response to those hurricanes, the Corporation issued tax-exempt post-event 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 was a 1% emergency assessment on the direct written premium of most property and casualty lines of business in Florida beginning January 1, 2007. This assessment increased to 1.3% on January 1, 2011. The Office of Insurance Regulation issued Orders in July 2014 establishing that for all policies issued or renewed on or after January 1, 2015, the emergency assessment will be eliminated. The Series 2006A Revenue Bonds matured on July 1, 2012, and the 2008A Bonds matured on July 1, 2014. A legal defeasance of the 2010A Bonds occurred on July 11, 2014. As a result, no post-event revenue bonds remain outstanding.

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 \$2.0 billion tax-exempt, pre-event Series 2013A revenue bonds in Fiscal Year 2012-13. The proceeds of these bonds are invested and managed by the SBA as a potential source of reimbursement for future hurricane losses. The investment earnings on the bonds, as well as the Fund's reimbursement premiums, are the funding sources for the payment of interest on the bonds.

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

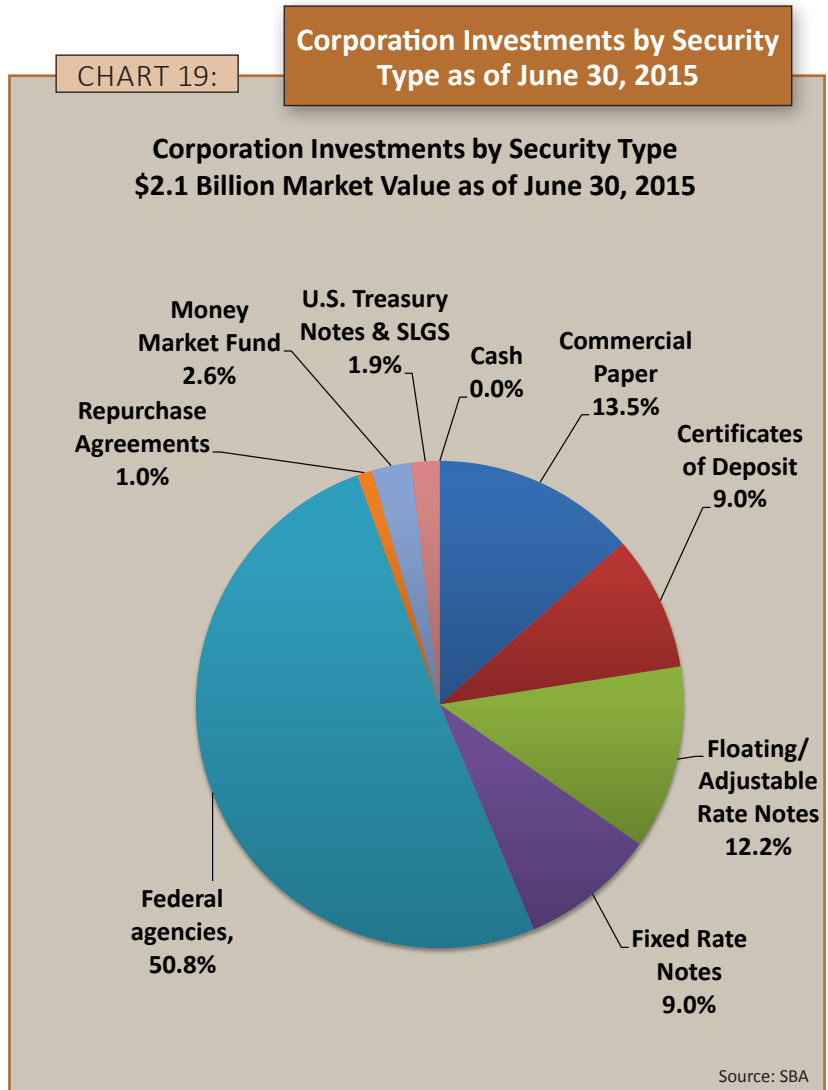


TABLE 27: State Board of Administration Finance Corporation Returns for Periods Ending June 30, 2015

	Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	0.28%	0.19%	0.10%
Since Inception	0.23%	0.11%	0.12%

- All returns are annualized for periods indicated through June 30, 2015.
- Benchmark is a blend of 75% of the Bank of America Merrill Lynch 1-Year U.S. Treasury Bill Index and 25% of the iMoney Net First Tier Institutional Money Market Funds Net Index.
- Inception of the fund was April 2013.
- Numbers may not total due to rounding.

Source: SBA

Lawton Chiles Endowment Fund

Overview and Investment Objective

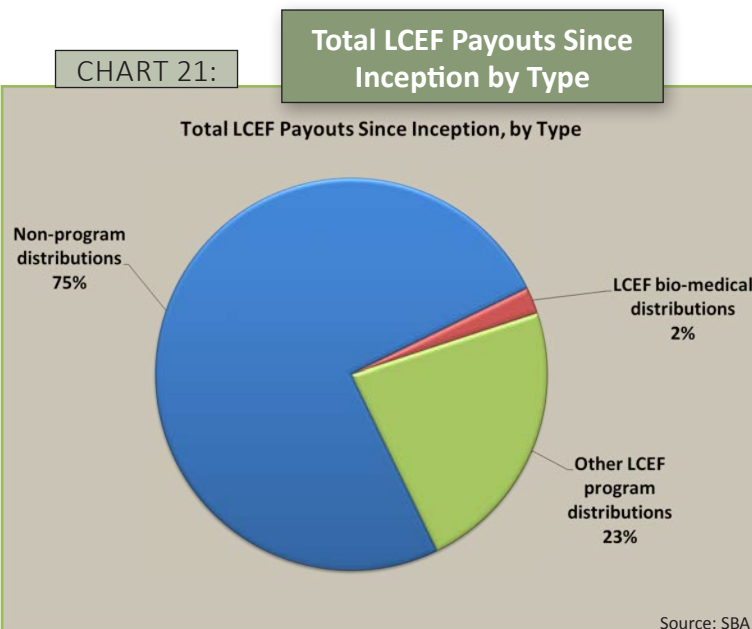
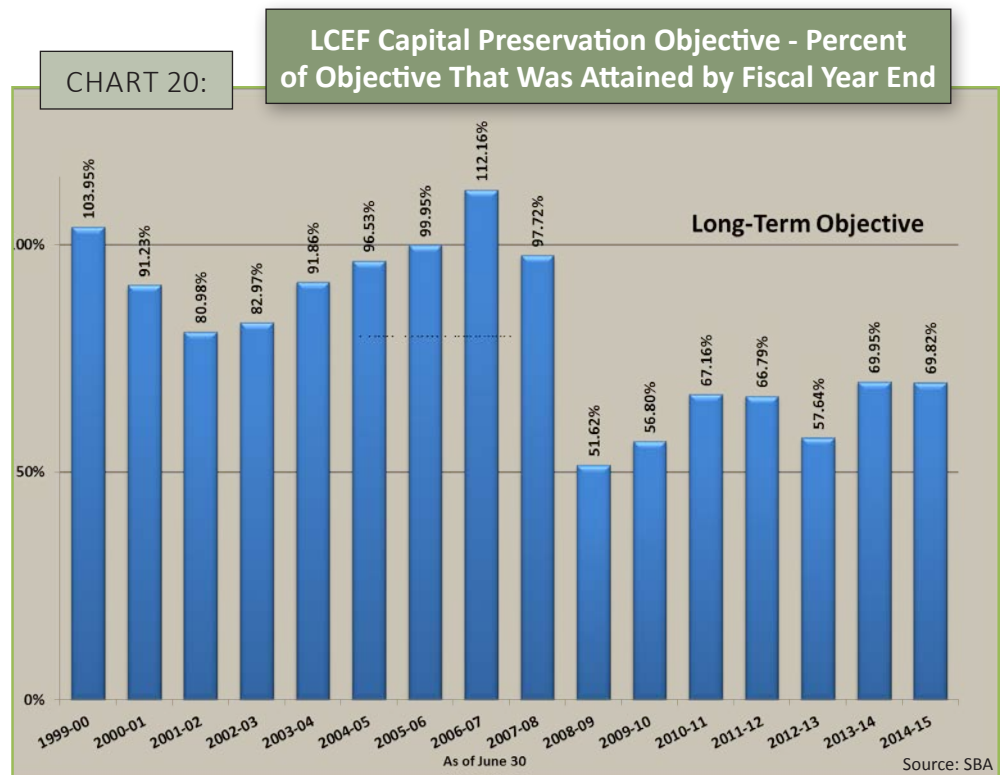
Created by the Florida Legislature in 1999, the purpose of the Lawton Chiles Endowment Fund (LCEF) is to invest a portion of the state's tobacco settlement monies to provide a perpetual source of enhanced funding for health maintenance and research programs related to tobacco use. The SBA has the statutory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

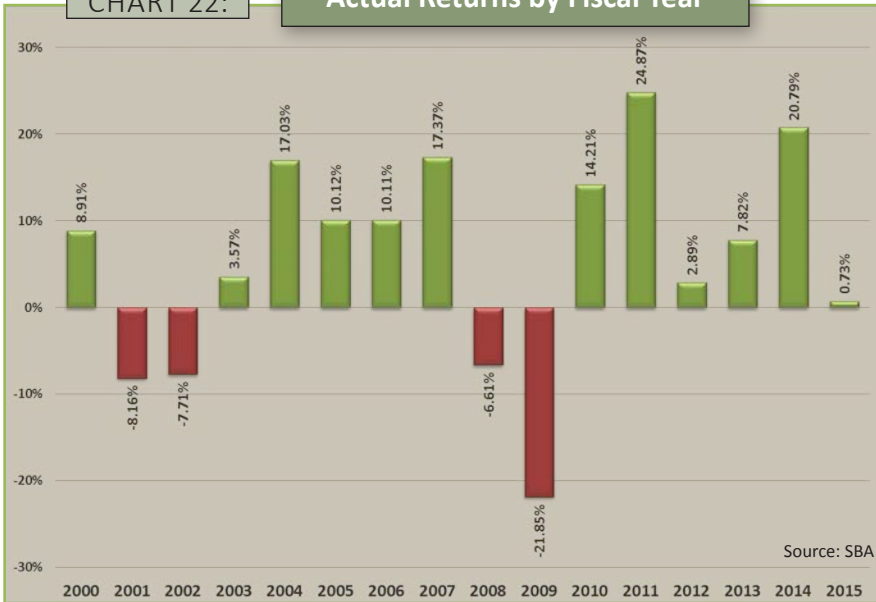
Chart 20 provides the inflation-adjusted value of cumulative net contributions to the LCEF as of June 30, 2015, which was approximately \$591 million (in 1999 dollars).

Chart 21 provides the percentage by purpose of the total payouts from the Fund.



**Lawton Chiles Endowment Fund
Actual Returns by Fiscal Year**

CHART 22:



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 28 compares actual returns to the benchmark return for various periods ending June 30, 2015.

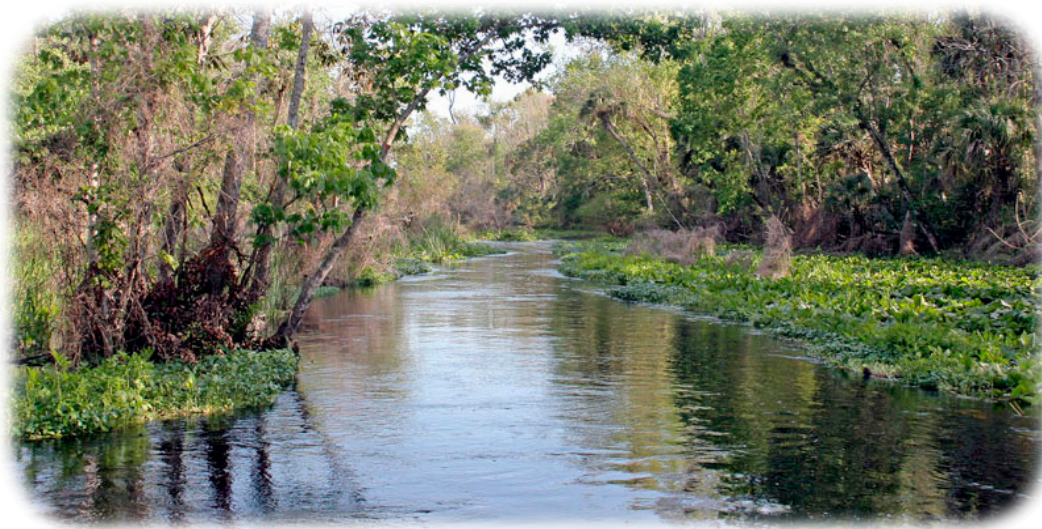
TABLE 28:

**Lawton Chiles Endowment Fund
Returns for Periods Ending June 30, 2015**

	Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	0.73%	0.76%	(0.03%)
Three Years	9.47%	8.12%	1.36%
Five Years	11.01%	10.01%	0.99%
Ten Years	6.15%	5.43%	0.72%
Since Inception	5.16%	4.65%	0.51%

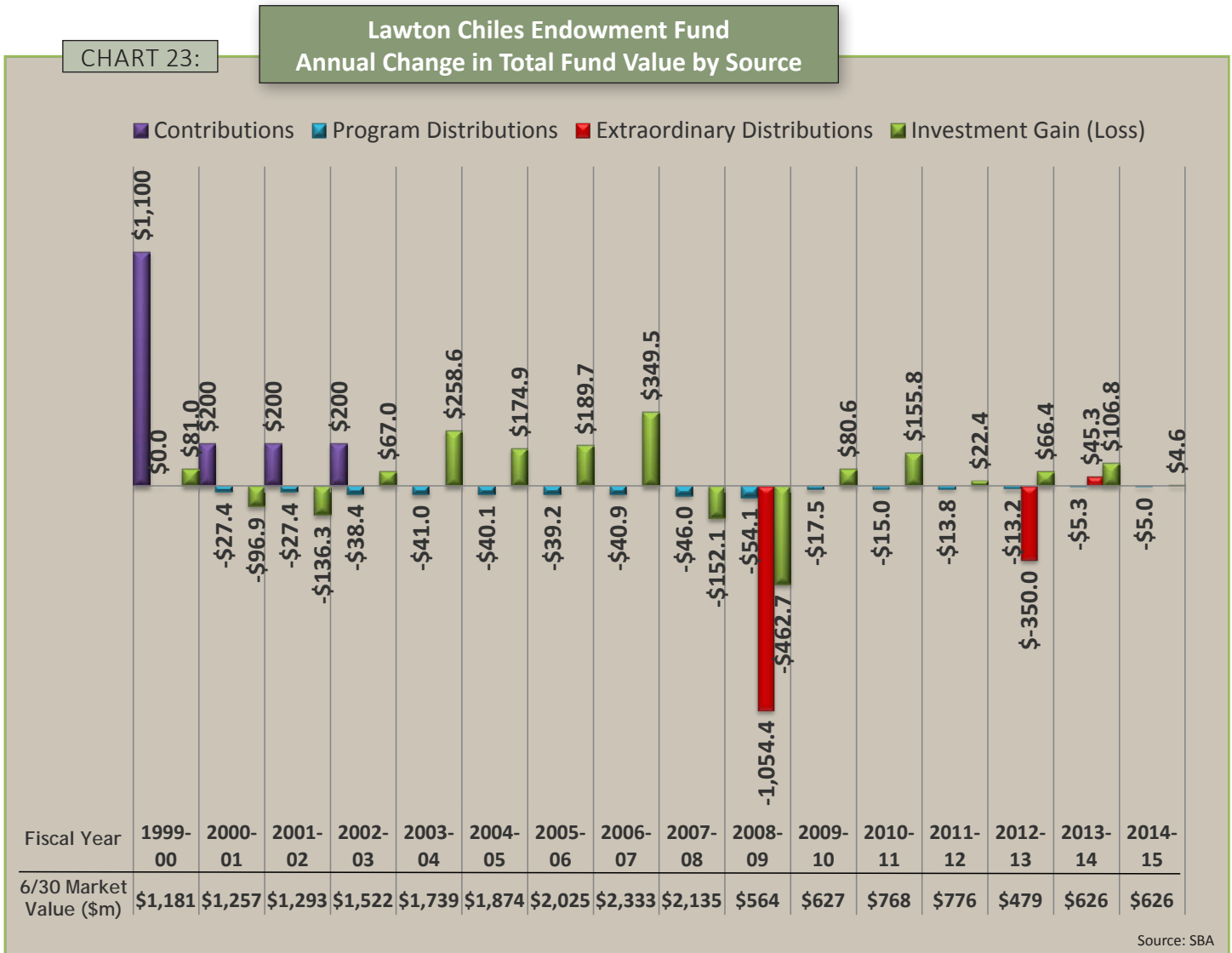
- All returns are annualized for periods indicated through June 30, 2015.
- Benchmark is a weighted blend of individual asset class target indices as applicable; weights and benchmarks are established in the Lawton Chiles Endowment Fund Investment Policy Statement.
- Inception of the Fund was July 1999.
- Numbers may not total due to rounding.

Source: SBA



The Wekiva River (sometimes spelled Wekiwa, a Creek word meaning spring of water) is a 16.0-mile-long river in Central Florida, north of Orlando. It originates in Apopka, Florida and joins the St. Johns River, the longest river in the state, in DeBary, Florida.

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 (light blue bars) has been earnings on those initial investments (green bars). The Fund’s assets were substantially reduced by the extraordinary payouts, and partial repayments (red bars).



Cost

External investment management fees, by asset class, paid by the Fund are presented in table 29.

TABLE 29:

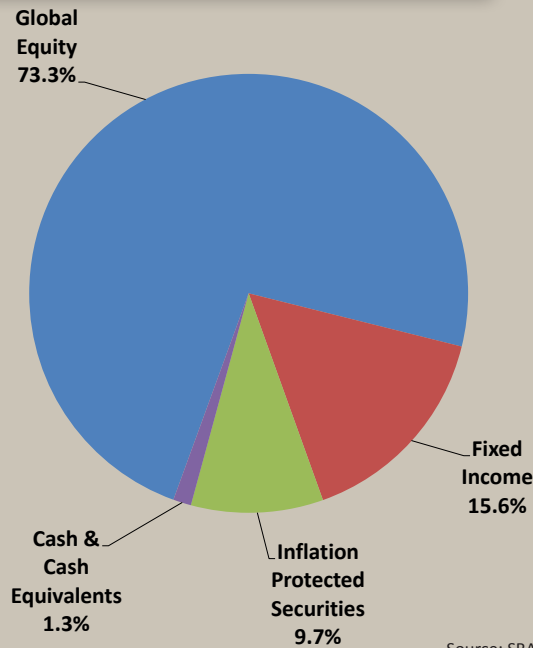
External Investment Management Fees Fiscal Year 2014-15

Asset Class	Dollar Amount
Foreign Equities	\$ 452,698
Fixed Income	34,034
Inflation-Indexed	15,364
Total	\$ 502,096

Source: SBA

CHART 24:

**Lawton Chiles Assets by Type
\$625.71 Million as of June 30, 2015**



Source: SBA

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, 2015. Table 30 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 30:

**LCEF Returns to Asset Allocation
Periods Ending June 30, 2015**

	Policy Return	Implementation Return
One Year	0.68%	0.76%
Three Years	8.23%	8.12%
Five Years	9.95%	10.01%
Ten Years	5.61%	5.43%
Since Inception	4.86%	4.65%

Source: SBA

Asset Classes

As of June 30, 2015, assets of the Lawton Chiles Endowment Fund are currently divided into four classes: Global Equity, Fixed Income, Inflation-Protected Securities, and Cash Equivalents. Table 31 presents returns by asset class over various periods ending June 30, 2015.

TABLE 31:

**Lawton Chiles Endowment Fund Actual Returns
by Asset Class for Periods Ending June 30, 2015**

	Actual Return	Benchmark Return	Actual Over (Under) Bmk.		Actual Return	Benchmark Return	Actual Over (Under) Bmk.
Global Equity				TIPS			
One Year	0.76%	0.77%	(0.01%)	One Year	(1.63%)	(1.73%)	0.10%
Three Years	15.47%	13.67%	1.79%	Three Years	(0.70%)	(0.76%)	0.06%
Five Years	15.60%	14.12%	1.48%	Five Years	3.30%	3.29%	0.01%
Ten Years	7.54%	6.91%	0.63%	Ten Years	4.46%	4.13%	0.33%
Fixed Income				Cash Equivalents			
One Year	2.04%	1.86%	0.19%	One Year	0.46%	0.05%	0.41%
Three Years	2.03%	1.83%	0.20%	Three Years	0.39%	0.06%	0.32%
Five Years	3.50%	3.35%	0.16%	Five Years	0.64%	0.12%	0.52%
Ten Years	4.50%	4.44%	0.07%	Ten Years	1.97%	1.53%	0.44%

• Numbers may not total due to rounding..

Source: SBA

Portfolios by Asset Class

Table 32 shows the beginning and ending market values for each asset class and individual Endowment Fund portfolios, together with net contributions and withdrawals, and investment gain or loss.

TABLE 32:

Lawton Chiles Endowment Fund Assets Under Management Market Value Change by Asset Class and Portfolio, Fiscal Year June 30, 2015

	Market Value 6/30/2014	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2015
Global Equities Portfolios				
- Chiles Domestic Equities Russell 3000 xTobacco	\$2,031	(93,481)	97,157	\$5,707
- Chiles Domestic Equities Transition Account	111,444	(117,411)	6,553	585
- Acadian- Chiles (ICEF)-Foreign Equities	466,489,855	(11,169,925)	3,618,502	458,938,432
Fixed Income Portfolios				
- Chiles Barclays Aggregate	91,699,308	3,900,000	1,976,382	97,575,690
- Chiles Fixed Income Cash Expense ¹	0	1,934	(1,934)	0
Inflation-Indexed Bond Portfolios				
- Chiles TIPS Account	230,675	(255,650)	24,976	1
- BlackRock TIPS Passive	59,202,840	2,755,650	(1,014,186)	60,944,303
- Chiles TIPS Cash Expense ¹	0	1,820	(1,820)	0
Cash/Short-Term Portfolios				
- Chiles Cash	8,362,475	(159,072)	38,539	8,241,941
- Chiles Cash Expense ¹	0	1,618	(1,618)	0
- Chiles Securities Lending	5,612	(5,699)	87	0
- Chiles Total Fund Expense ¹	0	140,217	(140,217)	0
Total Lawton Chiles Endowment	\$626,104,239	\$(5,000,000)	\$4,602,422	\$625,706,661

¹ Account was opened during the fiscal year.

• Numbers may not total due to rounding.

Source: SBA



The Apalachicola River is approximately 112 miles long in the State of Florida. This river's large watershed drains an area of approximately 19,500 square miles into the Gulf of Mexico.

Photo credit - "Torreya Park Apalachicola River pano02" by Ebyabe - Own work. Licensed under CC BY 2.5 via Commons - https://commons.wikimedia.org/wiki/File:Torreya_Park_Apalachicola_River_pano02.jpg#/media/File:Torreya_Park_Apalachicola_River_pano02.jpg

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
- 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.

Other

- Police and Firefighters' Premium Tax Trust Fund
- Bond Fee Trust Fund
- Arbitrage Compliance Trust Fund
- Insurance Capital Build-up Program
- Inland Protection Financing Corporation
- Florida Endowment for Vocational Rehabilitation
- McKnight Doctoral Fellowship Program
- FSU Research Foundation
- Pinellas Suncoast Transit Authority
- Florida Prepaid College Plan Administrative Expense
- Florida College Investment Plan Administrative Expense
- SBA Administrative Fund
- PEORP Administrative Fund

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Attorney General Pam Bondi

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As of June 30, 2015

**For additional resources and information on the
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