STATE BOARD OF ADMINISTRATION

investment report

TWO THOUSAND AND TEN

our mission

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

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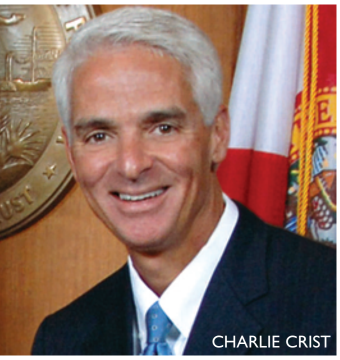
* For the second year, the SBA is presenting its Investment Report in two parts: a printed main section with information relevant for most stakeholders and an electronic supplement with additional details. The supplement is available at www.sbafla.com/annualreports. Both parts can be accessed and printed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



letter from the trustees

November 1, 2010

TO THE HONORABLE MEMBERS OF THE FLORIDA SENATE AND HOUSE OF REPRESENTATIVES:

It is our privilege to submit the annual Investment Report of the State Board of Administration of Florida (SBA) for the fiscal year ended June 30, 2010, 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. At the end of the fiscal year, the total net asset value of the Florida Retirement System, including the Pension Plan and Investment Plan, was $114.3 billion, and all mandates and trusts under SBA management were $133.5 billion.

The SBA's four largest mandates, the FRS Pension Plan, the FRS Investment Plan, Florida PRIME and the Hurricane Catastrophe Fund, continue to perform well and receive accolades. Specifically, the Florida Retirement System Pension Plan has consistently been recognized for its performance and low cost, as well as posting very favorable returns for the fiscal year. The long-term investment performance of the FRS Pension Plan, the fourth-largest public pension fund in the nation, is the result of our commitment to being responsible investment fiduciaries. As such, we act solely in the best interest of the FRS members.

The Florida Retirement System Investment Plan, the optional retirement plan for covered employees, continues to grow and provide FRS members a viable alternative for retirement benefits. The FRS Investment Plan also posted year-end gains and record participation of more than 127,000 members and exceeded $5 billion in assets for the first time since its inception.

Florida PRIME, previously known as the Local Government Investment Pool, has been completely revamped and continues to provide a low-cost investment alternative for eligible participants. Florida PRIME focuses on safety, liquidity and performance and continues to be utilized by hundreds of governmental investors. Since 1998, Florida PRIME/LGIP has paid participating organizations more than $6.8 billion in interest and provided its investors with cost savings of more than $300 million.

The Florida Hurricane Catastrophe Fund finished the year in its healthiest financial position since its creation in 1993. Managing the collective assets of the Florida Hurricane Catastrophe Fund is the second largest mandate of the SBA. Changes made in 2009 by the Florida Legislature improved the program's ability to meet its potential needs by reducing optional program coverage and gradually increasing its pricing. Legislation passed in early 2010 helped further rein in exposure to potential losses. As Trustees, we are dedicated to ensuring that the SBA discharges its duties to invest Florida's assets ethically, prudently and in strict accordance with applicable law and policies. The SBA continues to evolve based on current trends and needs. This annual report highlights many of the successes resulting from the improvements implemented over the past several years.

We encourage you to review this annual Investment Report. Please let us know if you have any questions. Additional information is available on the State Board of Administration's website at www.sbafla.com. Thank you for taking an interest in the SBA and its commitment to the principles of trust, integrity and performance.

Respectfully submitted,

Governor, as Chairman

CHARLIE CRIST

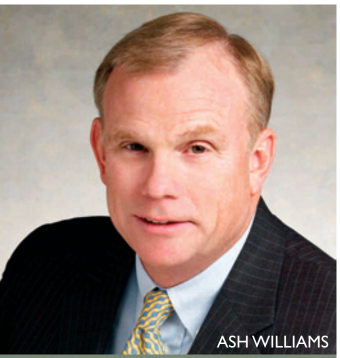
Chief Financial Officer, as Treasurer

ALEX SINK

Attorney General, as Secretary

BILL MCCOLLUM

The long-term investment performance of the FRS Pension Plan, the fourth-largest public pension fund in the nation, is the result of our commitment to being responsible investment fiduciaries. As such, we act solely in the best interest of the FRS members.



ASH WILLIAMS

The SBA exceeded its investment objectives for fiscal year 2009-10, capturing significant economic benefit as global financial markets recovered from the cathartic upheaval of the prior year.

report from the executive director

The State Board of Administration of Florida progressed on many fronts during fiscal year 2009-10. Following one of the worst financial downturns in history and managing through significant uncertainty and market volatility, we not only delivered solid investment performance but also strengthened our organization by adding talent, embracing new initiatives and tightening many existing policies.

Committed to Continuous Improvement

The SBA adheres to stringent investment and risk controls, high ethical standards and comprehensive disclosure policies. Many of these were broadened and strengthened over the past fiscal year. For example, an independent Risk Management and Compliance unit was established and is fully operational, enhancing the SBA's control environment. Also, our three independent oversight bodies – the Investment Advisory Council, the Participant Local Government Advisory Council and the Audit Committee – continued to provide excellent oversight and guidance. I'd like to thank them on behalf of all stakeholders for their generous contributions of time and talent. In addition, the Florida Legislature provided meaningful active oversight through CS/CS/HB 1307, which made several SBA governance changes, including:

- Giving the SBA's independent audit committee express statutory responsibility for assisting the SBA in its investment responsibilities.
- Requiring minimum professional qualifications for the position of SBA Executive Director and for Investment Advisory Council members.
- Expanding the Investment Advisory Council from six to nine members and requiring it to meet at least quarterly.
- Expanding ethics and disclosure requirements for investment advisers and managers.

The SBA is committed to providing superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards. We will continue to pursue methods to improve in these areas in order to continue to serve our participants in the most appropriate, beneficial and financially sound manner possible.

Delivering Sound Investment Performance

The SBA exceeded its investment objectives for fiscal 2009-10, capturing significant economic benefit as global financial markets recovered from the cathartic upheaval of the prior year. For our largest mandate, the Florida Retirement System Pension Plan, the total fund net return was 14.03%, 2.53% ahead of target. Investment returns added $13.9 billion to the fund before net distributions of $4.1 billion to retirees, resulting in a net asset value increase of $9.8 billion.

In addition to the FRS Pension Plan, the SBA manages more than 30 other mandates focusing primarily on safety and liquidity. These funds performed in line with their objectives during the past fiscal year. Detailed results for all funds are included in this report.

FRS Among the Best

The FRS Pension Plan continues to be one of the best-run public pension funds in the United States. In fact, independent research once again confirmed that the FRS is one of the best-funded pension plans in the nation. It was recently recognized by the Pew Center on the States as one of four model pension funds, entering 2008 fully funded. Additionally, the FRS was highlighted as the top performing large U.S. pension fund for calendar year 2009 by Wilshire/TUCS and was deemed among the most cost-effective pension providers among its peers by CEM Benchmarking Inc.

FRS Core Characteristics Are Core Strengths

The five characteristics of the FRS Pension Plan outlined below and in our fiscal year 2009-10 report continue to be important strengths that will contribute to our future investment success.

- *We are large.* The FRS Pension Plan has historically ranked among the largest five public pension plans in the nation and among the largest in the world. We use our size to great advantage in scale economies. Our size gives us negotiating leverage by making us an attractive investment partner. Among large peer public and private plans, the SBA's "all-in" cost to manage Pension Plan assets is among the very lowest. Details appear on page 25 of this report.

- *We are liquid.* The SBA thoughtfully and conservatively manages known and potential cash needs so that benefit payments or other obligations can be met timely using primarily our own resources. This protects our ability to invest when others cannot, a powerful advantage. This approach spared the SBA from the harsh lesson learned by many in the 2008-09 financial downturn. Depending on others for liquidity is a dangerous strategy because the external source(s) of liquidity may be lost in times of stress. This independence and flexibility is a powerful advantage for preserving fund wealth and making benefit payments timely and efficiently.

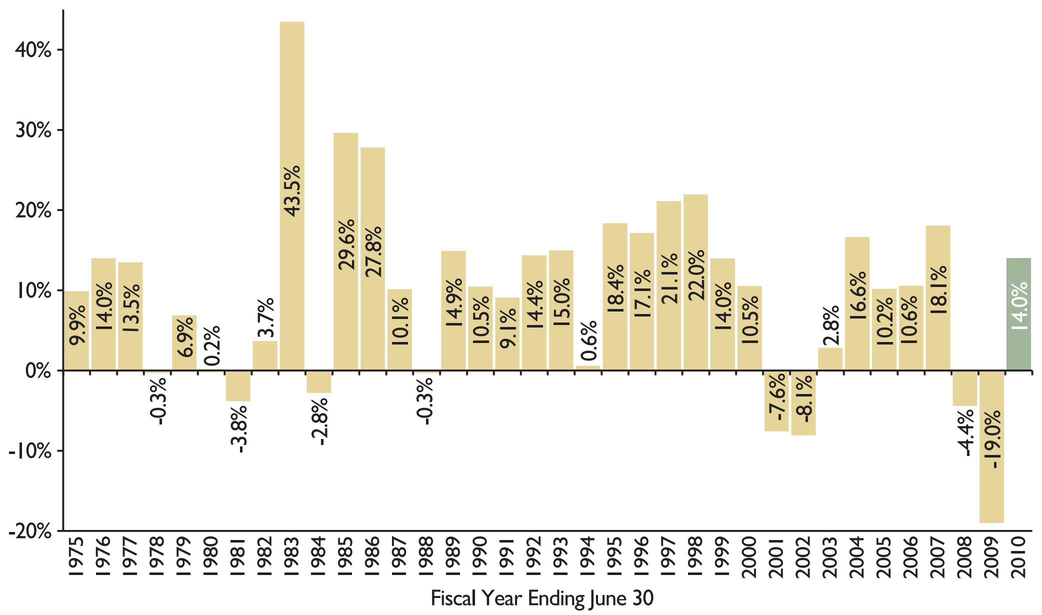
- *We are investing for the long term.* As Chart 3 shows, over the long run, patient investors have been handsomely rewarded, notwithstanding interim market setbacks.

- *We are highly diversified.* We principally face broad market risk because our portfolios are sufficiently diversified to minimize individual security risk. To the extent we use any leverage, we do so judiciously to avoid amplifying downside risk.

- *We are healthy.* The FRS Pension Plan remains one of the best-funded, and therefore strongest, public plans in the country.

The FRS was highlighted as the top performing large U.S. pension fund for calendar year 2009 by Wilshire/TUCS and was deemed among the most cost-effective…

CHART 1: FRS PENSION PLAN
SBA Managed Returns by Fiscal Year



The 2009-10 fiscal year saw a return to positive earnings in the FRS Pension Plan portfolio. Returns have been positive, and typically double-digit, in 28 of the past 36 years.

The Hurricane Catastrophe Fund is in its healthiest financial position since its creation in 1993.

Investment Plan Continues to Grow

The FRS Investment Plan, the optional retirement plan for participating employees, also posted year-end gains. Attracting more than 127,000 participants, the fund exceeded $5 billion in assets for the first time since inception. The return for the Plan was 11.07% for the year, beating the applicable benchmark of 10.32% by 75 basis points.

Hurricane Catastrophe Fund Strengthened

Managing the collective assets of the Florida Hurricane Catastrophe Fund is the second largest mandate of the SBA. Changes made in 2009 by the Florida Legislature improved the program's ability to meet its potential payouts by reducing optional program coverage by $2 billion per year and gradually increasing the price of all insurance support offered. Legislation passed in early 2010 helped further limit and stabilize the program's capacity. It is now able to provide coverage with less dependence on debt because it has greater cash resources to offset claims.

These changes have placed the program in its healthiest financial position since its creation in 1993. For the current contract year (2010-11), the program's potential obligations are $18.7 billion – down by approximately $10 billion from its maximum in 2008. The program is expected to have more than $6 billion in cash reserves built up through premiums and currently has pre-event note proceeds providing liquidity for another $3.5 billion, bringing the total liquidity position to $9.5 billion. Depending upon the level of coverage clients select for the 2010-11 contract year, the most the program would need to issue in debt following a hurricane is about $9.2 billion, although it has the potential to issue around $16 billion.

Florida PRIME

Florida PRIME, the Local Government Surplus Funds Trust Fund, continues to be utilized by hundreds of governmental investors and has made numerous enhancements over the past year, including expanded reporting, new web functionality, improved service, and strengthened investment guidelines.

Florida PRIME offers the highest level of value for governmental investors. As the lowest-cost investment pool in the state, total fees are only 2.57 basis points (or 0.0257%) annually – a fraction of the cost of other pool options in Florida.

Table 1: One-Year Returns for Major SBA Portfolios
12 Months Ending June 30, 2010

	Managed Return	Target Return	Managed vs. Target
FRS Pension Plan	14.03%	11.50%	2.53%
FRS Investment Plan	11.07%	10.32%	0.75%
Lawton Chiles Endowment Fund	14.21%	13.67%	0.54%
Florida PRIME	0.29%	0.22%	0.07%

Heightened Public Concern Regarding Pension Funds

I want to turn to a topic of great interest to members of the Florida Retirement System. As governments throughout the U.S. and Western Europe adapt to fiscal austerity, sustainability of public pension plans is among many policy areas of keen interest. Many plans have been severely underfunded or unfunded for years; some enriched participant benefits in boom times but did not have the means to properly fund them over the long haul. Floridians are fortunate to have a well-structured and well-managed pension system that offers both defined benefit and defined contribution options and has avoided the mistakes that have troubled many others. All in all, the FRS plans are a very positive exception to the rule. This is an important distinction: all public pension plans are not the same. Florida's retirement system is viewed as a model by many. Since its creation in the 1970s, stewardship of the Florida Retirement System has been guided by three key principles: reasonable benefits, responsible funding and prudent investing. The Legislature determines plan structure, benefit levels and funding. The State Board of Administration manages the assets consistent with statutory authority, and the Division of Retirement administers benefits.

Since its creation in the 1970s, stewardship of the Florida Retirement System has been guided by three key principles: reasonable benefits, responsible funding and prudent investing.

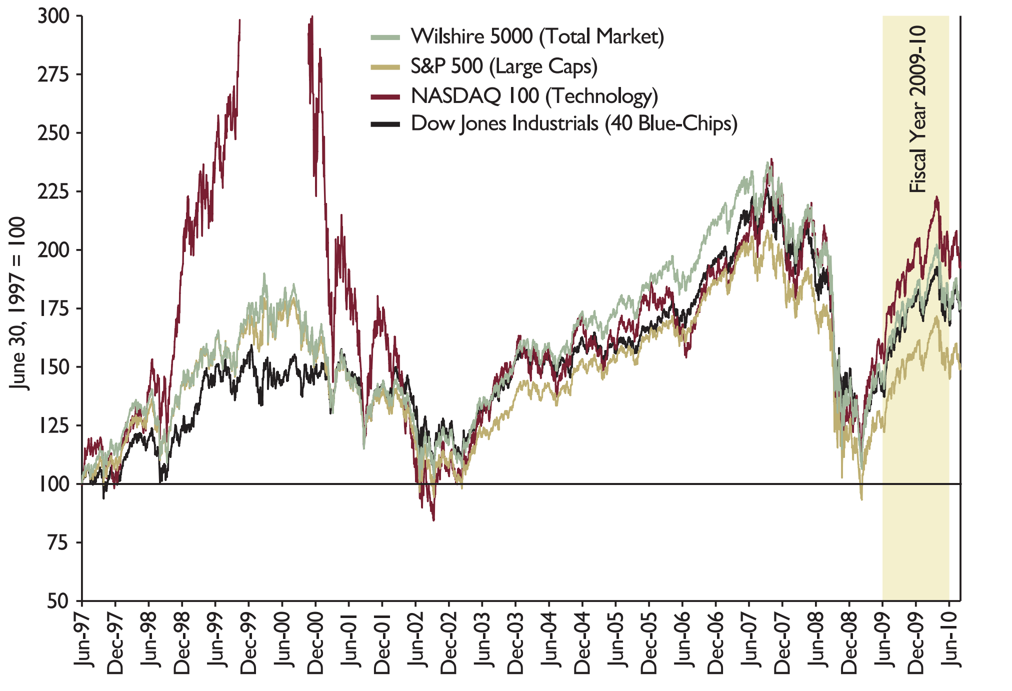
History has shown this to be a productive partnership. The FRS was created in 1975 by combining a number of state and local pension funds, all grossly underfunded. The initial "funded ratio," a measure of pension plan strength that expresses the relationship between a plan's assets and liabilities, was *below 50%*. With the benefit of periodic incremental changes in the SBA's investment authority, the SBA has cumulatively exceeded its investment return objective by 89 percentage points since 1990. Investment returns, together with responsible funding consistent with Florida's constitutional requirements, enabled the FRS funding ratio to improve dramatically over time, peaking at 118% in 2000. This enabled the Legislature to maintain constitutionally required funding at a lower cost to employers (the majority of which are local government agencies). The cumulative savings to the state and local governments has been nearly $4.3 billion.

The tradition of constructive partnership among the SBA Trustees, the Legislature and the SBA staff is alive and well, and we continue to work aggressively to keep it that way.

Economic and Financial Market Environment

In late 2008 and early 2009, there was a frighteningly real possibility of a collapse of the global financial system. It was only through massive and coordinated intervention by world central banks and policymakers that, by the second half of 2009, stability began to return to financial markets.

CHART 2: MAJOR U.S. STOCK MARKET INDICES
June 1997 through August 2010



The past decade contained major disappointments for equity investors. The total U.S. stock market, best represented by the Wilshire 5000 (green line in the chart above), fell to very near its June 1997 level (pre-tech bubble) twice in that period. However, from its most recent low in March of 2009, the total market was up over 60% by the end of fiscal year 2009-10.

We have no incentive to take more risk than necessary to accomplish our investment objectives and, in fact, have strong disincentives for excessive risk-taking.

While the initial turnaround, at least in the equity markets, was dramatic, economic recovery has been slow overall. From this point forward, three scenarios are plausible: (1) the country experiences a slower than normal recovery, ultimately returning to normalcy, with federal intervention proving to have been not too hot and not too cold; (2) federal intervention proves to have been excessive, leading to serious inflation and the accompanying erosion in the value of monetary assets; or (3) despite the federal stimulus, the country faces a protracted period of deflationary slow- or no-growth as excess leverage built up over the boom years is extracted from the system, exacerbated by a drag from shifting age demographics. Credible arguments can be made for any of these outcomes, so investors have a choice: make a bet that one of these views is correct or conclude that the future is unknowable. Portfolios can be structured to accommodate any of these views. The key is deciding on the best course.

An investor's answer to this question reflects how they view risk. Those willing to bear the costs of being wrong given the upside of being right could make an explicit choice of one of the extremes and bet accordingly. Those who cannot reach a confident conclusion or choose not to take the major downside risk associated with a one-dimensional bet might seek a mix of investments that would not capture all of the upside potential but would protect capital from the impairment resulting from being wrong.

SBA's Investment Strategy for the FRS Pension Plan

At the SBA, we are guided by a simple objective: meet or exceed the portfolio benchmark. The benchmark reflects a target mix of assets carefully constructed to achieve long-term returns that will meet or exceed our actuarial and real return targets. We have no incentive to take more risk than necessary to accomplish our investment objectives and, in fact, have strong disincentives for excessive risktaking.

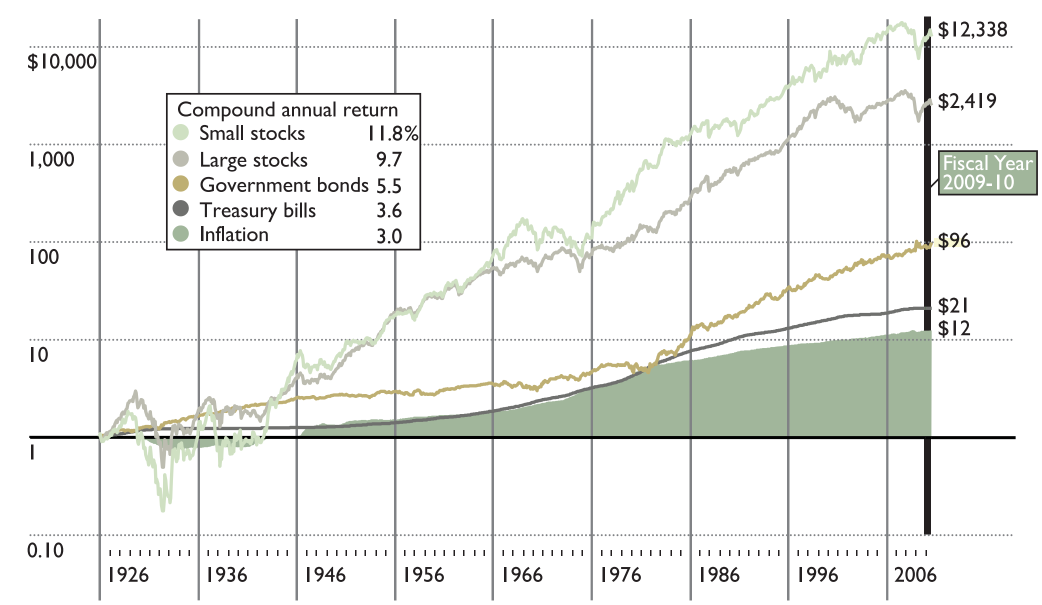
In a world as uncertain as the present, we need to be opportunistic, taking active risk only where we are likely to be rewarded for doing so and otherwise taking only passive market exposure. This approach keeps costs low (a dollar saved is as good as a dollar earned) and virtually eliminates the risk of underperforming broad asset class benchmarks. However, the degree to which we have passive market exposure will reflect the degree to which we are exposed to both gains and losses in the underlying markets. To protect capital when the broad markets decline, one needs some part of the portfolio dedicated to investment strategies that are not directly correlated to the broad equity or credit markets.

Diversifying our portfolio to include alternatives to long-only stocks and bonds, such as private equity, venture capital, special situation equity and credit, and hedge funds is the best way to accomplish two important objectives: sheltering the Pension Plan portfolio from the full force of stormy markets and adding opportunistic strategies that can make money in a range of market environments, not just in good times. Collectively known as alternative investments, these are the strategies where the world's best investment talent and investors congregate. But because this is the realm of institutional investors, it is less familiar, if not completely foreign, to most individual investors. Reflecting the natural human tendency to fear the unknown, some incorrectly perceive alternatives to be more aggressive, risky, highly levered, trading-oriented strategies lacking transparency. This simply isn't true. Leading charitable foundations, college and university endowments, and corporate and public pension funds choose to make substantial (commonly 30% or more) commitments to alternative investments. In fact, the work we have done with our external consultants and Investment Advisory Council indicates that taking several steps, including reducing active and internal management, additional diversification of the Pension Plan portfolio, and increasing alternative investments incrementally over time (to a reasonable 16% allocation), would be prudent. These actions actually reduce total fund risk and are expected to reduce the present value of required employer contributions by $2 billion over the next 15 years. This is exactly why alternative investments are attractive; by helping to protect capital in down markets and capturing opportunities unavailable in long-only public markets, they help position us to reduce risk and compound capital more effectively over the long haul.

For these reasons, our investment policy for the FRS Pension Plan was amended effective July 1, 2010, to increase our exposure to alternative investments with the express intention of including a judicious measure of exposure to risk-controlled, diversifying hedge fund assets.

Alternative investments help to protect capital in down markets and capture opportunities unavailable in long-only public markets. As a result, they help us reduce risk and compound capital more effectively over the long haul.

Chart 3: Long-Term Asset Growth
Stocks and Bonds Versus Inflation
January 1926 through June 2010



Hypothetical value of $1 invested at the beginning of 1926.
Assumes reinvestment of income and no transaction costs or taxes.

Chart 3 compares the performance of stocks and bonds to inflation over the modern history of U.S. investment markets. Despite the Great Depression and sizeable setbacks in the 1970s and the decade just closing, returns to patient long-term investors have been substantial.

Looking Forward

Recoveries are not all created equal. The current one has its share of challenges and idiosyncrasies. This is always the case and will not set aside the fundamentals of economic cycles. Capitalism is not dead, and American ingenuity will continue to allow our country to adjust to and benefit from change as it has throughout its history. The SBA does not invest based on near-term economic or market views, so from our perspective, the timing of the recovery is largely academic. What matters for the SBA is having the right mix of well-diversified assets to capture economic benefits from global growth and having the policies and processes to prudently manage risk while doing so. We believe we are moving in the right direction and come to work every day looking for ways to broaden our perspective, sharpen our focus, refine our approach and make portfolio adjustments as needed to reflect changes in the market environment. Regardless of how this recovery progresses, we believe we are positioned properly to succeed over the long term.

As we have said before, we are human and will make mistakes. When we do, we will face them, heed the lessons learned and avoid repetition. Every investment will not be

It is the big picture, total fund performance over the long term, that matters most.

a winner; disappointments come with the territory. Just as a farmer can have some plants wither or die and still have a bountiful harvest, we can sustain some losses and still meet our objectives. It is the big picture, total fund performance over the long term, that matters most. With the help of our external managers and consultants, independent advisory groups, Trustees and the Florida Legislature, I believe the SBA has created and is continuing to build upon a solid tradition of responsible fiduciary service.

Respectfully submitted,

Ashbel C. Williams
Executive Director and Chief Investment Officer
State Board of Administration of Florida

economic and market events

Fiscal Year 2009-10

By the end of fiscal year 2008-09, the recession that hit the U.S. economy in late 2007 was 1 1/2 years old. Gross Domestic Product had fallen in five of the six quarters from the first quarter of 2008 to the second quarter of 2009, and by the end of that period stood 4.14% below its peak in late 2007. As Table 2 below shows, this made it the most severe U.S. recession in the post-war era.

The recession that hit the U.S. economy in late 2007 was the most severe U.S. recession in the post-war era.

Table 2: U.S. Post-World War II Recessions

Peak	Trough	Duration (months)	Decline in Real GDP
Nov 1948	Oct 1949	11	1.75%
Jul 1953	May 1954	10	2.65%
Aug 1957	Apr 1958	8	3.73%
Apr 1960	Feb 1961	10	1.58%
Dec 1969	Nov 1970	11	0.63%
Nov 1973	Mar 1975	16	2.78%
Jan 1980	Jul 1980	6	2.23%
Jul 1981	Nov 1982	16	2.87%
Jul 1990	Mar 1991	8	1.36%
Mar 2001	Nov 2001	8	0.33%
Dec 2007	Jun 2009*	18	4.14%

* Date is not official.
Source: National Bureau of Economic Research

However, by the summer of 2009, the economy began to show signs of recovery. Key to stemming its downward spiral was restoring stability in the financial sector. After the fall of Lehman Brothers helped cause a financial meltdown in the latter part of 2008, the Federal Reserve brought to bear both conventional and unconventional monetary policy tools. Not only did it push short-term interest rates close to zero, it intervened directly in financial markets – and the broader financial industry – with programs to support asset prices and shore up the balance sheets of major firms. Fiscal authorities also became deeply involved in efforts to refloat the economy by introducing programs to stimulate spending in hard-hit sectors. The newly installed Obama Administration pushed through an $871 billion package of tax cuts, tax credits and spending initiatives, and also came to the aid of a number of firms teetering on bankruptcy with infusions of government supplied capital. Moreover, measures such as those taken by U.S. policymakers were mirrored by authorities in other countries in a coordinated effort to staunch the global economic impacts of the financial crisis.

The decisive actions of policymakers paid quick dividends. The U.S. stock market bottomed in March 2009 and then began a steady climb that lasted into early 2010. Over that time, the S&P 500 rose almost 80%, making up just over 60% of its earlier plunge. In a similar vein, the MSCI All Country World Index ex-U.S. enjoyed an 88% rebound during that period. Fixed income markets recovered nicely with credit spreads falling several percentage points. Combined with Treasury rates driven lower by aggressive Fed actions, this made financing available on extremely attractive terms for companies able to access credit markets directly.

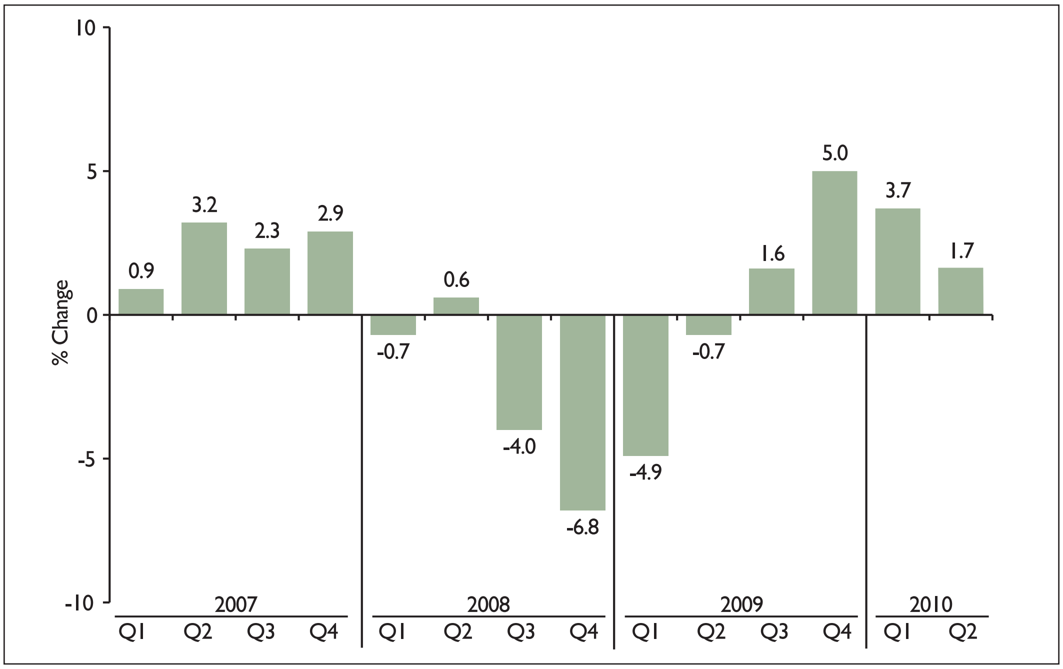
By mid-2009, data pertinent to the economy itself were showing noticeable improvement, lending credence to the stock market's perception that the worst was over. The manufacturing sector was an early gainer. In July 2009, the Institute for Supply Management's (ISM) index of manufacturing activity jumped 3.7 points to 49.1, and in

The goal of fiscal policies enacted in 2009 was to attempt to mitigate the damage to the economy from the financial crash until the private sector was healthy enough to generate growth on its own.

August, it rose another 3.7 points to 52.8. This marked the first time it had been above the crucial level of 50 since January 2008 – when the recession was in its infancy. Part of the upturn in manufacturing was due to rising auto demand sparked by the "cash for clunkers" program. Another factor benefiting the factory sector was a weak U.S. dollar that boosted foreign demand for U.S. goods.

Real GDP posted a 1.6% gain in the third quarter of 2009. The U.S. consumer contributed to the rise in real GDP with real personal consumption expenditures growing at a 2% annual rate. This ended a six quarter stretch of very weak consumption data. Granted, a large part of the overall gain in household spending came from a 20.1% jump in durable goods purchases, largely on auto sales related to the aforementioned "cash for clunkers" program. Similarly, real residential fixed investment rose 10.6% after 14 consecutive negative quarters dating to early 2006. Activity in housing was boosted by a Federal tax credit for first-time homebuyers. Of course, these temporary stimuli were not expected to propel full recoveries in autos and housing, but the goal of fiscal policies enacted in 2009 was to attempt to mitigate the damage to the economy from the financial crash until the private sector was healthy enough to generate growth on its own. And real GDP did continue to grow over the rest of the fiscal year as shown in Chart 4.

Chart 4: U.S. Real GDP Growth
Seasonally Adjusted Annualized Rates of Change



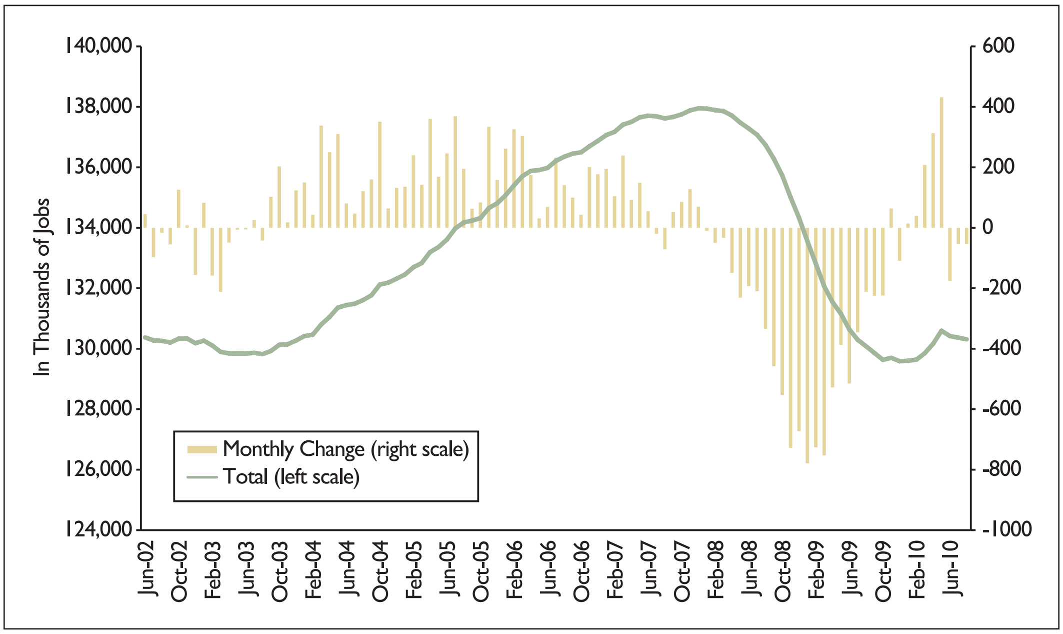
In the fourth quarter of 2009, real GDP jumped 5%, leading to optimistic predictions of a V-shaped recovery, which has been the norm coming out of past deep recessions. However, the large rise in real GDP in late 2009 was a bit misleading as much of it came from exports and inventory building. Neither of these can be counted on to sustain a recovery. Unfortunately, several critical areas of the economy were showing less resilience than past experience suggested they should. Notable was the housing sector. The Federal tax credit to assist homebuyers was able to generate some gains in housing in late 2009 and early 2010. However, the overall impact on that sector was relatively small, and once the tax credit expired, activity slipped back to weak levels. In all likelihood, full recovery in housing is still some time off. During the middle part of the last decade, the housing market became overinflated by easy credit and lax lending standards that had given rise to extensive speculative activity. Mortgage-backed debt related to this feverish boom played a pivotal role in the financial bust that brought the global economy down. Once the subprime mortgages that underlay those toxic securities began to default in large numbers, a surge of foreclosures helped deflate the bubble in home prices. The Case-Shiller Index of residential property prices in 20 major cities peaked in July 2006. By April 2009, it had fallen 32.6%. Since then, it has recovered modestly, but home prices continue to fall in areas especially hard-hit by foreclosures. Until home prices have stabilized nationally and the flood of residential mortgage defaults has run its course, the housing market will remain soft. Likewise, overbuilding in some parts of the country led to a surplus of available commercial real estate space that has depressed rents and property values.

The major source of disappointment in the economy's rebound thus far has been the labor market.

Markets for private investments in general were still nowhere near normal by the end of the fiscal year. Private equity deal flow was well off pre-recession levels, and hedge funds were finding investors wary after problems encountered during the crisis. Of course, these sectors will eventually recover, and buying in when things are soft generally brings advantageous terms.

All this said, the major source of disappointment in the economy's rebound thus far has been the labor market. Jobs fell dramatically during 2008, but began to reverse that trend in late 2009, when total employment increased 64,000 in November. Beginning in January 2010, employment rose for five straight months before falling in July through August. It should be observed that the monthly data for 2010 are distorted by the hiring (and subsequent layoffs) of thousands of short-term census workers. Private payrolls rose every month in 2010 through August. However, this distortion is minimal in the case of the cumulative change in the level of employment. As illustrated by the solid green line in Chart 5, it declined some 8 million workers from its peak in late 2007 to its trough in 2009. It now stands roughly 10% above that low. The economy has seen jobless recoveries in the past, but none as jobless as this.

Chart 5: Non-Farm Employment



Given these lingering areas of softness, it was not surprising that the economy cooled in 2010, with real GDP growth dipping to 3.7% in the first quarter and 1.7% in the second. This cooling was partly related to the sovereign debt crisis that hit Europe and unsettled global financial markets for several months. Beginning in late April 2010, the S&P 500 began a steep descent, falling 16% from 1217.3 to 1022.6 by July 2010. Persistent fears over bank failures resulting from government debt defaults and the possibility of another credit crunch were largely responsible for this plunge. As the market dropped, talk of a potential double-dip recession grew louder and more widespread. Aside from the situation in Europe, this chatter was fed by softening of a number of high-frequency data series in the U.S. For instance, the ISM indexes

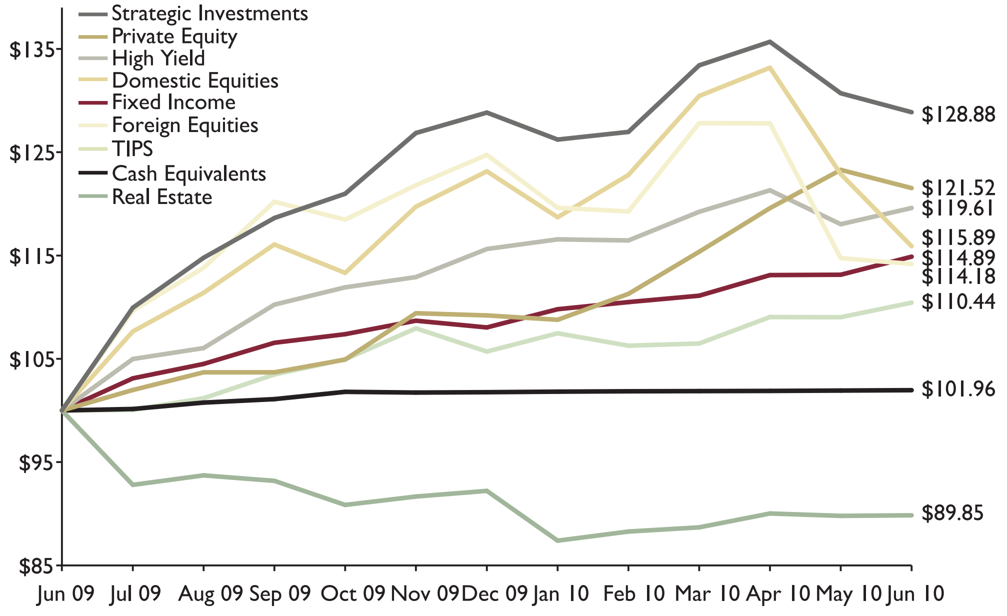
Growth is expected to be at a relatively subdued pace, since neither businesses nor households are eager to ramp up spending.

retreated from their highs, housing starts fell after the tax credit expired, and new jobless claims rose. With Federal stimulus fading, it seemed likely to many that the economy could face another down leg. More recently, that talk has abated as the aforementioned data appear to have stabilized – without falling to recessionary levels. The most likely outcome still appears to be sustained growth. Unfortunately, that growth is expected to be at a relatively subdued pace, since neither businesses nor households are eager to ramp up spending. This would preclude substantial gains in job growth, which are needed for the overall economy to expand more rapidly.

Policy should remain stimulative near-term. The Fed has been on hold for several months and has yet to start withdrawing reserves from the banking system. Inflation hawks find this disturbing, but if banks are not loaning out reserves – and they have not been – those reserves do not increase aggregate demand and do not cause inflation. In fact, at the moment, the Fed seems more concerned with deflation. Consumer price inflation in the U.S., outside the energy and food areas, has been trending gradually lower for several years, and the Fed does not want the U.S. to fall into a deflationary spiral such as Japan experienced in the 1990s. Until it sees much larger employment gains and loan originations by banks, it will likely refrain from raising interest rates or contracting its balance sheet.

Chart 6: Asset Class Net Investment Gains

Growth of $100 Invested During Fiscal Year 2009-10



Based on FRS Pension Plan asset class returns. However, TIPS (Treasury Inflation-Protected Securities) returns are based on that class in the Lawton Chiles Endowment Fund.

This chart illustrates month-by-month cumulative earnings of each asset class managed by the SBA. The numbers at right indicate the value at fiscal year-end of $100 invested in each of the classes at the start of the year.

risk and the investment process

There can be no investment return without the acceptance of risk.

Introduction

Risk is the potential for disappointment. Those who invest in financial instruments face a constellation of risks, some tied to the performance of the instruments themselves, some tied to the strategy for selecting the instruments, and yet others tied to the transactional processes through which investments are made. Every form of risk ultimately bears upon one fundamental consideration: the investment objective. The investment objective states the goals an investor seeks to meet in putting his capital at risk.

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

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

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

Why Take Risk

Some investment risk must inevitably be accepted in order to meet any investment objective because there can be no investment return without the acceptance of risk. As the Barron's Dictionary of Finance and Investment Terms puts it, "if you don't want the risk, don't expect the return" – or, colloquially, "no pain, no gain."

In well-functioning financial markets, investors are willing to accept higher risks only with a reasonable expectation of a higher return. Demand and supply of capital are what ultimately cause higher risk investments to yield higher returns over the long term. Higher risk endeavors will simply not attract capital unless their expected return is sufficiently high to overcome the uncertainty of gain. This stands in contrast to low-risk investments which, because of a relatively ample capital supply, yield lower returns.

The challenge for the thoughtful investor is to carefully assess his or her own tolerance for disappointing results versus the applicable investment objective, weigh the likely distribution of outcomes from various investment strategies, and select the course that appropriately balances likely outcomes over the investment horizon. By this process, the investor develops a portfolio which is best suited to his or her needs.

Commonly, portfolios which emphasize capital preservation are thought of as low risk, whereas those that emphasize capital growth are deemed higher risk. These characterizations are certainly accurate if risk is viewed narrowly in the context of return

To a long-horizon investor, year-to-year variation in asset values is not the principal risk; rather, it is the failure to accumulate sufficient wealth over the long run.

volatility. For those with a short planning horizon, return volatility is indeed a significant risk – as is the risk of illiquidity.

However, investors with a long planning horizon may rationally conclude just the opposite. A young person with a 30-year career ahead and possibly another 30 years of retired life would be ill-served to invest his or her retirement savings in a portfolio of so-called low-risk (i.e., low-volatility) securities. Such a strategy would indeed avoid the psychological stress of seeing sharp declines in the market value of the portfolio from time to time. However, by the time the portfolio needed to be liquidated, the investor would likely find it supported a far lower standard of living than one with higher interim volatility. To such an investor, year-to-year variation in asset values is not the principal risk; rather, it is the failure to accumulate sufficient wealth over the long run.

How the SBA Manages Risk: The Big Picture

Like other long-term oriented investors, the SBA has concluded that cash investments – those that have the least volatility and the greatest likelihood of capital preservation – are the riskiest types of assets for the FRS Pension Plan portfolio. This is because they are least likely to provide the long-term growth necessary to support the FRS Pension Plan's liabilities and cash flows. Conversely, they are the most appropriate investments for Florida PRIME, given its emphasis on short-term liquidity and capital preservation.

A clear understanding of the purpose for which funds are being invested is essential to effective risk management because the fundamental risks investors must manage are those which impede attainment of their investment objective. The SBA adopts investment policies for each of its portfolios that encompass both an appropriate investment objective for the selected mandate and an investment strategy designed to best support that objective.[1]

Further, as a major institutional investor with long-standing responsibilities, the SBA's investment policies and strategies are typically researched and evaluated over a significant period of time with careful oversight and input from the Investment Advisory Council, a professional advisory body, the Board of Trustees, and internationally-recognized investment consulting firms under contract to the SBA.

The following three examples illustrate the diversity of investment objectives among the funds managed by the SBA (note that investment objectives are often multi-part, reflecting the complexities and trade-offs inherent in real world situations):

- Florida PRIME's investment objective consists of three parts which, "in priority order, are safety, liquidity, and competitive returns with minimization of risks."

The funds invested in Florida PRIME are available for investment only because of a short-term mismatch between the revenue receipts and spending obligations of Florida local governments. Here the disappointment from a loss in principal is more consequential than the realization of a low yield. Investment risk is therefore managed by confining investments to a narrowly defined set of high quality, short duration "cash-equivalent" instruments.

- The FRS Pension Plan's investment objective, also multi-part, is to "provide investment returns sufficient for the plan to be maintained in a manner that ensures the timely payment of promised benefits to current and future participants and keeps

[1] These documents are provided in the electronic supplements to the SBA's investment reports, available at www.sbafla.com/annualreports. A discussion of the risks associated with financial instruments of the major asset classes managed by the SBA appears in Section 5 of the electronic supplement.

the plan cost at a reasonable level. To achieve this, a long-term real return approximating 5% per annum (compounded and net of investment expenses) should be attained, consistent with the actuarial investment return assumption of 7.75%. As additional considerations, the Board seeks to avoid excessive risk in long-term cost trends."

Because the FRS Pension Plan is essentially a perpetual trust fund – one which actuarially pre-funds retirement benefit obligations for current and future generations of plan beneficiaries – it can tolerate significantly more short-term fluctuation in the value of investments than the prior example. In fact, the objective of keeping plan costs "at a reasonable level" dictates the need for a relatively elevated long-term real return of 5% per annum. The SBA invests plan assets over a variety of investment types and tolerates a relatively high level of period-to-period fluctuation in asset values as a necessary condition of achieving the objective. Investment risk is managed by having a high degree of diversification across asset types (i.e., stocks, bonds, real estate, etc.) and securities.

- The investment objective for the Burnham Institute for Medical Research Fund is to "provide liquidity to fund the anticipated disbursement schedule of [Burnham] through 2015, with very limited risk of principal." A secondary objective is to maximize the overall yield, "given the quality, liquidity and funding constraints."

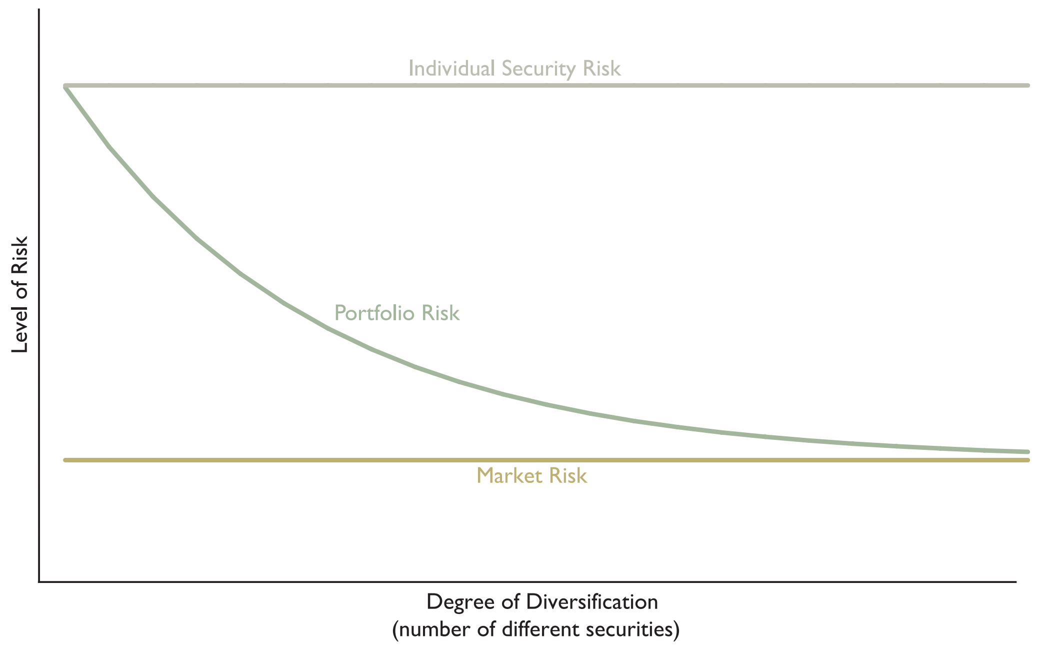
Because the objective contains highly specific payout requirements, as to both timing and magnitude, the objective is met by investing in fixed income securities with maturity dates and face values consistent with the prescribed liquidity obligations. Investment risk is managed by investing only in securities with minimal credit (non-payment) risk. Reinvestment risk is avoided by tying maturities directly to the payout schedule.

The SBA tolerates a relatively high level of period-to-period fluctuation in the FRS Pension Plan's asset values as a necessary condition of achieving its investment objective.

Risks Are Not All Created Equal

Assume an investor has carefully defined their investment objective and established the level of risk with which they are comfortable. They are then faced with the question of how to efficiently take risk.

CHART 7: THE IMPACT OF DIVERSIFICATION



Diversification can substantially mitigate the impact of security-specific risk on a large investment portfolio. As of June 30, 2010, the FRS Pension Plan portfolio held 15,764 unique security types.

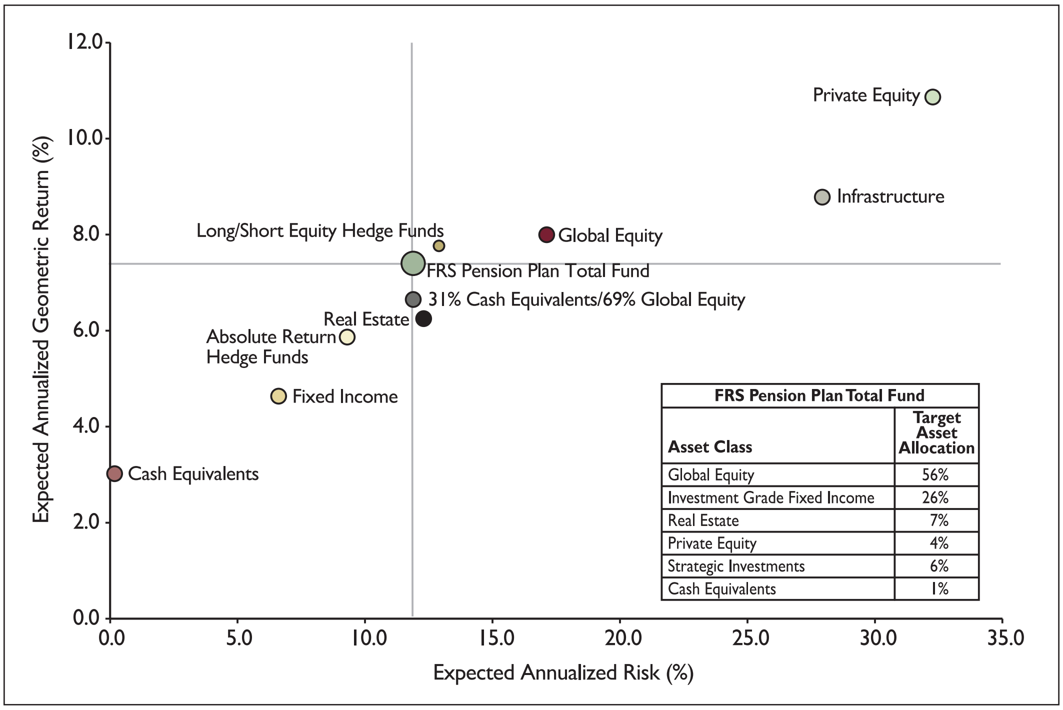
Whether applied across securities, asset types, investment managers or investment strategies, diversification is an essential tool to help portfolios weather changing economic and financial conditions.

On one hand, some types of investment risk may not be adequately rewarded. For instance, individual security risk within an asset class can be readily "diversified away" by simply holding broad collections of securities in a portfolio. Chart 7 (on page 19) is a graphic example of how diversification applies across a portfolio of securities to lower risk. Therefore, unless there is some unique insight regarding individual securities or an ability to influence the management/operations of a company whose securities are owned, there is no additional expected return associated with the higher risk of a concentrated portfolio. Importantly, diversification is a risk management tool that is utilized by the SBA across many dimensions of the investment process. Whether applied across securities, asset types, investment managers or investment strategies, diversification is an essential tool to help portfolios weather changing economic and financial conditions.

Similarly, portfolios with different mixes of asset classes and investment strategies can have comparable levels of overall expected risk, but some can be reasonably expected to perform better over time after costs than others. The work of Nobel Laureate Professor Harry Markowitz and others has been used to demonstrate how a portfolio can encompass investments with significant risk yet, in conjunction with appropriate exposures to lower risk investments, can provide a risk/return profile that is expected to outperform other combinations.

Chart 8 presents a graphical example of how a diverse mix of asset classes and investment strategies (like hedge funds) can produce an attractive risk/return trade-off. For instance, investing in a mix of 31% Cash Equivalents and 69% Global Equity has comparable risk, but significantly lower return than the target allocation shown in the table within Chart 8.[2]

CHART 8: EXPECTED RISK AND RETURN OF FRS PENSION PLAN TOTAL FUND



FRS Pension Plan Total Fund	
Asset Class	Target Asset Allocation
Global Equity	56%
Investment Grade Fixed Income	26%
Real Estate	7%
Private Equity	4%
Strategic Investments	6%
Cash Equivalents	1%

At the same time, there are types of risks associated with private equity, hedge funds, infrastructure and other so called "alternative investments" that are not readily quantifiable, but need to be factored into a prudent investment policy, e.g., liquidity and business risk. The presence of these risks is addressed directly by utilizing relatively small allocations to these types of investments (i.e., 5% to 10% each). Additionally, in increasing their allocation to alternative investments over the past 20 years,

[2] This target allocation was approved by the Trustees on June 8, 2010, to take effect July 1, 2010.

institutional investors and their consultants have increasingly focused on selecting business partners with appropriate: financial, operational and investment expertise and resources; alignment of interests; transparency and repeatability of investment process; and controls on leverage.

The Enterprise Risk Management Approach

Although its significance cannot be overemphasized, investment risk is only one type of risk faced by an institutional investor. The SBA continues to implement an enterprise-wide systematic approach to evaluating and managing the full range of risks it faces. Examples include the key categories listed below. A description of each and a listing of their components may be found in Section 5 of the electronic supplement to this report, available at www.sbafla.com/annualreports.

- Investment Risk
- Operational Risk
- Human Capital Risk
- Service Provider Risk
- Client Relationship Risk
- Communications / Public Affairs / Reputational Risk
- Business Continuity / Infrastructure Risk
- Fraud / Misconduct / Internal Control Risk
- Compliance Risk
- Legal Risk

Investment risk is only one type of risk faced by an institutional investor.

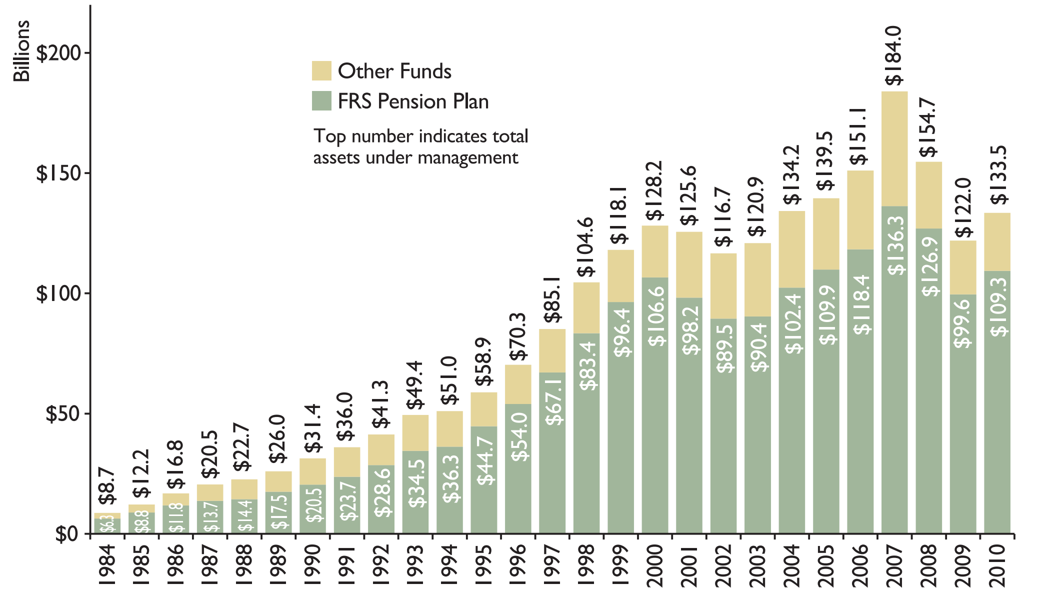
SBA mandate overview

As of June 30, 2010, the SBA managed 26 different investment funds housing the assets of 37 mandates and trusts.

As of June 30, 2010, the SBA managed 26 different investment funds housing the assets of 37 mandates and trusts. A mandate is an investment responsibility established as a direct requirement of Florida law. Trusts are investment responsibilities allowed under law and established pursuant to a trust agreement with a client. Four of the SBA's 26 funds are commingled investment pools that contain the assets of a variety of clients.[3] Twenty-two clients have at least some of their assets in separately managed funds. The remaining clients are invested solely in the SBA's investment pool products. At fiscal year-end, 811 clients participated in Florida PRIME through nearly 1,600 individual accounts. Eighteen clients were invested in the CAMP-MM product. Pooling smaller portfolios into larger investment funds affords economies of scale and other investment management advantages, enhancing returns for participants.

Table 3 lists the net asset value of each mandate and trust at fiscal year-end. Of the total assets under SBA management, $127.4 billion, or over 95%, was managed in separate accounts. During the year, assets under SBA management increased to $133.5 billion from $122.0 billion, an increase of $11.5 billion, reflecting investment performance as well as fund deposits and withdrawals. Table 5 shows these details for each SBA fund.

Chart 9: Assets Under SBA Management



Market value as of June 30 of indicated year.

The value of assets under management reflects investment performance (gains and losses) as well as cash flows (fund contributions and withdrawals).

Performance data for the SBA's major investment funds for various periods ending June 30, 2010 are shown in tabular form in the following section of this report (Investment Facts at a Glance). In those tables, SBA managed return is the return actually earned by the fund. The benchmark return is a relative performance yardstick; current benchmark definitions are shown at the bottom of the performance tables. The difference between the SBA's managed return and the fund's benchmark, shown in the last column of these tables, is commonly referred to as value added.

The chief determinant of a fund's long-term return and investment risk is its asset allocation, meaning its exposure to the various asset classes. For each of the SBA's separately managed accounts and pooled investment products, Table 6 indicates

[3] Two of the pools, Fund B and CAMP-MM Restricted, are liquidating funds closed to client transactions.

exposure to each asset type. A detailed discussion of the SBA's approach to asset allocation and associated performance results appears in Section 1-B of the electronic supplement to this report, available at www.sbafla.com/annualreports.

Return data is not calculated individually for every fund under management. This is either because the fund is managed in one or more commingled pools or because returns are not indicative of the SBA's effectiveness in managing the assets. Table 4 indicates the specific circumstances for each such fund.

Table 3: SBA Assets Under Management by Investment Vehicle as of June 30, 2010

	Separately	SBA Investment Pools			Total Assets
	Managed Assets	Florida PRIME and Fund B	CAMP-MM	CAMP-MM Restricted	Under Management
Portfolios With Separately Managed Assets					
1. FRS Pension Plan	$109,344,317,786	$ -	$ -	$ -	$109,344,317,786
2. Florida Hurricane Catastrophe Finance Corporation	5,064,670,184	-	-	-	5,064,670,184
3. FRS Investment Plan	5,050,499,554	-	-	-	5,050,499,554
4. Florida Hurricane Catastrophe Fund	4,581,741,263	-	-	-	4,581,741,263
5. Debt Service	1,101,641,239	-	-	-	1,101,641,239
6. Department of the Lottery Fund	884,048,855	-	9,126	-	884,057,981
7. Lawton Chiles Endowment Fund	606,808,937	-	16,416,822	3,555,807	626,781,566
8. Retiree Health Insurance Subsidy Trust Fund	255,133,652	-	57,378	2,763,005	257,954,034
9. Florida Prepaid College Plan	153,633,224	-	95,462	2,796	153,731,482
10. Burnham Institute for Medical Research Fund	101,660,558	-	2,316,010	79,344	104,055,912
11. Scripps Florida Funding Corporation	79,970,958	-	-	-	79,970,958
12. Max Planck	67,433,936	-	-	-	67,433,936
13. University of Miami	38,779,376	-	-	-	38,779,376
14. Florida College Investment Plan	28,579,256	-	-	-	28,579,256
15. Torrey Pines Institute for Molecular Studies Fund	14,276,153	-	-	39,332	14,315,485
16. Wyndcrest DD Florida [5]	8,250,555	-	-	-	8,250,555
17. Oregon Health & Science University	7,456,113	-	-	-	7,456,113
18. Charles Stark Draper Laboratory	5,103,074	-	-	-	5,103,074
19. Florida Division of Blind Services	2,010,326	-	412,816	7,670	2,430,812
20. Gas Tax Clearing Fund [1]	1,948,781	-	-	-	1,948,781
21. McKnight Doctoral Fellowship Program	1,041,606	-	248,035	33,648	1,323,289
22. Bond Proceeds Trust Fund [1]	620,987	-	-	-	620,987
Accounts Invested Solely in SBA Investment Pools					
23. Florida PRIME [2]	-	5,480,621,712	-	-	5,480,621,712
24. Fund B Surplus Funds Trust Fund [2]	-	284,585,200	-	-	284,585,200
25. Police and Firefighters' Premium Tax Trust Fund	-	-	206,662,035	3,180,819	209,842,853
26. SBA Administrative Fund [3, 6]	-	-	39,360,050	640,208	40,011,958
27. PEORP Administrative Fund	-	-	37,925,988	853,838	38,779,825
28. Insurance Capital Build-up Program [4, 6]	-	-	4,828,167	788,777	6,110,644
29. Bond Fee Trust Fund	-	-	3,607,148	61,017	3,668,165
30. Arbitrage Compliance Trust Fund	-	-	2,473,761	62,179	2,535,940
31. Florida Endowment for Vocational Rehabilitation	-	-	2,116,721	48,599	2,165,319
32. SRI International Fund	-	-	897,435	264,711	1,162,146
33. FSU Research Foundation	-	-	-	272,278	272,278
34. Florida College Investment Plan Administrative Expense	-	-	47,936	1,415	49,351
35. Florida Prepaid College Plan Administrative Expense	-	-	47,162	1,385	48,547
36. Pinellas Suncoast Transit Authority	-	-	-	42,157	42,157
37. Inland Protection Financing Corporation	-	-	1,433	41	1,474
Total Assets Under Management	**$127,400,131,772**	**$5,765,206,912**	**$317,523,484**	**$12,699,024**	**$133,495,561,192**

[1] The fund balance is periodically zero due to cash flows.
[2] Individual accounts are not shown. As of June 30, 2010, there were 1,591 funded individual accounts in Florida PRIME. Fund B had 1,432 accounts.
[3] CAMP-MM balance includes an adjustment to the fund's cash balance for June service charges scheduled to be paid June 30, 2010, but not paid to the fund until after June 30th.
[4] Includes CAMP-MM and CAMP-MM Restricted. CAMP-MM balances include uninvested cash as of June 30, 2010.
[5] Fund opened during this year.
[6] Totals include uninvested cash.

Table 4: Separate Account Portfolios Without Performance Data, by Reason [1] as of June 30, 2010

Portfolios with Dedicated Bond Strategies	Episodically Funded Portfolios	Client Directed Assets
Debt Service	Gas Tax Clearing Fund	Max Planck
Department of the Lottery Fund	Bond Proceeds Trust Fund	Oregon Health & Science University
Scripps Florida Funding Corporation		McKnight Doctoral Fellowship Program [2]
Burnham Institute for Medical Research Fund		Charles Stark Draper Laboratory
Torrey Pines Institute for Molecular Studies Fund		
University of Miami		
Wyndcrest DD Florida		

[1] Returns for these portfolios either cannot be calculated or are not meaningful.
[2] Returns are calculated for this account per agreement with the client. However, because the holdings are client directed, the returns are not indicative of SBA investment performance.

Table 5: Change in Assets Under Management - Fiscal Year 2009-10

	Market Value June 30, 2009	Investment Gain (Loss)	Contributions & (Distributions)	Market Value June 30, 2010
FRS Pension Plan	$99,579,207,613	$13,936,359,084	$(4,171,248,911)	$109,344,317,786
Florida PRIME [3]	5,985,804,634	14,392,817	(519,575,739)	5,480,621,712
Florida Hurricane Catastrophe Finance Corporation	4,632,954,465	24,567,580	407,148,139	5,064,670,184
FRS Investment Plan	4,076,397,897	437,980,391	536,121,266	5,050,499,554
Florida Hurricane Catastrophe Fund	3,080,861,570	54,315,025	1,446,564,668	4,581,741,263
Debt Service	1,565,434,508	47,865,095	(511,658,364)	1,101,641,239
Department of the Lottery Fund	1,029,759,319	53,995,349	(199,696,687)	884,057,981
Lawton Chiles Endowment Fund	563,701,474	80,621,090	(17,540,998)	626,781,566
Fund B Surplus Funds Trust Fund	279,844,224	126,965,976	(122,225,000)	284,585,200
Retiree Health Insurance Subsidy Trust Fund	262,261,650	3,862,655	(8,170,271)	257,954,034
Police and Firefighters' Premium Tax Trust Fund	205,847,126	1,605,727	2,390,000	209,842,853
Florida Prepaid College Plan	165,479,655	27,014,292	(38,762,465)	153,731,482
Burnham Institute for Medical Research Fund	121,697,505	4,716,257	(22,357,850)	104,055,912
Scripps Florida Funding Corporation	111,582,364	2,294,343	(33,905,749)	79,970,958
Max Planck	67,139,620	294,316	-	67,433,936
SBA Administrative Fund	45,859,198	490,427	(6,337,667)	40,011,958
PEORP Administrative Fund	34,091,153	444,115	4,244,557	38,779,825
University of Miami	38,560,767	218,609	-	38,779,376
Florida College Investment Plan	24,403,593	4,169,526	6,137	28,579,256
Torrey Pines Institute for Molecular Studies Fund	18,520,411	631,771	(4,836,697)	14,315,485
Wyndcrest DD Florida [2]	-	253,455	7,997,100	8,250,555
Oregon Health & Science University	47,259,215	196,898	(40,000,000)	7,456,113
Insurance Capital Build-up Program	4,027,408	320,229	1,763,007	6,110,644
Charles Stark Draper Laboratory	8,091,663	11,411	(3,000,000)	5,103,074
Bond Fee Trust Fund	1,469,083	31,242	2,167,840	3,668,165
Arbitrage Compliance Trust Fund	2,226,331	31,386	278,223	2,535,940
Florida Division of Blind Services	2,048,587	57,225	325,000	2,430,812
Florida Endowment for Vocational Rehabilitation	2,078,284	23,990	63,045	2,165,319
Gas Tax Clearing Fund [1]	-	(24,201)	1,972,982	1,948,781
McKnight Doctoral Fellowship Program	1,353,754	169,535	(200,000)	1,323,289
SRI International Fund	4,052,213	109,933	(3,000,000)	1,162,146
Bond Proceeds Trust Fund [1]	3,234,403	2,354	(2,615,770)	620,987
FSU Research Foundation	437,228	109,741	(274,691)	272,278
Florida College Investment Plan Administrative Expense	48,307	698	346	49,351
Florida Prepaid College Plan Administrative Expense	48,704	721	(878)	48,547
Pinellas Suncoast Transit Authority	42,144	15,842	(15,829)	42,157
Inland Protection Financing Corporation	1,454	20	-	1,474
Total Assets Under Management	**$121,965,827,524**	**$14,824,114,924**	**$(3,294,381,256)**	**$133,495,561,192**

[1] The fund balance is periodically zero due to cash flows.
[2] Fund opened during the fiscal year.
[3] Effective August 3, 2009, the Local Government Investment Pool was reconstituted as Florida PRIME.

Table 6: Asset Types Represented in SBA Investment Portfolios as of June 30, 2010

Portfolios With Separately Managed Assets	U.S. Equities	Foreign Equities	Investment Grade Fixed Income	High Yield Bonds	Treasury Inflation-Protected Securities	Real Estate	Private Equity	Cash Equivalents
FRS Pension Plan [1]	x	x	x	x		x	x	x
Florida Hurricane Catastrophe Fund			x					x
Florida Hurricane Catastrophe Fund Finance Corporation			x					x
FRS Investment Plan	x	x	x	x	x			x
Debt Service			x					x
Lawton Chiles Endowment Fund	x	x	x		x			x
Department of the Lottery Fund			x					x
Scripps Florida Funding Corporation			x					x
Retiree Health Insurance Subsidy Trust Fund			x					x
Florida Prepaid College Plan	x							
Burnham Institute for Medical Research Fund			x					x
Florida College Investment Plan	x							
Torrey Pines Institute for Molecular Studies Fund			x					x
Bond Proceeds Trust Fund			x					x
McKnight Doctoral Fellowship Program			x					x
Gas Tax Clearing Fund			x					x
Max Planck			x					x
University of Miami			x					x
Oregon Health & Science University			x					x
SRI International Fund			x					x
Charles Stark Draper Laboratory								x
Wyndcrest DD Florida			x					
SBA Pooled Investment Products								
Florida PRIME								x
Fund B Surplus Funds Trust Fund			x					
CAMP – Money Market								x
CAMP – Money Market Restricted			x					

Note: This table indicates asset types which are included as a matter of ongoing investment policy. Other asset types may also be held pursuant to a tactical investment strategy or for liquidity.
[1] The FRS Pension Plan also is authorized to allocate assets to a Strategic Investments asset class, which can consist of a variety of individual asset types.

SBA's Cost-Effectiveness

The success of an investment management program is broadly measured by whether its investment objective is met (see discussion on page 17). However, market-relative performance is important as well. This is especially true where the investment objective is measured over a long horizon, as for the FRS Pension Plan, the SBA's principal mandate.

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

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

For fiscal year 2009-10, the SBA's total expense ratio, a measure of all-in costs relative to total assets under management, was 24.6 basis points, or less than one-quarter of one percent. For the year, one basis point was the equivalent of $35.5 million.

Charts 10 and 11 put the SBA's cost-effectiveness into perspective for two of its major mandates, the FRS Pension Plan and the FRS Investment Plan.[4] The charts compare the SBA's cost for these mandates to groups of similarly-sized public and private retirement plans, selected by the independent firm CEM [Cost Effectiveness Measurement] Benchmarking Inc., as appropriate peer organizations.

CHART 10: FRS PENSION PLAN COST COMPARISON
ALL-IN CALENDAR YEAR 2009 COSTS
Universe of 17 Large Public and Private Pension Plans

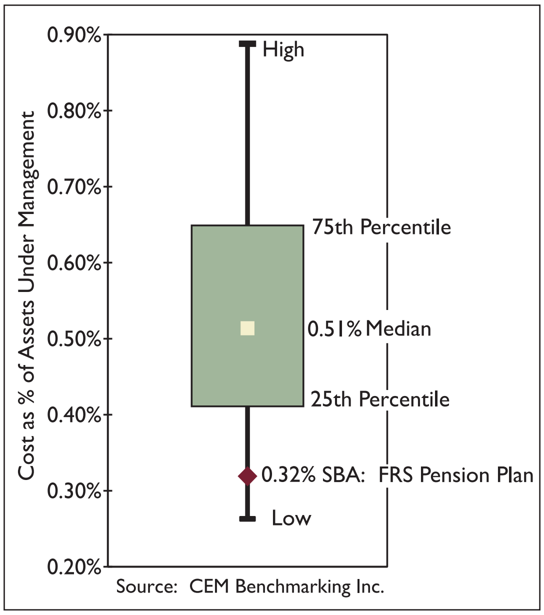
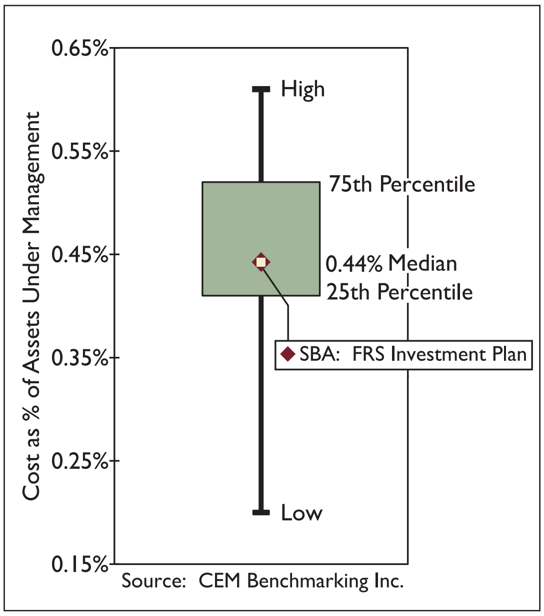


CHART 11: FRS INVESTMENT PLAN COST COMPARISON
ALL-IN CALENDAR YEAR 2009 COSTS
Universe of 20 Comparably-Sized Plans



For fiscal year 2009-10, the SBA's total expense ratio, a measure of all-in costs relative to total assets under management, was 24.6 basis points, or less than one-quarter of one percent.

At 32 basis points (0.32 %), the SBA's all-in cost for managing the FRS Pension Plan was third lowest within the universe, and nearly 40% lower than that of the median pension plan.

The SBA's all-in cost for managing the FRS Investment Plan was 44 basis points (0.44%), which was the median cost of defined contribution plans within its CEM peer universe. Note that the size of the Investment Plan's asset base is less than 1/20th that of the Pension Plan.

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[4] A similar comparison for the SBA as a whole is not available, since it is not practical to find peers appropriate for the particular set of diverse mandates and trusts the SBA manages. However, the two FRS plans account for over 85% of all assets under SBA management.

FRS PENSION PLAN

- The FRS Pension Plan portfolio is the SBA's largest investment mandate.
- The investment objective for this fund is to earn on average over the long run a compounded rate of return of 5% plus inflation per annum.
- The FRS Pension Plan serves a working and retired membership base of nearly one million persons.
- The FRS Pension Plan is one of the best-funded and largest public pension funds in the nation.
- Over the past 22 years, more than 66% of Pension Plan benefit payments have been funded by investment gains.

Chart 12: FRS Pension Plan
Growth of $1.00 Initial Investment: June 1973 to June 2010

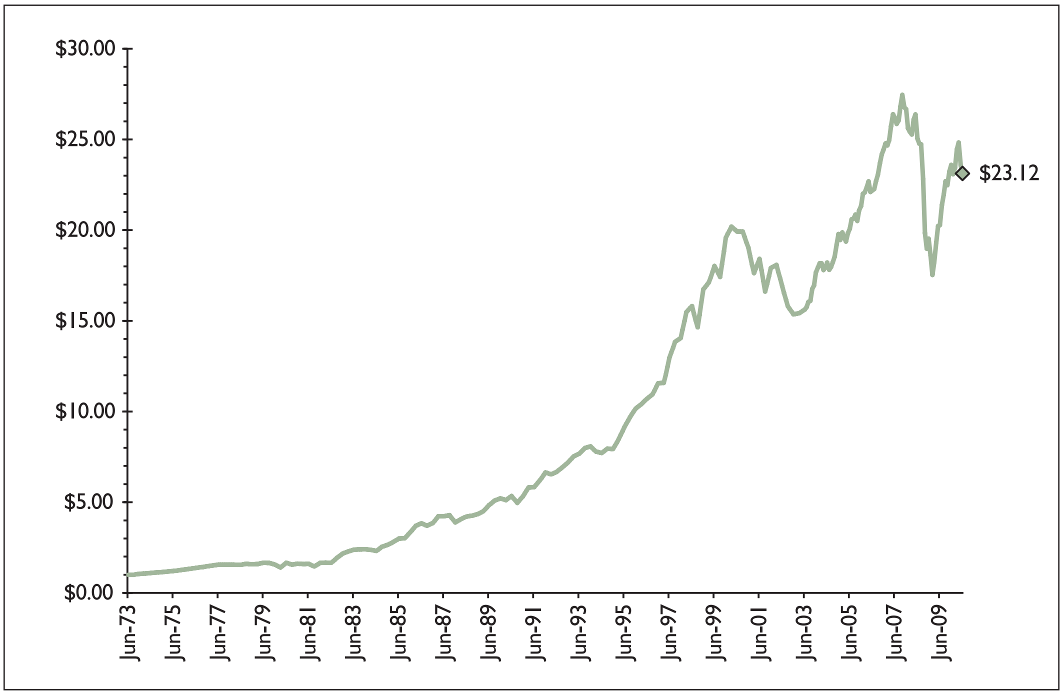


Chart 13: FRS Pension Plan
SBA Managed Returns by Fiscal Year

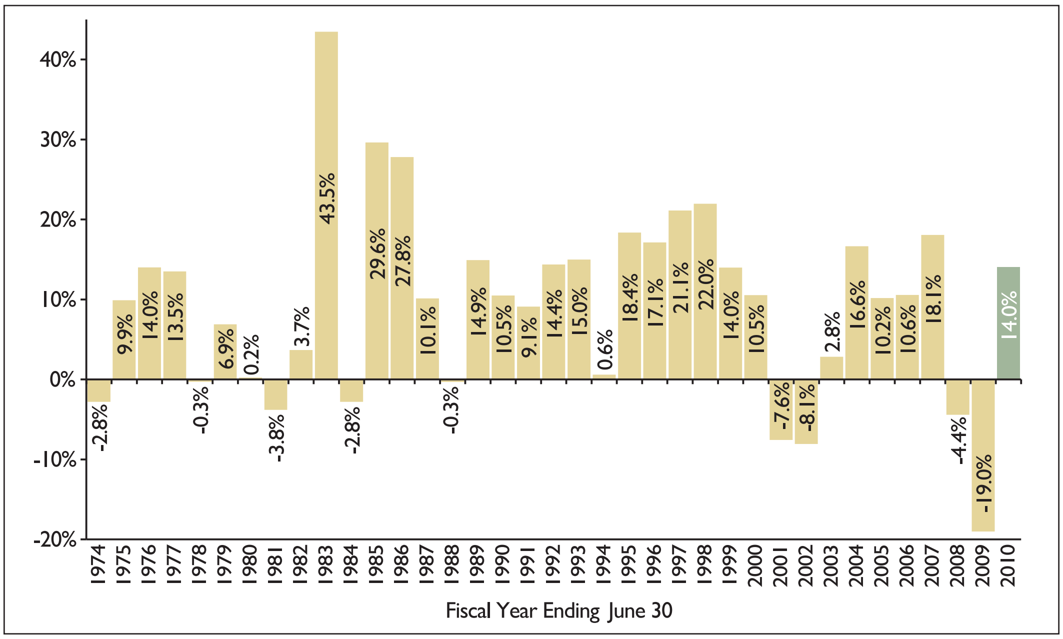


Chart 14: Long-Term FRS Pension Plan Performance Results vs. SBA's Investment Objective

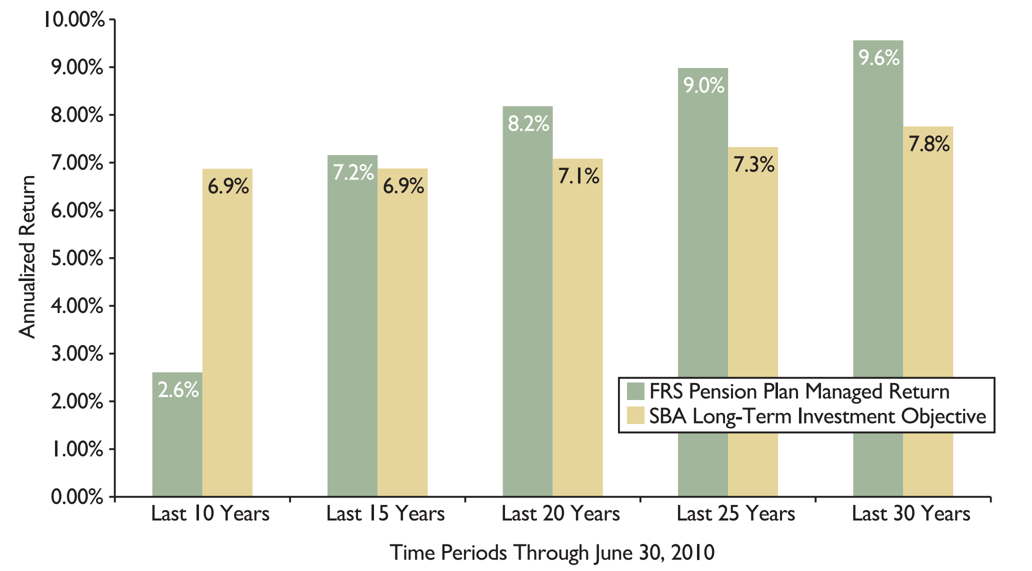
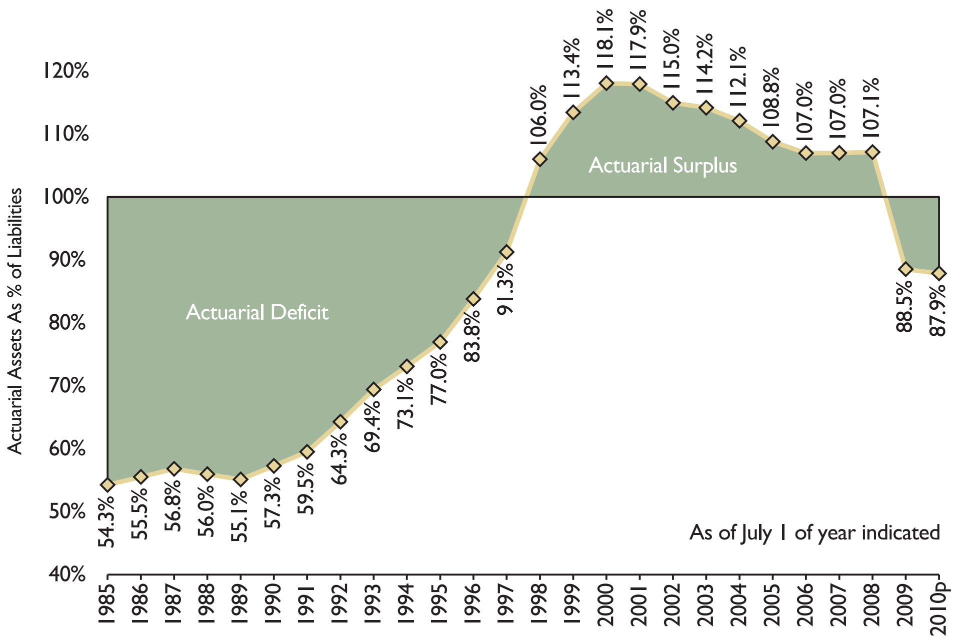


Table 7: FRS Pension Plan
Returns for Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
One Year	14.03%	11.50%	2.53%
Three Years	-4.08%	-4.32%	0.24%
Five Years	2.87%	2.57%	0.30%
Ten Years	2.61%	2.23%	0.38%
Fifteen Years	7.16%	6.96%	0.20%

- All returns are annualized for periods indicated through June 30, 2010.
- Benchmark is a weighted blend of individual asset class target indices as applicable; weights and benchmarks are established in the FRS Pension Plan Investment Policy Statement.

Chart 15: FRS Pension Plan Funded Ratio



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

Chart 16: FRS Pension Plan Assets by Class
$109.3 billion as of June 30, 2010

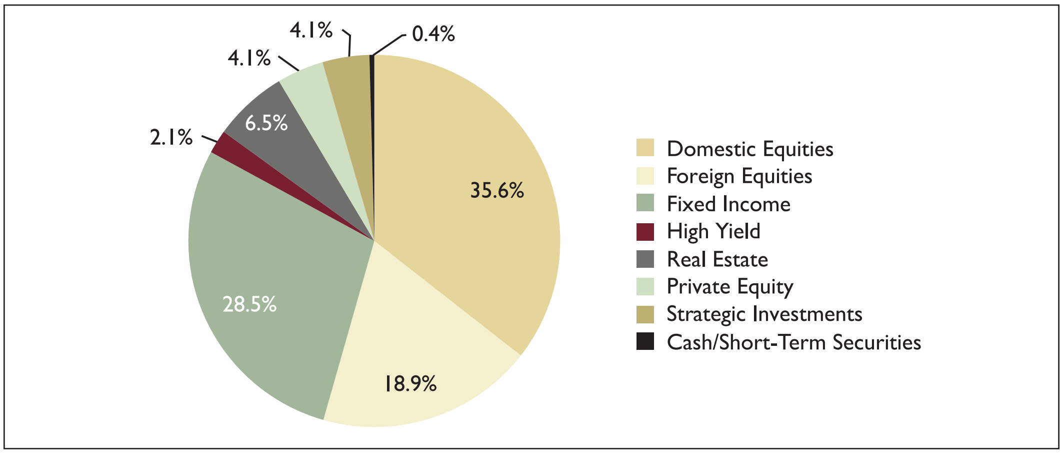
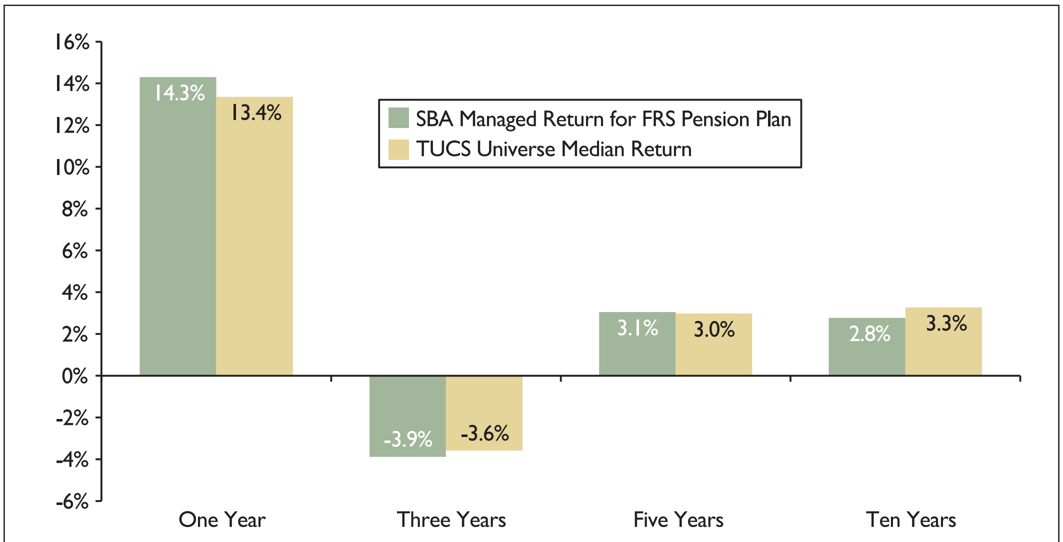


Chart 17: Gross Returns of Corporate and Public Defined Benefit Plans
For Periods Ending June 30, 2010



Based on TUCS universe of public and private defined benefit pension plans consisting of 287 plan sponsors with approximately $1.87 trillion in combined assets.

TUCS = Trust Universe Comparison Service

Chart 18: FRS Pension Plan – Annual Change in Total Fund Value by Source

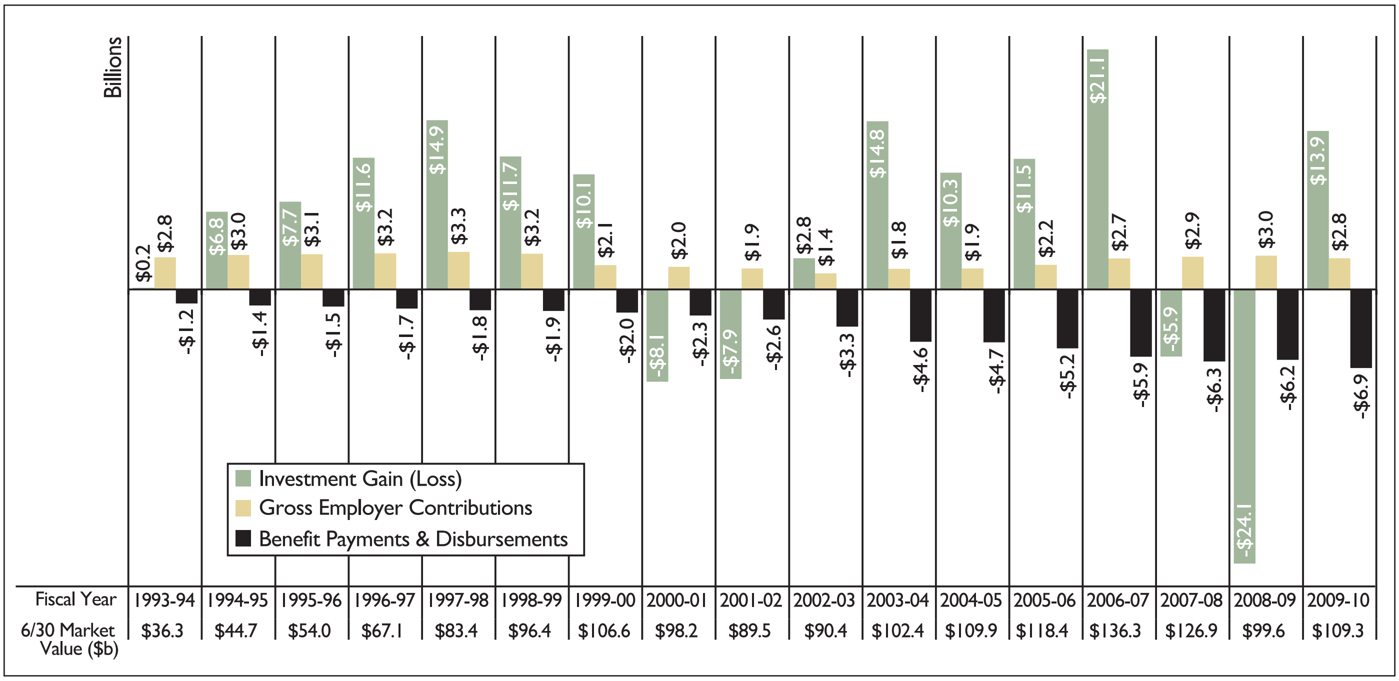


TABLE 8: FRS PENSION PLAN RETURNS BY ASSET CLASS
Returns For Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
Domestic Equities			
One Year	15.89%	15.72%	0.17%
Three Years	-9.34%	-9.47%	0.13%
Five Years	-0.57%	-0.48%	-0.09%
Ten Years	-0.99%	-1.11%	0.12%
Fifteen Years	6.44%	6.36%	0.08%
Foreign Equities			
One Year	14.18%	11.88%	2.29%
Three Years	-9.09%	-10.31%	1.22%
Five Years	4.28%	3.65%	0.63%
Ten Years	3.18%	2.06%	1.12%
Fifteen Years	6.03%	4.81%	1.22%
Fixed Income			
One Year	14.89%	9.50%	5.39%
Three Years	7.32%	7.55%	-0.23%
Five Years	5.64%	5.68%	-0.05%
Ten Years	6.65%	6.57%	0.09%
Fifteen Years	6.56%	6.52%	0.05%
High Yield			
One Year	19.61%	20.85%	-1.24%
Three Years	5.63%	5.91%	-0.29%
Real Estate			
One Year	-10.15%	-12.14%	1.98%
Three Years	-8.35%	-9.93%	1.58%
Five Years	2.00%	-3.24%	5.23%
Ten Years	6.80%	3.35%	3.45%
Fifteen Years	8.14%	5.36%	2.79%
Private Equity			
One Year	21.44%	20.20%	1.24%
Three Years	-1.34%	-3.74%	2.40%
Five Years	4.23%	4.56%	-0.33%
Ten Years	2.26%	3.77%	-1.51%
Fifteen Years	6.29%	8.24%	-1.95%
Strategic Investments			
One Year	28.88%	10.86%	18.02%
Three Years	-8.41%	-7.51%	-0.89%
Cash Equivalents			
One Year	1.96%	0.37%	1.59%
Three Years	-0.90%	2.16%	-3.07%
Five Years	1.37%	3.22%	-1.85%
Ten Years	2.05%	2.86%	-0.81%
Fifteen Years	3.31%	3.67%	-0.36%

- For more asset class-level detail on this and other major SBA mandates, see Section 1 of the electronic supplement to this report, available at www.sbafla.com/annualreports.
- Per industry convention, Private Equity returns are presented on a dollar-weighted basis.

FRS INVESTMENT PLAN

- The FRS Investment Plan is modeled after private sector 401(k) plans and has been offered to FRS employees since August 2002.
- The primary objectives of the plan are to offer investment options that avoid excessive risk, to have a prudent degree of diversification relative to broad market indices and to provide a long-term rate of return, net of all expenses and fees, that achieves or exceeds the returns on comparable market benchmark indices.
- As of June 30, 2010, there were 127,940 active accounts in the Investment Plan.
- The Investment Plan offers a diversified mix of 20 low-cost investment options, including three balanced funds, all through private sector providers. Average fees across all investment funds are highly competitive at 0.23%.

Chart 19: FRS Investment Plan
Growth of $1.00 Initial Investment: July 2002 to June 2010

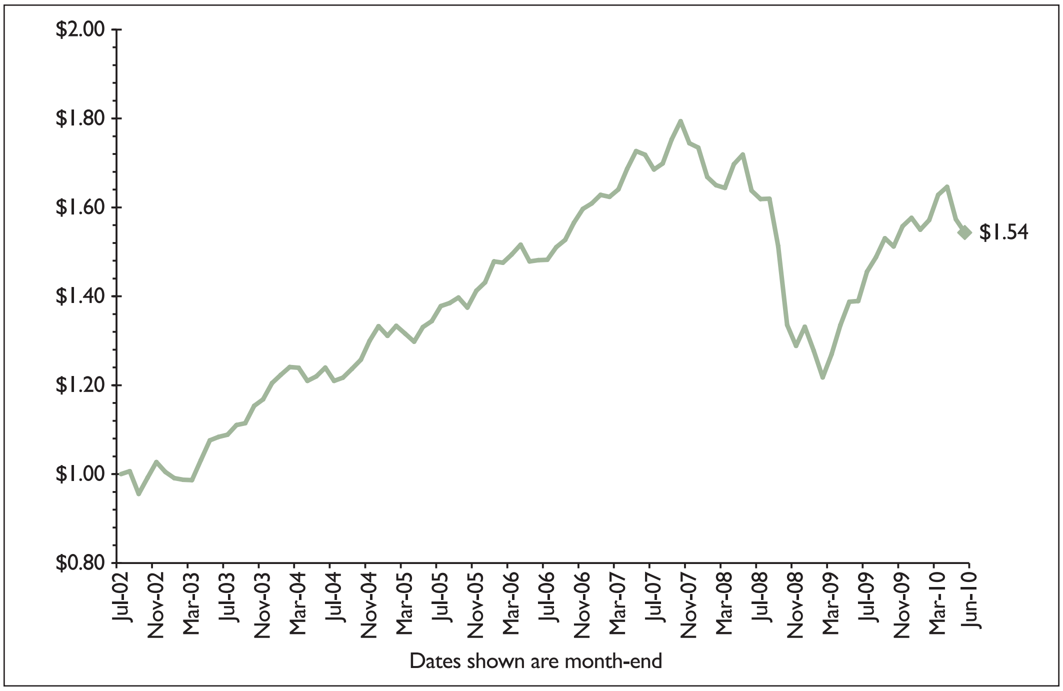
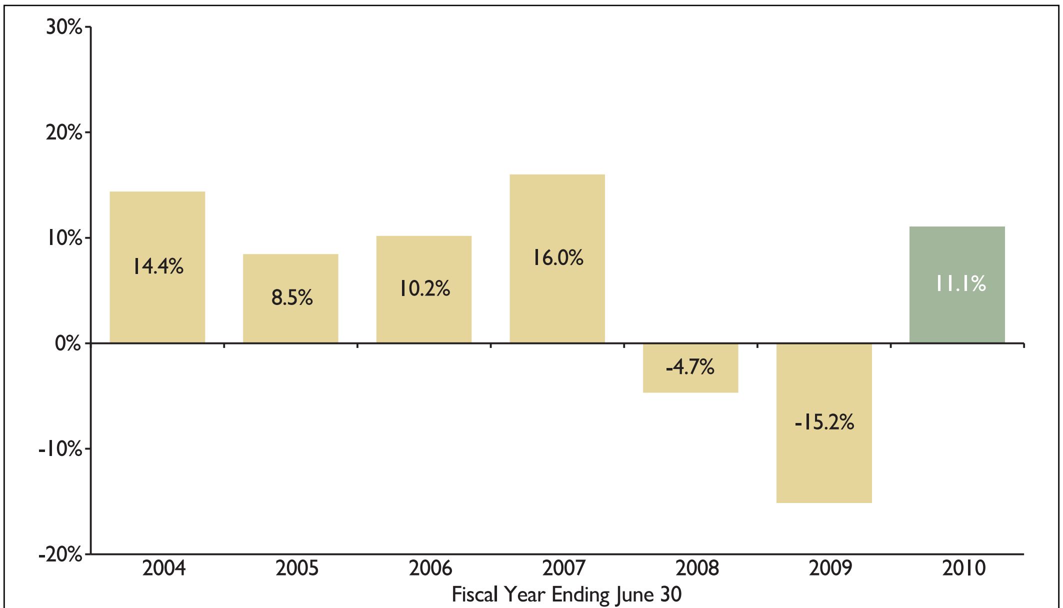


Chart 20: FRS Investment Plan
SBA Managed Returns by Fiscal Year



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

Table 9: FRS Investment Plan
Returns for Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
One Year	11.07%	10.32%	0.75%
Three Years	-3.52%	-4.28%	0.77%
Five Years	2.80%	2.20%	0.60%
Since Inception	5.63%	5.28%	0.35%

• All returns are annualized for periods indicated through June 30, 2010.

• Benchmark is a weighted blend of individual asset class aggregate benchmarks 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.

Chart 21: FRS Investment Plan Assets by Product Type
$5.05 billion as of June 30, 2010

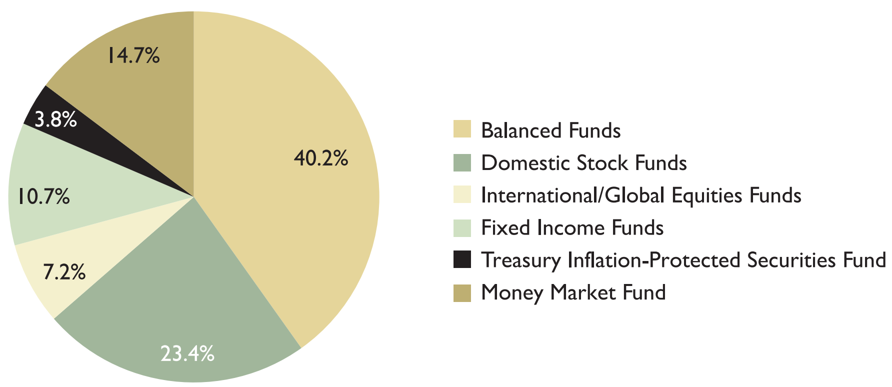
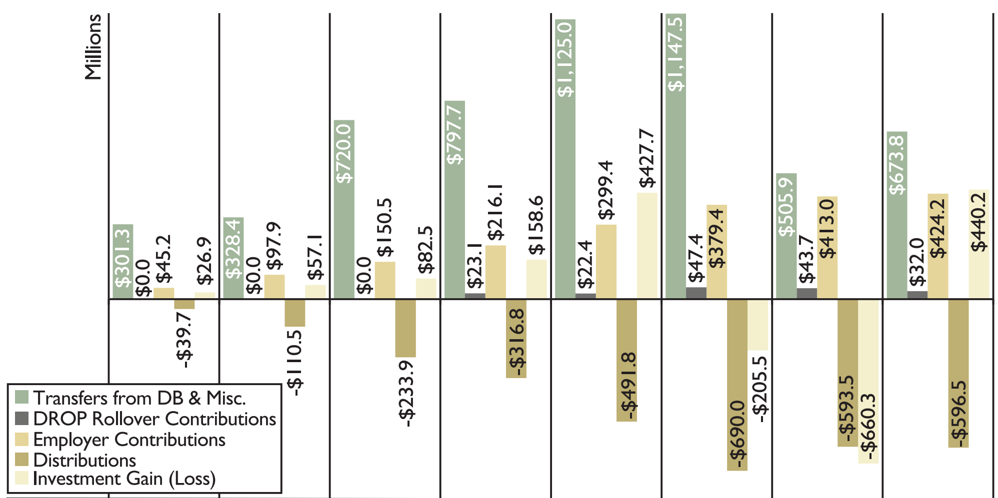
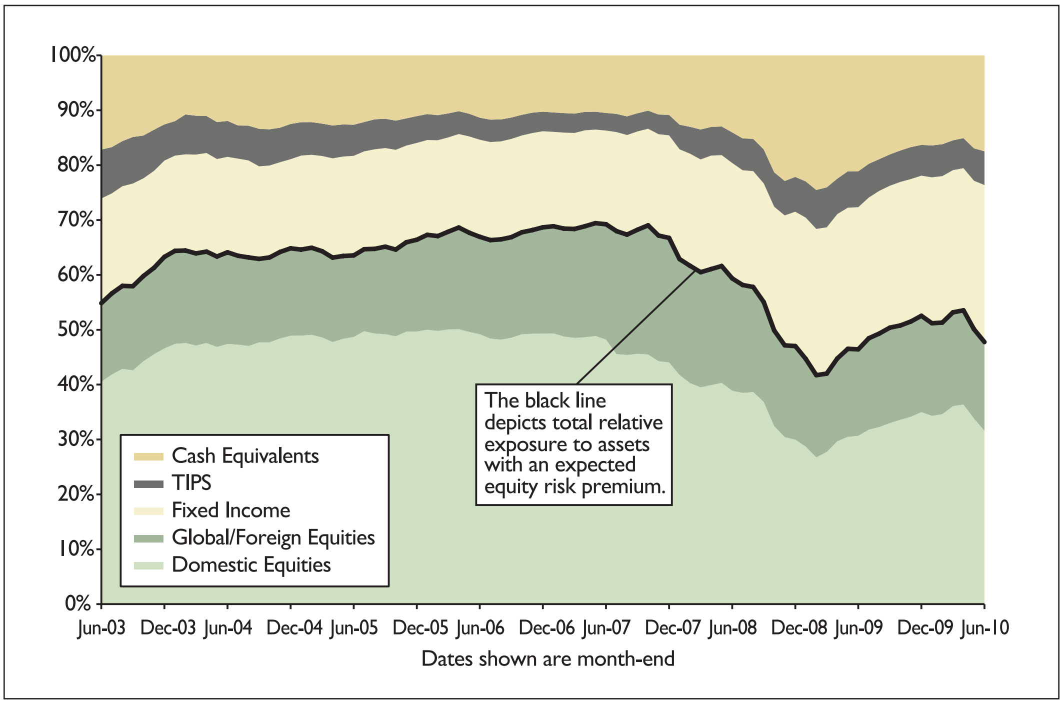


Chart 22: FRS Investment Plan
Annual Change in Total Fund Value by Source



Fiscal Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
6/30 Market Value ($b)	$0.33	$0.71	$1.43	$2.31	$3.69	$4.37	$4.07	$5.05

Chart 23: FRS Investment Plan Exposure by Asset Class
Fiscal Years 2004 to 2010



- This portfolio was funded near the beginning of the decade with $1.7 billion of Florida's tobacco litigation settlement proceeds.
- The purpose of the fund is, among other public health-related goals, to provide a perpetual source of enhanced funding for state children's health programs, child welfare programs, children's community-based health and human services initiatives, elder programs, and biomedical research activities related to tobacco use.
- Despite the difficult market environment immediately following its initial funding, the Endowment's capital preservation investment objective was met by fiscal year 2005-06.
- An extraordinary appropriation of over $1 billion from the Endowment to support general fund spending was required in fiscal year 2008-09.

CHART 24: LAWTON CHILES ENDOWMENT FUND
Growth of $1.00 Initial Investment: June 1999 to June 2010

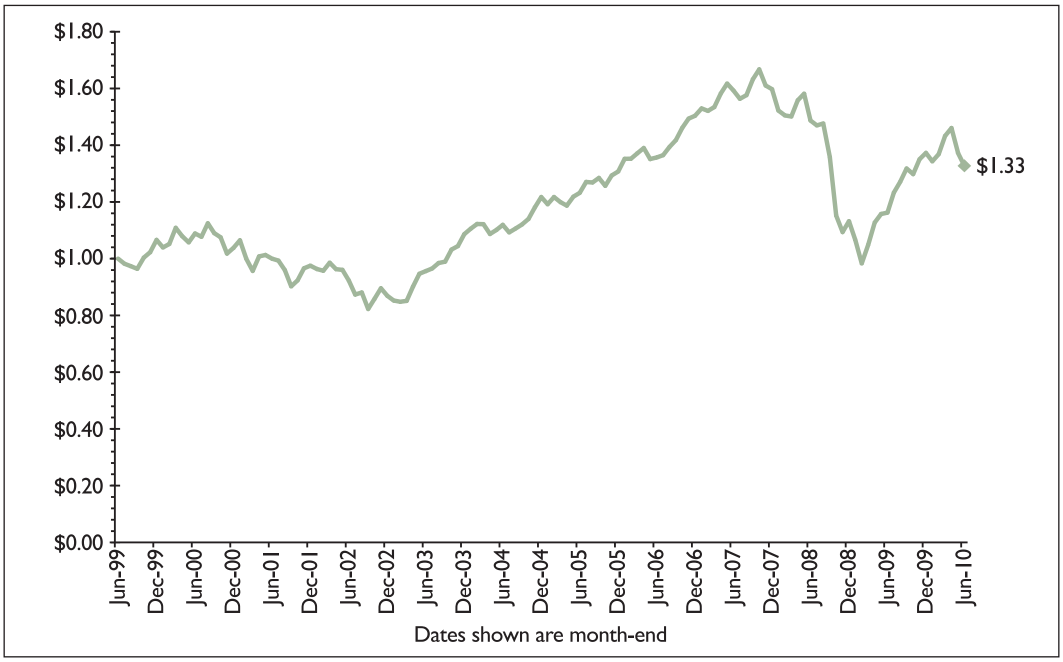


CHART 25: LAWTON CHILES ENDOWMENT FUND
SBA Managed Returns by Fiscal Year

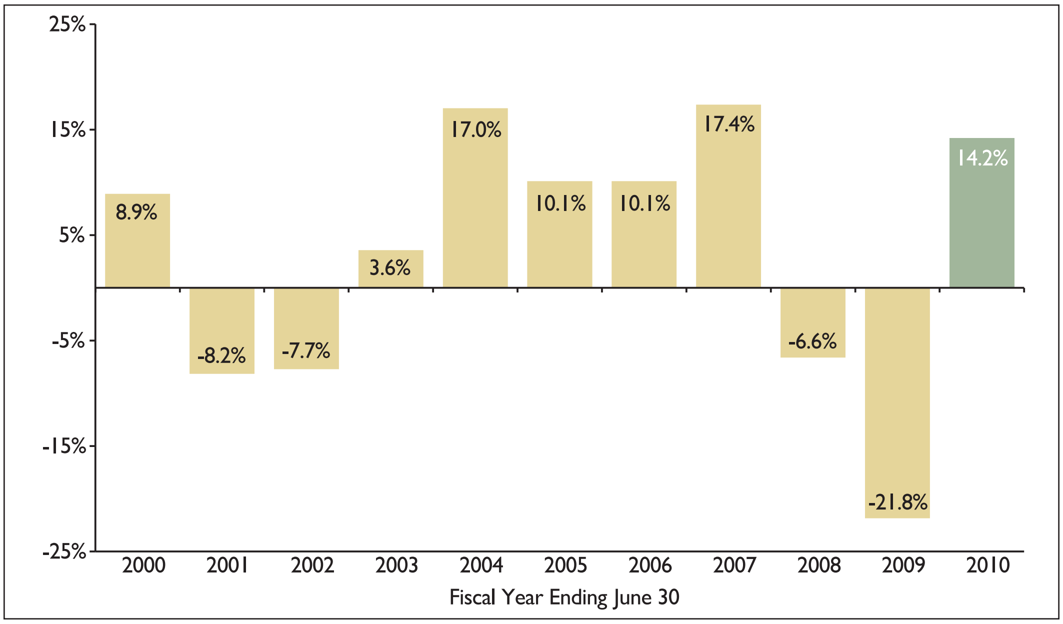


Table 10: Lawton Chiles Endowment Fund
Returns for Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
One Year	14.21%	13.67%	0.54%
Three Years	-5.89%	-6.07%	0.18%
Five Years	1.50%	1.04%	0.46%
Ten Years	2.00%	1.70%	0.29%
Since Inception	2.61%	2.29%	0.31%

• All returns are annualized for periods indicated through June 30, 2010.
• Benchmark is a weighted blend of individual asset class target indices as applicable; weights and benchmarks are established in the Lawton Chiles Endowment Fund Investment Policy Statement.
• Inception of the fund is July 1999.

Chart 26: Lawton Chiles Endowment Fund Assets by Type
$626.8 million as of June 30, 2010

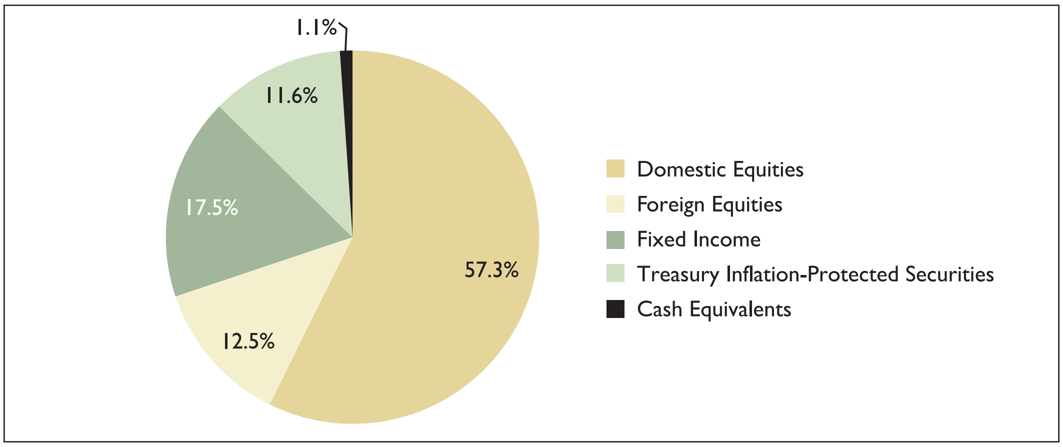


Chart 27: Lawton Chiles Endowment Fund
Annual Change in Total Fund Value by Source

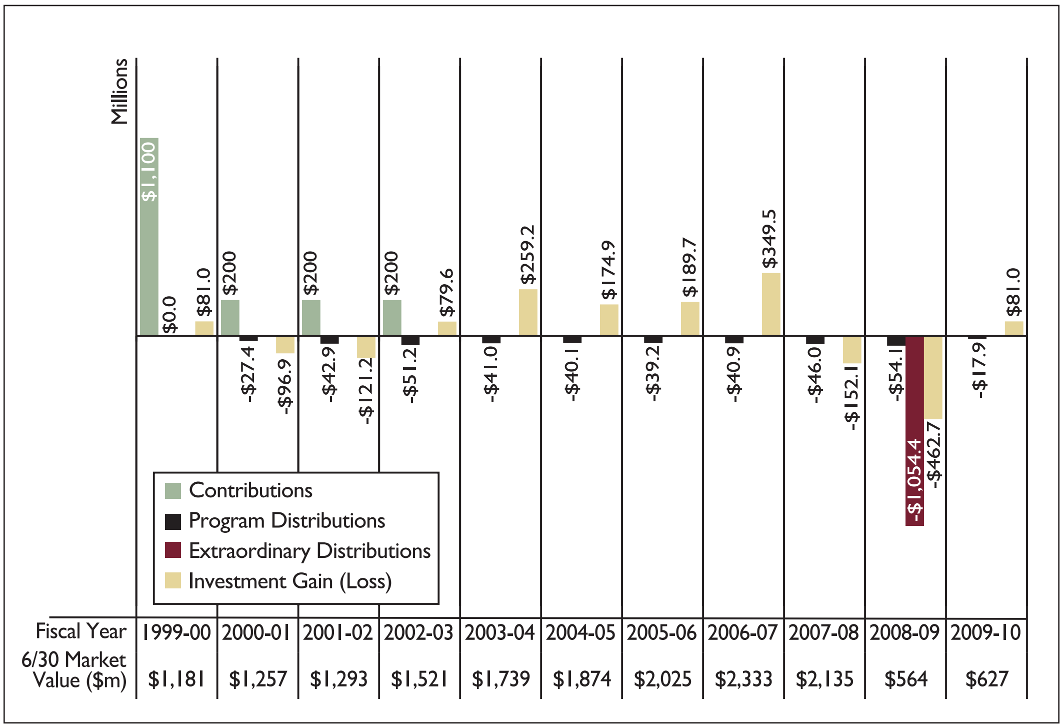


TABLE 11: LAWTON CHILES ENDOWMENT FUND
Total Fund Value and Cumulative Cash Flows - Nominal Dollars

Fiscal Year-End	Fund Market Value	Total Contributions*	Program Distributions	Extraordinary Distributions
06/30/00	$1,181,023,547	$1,100,000,000	$ -	$ -
06/30/01	1,256,760,220	200,000,000	27,400,000	-
06/30/02	1,292,664,730	200,257,879	42,942,096	-
06/30/03	1,521,028,626	200,310,528	51,200,000	-
06/30/04	1,739,242,442	186,828	41,000,000	-
06/30/05	1,874,023,016	183,543	40,124,248	-
06/30/06	2,024,521,334	179,596	39,225,467	-
06/30/07	2,333,041,633	187,514	40,932,486	-
06/30/08	2,134,948,415	210,849	45,969,151	-
06/30/09	563,701,474	254,986	54,104,872	1,054,437,854
06/30/10	626,781,566	15,789	$17,900,000	-
Cumulative Contributions & Distributions		**$1,701,787,512**	**$400,798,320**	**$1,054,437,854**

* Includes external contributions plus biomedical reserve clawback.

TABLE 12: LAWTON CHILES ENDOWMENT FUND
Total Fund Value and Cumulative Cash Flows - Real (1999) Dollars

Fiscal Year-End	Fund Market Value	Total Contributions*	Program Distributions	Extraordinary Distributions
06/30/00	$1,138,550,542	$1,095,234,395	$ -	$ -
06/30/01	1,173,446,902	191,034,483	26,176,755	-
06/30/02	1,194,223,892	188,356,643	40,101,300	-
06/30/03	1,376,129,328	184,030,282	46,535,137	-
06/30/04	1,523,785,418	165,164	36,245,745	-
06/30/05	1,601,350,259	156,757	34,268,500	-
06/30/06	1,658,331,423	149,394	32,628,992	-
06/30/07	1,861,040,544	153,145	33,430,037	-
06/30/08	1,621,590,963	163,125	35,564,502	-
06/30/09	434,354,314	198,737	42,165,926	818,170,501
06/30/10	477,925,797	12,027	13,635,564	-
Cumulative Contributions & Distributions		**$1,659,654,152**	**$340,752,456**	**$818,170,501**

* Includes external contributions plus biomedical reserve clawback.

Florida PRIME

- Florida PRIME is an exclusive service for Florida governmental organizations, providing a cost-effective investment vehicle for their surplus funds and short-term cash assets. Current participants include state agencies, state universities and colleges, counties, cities, special districts, school boards, and other direct support organizations of the State of Florida.

- Florida PRIME's investment strategy emphasizes, in order of importance, preservation of capital (safety of principal), liquidity and competitive yield.

- Florida PRIME is a government investment pool that offers management by an industry leader in professional money management, conservative investment policies, an extensive governance framework, a Standard & Poor's AAA(m) rating, full transparency, and best-in-class financial reporting.

- From December 2007 through the end of fiscal year 2009-10, the SBA has transferred a total of $1.6 billion in liquid assets from Fund B to participants in Florida PRIME. This amount represents nearly 80% of their original adjusted Fund B balances. Fund B is a separate fund which holds relatively illiquid securities that were formerly a part of the Local Government Investment Pool.

Chart 28: Florida PRIME
Growth of $1.00 Initial Investment: December 1982 to June 2010

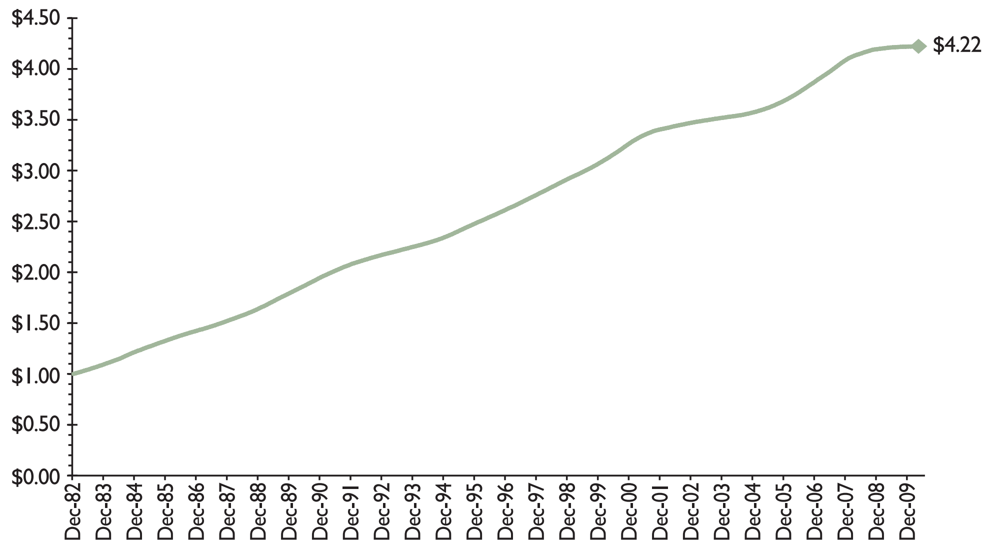
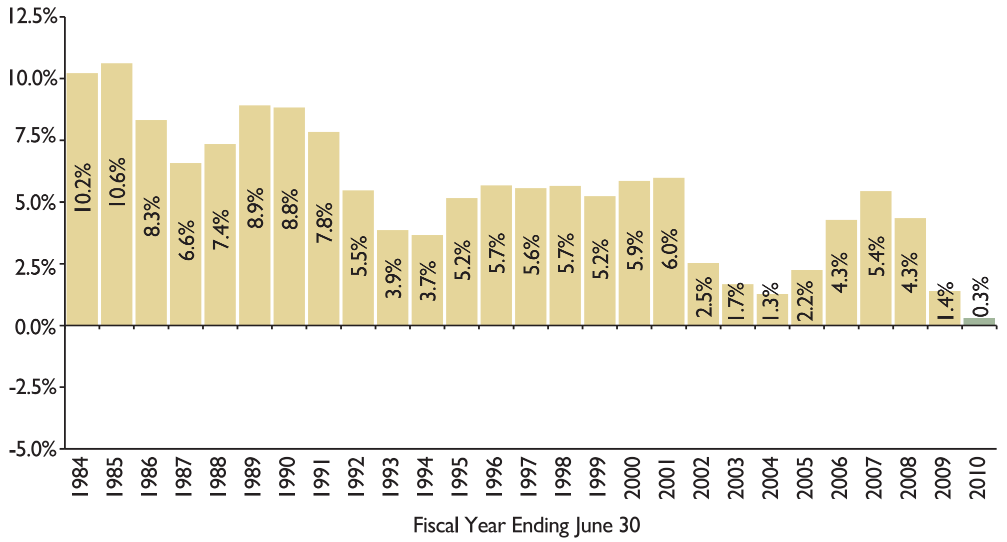


Chart 29: Florida PRIME
SBA Managed Yields by Fiscal Year



Note: Fiscal year 1983-84 is the first full year of managed return data for this fund.

TABLE 13: FLORIDA PRIME
Yields for Periods Ending June 30, 2010

	SBA Managed Yield	Benchmark Yield	Mgd. Over (Under) Bmk.
One Year	0.29%	0.22%	0.07%
Three Years	1.99%	1.85%	0.14%
Five Years	3.13%	2.96%	0.18%
Ten Years	2.93%	2.70%	0.23%
Fifteen Years	3.81%	3.59%	0.22%

- All yields are annualized for periods indicated through June 30, 2010.
- Yields are net of fees, reflect amortized cost and are annualized.
- 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 1-month LIBOR was used.
- See the SBA's Monthly Summary Report for Florida PRIME for additional performance details, available at www.sbafla.com/prime.

CHART 30: FLORIDA PRIME HOLDINGS BY TYPE

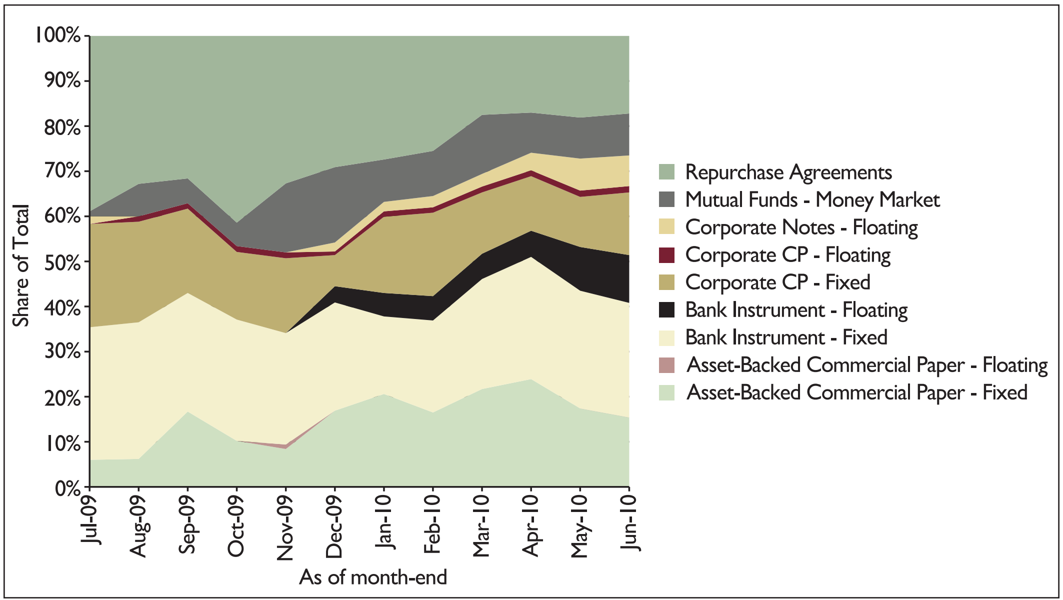


CHART 31: FLORIDA PRIME HOLDINGS BY CREDIT QUALITY

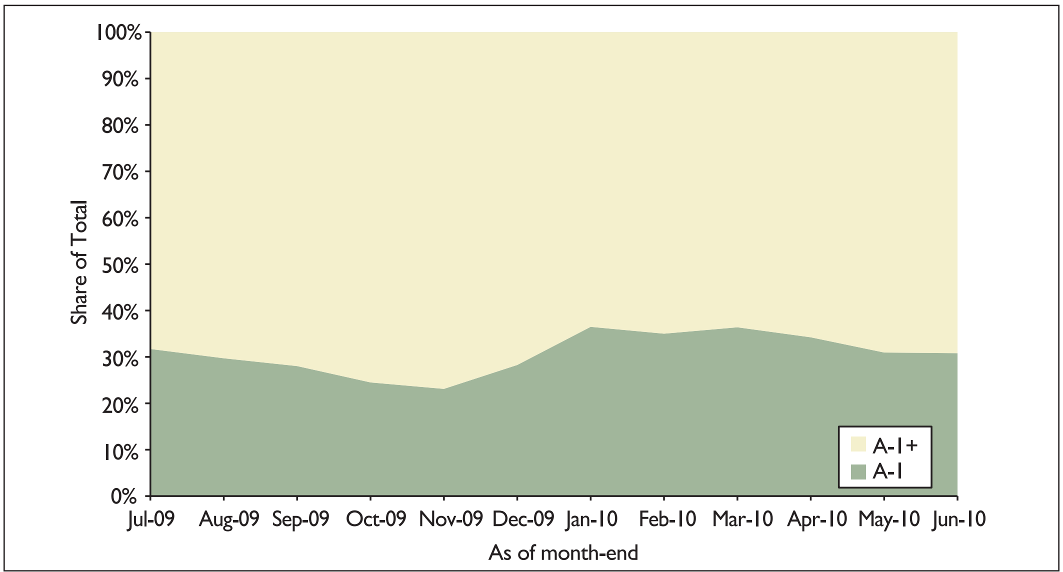


Chart 32: Florida PRIME
Annual Change in Total Fund Value by Source

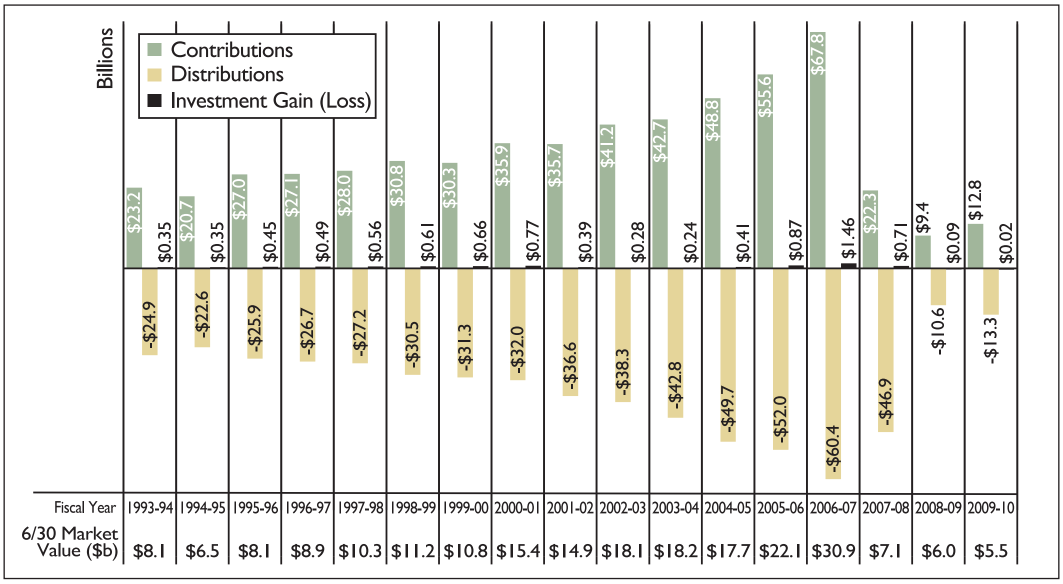


Chart 33: Florida PRIME Participant Concentration by Dollars

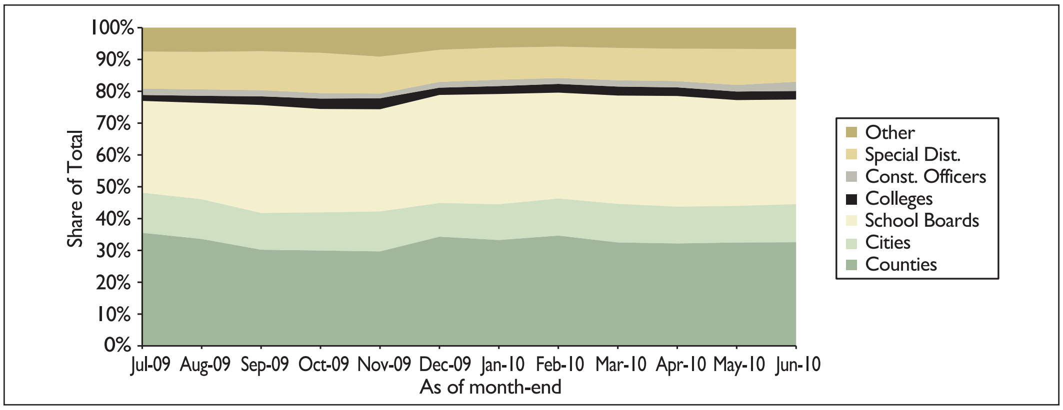


Chart 34: Florida PRIME Participant Concentration by Investor Count

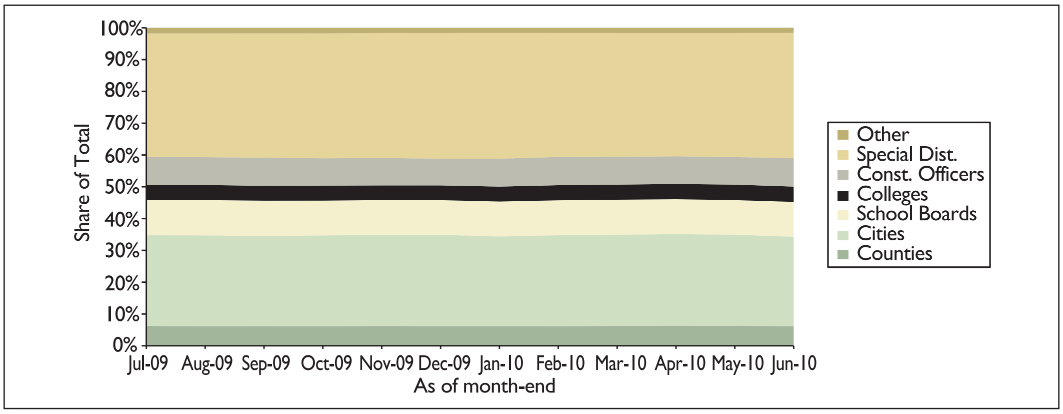


Table 14: Fund B Surplus Funds Trust Fund
Returns for Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
One Year	53.48%	NA	NA
Since Inception	-5.80%	NA	NA

- All returns are annualized for periods indicated through June 30, 2010.
- As a liquidating fund, this portfolio does not have a market-based benchmark. Its investment objective is to maximize the present value of distributions to participants.
- Inception of the fund is December 2007.

- The Commingled Asset Management Program - Money Market (CAMP-MM) portfolio is a 2a-7-like money market pool for non-pension assets of Florida governmental entities and trusts.
- CAMP-MM's three-part investment objective, in priority order, is safety, liquidity, and competitive returns with minimization of risks.
- At fiscal year-end, 18 clients held positions in CAMP-MM, with balances totaling $317.5 million.
- CAMP-MM Restricted is a separate fund which holds relatively illiquid securities that were formerly a part of CAMP-MM.

Chart 35: CAMP-MM
Growth of $1.00 Initial Investment: June 1999 to June 2010

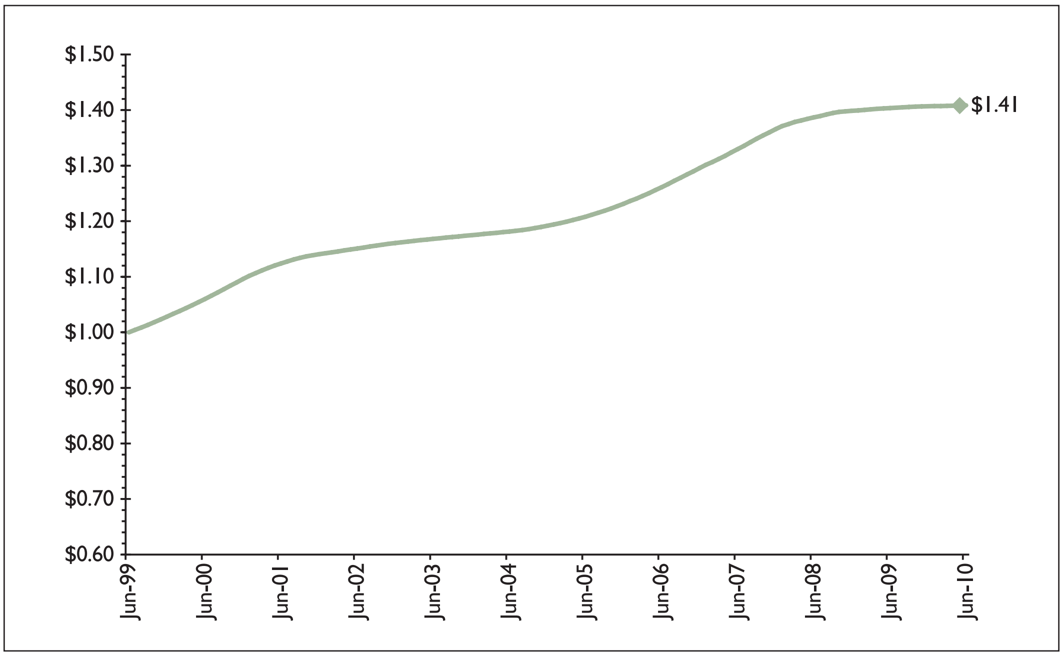


Chart 36: CAMP-MM
SBA Managed Yields by Fiscal Year

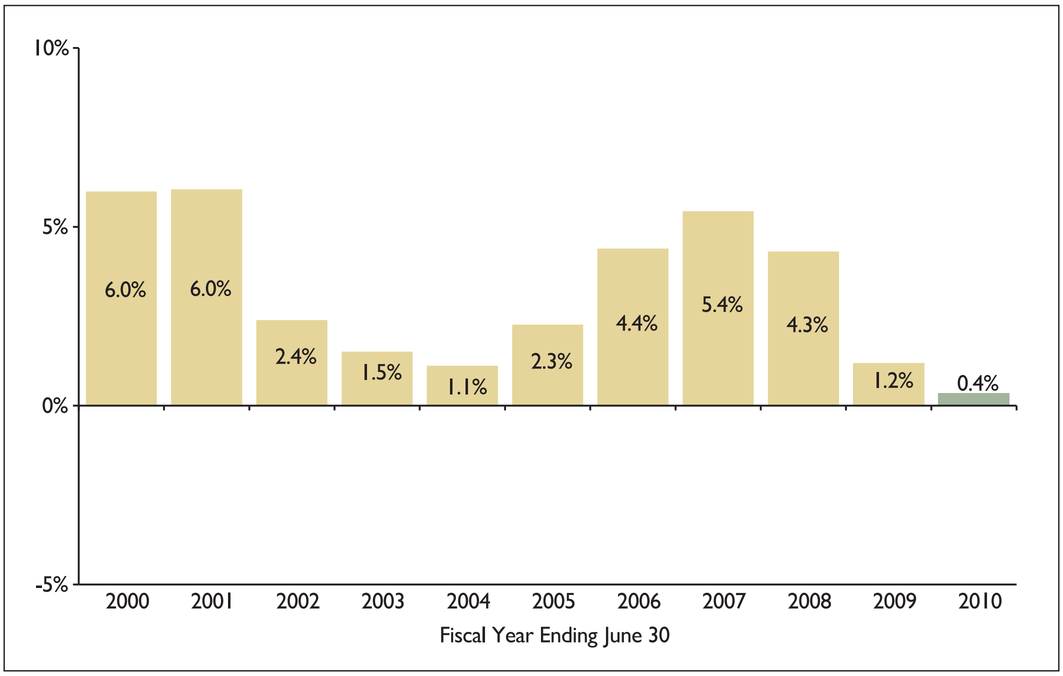


TABLE 15: CAMP-MM
Yields for Periods Ending June 30, 2010

	SBA Managed Yield	Benchmark Yield	Mgd. Over (Under) Bmk.
One Year	0.36%	0.22%	0.14%
Three Years	1.94%	1.85%	0.09%
Five Years	3.12%	2.96%	0.16%
Ten Years	2.88%	2.70%	0.19%
Since Inception	3.16%	2.95%	0.21%

• All yields are annualized for periods indicated through June 30, 2010.
• Yields are net of fees, reflect amortized cost and are annualized.
• Benchmark is the S&P AAA/AA Rated GIP All 30-Day Net Index for all time periods.
• Inception of the fund is July 1999.

CHART 37: CAMP-MM INVESTMENTS BY SECURITY TYPE
$317.5 million as of June 30, 2010

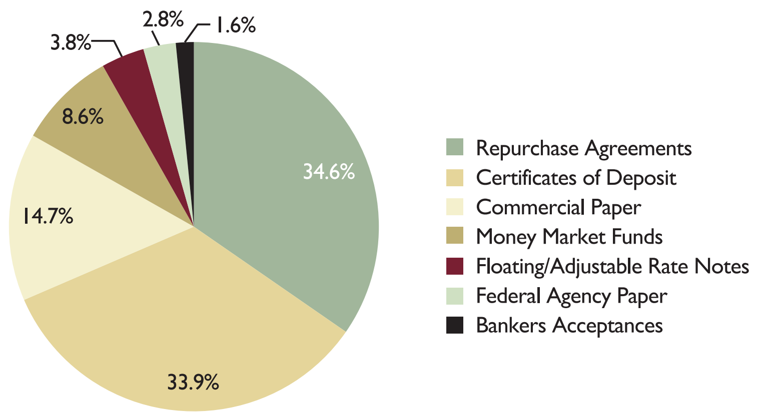
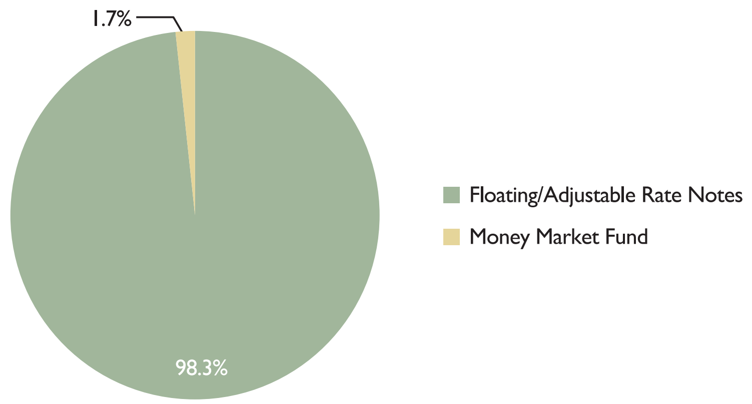


TABLE 16: CAMP-MM RESTRICTED
Returns for Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
One Year	42.84%	NA	NA
Since Inception	-5.92%	NA	NA

• All returns are annualized for periods indicated through June 30, 2010.
• As a liquidating fund, this portfolio does not have a market-based benchmark. Its investment objective is to maximize the present value of distributions to participants.
• Inception of the fund is July 2008.

CHART 38: CAMP-MM RESTRICTED INVESTMENTS BY SECURITY TYPE
$12.7 million as of June 30, 2010



The Florida Hurricane Catastrophe Fund (FHCF)

- The FHCF (CAT Fund) is a tax-exempt trust fund created by the Florida Legislature in 1993, operating as a state-administered reinsurance program.
- Its purpose is to provide a stable and ongoing source of reimbursement to insurers for a portion of their catastrophic hurricane losses in order to provide additional insurance capacity for the state.
- The FHCF is currently reimbursing insurers for hurricane losses occurring in 2004 and 2005, and as of June 30, 2010, the fund had reimbursed participating insurers over $8.9 billion.
- In order for insurers to be reimbursed in a timely manner, the FHCF's investment policy objective has the following goals in order of priority: safety of principal, liquidity, and competitive returns.

The Florida Hurricane Catastrophe Fund Finance Corporation (Corp.)

- The Corp. 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 FHCF.
- To reimburse insurers for losses resulting from the 2005 hurricane season, the Corp. issued 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 for these bonds currently comes from a 1% emergency assessment on the direct written premium for most property and casualty lines of business in Florida. This assessment will increase to 1.3% effective January 1, 2011.
- To provide a source of additional funds to reimburse participating insurers for losses relating to future covered events, the Corp. issued notes in the amount of $3.5 billion in 2007.

The SBA's CAT Fund unit prepares a separate annual report detailing its programs, which is available at www.sbafla.com/fhcf. Performance data shown below for the CAT funds reflects those assets which are managed by the SBA.

Chart 39: Florida Hurricane Catastrophe Fund
Growth of $1.00 Initial Investment: June 1996 to June 2010

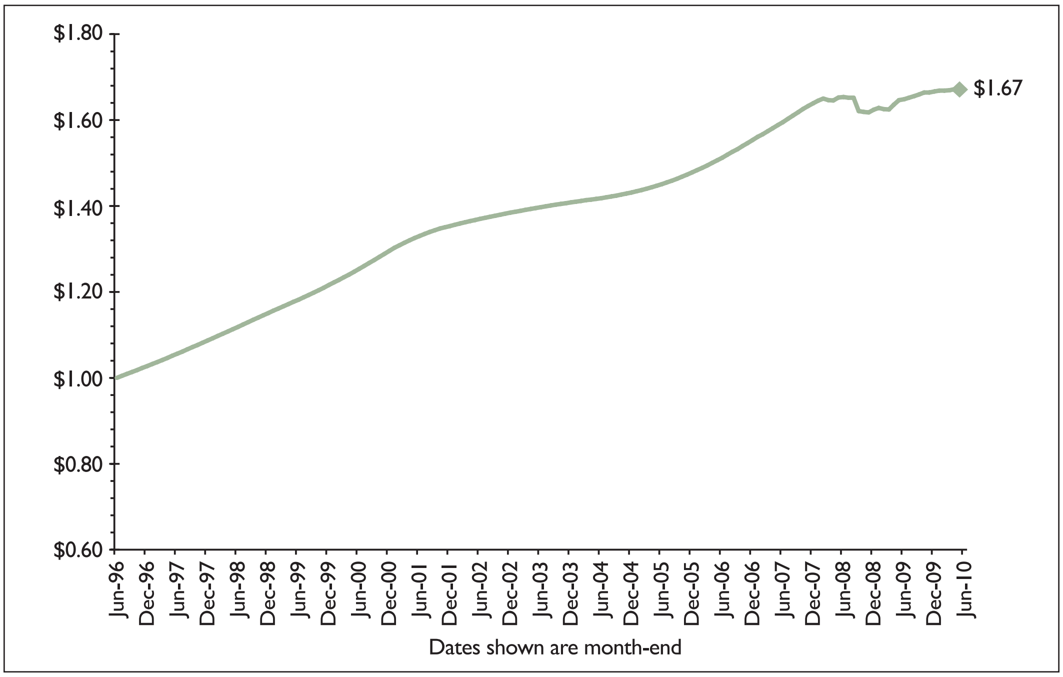


Chart 40: Florida Hurricane Catastrophe Fund
SBA Managed Returns by Fiscal Year

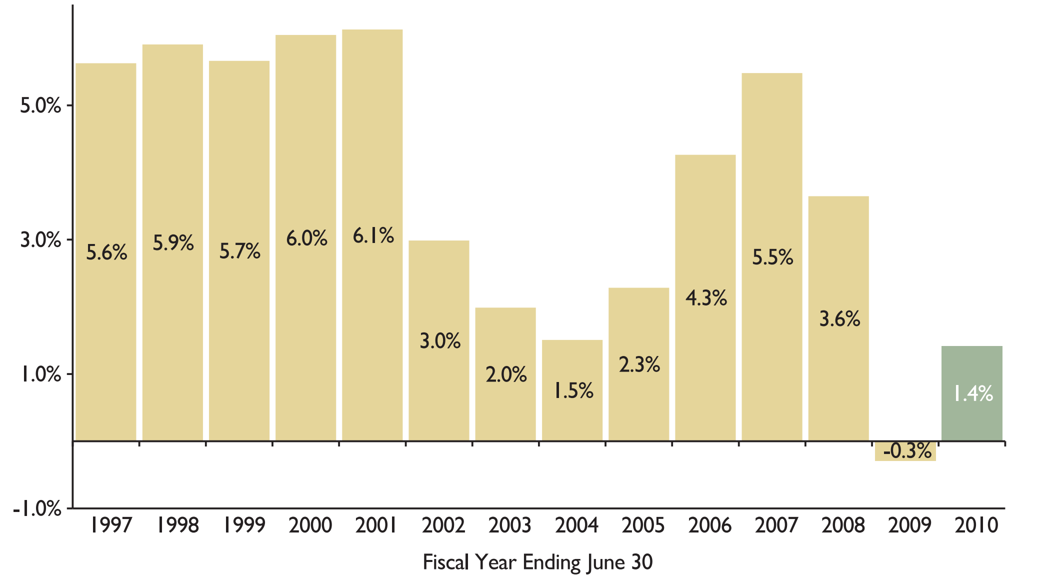
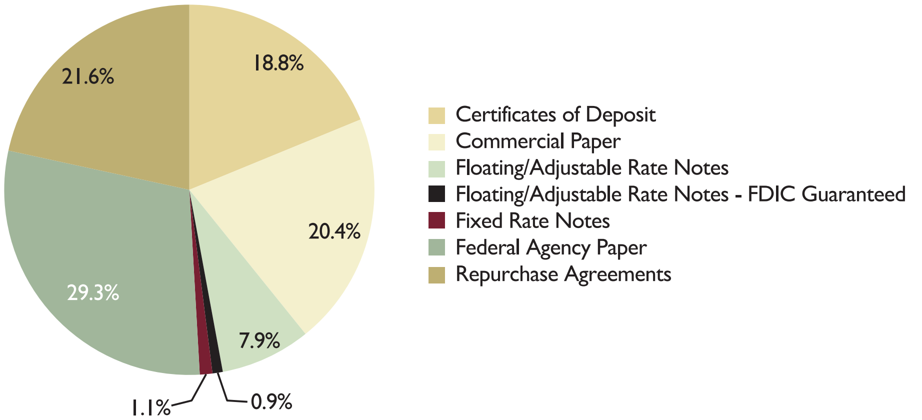


Table 17: Florida Hurricane Catastrophe Fund
Returns for Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
One Year	1.42%	0.24%	1.18%
Three Years	1.58%	2.06%	-0.48%
Five Years	2.88%	3.04%	-0.16%
Ten Years	2.92%	2.68%	0.24%
Since Inception	3.74%	3.42%	0.32%

- All returns are annualized for periods indicated through June 30, 2010.
- Benchmark is a blend of 50% of the average 3-month Treasury Bill rate and 50% of the iMoneyNet First Tier Institutional Money Market Fund Gross Index beginning January 2010. The benchmark prior to this date was the Merrill Lynch 1-month LIBOR CMTR Index.
- Inception of the fund is July 1996.

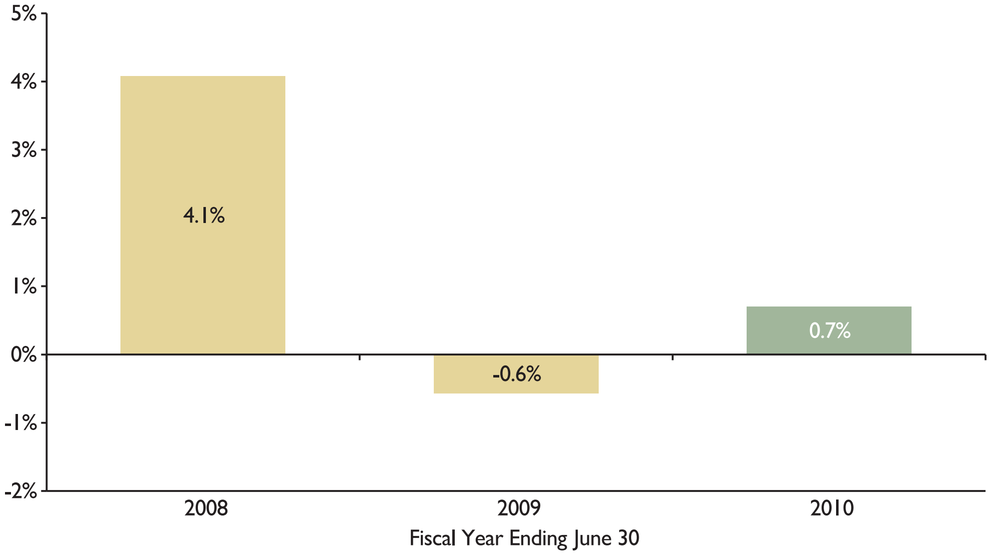
Chart 41: Florida Hurricane Catastrophe Fund
Investments by Security Type
$4.58 billion as of June 30, 2010



Less than 0.5% allocation to Cash Equivalents.

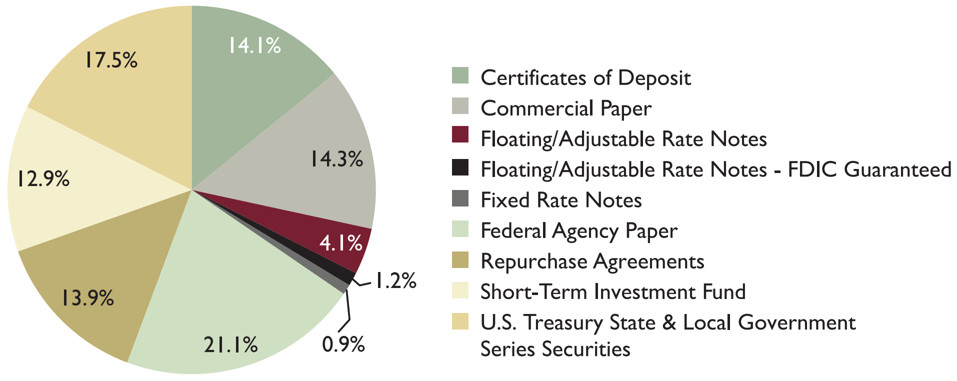
Chart 42: Florida Hurricane Catastrophe Fund Finance Corporation
Growth of $1.00 Initial Investment: July 2006 to June 2010

Chart 43: Florida Hurricane Catastrophe Fund Finance Corporation
SBA Managed Returns by Fiscal Year



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

Chart 44: Florida Hurricane Catastrophe Fund Finance Corporation
Investments by Security Type
$5.06 billion as of June 30, 2010



Less than 0.5% allocation to Cash Equivalents.

Table 18: Florida Hurricane Catastrophe Fund Finance Corporation
Returns for Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
One Year	0.70%	0.24%	0.46%
Three Years	1.39%	2.05%	-0.67%
Since Inception	2.33%	2.86%	-0.52%

- All returns are annualized for periods indicated through June 30, 2010.
- Benchmark is a blend of 50% of the average 3-month Treasury Bill rate and 50% of the iMoneyNet First Tier Institutional Money Market Fund Gross Index beginning January 2010. The benchmark prior to this date was the Merrill Lynch 1-month LIBOR CMTR Index.
- Inception of the fund is August 2006.

- The Health Insurance Subsidy (HIS) is a program making payments to retired members of the Florida Retirement System to assist them in paying the costs of health insurance.

- Unlike the FRS Pension Plan, which is actuarially funded, HIS benefits are funded annually on a pay-as-you-go basis, similar to employer contributions to the FRS Investment Plan.

- The SBA manages the investment of HIS Trust Fund assets, with the objective of providing the necessary liquidity to meet distribution requirements, achieving competitive short-term returns, and preserving capital.

- The portfolio's return of 1.41% reflects the average rate of 1-year LIBOR for the fiscal year ending June 30, 2010.

CHART 45: RETIREE HEALTH INSURANCE SUBSIDY TRUST FUND
Growth of $1.00 Initial Investment: February 1993 to June 2010

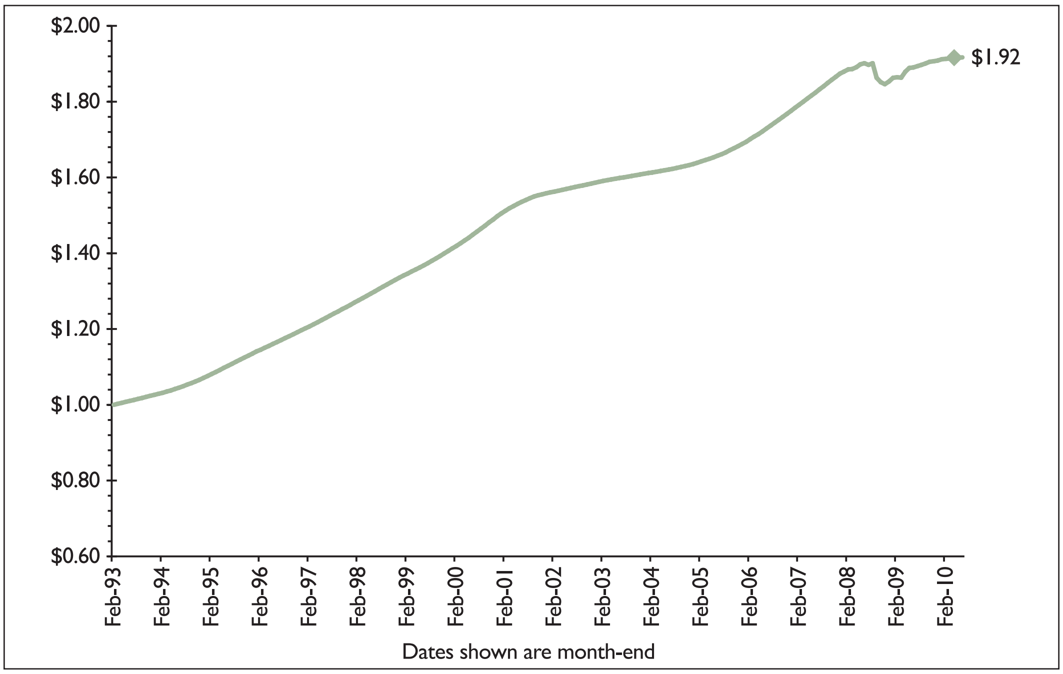
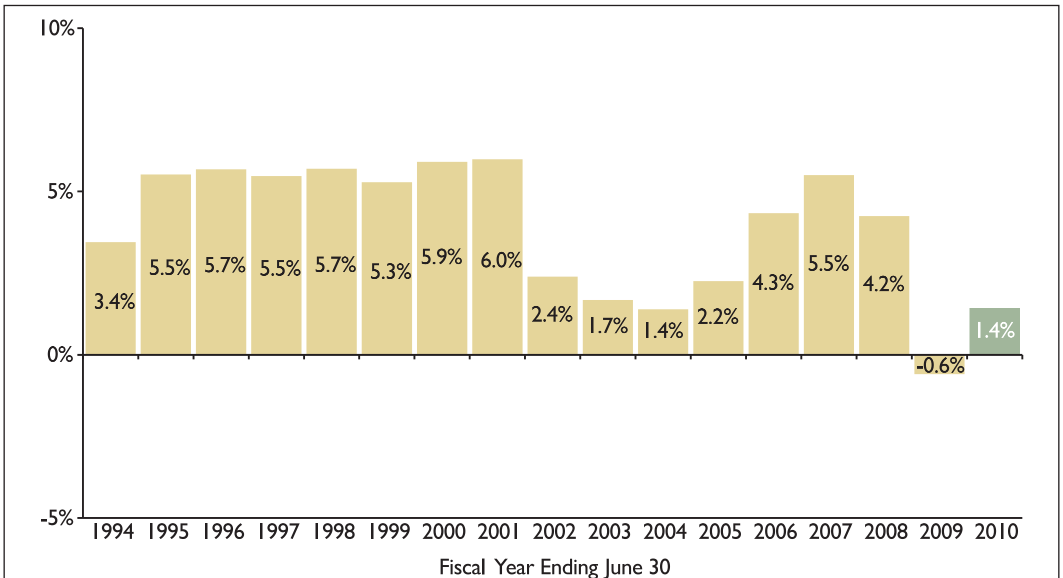


CHART 46: RETIREE HEALTH INSURANCE SUBSIDY TRUST FUND
SBA Managed Returns by Fiscal Year



Note: Fiscal year 1993-94 was the first full year of performance for this fund.

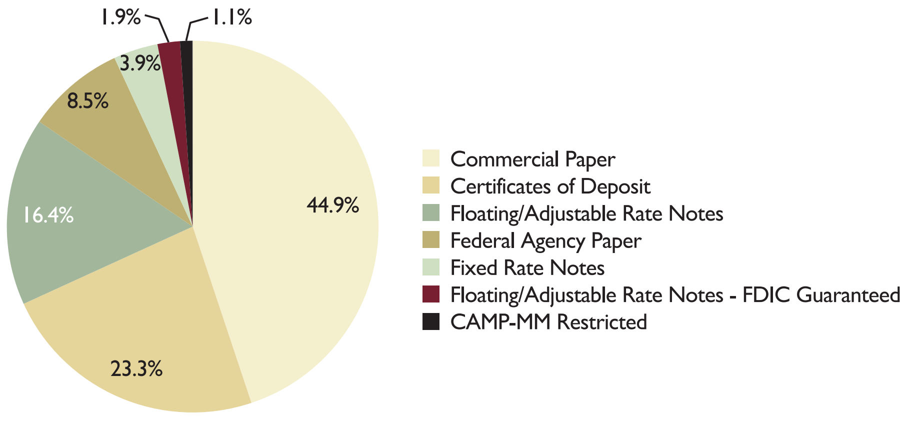
Table 19: Retiree Health Insurance Subsidy Trust Fund
Returns for Periods Ending June 30, 2010

	SBA Managed Return	Benchmark Return	Mgd. Over (Under) Bmk.
One Year	1.41%	1.28%	0.13%
Three Years	1.67%	2.94%	-1.27%
Five Years	2.96%	3.86%	-0.90%
Ten Years	2.84%	NA	NA
Fifteen Years	3.75%	NA	NA

• All returns are annualized for periods indicated through June 30, 2010.

• Benchmark is the iMoneyNet First Tier Institutional Net Index as of January 2010. The benchmark prior to this date was the Merrill Lynch 1-year LIBOR CMTR Index for all time periods except for 10 and 15 years where a benchmark did not apply for the full period.

Chart 47: Retiree Health Insurance Subsidy Trust Fund
Investments by Security Type
$257.95 million as of June 30, 2010



Less than 0.5% allocation to Cash Equivalents.

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

about the SBA

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

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

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

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

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

This year's annual report is printed on recycled paper.

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