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State Board of Administration Releases 2010 Annual Investment Report

~ SBA exceeds investment objectives for the year, capturing significant economic benefit as global financial markets recover ~

Tallahassee, FL – The State Board of Administration (SBA) of Florida today released its 2010 annual Investment Report, providing an overview of the SBA's investment performance and accomplishments for the fiscal year July 1, 2009 through June 30, 2010. The State Board of Administration is an agency of Florida state government that provides a variety of investment services to various governmental entities. These include managing the assets of the Florida Retirement System Trust Fund, the Lawton Chiles Endowment Fund, the Local Government Surplus Funds Trust Fund (Florida PRIME), the Hurricane Catastrophe Fund, and a variety of other mandates. The SBA currently invests in six asset classes: Global Equities (both U.S. and non-U.S. companies), Fixed Income, Private Equity, Strategic Investments, Real Estate and Cash.

The SBA exceeded its investment objectives for fiscal 2009-10, capturing significant economic benefit as global financial markets recovered from the upheaval of the prior year. For the SBA's largest mandate, the Florida Retirement System Pension Plan, the total fund net return was 14.03%, 2.53 percentage points 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.

"The SBA has a history of cumulatively producing required returns since the fund's inception. Over the past 22 years, more than 66% of Pension Plan benefit payments have been funded by investment gains, not from taxpayers," said Ash Williams, Executive Director & CIO. "Since June 30, 2010 the Pension Fund value has grown an additional \$9 billion to over \$118 billion after approximately \$1.5 billion being paid to retirees."

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 available in the report and include the following highlights:

- The SBA's performance ranks among the best in the nation. Wilshire's Trust Universe Comparison Service (TUCS) Top Ten Public Plans Universe performance comparison results as of June 30, 2010 indicate that Florida ranks in the top quartile for one- and three- year performance results.
- 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. This has resulted in the SBA remaining one of the nation's lowest cost providers as ranked by independent sources. CEM (Cost Effectiveness Measurement Benchmarking) shows for the calendar year ending 2009 that Florida ranked in the lowest quartile for total cost in its peer group.

- The independent Pew Center on the States reported in February 2010 that Florida's Pension Plan stands out as a "solid performer" among public pension funds and praised Florida for its strong actuarial position and history of solid funding. Florida's position as one of only four states with a fully funded pension plan going into the 2008 recession put it in a stronger position to weather the market downturn, according to the Pew Center study.
- Based on the June 30, 2010 figures, the Florida Retirement System was estimated to have a preliminary funding ratio of 87.9% when the Pension Fund was valued at \$109 billion. Most objective sources consider a funding ratio above 80% as financially secure. Prior to the recent economic turmoil, the FRS Pension Fund enjoyed a funding ratio of 107.1% as of June 30, 2008 when the total fund value was \$126.9 billion.

The annual Investment Report is being presented in two parts to better communicate with different audiences. The main section released today provides the summary report to stakeholders including the nearly 1 million participants of the Florida Retirement System in an easy to understand format. An electronic supplement, which will be released in the near future, will provide additional detail and charts for those desiring a more in-depth look at the SBA's performance.

Copies of the annual Investment Report are available electronically at www.sbafla.com under "The Funds We Manage" tab, or in print by contacting John Kuczwanski at (850) 413-1254.

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