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OF FLORIDA

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EXECUTIVE DIRECTOR & CIO

MEMORANDUM

To: MEMBERS, STATE BOARD OF ADMINISTRATION
Governor Charlie Crist, Chairman
Chief Financial Officer Alex Sink, Treasurer
Attorney General Bill McCollum, Secretary

From: Ash Williams

Date: February 26, 2010

Subject: Monthly Performance Report as of January 31, 2010

Equity markets stumbled in January as sovereign debt concerns emerged in the Euro zone. The Russell 3000 Index, a broad measure of U.S. equity performance, fell 3.60 percent. Foreign equities, as measured by the MSCI ACWI ex-U.S. Investable Market Index, were down 4.55 percent. Fixed income markets (Barclays Capital Aggregate Index) returned 1.53 percent as risk aversion grew.

For the 12 months ending January 31, 2010, performance for the SBA's three key mandates was as follows.

	Managed Return	Target Return	Managed vs. Target
FRS Pension Plan	24.16%	24.17%	- 0.01%
FRS Investment Plan	21.30%	19.95%	1.34%
Lawton Chiles Endowment	26.06%	24.98%	1.08%

Florida Statutes, Section 215.47(6), the "basket clause," requires the Executive Director to report to the Investment Advisory Council any proposed plans to invest in certain investments that are not explicitly authorized. During the month of January 2010, no proposed plans for such investments were reported to the Investment Advisory Council.

Please find attached the SBA's Monthly Performance Report for periods ending January 31, 2010. The report also contains performance information on the Florida Hurricane Catastrophe Fund and the Health Insurance Subsidy Trust Fund. A section has been added with information on the SBA's securities lending program. More detailed information on Florida PRIME can be found on the SBA website at www.sbafla.com/pool. I am also enclosing the Florida Retirement System Pension Plan Review for the fourth quarter of 2009 which is prepared by our general consultant, Ennis, Knupp & Associates.

Other Items of Note

- On February 5th, the SBA transferred \$8.575 million from Fund B to Florida PRIME. The total accumulated distribution has amounted to \$1.55 billion or about 77.3 percent of the original Fund B principal.
- Florida PRIME's investment advisor, Federated Investors, was recognized by iMoneyNet in their January 2010 *Money Fund Report*. iMoneyNet recognized money funds that reported the highest net one-year returns for 2009 in six different categories. Federated received honorable mentions for Federated Prime Value Obligations Fund and Federated Municipal Obligations Fund in the prime and national categories, respectively.
- In a February 2010 report, The Pew Center on the States recognized the FRS as a "solid performer" among public pension funds praising Florida for its strong actuarial position and history of solid funding and noted that the FRS was one of only four states with a fully funded pension plan going into the 2008 recession.
- The SBA entered into an Appraisal Management Agreement with Duff & Phelps, LLC to assist in the management of the real estate appraisal administration process.

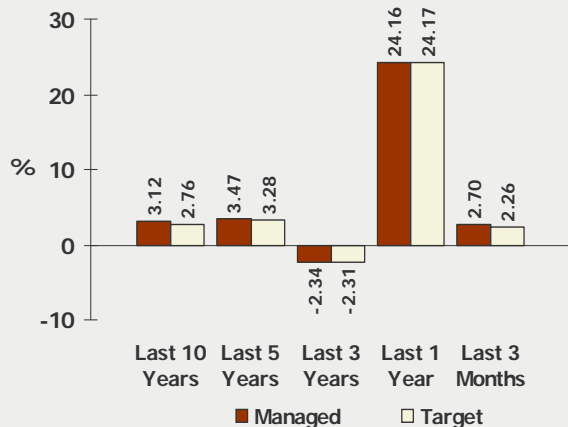
If you have any questions or need additional information, please contact me.

AW/bm
Enclosures

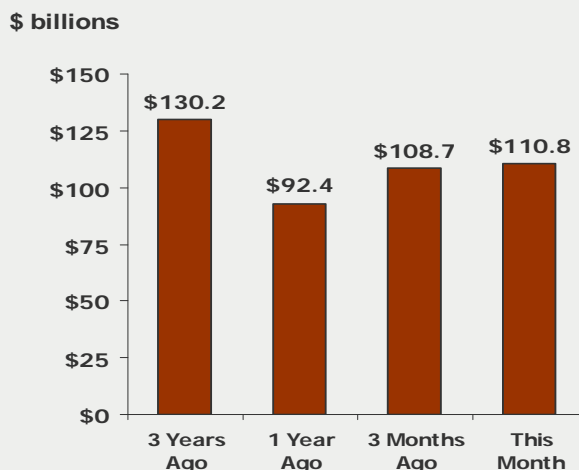
cc: IAC Members
Pat Gleason
Robert Tornillo
Rob Johnson

FLORIDA RETIREMENT SYSTEM PENSION PLAN

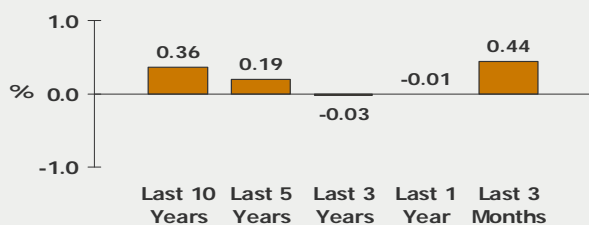
Net Managed and Target Returns



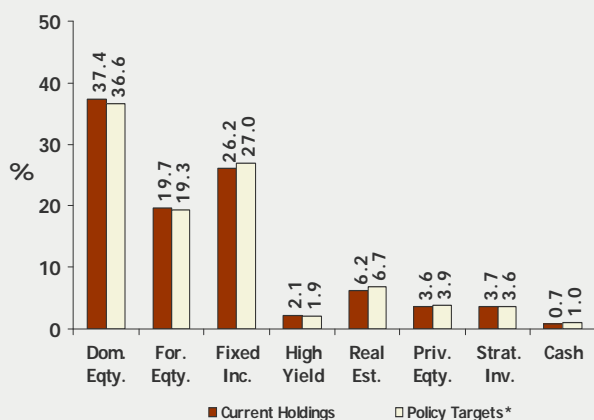
Net Asset Values



Managed vs. Target Return



Asset Allocation



Monthly Movement in Asset Allocation Mix

ASSET CLASS	POLICY RANGE	RANGE OF EST. ALLOCATION
Domestic Equities	30.0 - 47.0 %	37.5 - 38.5 %
Foreign Equities	11.0 - 25.0 %	19.5 - 20.5 %
Fixed Income	20.0 - 36.0 %	24.8 - 26.3 %
High Yield	0.0 - 7.0 %	2.0 - 2.1 %
Real Estate	2.0 - 12.0 %	6.2 - 6.5 %
Private Equity	0.0 - 5.0 %	3.4 - 3.6 %
Strategic Investments	0.0 - 10.0 %	3.6 - 3.7 %
Cash	0.0 - 9.0 %	0.7 - 1.1 %

* Policy targets are the 'target allocations' specified in Table 2 of the FRS Investment Policy Statement, adjusted for exposure to Strategic Investments.

FRS Pension Plan Net Returns by Asset Class

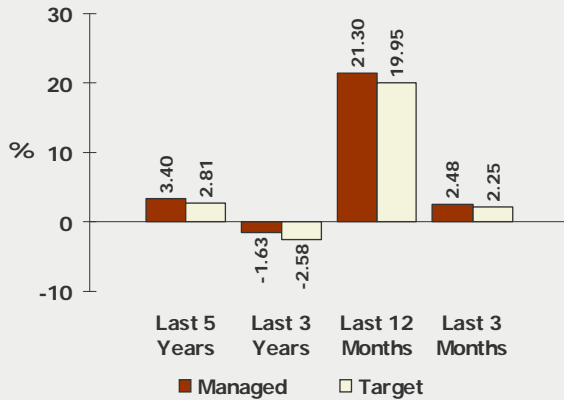
	PAST 3 MONTHS			PAST 12 MONTHS		
	MANAGED	TARGET	MANAGED VS TARGET	MANAGED	TARGET	MANAGED VS TARGET
TOTAL FRS DB*	2.70%	2.26%	0.44%	24.16%	24.17%	-0.01%
Asset Allocation	2.20%	2.26%	-0.06%	23.76%	24.17%	-0.41%
Domestic Equities	4.75%	4.78%	-0.02%	35.10%	35.05%	0.05%
Foreign Equities	0.98%	0.24%	0.73%	49.73%	50.42%	-0.69%
Fixed Income	2.25%	1.23%	1.02%	16.58%	8.51%	8.07%
High Yield	4.14%	4.36%	-0.22%	30.96%	36.94%	-5.98%
Strategic Investments	4.18%	1.71%	2.47%	25.48%	24.70%	0.79%

* Includes returns of private market asset classes and cash in addition to listed asset classes. Strategic Investments, Private Equity and Real Estate include assets whose valuations are subject to significant delays relative to the reporting period.

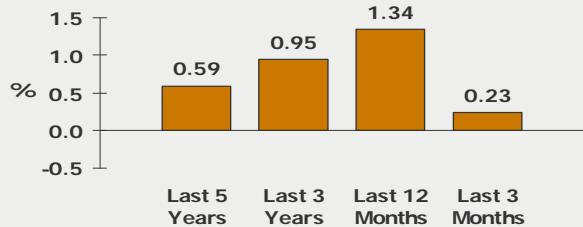
FLORIDA RETIREMENT SYSTEM INVESTMENT PLAN

TOTAL PLAN

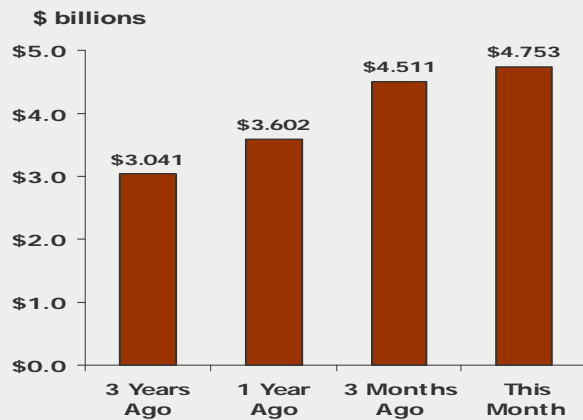
Net Managed and Target Returns



Managed vs. Target Return

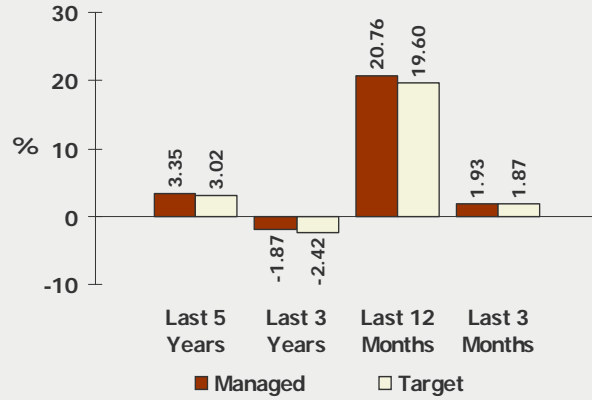


Total Plan Net Asset Value

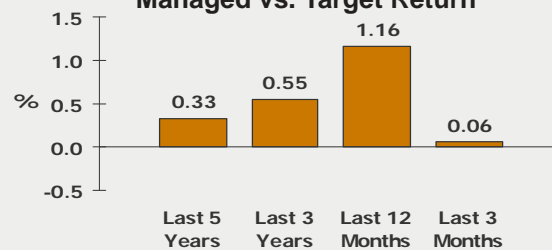


BALANCED FUNDS

Net Managed and Target Returns



Managed vs. Target Return



FRS Elections

	Defaults (Pension)	Pension Plan	Investment Plan/Hybrid	FY Totals
New Employee				
FY07-08	38,644 55%	13,663 19%	18,279 26%	70,586
FY08-09	27,514 56%	10,697 22%	11,155 23%	49,366
FY09-10*	10,361 55%	4,086 22%	4,266 23%	18,713
Total	76,519 55%	28,446 21%	33,700 24%	138,665
Second Elections				
FY07-08		236 3%	8,976 97%	9,212
FY08-09		373 8%	4,160 92%	4,533
FY09-10*		175 8%	2,115 92%	2,290
Total		784 5%	15,251 95%	16,035

Percentages are shares of FY Totals

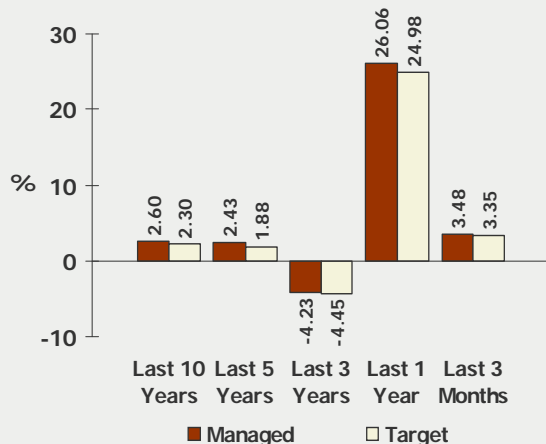
*As of 1/31/10

FRS Investment Plan Asset Allocation and Net Returns by Asset Type

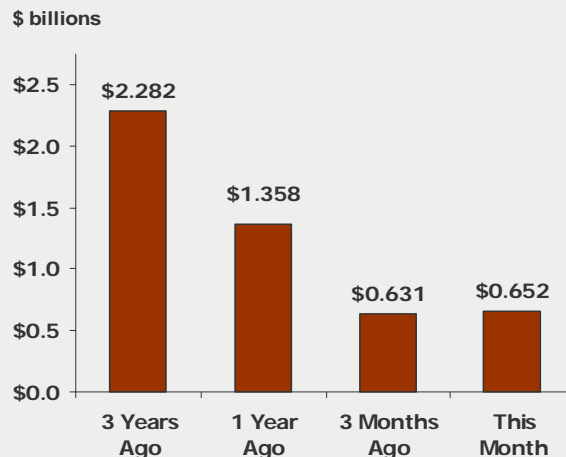
	PERCENT ALLOCATION	PAST 3 MONTHS			PAST 12 MONTHS		
		MANAGED	TARGET	MANAGED VS TARGET	MANAGED	TARGET	MANAGED VS TARGET
TOTAL FRS IP	100.0%	2.48%	2.25%	0.23%	21.30%	19.95%	1.34%
Domestic Equities	34.3%	5.62%	5.35%	0.28%	37.63%	35.99%	1.64%
Foreign Equities	16.9%	0.13%	-0.46%	0.60%	41.70%	39.21%	2.49%
Fixed Income	26.6%	1.78%	1.54%	0.23%	13.40%	10.65%	2.75%
TIPS	5.8%	2.16%	2.15%	0.02%	11.20%	11.32%	-0.12%
Money Market Funds	16.4%	0.05%	0.08%	-0.03%	0.28%	0.59%	-0.31%

LAWTON CHILES ENDOWMENT FUND

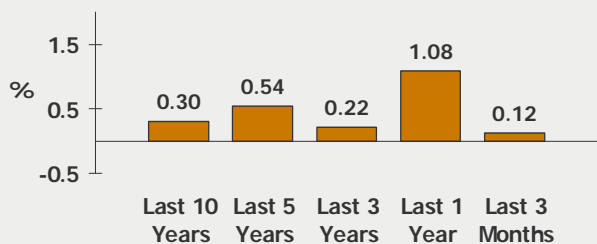
Net Managed and Target Returns



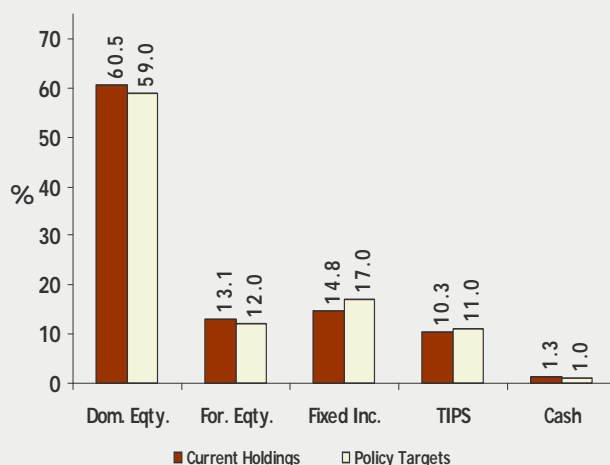
Net Asset Values



Managed vs. Target Return



Asset Allocation*



Monthly Movement in Asset Allocation Mix

ASSET CLASS	POLICY RANGE	RANGE OF EST. ALLOCATION
Domestic Equities	54.0 - 64.0 %	59.2 - 60.5 %
Foreign Equities	6.0 - 18.0 %	12.9 - 13.4 %
Fixed Income	12.0 - 25.0 %	14.9 - 15.8 %
TIPS	6.0 - 16.0 %	10.1 - 10.7 %
Cash	0.0 - 10.0 %	1.1 - 1.1 %

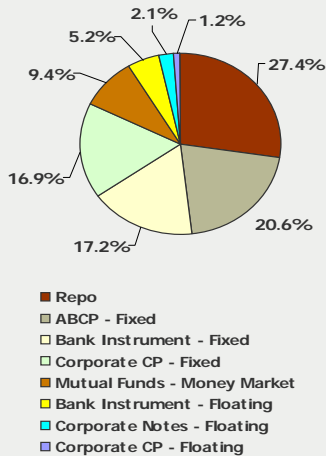
* The Policy Weights shown became effective July 1, 2009.

	PAST 3 MONTHS			PAST 12 MONTHS		
	MANAGED	TARGET	MANAGED VS TARGET	MANAGED	TARGET	MANAGED VS TARGET
TOTAL LCEF	3.48%	3.35%	0.12%	26.06%	24.98%	1.08%
Asset Allocation	3.34%	3.35%	-0.01%	25.62%	24.98%	0.64%
Domestic Equities	4.91%	4.82%	0.09%	35.06%	35.12%	-0.06%
Foreign Equities	0.28%	0.11%	0.17%	48.19%	50.10%	-1.91%
Fixed Income	1.35%	1.23%	0.12%	7.36%	8.51%	-1.15%
TIPS	2.40%	2.15%	0.25%	12.45%	11.32%	1.13%
Cash	0.63%	0.09%	0.54%	2.98%	0.58%	2.40%

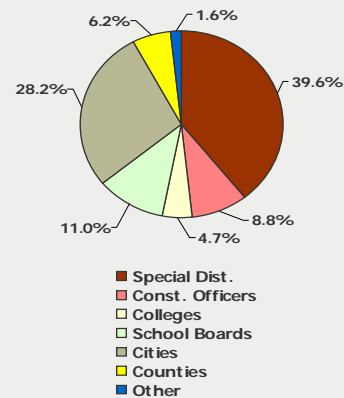
FLORIDA PRIME AND FUND B

Florida PRIME had 809 participants at the end of January 2010 and a balance of \$6.32 billion. Fund B Surplus Funds Trust Fund (Fund B) had a balance of \$306.8 million. During the month, Florida PRIME earned a return of 0.02 percent beating its target (the S&P AAA/AA Rated GIP All 30-day Net index) by 1 basis point. Over the 12-month period ending January 31, 2010, Florida PRIME returned 0.52 percent and beat its performance benchmark by 13 basis points. Through January 31, 2010, roughly \$1.55 billion, or 76.9 percent of original participant balances in Fund B, had been returned to clients. The SBA continues to manage Fund B to maximize the present value of cash distributions to participants.

Florida PRIME Assets by Type



Florida PRIME Participants by Type

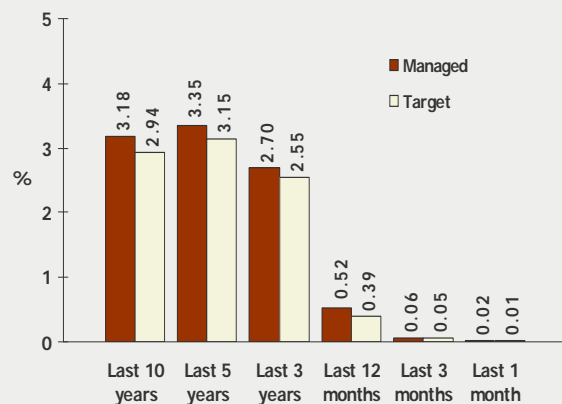


Florida PRIME Final Maturity Schedule

Month	Percent of Assets	Cumulative percent
Feb-10	50.9%	50.9%
Mar-10	15.7%	66.6%
Apr-10	17.1%	83.7%
May-10	2.0%	85.7%
Aug-10	1.6%	87.3%
Nov-10	0.8%	88.1%
Dec-10	7.2%	95.3%
Jan-11	4.3%	99.5%
Other*	0.5%	100.0%

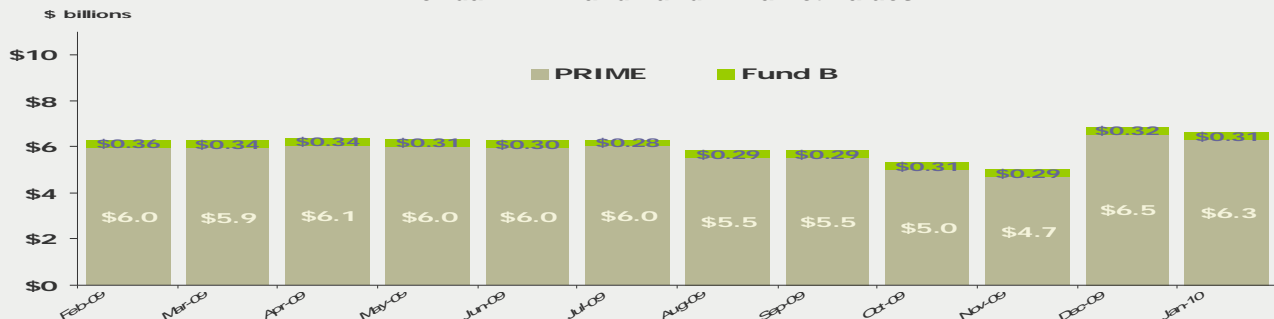
* Consists of three variable-rate notes with long-term final maturities, but frequent rate resets.

Florida PRIME Managed* and Target Returns



* Return calculated pursuant to Chapter 19-7.001, Florida Administrative Code.

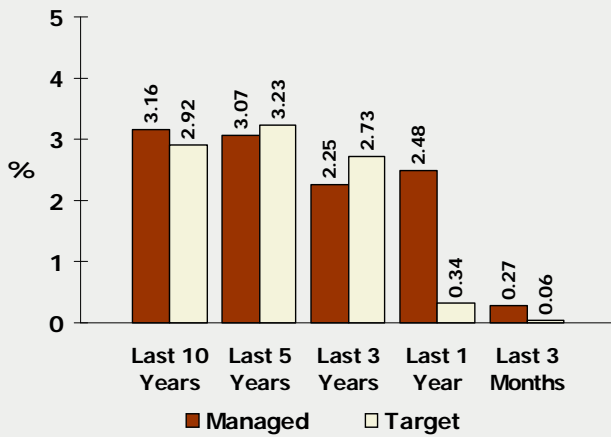
Florida PRIME and Fund B Market Values



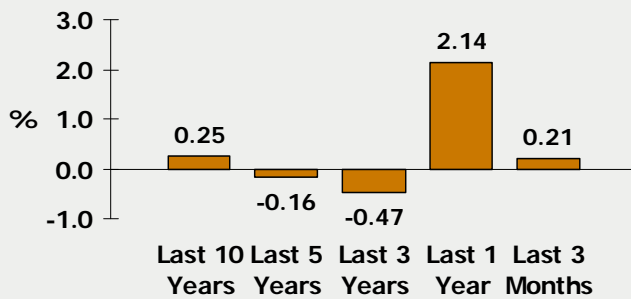
FLORIDA HURRICANE CATASTROPHE FUND

OPERATING FUND

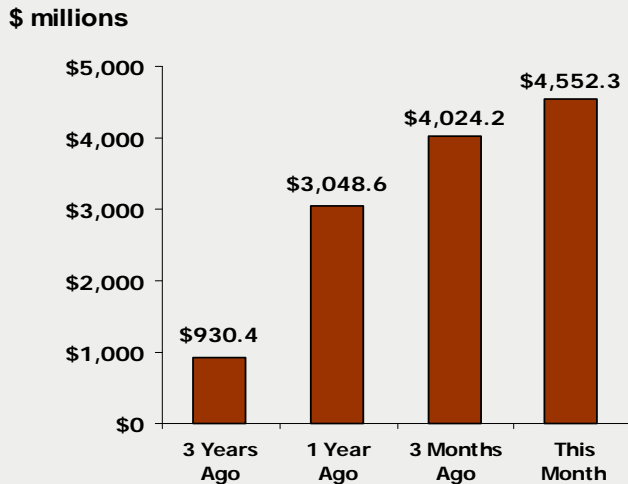
Net Managed and Target Returns



Managed versus Target Return

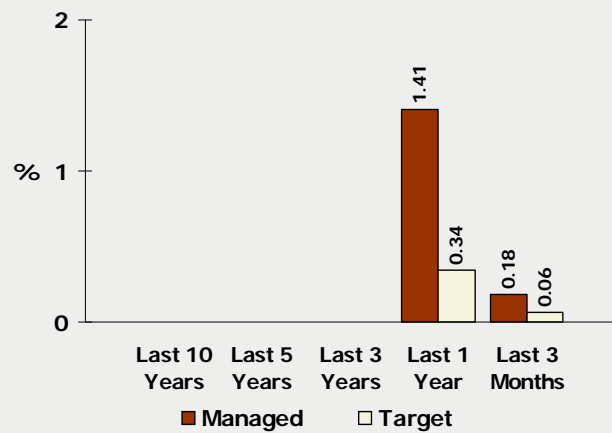


Net Asset Values

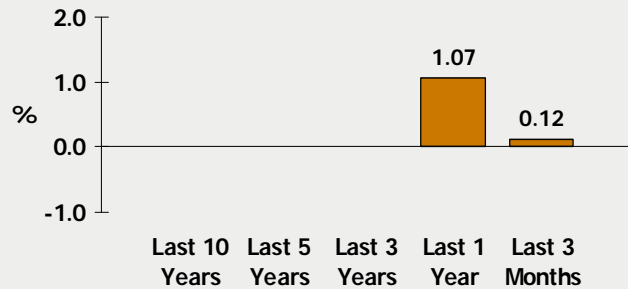


2007A NOTE PROCEEDS

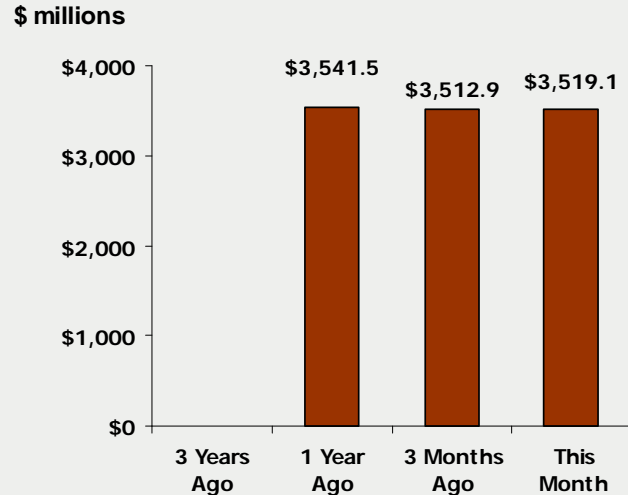
Net Managed and Target Returns



Managed versus Target Return

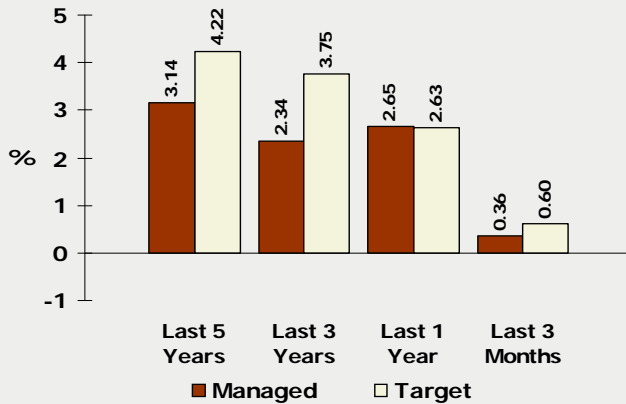


Net Asset Values

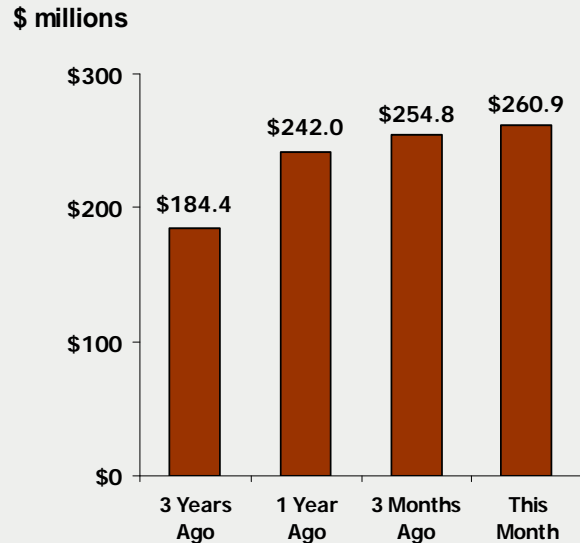


HEALTH INSURANCE SUBSIDY TRUST FUND

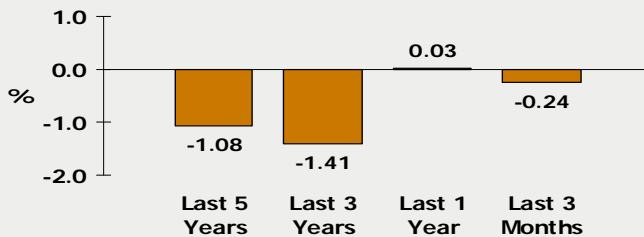
Net Managed and Target Returns



Net Asset Values



Managed versus Target Return



SECURITIES LENDING COLLATERAL REINVESTMENT*

As of January 31, 2010	Book Value	Market Value	Unrealized Gain/(Loss)
FRS Pension Plan	\$5,866,391,078	\$5,485,073,372	(\$381,317,706)
Lawton Chiles Endowment Fund	\$7,412,518	\$6,870,522	(\$541,996)
Florida Lottery	\$769,386,596	\$758,989,622	(\$10,396,974)
Total	\$6,643,190,192	\$6,250,933,516	(\$392,256,676)

* This is a summary of investment positions held at month-end in the SBA's various security lending programs. The SBA lends securities and receives cash and securities as collateral for the loans. The cash is reinvested. Earnings on the investments, net of broker rebates, are split between the lending agent and the SBA. When security loans mature and the borrowed securities are returned to the SBA, the cash and securities received as collateral are returned to the borrower. This information does not include non-cash security loans, interest receivable on investments or other receivables or payables that may be associated with securities lending. Amounts are based on information provided by the lending agents. Securities lending income is credited within the return calculations for those portfolios from which the securities are lent. Unrealized gain/(loss) on the collateral reinvestment portfolios is included once per year in the SBA's financial statements, but is not reflected in investment returns.