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OF FLORIDA

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AS TREASURER  
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AS SECRETARY  
ASH WILLIAMS  
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 3, 2010

**Subject:** Quarterly Performance Report as of December 31, 2009

Equity markets ended 2009 on a high note as credit eased and economic growth improved. The Russell 3000 Index rose 5.9 percent during the quarter, and foreign stock markets, as measured by the MSCI ACWI ex-US Investable Market Index, were up 3.7 percent. Fixed income markets were flat with the Barclays U.S. Aggregate Bond Index returning 0.2 percent.

For the twelve months ending December 31, 2009, performance for the SBA's three largest multi-asset class mandates was as follows.

	Managed Return	Target Return	Managed vs. Target
FRS Pension Plan	20.76%	19.51%	1.25%
FRS Investment Plan	18.38%	16.83%	1.55%
Lawton Chiles Endowment	21.25%	19.63%	1.62%

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 December 2009, no proposed plans for such investments were reported to the Investment Advisory Council.

Please find attached the SBA's Quarterly Performance Report for periods ending December 31, 2009. The report contains performance information on the FRS programs, the Lawton Chiles Endowment Fund, Florida PRIME, the Florida Hurricane Catastrophe Fund (FHCF), the Retiree Health Insurance Subsidy Trust Fund, and the CAMP-Money Market Fund. Also included is summary data 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](http://www.sbafla.com/pool). I am also enclosing the Florida Retirement System Pension Plan Review for the third quarter of 2009 which was prepared by our general consultant, Ennis, Knupp & Associates.

Other Items of Note

- The SBA transferred \$34.8 million from Fund B to Florida PRIME in January 2010. The transfer was substantial because the security trustee for Axon Financial Funding recently made a payment of principal and interest that accrued during the restructuring of Axon.
- The transition from ING to Hewitt Associates as the administrator of the Investment Plan successfully occurred at the end of December.
- The Investment Plan's web portal provider experienced a login error which resulted in the MyFRS.com website being unavailable to plan members for a period of time.
- Five law firms were selected for inclusion in the securities litigation pool. A decision on one other firm is pending.
- A federal court approved the Schering-Plough class action settlement for \$165.0 million. The SBA's share of this settlement has not yet been determined by the claims administrator.

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

cc: IAC Members  
Pat Gleason  
Robert Tornillo  
Rob Johnson

AW/bm  
Enclosures

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# State Board of Administration Quarterly Report to the **Trustees**

Performance Through December 31, 2009

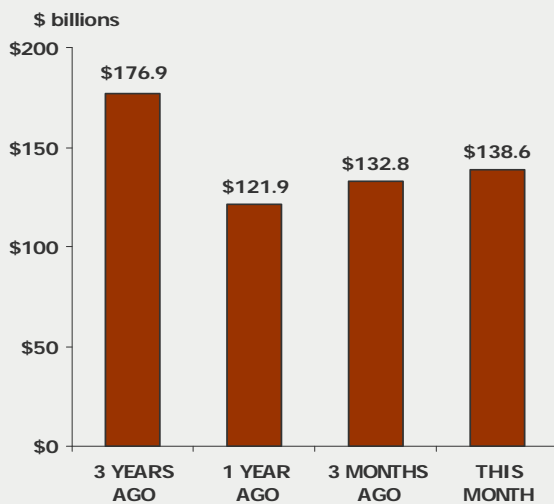
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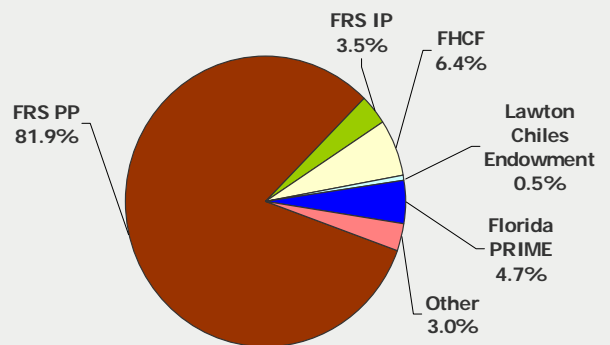
INVESTING FOR FLORIDA'S FUTURE

On December 31, 2009, the State Board of Administration had \$138.6 billion under management. The Florida Retirement System (FRS) continues to be the largest fund under the Board’s supervision, with a current net asset value (NAV) of \$118.31 billion split between its Pension Plan (PP) and Investment Plan (IP). The chart below provides an overview of funds under management. A summary of all individual funds under management is included on page 18.

**Total Funds Under Management**



**Breakdown of Funds Under Management**



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## ECONOMIC OVERVIEW

**The U.S. Commerce Department estimates that real Gross Domestic Product (GDP) increased at a 5.7 percent annual rate in the fourth quarter of 2009.** This was the second successive quarter with positive real GDP growth after a four quarter string of declines in real GDP. It was also the economy's highest quarterly growth pace since the first quarter of 2006.

**Real personal consumption expenditures rose 2.0 percent in the third quarter.** Growth in household spending was constrained by payback from the prior quarter when cash-for-clunkers boosted durables spending. In the fourth quarter, durables purchases fell at a 0.9 percent annual rate. However, spending on non-durable goods was up 4.3 percent and spending on services advanced 1.7 percent. Absent employment gains, consumer spending figures to remain somewhat soft.

**Real fixed investment grew at a 39.3 percent annual rate in the fourth quarter led by inventories.** Inventories did not actually increase in the fourth quarter, however, their rate of decline slowed dramatically and accounted for 3.4 percent (more than half) of the observed growth in real GDP. Aside from inventories, the investment picture was mixed. Investment in equipment and software rose a very solid 13.3 percent, but investment in structures (non-residential fixed investment) fell 15.4 percent. Residential fixed investment (mainly home construction) gained 5.7 percent. Most measures of business sentiment continue to improve, indicating that investment is likely to show further gains in coming quarters, despite ongoing weakness in non-residential fixed investment.

**Government spending fell at a 0.2 percent annual rate during the quarter.** Federal government spending increased at a 0.1 percent annual rate with non-defense expenditures increasing 8.1 percent. State and local government spending declined for a second straight quarter slipping 0.3 percent. Federal stimulus should keep non-defense spending growing, but state and local area expenditures could fall for another quarter or two.

**The trade deficit decreased in the fourth quarter adding 0.5 percent to real GDP growth.** The trade sector has been on an upswing for a couple of quarters as credit markets have thawed. Exports jumped 18.5 percent in the fourth quarter while imports increased 10.5 percent, resulting in a sharp rise in net exports (exports minus imports). As the global recovery gains traction, trade flows could continue to strengthen.

**It is now fairly clear that the recession is over and the consensus forecast is for modest real GDP growth this year (see chart below).** Nonetheless, the recovery is expected to be spotty with ongoing problems in commercial real estate and job creation. The inflation outlook is benign - for now. But if the economy continues to rebound, the Fed will likely take preemptive action. How the economy will react to rate hikes remains to be seen.



Forecast Source: Blue Chip Survey - January 2010

## Economic and Market Conditions

### MARKET SUMMARY

**U.S. equity markets advanced for the third consecutive quarter, with the Russell 3000 Index gaining 5.90 percent in the fourth quarter of 2009, and 28.34 percent for the year.** A number of factors pushed stocks higher in the fourth quarter including extremely accommodative monetary and fiscal policies, somewhat improved employment and housing numbers, and indications that both consumers and corporations began to loosen their purse strings. Aggressive cost cutting also supported generally good corporate earnings results during the quarter.

**Foreign equity markets rose modestly during the fourth quarter with the MSCI ACWI ex-US IMI ex-Iran and Sudan Index up 3.66 percent, capping off a phenomenal year as the index rose 43.60 percent.** The strongest returns during the quarter were found in emerging markets which advanced over 9 percent as economic expansion accelerated in the important developing countries of China and India.

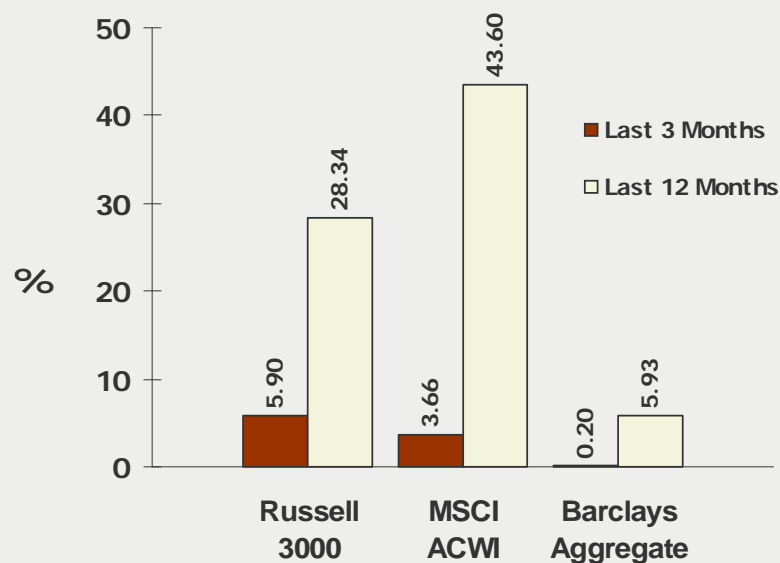
**The Barclays Capital U.S. Aggregate Index posted a total quarterly return of 0.20 percent.** The top-performing sector was the CMBS component, reporting a return of 3.27 percent for the quarter and 28.45 percent for the year. Corporate bonds also had a very strong fourth quarter performance, even as issuance continued at a record pace for the year. Stabilizing credit fundamentals and strong investor demand continued to drive the market.

**The fourth quarter of 2009 capped the slowest fundraising market for private equity firms since 2002.** Buyout and Mezzanine firms raised \$64 billion in 2009, a decrease of 76 percent from 2008's \$264 billion.

**Real estate markets throughout the U.S. continue to share in the negative effects brought on by the Great Recession.** Unemployment issues are still impacting both commercial and residential occupancies resulting in higher vacancy rates and lower rents. Market watchers do not see much of a comeback until 2011.

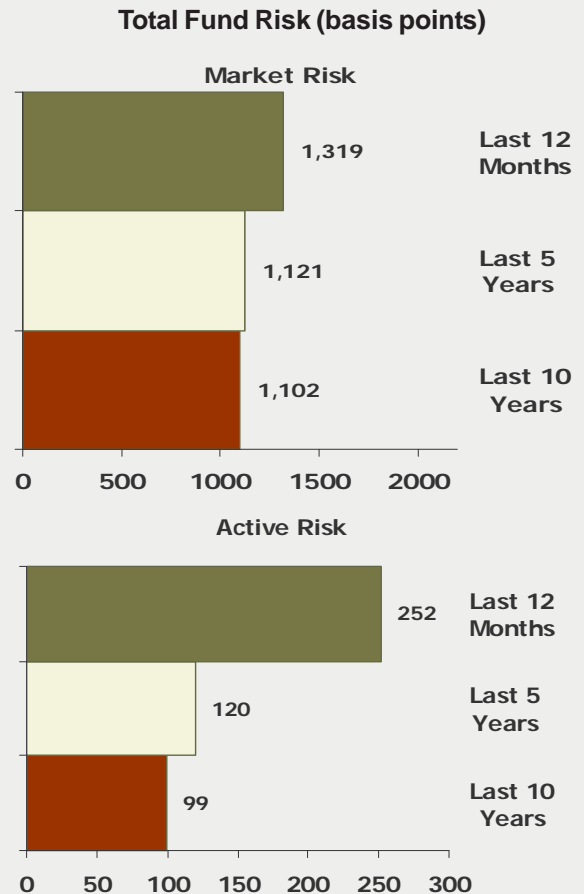
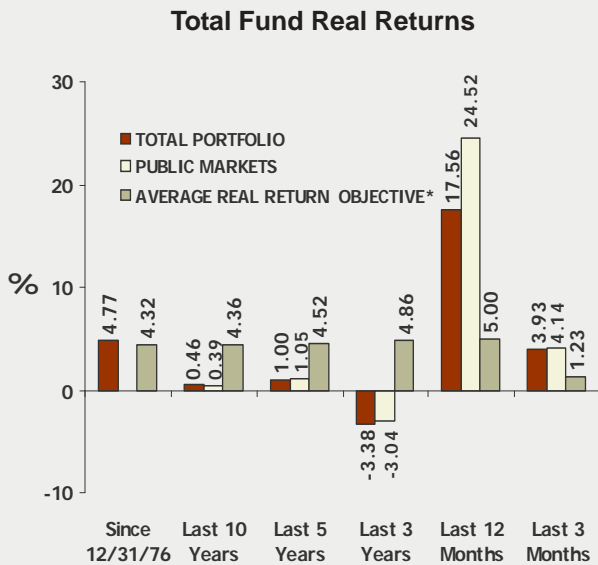
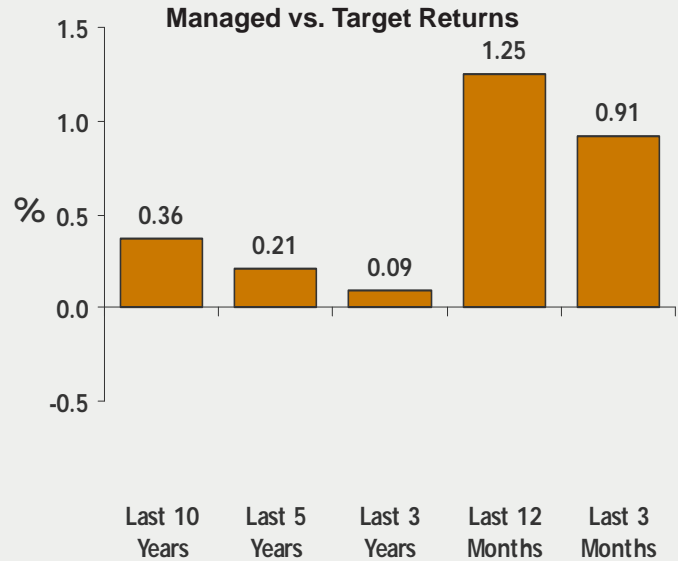
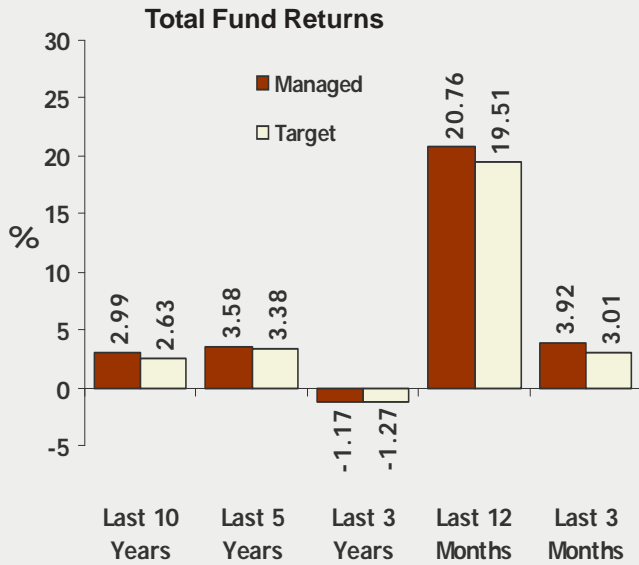
The chart below shows the returns on three major indexes that serve as benchmarks for the bulk of the Pension Plan's investments over the past quarter and the past year - 1) the Russell 3000 Index, 2) the MSCI All Country World Investable Market Index ex-U.S., and 3) the Barclays Capital U.S. Aggregate Index.

Major Index Returns



# FLORIDA RETIREMENT SYSTEM PENSION PLAN

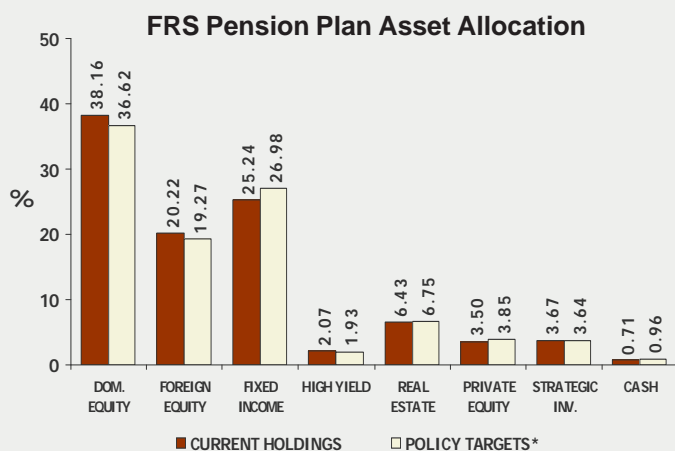
Over the 12 months ending in December, the FRS Pension Plan had a Total Fund net return of 20.76 percent, beating its performance target by 125 basis points. Effective June 1, 2007, the Trustees adopted an absolute return target based on an actuarial assessment that FRS Pension Plan investments must, on average, appreciate by 5.0 percent per year in excess of the rate of inflation in order to meet the SBA's long-term investment objectives. The SBA's record in meeting that standard can be seen in the lower chart at left.



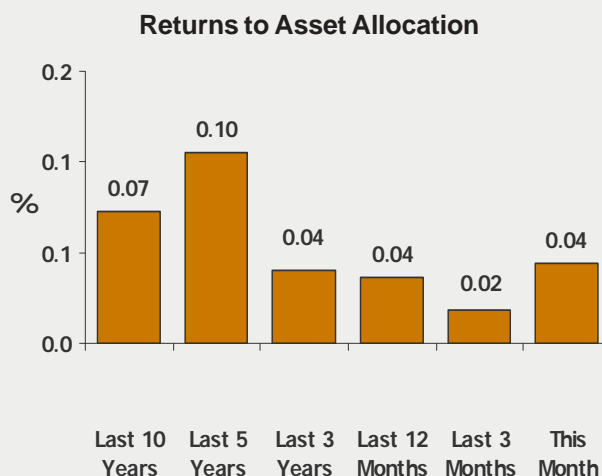
\*The FRS's real return objective was 4.3% prior to June 2003, and 4% from June 2003 to May 2007. It has been 5% since June 1, 2007. A 1.23% quarterly return compounds to 5% annually.

## ASSET ALLOCATION

Returns to Asset Allocation arise from differences between asset class actual and target allocations as percentages of the Total Fund (see upper chart at left). In the fourth quarter of 2009, returns to Asset Allocation beat the target return by 2 basis points thanks to overweights to Domestic and Foreign Equities. During the twelve-month period ended December 31, returns to Asset Allocation beat the target return by 4 basis points. There were no Total Fund rebalancings during the quarter.



\*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 Asset Allocation Ranges

	Policy		Actual	
	Low	High	Low	High
Domestic Equity	30.0%	47.0%	36.6%	38.4%
Foreign Equity	11.0%	25.0%	19.7%	20.9%
Fixed Income	20.0%	36.0%	24.9%	26.4%
High Yield	0.0%	7.0%	2.1%	2.2%
Real Estate	2.0%	12.0%	6.3%	6.8%
Private Equity	0.0%	7.0%	3.4%	3.6%
Strategic Investments	0.0%	10.0%	3.4%	3.7%
Cash	0.0%	9.0%	0.6%	1.1%

## CASH FLOWS AND INVESTMENT GAIN/LOSS

During the fourth quarter of 2009, the market value of the FRS Pension Plan increased by \$3,452.0 million, resulting from net benefit payments (payments minus contributions) out of the FRS Trust Fund of \$831.5 million and an investment gain of \$4,283.5 million. The positive net inflow to Fixed Income was largely attributable to a transfer of balances into a STIP Reserve account that is treated as part of Fixed Income for policy purposes.

ASSET CLASS <sup>1</sup>	PERFORMANCE OVER LAST 3 MOS.			PERFORMANCE OVER PRIOR 12 MOS.		
	TRANSFERS & CONTRIB.	RETURNS <sup>2</sup>	NET GAIN/LOSS	TRANSFERS & CONTRIB.	RETURNS <sup>2</sup>	NET GAIN/LOSS
Domestic Equity	(\$139.6)	\$2,484.2	\$2,344.6	\$525.0	\$9,760.7	\$10,285.7
Foreign Equity	(\$824.6)	\$831.4	\$6.9	(\$1,832.7)	\$7,517.8	\$5,685.2
Fixed Income	\$139.1	\$427.2	\$566.2	(\$2,054.8)	\$3,979.0	\$1,924.2
High Yield	(\$297.8)	\$112.7	(\$185.1)	(\$671.6)	\$765.0	\$93.4
Real Estate	(\$14.1)	(\$77.6)	(\$91.8)	\$182.5	(\$2,114.5)	(\$1,932.0)
Private Equity	(\$4.0)	\$198.9	\$194.9	\$144.3	(\$523.8)	(\$379.5)
Strategic Investments	(\$10.1)	\$320.4	\$310.3	\$14.4	\$747.9	\$762.4
Cash	\$319.7	(\$13.7)	\$305.9	(\$280.2)	(\$12.3)	(\$292.5)
<b>Total</b>	<b>(\$831.5)</b>	<b>\$4,283.5</b>	<b>\$3,452.0</b>	<b>(\$3,973.0)</b>	<b>\$20,119.8</b>	<b>\$16,146.8</b>

1. Based on available figures as of report time. Unless otherwise stated, all figures are in millions of dollars.

2. These numbers reflect deduction of fees. Negative numbers can occur for the cash portfolio, even when the returns themselves are positive.

## Asset Class Highlights

### **Domestic Equities**

The portfolio remains highly diversified with roughly 80 percent of it passively managed.

### **Foreign Equities**

Positive active performance during the quarter can be attributed to both developed market large cap and small cap managers, which more than offset the underperformance of emerging market managers.

Emerging markets were the clear winner in 2009, rising over 82 percent as investors' appetite for risk returned and economic growth in the developing world far outpaced that in the developed markets.

### **Fixed Income**

Managing exposure to future corporate bond default risk remains a priority. However, the fact that the portfolio is skewed toward investment grade corporate bonds and CMBS has added to performance as these sectors continue to benefit from a reduction in market risk.

### **High Yield**

Defensive, conservative positioning of High Yield managers has been causing the asset class to lag its target index.

### **Real Estate**

Real Estate's focus is maintaining healthy operations at direct-owned properties. Emphasis is on preservation of occupancy by extending leases until more favorable market conditions prevail. Loan extensions and restructurings continue to be a priority. Staff continues to closely monitor a resort hotel co-investment and a value-added multi-family joint venture.

Real Estate funded \$39.8 million in commitments during the fourth quarter, leaving \$389 million in unfunded commitments.

### **Private Equity**

The portfolio had a net cash inflow of \$54 million for the quarter. This is the first quarter with positive cash flow since the second quarter of 2008.

Deal volume in 2009 fell to a level not seen since 2002. However, the fourth quarter did see an uptick as recovering credit markets began to open up to Private Equity.

Historically, lows in Private Equity activity occur in what will eventually be the best vintage years. In fact, 2001 and 2002 have been the best performing vintage years since the early 1990's.

### **Strategic Investments**

With new issue volume curtailed, pricing in the loan market continued to strengthen during the fourth quarter with net repayments of \$32 billion. This was driven in part by High Yield issuance of \$65 billion for the quarter and a record \$165 billion for the year.

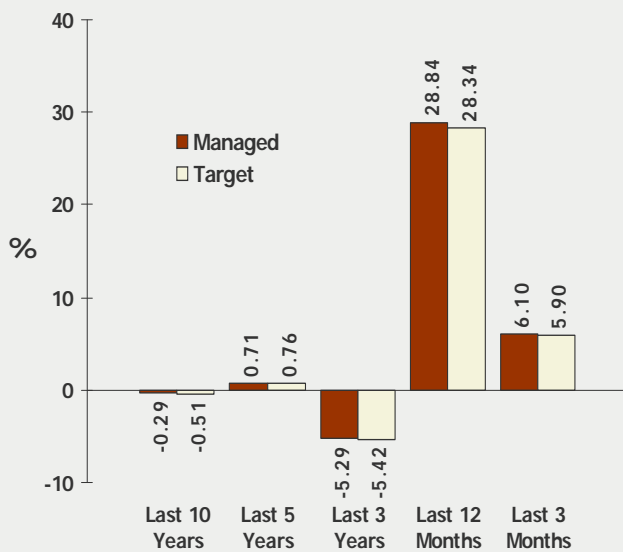
Capital markets began to thaw during the quarter as deal volume increased and buyers' and sellers' expectations on pricing began to converge.

Liquidity returned to the market as the government's TALF program enabled three CMBS issues of more than \$1.1 billion.

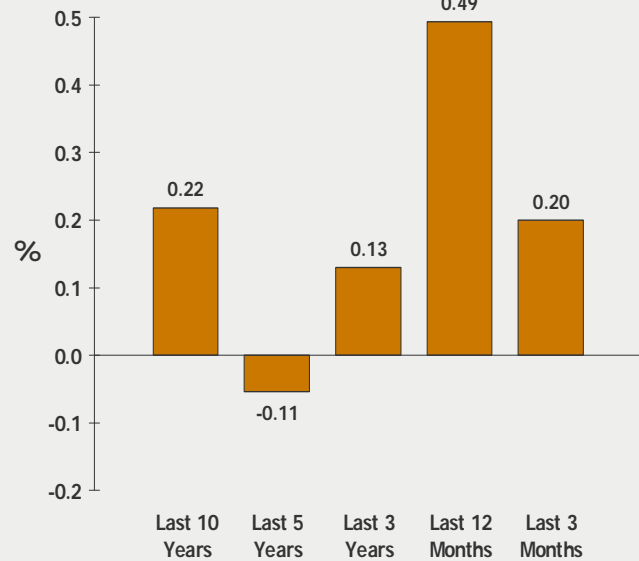
**DOMESTIC EQUITIES**

The quarter-end market value for Domestic Equities was \$43.2 billion. After accounting for external management fees and transaction costs, the asset class beat its target (the Russell 3000 Index) last quarter and over the last year. For the quarter, the active portfolio exceeded the benchmark's 5.61 percent return by 93 basis points. Passive investments tracked 2 basis points ahead of their benchmark for the quarter. For the year, both active and passive investments contributed to the positive results.

**Net Managed and Target Returns**



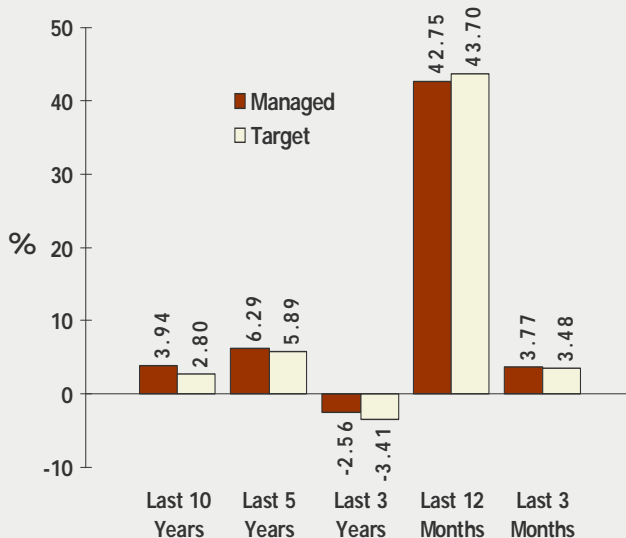
**Managed vs. Target Returns**



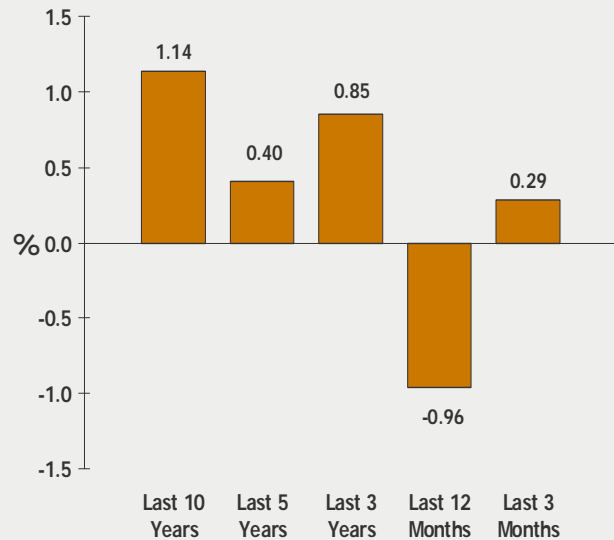
**FOREIGN EQUITIES**

The quarter-end market value for Foreign Equities was \$22.9 billion. After accounting for external management fees and transaction costs, Foreign Equities beat its target index (a custom version of the MSCI All Country World Investable Market Index ex-U.S.) last quarter, but lagged it over the past year. Emerging markets advanced 9 percent during the quarter despite a temporary shock from Dubai World's financial difficulties.

**Net Managed and Target Returns**

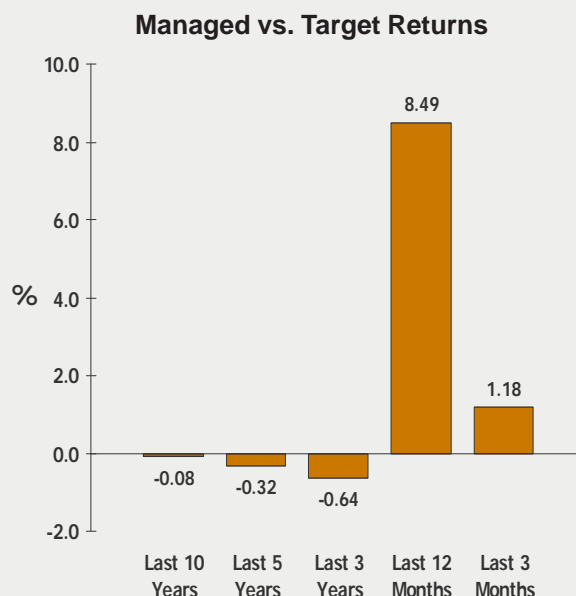
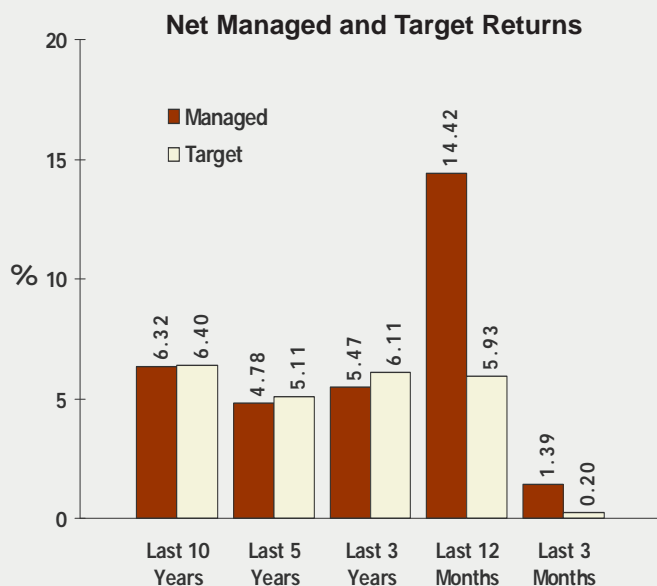


**Managed vs. Target Returns**



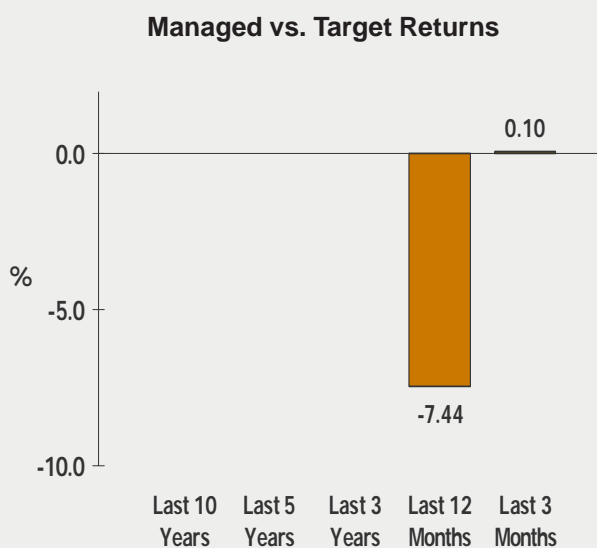
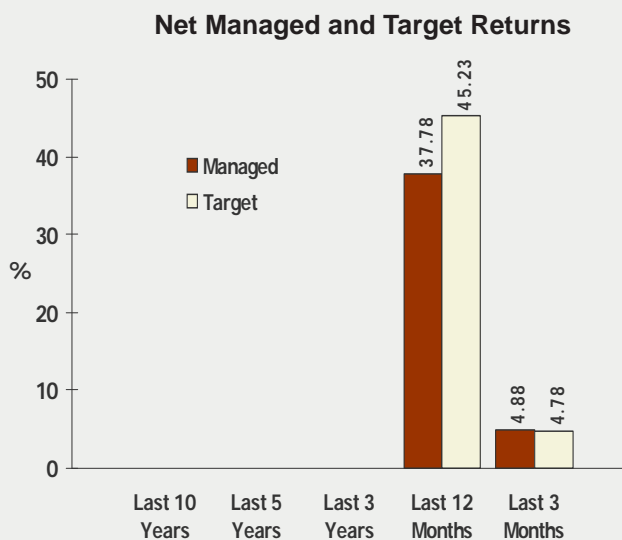
**FIXED INCOME**

The quarter-end market value for Fixed Income was \$29.0 billion. After accounting for external management fees and transaction costs, Fixed Income beat its target (the Barclays Capital U.S. Aggregate Index) over the last three months and over the past year. Treasury yields rose steadily during the quarter, concentrated in the longer end of the yield curve. Demand for yield continued to bring investors in to risk assets in the quarter. The top-performing sector was CMBS which returned 3.27 percent. Corporate bonds also continued to do well.



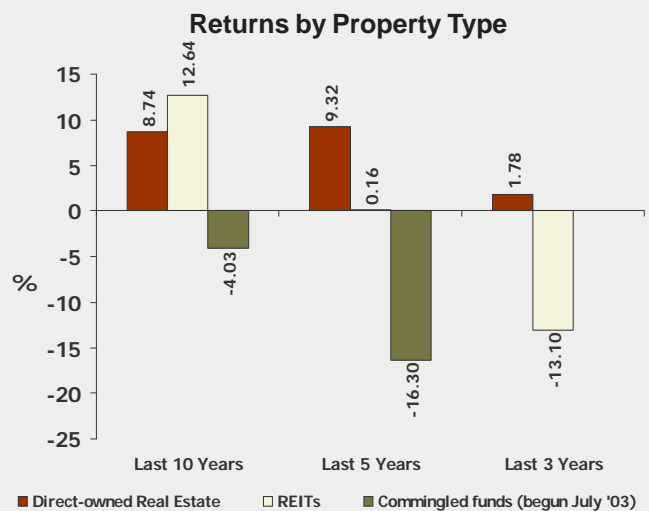
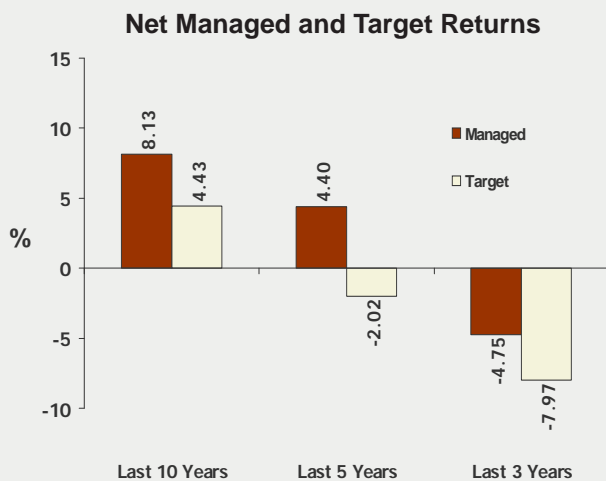
**HIGH YIELD**

The quarter-end market value for High Yield was \$2.3 billion. After accounting for external management fees and transaction costs, High Yield beat its target (the Barclays Capital U.S. High Yield Ba/B 2% Issuer Capped Index) by 10 basis points over the last three months, but lagged it over the past year. The high yield rally slowed a bit in the fourth quarter as returns came in at 4.78 percent versus 45.23 percent for the full year. Given good technicals and fundamentals, the market should have strong investor support and continued inflows.



**REAL ESTATE**

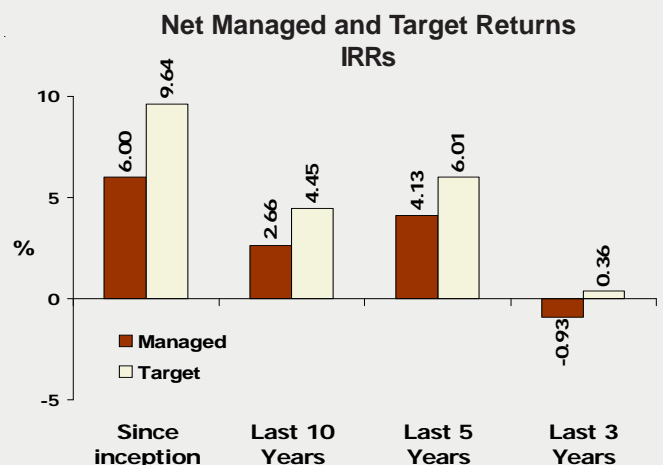
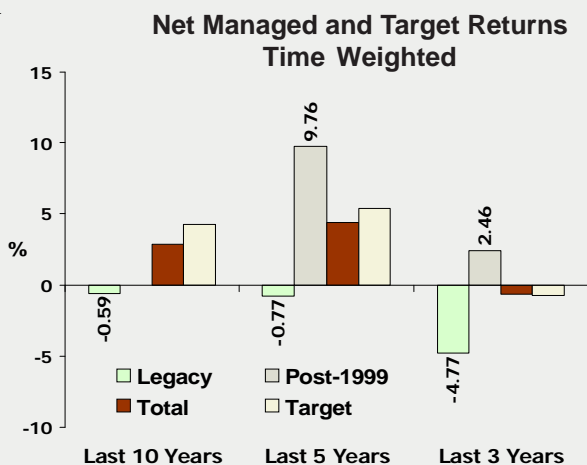
The quarter-end market value for Real Estate was \$7.3 billion, most of which was actively managed. After accounting for external management fees and transaction costs, the asset class has had largely favorable results versus its target (a blend of the NCREIF Open-end Diversified Core Equity Index and the Wilshire RESI Index) for trailing 3-year, 5-year and 10-year periods. The chart at left shows performance of the asset class versus its target (a blend of the NCREIF Open-end Diversified Core Equity Index and the Wilshire RESI Index) for trailing 3-year, 5-year and 10-year periods. The chart at right shows the returns of direct-owned properties, REITs and commingled funds over those same periods - where available.



Private-market real estate valuations are subject to significant delays relative to the reporting period.

**PRIVATE EQUITY**

The quarter-end market value for Private Equity was \$4.0 billion, all of which was actively managed. After accounting for external management fees and transaction costs, the asset class has lagged its target (the Russell 3000 Index + 450 basis points) since the first private equity investments were made in 1989. During the quarter, the Private Equity portfolio had a net cash inflow of \$54.1 million due largely to exits from Liberty Partners and Apollo Management.

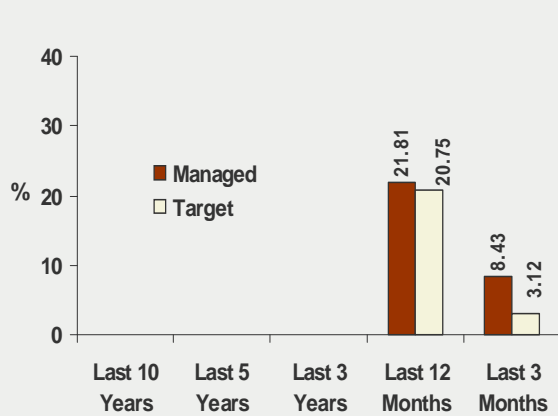


Because of the long-term nature of investing in private equity, funds can produce low or negative returns in the early years of the partnership. In the first few years of the partnership, management fees are drawn from partners' capital, and portfolio companies are held at cost, leading to an understatement of ultimate value. Due to numerous factors, including the lack of standardized valuation and reporting standards, the return information for Private Equity in this report may not reflect the expected returns of the partnerships. The returns contained in this report are calculated by the SBA and have not been reviewed by the general partners. Returns during early stages of the investment life cycle may not be meaningful or indicative of ultimate performance. Private Equity asset valuations are subject to significant delays relative to the reporting period.

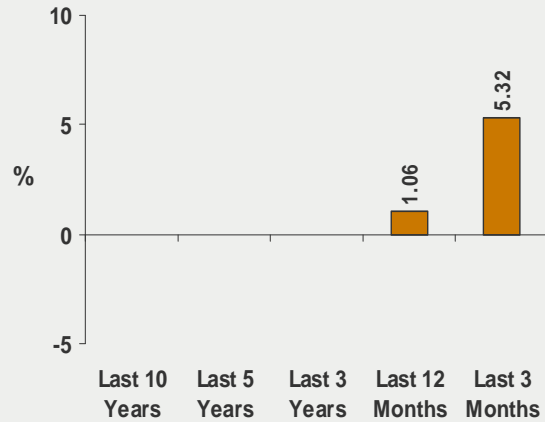
**STRATEGIC INVESTMENTS**

The quarter-end market value for Strategic Investments was \$4.1 billion, all of which was actively managed. Over the past three months, Strategic Investments beat its short-term target (an average of individual portfolio level target returns), and it also surpassed its target over the last year. During the quarter, the Strategic Investments asset class benefited from improved macro factors coupled with the continued rally in the credit markets which began in March.

**Net Managed and Target Returns**



**Managed vs. Target Returns**

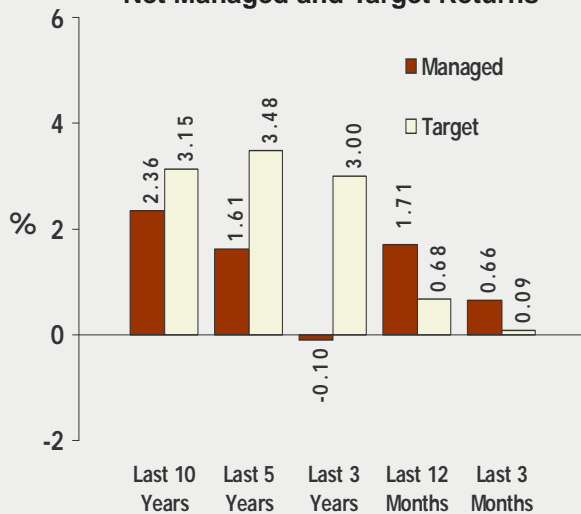


Strategic investments includes some private market assets whose valuations are subject to significant delays relative to the reporting period.

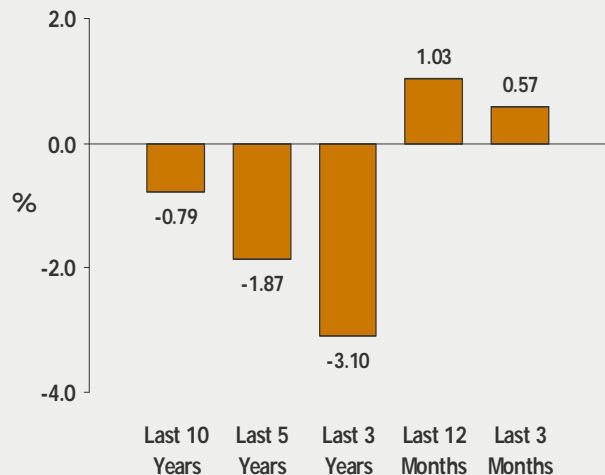
**CASH EQUIVALENTS**

The quarter-end market value for Cash was \$804.4 million, all of which was actively managed. Cash beat its target index (the iMoneyNet First Tier Institutional Money Market Funds Gross Index) over the last quarter and over the past year. Its performance over longer periods is adversely affected by realized losses on Lehman and Washington Mutual securities, and unrealized losses on defaulted and restructured asset-backed commercial paper. From a long-run perspective, cash is the least attractive asset because its historic return has fallen short of inflation. However, it does act as a buffer against market turbulence, and liquidity is required to meet monthly expenses and benefit obligations.

**Net Managed and Target Returns**



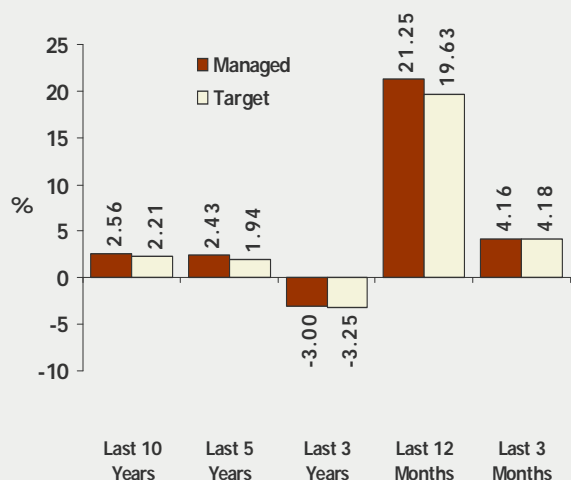
**Managed vs. Target Returns**



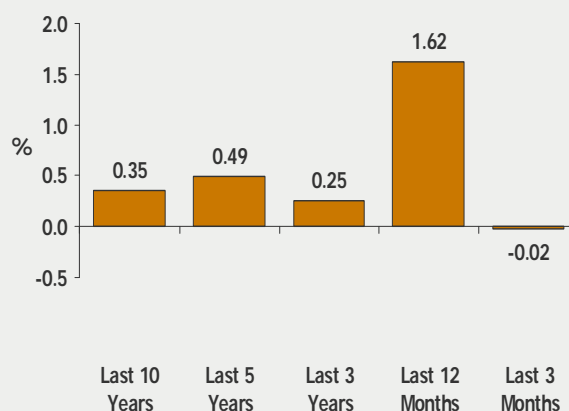
## LAWTON CHILES ENDOWMENT FUND

The Lawton Chiles Endowment Fund (LCEF) had an end-of-quarter market value of \$666.1 million, representing an increase of \$27.0 million for the quarter. Over the last three months, the Endowment returned 4.16 percent, lagging the return on its performance target by 2 basis points. The total investment return on the Endowment was 21.25 percent over the past year, beating its target return by 162 basis points. At quarter-end, the Endowment had overweights in Domestic Equities, Foreign Equities, and Cash. It had underweights in Fixed Income and TIPS. There were three rebalances during the quarter. The first occurred mid-October with \$3.6 million being transferred from Fixed Income to Domestic Equities (\$1.7 million), Foreign Equities (\$1.6 million) and Cash (\$0.3 million). Domestic Equities triggered two rebalances in December resulting in total transfers of \$7.7 million with \$5.4 million going to Fixed Income and \$2.3 million going into TIPS.

### Net Managed and Target Returns



### Managed vs. Target Returns



### LCEF Asset Allocation vs. Target

	Current	Target
Domestic Equity	60.1%	59.0%
Foreign Equity	13.3%	12.0%
Fixed Income	15.2%	17.0%
TIPS	10.3%	11.0%
Cash	1.1%	1.0%

### LCEF Asset Allocation Ranges

	Policy		Actual	
	Low	High	Low	High
Domestic Equity	54.0%	64.0%	36.8%	60.9%
Foreign Equity	6.0%	18.0%	8.0%	14.0%
Fixed Income	12.0%	25.0%	9.0%	15.3%
TIPS	6.0%	16.0%	11.3%	13.9%
Cash	0.0%	10.0%	0.6%	1.6%

### LCEF Returns by Asset Class

	Quarter			Last 12 Months		
	Managed	Target	Managed vs. Target	Managed	Target	Managed vs. Target
Asset Allocation	4.2%	4.2%	0.1%	20.9%	19.6%	1.3%
Domestic Equity	6.0%	5.9%	0.1%	28.5%	28.4%	0.1%
Foreign Equity	1.7%	3.7%	-2.0%	39.8%	43.8%	-3.9%
Fixed Income	0.5%	0.2%	0.3%	4.6%	5.9%	-1.3%
TIPS	2.2%	1.8%	0.4%	13.3%	11.4%	1.8%
Cash	1.0%	0.1%	0.9%	2.6%	0.7%	1.9%
<b>Total Net Return</b>	<b>4.2%</b>	<b>4.2%</b>	<b>0.0%</b>	<b>21.2%</b>	<b>19.6%</b>	<b>1.6%</b>

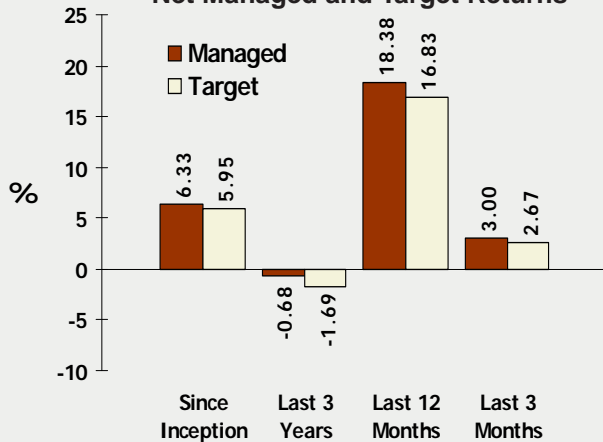
# FLORIDA RETIREMENT SYSTEM INVESTMENT PLAN

## PERFORMANCE

Over the past quarter, the rebound in domestic securities markets continued to help reduce the losses during the first quarter of the year. The total Investment Plan (IP) return for the fourth quarter was 3 percent, outperforming the target return by 33 basis points. Fixed Income funds outperformed their benchmarks by 34 basis points. Domestic Equity funds outperformed their benchmarks by 46 basis points. The volatile Foreign Equities funds also outperformed their benchmarks by 58 basis points. TIPS ended the quarter slightly behind the benchmark (2 basis points). The Money Market Fund underperformed its benchmark by 4 basis points, continuing to emphasize quality over maximizing yield. The Balanced Funds outperformed their aggregate benchmark by 9 basis points.

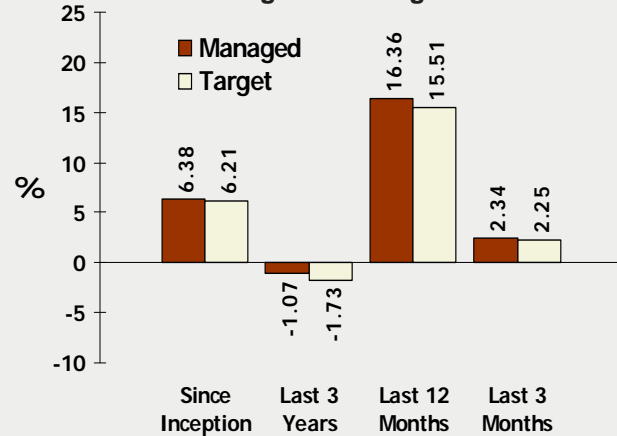
### TOTAL PLAN

Net Managed and Target Returns

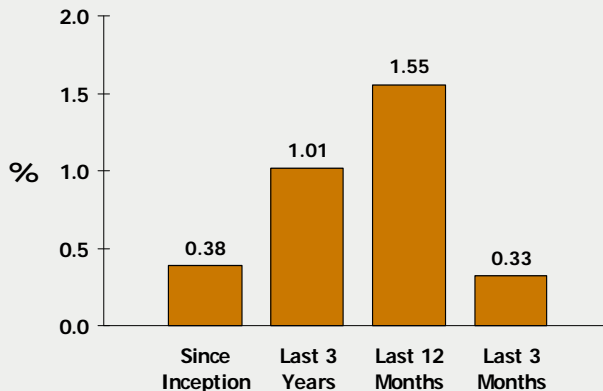


### BALANCED FUNDS

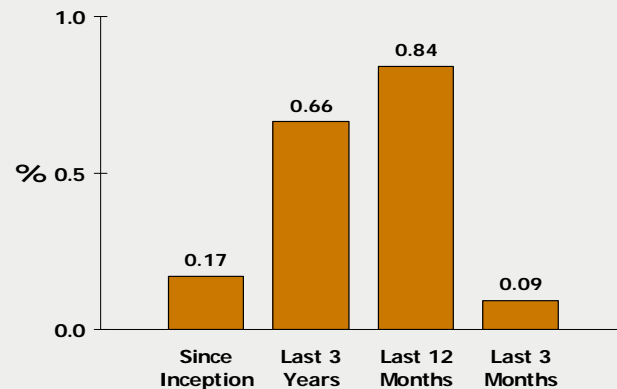
Net Managed and Target Returns



### Managed vs. Target Returns



### Managed vs. Target Returns



### Investment Plan Asset Allocation and Returns by Asset Type

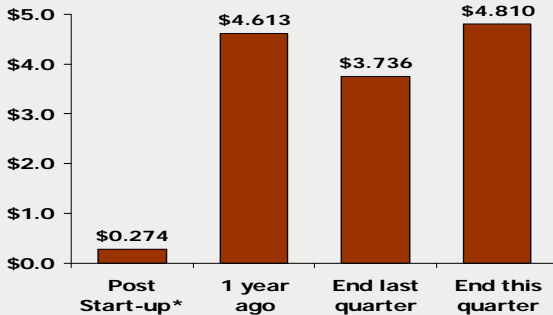
	Percent Allocation	Quarter			Last 12 Months		
		Managed	Target	Managed vs. Target	Managed	Target	Managed vs. Target
Domestic Equity	35.0%	5.98%	5.51%	0.46%	30.92%	28.40%	2.53%
Foreign Equity	17.6%	3.30%	2.72%	0.58%	34.83%	32.40%	2.42%
Fixed Income	25.5%	1.00%	0.66%	0.34%	11.70%	8.86%	2.84%
TIPS	5.6%	1.74%	1.76%	-0.02%	11.33%	11.41%	-0.08%
Money Market Funds	16.3%	0.06%	0.09%	-0.04%	0.31%	0.68%	-0.38%

# FLORIDA RETIREMENT SYSTEM INVESTMENT PLAN

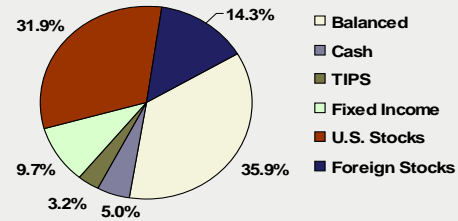
## PARTICIPANT DATA

At the end of the fourth quarter 2009, FRS Investment Plan assets were \$4.81 billion in 122,769 member accounts. This represents an increase of 183 accounts from the prior quarter. During the quarter, transfers from the Pension Plan to the Investment Plan totaled \$113.3 million, and employer contributions were \$101.5 million. Fourth-quarter total distributions of \$161.8 million were 40 percent higher than those of the third quarter. Rollovers (\$100 million) and lump sum distributions (\$61 million) were made by 6,079 members. While the number of rollovers remained lower than lump sum distributions (873 versus 5,206), money being rolled over to other retirement accounts continued to exceed lump sum distributions paid directly to members. Also, in the fourth quarter, the Investment Plan received qualified plan rollovers of \$824,360 and DROP rollovers totaling \$6.2 million.

**Total Plan Net Asset Value (\$billion)**



**Participant Selection Data  
Third Quarter 2009**



\*The initial DC transition concluded March 31, 2003 when the initial election period for the third employee-group closed.

## Participant Election Data

	New Employee Elections			Second Elections		
	Default to Pension	Pension Plan	Investment Plan/Hybrid	Pension Plan	Investment Plan/Hybrid	
FY 07-08	38,644 (55%)	13,663 (19%)	18,279 (26%)	236 (3%)	8,976 (97%)	
FY 08-09	27,514 (56%)	10,697 (22%)	11,155 (23%)	373 (8%)	4,160 (92%)	
FY 09-10*	7,121 (57%)	2,770 (22%)	2,589 (21%)	152 (8%)	1,830 (92%)	
<b>Total</b>	<b>73,279 (55%)</b>	<b>27,130 (20%)</b>	<b>32,023 (24%)</b>	<b>761 (5%)</b>	<b>14,966 (95%)</b>	

Percentages are shares of FY Totals

\*as of 12/31/09

## Cash Flows and Market Values<sup>1</sup>

	Participant Selections	Contributions <sup>2</sup>	Distributions <sup>3</sup>	Transfers <sup>4</sup>	Returns <sup>5</sup>	NET Gain/Loss	End. Mkt Val
Balanced Funds	117,520	\$113.0	-\$45.8	\$8.3	\$41.3	\$116.7	\$1,863.6
Cash	16,332	\$48.9	-\$84.0	-\$21.3	\$0.4	-\$56.0	\$668.4
TIPS	10,350	\$1.8	-\$4.8	\$44.9	\$2.9	\$4.4	\$172.6
Fixed Income	31,607	\$13.4	-\$9.9	-\$4.2	\$9.2	\$8.5	\$477.8
Domestic Equity	104,458	\$31.5	-\$11.4	-\$0.4	\$67.1	\$86.8	\$1,147.4
Foreign & Global Equity	46,711	\$13.4	-\$5.7	\$13.1	\$17.6	\$38.5	\$480.5

1. Based on figures provided by the Investment Plan's third-party administrator as of report time. Dollar values are in millions.

2. Contributions reflect rollovers in, Employer contributions and conversions in (ABO Transfers In, True up) and includes any account adjustments.

3. Distributions reflect withdrawals and terminations made by participants.

4. Transfers reflect transactions that do not require funding and capture movement from one fund to another.

5. Returns reflect the difference of Net Gains / Losses less contributions, distributions, and transfers.

Returns reflect the appreciation / depreciation of unit price over the given time period.

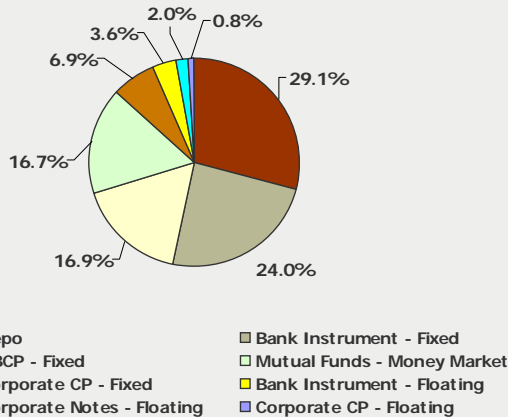
## Participant Education Data

Use of MyFRS Financial Guidance Line			Use of MyFRS.com	
Last 12 months	Annual Growth	Last 12 months	Annual Growth	
Total Calls	184,014	-6%	Total Visits	1,448,553
Choice Calls	124,788	-4%	Online 2nd Election & Advisor Service	224,956
Planning Calls	57,568	-11%		
Employer Calls	667	24%		

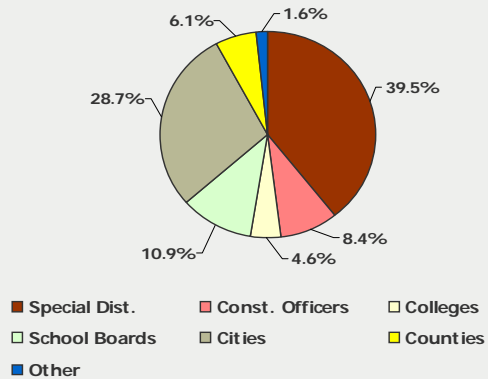
# FLORIDA PRIME

Florida PRIME had 797 participants at the end of December 2009 and a balance of \$6.54 billion. Fund B Surplus Funds Trust Fund (Fund B) had a balance of \$323.4 million. During the quarter, Florida PRIME earned a return of 0.07 percent and beat its target (the S&P AAA/AA Rated GIP All 30-day Net index) by 1 basis point. Over the 12-month period ending December 31, 2009, Florida PRIME returned 0.58 percent and beat its target by 12 basis points. Through December 31, 2009, \$1.51 billion, or 75.2 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**

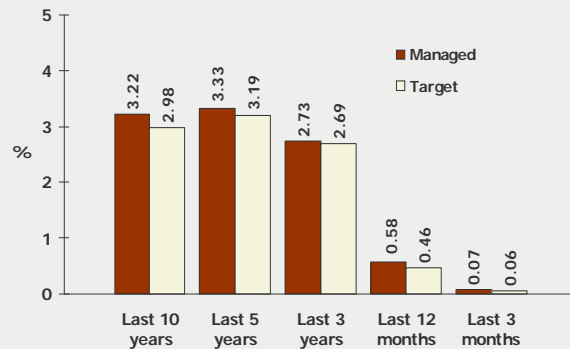


**Florida PRIME Final Maturity Schedule**

Month	Percent of Assets	Cumulative percent
Jan-10	71.1%	71.1%
Feb-10	3.7%	74.8%
Mar-10	10.3%	85.1%
Apr-10	3.6%	88.7%
May-10	1.5%	90.3%
Aug-10	1.5%	91.8%
Nov-10	0.8%	92.5%
Dec-10	7.0%	99.5%
Other*	0.5%	100.0%

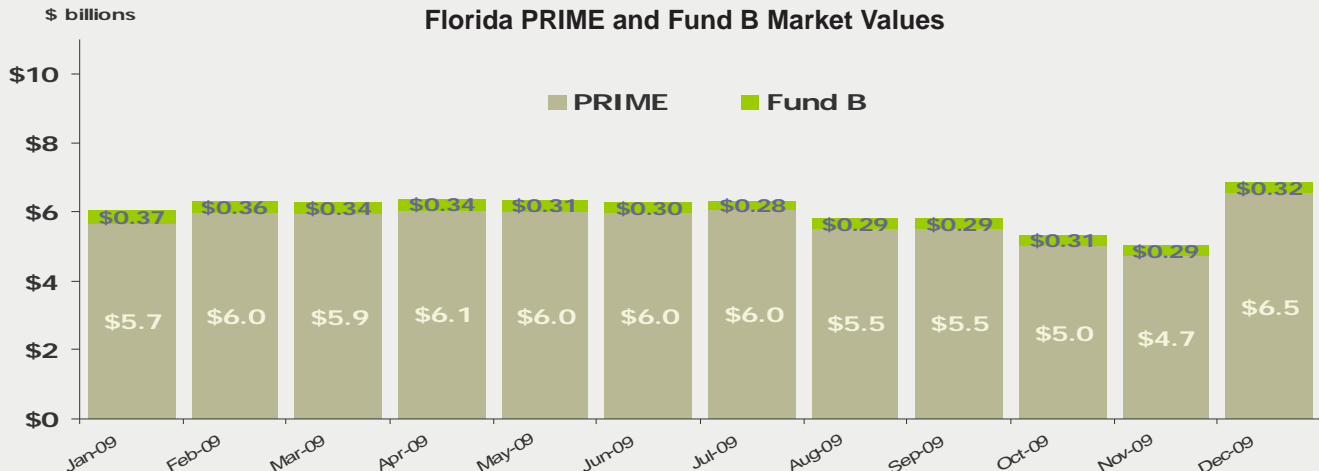
\* Consists of three variable-rate notes with long-term final maturities, but frequent rate resets.

**Florida PRIME Managed and Target\* Returns**



\* Target is the S&P AAA/AA Rated GIP 30-Day Net Index. Prior to July 1, 2009, the gross version was used. Three-month returns are not annualized.

**Florida PRIME and Fund B Market Values**

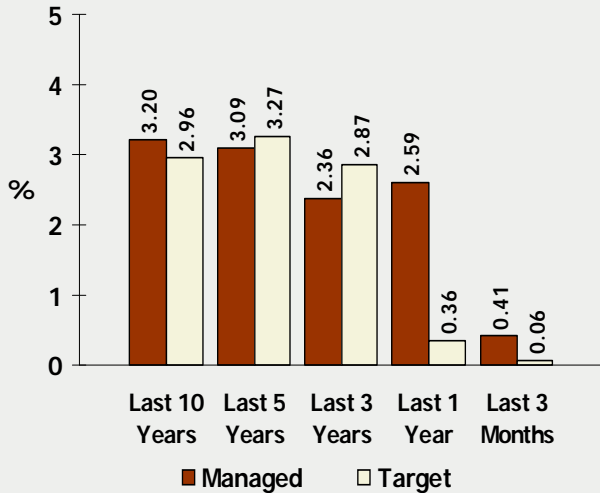


# FLORIDA HURRICANE CATASTROPHE FUND

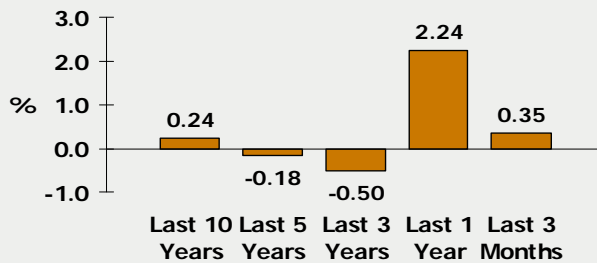
Returns on both the Operating Fund and the 2007A Note Proceeds Fund were well in excess of their benchmark (the Merrill Lynch 1-month LIBOR CMTR Index) over the past quarter and the last year. This has been primarily due to favorable re-pricing of some securities in the portfolios.

## OPERATING FUND

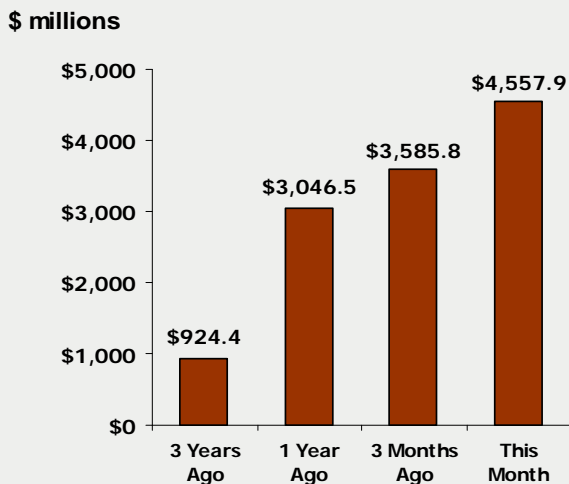
### Net Managed and Target Returns



### Managed vs. Target Returns

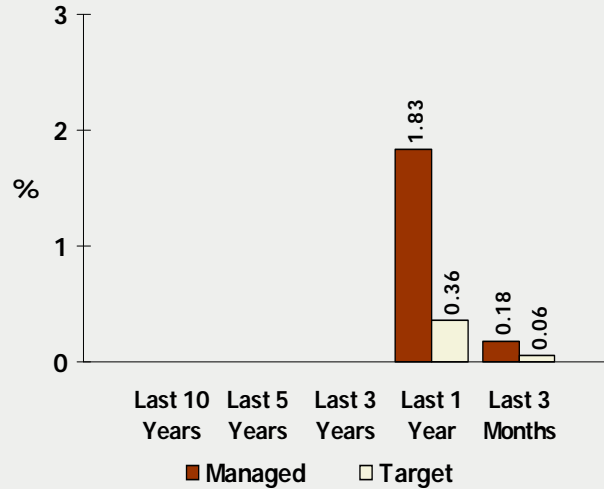


### Net Asset Values

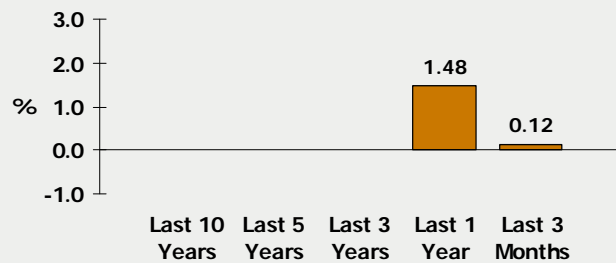


## 2007A NOTE PROCEEDS

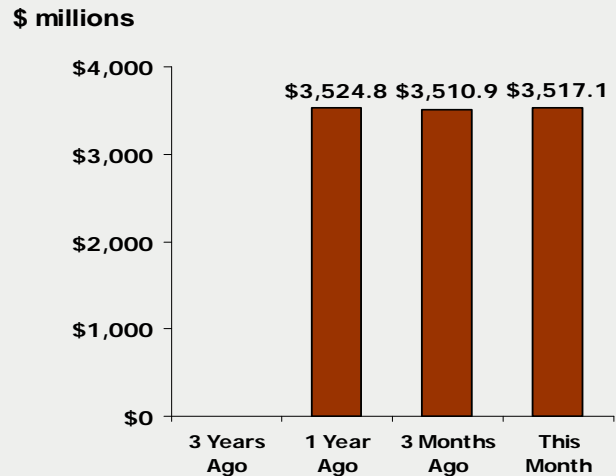
### Net Managed and Target Returns



### Managed vs. Target Returns

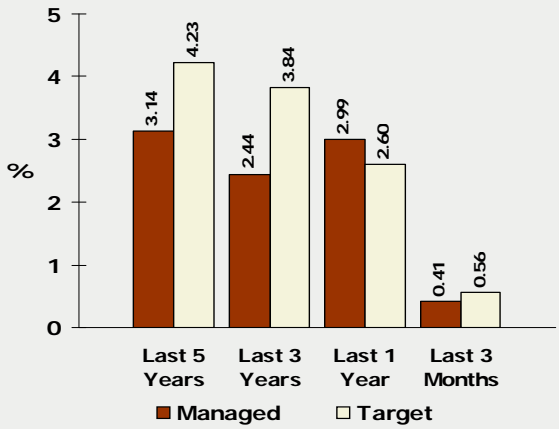


### Net Asset Values

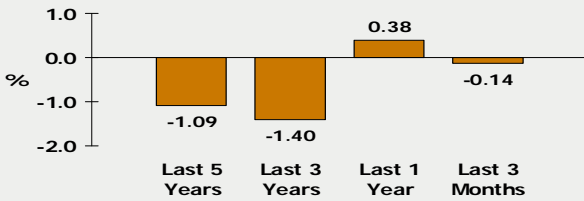


# RETIREE HEALTH INSURANCE SUBSIDY TRUST FUND

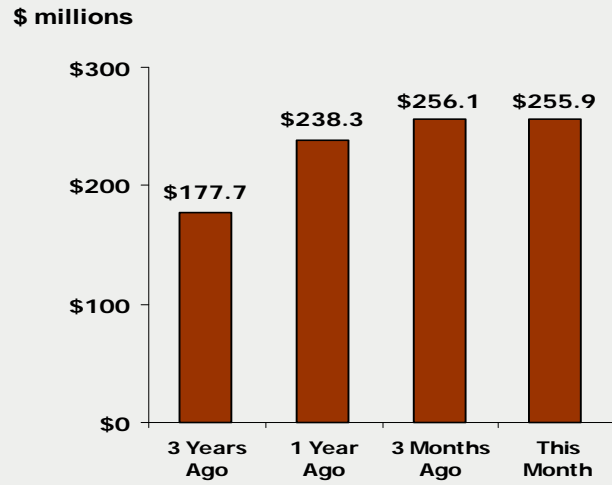
## Net Managed and Target\* Returns



## Managed vs. Target Returns



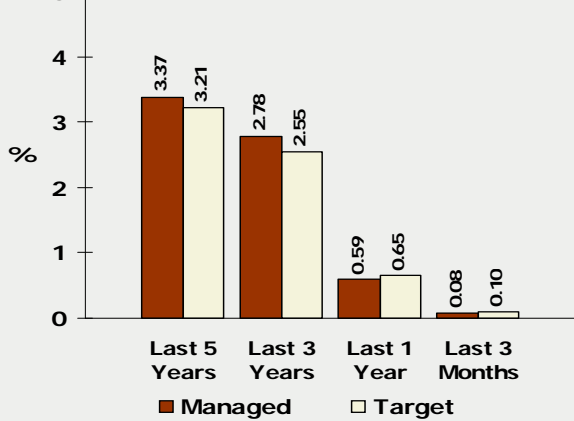
## Net Asset Values



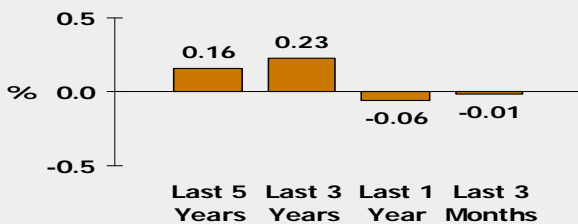
\* Target is the Merrill Lynch 1-year LIBOR CMTR Index for all time periods.

# CAMP - MONEY MARKET

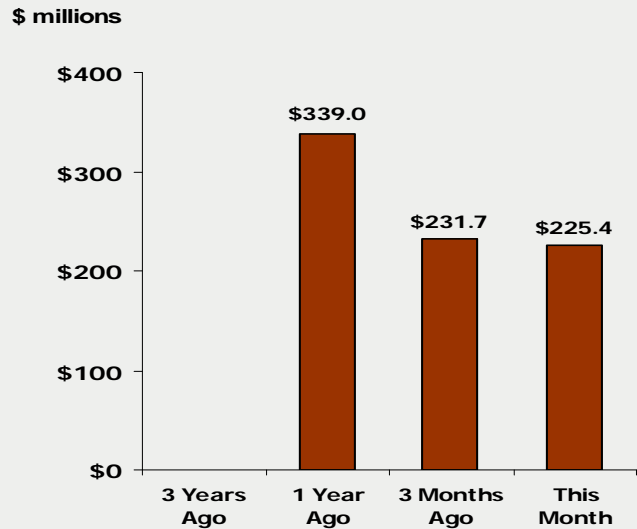
## Net Managed and Target\* Returns



## Managed vs. Target Returns



## Net Asset Values



\* Target is the S&P AAA/AA Rated GIP 30-Day Gross Index for all time periods.

## SECURITIES LENDING COLLATERAL REINVESTMENT\*

As of December 31, 2009	Book Value	Market Value	Unrealized Gain/(Loss)
FRS Pension Plan	\$9,926,259,688	\$9,527,994,980	(\$398,264,709)
Lawton Chiles Endowment Fund	\$14,664,246	\$14,107,063	(\$557,182)
Florida Lottery	\$764,042,390	\$750,854,757	(\$13,187,633)
<b>Total</b>	<b>\$10,704,966,324</b>	<b>\$10,292,956,800</b>	<b>(\$412,009,524)</b>

\* 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.

## SUMMARY OF SBA MANDATES

FLORIDA RETIREMENT SYSTEM (IN THOUSANDS)	December 31, 2009 MARKET VALUE	September 30, 2009 MARKET VALUE
<b>FRS PENSION PLAN ASSET CLASSES</b>		
DOMESTIC EQUITIES	\$43,155,103	\$40,810,500
FOREIGN EQUITIES	\$22,867,056	\$22,860,200
FIXED INCOME	\$28,541,013	\$28,397,619
HIGH YIELD	\$2,339,137	\$2,524,229
REAL ESTATE	\$7,270,818	\$7,362,582
PRIVATE EQUITY	\$3,956,349	\$3,761,486
STRATEGIC INVESTMENTS	\$4,145,106	\$3,834,792
CASH	\$804,043	\$499,182
<b>TOTAL FRS PENSION PLAN</b>	<b>\$113,501,825</b>	<b>\$110,049,862</b>
<b>TOTAL FRS INVESTMENT PLAN</b>	<b>\$4,810,436</b>	<b>\$4,612,719</b>
<b>LAWTON CHILES ENDOWMENT FUND (IN THOUSANDS)</b>		
<b>LCEF ASSET CLASSES</b>		
DOMESTIC EQUITIES	\$400,472	\$386,708
FOREIGN EQUITIES	\$88,299	\$88,398
FIXED INCOME	\$101,368	\$91,907
TIPS	\$68,566	\$64,872
CASH	\$7,427	\$7,286
<b>TOTAL</b>	<b>\$666,133</b>	<b>\$639,170</b>
<b>OTHER FUNDS (IN THOUSANDS)</b>		
DEBT SERVICE NONESCROW	\$817,616	\$791,014
DEBT SERVICE ESCROW	\$1,104,110	\$1,135,268
GAS TAX	\$0	\$0
RETIREE HEALTH INSURANCE SUBSIDY	\$255,880	\$256,076
POLICE AND FIREFIGHTERS	\$100,236	\$61,184
FLORIDA ENDOWMENT FOR VOCATIONAL REHAB.	\$1,966	\$1,992
FLORIDA PRIME	\$6,537,484	\$5,355,296
FUND B SURPLUS FUNDS TRUST FUND	\$323,412	\$285,285
DEPARTMENT OF THE LOTTERY	\$932,660	\$997,444
SBA ADMINISTRATIVE EXPENSE	\$42,690	\$42,048
PEORP ADMINISTRATIVE TRUST FUND	\$35,938	\$35,019
FLORIDA HURRICANE CATASTROPHE	\$4,557,897	\$3,585,829
FLORIDA HURRICANE CATASTROPHE FINANCE CORP.	\$4,347,750	\$4,332,531
FLORIDA PREPAID COLLEGE PROGRAM <sup>1</sup>	\$195,213	\$184,168
BOND PROCEEDS	\$0	\$9,741
ARBITRAGE COMPLIANCE	\$2,341	\$2,271
REVENUE BOND FEE	\$2,434	\$2,218
INLAND PROTECTION FINANCING CORPORATION	\$1	\$1
BLIND SERVICES	\$2,130	\$2,053
MCKNIGHT EDUCATION FUND	\$1,318	\$1,264
SCRIPPS	\$92,597	\$102,354
FSU RESEARCH FOUNDATION	\$290	\$276
ICB PROGRAM	\$21,558	\$19,170
BURNHAM INSTITUTE	\$101,071	\$123,304
TORREY PINES INSTITUTE	\$13,921	\$18,745
PINELLAS SUN COAST TRANSIT AUTHORITY	\$45	\$43
SRI INTERNATIONAL	\$4,129	\$4,090
UNIVERSITY OF MIAMI	\$38,701	\$38,668
MAX PLANCK	\$67,357	\$67,308
OREGON HEALTH AND SCIENCE	\$27,404	\$27,374
CHARLES STARK DRAPER LABORATORY	\$5,100	\$5,098
WYNDCREST DD FLORIDA	\$12,989	\$13,000
PAYING BANK RECALLS	\$0	\$0
<b>OTHER FUNDS TOTAL</b>	<b>\$19,646,239</b>	<b>\$17,500,133</b>
<b>ALL FUNDS</b>	<b>\$138,624,633</b>	<b>\$132,801,884</b>

1. Activity in the Florida Prepaid College Fund is reported with a month's lag due to delay in receiving custodian reports.