MEETING OF THE STATE BOARD OF ADMINISTRATION

GOVERNOR SCOTT AS CHAIRMAN
CHIEF FINANCIAL OFFICER ATWATER
ATTORNEY GENERAL BONDI

SEPTEMBER 24, 2013

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AGENDA - AMENDED

ITEM 1. REQUEST APPROVAL OF THE MINUTES OF THE AUGUST 6, 2013 MEETING.

(See Attachment 1A)

ACTION REQUIRED

ITEM 2. REQUEST APPROVAL OF A FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING $150,000,000 STATE OF FLORIDA, DEPARTMENT OF TRANSPORTATION SEAPORT INVESTMENT PROGRAM REVENUE BONDS, SERIES 2013.

(See Attachment 2A)

ACTION REQUIRED

ITEM 3. REQUEST APPROVAL OF A FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING $190,000,000 STATE OF FLORIDA, DEPARTMENT OF TRANSPORTATION TURNPIKE REVENUE BONDS, SERIES 2013 (TO BE DETERMINED).

(See Attachment 3A)

ACTION REQUIRED

ITEM 4. REQUEST APPROVAL OF CHANGES TO THE INVESTMENT POLICY STATEMENT FOR THE FLORIDA RETIREMENT SYSTEM INVESTMENT PLAN, AS REQUIRED UNDER S. 121.4501(14), F.S.

The Investment Policy Statement, required pursuant to s. 121.4501, F.S., is the principal vehicle through which the Trustees establish an investment objective(s), asset allocation and address associated policy issues for the FRS Investment Plan.

At the September 23, 2013 Investment Advisory Council meeting, the members unanimously agreed to direct staff to amend the Investment Policy Statements for the FRS Investment Plan to provide a brokerage account within the Investment Plan.

The last major investment policy/asset allocation revision for the Investment Plan was approved by the Trustees on February 9, 2012.

(See Attachments 4A and 4B)

ACTION REQUIRED

Item 5. **REQUEST APPROVAL OF CHANGES TO THE INVESTMENT POLICY STATEMENT FOR THE LAWTON CHILES ENDOWMENT FUND (LCEF), AS REQUIRED UNDER S. 215.5601, F.S.**

The Investment Policy Statement, required pursuant to s. 215.5601, F.S., is the principal vehicle through which the Trustees establish an investment objective(s), asset allocation and address associated policy issues for the LCEF.

At the September 23, 2013 Investment Advisory Council meeting, the members unanimously agreed to direct staff to amend the Investment Policy Statement for the Lawton Chiles Endowment Fund modifying the existing custom benchmark to cap foreign equity exposure consistent with statutory requirements.

The last investment policy/asset allocation revision for the Lawton Chiles Endowment Fund was approved by the Trustees on February 9, 2012.

(See Attachments 5A and 5B)

ACTION REQUIRED

ITEM 6. **REQUEST APPROVAL OF A DRAFT LETTER TO THE JOINT LEGISLATIVE AUDITING COMMITTEE AFFIRMING THAT THE SBA TRUSTEES HAVE "REVIEWED AND APPROVED THE MONTHLY [FLORIDA PRIME AND FUND B MANAGEMENT SUMMARY] REPORTS AND ACTIONS TAKEN, IF ANY, TO ADDRESS ANY [MATERIAL] IMPACTS,"AND "HAVE CONDUCTED A REVIEW OF THE [FUND B] TRUST FUND AND THAT THE TRUST FUND IS IN COMPLIANCE WITH THE REQUIREMENTS OF THIS SECTION." (SECTIONS 218.409(6)(a)1 AND 218.421(2)(a), F.S.)**

During the second quarter of 2013, there were no material impacts. Copies of the April, May, and June 2013 reports are attached.

(See Attachments 6A through 6D)

ACTION REQUIRED

ITEM 7. **REQUEST APPROVAL OF SBA QUARTERLY REPORT REQUIRED BY THE PROTECTING FLORIDA'S INVESTMENTS ACT (PFIA).**

Pursuant to Sections 215.473 and 215.442, F.S., the SBA is required to submit a quarterly report that includes lists of "Scrutinized Companies" with activities in Sudan and Iran. The PFIA prohibits the SBA, acting on behalf of the Florida Retirement System Trust Fund, from investing in, and requires divestment from, companies involved in certain types of business activities in or with Sudan or Iran (i.e., the "Scrutinized Companies").

(See Attachment 7A)

ACTION REQUIRED

ITEM 8. QUARTERLY REPORTS PURSUANT TO SECTION 215.44 (2)(e), FLORIDA STATUTES

- Executive Director & CIO Introductory Remarks and Standing Reports – *Ash Williams*

- Major Mandates Investment Performance Reports as of June 30, 2013 – *Mike Sebastian – Hewitt EnnisKnupp*
  - Florida Retirement System Pension Plan (DB)
  - Florida Retirement System Investment Plan (DC)
  - Florida PRIME (Local Government Surplus Funds Trust Fund) and Fund B
  - Florida Hurricane Catastrophe Fund (FHCF)

(See Attachments 8A through 8I)

INFORMATION/DISCUSSION ITEMS

T H E C A B I N E T

S T A T E O F F L O R I D A

Representing:

DIVISION OF BOND FINANCE

STATE BOARD OF ADMINISTRATION

FINANCIAL SERVICES COMMISSION,
OFFICE OF FINANCIAL REGULATION

FINANCIAL SERVICES COMMISSION,
OFFICE OF INSURANCE REGULATION

BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND

The above agencies came to be heard before THE FLORIDA CABINET, the Honorable Governor Scott presiding, in the Cabinet Meeting Room, LL-03, The Capitol, Tallahassee, Florida, on Tuesday, August 6, 2013, commencing at approximately 9:09 a.m.

Reported by:

MARY ALLEN NEEL
Registered Professional Reporter
Florida Professional Reporter

ACCURATE STENOTYPE REPORTERS, INC.
2894 REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA 32308
850.878.2221

APPEARANCES:

Representing the Florida Cabinet:

RICK SCOTT
Governor

PAM BONDI
Attorney General

JEFF ATWATER
Chief Financial Officer

ADAM PUTNAM
Commissioner of Agriculture

* * *

I N D E X

DIVISION OF BOND FINANCE
(Presented by BEN WATKINS)

ITEM NUMBER AND DESCRIPTION	ACTION	PAGE
1 - Approval of Minutes	Approved	4
2 - Refunding Bond Issuance	Discussed	4
3 - Overview of State Debt Reduction	Discussed	5
4 - Consolidated Equipment Financing	Approved	9

STATE BOARD OF ADMINISTRATION
(Presented by ASH WILLIAMS)

ITEM NUMBER AND DESCRIPTION	ACTION	PAGE
1 - Approval of Minutes	Approved	10
2 - Amendments to Rule Chapter 19-3	Approved	11
3 - Amendments to Rule Chapter 19-5	Approved	12
4 - Amendments to Rule 19-11.002	Approved	13

CONTINUED INDEX

FINANCIAL SERVICES COMMISSION, FINANCIAL REGULATION
(Presented by DREW BREAKSPEAR)

ITEM NUMBER AND DESCRIPTION	ACTION	PAGE
1 - Approval of Minutes	Approved	15
2 - Rule Amendments	Approved	16

FINANCIAL SERVICES COMMISSION, INSURANCE REGULATION
(Presented by KEVIN McCARTY)

ITEM NUMBER AND DESCRIPTION	ACTION	PAGE
1 - Approval of Minutes	Approved	17
2 - Amendments to Rule 69O-137.001	Approved	19
3 - Amendments to Rule 69O-138.001	Approved	20
4 - Amendments to Rule 69O-149.022	Approved	21
5 - Amendments to Rule 69O-149.003	Approved	21

BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND
(Presented by HERSCHEL VINYARD)

ITEM NUMBER AND DESCRIPTION	ACTION	PAGE
1 - Approval of Minutes	Approved	23
2 - USF Use Agreement	Approved	40

CERTIFICATE OF REPORTER 41

1 GOVERNOR SCOTT: Now I would like to recognize
2 Executive Director Ash Williams with the State
3 Board of Administration.
4 Good morning, Ash.
5 MR. WILLIAMS: Good morning, Governor and
6 Trustees.
7 Item 1, request approval of the minutes of the
8 May 8, 2013, and June 25, 2013 meetings.
9 GOVERNOR SCOTT: All right. Is there a motion
10 to approve?
11 ATTORNEY GENERAL BONDI: So moved.
12 GOVERNOR SCOTT: Is there a second?
13 COMMISSIONER PUTNAM: Second.
14 CFO ATWATER: Second.
15 GOVERNOR SCOTT: Any comments or objections?
16 Hearing none, the motion carries.
17 MR. WILLIAMS: Thank you. Item 2, request
18 approval of notice of amendments to Rule 19-3
19 governing organization, meetings, and procedures of
20 the State Board of Administration, and further file
21 the rules for adoption or repeal, as applicable, if
22 no member of the public timely comes forward.
23 Request action, please. Request approval.
24 GOVERNOR SCOTT: Is there a motion to approve?
25 ATTORNEY GENERAL BONDI: So moved.

1 GOVERNOR SCOTT: Is there a second?
2 CFO ATWATER: Second.
3 GOVERNOR SCOTT: Any comments or objections?
4 Hearing none, the motion carries.
5 MR. WILLIAMS: Thank you. Item 3, request
6 approval to file for notice of amendments to Rule
7 19 -- Rule Chapter 19-5, rules and regulations
8 governing procedures for issuance of bonds at an
9 interest rate in excess of legal limitation.
10 I'll request approval of this, but by way of
11 explanation, I wanted to say this is the interest
12 rate waiver rule. And in fact, the way this works
13 is, by statute, the majority of bonds issued are in
14 fact excluded from this. This applies only to
15 bonds that are below an A rating, and could affect
16 certain state, city, county, or housing bonds. As
17 a practical matter, what would trigger this would
18 be if a bond were below an A rating, not in an
19 exempted category, and carried an interest rate of
20 more than 3 percent above the 20 Bond Buyer Index.
21 The experience has been that very, very few of
22 these come forward to us. It is the issuer's
23 obligation to apply to the SBA for the exemption.
24 When and if they do, staff at the Board goes
25 through the application, takes a look at the nature

1 of the securities, the nature of the risk, who
2 would be allowed to buy those, make sure that the
3 relationship between the potential buyer universe
4 and the risk of the securities is appropriate. We
5 then provide a recommendation to the Trustees, and
6 it's your decision whether to grant the exception.
7 I think in the going on five years I've been
8 back in this position, I've seen one of these come
9 forward, and we worked closely with the issuer, and
10 they ended up going a different way and withdrew
11 the request.
12 Request approval of the item.
13 GOVERNOR SCOTT: Is there a motion to approve?
14 CFO ATWATER: So moved.
15 GOVERNOR SCOTT: Is there a second?
16 ATTORNEY GENERAL BONDI: Second.
17 GOVERNOR SCOTT: Any comments or objections?
18 Hearing none, the motion carries.
19 MR. WILLIAMS: Thank you. Item 4, request
20 approval of a rule -- request approval to file for
21 notice of amendments to Rules 11.002, beneficiary
22 designations and distributions for the FRS
23 Investment Plan, and Rule 19-11.012, acceptance of
24 rollovers by the FRS Investment Plan.
25 These two provisions would provide additional

1 transparency for FRS participants by reflecting
2 certain statutory provisions clearly in the rules.
3 These would relate to benefits that are not
4 otherwise claimed by a beneficiary or treatment of
5 remaining balances when a beneficiary exercises a
6 second election.
7 Request approval.
8 GOVERNOR SCOTT: Is there a motion to approve?
9 ATTORNEY GENERAL BONDI: So moved.
10 GOVERNOR SCOTT: Is there a second?
11 CFO ATWATER: Second.
12 GOVERNOR SCOTT: Any comments or objections?
13 Hearing none, the motion carries.
14 MR. WILLIAMS: Thank you. And if I may, I
15 would like to also give you an update on the fund
16 status. We recently crossed the fiscal year-end on
17 June 30, and we now have the final numbers. Our
18 return for the Florida Retirement System Trust Fund
19 was a positive 13.12 percent. That's 111 basis
20 points above target, leaving us with a balance of
21 $134.2 billion, and that is net of distributions of
22 $6.2 billion. So a decent year.
23 GOVERNOR SCOTT: That's a very good year.
24 Congratulations.
25 MR. WILLIAMS: Thank you, sir. Calendar

1 year-to-date -- you know, we always switch to the
2 longer time series of calendar or fiscal
3 year-to-date. As of yesterday's close, we were up
4 9.66 percent, 77 basis points above target, with a
5 balance of 137 billion. That's up 4.6 billion from
6 the fiscal year-end.
7 Now, we all know these are short-term numbers.
8 These markets move around. This could change
9 tomorrow.
10 GOVERNOR SCOTT: Especially when we don't know
11 what's going to happen with interest rates.
12 MR. WILLIAMS: We don't know what will happen
13 with interest rates. We don't know what will
14 happen to stock prices. But we try to position
15 ourselves to make the best of whatever does happen.
16 GOVERNOR SCOTT: Thank you.
17 MR. WILLIAMS: Thank you.
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STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE: September 23, 2013

APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING $150,000,000 STATE OF FLORIDA, DEPARTMENT OF TRANSPORTATION SEAPORT INVESTMENT PROGRAM REVENUE BONDS, SERIES 2013:

The Division of Bond Finance of the State Board of Administration (the "Division"), on behalf of the State of Florida Department of Transportation, has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding $150,000,000 State of Florida, Department of Transportation Seaport Investment Program Revenue Bonds, Series 2013 (the "Bonds) for the purpose of financing various seaport projects identified throughout the State and which are in the adopted work program of the Department of Transportation. The Bonds will be issued pursuant to an authorizing resolution anticipated to be adopted by the Governor and Cabinet on September 24, 2013 (the "Resolution").

The proposed Bonds shall be secured by monies allocated to the Seaport Investment Program pursuant to Section 339.0801(1), Florida Statutes, which are derived from certain fees, charged for motor vehicle title certificates pursuant to Section 319.32, Florida Statutes, (the "Pledged Revenues") as described in the Resolution. The Bonds shall not be secured by a pledge of the full faith and credit or the taxing power of the State of Florida or any political subdivision thereof.

A study of this proposal and the estimates of revenue expected to accrue indicate that the proposed Bonds are fiscally sufficient and that the proposal will be executed pursuant to the applicable provisions of law.

RECOMMENDATION: It is recommended that the Board approve the proposal outlined above.

cc: Janie Knight

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION APPROVING THE FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING $150,000,000 STATE OF FLORIDA, DEPARTMENT OF TRANSPORTATION SEAPORT INVESTMENT PROGRAM REVENUE BONDS, SERIES 2013

WHEREAS, the Division of Bond Finance of the State Board of Administration (the "Division") proposes to issue an amount not exceeding $150,000,000 State of Florida, Department of Transportation Seaport Investment Program Revenue Bonds, Series 2013 (the "Bonds") for the purpose of financing various seaport projects identified throughout the State and which are in the adopted work program of the Department of Transportation; and,

WHEREAS, the Bonds will be issued pursuant to an authorizing resolution anticipated to be adopted by the Governor and Cabinet on September 24, 2013, (the "Resolution"); and,

WHEREAS, the Division has requested the State Board of Administration to approve the fiscal sufficiency of the proposed bond issue as required by Section 215.73, Florida Statutes; and,

WHEREAS, the proposed Bonds shall be secured by monies allocated to the Seaport Investment Program pursuant to Section 339.0801(1), Florida Statutes, which are derived from certain fees charged for motor vehicle title certificates pursuant to Section 319.32, Florida Statutes, (the "Pledged Revenues") as described in the Resolution; and,

WHEREAS, an examination of this plan of financing indicated that the same will be executed pursuant to the applicable provisions of law, and that the revenue to be used in servicing and liquidating the indebtedness to be created thereby may be reasonably expected to accrue in amounts sufficient to accomplish this purpose; and,

WHEREAS, the estimate of Pledged Revenues available indicates that sufficient moneys can be pledged to exceed the debt service requirements of the proposed issue and that in no State fiscal year will the moneys pledged for the debt service requirement of the proposed issue be less than the required coverage amount; and,

WHEREAS, the Division has furnished sufficient information to enable the State Board of Administration to fulfill its duties pursuant to Section 215.73, Florida Statutes; and,

WHEREAS, the State Board of Administration has relied upon information from others but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the State Board of Administration does not approve or disapprove the Bonds as an investment and has not passed upon the accuracy or adequacy of the Official Statement; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body created by Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, that pursuant to the requirements of Section 215.73, Florida Statutes, the proposal of the Division of Bond Finance of the State Board of Administration to issue an amount not exceeding $150,000,000 State of Florida, Department of Transportation Seaport Investment Program Revenue Bonds, Series 2013 for the uses and purposes hereinabove set forth, is hereby approved as to fiscal sufficiency.

ADOPTED September 24, 2013

STATE OF FLORIDA

DIVISION OF BOND FINANCE
OF THE STATE BOARD OF ADMINISTRATION

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J. BEN WATKINS III
DIRECTOR

RICK SCOTT
GOVERNOR
AS CHAIRMAN

PAM BONDI
ATTORNEY GENERAL

JEFF ATWATER
CHIEF FINANCIAL OFFICER

ADAM H. PUTNAM
COMMISSIONER OF AGRICULTURE

September 23, 2013

Mr. Ashbel C. Williams
Executive Director
State Board of Administration
P. O. Box 13300
Tallahassee, Florida 32317-3300

RE: Not Exceeding $150,000,000 State of Florida, Department of Transportation Seaport Investment Program Revenue Bonds, Series 2013

Dear Mr. Williams:

In compliance with Chapter 215.73, Florida Statutes, the Division of Bond Finance requests State Board of Administration approval as to fiscal sufficiency for the above referenced bond issue. We request such approval at your board meeting of September 24, 2013.

The bonds will be payable from the first $10 million of the motor vehicle title fees transferred annually to the State Transportation Trust Fund ("STTF") pursuant to Section 319.32(5)(a), Florida Statutes. The transfer to the STTF is from $47 of each vehicle title fee charged, excluding for hire vehicles, and is limited to $200 million annually. The bonds are not secured by the full faith and credit of the State of Florida. The amount of bonds that will be issued will not exceed the maximum amount supported by the $10 million annual allocation for debt service. We are requesting fiscal sufficiency approval for a maximum amount of $150,000,000 of bonds and the final amount will be determined at the time the bonds are sold.

The proposed bonds will be issued to finance various seaport projects identified throughout the State and which are in the adopted work program of the Department of Transportation.

The bonds will be issued in one or more series pursuant to an authorizing resolution anticipated to be adopted by the Governing Board of the Division of Bond Finance on August 20, 2013.

The following documents are enclosed for your consideration:

Enclosure 1: An estimated coverage table based upon forecasts provided by the Department of Highway Safety and Motor Vehicles of transfers to the STTF from motor vehicle title fee revenues, pursuant to Section 319.32(5)(a), Florida Statutes.

Enclosure 2: the forecasts of motor vehicle title fees and transfers to the STTF pursuant to Section 319.32(5)(a), Florida Statutes, as provided by the Department of Highway Safety and Motor Vehicles. This information was used in the preparation of the estimated coverage table provided as Enclosure 1;

Enclosure 3: an estimated debt service schedule from a recent sizing of the proposed bonds; and

Enclosure 4: a draft copy of the authorizing resolution which is anticipated to be adopted by the Governing Board of the Division of Bond Finance on September 24, 2013.

A draft of the fiscal sufficiency resolution should be sent to Kim Nichols and Donna Biggins of this office for review. Should you have any questions, please contact either myself, Kim Nichols or Donna Biggins at 488-4782. Your consideration of this matter is appreciated.

Very truly yours,

J. Ben Watkins III
Director

Enclosures

JBW/kjn

cc: Anthony Doheny
Robert Copeland

State of Florida
Department of Transportation
Seaport Investment Program Revenue Bonds, Series 2013
Estimated Coverage Table

Fiscal Year June 30	Portion of Motor Vehicle Title Fee Collections[1]	Motor Vehicle Title Fees Transferred to STTF[2]	Estimated Series 2013 Bonds Debt Service Principal[3]	Interest[4]	Total	Debt Service Coverage[5]
Historical						
2009	$ 194,433,454	n/a				n/a
2010	184,674,938	n/a				n/a
2011	188,891,637	n/a				n/a
2012	194,841,649	n/a				n/a
2013	201,139,794	200,000,000				n/a
Projected						
2014	$ 207,512,332	$ 200,000,000	$ 4,480,000	$ 5,519,521	$ 9,999,521	20.00x
2015	212,571,506	200,000,000	1,975,000	8,021,538	9,996,538	20.01x
2016	217,926,592	200,000,000	2,090,000	7,907,975	9,997,975	20.00x
2017	223,212,635	200,000,000	2,210,000	7,787,800	9,997,800	20.00x
2018	228,158,116	200,000,000	2,335,000	7,660,725	9,995,725	20.01x
2019	228,158,116	200,000,000	2,470,000	7,526,463	9,996,463	20.01x
2020	228,158,116	200,000,000	2,615,000	7,384,438	9,999,438	20.00x
2021	228,158,116	200,000,000	2,765,000	7,234,075	9,999,075	20.00x
2022	228,158,116	200,000,000	2,920,000	7,075,088	9,995,088	20.01x
2023	228,158,116	200,000,000	3,090,000	6,907,188	9,997,188	20.01x
2024	228,158,116	200,000,000	3,270,000	6,729,513	9,999,513	20.00x
2025	228,158,116	200,000,000	3,455,000	6,541,488	9,996,488	20.01x
2026	228,158,116	200,000,000	3,655,000	6,342,825	9,997,825	20.00x
2027	228,158,116	200,000,000	3,865,000	6,132,663	9,997,663	20.00x
2028	228,158,116	200,000,000	4,085,000	5,910,425	9,995,425	20.01x
2029	228,158,116	200,000,000	4,320,000	5,675,538	9,995,538	20.01x
2030	228,158,116	200,000,000	4,570,000	5,427,138	9,997,138	20.01x
2031	228,158,116	200,000,000	4,835,000	5,164,363	9,999,363	20.00x
2032	228,158,116	200,000,000	5,110,000	4,886,350	9,996,350	20.01x
2033	228,158,116	200,000,000	5,405,000	4,592,525	9,997,525	20.00x
2034	228,158,116	200,000,000	5,715,000	4,281,738	9,996,738	20.01x
2035	228,158,116	200,000,000	6,045,000	3,953,125	9,998,125	20.00x
2036	228,158,116	200,000,000	6,390,000	3,605,538	9,995,538	20.01x
2037	228,158,116	200,000,000	6,760,000	3,238,113	9,998,113	20.00x
2038	228,158,116	200,000,000	7,150,000	2,849,413	9,999,413	20.00x
2039	228,158,116	200,000,000	7,560,000	2,438,288	9,998,288	20.00x
2040	228,158,116	200,000,000	7,995,000	2,003,588	9,998,588	20.00x
2041	228,158,116	200,000,000	8,455,000	1,543,875	9,998,875	20.00x
2042	228,158,116	200,000,000	8,940,000	1,057,713	9,997,713	20.00x
2043	228,158,116	200,000,000	9,455,000	543,663	9,998,663	20.00x
			143,985,000	155,942,683	299,927,683	

[1] This amount represents $47 of each vehicle title fee charged, excluding for hire vehicles and has been provided by the Florida Department of Highway Safety and Motor Vehicles. Projections for 2014 through 2018 are based on estimated number of transactions from the Highway Safety Revenue Estimating Conference. Projections for fiscal year 2018 have been held constant for all fiscal years thereafter.

[2] The bonds are secured and payable from the first $10 million of the motor vehicle title fees transferred annually to the STTF pursuant to Section 319.32(5)(a), Florida Statutes. The annual transfers to the STTF began in 2013 and are from the $47 portion of the vehicle title fees and are limited to $200 million annually.

[3] Estimated based on an assumed interest rate of 5.75%. The amount of bonds that will be issued will be the maximum amount that can be supported by the $10 million annual allocation for debt service and will not exceed $200 million.

[4] Estimated interest on the 2013 Bonds has been calculated at 5.75%.

[5] The bonds are secured by the first $10 million of the motor vehicle title fees transferred to the STTF; consequently, Debt Service Coverage is shown based on the total annual transfer to the STTF.

STATE OF FLORIDA

DIVISION OF BOND FINANCE
OF THE STATE BOARD OF ADMINISTRATION

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RICK SCOTT
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ATTORNEY GENERAL
AS SECRETARY

JEFF ATWATER
CHIEF FINANCIAL OFFICER
AS TREASURER

ADAM H. PUTNAM
COMMISSIONER OF AGRICULTURE

September 6, 2013

Mr. Ashbel C. Williams
Executive Director
State Board of Administration
Post Office Box 13300
Tallahassee, Florida 32317-3300

RE: Not Exceeding $190,000,000 State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2013 (to be determined)

Dear Mr. Williams:

In compliance with Section 215.73, Florida Statutes, the Division of Bond Finance requests State Board of Administration approval as to fiscal sufficiency for the above referenced bond issue. We request such approval at your board meeting of September 24, 2013.

The bonds will be payable from the net revenues of the turnpike system on a parity with the outstanding Series 2004A through 2013B Bonds and the not to exceed $245,000,000 Series 2013 (to be determined) refunding bonds approved for fiscal sufficiency on June 25, 2013, when and if issued. The bonds will be issued for the purpose of financing the construction or acquisition of capital improvements to the turnpike system.

The bonds will be issued in one or more series pursuant to the Original Resolution adopted on October 25, 1988, as amended and restated on May 17, 2005, and the Thirty-sixth Supplemental Turnpike Revenue Bond Resolution anticipated to be adopted by the Governor and Cabinet on September 24, 2013.

The following documents are enclosed for your consideration:

Enclosure 1: An estimated coverage table for the program, including the proposed $190,000,000 Turnpike bonds;

Enclosure 2: An estimated debt service schedule for the proposed bonds; and

Enclosure 3: A draft copy of the Thirty-sixth Supplemental Resolution anticipated to be adopted by the Governor and Cabinet on September 24, 2013.

A draft of the fiscal sufficiency resolution should be sent to Donna Biggins and Nora Wittstruck of this office for review. Should you have any questions, please contact either myself or Nora Wittstruck at 488-4782. Your consideration in this matter is appreciated.

Very truly yours,

J. Ben Watkins III
Director

JBW\nw

Enclosures

cc: Robert Copeland
Janie Knight
Anthony Doheny

STATE OF FLORIDA
DEPARTMENT OF TRANSPORTATION
TURNPIKE REVENUE BONDS
FISCAL SUFFICIENCY REQUEST FOR NOT EXCEEDING $190,000,000

ESTIMATED COVERAGE TABLE

FISCAL YEAR ENDING JUNE 30	HISTORICAL/PROJECTED PLEDGED REVENUES[1] TURNPIKE SYSTEM REVENUES	OPERATIONS & MAINTENANCE EXPENSES[2]	NET REVENUE	OUTSTANDING DEBT SERVICE[3]	ESTIMATED DEBT SERVICE PRINCIPAL	INTEREST	TOTAL	TOTAL DEBT SERVICE	LESS FEDERAL SUBSIDY[4]	NET DEBT SERVICE	NET DEBT SERVICE COVERAGE
Historical[5]											
2009	$ 604,897,000	$ 190,603,000	$ 414,294,000	$ 203,145,004				$ 203,145,004	$ -	$ 203,145,004	2.04 x
2010	611,596,000	172,422,000	439,174,000	224,220,717				224,220,717	(5,811,097)	218,409,620	2.01 x
2011	611,946,000	180,060,000	431,886,000	243,061,034				243,061,034	(5,943,001)	237,118,033	1.82 x
2012	620,201,000	173,704,000	446,497,000	249,182,170				249,182,170	(5,943,001)	243,239,169	1.84 x
2013	783,056,424	156,185,349	626,871,075	251,384,741				251,384,741	(5,684,481)	245,700,260	2.55 x
Projected											
2014	$ 738,615,000	$ 178,774,000	$ 559,841,000	$ 240,998,105	$ 1,410,000	$ 5,948,140	$ 7,358,140	$ 248,356,245	$ (5,639,908)	$ 242,716,337	2.31 x
2015	758,249,000	179,457,000	578,792,000	244,845,641	2,670,000	10,843,925	13,513,925	258,359,566	(5,639,908)	252,719,657	2.29 x
2016	768,401,000	175,200,000	593,201,000	244,792,791	2,825,000	10,690,400	13,515,400	258,308,191	(5,639,908)	252,668,282	2.35 x
2017	789,951,000	176,259,000	613,692,000	244,104,941	2,985,000	10,527,963	13,512,963	257,617,903	(5,639,908)	251,977,995	2.44 x
2018	816,713,000	181,197,000	635,516,000	244,996,541	3,160,000	10,356,325	13,516,325	258,512,866	(5,639,908)	252,872,957	2.51 x
2019	846,893,000	183,805,000	663,088,000	245,471,891	3,340,000	10,174,625	13,514,625	258,986,516	(5,639,908)	253,346,607	2.62 x
2020	858,996,000	178,532,000	680,464,000	228,973,991	3,535,000	9,982,575	13,517,575	242,491,566	(5,639,908)	236,851,657	2.87 x
2021	888,863,000	181,921,000	706,942,000	228,949,959	3,735,000	9,779,313	13,514,313	242,464,271	(5,494,499)	236,824,363	2.99 x
2022	920,023,000	185,401,000	734,622,000	202,308,259	3,950,000	9,564,550	13,514,550	215,822,809	(5,601,632)	210,328,310	3.49 x
2023	953,133,000	188,896,000	764,237,000	193,767,972	4,180,000	9,337,425	13,517,425	207,285,397	(5,405,966)	201,683,765	3.79 x
2024	987,548,000	192,619,000	794,929,000	192,737,564	4,420,000	9,097,075	13,517,075	206,254,639	(5,202,456)	200,848,673	3.96 x
2025	987,548,000	192,619,000	794,929,000	192,139,969	4,670,000	8,842,925	13,512,925	205,652,894	(4,990,887)	200,450,438	3.97 x
2026	987,548,000	192,619,000	794,929,000	171,191,060	4,940,000	8,574,400	13,514,400	184,705,460	(4,770,829)	179,714,573	4.42 x
2027	987,548,000	192,619,000	794,929,000	170,942,168	5,225,000	8,290,350	13,515,350	184,457,518	(4,517,478)	179,686,689	4.42 x
2028	987,548,000	192,619,000	794,929,000	143,849,548	5,525,000	7,989,913	13,514,913	157,364,460	(4,252,941)	152,846,982	5.20 x
2029	987,548,000	192,619,000	794,929,000	137,538,443	5,840,000	7,672,225	13,512,225	151,050,668	(3,976,623)	146,797,727	5.42 x
2030	987,548,000	192,619,000	794,929,000	129,772,445	6,180,000	7,336,425	13,516,425	143,288,870	(3,688,167)	139,312,247	5.71 x
2031	987,548,000	192,619,000	794,929,000	126,778,403	6,535,000	6,981,075	13,516,075	140,294,478	(3,386,859)	136,606,311	5.82 x
2032	987,548,000	192,619,000	794,929,000	126,458,420	6,910,000	6,605,313	13,515,313	139,973,733	(3,072,342)	136,586,874	5.82 x
2033	987,548,000	192,619,000	794,929,000	126,134,395	7,305,000	6,207,988	13,512,988	139,647,383	(2,743,902)	136,575,041	5.82 x
2034	987,548,000	192,619,000	794,929,000	114,855,515	7,725,000	5,787,950	13,512,950	128,368,465	(2,400,944)	125,624,563	6.33 x
2035	987,548,000	192,619,000	794,929,000	97,041,703	8,170,000	5,343,763	13,513,763	110,555,465	(2,042,754)	108,154,521	7.35 x
2036	987,548,000	192,619,000	794,929,000	96,666,270	8,640,000	4,873,988	13,513,988	110,180,258	(1,668,737)	108,137,504	7.35 x
2037	987,548,000	192,619,000	794,929,000	62,558,865	9,140,000	4,377,188	13,517,188	76,076,053	(1,278,179)	74,407,316	10.68 x
2038	987,548,000	192,619,000	794,929,000	49,609,710	9,665,000	3,851,638	13,516,638	63,126,348	(870,366)	61,848,169	12.85 x
2039	987,548,000	192,619,000	794,929,000	49,098,528	10,220,000	3,295,900	13,515,900	62,614,428	(444,584)	61,744,062	12.87 x
2040	987,548,000	192,619,000	794,929,000	29,258,600	10,805,000	2,708,250	13,513,250	42,771,850		42,327,266	18.78 x
2041	987,548,000	192,619,000	794,929,000	13,081,875	11,430,000	2,086,963	13,516,963	26,598,838	-	26,598,838	29.89 x
2042	987,548,000	192,619,000	794,929,000	6,303,150	12,085,000	1,429,738	13,514,738	19,817,888	-	19,817,888	40.11 x
2043	987,548,000	192,619,000	794,929,000	-	12,780,000	734,850	13,514,850	13,514,850	-	13,514,850	58.82 x
				$ 4,355,226,715	$ 190,000,000	$ 209,293,153	$ 399,293,153	$ 4,754,519,867	$ (105,289,500)	$ 4,630,075,609	

[1] Historical and projected revenues and expenses through fiscal year 2023 provided by the Turnpike's traffic and revenue consultant. For fiscal years 2024 and thereafter, revenue and expense projections have been held constant. However, no representation is made that the amounts shown in any fiscal year will be collected.

[2] The operations and maintenance expenses are paid by the Department of Transportation under an operations agreement and then reimbursed by the Turnpike after debt service. The operations agreement is enforcable by bondholders.

[3] Includes debt service for Turnpike Revenue Bonds Series 2004A through 2013B.

[4] Federal subsidy payments on Build America Bonds Series 2009B, adjusted for actual impact for Sequestration on 2013 and an estimated 5.1% reduction due Sequestration for 2014 through 2021.

FLORIDA RETIREMENT SYSTEM

Investment Plan
Investment Policy Statement

I. PURPOSE

The Florida Retirement System Investment Plan Investment Policy Statement (IPS) serves as the primary statement of Trustee policy regarding their statutory responsibilities and authority to establish and operate an optional defined contribution retirement program for members of the Florida Retirement System. The IPS shall serve as a guiding document pertaining to investment matters with respect to the Investment Plan. The Trustees will strive to make investment decisions consistent with this IPS. Section 121.4501(14), Florida Statutes, directs the Trustees of the State Board of Administration to approve the IPS. The IPS will be reviewed annually and will be revised or supplemented as policies are changed or developed.

II. DEFINITIONS

A. **Member** – An employee who enrolls in the Florida Retirement System Investment Plan , a member-directed 401(a) program, in lieu of participation in the defined benefit program of the Florida Retirement System, a terminated Deferred Retirement Option Program (DROP) member as described in section 121.4501(21), Florida Statutes, or an alternate payee of a member or employee.

B. **Investment Product –** The result of a process that forms portfolios from securities and financial instruments in order to produce investment returns.

C. **Investment Manager** – A private sector company that provides one or more investment products.

D. **Investment Funds** – One of the investment options that may be chosen by participants. A Fund may be an aggregate of one or more investment products.

E. **Bundled Provider -** A private sector company that offers investment products, combined with recordkeeping and trading services, which are designed to meet individualized needs and requirements of plan participants, so as to afford value to participants not available through individual investment product.

F. **Passively Managed Option** – An investment management strategy that intends to produce the same level and pattern of financial returns generated by a market benchmark index.

G. **Actively Managed Option** – An investment management strategy that relies on security return predictions in an effort to out-perform the financial returns generated by a market benchmark index.

H. **Performance Benchmark** – A market benchmark index that serves as the performance measurement criterion for investment options.

I. **Investment Plan Administrator or Recordkeeper** – A private sector company that provides administrative services, including individual and collective recordkeeping and accounting, IRC limit monitoring, enrollment, beneficiary designation and changes, disbursement of monies, and other centralized administrative functions.

J. **Self-Directed Brokerage Account** – An alternative method for Investment Plan members to select various investments options otherwise not available in the Investment Plan.

K. **Self-Direct Brokerage Account Provider** – A private sector company that provides access to a Self-Directed Brokerage Account to members of the FRS Investment Plan.

III. OVERVIEW OF THE INVESTMENT PLAN AND STATE BOARD OF ADMINISTRATION

A. The Investment Plan is a member-directed 401(a) program selected by employees in lieu of participation in the defined benefit program of the Florida Retirement System. Investment Plan benefits accrue in individual accounts that are member-directed, portable and funded by employee and employer contributions and earnings. In accordance with Section 121.4501(15)(b), Florida Statutes, members and beneficiaries bear the investment risks and reap the rewards that result when they exercise control over investments in their accounts. Fluctuations in investment returns directly affect members' benefits.

B. The State Board of Administration (Board), Division of Retirement and affected employers administer the Investment Plan. The Board designs educational services to assist employers, eligible employees, members and beneficiaries. The State Legislature has the responsibility for setting contribution levels and providing statutory guidance for the administration of the Investment Plan.

IV. THE BOARD

A. The Board consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Board shall establish an optional defined contribution retirement program for members of the Florida Retirement System and make a broad range of investment options, covering most major market segments, available to members. The Board makes the final determination as to whether any investment manager or product, third-party administrator, education vendor or advice vendor shall be approved for the Plan ~~program~~.

B. The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Section 121.4501(15)(a), Florida Statutes.

C. The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the Investment Plan. The Board appoints a nine-member Investment Advisory Council (IAC). The IAC reviews the IPS and any proposed changes

prior to its presentation to the Board of Trustees. The Council presents the results of its review to the Board of Trustees prior to the Trustees' final approval of the statement or any changes.

V. THE EXECUTIVE DIRECTOR

A. The Executive Director is responsible for managing and directing administrative, personnel, budgeting and investment-related functions, including the hiring and termination of investment managers, bundled providers and products.

B. The Executive Director is responsible for developing specific investment objectives and policy guidelines for investment options. The Executive Director is responsible for developing policies and procedures for selecting, evaluating, and monitoring the performance of investment managers and products to which employees may direct retirement contributions under the Investment Plan, and providing the Board with monthly and quarterly reports of investment activities.

C. The Executive Director is responsible for maintaining diversified investment options, and maximizing returns with respect to the performance benchmarks of individual investment options, consistent with appropriate risk constraints. Each investment option will avoid excessive risk and have a prudent degree of diversification relative to its broad market performance benchmark. The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will cause a regular review, documentation and formal escalation of compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such compliance exceptions, with input from the Investment Advisory Council as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

D. The Executive Director shall adopt policies and procedures designed to prevent excessive member trading between investment options from negatively impacting other members.

E. The Executive Director is responsible for periodically reviewing this IPS and recommending changes to the Board of Trustees when appropriate.

VI. INVESTMENT OBJECTIVES

A. The Investment Plan shall seek to achieve the following long-term objectives:

1) Offer a diversified mix of low-cost investment options that span the risk-return spectrum and give members the opportunity to accumulate retirement benefits.
2) Offer investment options that avoid excessive risk, have a prudent degree of diversification relative to broad market indices and provide a long-term rate of return, net of all expenses and fees that seek to achieve or exceed the returns on comparable market benchmark indices.
3) Offer members meaningful, independent control over the assets in their account with the opportunity to:
   a) Obtain sufficient information about the plan and investment alternatives to make informed investment decisions;
   b) Direct contributions and account balances between approved investment options with a frequency that is appropriate in light of the market volatility of the investment options;
   c) Direct contributions and account balances between approved investment options without the limitation of fees or charges; and
   d) Remove accrued benefits from the plan without undue delay or penalties, subject to the contract and all applicable laws governing the operation of the Plan ~~program~~.

VII. MEMBER CONTROL AND PLAN ~~PROGRAM~~ FIDUCIARY LIABILITY

A. This IPS is structured to be consistent with the Legislature's intent to assign liability for members' investment losses to members and provide a safe harbor for Plan ~~program~~ fiduciaries.

B. In Sections 121.4501(8)(b)2. and 121.4501(15)(b), Florida law incorporates the federal law concept of participant control, established by regulations of the U.S. Department of Labor under section 404(c) of the Employee Retirement Income Security Act of 1974. The Investment Plan shall incorporate these concepts by providing Plan ~~program~~ participants the opportunity to give investment instructions and obtain sufficient information to make informed investment decisions. The Investment Plan shall, in accordance with the 404(c) regulations and Florida law, provide members an opportunity to choose from a broad range of investment alternatives.

C. If a member or beneficiary of the Investment Plan exercises control over the assets in his or her account, pursuant to section 404(c) regulations and all applicable laws governing the operation of

the Plan ~~program~~, no Plan ~~program~~ fiduciary shall be liable for any loss to a member's or beneficiary's account which results from such member's or beneficiary's exercise of control.

D. The default option for FRS Investment Plan members that fail to make a selection of investment options shall be the Moderate Balanced Fund, which otherwise meets the requirements of a qualified default investment alternative pursuant to regulations issued by the U.S. Department of Labor. The default option for FRS Pension Plan DROP participants who rollover funds from their DROP account to the Investment Plan as permitted by section 121.4501(21), Florida Statutes, and fail to make a selection of investment options shall be the FRS Select Money Market Fund.

VIII. MEMBER EDUCATION AND INVESTMENT ADVICE

A. The education component of the Investment Plan shall be designed by the Board to assist employers, eligible employees, members, and beneficiaries in order to maintain compliance with section 404(c) regulations and to assist employees in their choice of defined benefit or defined contribution retirement programs. Educational services include, but are not limited to, disseminating educational materials; providing retirement planning education; explaining the differences between the defined benefit retirement plan and the defined contribution retirement plan; and offering financial planning guidance on matters such as investment diversification, investment risks, investment costs, and asset allocation. The following items must be made available to members in sufficient time to allow them an opportunity to make informed decisions:

- A description of all investment funds offered as an investment option under the Investment ~~including~~ Plan including: general investment objectives, risk and return characteristics, and type and diversification of assets, but excluding any investment instruments made available through a self-directed brokerage account.
- An explanation of how to give investment instructions and any limits or restrictions on giving instructions.
- A description of any transaction fees or expenses that are charged to the member's account in connection with purchases or sales of an investment fund.
- Investment summary fund profiles as defined at Sections 121.4501(15)(c), excluding the prospectus or other information for the underlying investment instruments available through the self-directed brokerage account provided by the Plan.
- Descriptions of the annual operating expenses for each investment alternative, such as investment management fees, excluding the prospectus or other information for the underlying investment instruments available through the self-directed brokerage account provided by the Plan.
- The value of shares of all investment funds and a quarterly member statement that accounts for contributions, investment earnings, fees, penalties, or other deductions, excluding the prospectus or other information for the underlying investment instruments available through the self-directed brokerage account provided by the Plan.

- Information concerning the past investment performance of each investment fund, net of expenses, and relative to appropriate market indices, excluding the prospectus or other information for the underlying investment instruments available through the self-directed brokerage account provided by the Plan.

B. Consistent with Sections 121.4501(8)(b)1. and 121.4501(10)(b), Florida Statutes, the education component shall provide system members with impartial and balanced information about the Plan ~~program~~ and investment choices. In addition, the approved education organization shall not be an approved investment provider or be affiliated with an approved investment provider. Educational materials shall be prepared under the assumption that the employee is an unsophisticated investor and all educational materials, including those distributed by bundled providers, shall be approved by the Board prior to dissemination. Members shall have the opportunity to choose from different levels of education services, as well as a variety of delivery methods and media. All educational services offered by investment product providers shall be provided on a fee-for-service basis.

C. The Board shall contract for the provision of low-cost investment advice to members that is supplemental to educational services and that is paid for by those receiving the advice. Investment advice shall consist of impartial and balanced recommendations about investment choices consistent with Rule 19-13.004, FAC. Members shall have the opportunity to choose from different levels of customized investment advisory services, as well as a variety of delivery methods and media.

D. Bundled provider(s) selected to provide investment products for Investment Plan members shall not provide any member education services aimed at influencing the choice between the defined benefit and defined contribution plans ~~programs~~ of the Florida Retirement System. This education program will only be provided by the neutral education vendor hired to do so by the Board.

IX. ROLES OF THE INVESTMENT PLAN ADMINISTRATOR AND BUNDLED PROVIDERS

A. The Board selects a single private party to serve as the administrator for the Investment Plan. The Board makes the final determination as to whether any administrator shall be approved for the Plan ~~program~~. Administrative services such as individual and collective recordkeeping and accounting, IRC limit monitoring, enrollment, beneficiary designation and changes, disbursement of monies, and other centralized administrative functions shall be provided by the single administrator selected by the Board. The SBA retains the right to delineate through the contract the specific administrative services to be provided by the Bundled Provider. The SBA also retains the right, consistent with Section 121.4501(8)(a)1., Florida Statutes, to enter into a contract with the Division of Retirement for certain administrative services.

B. Bundled provider(s) selected to provide investment products to members will provide administrative services that are uniquely relevant to the bundled provider mandate. The SBA shall specify the administrative services to be provided by the single administrator and the bundled provider in the solicitation documents and contracts for services.

X. INVESTMENT OPTIONS AND PERFORMANCE BENCHMARKS

A. The authorized categories of Investment Plan investment options are contained in IPS-Table 1. The default option for members that fail to make a selection of investment options shall be the Moderate Balanced Fund. The number of investment options shall not exceed the "Maximum Number of Options" listed in IPS-Table 1 for each category, except to the extent that:

1) Multiple investment options within the same category are simultaneously offered to facilitate a transitional mapping of contributions and account balances from a terminating option;
2) An investment option is temporarily closed to new contributions and account balance transfers.

IPS-Table 1: Authorized Investment Option Categories and Representative Performance Benchmarks and Retiree Annuities

Investment Option Categories	Maximum Number of Options	Representative Performance Benchmarks
Tier I: Core Investment Options		
Money Market	1	Money Fund Report Institutional Average (Tax.)
Inflation-Protected Bond	1	Barclays Capital U.S. Treasury Inflation Note Index
U.S. Bond	2	Barclays Capital Aggregate Bond Index
U.S. Core Stock	2	Russell 3000 Index
U.S. Small/Mid Stock	2	Russell 2000 Index
Foreign Stock	2	MSCI World, excluding U.S., Index
Tier II: Balanced Investment Options		
Conservative Balanced Fund	1	Weighted-Average of Constituent Fund Benchmarks per Table 2
Moderate Balanced Fund	1	Weighted-Average of Constituent Fund Benchmarks per Table 2
Aggressive Balanced Fund	1	Weighted-Average of Constituent Fund Benchmarks per Table 2
Tier III: Specialty Investment Options		
U.S. Large Value Stock	1	Russell 1000 Value Index
U.S. Large Growth Stock	1	Russell 1000 Growth Index
U.S. Small/Mid Value Stock	1	Russell 2000 Value Index
U.S. Small/Mid Growth Stock	1	Russell 2000 Growth Index
Global Stock	1	MSCI World Index
U.S. Short/Intermediate	1	Barclays Capital Intermediate Aggregate Bond Index

Bond		
High Yield Bond	1	Barclays Capital High Yield Index
Tier IV: Retiree Annuity Options		(Section 121.591(1)(c), Florida Statutes)
Immediate and Deferred Annuities	Not Applicable	Specified by the Executive Director
Tier V: Self-Directed Brokerage Account	Not Applicable	Not applicable

B. Investment options and investment products (i.e., that support Investment Funds that are composed of an aggregate of one or more investment products) may be provided by investment managers or bundled providers. Pursuant to Section 121.4501(9)(a), Florida Statutes, the Board shall select one or more providers who offer multiple investment products when such an approach is determined by the Board to afford value to members otherwise not available through individual investment products.

C. Investment options may have performance benchmarks other than the "Representative Performance Benchmarks" listed in IPS-Table 1, but any alternative performance benchmark must be identified in the investment guidelines required under Section XI of this IPS and provide substantial coverage of the financial market segment defined by the corresponding Representative Performance Benchmark.

D. Balanced funds are only available as a weighted average of Tier I and III options. The Board shall establish procedures for initiating rebalancings per approved investment guidelines.

E. With IAC review and input, the Executive Director shall periodically recommend changes to the authorized investment option categories in IPS-Table 1, as modifications are appropriate. Any recommended modifications must be justified in terms of the incremental costs and benefits provided to members.

XI. GENERAL INVESTMENT OPTION GUIDELINES

A. The Executive Director is responsible for developing specific investment policies and guidelines for investment options, which reflect the goals and objectives of this IPS. In doing so, he is authorized to exercise and perform all duties set forth in Section 121.4501(9), Florida Statutes, except as limited by this IPS or Board Rules. General guidelines are as follows:

1) The Money Market fund seeks high current income consistent with liquidity and capital preservation. The fund will be actively managed and will primarily invest in high quality, liquid, short-term instruments to control credit risk and interest rate sensitivity. The fund's sensitivity to interest rate changes will approximate that of the performance benchmark.

2) The U.S. Bond funds seek high current income consistent with capital appreciation. The funds may be passively or actively managed and will primarily invest in securities contained in the benchmark, although other fixed income instruments which fit the funds' objectives may be selectively used to generate excess return, such as non-investment grade securities or securities issued by foreign entities. The funds' sensitivity to interest rate changes will closely approximate that of the performance benchmark.

3) The U.S. Large Stock funds seek capital appreciation and current income. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark. Other securities which fit the funds' objectives may be selectively used to generate excess return. The funds' investment process will not have a persistent bias toward the selection of securities that are predominantly in the growth or value style categories.

4) The Foreign Stock funds seek capital appreciation and current income. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark, although other securities which fit the funds' objectives may be selectively used to generate excess return, such as equity securities issued by corporations domiciled in emerging economies.

5) The Balanced Investment funds are diversified balanced portfolios designed to provide participants with pre-packaged asset allocation vehicles. The funds seek favorable long-term returns through investments in the Tier I and III Options according to the risk levels identified in IPS-Table 2. Asset allocations will generally be held within 5 percentage points of the optimal shares for their respective risk target, but short-term deviations may occur. Optimized asset allocations for the balanced funds shall be established using methodology consistent with the guidance rendered by the Investment Plan's education/advice vendor.

IPS-Table 2: Target Risk Levels of Balanced Investment Funds

	Conservative Balanced Fund	**Moderate Balanced Fund**	**Aggressive Balanced Fund**
All asset classes shall be included for optimization of each balanced fund to the risk levels indicated. Actual Tier I and III investment funds included in the balanced funds and their respective weightings shall be reported to the Trustees and communicated to members.	A risk level equivalent to that of an all bond portfolio	A risk level equivalent to that of the average U.S. investor	A risk level approximately mid-way between that of an all equity portfolio and the Moderate Balanced Fund

6) The Inflation-Protected Bond fund seeks long-term total returns that keep pace with inflation in order to protect the purchasing power of accumulated member benefits. The fund may be passively or actively managed and will primarily invest in the U.S. Treasury's inflation-indexed securities. The fund's sensitivity to interest rate changes will closely approximate that of the performance benchmark.

7) The High Yield Bond fund seeks high current income consistent with capital appreciation. The fund will be actively managed and will primarily invest in non-investment grade securities contained in the benchmark, although other fixed income instruments which fit the funds' objective may be selectively used to generate excess return, such as non-rated securities or securities issued by foreign entities. The fund's sensitivity to interest rate changes will closely approximate that of the performance benchmark.

8) The U.S. Large Value Stock fund seeks capital appreciation, and to a lesser degree, current income. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by lower price-to-book ratios and lower projected earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return.

9) The U.S. Small/Mid Stock funds seek capital appreciation. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark, although other securities which fit the funds' objectives may be selectively used to generate excess return. The funds' investment process will not have a persistent bias toward the selection of securities that are predominantly in the growth or value style categories.

10) The U.S. Large Growth Stock fund seeks capital appreciation. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by higher price-to-book ratios and projected higher earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return..

11) The U.S. Small/Mid Value Stock fund seeks capital appreciation, and to a lesser degree, current income. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by lower price-to-book ratios and lower projected earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return.

12) The U.S. Small/Mid Growth Stock fund seeks capital appreciation. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by higher price-to-book ratios and projected higher earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return.

13) Each investment option must:

(a) Have a prudent degree of diversification relative to its performance benchmark;
(b) Be readily transferable from one Investment Plan account to another Investment Plan investment option or to a private-sector or public-sector defined contribution plan accounts and self-directed individual retirement accounts;
(c) Allow transfers of members' balances into and out of the option at least daily, subject to the excessive trading policies of the providers and/or the SBA;
(d) Have no surrender fees or deferred loads/charges;
(e) Have no fees or charges for insurance features (e.g. mortality and expense risk charges);
(f) To the extent allowed by law, notwithstanding failure to meet one or more of the IPS Section XI(13)(b),(c)-(f) requirements, an option may be authorized if: (i) it produces significant and demonstrable incremental retirement benefits relative to other comparable products in the market place and comparable Tier I, Tier II, or Tier III options; and (ii) the incremental benefits are sufficient to offset all associated fees, charges and the expected economic cost of the variance(s) with the IPS Section XI(13)(b),(c)-(f) requirements. Comparability shall be based on the option's underlying investments within the broad categories of Money Market, U.S Fixed Income, U.S. Equities and Foreign Equities.

14) The investment product supporting any annuity option offered in Tier IV must have a prudent degree of diversification relative to its performance benchmark and, where applicable, providers shall have high independent ratings for financial strength and stability. Tier IV options may include allocated or unallocated immediate annuities with combinations of some of the following features:
(a) Single or flexible premium.
(b) Life or fixed period payouts.
(c) Single or joint life (survivors with an insurable interest).
(d) Complete or partial survivor benefits.
(e) Cash refund, installment refund or period certain features.
(f) Variable or fixed payments, non-participating, or income payable features.
(g) Deferred payments.

B. The long-term performance of each actively managed investment option is expected to exceed the returns on their performance benchmark, net of all fees and charges, while avoiding large year-to-year deviations from the returns of the performance benchmark. The long-term performance of each passively managed investment option is expected to closely approximate returns on the performance benchmark, net of all fees and charges. Investment managers are authorized to prudently use options, futures, notional principal contracts or securities lending arrangements, in accordance with the fiduciary standards of care, as contained in Section 121.4501(15)(a), Florida Statutes, investment guidelines and related policies.

XII. INVESTMENT MANAGER SELECTION AND MONITORING GUIDELINES

A. The Executive Director shall develop policies and guidelines for the selection, retention and termination of investment managers, bundled providers and products, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board, this IPS and provisions of Section 121.4501(9)(c), Florida Statutes.

When the Executive Director decides to terminate an investment fund in the Investment Plan, members will be granted an opportunity to direct their assets to other Investment Plan investment fund options prior to the investment fund termination. Assets that are not directed by members will be transferred or "mapped" to the investment fund(s) that the Executive Director deems appropriate. The mapping factors that the Executive Director will consider include, but are not limited to, alignment of investment fund type (e.g., asset class, capitalization and style) and investment strategy (e.g., objectives, market focus, and implementation tactics).

B. In the selection of investment managers, investment products or bundled providers, consideration shall be given to their effectiveness in minimizing the direct and indirect costs of transferring the total present value of accumulated benefit obligations for existing employees that choose membership in Investment Plan from the defined benefit trust to the Investment Plan trust.

C. In the selection and monitoring of products from bundled providers, each proposed product will be evaluated on a stand-alone basis, pursuant to the requirement in Section 121.4501(9)(c)9., Florida Statutes. The cost-effectiveness of the levels of non-investment services supporting the products will also be evaluated relative to their benefits.

D. In the selection, retention and termination of bundled providers and their proposed products and services, value, as that term is used in Section 121.4501(9)(a), Florida Statutes, shall be evaluated based on the value added to the process of accumulating retirement benefits for members. This evaluation shall consider the following factors in arriving at any staff recommendation:

1) Additional products or services that are not otherwise available to the members within the Plan ~~program~~;
2) The type and quality of investment products offered;
3) The type and quality of non-investment services offered; and
4) Other significant elements that provide value to members, consistent with the mandates of Section 121.4501, Florida Statutes.

E. On at least an annual basis, a review will be conducted of the performance of each approved investment manager and product and related organizational factors to ensure continued compliance with established selection, performance and termination criteria, Board policy and procedures and all contractual provisions. The performance and termination criteria for each provider and investment product will be reflected in each employment contract.

F. In addition to reviewing the performance of the Investment Plan's investment managers/options, the Executive Director will periodically review all costs associated with the management of the Investment Plan's investment options, including:

1) Expense ratios of each investment option against the appropriate peer group; and

2) Costs to administer the Plan ~~Program~~, including recordkeeping, account settlement (participant balance with that of investment), allocation of assets and earnings, and (when applicable) the proper use of 12b-1 fees to offset these fees.

XIII. SELF-DIRECTED BROKERAGE ACCOUNT (SDBA) PROVIDER SELECTION AND MONITORING GUIDELINES

A. The Executive Director shall develop policies and guidelines for the selection, retention and termination of a SDBA Provider and shall manage the contractual relationship in accordance with the fiduciary responsibilities of the Board, this IPS and provisions of Section 121.4501(9)(c), Florida Statutes.

B. The SDBA shall be offered as a service to Investment Plan members to enable members to select investments otherwise not offered in the Plan.

C. In selecting the SDBA Provider, the Executive Director shall consider the following:

1) Financial strength and stability as evidenced by the highest ratings assigned by nationally recognized rating services when comparing proposed providers that are so rated.

2) Reasonableness of fees compared to other providers taking into consideration the quantity and quality of services being offered.

3) Compliance with the Internal Revenue Code and all applicable federal and state securities laws.

4) The methods available to members to interact with the provider; the means by which members may access account information, direct investment of funds, transfer funds, and to receive funds prospectuses and related investment materials as mandated by state and federal regulations.

5) Ability to provide prompt, efficient and accurate responses to participant directions, as well as providing confirmations and quarterly account statements in a timely fashion.

6) Process by which assets are invested, as well as any waiting periods when the monies are transferred.

7) Organizational factors, including, but not limited to, financial solvency, organizational depth, and experience in providing self-directed brokerage account services to public defined contribution plans.

8) The self-directed brokerage account available under the most beneficial terms available to any customer.

9) The provider will agree not to sell or distribute member lists generated through services rendered to the investment plan.

10) The provider, as well as any of its related entities, may not offer any proprietary products as investment alternatives in the self-directed brokerage account.

D. The Executive Director shall regularly monitor the selected provider to ascertain whether there is continued compliance with established selection criteria, board policy and procedures, state and federal regulations, and any contractual provisions.

E. The Executive Director shall ensure that the SDBA Provider will include access to investment instruments offered through the self-directed brokerage account by providing connectivity with the following:

1) Stocks listed on a Securities Exchange Commission (SEC) regulated national exchange.

2) Exchange Traded Funds (except for leveraged Exchange Traded Funds).

3) Mutual Funds not offered in the investment plan.

F. The Executive Director shall ensure that the self-directed brokerage account accessibility does not include the following as investment alternatives:

1) Illiquid investments;

2) Over the Counter Bulletin Board (OTCBB) securities;

3) Pink Sheet® (PS) securities;

4) Leveraged Exchange Traded Funds;

5) Direct Ownership of Foreign Securities;

6) Derivatives, including, but not limited to futures and options contracts on securities, market indexes, and commodities;

7) Buying/Trading on Margin;

8) Limited Partnership Interests;

9) Investment Plan products;

10) Any investment that would jeopardize the investment plan's tax qualified status.

F. The Executive Director shall establish procedures with the SDBA Provider and the Investment Plan Administrator to ensure that an Investment Plan member may participate in the self-directed brokerage account, if the member:

1) Maintains a minimum balance of $5,000 in the products offered under the investment plan;

2) Makes a minimum initial transfer of funds into the self-directed brokerage account of $1,000;

3) Makes subsequent transfers of funds into the self-directed brokerage account in amounts of $1,000 or greater;

4) Pays all trading fees, commissions, administrative fees and any other expenses associated with participating in the self-directed brokerage account;

5) Does not violate any trading restrictions established by the provider, the investment plan, or state or federal law.

G. The Executive Director shall establish procedures with the SDBA Provider and the Investment Plan Administrator to ensure that employer contributions and employee contributions shall be initially deposited into member's Investment Plan account and will then be made available for transfer to the member's SDBA.

H. The Executive Director shall establish procedures with the SDBA Provider and the Investment Plan Administrator that distributions will not be processed directly from member's assets in the SDBA. Assets must first be transferred to Investment Plan products. A member can request a distribution from the Investment Plan once the transfer of the assets from the SDBA to the member's Investment Plan account and all Investment Plan distribution requirements are met.

I. The Executive Director shall ensure that any member participating in the SDBA will be provided, at minimum, a quarterly statement that meets Financial Industry Regulatory Authority (FINRA) requirements which details member investments in the SDBA. The statement shall include, but is not limited to, member specific accounting of the investment instruments selected by a member, the net gains and losses, and buy/sell transactions. Additionally, a confirmation of trade statement will be sent for each transaction and all fees, charges, penalties and deductions associated with each transaction are netted in the trade and reflected in the transaction confirmation.

J. The Executive Director shall develop appropriate communications to members participating in the SDBA that will notify members that the Board is not responsible for managing the SDBA beyond administrative requirements as established between the Board and SDBA Provider. As such, investment alternatives available through the SDBA have not been subjected to any selection process, are not monitored by the Board, require investment expertise to prudently buy, manage and/or dispose of, and have a risk of substantial loss. The communication shall

also notify members that they are responsible for any and all administrative, investment, and trading fees associated with participating in the SDBA.

K. The Executive Director shall ensure that the provider will deliver a prospectus or other information for the underlying investments available through the self-directed brokerage account as provided in Section 121.4501(15)(c)(1) and (2) and in compliance with Federal laws.

XIV. REPORTING

A. The Board directs the Executive Director to coordinate the preparation of quarterly reports of the investment performance of the Investment Plan by the Board's independent performance evaluation consultant.

B. The following formal periodic reports to the Board shall be the responsibility of the Executive Director: an annual investment report, an annual financial report and a monthly performance report.

XV. IMPLEMENTATION SCHEDULE

This IPS is effective upon approval of the Board.

FLORIDA RETIREMENT SYSTEM

Investment Plan
Investment Policy Statement

I. PURPOSE

The Florida Retirement System Investment Plan Investment Policy Statement (IPS) serves as the primary statement of Trustee policy regarding their statutory responsibilities and authority to establish and operate an optional defined contribution retirement program for members of the Florida Retirement System. The IPS shall serve as a guiding document pertaining to investment matters with respect to the Investment Plan. The Trustees will strive to make investment decisions consistent with this IPS. Section 121.4501(14), Florida Statutes, directs the Trustees of the State Board of Administration to approve the IPS. The IPS will be reviewed annually and will be revised or supplemented as policies are changed or developed.

II. DEFINITIONS

A. **Member** – An employee who enrolls in the Florida Retirement System Investment Plan , a member-directed 401(a) program, in lieu of participation in the defined benefit program of the Florida Retirement System, a terminated Deferred Retirement Option Program (DROP) member as described in section 121.4501(21), Florida Statutes, or an alternate payee of a member or employee.

B. **Investment Product –** The result of a process that forms portfolios from securities and financial instruments in order to produce investment returns.

C. **Investment Manager** – A private sector company that provides one or more investment products.

D. **Investment Funds** – One of the investment options that may be chosen by participants. A Fund may be an aggregate of one or more investment products.

E. **Bundled Provider -** A private sector company that offers investment products, combined with recordkeeping and trading services, which are designed to meet individualized needs and requirements of plan participants, so as to afford value to participants not available through individual investment product.

F. **Passively Managed Option** – An investment management strategy that intends to produce the same level and pattern of financial returns generated by a market benchmark index.

G. **Actively Managed Option** – An investment management strategy that relies on security return predictions in an effort to out-perform the financial returns generated by a market benchmark index.

H. **Performance Benchmark** – A market benchmark index that serves as the performance measurement criterion for investment options.

I. **Investment Plan Administrator or Recordkeeper** – A private sector company that provides administrative services, including individual and collective recordkeeping and accounting, IRC limit monitoring, enrollment, beneficiary designation and changes, disbursement of monies, and other centralized administrative functions.

J. **Self-Directed Brokerage Account** – An alternative method for Investment Plan members to select various investments options otherwise not available in the Investment Plan.

K. **Self-Direct Brokerage Account Provider** – A private sector company that provides access to a Self-Directed Brokerage Account to members of the FRS Investment Plan.

III. OVERVIEW OF THE INVESTMENT PLAN AND STATE BOARD OF ADMINISTRATION

A. The Investment Plan is a member-directed 401(a) program selected by employees in lieu of participation in the defined benefit program of the Florida Retirement System. Investment Plan benefits accrue in individual accounts that are member-directed, portable and funded by employee and employer contributions and earnings. In accordance with Section 121.4501(15)(b), Florida Statutes, members and beneficiaries bear the investment risks and reap the rewards that result when they exercise control over investments in their accounts. Fluctuations in investment returns directly affect members' benefits.

B. The State Board of Administration (Board), Division of Retirement and affected employers administer the Investment Plan. The Board designs educational services to assist employers, eligible employees, members and beneficiaries. The State Legislature has the responsibility for setting contribution levels and providing statutory guidance for the administration of the Investment Plan.

IV. THE BOARD

A. The Board consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Board shall establish an optional defined contribution retirement program for members of the Florida Retirement System and make a broad range of investment options, covering most major market segments, available to members. The Board makes the final determination as to whether any investment manager or product, third-party administrator, education vendor or advice vendor shall be approved for the Plan.

B. The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Section 121.4501(15)(a), Florida Statutes.

C. The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the Investment Plan. The Board appoints a nine-member Investment Advisory Council (IAC). The IAC reviews the IPS and any proposed changes

prior to its presentation to the Board of Trustees. The Council presents the results of its review to the Board of Trustees prior to the Trustees' final approval of the statement or any changes.

V. THE EXECUTIVE DIRECTOR

A. The Executive Director is responsible for managing and directing administrative, personnel, budgeting and investment-related functions, including the hiring and termination of investment managers, bundled providers and products.

B. The Executive Director is responsible for developing specific investment objectives and policy guidelines for investment options. The Executive Director is responsible for developing policies and procedures for selecting, evaluating, and monitoring the performance of investment managers and products to which employees may direct retirement contributions under the Investment Plan, and providing the Board with monthly and quarterly reports of investment activities.

C. The Executive Director is responsible for maintaining diversified investment options, and maximizing returns with respect to the performance benchmarks of individual investment options, consistent with appropriate risk constraints. Each investment option will avoid excessive risk and have a prudent degree of diversification relative to its broad market performance benchmark. The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will cause a regular review, documentation and formal escalation of compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such compliance exceptions, with input from the Investment Advisory Council as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

D. The Executive Director shall adopt policies and procedures designed to prevent excessive member trading between investment options from negatively impacting other members.

E. The Executive Director is responsible for periodically reviewing this IPS and recommending changes to the Board of Trustees when appropriate.

VI. INVESTMENT OBJECTIVES

A. The Investment Plan shall seek to achieve the following long-term objectives:

1) Offer a diversified mix of low-cost investment options that span the risk-return spectrum and give members the opportunity to accumulate retirement benefits.
2) Offer investment options that avoid excessive risk, have a prudent degree of diversification relative to broad market indices and provide a long-term rate of return, net of all expenses and fees that seek to achieve or exceed the returns on comparable market benchmark indices.
3) Offer members meaningful, independent control over the assets in their account with the opportunity to:
    a) Obtain sufficient information about the plan and investment alternatives to make informed investment decisions;
    b) Direct contributions and account balances between approved investment options with a frequency that is appropriate in light of the market volatility of the investment options;
    c) Direct contributions and account balances between approved investment options without the limitation of fees or charges; and
    d) Remove accrued benefits from the plan without undue delay or penalties, subject to the contract and all applicable laws governing the operation of the Plan.

VII. MEMBER CONTROL AND PLAN FIDUCIARY LIABILITY

A. This IPS is structured to be consistent with the Legislature's intent to assign liability for members' investment losses to members and provide a safe harbor for Plan fiduciaries.

B. In Sections 121.4501(8)(b)2. and 121.4501(15)(b), Florida law incorporates the federal law concept of participant control, established by regulations of the U.S. Department of Labor under section 404(c) of the Employee Retirement Income Security Act of 1974. The Investment Plan shall incorporate these concepts by providing Plan participants the opportunity to give investment instructions and obtain sufficient information to make informed investment decisions. The Investment Plan shall, in accordance with the 404(c) regulations and Florida law, provide members an opportunity to choose from a broad range of investment alternatives.

C. If a member or beneficiary of the Investment Plan exercises control over the assets in his or her account, pursuant to section 404(c) regulations and all applicable laws governing the operation of

the Plan, no Plan fiduciary shall be liable for any loss to a member's or beneficiary's account which results from such member's or beneficiary's exercise of control.

D. The default option for FRS Investment Plan members that fail to make a selection of investment options shall be the Moderate Balanced Fund, which otherwise meets the requirements of a qualified default investment alternative pursuant to regulations issued by the U.S. Department of Labor. The default option for FRS Pension Plan DROP participants who rollover funds from their DROP account to the Investment Plan as permitted by section 121.4501(21), Florida Statutes, and fail to make a selection of investment options shall be the FRS Select Money Market Fund.

VIII. MEMBER EDUCATION AND INVESTMENT ADVICE

A. The education component of the Investment Plan shall be designed by the Board to assist employers, eligible employees, members, and beneficiaries in order to maintain compliance with section 404(c) regulations and to assist employees in their choice of defined benefit or defined contribution retirement programs. Educational services include, but are not limited to, disseminating educational materials; providing retirement planning education; explaining the differences between the defined benefit retirement plan and the defined contribution retirement plan; and offering financial planning guidance on matters such as investment diversification, investment risks, investment costs, and asset allocation. The following items must be made available to members in sufficient time to allow them an opportunity to make informed decisions:

- A description of all investment funds offered as an investment option under the Investment Plan including: general investment objectives, risk and return characteristics, and type and diversification of assets, but excluding any investment instruments made available through a self-directed brokerage account.
- An explanation of how to give investment instructions and any limits or restrictions on giving instructions.
- A description of any transaction fees or expenses that are charged to the member's account in connection with purchases or sales of an investment fund.
- Investment summary fund profiles as defined at Sections 121.4501(15)(c), excluding the prospectus or other information for the underlying investment instruments available through the self-directed brokerage account provided by the Plan.
- Descriptions of the annual operating expenses for each investment alternative, such as investment management fees, excluding the prospectus or other information for the underlying investment instruments available through the self-directed brokerage account provided by the Plan.
- The value of shares of all investment funds and a quarterly member statement that accounts for contributions, investment earnings, fees, penalties, or other deductions, excluding the prospectus or other information for the underlying investment

instruments available through the self-directed brokerage account provided by the Plan.

- Information concerning the past investment performance of each investment fund, net of expenses, and relative to appropriate market indices, excluding the prospectus or other information for the underlying investment instruments available through the self-directed brokerage account provided by the Plan.

B. Consistent with Sections 121.4501(8)(b)1. and 121.4501(10)(b), Florida Statutes, the education component shall provide system members with impartial and balanced information about the Plan and investment choices. In addition, the approved education organization shall not be an approved investment provider or be affiliated with an approved investment provider. Educational materials shall be prepared under the assumption that the employee is an unsophisticated investor and all educational materials, including those distributed by bundled providers, shall be approved by the Board prior to dissemination. Members shall have the opportunity to choose from different levels of education services, as well as a variety of delivery methods and media. All educational services offered by investment product providers shall be provided on a fee-for-service basis.

C. The Board shall contract for the provision of low-cost investment advice to members that is supplemental to educational services and that is paid for by those receiving the advice. Investment advice shall consist of impartial and balanced recommendations about investment choices consistent with Rule 19-13.004, FAC. Members shall have the opportunity to choose from different levels of customized investment advisory services, as well as a variety of delivery methods and media.

D. Bundled provider(s) selected to provide investment products for Investment Plan members shall not provide any member education services aimed at influencing the choice between the defined benefit and defined contribution plans of the Florida Retirement System. This education program will only be provided by the neutral education vendor hired to do so by the Board.

IX. ROLES OF THE INVESTMENT PLAN ADMINISTRATOR AND BUNDLED PROVIDERS

A. The Board selects a single private party to serve as the administrator for the Investment Plan. The Board makes the final determination as to whether any administrator shall be approved for the Plan. Administrative services such as individual and collective recordkeeping and accounting, IRC limit monitoring, enrollment, beneficiary designation and changes, disbursement of monies, and other centralized administrative functions shall be provided by the single administrator selected by the Board. The SBA retains the right to delineate through the contract the specific administrative services to be provided by the Bundled Provider. The SBA also retains the right, consistent with Section 121.4501(8)(a)1., Florida Statutes, to enter into a contract with the Division of Retirement for certain administrative services.

B. Bundled provider(s) selected to provide investment products to members will provide administrative services that are uniquely relevant to the bundled provider mandate. The SBA shall

specify the administrative services to be provided by the single administrator and the bundled provider in the solicitation documents and contracts for services.

X. INVESTMENT OPTIONS AND PERFORMANCE BENCHMARKS

A. The authorized categories of Investment Plan investment options are contained in IPS-Table 1. The default option for members that fail to make a selection of investment options shall be the Moderate Balanced Fund. The number of investment options shall not exceed the "Maximum Number of Options" listed in IPS-Table 1 for each category, except to the extent that:

1) Multiple investment options within the same category are simultaneously offered to facilitate a transitional mapping of contributions and account balances from a terminating option;
2) An investment option is temporarily closed to new contributions and account balance transfers.

IPS-Table 1: Authorized Investment Option Categories and Representative Performance Benchmarks and Retiree Annuities

Investment Option Categories	Maximum Number of Options	Representative Performance Benchmarks
Tier I: Core Investment Options		
Money Market	1	Money Fund Report Institutional Average (Tax.)
Inflation-Protected Bond	1	Barclays Capital U.S. Treasury Inflation Note Index
U.S. Bond	2	Barclays Capital Aggregate Bond Index
U.S. Core Stock	2	Russell 3000 Index
U.S. Small/Mid Stock	2	Russell 2000 Index
Foreign Stock	2	MSCI World, excluding U.S., Index
Tier II: Balanced Investment Options		
Conservative Balanced Fund	1	Weighted-Average of Constituent Fund Benchmarks per Table 2
Moderate Balanced Fund	1	Weighted-Average of Constituent Fund Benchmarks per Table 2
Aggressive Balanced Fund	1	Weighted-Average of Constituent Fund Benchmarks per Table 2
Tier III: Specialty Investment Options		
U.S. Large Value Stock	1	Russell 1000 Value Index
U.S. Large Growth Stock	1	Russell 1000 Growth Index
U.S. Small/Mid Value Stock	1	Russell 2000 Value Index

U.S. Small/Mid Growth Stock	1	Russell 2000 Growth Index
Global Stock	1	MSCI World Index
U.S. Short/Intermediate Bond	1	Barclays Capital Intermediate Aggregate Bond Index
High Yield Bond	1	Barclays Capital High Yield Index
Tier IV: Retiree Annuity Options		(Section 121.591(1)(c), Florida Statutes)
Immediate and Deferred Annuities	Not Applicable	Specified by the Executive Director
Tier V: Self-Directed Brokerage Account	Not Applicable	Not applicable

B. Investment options and investment products (i.e., that support Investment Funds that are composed of an aggregate of one or more investment products) may be provided by investment managers or bundled providers. Pursuant to Section 121.4501(9)(a), Florida Statutes, the Board shall select one or more providers who offer multiple investment products when such an approach is determined by the Board to afford value to members otherwise not available through individual investment products.

C. Investment options may have performance benchmarks other than the "Representative Performance Benchmarks" listed in IPS-Table 1, but any alternative performance benchmark must be identified in the investment guidelines required under Section XI of this IPS and provide substantial coverage of the financial market segment defined by the corresponding Representative Performance Benchmark.

D. Balanced funds are only available as a weighted average of Tier I and III options. The Board shall establish procedures for initiating rebalancings per approved investment guidelines.

E. With IAC review and input, the Executive Director shall periodically recommend changes to the authorized investment option categories in IPS-Table 1, as modifications are appropriate. Any recommended modifications must be justified in terms of the incremental costs and benefits provided to members.

XI. GENERAL INVESTMENT OPTION GUIDELINES

A. The Executive Director is responsible for developing specific investment policies and guidelines for investment options, which reflect the goals and objectives of this IPS. In doing so, he is authorized to exercise and perform all duties set forth in Section 121.4501(9), Florida Statutes, except as limited by this IPS or Board Rules. General guidelines are as follows:

1) The Money Market fund seeks high current income consistent with liquidity and capital preservation. The fund will be actively managed and will primarily invest in high quality,

liquid, short-term instruments to control credit risk and interest rate sensitivity. The fund's sensitivity to interest rate changes will approximate that of the performance benchmark.

2) The U.S. Bond funds seek high current income consistent with capital appreciation. The funds may be passively or actively managed and will primarily invest in securities contained in the benchmark, although other fixed income instruments which fit the funds' objectives may be selectively used to generate excess return, such as non-investment grade securities or securities issued by foreign entities. The funds' sensitivity to interest rate changes will closely approximate that of the performance benchmark.

3) The U.S. Large Stock funds seek capital appreciation and current income. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark. Other securities which fit the funds' objectives may be selectively used to generate excess return. The funds' investment process will not have a persistent bias toward the selection of securities that are predominantly in the growth or value style categories.

4) The Foreign Stock funds seek capital appreciation and current income. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark, although other securities which fit the funds' objectives may be selectively used to generate excess return, such as equity securities issued by corporations domiciled in emerging economies.

5) The Balanced Investment funds are diversified balanced portfolios designed to provide participants with pre-packaged asset allocation vehicles. The funds seek favorable long-term returns through investments in the Tier I and III Options according to the risk levels identified in IPS-Table 2. Asset allocations will generally be held within 5 percentage points of the optimal shares for their respective risk target, but short-term deviations may occur. Optimized asset allocations for the balanced funds shall be established using methodology consistent with the guidance rendered by the Investment Plan's education/advice vendor.

IPS-Table 2: Target Risk Levels of Balanced Investment Funds

	Conservative Balanced Fund	**Moderate Balanced Fund**	**Aggressive Balanced Fund**
All asset classes shall be included for optimization of each balanced fund to the risk levels indicated. Actual Tier I and III investment funds included in the balanced funds and their respective weightings shall be reported to the Trustees and communicated to members.	A risk level equivalent to that of an all bond portfolio	A risk level equivalent to that of the average U.S. investor	A risk level approximately mid-way between that of an all equity portfolio and the Moderate

6) The Inflation-Protected Bond fund seeks long-term total returns that keep pace with inflation in order to protect the purchasing power of accumulated member benefits. The fund may be passively or actively managed and will primarily invest in the U.S. Treasury's inflation-indexed securities. The fund's sensitivity to interest rate changes will closely approximate that of the performance benchmark.

7) The High Yield Bond fund seeks high current income consistent with capital appreciation. The fund will be actively managed and will primarily invest in non-investment grade securities contained in the benchmark, although other fixed income instruments which fit the funds' objective may be selectively used to generate excess return, such as non-rated securities or securities issued by foreign entities. The fund's sensitivity to interest rate changes will closely approximate that of the performance benchmark.

8) The U.S. Large Value Stock fund seeks capital appreciation, and to a lesser degree, current income. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by lower price-to-book ratios and lower projected earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return.

9) The U.S. Small/Mid Stock funds seek capital appreciation. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark, although other securities which fit the funds' objectives may be selectively used to generate excess return. The funds' investment process will not have a persistent bias toward the selection of securities that are predominantly in the growth or value style categories.

10) The U.S. Large Growth Stock fund seeks capital appreciation. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by higher price-to-book ratios and projected higher earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return..

11) The U.S. Small/Mid Value Stock fund seeks capital appreciation, and to a lesser degree, current income. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by lower price-to-book ratios and lower projected earnings growth than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return.

12) The U.S. Small/Mid Growth Stock fund seeks capital appreciation. The fund will be actively managed and will primarily invest in equities contained in the benchmark, generally characterized by higher price-to-book ratios and projected higher earnings growth

than the overall U.S. equity market averages. Other securities which fit the funds' objectives may be selectively used to generate excess return.

13) Each investment option must:
    (a) Have a prudent degree of diversification relative to its performance benchmark;
    (b) Be readily transferable from one Investment Plan account to another Investment Plan investment option or to a private-sector or public-sector defined contribution plan accounts and self-directed individual retirement accounts;
    (c) Allow transfers of members' balances into and out of the option at least daily, subject to the excessive trading policies of the providers and/or the SBA;
    (d) Have no surrender fees or deferred loads/charges;
    (e) Have no fees or charges for insurance features (e.g. mortality and expense risk charges);
    (f) To the extent allowed by law, notwithstanding failure to meet one or more of the IPS Section XI(13)(b),(c)-(f) requirements, an option may be authorized if: (i) it produces significant and demonstrable incremental retirement benefits relative to other comparable products in the market place and comparable Tier I, Tier II, or Tier III options; and (ii) the incremental benefits are sufficient to offset all associated fees, charges and the expected economic cost of the variance(s) with the IPS Section XI(13)(b),(c)-(f) requirements. Comparability shall be based on the option's underlying investments within the broad categories of Money Market, U.S Fixed Income, U.S. Equities and Foreign Equities.

14) The investment product supporting any annuity option offered in Tier IV must have a prudent degree of diversification relative to its performance benchmark and, where applicable, providers shall have high independent ratings for financial strength and stability. Tier IV options may include allocated or unallocated immediate annuities with combinations of some of the following features:
    (a) Single or flexible premium.
    (b) Life or fixed period payouts.
    (c) Single or joint life (survivors with an insurable interest).
    (d) Complete or partial survivor benefits.
    (e) Cash refund, installment refund or period certain features.
    (f) Variable or fixed payments, non-participating, or income payable features.
    (g) Deferred payments.

B. The long-term performance of each actively managed investment option is expected to exceed the returns on their performance benchmark, net of all fees and charges, while avoiding large year-to-year deviations from the returns of the performance benchmark. The long-term performance of each passively managed investment option is expected to closely approximate returns on the performance benchmark, net of all fees and charges. Investment managers are authorized to prudently use options, futures, notional principal contracts or securities lending arrangements, in

accordance with the fiduciary standards of care, as contained in Section 121.4501(15)(a), Florida Statutes, investment guidelines and related policies.

XII. INVESTMENT MANAGER SELECTION AND MONITORING GUIDELINES

A. The Executive Director shall develop policies and guidelines for the selection, retention and termination of investment managers, bundled providers and products, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board, this IPS and provisions of Section 121.4501(9)(c), Florida Statutes.

When the Executive Director decides to terminate an investment fund in the Investment Plan, members will be granted an opportunity to direct their assets to other Investment Plan investment fund options prior to the investment fund termination. Assets that are not directed by members will be transferred or "mapped" to the investment fund(s) that the Executive Director deems appropriate. The mapping factors that the Executive Director will consider include, but are not limited to, alignment of investment fund type (e.g., asset class, capitalization and style) and investment strategy (e.g., objectives, market focus, and implementation tactics).

B. In the selection of investment managers, investment products or bundled providers, consideration shall be given to their effectiveness in minimizing the direct and indirect costs of transferring the total present value of accumulated benefit obligations for existing employees that choose membership in Investment Plan from the defined benefit trust to the Investment Plan trust.

C. In the selection and monitoring of products from bundled providers, each proposed product will be evaluated on a stand-alone basis, pursuant to the requirement in Section 121.4501(9)(c)9., Florida Statutes. The cost-effectiveness of the levels of non-investment services supporting the products will also be evaluated relative to their benefits.

D. In the selection, retention and termination of bundled providers and their proposed products and services, value, as that term is used in Section 121.4501(9)(a), Florida Statutes, shall be evaluated based on the value added to the process of accumulating retirement benefits for members. This evaluation shall consider the following factors in arriving at any staff recommendation:

1) Additional products or services that are not otherwise available to the members within the Plan;
2) The type and quality of investment products offered;
3) The type and quality of non-investment services offered; and
4) Other significant elements that provide value to members, consistent with the mandates of Section 121.4501, Florida Statutes.

E. On at least an annual basis, a review will be conducted of the performance of each approved investment manager and product and related organizational factors to ensure continued compliance with established selection, performance and termination criteria, Board policy and procedures and all contractual provisions. The performance and termination criteria for each provider and investment product will be reflected in each employment contract.

F. In addition to reviewing the performance of the Investment Plan's investment managers/options, the Executive Director will periodically review all costs associated with the management of the Investment Plan's investment options, including:

1) Expense ratios of each investment option against the appropriate peer group; and

2) Costs to administer the Plan, including recordkeeping, account settlement (participant balance with that of investment), allocation of assets and earnings, and (when applicable) the proper use of 12b-1 fees to offset these fees.

XIII. SELF-DIRECTED BROKERAGE ACCOUNT (SDBA) PROVIDER SELECTION AND MONITORING GUIDELINES

A. The Executive Director shall develop policies and guidelines for the selection, retention and termination of a SDBA Provider and shall manage the contractual relationship in accordance with the fiduciary responsibilities of the Board, this IPS and provisions of Section 121.4501(9)(c), Florida Statutes.

B. The SDBA shall be offered as a service to Investment Plan members to enable members to select investments otherwise not offered in the Plan.

C. In selecting the SDBA Provider, the Executive Director shall consider the following:

1) Financial strength and stability as evidenced by the highest ratings assigned by nationally recognized rating services when comparing proposed providers that are so rated.

2) Reasonableness of fees compared to other providers taking into consideration the quantity and quality of services being offered.

3) Compliance with the Internal Revenue Code and all applicable federal and state securities laws.

4) The methods available to members to interact with the provider; the means by which members may access account information, direct investment of funds, transfer funds, and to receive funds prospectuses and related investment materials as mandated by state and federal regulations.

5) Ability to provide prompt, efficient and accurate responses to participant directions, as well as providing confirmations and quarterly account statements in a timely fashion.

6) Process by which assets are invested, as well as any waiting periods when the monies are transferred.

7) Organizational factors, including, but not limited to, financial solvency, organizational depth, and experience in providing self-directed brokerage account services to public defined contribution plans.

8) The self-directed brokerage account available under the most beneficial terms available to any customer.

9) The provider will agree not to sell or distribute member lists generated through services rendered to the investment plan.

10) The provider, as well as any of its related entities, may not offer any proprietary products as investment alternatives in the self-directed brokerage account.

D. The Executive Director shall regularly monitor the selected provider to ascertain whether there is continued compliance with established selection criteria, board policy and procedures, state and federal regulations, and any contractual provisions.

E. The Executive Director shall ensure that the SDBA Provider will include access to investment instruments offered through the self-directed brokerage account by providing connectivity with the following:

1) Stocks listed on a Securities Exchange Commission (SEC) regulated national exchange.

2) Exchange Traded Funds (except for leveraged Exchange Traded Funds).

3) Mutual Funds not offered in the investment plan.

F. The Executive Director shall ensure that the self-directed brokerage account accessibility does not include the following as investment alternatives:

1) Illiquid investments;

2) Over the Counter Bulletin Board (OTCBB) securities;

3) Pink Sheet® (PS) securities;

4) Leveraged Exchange Traded Funds;

5) Direct Ownership of Foreign Securities;

6) Derivatives, including, but not limited to futures and options contracts on securities, market indexes, and commodities;

7) Buying/Trading on Margin;

8) Limited Partnership Interests;

9) Investment Plan products;

10) Any investment that would jeopardize the investment plan's tax qualified status.

F. The Executive Director shall establish procedures with the SDBA Provider and the Investment Plan Administrator to ensure that an Investment Plan member may participate in the self-directed brokerage account, if the member:

1) Maintains a minimum balance of $5,000 in the products offered under the investment plan;

2) Makes a minimum initial transfer of funds into the self-directed brokerage account of $1,000;

3) Makes subsequent transfers of funds into the self-directed brokerage account in amounts of $1,000 or greater;

4) Pays all trading fees, commissions, administrative fees and any other expenses associated with participating in the self-directed brokerage account;

5) Does not violate any trading restrictions established by the provider, the investment plan, or state or federal law.

G. The Executive Director shall establish procedures with the SDBA Provider and the Investment Plan Administrator to ensure that employer contributions and employee contributions shall be initially deposited into member's Investment Plan account and will then be made available for transfer to the member's SDBA.

H. The Executive Director shall establish procedures with the SDBA Provider and the Investment Plan Administrator that distributions will not be processed directly from member's assets in the SDBA. Assets must first be transferred to Investment Plan products. A member can request a distribution from the Investment Plan once the transfer of the assets from the SDBA to the member's Investment Plan account and all Investment Plan distribution requirements are met.

I. The Executive Director shall ensure that any member participating in the SDBA will be provided, at minimum, a quarterly statement that meets Financial Industry Regulatory Authority (FINRA) requirements which details member investments in the SDBA. The statement shall include, but is not limited to, member specific accounting of the investment instruments selected by a member, the net gains and losses, and buy/sell transactions. Additionally, a confirmation of trade statement will be sent for each transaction and all fees, charges, penalties and deductions associated with each transaction are netted in the trade and reflected in the transaction confirmation.

J. The Executive Director shall develop appropriate communications to members participating in the SDBA that will notify members that the Board is not responsible for managing the SDBA beyond administrative requirements as established between the Board and SDBA Provider. As such, investment alternatives available through the SDBA have not been subjected to any

selection process, are not monitored by the Board, require investment expertise to prudently buy, manage and/or dispose of, and have a risk of substantial loss. The communication shall also notify members that they are responsible for any and all administrative, investment, and trading fees associated with participating in the SDBA.

K. The Executive Director shall ensure that the provider will deliver a prospectus or other information for the underlying investments available through the self-directed brokerage account as provided in Section 121.4501(15)(c)(1) and (2) and in compliance with Federal laws.

XIV. REPORTING

A. The Board directs the Executive Director to coordinate the preparation of quarterly reports of the investment performance of the Investment Plan by the Board's independent performance evaluation consultant.

B. The following formal periodic reports to the Board shall be the responsibility of the Executive Director: an annual investment report, an annual financial report and a monthly performance report.

XV. IMPLEMENTATION SCHEDULE

This IPS is effective upon approval of the Board.

LAWTON CHILES ENDOWMENT FOR CHILDREN AND ELDERS
INVESTMENT POLICY STATEMENT

I. DEFINITIONS

Asset Class - An asset class is an aggregation of one or more portfolios with the same principal asset type. For example, all of the portfolios whose principal asset type was stocks would be aggregated together as the Stock asset class. As such, it would contain primarily—but not exclusively—the principal asset type.

Asset Type - An asset type is a category of investment instrument such as common stock or bond.

Portfolio - A portfolio is the basic organization unit of the Endowment. Funds are managed within portfolios. A portfolio will contain one principal asset type (common stocks, for example), but may contain small amounts of other asset types as well. The discretion for this mix of asset types is set out in guidelines for each portfolio.

Annuity - An agreement whereby the investor receives a specified periodic payment over a predetermined time period.

II. OVERVIEW OF THE ENDOWMENT FUND AND THE SBA

The State Board of Administration (Board) provides investment management of assets contributed and held on behalf of the Lawton Chiles Endowment Fund (Endowment), pursuant to s. 215.5601, F.S. as created by Chapter 99-167, L.O.F.

III. THE BOARD

The Board consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Board has statutory responsibility for the investment of Endowment assets, subject to limitations on investments as outlined in Section 215.47, Florida Statutes and the requirements specific to the Endowment contained in s. 215.5601, Florida Statutes.

The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in sections 215.47(9), Florida Statutes.

The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the investment of Endowment assets.

The mission of the State Board of Administration is to provide superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards.

IV. THE EXECUTIVE DIRECTOR

The Executive Director is charged with the responsibility for managing and directing administrative, personnel, budgeting, and investment functions, including the strategic and tactical allocation of invested assets.

The Executive Director is charged with developing specific individual investment portfolio objectives and policy guidelines, and providing the Board with monthly and quarterly reports of investment activities.

The Executive Director has investment responsibility for maintaining diversified portfolios, and maximizing returns with respect to the broad diversified market standards of individual asset classes, consistent with appropriate risk constraints. The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group(s) to regularly review, document and formally escalate guideline compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such compliance exceptions, with input from the Investment Advisory Council and Audit Committee as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

The Executive Director is responsible for evaluating the appropriateness of the goals and objectives in this Plan and recommending changes to the Board when appropriate.

V. INVESTMENT OBJECTIVES

The investment objective of the Board is long-term preservation of the real value of the principal (contributed capital) and a specified regular annual cash outflow for appropriation, as nonrecurring revenue, utilizing a thirty-year planning horizon. The Board's principal means for achieving this goal are through defining the terms of the Endowment's annuity payout structure authorized under law and through investment directives to the Executive Director.

The main object of these investment directives is the asset class. The Board directs the Executive Director to manage the asset classes in ways that, in the Board's opinion, will maximize the likelihood of achieving the investment objective. The Board establishes asset classes, sets permissible shares of the total portfolio's value for each and establishes performance benchmarks for them. In addition, it establishes a performance benchmark for the total portfolio.

VI. PAYOUT FORMULA

Liquidation of fund assets to support the legislative appropriations process shall be made according to the following participating annuity structure. At the start of each state budget cycle, a payout amount from the Endowment shall be established for the upcoming fiscal year according to the following formula:

$$\boxed{s_i = (x)s_{i-1} + (1-x)V_i \max[GM - \frac{R+K}{30}, 0]}$$

where: x = 75%

s_i = real payout amount for the upcoming fiscal year;

s_{i-1} = real payout amount for the prior fiscal year, proportionally adjusted for any changes in the amount of contributed principal since the prior fiscal year;

V_i = real value of the endowment at the time s_i is determined;

GM = the expected real geometric return on the endowment's assets, given the asset allocation directed under Section VII;

R = the required change in the fund's net asset value in order for Vi to equal the real value of all contributions to the Endowment at the time s_i is determined; and

K = prudence constant corresponding to a shortfall probability of 20%.[1]

Payouts shall be made no more frequently than quarterly, at the start of each quarter, in pro-rata portions of s_i.

[1] More specifically, K = the inverse of the standard normal cumulative distribution for a probability of 20% or less times the expected risk of the portfolio times the square root of the planning horizon (30 years).

VII. TARGET PORTFOLIO AND ASSET ALLOCATION RANGES

In order to achieve the investment goal, the Board sets a relative objective for the Executive Director: achieve or exceed the return on a performance benchmark known as the Target Portfolio over time. The Target Portfolio is a portfolio composed of a specific mix of the authorized asset classes. The return on this portfolio is a weighted-average of the returns to passive benchmarks for each of the asset classes. The expectation is that this return will meet or exceed the target rate of return and, thus achieve the Board's investment objectives.

This relative return objective is developed in a risk management framework. Risk from the perspective of the Board is failing to earn the target return over long periods of time, and the asset mix is developed to minimize this risk. In selecting the Target Portfolio the Board considers information related to specified future expenditures from the Endowment and historical asset class risk and return characteristics. Potential asset mixes are thus evaluated with respect to their expected return and volatility as well as risk.

Although the target portfolio has an expected return and risk associated with it, it is important to note that this expected return is neither an explicit nor an implicit goal for the managers of the Endowment. These figures are used solely in developing directives for fund management that will raise the probability of success in achieving the target rate of return. The Executive Director is held responsible not for specifically achieving the target rate of return in each period, but rather for doing at least as well as the market using the target portfolio's mix of assets.

In pursuit of incremental investment returns, the Executive Director may vary the asset mix from the target allocation based on market conditions and the investment environment for the individual asset classes. The Executive Director shall adopt an asset allocation policy guideline which specifies the process for making these tactical decisions. The guideline shall concentrate on the analysis of economic conditions, the absolute values of asset class investments and the relative values between asset classes.

The Board establishes the Target Portfolio as being composed of the following Asset Classes and Target Allocations and, additionally, the Board establishes ranges for the actual allocations to limit the risk of deviating significantly from the long-run investment plan.

Table 1

Asset Class	Target Allocation	Policy Range
Global Equity	71%	61-81%
Fixed Income	17%	12-22%
Inflation-Indexed Bonds	11%	6-16%
Cash Equivalents	1%	0-10%

For purposes of determining compliance with these Policy Ranges, an Asset Class is considered to be an aggregation of one or more portfolios with substantially the same principal asset type. As a standard management practice, portfolio managers are expected to meet their goals for all assets allocated to their portfolio.

It is expected that the Endowment will be managed in such a way that the actual allocation mix will remain within these ranges. Investment strategies or market conditions which result in an allocation position for any asset class outside of the enumerated ranges for a period exceeding thirty days shall be reported to the Board, together with a review of conditions causing the persistent deviation and a recommendation for subsequent investment action.

Notwithstanding the prior paragraph, in the event of a mandated payout from the Endowment that is expected by the Executive Director to require an accumulation of cash that exceeds ten percent of the market value of the Endowment, all asset classes' Target Allocations will float and Policy Ranges will not be applicable. During such an event, Target Allocations will be equal to the actual month-end average balances for the respective asset classes as determined by the custodian. Actual allocations will be reported monthly to the Board. Once the mandated payout has been made, Target Allocations and Policy Ranges will revert to the values in Table 1.

In adopting this plan, the board recognizes that no additional contributions are anticipated under current law.

VIII. PERFORMANCE MEASUREMENT

Asset class performance is measured in accordance with a broad market index appropriate to the asset class. The following indices are used as benchmarks for the authorized asset classes:

Table 2

Asset Class	Index
Global Equity	A custom version of the Morgan Stanley Capital International All Country World International Investable Market Index, in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect a 55% fixed weight in the Morgan Stanley Capital International USA Investable Market Index, a corresponding 45% fixed weight in the Morgan Stanley Capital International All Country World ex USA Investable Market Index, and the exclusion of certain equities of tobacco-related companies.
Fixed Income	The Barclays Capital U.S. Aggregate Bond Index

Inflation-Indexed Bonds	The Barclays Capital U.S. Treasury Inflation Note Index.
Cash Equivalents	The Standard & Poor's U.S. AAA & AA Rated Government Investment Pool All 30 Day - Net Yield Index

The return on the Target Portfolio shall be calculated as an average of the returns to the Target Indices indicated in Table 2 weighted by the Target Allocations indicated by Table 1, (recognizing that Table 1 is suspended if a mandated payout from the Endowment is of sufficient size).

Performance measurement of asset allocation performance shall be made by comparing the actual asset allocation times the return for the appropriate indices to the target allocation times the index returns.

IX. ASSET CLASS PORTFOLIO MANAGEMENT

General Portfolio Guidelines

The Executive Director is responsible for developing asset class and individual portfolio policies and guidelines which reflect the goals and objectives of this Investment Policy Statement. In doing so, he is authorized to use all investment authority spelled out in Section 215.47, Florida Statutes, except as limited by this Plan or SBA Rules. The Executive Director shall develop guidelines for the selection and retention of portfolios, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board.

All asset classes shall be invested to achieve or exceed the return on their respective benchmarks over a long period of time. The portfolios shall also be well diversified with respect to the benchmark.

Commingled vehicles which invest broadly in foreign small-cap equities indices and foreign emerging market equities indices, including the equities of tobacco-related companies therein, are authorized to the extent necessary to prudently manage the Endowment.

X. REPORTING

The Board directs the Executive Director to coordinate the preparation of regular reports of the investment performance of the Endowment by the Board's independent performance measurement firm.

The Executive Director shall also make a status report to the Governor, the Speaker of the House of Representatives, the President of the Senate, the chairpersons of the respective appropriations and substantive committees of each chamber, and the Revenue Estimating Conference monthly.

XI. SBA ADMINISTRATIVE COST

Administrative costs will be deducted from the fund at a rate not greater than that charged by the SBA for managing Florida Retirement System assets.

XII. IMPLEMENTATION SCHEDULE

This plan shall be effective upon approval of the Board. However, ~~the target allocation and~~ the target index changes for Global Equity may be phased in over a 12 month period subsequent to October 1, 201~~1~~3.

LAWTON CHILES ENDOWMENT FOR CHILDREN AND ELDERS
INVESTMENT POLICY STATEMENT

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Asset Type - An asset type is a category of investment instrument such as common stock or bond.

Portfolio - A portfolio is the basic organization unit of the Endowment. Funds are managed within portfolios. A portfolio will contain one principal asset type (common stocks, for example), but may contain small amounts of other asset types as well. The discretion for this mix of asset types is set out in guidelines for each portfolio.

Annuity - An agreement whereby the investor receives a specified periodic payment over a predetermined time period.

II. OVERVIEW OF THE ENDOWMENT FUND AND THE SBA

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III. THE BOARD

The Board consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Board has statutory responsibility for the investment of Endowment assets, subject to limitations on investments as outlined in Section 215.47, Florida Statutes and the requirements specific to the Endowment contained in s. 215.5601, Florida Statutes.

The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in sections 215.47(9), Florida Statutes.

The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the investment of Endowment assets.

The mission of the State Board of Administration is to provide superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards.

IV. THE EXECUTIVE DIRECTOR

The Executive Director is charged with the responsibility for managing and directing administrative, personnel, budgeting, and investment functions, including the strategic and tactical allocation of invested assets.

The Executive Director is charged with developing specific individual investment portfolio objectives and policy guidelines, and providing the Board with monthly and quarterly reports of investment activities.

The Executive Director has investment responsibility for maintaining diversified portfolios, and maximizing returns with respect to the broad diversified market standards of individual asset classes, consistent with appropriate risk constraints. The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group(s) to regularly review, document and formally escalate guideline compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such compliance exceptions, with input from the Investment Advisory Council and Audit Committee as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

The Executive Director is responsible for evaluating the appropriateness of the goals and objectives in this Plan and recommending changes to the Board when appropriate.

V. INVESTMENT OBJECTIVES

The investment objective of the Board is long-term preservation of the real value of the principal (contributed capital) and a specified regular annual cash outflow for appropriation, as nonrecurring revenue, utilizing a thirty-year planning horizon. The Board's principal means for achieving this goal are through defining the terms of the Endowment's annuity payout structure authorized under law and through investment directives to the Executive Director.

The main object of these investment directives is the asset class. The Board directs the Executive Director to manage the asset classes in ways that, in the Board's opinion, will maximize the likelihood of achieving the investment objective. The Board establishes asset classes, sets permissible shares of the total portfolio's value for each and establishes performance benchmarks for them. In addition, it establishes a performance benchmark for the total portfolio.

VI. PAYOUT FORMULA

Liquidation of fund assets to support the legislative appropriations process shall be made according to the following participating annuity structure. At the start of each state budget cycle, a payout amount from the Endowment shall be established for the upcoming fiscal year according to the following formula:

$$\boxed{s_i = (x)s_{i-1} + (1-x)V_i \max[GM - \frac{R+K}{30}, 0]}$$

where: x = 75%

s_i = real payout amount for the upcoming fiscal year;

s_{i-1} = real payout amount for the prior fiscal year, proportionally adjusted for any changes in the amount of contributed principal since the prior fiscal year;

V_i = real value of the endowment at the time s_i is determined;

GM = the expected real geometric return on the endowment's assets, given the asset allocation directed under Section VII;

R = the required change in the fund's net asset value in order for Vi to equal the real value of all contributions to the Endowment at the time s_i is determined; and

K = prudence constant corresponding to a shortfall probability of 20%.[1]

Payouts shall be made no more frequently than quarterly, at the start of each quarter, in pro-rata portions of s_i.

[1] More specifically, K = the inverse of the standard normal cumulative distribution for a probability of 20% or less times the expected risk of the portfolio times the square root of the planning horizon (30 years).

VII. TARGET PORTFOLIO AND ASSET ALLOCATION RANGES

In order to achieve the investment goal, the Board sets a relative objective for the Executive Director: achieve or exceed the return on a performance benchmark known as the Target Portfolio over time. The Target Portfolio is a portfolio composed of a specific mix of the authorized asset classes. The return on this portfolio is a weighted-average of the returns to passive benchmarks for each of the asset classes. The expectation is that this return will meet or exceed the target rate of return and, thus achieve the Board's investment objectives.

This relative return objective is developed in a risk management framework. Risk from the perspective of the Board is failing to earn the target return over long periods of time, and the asset mix is developed to minimize this risk. In selecting the Target Portfolio the Board considers information related to specified future expenditures from the Endowment and historical asset class risk and return characteristics. Potential asset mixes are thus evaluated with respect to their expected return and volatility as well as risk.

Although the target portfolio has an expected return and risk associated with it, it is important to note that this expected return is neither an explicit nor an implicit goal for the managers of the Endowment. These figures are used solely in developing directives for fund management that will raise the probability of success in achieving the target rate of return. The Executive Director is held responsible not for specifically achieving the target rate of return in each period, but rather for doing at least as well as the market using the target portfolio's mix of assets.

In pursuit of incremental investment returns, the Executive Director may vary the asset mix from the target allocation based on market conditions and the investment environment for the individual asset classes. The Executive Director shall adopt an asset allocation policy guideline which specifies the process for making these tactical decisions. The guideline shall concentrate on the analysis of economic conditions, the absolute values of asset class investments and the relative values between asset classes.

The Board establishes the Target Portfolio as being composed of the following Asset Classes and Target Allocations and, additionally, the Board establishes ranges for the actual allocations to limit the risk of deviating significantly from the long-run investment plan.

Table 1

Asset Class	Target Allocation	Policy Range
Global Equity	71%	61-81%
Fixed Income	17%	12-22%
Inflation-Indexed Bonds	11%	6-16%
Cash Equivalents	1%	0-10%

For purposes of determining compliance with these Policy Ranges, an Asset Class is considered to be an aggregation of one or more portfolios with substantially the same principal asset type. As a standard management practice, portfolio managers are expected to meet their goals for all assets allocated to their portfolio.

It is expected that the Endowment will be managed in such a way that the actual allocation mix will remain within these ranges. Investment strategies or market conditions which result in an allocation position for any asset class outside of the enumerated ranges for a period exceeding thirty days shall be reported to the Board, together with a review of conditions causing the persistent deviation and a recommendation for subsequent investment action.

Notwithstanding the prior paragraph, in the event of a mandated payout from the Endowment that is expected by the Executive Director to require an accumulation of cash that exceeds ten percent of the market value of the Endowment, all asset classes' Target Allocations will float and Policy Ranges will not be applicable. During such an event, Target Allocations will be equal to the actual month-end average balances for the respective asset classes as determined by the custodian. Actual allocations will be reported monthly to the Board. Once the mandated payout has been made, Target Allocations and Policy Ranges will revert to the values in Table 1.

In adopting this plan, the board recognizes that no additional contributions are anticipated under current law.

VIII. PERFORMANCE MEASUREMENT

Asset class performance is measured in accordance with a broad market index appropriate to the asset class. The following indices are used as benchmarks for the authorized asset classes:

Table 2

Asset Class	Index
Global Equity	A custom version of the Morgan Stanley Capital International All Country World International Investable Market Index, in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect a 55% fixed weight in the Morgan Stanley Capital International USA Investable Market Index, a corresponding 45% fixed weight in the Morgan Stanley Capital International All Country World ex USA Investable Market Index, and the exclusion of certain equities of tobacco-related companies.
Fixed Income	The Barclays Capital U.S. Aggregate Bond Index

Inflation-Indexed Bonds	The Barclays Capital U.S. Treasury Inflation Note Index.
Cash Equivalents	The Standard & Poor's U.S. AAA & AA Rated Government Investment Pool All 30 Day - Net Yield Index

The return on the Target Portfolio shall be calculated as an average of the returns to the Target Indices indicated in Table 2 weighted by the Target Allocations indicated by Table 1, (recognizing that Table 1 is suspended if a mandated payout from the Endowment is of sufficient size).

Performance measurement of asset allocation performance shall be made by comparing the actual asset allocation times the return for the appropriate indices to the target allocation times the index returns.

IX. ASSET CLASS PORTFOLIO MANAGEMENT

General Portfolio Guidelines

The Executive Director is responsible for developing asset class and individual portfolio policies and guidelines which reflect the goals and objectives of this Investment Policy Statement. In doing so, he is authorized to use all investment authority spelled out in Section 215.47, Florida Statutes, except as limited by this Plan or SBA Rules. The Executive Director shall develop guidelines for the selection and retention of portfolios, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board.

All asset classes shall be invested to achieve or exceed the return on their respective benchmarks over a long period of time. The portfolios shall also be well diversified with respect to the benchmark.

Commingled vehicles which invest broadly in foreign small-cap equities indices and foreign emerging market equities indices, including the equities of tobacco-related companies therein, are authorized to the extent necessary to prudently manage the Endowment.

X. REPORTING

The Board directs the Executive Director to coordinate the preparation of regular reports of the investment performance of the Endowment by the Board's independent performance measurement firm.

The Executive Director shall also make a status report to the Governor, the Speaker of the House of Representatives, the President of the Senate, the chairpersons of the respective appropriations and substantive committees of each chamber, and the Revenue Estimating Conference monthly.

XI. SBA ADMINISTRATIVE COST

Administrative costs will be deducted from the fund at a rate not greater than that charged by the SBA for managing Florida Retirement System assets.

XII. IMPLEMENTATION SCHEDULE

This plan shall be effective upon approval of the Board. However, the target index changes for Global Equity may be phased in over a 12 month period subsequent to October 1, 2013.

STATE BOARD OF ADMINISTRATION OF FLORIDA

1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308
(850) 488-4406

POST OFFICE BOX 13300
32317-3300

RICK SCOTT
GOVERNOR
AS CHAIRMAN

JEFF ATWATER
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

September 24, 2013

Honorable Joseph Abruzzo
Alternating Chair
Joint Legislative Auditing Committee
222 Senate Office Building
404 South Monroe Street
Tallahassee, Florida 32399-1100

Honorable Lake Ray
Alternating Chair
Joint Legislative Auditing Committee
405 House Office Building
402 South Monroe Street
Tallahassee, Florida 32399-1300

Dear Senator Abruzzo and Representative Ray:

Pursuant to section 218.409(6)(a)1, Florida Statutes, the Trustees of the State Board of Administration are required to "provide a quarterly report to the Joint Legislative Auditing Committee that the trustees have reviewed and approved the monthly reports [on the Florida PRIME and Fund B Management Summary] and actions taken, if any, to address any [material] impacts," and "have conducted a review of the [Fund B] trust fund and that the trust fund is in compliance with the requirements of this section." (Sections 218.409(6)(a)1 and 218.421(2)(a), F.S.)

Please be advised that the Trustees have reviewed the attached reports and authorized me to convey their action to you. During the period April 1 through June 30, 2013, there were no material impacts on the trust funds in question and, therefore, no associated actions or escalations.

Please contact me if you have any questions.

Sincerely,

Ashbel C. Williams
Executive Director & CIO

ACW/db
Attachments
cc: Honorable Rob Bradley
Honorable Alan Hays
Honorable Jeremy Ring
Honorable Wilton Simpson
Honorable Daphne Campbell
Honorable Gayle Harrell
Honorable Daniel Raulerson
Honorable Ray Rodrigues
Honorable Cynthia Stafford
Ms. Kathy Dubose, Director

DRAFT

Monthly Summary Report for April 2013

Including Fund B

State Board of Administration

FLORIDA PRIME™

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Past performance is no guarantee of future results.

Views are as of the issue date and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security.

An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Although money market funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in this fund.

INTRODUCTION

This report is prepared for stakeholders in Florida PRIME and Fund B in accordance with Section 218.409(6)(a), Florida Statutes. The statute requires:

(1) Reporting of any material impacts on the funds and any actions or escalations taken by staff to address such impacts;

(2) Presentation of a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last month; and

(3) Preparation of the management summary "in a manner that will allow anyone to ascertain whether the investment activities during the reporting period have conformed to investment policies."

This report, which covers the period from April 1, 2013 through April 30, 2013, has been prepared by the SBA with input from Federated Investment Counseling ("Federated"), investment advisor for Florida PRIME and Apollo Global Management, the collateral manager for Fund B, in a format intended to comply with the statute.

During the reporting period, Florida PRIME and Fund B were in material compliance with investment policy. Details are available in the PRIME policy compliance table and the Fund B compliance narrative in the body of this report. This report also includes details on market conditions; fees; fund holdings, transactions and performance; and client composition.

DISCLOSURE OF MATERIAL IMPACTS

There were no developments during April 2013 that had a material impact on the liquidity or operation of Florida PRIME.

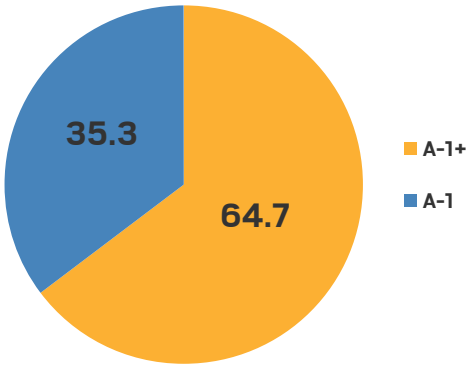
FLORIDA PRIME™

PORTFOLIO COMPOSITION
APRIL 30, 2013

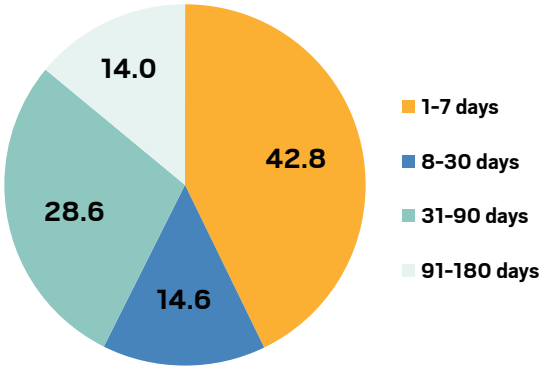
Florida PRIME Assets

$ 8,319,678,450

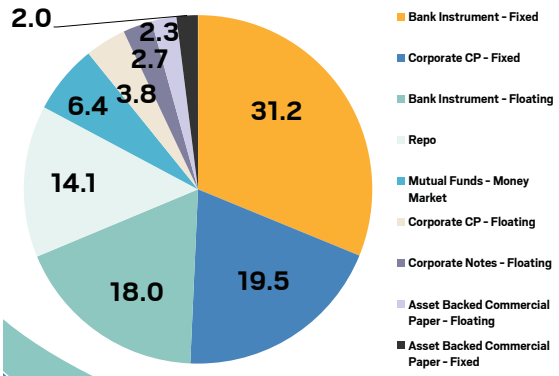
Credit Quality Composition (%)



Effective Maturity Schedule (%)



Portfolio Composition (%)



PORTFOLIO MANAGER COMMENTARY

APRIL 2013 MARKET CONDITIONS

Despite weaker economic releases in March and the early part of April, first quarter 2013 Gross Domestic Product (GDP) came in at 2.5%, a step up from fourth quarter 2012's anemic 0.4% increase. While GDP may have missed the 3.0% expected growth estimates, key sectors such as employment and housing seem to be on positive paths, and the recovery as a whole is on fairly firm footing. If these trends continue the improving economic picture is likely to spark some modification to the Federal Reserve's monthly purchases of $85 billion in longer-term Treasury and agency mortgage-backed securities.

It is too early to tell how the modification might be configured, and whether it would involve cutting back on reinvestments of payments, or even which sectors might be targeted. However, we expect no changes before the second half of 2013. Once modifications to QE begin the yield curve is expected to steepen and purchases out in the 6- to 12-month range begin to look more attractive. Certainly, the Fed is not likely to move the 0% to 0.25% federal funds target rate until well into 2014, but the adjustments to QE will have some effect on the yield curve. We believe the sentiment that this low-rate environment will go on into infinity seems to be somewhat overdone. As a result, Federated's money funds have been slightly shorter in weighted average maturity, on a barbell basis, than they had been previously, with some additional concentration in floating-rate securities in order to be in a more responsive position when the steepening of the yield curve does start to happen.

While the asset-backed commercial paper sector has not yet begun to grow, it is no longer shrinking. The underlying receivables are doing very well, with auto loans and credit cards performing with minimal loss. We see more issuers and a higher volume. The spread in the asset-backed commercial paper market has dwindled, and is not as attractive as it once was, but it is still an active marketplace, and is expected to grow in the second half of 2013 as the economy continues to improve.

Overnight repurchase agreement (repo) rates had hovered in the upper end of the 0% to 0.25% target range, at around 22-23 basis points, throughout the second half of 2012. In the first quarter of 2013, however, repo rates dipped lower, in the 14-16 basis-point range. There was then some further softening toward the end of April, down to 5-7 basis points in a few instances, before rates

FLORIDA PRIME™

APRIL 30, 2013

Top Holdings (%) and Average Maturity

1.	Bank of Montreal	5.1%
2.	Royal Bank of Canada, Montreal	5.0%
3.	North Rhine-Westphalia, State of	4.8%
4.	Toyota Motor Corp.	4.4%
5.	Sumitomo Mitsui Financial Group, Inc.	4.4%
6.	Bank of America Corp.	4.1%
7.	Deutsche Bank AG	3.6%
8.	Mitsubishi UFJ Financial Group, Inc.	3.6%
9.	Svenska Handelsbanken, Stockholm	3.6%
10.	Australia & New Zealand Banking Group, Melbourne	3.6%

Average Effective Maturity (WAM)

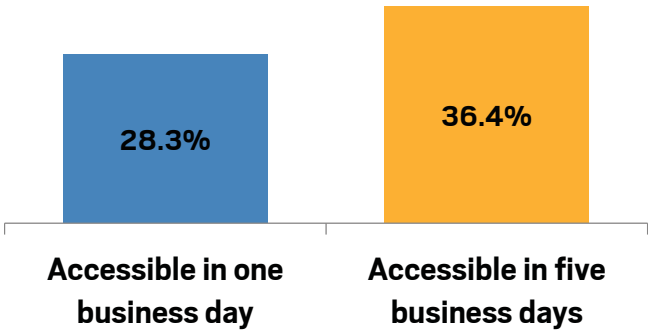
37.5 Days

Weighted Average Life (Spread WAM)

80.7 Days

Percentages based on total value of investments

Highly Liquid Holdings (% at month end)



PORTFOLIO MANAGER COMMENTARY (CON'T.)

bounced back up into the mid-teens again. Repo rates are likely to stay in that mid-teen range for the remainder of the second quarter. As a result, we have positioned funds to have less exposure to overnight repos than has historically been the case.

Dysfunctionality remains well in force in Washington, and the battling factions are heading toward another showdown on May 19, when the Congressional suspension of the nation's borrowing limit is due to run out. With little more than two weeks to go before the deadline, there is little, if any, talk of a compromise solution, and more troubling, little concern on Capitol Hill that we are this close without any substantive discussion taking place. The sequester cuts first enacted on March 1 continue on course without a fix in sight. We have seen some public pressure come to bear on Congress from airport delays related to cutbacks in air traffic controllers, but little else has made headlines, despite the negative effects federal spending cutbacks seem to be having on the recovery. From a money market standpoint, in terms of short-term rates and supply, there has not been much impact—yet.

PORTFOLIO INVESTMENT STRATEGY

As of the end of April 2013, Florida PRIME pool assets were down $162 million, ending the month at $8.3 billion, as the height of the State of Florida's tax collection season has now passed and funds in the pool are being used. The gross yield for Florida PRIME came down two basis points for the month largely a function of lower repo rates and lower London interbank offered rates (LIBOR)—while 1-month and 3-month Libor remained steady, 6-month and 12-month Libor were lower by one to three basis points, so some investments reaching maturity during the month were reinvested at slightly lower rates. The weighted average maturity of the pool came in by 3 days in April, down to 38 days, and the weighted average life came in by 7 days, to 81 days. Management purchases during the month focused on bank-related commercial paper instruments and CDs in the 1- to 6-month range.

During April, with the pool's repurchase agreement (repo) position was down 1%, to make up 14% of the pool, exposure to bank instruments was down 4%, to 31% of the pool, and variable rate instruments were up 1%, to make up 25% percent of the pool. Fixed-rate commercial paper instruments were up 4%, to 22% of the pool.

FLORIDA PRIME™

FLORIDA PRIME SUMMARY OF CASH FLOWS

April 2013		
Opening Balance (04/01/13)	$	8,481,864,061
Participant Deposits		952,723,881
Transfers from Fund B		61,510,000
Gross Earnings		1,702,502
Participant Withdrawals		(1,177,912,871)
Fees		(209,124)
Closing Balance (04/30/13)	$	8,319,678,450
Net Change over Month		(162,185,612)

Valuations based on amortized cost

As shown in the table above, Florida PRIME experienced a net ouflow of $162.2 million during April 2013.

This change in value consisted of positive flows of $952.7 million in participant deposits, $61.5 million in transfers from Fund B and $1.7 million in earnings. Negative flows consisted of $1.18 billion in participant withdrawals and about $209,000 in fees.

Overall, the fund ended the month with a closing balance of $8.32 billion.

FLORIDA PRIME DETAILED FEE DISCLOSURE

April 2013	Amount	Basis Point Equivalent*
SBA Client Service, Account Mgt. & Fiduciary Oversight Fee	$ 69,839.06	$ 1.00
Federated Investment Management Fee	124,616.00	1.78
BNY Mellon Custodial Fee	233.34	0.00
Bank of America Transfer Agent Fee	5,842.55	0.08
S&P Rating Maintenance Fee	3,287.67	0.05
Audit/External Review Fees	5,305.56	0.08
Total Fees	**$ 209,124.18**	**2.99**

*The basis point equivalent is an annualized rate based on the dollar amount of fees charged for the month times 12, divided by an average of the fund's beginning and ending total value (amortized cost) for the month which was $8,400,771,256.

REMINDER TO COMPLETE THE 2013 ANNUAL PARTICIPANT SURVEYS

Please respond to the surveys no later than Friday, May 31, 2013

Please help us to deliver high quality cash management services by completing one or both of this year's participant surveys. Participant feedback is highly valued and we ask that each investor attempt to complete the brief on-line satisfaction survey, which shouldn't take more than 10 minutes to complete.

The 2013 surveys include questions covering the quality of service delivery, website functionality, liquidity preferences (Fund B), and other issues tied to SBA cash management services.

See our website for more information - www. sbafla.com/PRIME

FLORIDA PRIME™

NOTES TO PERFORMANCE TABLE

[1]Net of fees. Participant yield is calculated on a 365-day basis and includes adjustments for expenses and other accounting items to reflect realized earnings by participants.

[2]The net-of-fee benchmark is the S&P AAA/AA Rated GIP All 30-Day Net Index for all time periods.

Net asset value includes investments at market value, plus all cash, accrued interest receivable and payables.

NOTES TO CHART

The 7-Day "SEC" Yield in the chart is calculated in accordance with the yield methodology set forth by SEC rule 2a-7 for money market funds.

The 7-day yield = net income earned over a 7-day period / average units outstanding over the period / 7 times 365.

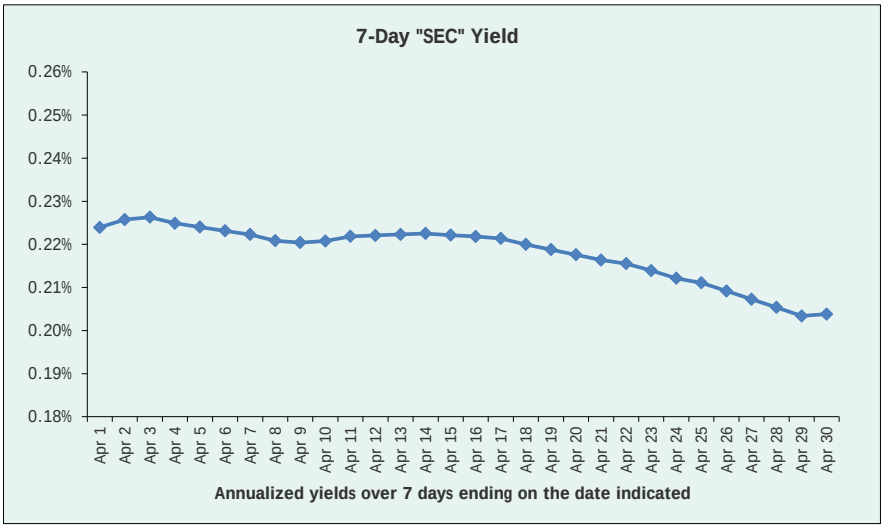
Note that unlike other performance measures, the SEC yield does not include realized gains and losses from sales of securities.

FUND PERFORMANCE THROUGH APRIL 30, 2013

Florida PRIME Participant Performance Data

	Net Participant Yield[1]	Net-of-Fee Benchmark[2]	Above (Below) Benchmark
1 mo	0.23%	0.07%	0.16%
3 mos	0.22%	0.07%	0.16%
12 mos	0.27%	0.09%	0.18%
3 yrs	0.28%	0.11%	0.17%
5 yrs	0.58%	0.45%	0.13%
10 yrs	1.99%	1.80%	0.19%
Since 1.96	3.17%	2.95%	0.22%
		Net asset value at month end:	$8,320.4 m

Florida PRIME 7-Day "SEC" Yields During the Month



For performance comparisons to other short-term investment options, see www.sbafla.com/prime and click on "Pool Performance."

ABOUT ANNUALIZED YIELDS

Performance data in the table and chart is annualized, meaning that the amounts are based on yields for the periods indicated, converted to their equivalent if obtained for a 12-month period.

For example, ignoring the effects of compounding, an investment that earns 0.10% over a 1-month period yields 1.20% on an annualized basis. Likewise, an investment that earns a total of 3.60% over three years yields 1.20% on an annualized basis, ignoring compounding.

FLORIDA PRIME™

INVENTORY OF HOLDINGS
APRIL 30, 2013

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
							$	$	$
ANZ National (Int'l) Ltd. CP4-2	COMMERCIAL PAPER - 4-2		06/04/13		100,000,000	0.30	99,971,806	99,988,040	16,234
ANZ National (Int'l) Ltd. CP4-2	COMMERCIAL PAPER - 4-2		06/10/13		100,000,000	0.30	99,966,972	99,985,540	18,568
Australia & New Zealand Banking Group, Melbourne, Oct 04, 2013	VARIABLE RATE COMMERCIAL PAPER - 4-2	0.40	10/04/13	05/06/13	100,000,000	0.41	100,000,000	99,970,200	(29,800)
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.26	08/02/13		100,000,000	0.26	100,000,000	100,000,000	0
Bank of America N.A. BNOTE	BANK NOTE	0.30	05/29/13		30,000,000	0.30	30,000,000	30,002,172	2,172
Bank of America N.A. BNOTE	BANK NOTE	0.30	05/28/13		10,000,000	0.30	10,000,000	10,000,512	512
Bank of America N.A. BNOTE	BANK NOTE	0.29	06/25/13		225,000,000	0.29	225,000,000	225,013,973	13,973
Bank of America N.A. BNOTE	BANK NOTE	0.29	07/12/13		75,000,000	0.29	75,000,000	74,999,993	(8)
Bank of America N.A. Triparty Repo Overnight Fixed	REPO TRIPARTY OVERNIGHT FIXED	0.17	05/01/13		670,000,000	0.17	670,000,000	670,000,000	0
Bank of Montreal CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.38	10/15/13		100,000,000	0.39	100,000,000	100,069,670	69,670
Bank of Montreal, Jan 16, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.28	01/16/14	07/16/13	130,000,000	0.28	130,000,000	130,006,890	6,890
Bank of Montreal, Mar 14, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.30	03/14/14	06/14/13	75,000,000	0.31	75,000,000	74,987,550	(12,450)
Bank of Montreal, Sep 16, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.30	09/16/13	06/17/13	100,000,000	0.30	100,000,000	100,037,300	37,300
Bank of Nova Scotia, Toronto, May 09, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.35	05/09/13	05/09/13	50,000,000	0.36	50,000,000	50,002,200	2,200
Bank of Nova Scotia, Toronto, Oct 16, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.33	10/16/13	05/16/13	10,000,000	0.35	10,005,187	10,004,570	(617)
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.25	07/01/13		100,000,000	0.25	100,000,000	100,006,870	6,870
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.16	05/01/13		200,000,000	0.16	200,000,000	199,999,840	(160)
Caisse des Depots et Consignations (CDC) CP	COMMERCIAL PAPER		10/16/13		16,000,000	0.27	15,979,720	15,977,992	(1,728)
Caisse des Depots et Consignations (CDC), Paris CP4-2	COMMERCIAL PAPER - 4-2		10/08/13		25,000,000	0.28	24,969,253	24,967,913	(1,341)

See notes at end of table.

FLORIDA PRIME™

INVENTORY OF HOLDINGS (CONTINUED)
APRIL 30, 2013

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
							$	$	$
Caisse des Depots et Consignations (CDC), Paris CP4-2	COMMERCIAL PAPER - 4-2		10/11/13		120,000,000	0.27	119,852,400	119,842,008	(10,392)
Caisse des Depots et Consignations (CDC), Paris CP4-2	COMMERCIAL PAPER - 4-2		10/15/13		20,000,000	0.25	19,976,667	19,972,746	(3,921)
Canadian Imperial Bank of Commerce, Oct 24, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.31	10/24/13	05/24/13	275,000,000	0.31	275,000,000	275,029,150	29,150
Commonwealth Bank of Australia CP4-2	COMMERCIAL PAPER - 4-2		05/15/13		50,000,000	0.29	49,994,167	49,998,335	4,168
Credit Agricole Corporate and Investment Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.27	07/11/13		160,000,000	0.27	160,000,000	159,996,784	(3,216)
Credit Agricole North America, Inc. CP	COMMERCIAL PAPER		05/07/13		50,000,000	0.32	49,996,889	49,998,250	1,361
Credit Agricole North America, Inc. CP	COMMERCIAL PAPER		05/14/13		40,000,000	0.30	39,995,333	39,997,056	1,723
Credit Suisse, Zurich CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	07/10/13		100,000,000	0.24	100,000,000	100,005,900	5,900
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.25	05/13/13		50,000,000	0.25	50,000,000	50,001,445	1,445
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.25	05/20/13		50,000,000	0.25	50,000,000	50,002,220	2,220
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.26	06/06/13		50,000,000	0.26	50,000,000	50,001,535	1,535
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.25	06/12/13		50,000,000	0.25	50,000,000	50,001,190	1,190
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.23	06/27/13		100,000,000	0.23	100,000,000	100,000,000	0
Deutsche Bank Securities, Inc. REP3P	REPO TRIPARTY OVERNIGHT FIXED	0.16	05/01/13		500,000,000	0.16	500,000,000	500,000,000	0
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND	0.01	05/01/13		3,643,729	0.01	3,643,729	3,643,729	0
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		09/16/13		65,500,000	0.29	65,426,658	65,437,028	10,370
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		07/15/13		23,500,000	0.35	23,483,132	23,489,035	5,903
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		08/01/13		60,000,000	0.34	59,948,850	59,963,886	15,036
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		08/07/13		12,935,000	0.26	12,925,751	12,926,499	748

See notes at end of table.

FLORIDA PRIME™

INVENTORY OF HOLDINGS (CONTINUED)
APRIL 30, 2013

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
							$	$	$
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		09/03/13		3,000,000	0.30	2,996,850	2,997,207	357
Fairway Finance Co. LLC, Jul 22, 2013	VARIABLE RATE COMMERCIAL PAPER-ABS-4(2)	0.23	07/22/13	05/22/13	14,000,000	0.23	14,000,000	14,000,322	322
Fairway Finance Co. LLC, Jun 10, 2013	VARIABLE RATE COMMERCIAL PAPER-ABS-4(2)	0.23	06/10/13	05/10/13	30,000,000	0.23	30,000,000	30,000,990	990
Fairway Finance Co. LLC, Jun 17, 2013	VARIABLE RATE COMMERCIAL PAPER-ABS-4(2)	0.23	06/17/13	05/17/13	50,000,000	0.23	50,000,000	50,002,050	2,050
Fairway Finance Co. LLC, Jun 18, 2013	VARIABLE RATE COMMERCIAL PAPER-ABS-4(2)	0.23	06/18/13	05/20/13	75,000,000	0.23	75,000,000	75,003,150	3,150
Fairway Finance Co. LLC, Sep 06, 2013	VARIABLE RATE COMMERCIAL PAPER-ABS-4(2)	0.22	09/06/13	05/08/13	21,200,000	0.22	21,200,000	21,199,279	(721)
Federated Prime Cash Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.08	05/01/13	05/01/13	251,535,230	0.06	251,535,230	251,535,230	0
Federated Prime Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.08	05/01/13	05/01/13	276,900,210	0.07	276,900,210	276,900,210	0
General Elec Cap Corp, Sr. Note, 1.875%, 9/16/2013	CORPORATE BOND	1.88	09/16/13		1,350,000	0.28	1,358,149	1,357,804	(344)
General Elec Cap Corp, Sr. Note, 1.875%, 9/16/2013	CORPORATE BOND	1.88	09/16/13		1,000,000	0.41	1,005,572	1,005,781	209
General Elec Cap Corp, Sr. Note, 1.875%, 9/16/2013	CORPORATE BOND	1.88	09/16/13		500,000	0.41	502,786	502,891	104
General Elec Cap Corp, Sr. Note, 1.875%, 9/16/2013	CORPORATE BOND	1.88	09/16/13		24,410,000	0.41	24,546,020	24,551,114	5,094
General Electric Capital Corp., Sep 20, 2013	VARIABLE EURO MEDIUM TERM NOTE	0.28	09/20/13	06/20/13	3,000,000	0.39	2,999,012	2,998,650	(362)
General Electric Capital, Sr. Unsecd. Note, 5.4%, 9/20/2013	CORPORATE BOND	5.40	09/20/13		1,670,000	0.41	1,702,541	1,702,483	(58)
Illinois Finance Authority, (Northwest Community Hospital), (Series 2008B), 07/01/2032	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.25	07/01/32	05/02/13	37,750,000	0.25	37,750,000	37,750,000	0
J.P. Morgan Chase & Co., Sr. Note, 4.750%, 05/01/2013	CORPORATE BOND	4.75	05/01/13		100,000,000	0.30	100,012,342	100,000,000	(12,342)
JPMorgan Chase & Co CP	COMMERCIAL PAPER		06/12/13		100,000,000	0.29	99,966,556	99,985,940	19,384
JPMorgan Chase Bank, N.A., May 07, 2014	VARIABLE RATE BANK NOTE	0.36	05/07/14	05/07/13	35,000,000	0.37	35,000,000	34,993,770	(6,230)
Long Island Power Authority, NY, (Series 3A), 05/01/2033	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.23	05/01/33	05/01/13	16,900,000	0.23	16,900,000	16,900,000	0

See notes at end of table.

FLORIDA PRIME™

INVENTORY OF HOLDINGS (CONTINUED)
APRIL 30, 2013

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
							$	$	$
Mizuho Corporate Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.23	05/28/13		8,000,000	0.23	8,000,000	8,000,310	310
Mizuho Corporate Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	06/13/13		100,000,000	0.24	100,000,000	100,004,880	4,880
Mizuho Funding LLC CP4-2	COMMERCIAL PAPER - 4-2		06/13/13		100,000,000	0.24	99,971,278	99,976,900	5,622
Mizuho Funding LLC CP4-2	COMMERCIAL PAPER - 4-2		08/01/13		50,000,000	0.24	49,969,646	49,967,015	(2,631)
Mullenix-St. Charles Properties, L.P., Times Centre Apartments Project Series 2004, Jan 01, 2028	VARIABLE RATE DEMAND NOTE	0.17	01/01/28	05/02/13	13,500,000	0.17	13,500,000	13,500,000	0
NRW Bank CP	COMMERCIAL PAPER		05/02/13		200,000,000	0.15	199,998,333	199,998,440	107
NRW Bank CP	COMMERCIAL PAPER		05/07/13		200,000,000	0.15	199,994,361	199,994,360	(1)
Putnam County, WV County Commission, (Toyota Motor Manufacturing, West Virginia, Inc.), (1998 Series A), 06/01/2028	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.20	06/01/28	05/01/13	4,100,000	0.24	4,100,000	4,100,000	0
Royal Bank of Canada, Montreal, Feb 03, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.37	02/03/14	05/01/13	75,000,000	0.37	75,000,000	75,050,550	50,550
Royal Bank of Canada, Montreal, Feb 10, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.37	02/10/14	05/01/13	50,000,000	0.37	50,000,000	50,034,600	34,600
Royal Bank of Canada, Montreal, Feb 21, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.36	02/21/14	05/01/13	85,000,000	0.35	85,000,000	85,054,315	54,315
Royal Bank of Canada, Montreal, May 04, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.33	05/04/14	05/06/13	160,000,000	0.34	160,000,000	160,099,360	99,360
Royal Bank of Canada, Montreal, May 22, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.44	05/22/13	05/22/13	18,000,000	0.45	18,000,000	18,002,592	2,592
Royal Bank of Canada, Montreal, May 30, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.32	05/30/14	05/01/13	30,000,000	0.34	30,000,000	29,995,110	(4,890)
Societe Generale North America, Inc. CP	COMMERCIAL PAPER		07/02/13		90,000,000	0.31	89,951,175	89,960,310	9,135
Societe Generale, Paris CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.17	05/01/13		50,000,000	0.17	50,000,000	49,999,970	(30)
Societe Generale, Paris CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.30	05/08/13		80,000,000	0.30	80,000,000	80,001,952	1,952
Societe Generale, Paris CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.29	05/14/13		10,000,000	0.29	10,000,000	10,000,388	388
St. Andrew United Methodist Church, Series 2004, Jul 01, 2029	VARIABLE RATE DEMAND NOTE	0.20	07/01/29	05/02/13	9,140,000	0.20	9,140,000	9,140,000	0

See notes at end of table.

FLORIDA PRIME™

INVENTORY OF HOLDINGS (CONTINUED)
APRIL 30, 2013

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
							$	$	$
Standard Chartered Bank plc CDEUR	CERTIFICATE OF DEPOSIT - EURO	0.26	06/26/13		200,000,000	0.26	200,001,582	200,037,460	35,878
State Street Bank and Trust Co., May 16, 2014	VARIABLE RATE BANK NOTE	0.33	05/16/14	05/20/13	125,000,000	0.33	125,000,000	125,002,500	2,500
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	08/01/13		200,000,000	0.24	200,000,000	199,989,640	(10,360)
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.23	07/23/13		25,000,000	0.23	25,000,000	24,998,833	(1,168)
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	05/07/13		130,000,000	0.24	130,000,000	130,000,884	884
Svenska Handelsbanken, Stockholm TDCAY	TIME DEPOSIT - CAYMAN	0.15	05/01/13		300,000,000	0.15	300,000,000	300,000,000	0
Texas State, (Series 2012B), 12/01/2042	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.18	12/01/42	05/01/13	11,500,000	0.20	11,500,000	11,500,000	0
Toronto Dominion Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.28	06/17/13		100,000,000	0.28	100,000,000	100,022,650	22,650
Toronto Dominion Bank, Jul 26, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.28	07/26/13	07/26/13	50,000,000	0.28	50,000,000	50,037,200	37,200
Toronto Dominion Bank, Sep 13, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.28	09/13/13	06/13/13	125,000,000	0.28	125,000,000	125,065,625	65,625
Toyota Motor Credit Corp. CP	COMMERCIAL PAPER		09/06/13		100,000,000	0.25	99,910,417	99,919,020	8,603
Toyota Motor Credit Corp. CP	COMMERCIAL PAPER		09/16/13		80,000,000	0.27	79,916,600	79,928,032	11,432
Toyota Motor Credit Corp. CP	COMMERCIAL PAPER		09/17/13		183,000,000	0.27	182,807,850	182,834,184	26,334
Wells Fargo Bank, N.A., May 20, 2014	VARIABLE RATE BANK NOTE	0.33	05/20/14	06/20/13	100,000,000	0.33	100,000,000	100,004,900	4,900
Westpac Banking Corp. Ltd., Sydney, Jul 08, 2013	VARIABLE RATE COMMERCIAL PAPER - 4-2	0.25	07/08/13	05/08/13	100,000,000	0.25	100,000,000	100,009,000	9,000
Westpac Banking Corp. Ltd., Sydney, May 29, 2013	VARIABLE RATE COMMERCIAL PAPER - 4-2	0.25	05/29/13	05/29/13	115,000,000	0.25	115,000,000	115,004,945	4,945
					8,317,034,169		**$8,316,273,024**	**$8,316,950,816**	**$677,792**

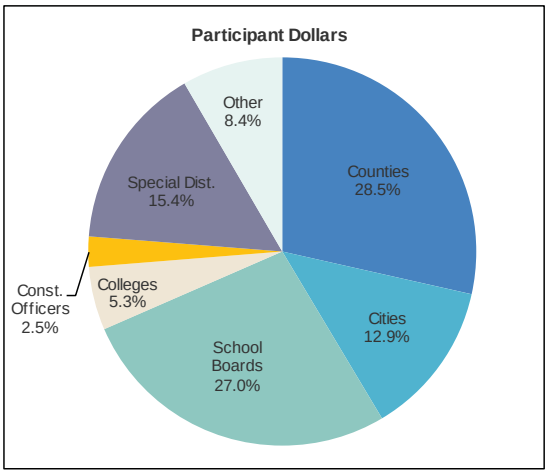
Notes: The data included in this report is unaudited. Amounts above are the value of investments. Income accruals, payables and uninvested cash are not included. Amortizations/accretions are reported with a one-day lag in the above valuations.

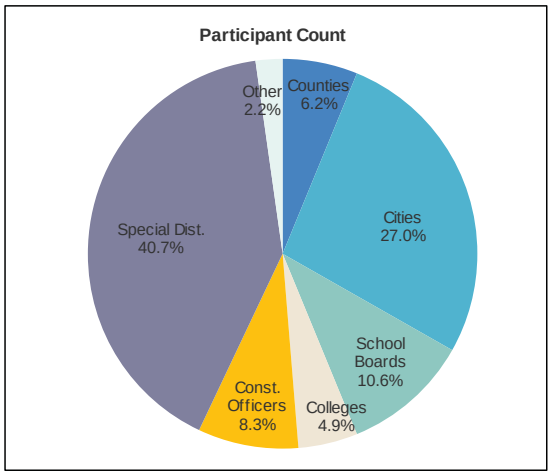
[1] Market values of the portfolio securities are provided by the custodian, BNY Mellon. The portfolio manager, Federated Investment Counseling, is the source for other data shown above.

[2] Amortized cost is calculated using a straight line method.

PARTICIPANT CONCENTRATION DATA - APRIL 30, 2013

Participant Balance	Share of Total Fund	Share of Participant Count	Participant Balance	Share of Total Fund	Share of Participant Count
All Participants	**100.0%**	**100.0%**	**Colleges & Universities**	**5.3%**	**4.9%**
Top 10	39.1%	1.2%	Top 10	4.7%	1.2%
$100 million or more	61.5%	2.7%	$100 million or more	2.6%	0.1%
$10 million up to $100 million	31.2%	9.6%	$10 million up to $100 million	2.1%	1.1%
$1 million up to $10 million	6.6%	17.8%	$1 million up to $10 million	0.6%	1.2%
Under $1 million	0.8%	69.8%	Under $1 million	0.01%	2.6%
Counties	**28.5%**	**6.2%**	**Constitutional Officers**	**2.5%**	**8.3%**
Top 10	23.8%	1.2%	Top 10	1.0%	1.2%
$100 million or more	21.6%	0.9%	$100 million or more	0.0%	0.0%
$10 million up to $100 million	6.5%	1.4%	$10 million up to $100 million	1.6%	0.5%
$1 million up to $10 million	0.5%	1.1%	$1 million up to $10 million	0.8%	1.6%
Under $1 million	0.0%	2.8%	Under $1 million	0.1%	6.2%
Municipalities	**12.9%**	**27.0%**	**Special Districts**	**15.4%**	**40.7%**
Top 10	7.8%	1.2%	Top 10	11.1%	1.2%
$100 million or more	4.0%	0.4%	$100 million or more	6.6%	0.4%
$10 million up to $100 million	6.7%	2.3%	$10 million up to $100 million	6.8%	2.0%
$1 million up to $10 million	1.9%	5.5%	$1 million up to $10 million	1.6%	5.0%
Under $1 million	0.3%	18.8%	Under $1 million	0.3%	33.3%
School Boards	**27.0%**	**10.6%**	**Other**	**8.4%**	**2.2%**
Top 10	23.4%	1.2%	Top 10	8.3%	1.2%
$100 million or more	20.3%	0.6%	$100 million or more	6.4%	0.4%
$10 million up to $100 million	5.8%	1.9%	$10 million up to $100 million	1.7%	0.5%
$1 million up to $10 million	0.9%	2.8%	$1 million up to $10 million	0.3%	0.6%
Under $1 million	0.1%	5.3%	Under $1 million	0.0%	0.8%





Total Fund Value: $8,319,678,450

Total Participant Count: 852

FLORIDA PRIME COMPLIANCE WITH INVESTMENT POLICY - APRIL 2013

As investment manager, Federated monitors compliance daily on Florida PRIME to ensure that investment practices comply with the requirements of the Investment Policy Statement (IPS). Federated provides a monthly compliance report to the SBA and is required to notify the Investment Oversight Group (IOG) of compliance exceptions within 24 hours of identification. The IOG meets monthly and on an ad hoc basis to review compliance exceptions, to document responses to exceptions, and to formally escalate recommendations for approval by the Executive Director & CIO. The IOG also reviews the Federated compliance report each month, as well as, the results of independent compliance testing conducted by SBA Risk Management and Compliance. Minutes from the IOG meetings are posted to the Florida PRIME website.

In addition to the compliance testing performed by Federated, the SBA conducts independent testing on Florida PRIME using a risk-based approach. Under this approach, each IPS parameter is ranked as "High" or "Low" with respect to the level of risk associated with a potential guideline breach. IPS parameters with risk rankings of "High" are subject to independent verification by SBA Risk Management and Compliance. These rankings, along with the frequency for testing, are reviewed and approved by the IOG on an annual basis or more often if market conditions dictate. Additionally, any parameter reported in "Fail" status on the Federated compliance report, regardless of risk ranking, is also independently verified and escalated accordingly. The results of independent testing are currently reported monthly to the IOG.

Test by Source	Pass/Fail
Florida PRIME's Investment Policy	
Securities must be USD denominated.	Pass
Ratings requirements	
The Pool must purchase exclusively first-tier securities. Securities purchased with short-term ratings by an NRSRO, or comparable in quality and security to other obligations of the issuer that have received short-term ratings from an NRSRO, are eligible if they are in one of the two highest rating categories.	Pass
Securities purchased that do not have short-term ratings must have a long-term rating in one of the three highest long-term rating categories.	Pass
Commercial Paper must be rated by at least one short-term NRSRO.	Pass
Repurchase Agreement Counterparties must be rated by S&P	Pass
S&P Weighted Average Life - maximum 90 days [1]	Pass
Maturity	
Securities, excluding Government floating rate notes/variable rate notes, purchased did not have a maturity in excess of 397 days.	Pass
Government floating rate notes/variable rate notes purchased did not have a maturity in excess of 762 days.	Pass
The Pool must maintain a Spread WAM of 120 days or less.	Pass
Issuer Diversification	
First-tier issuers (limit does not apply to cash, cash items, U.S. Government securities refunded securities and repo collateralized by these securities) are limited, at the time of purchase, to 5% of the Pool's total assets. [2]	Pass
Demand Feature and Guarantor Diversification	
First-tier securities issued by or subject to demand features and guarantees of a non-controlled person, at time of purchase, are limited to 10% with respect to 75% of the Pool's total assets.	Pass
First-tier securities issued by or subject to demand features and guarantees of a control person, at time of purchase, are limited to 10% with respect to the Pool's total assets.	Pass
Money Market Mutual Funds	
The account, at time of purchase, will not have exposure to any one Money Market Mutual Fund in excess of 10% of the Pool's total assets.	Pass
Concentration Tests	
The account, at time of purchase, will not have exposure to an industry sector, excluding the financial services industry, in excess of 25% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to any single Government Agency in excess of 33.33% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to illiquid securities in excess of 5% of the Pool's total assets.	Pass
The account, at time of purchase, will invest at least 10% of the Pool's total assets in securities accessible within one business day.	Pass
The account, at time of purchase, will invest at least 30% of the Pool's total assets in securities accessible within five business days. [3]	Pass
S&P Requirements	
The Pool must maintain a Dollar Weighted Average Maturity of 60 days or less.	Pass
The account, at time of purchase, will invest at least 50% of the Pool's total assets in Securities in Highest Rating Category (A-1+ or equivalent) .	Pass

[1] The fund may use floating rate government securities to extend the limit up to 120 days

[2] This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to liquidate positions if the exposure in excess of the specified percentage is caused by

[3] This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to take immediate corrective measures if asset movements cause the exposure to be below the specified percentage.

FLORIDA PRIME™

TRADING ACTIVITY FOR APRIL 2013

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Buys					$	$	$	$
BNP PARIBAS SACDYAN	08/02/13	04/24/13	04/26/13	50,000,000	50,000,000	-	50,000,000	-
BNP PARIBAS SACDYAN	08/02/13	04/24/13	04/26/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF AMERICA N,ABNOTE	07/12/13	04/03/13	04/03/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF AMERICA N,ABNOTE	07/12/13	04/03/13	04/03/13	25,000,000	25,000,000	-	25,000,000	-
BANK OF NOVA SCOTIA/HOUSTON	10/16/13	04/23/13	04/25/13	10,000,000	10,005,340	824	10,006,164	-
BANK OF TOKYO-MITSUCDYAN	04/25/13	04/18/13	04/18/13	20,000,000	20,000,000	-	20,000,000	-
BANK OF TOKYO-MITSUCDYAN	04/24/13	04/17/13	04/17/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	04/24/13	04/17/13	04/17/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	04/24/13	04/17/13	04/17/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	04/24/13	04/17/13	04/17/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	04/24/13	04/17/13	04/17/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	04/24/13	04/17/13	04/17/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/01/13	04/24/13	04/24/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/01/13	04/24/13	04/24/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/01/13	04/24/13	04/24/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/01/13	04/24/13	04/24/13	50,000,000	50,000,000	-	50,000,000	-
CAISSE DES DEPOTS ECP4-2	10/08/13	04/05/13	04/08/13	25,000,000	24,965,052	-	24,965,052	-
CAISSE DES DEPOTS ECP4-2	10/11/13	04/10/13	04/11/13	50,000,000	49,931,375	-	49,931,375	-
CAISSE DES DEPOTS ECP4-2	10/11/13	04/10/13	04/11/13	20,000,000	19,972,550	-	19,972,550	-
CAISSE DES DEPOTS ECP4-2	10/11/13	04/11/13	04/11/13	50,000,000	49,931,375	-	49,931,375	-
CAISSE DES DEPOTS ECP4-2	10/15/13	04/24/13	04/24/13	20,000,000	19,975,833	-	19,975,833	-
CAISSE DES DEPOTS ECP	10/16/13	04/15/13	04/16/13	16,000,000	15,978,040	-	15,978,040	-
CREDIT AGRICOLE CORCDYAN	04/10/13	04/03/13	04/03/13	50,000,000	50,000,000	-	50,000,000	-
CREDIT AGRICOLE CORCDYAN	04/10/13	04/03/13	04/03/13	50,000,000	50,000,000	-	50,000,000	-
CREDIT AGRICOLE CORCDYAN	04/10/13	04/03/13	04/03/13	10,000,000	10,000,000	-	10,000,000	-
CREDIT AGRICOLE CORCDYAN	04/10/13	04/03/13	04/03/13	50,000,000	50,000,000	-	50,000,000	-
CREDIT AGRICOLE CORCDYAN	07/11/13	04/10/13	04/10/13	50,000,000	50,000,000	-	50,000,000	-
CREDIT AGRICOLE CORCDYAN	07/11/13	04/10/13	04/10/13	50,000,000	50,000,000	-	50,000,000	-
CREDIT AGRICOLE CORCDYAN	07/11/13	04/10/13	04/10/13	50,000,000	50,000,000	-	50,000,000	-
CREDIT AGRICOLE CORCDYAN	07/11/13	04/10/13	04/10/13	10,000,000	10,000,000	-	10,000,000	-
DEUTSCHE BANK AGCDYAN	06/27/13	04/11/13	04/11/13	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK AGCDYAN	06/27/13	04/11/13	04/11/13	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK AGCDYAN	04/25/13	04/18/13	04/18/13	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK AGCDYAN	04/25/13	04/18/13	04/18/13	50,000,000	50,000,000	-	50,000,000	-
GENERAL ELECTRIC CAPITAL CORP	09/16/13	04/18/13	04/23/13	1,350,000	1,358,559	2,602	1,361,161	-
LONG ISLAND POWER AUTHORITY	05/01/33	04/25/13	04/25/13	16,900,000	16,900,000	1,935	16,901,935	-
MIZUHO FUNDING LLCCP4-2	08/01/13	04/26/13	04/26/13	50,000,000	49,968,340	-	49,968,340	-
NRW BANKCP	04/12/13	04/05/13	04/05/13	50,000,000	49,998,444	-	49,998,444	-
NRW BANKCP	04/12/13	04/05/13	04/05/13	50,000,000	49,998,444	-	49,998,444	-
NRW BANKCP	04/12/13	04/05/13	04/05/13	50,000,000	49,998,444	-	49,998,444	-
NRW BANKCP	04/12/13	04/05/13	04/05/13	50,000,000	49,998,444	-	49,998,444	-
NRW BANKCP	04/12/13	04/05/13	04/05/13	50,000,000	49,998,444	-	49,998,444	-
NRW BANKCP	04/12/13	04/05/13	04/05/13	50,000,000	49,998,444	-	49,998,444	-
NRW BANKCP	04/12/13	04/05/13	04/05/13	50,000,000	49,998,444	-	49,998,444	-

TRADING ACTIVITY FOR APRIL 2013 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Buys (continued)					$	$	$	$
NRW BANKCP	04/12/13	04/05/13	04/05/13	50,000,000	49,998,444	-	49,998,444	-
NRW BANKCP	04/12/13	04/05/13	04/05/13	24,000,000	23,999,253	-	23,999,253	-
NRW BANK	04/25/13	04/18/13	04/18/13	50,000,000	49,998,444	-	49,998,444	-
NRW BANK	04/25/13	04/18/13	04/18/13	25,000,000	24,999,222	-	24,999,222	-
NRW BANK	04/25/13	04/18/13	04/18/13	50,000,000	49,998,444	-	49,998,444	-
NRW BANK	04/30/13	04/23/13	04/23/13	50,000,000	49,998,444	-	49,998,444	-
NRW BANK	04/30/13	04/23/13	04/23/13	50,000,000	49,998,444	-	49,998,444	-
NRW BANK	04/30/13	04/23/13	04/23/13	50,000,000	49,998,444	-	49,998,444	-
NRW BANK	04/30/13	04/23/13	04/23/13	50,000,000	49,998,444	-	49,998,444	-
NRW BANK	05/02/13	04/25/13	04/25/13	50,000,000	49,998,542	-	49,998,542	-
NRW BANK	05/02/13	04/25/13	04/25/13	50,000,000	49,998,542	-	49,998,542	-
NRW BANK	05/02/13	04/25/13	04/25/13	50,000,000	49,998,542	-	49,998,542	-
NRW BANK	05/02/13	04/25/13	04/25/13	50,000,000	49,998,542	-	49,998,542	-
NRW BANK	05/07/13	04/30/13	04/30/13	50,000,000	49,998,590	-	49,998,590	-
NRW BANK	05/07/13	04/30/13	04/30/13	50,000,000	49,998,590	-	49,998,590	-
NRW BANK	05/07/13	04/30/13	04/30/13	50,000,000	49,998,590	-	49,998,590	-
NRW BANK	05/07/13	04/30/13	04/30/13	50,000,000	49,998,590	-	49,998,590	-
COUNTY OF PUTNAM WV	06/01/28	04/25/13	04/25/13	4,100,000	4,100,000	504	4,100,504	-
SOCIETE GENERALE, PCDYAN	05/01/13	04/24/13	04/24/13	50,000,000	50,000,000	-	50,000,000	-
SUMITOMO MITSUI BANCDYAN	08/01/13	04/01/13	04/01/13	50,000,000	50,000,000	-	50,000,000	-
SUMITOMO MITSUI BANCDYAN	08/01/13	04/01/13	04/01/13	50,000,000	50,000,000	-	50,000,000	-
SUMITOMO MITSUI BANCDYAN	08/01/13	04/01/13	04/01/13	50,000,000	50,000,000	-	50,000,000	-
SUMITOMO MITSUI BANCDYAN	08/01/13	04/01/13	04/01/13	50,000,000	50,000,000	-	50,000,000	-
SUMITOMO MITSUI BANCDYAN	07/23/13	04/23/13	04/23/13	25,000,000	25,000,000	-	25,000,000	-
STATE OF TEXAS	12/01/42	04/10/13	04/10/13	11,500,000	11,500,000	290	11,500,290	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/01/13	04/01/13	4,549,585	4,549,585	-	4,549,585	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/05/13	04/05/13	617,504	617,504	-	617,504	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/08/13	04/08/13	9,411,051	9,411,051	-	9,411,051	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/10/13	04/10/13	839,840	839,840	-	839,840	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/16/13	04/16/13	3,665,703	3,665,703	-	3,665,703	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/23/13	04/23/13	204,082	204,082	-	204,082	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/24/13	04/24/13	2,952,191	2,952,191	-	2,952,191	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/26/13	04/26/13	4,371,549	4,371,549	-	4,371,549	-
FEDERATED PRIME CASH OBLIGATIONS FUND	10/01/40	04/01/13	04/01/13	18,274	18,274	-	18,274	-
FEDERATED PRIME OBLIGATIONS FUND	10/01/40	04/01/13	04/01/13	19,520	19,520	-	19,520	-
DEUTSCHE BANK	04/02/13	04/01/13	04/01/13	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	04/02/13	04/01/13	04/01/13	750,000,000	750,000,000	-	750,000,000	-
DEUTSCHE BANK	04/03/13	04/02/13	04/02/13	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	04/03/13	04/02/13	04/02/13	1,050,000,000	1,050,000,000	-	1,050,000,000	-
DEUTSCHE BANK	04/04/13	04/03/13	04/03/13	650,000,000	650,000,000	-	650,000,000	-
BANK OF AMERICA TRIPARTY	04/04/13	04/03/13	04/03/13	790,000,000	790,000,000	-	790,000,000	-
DEUTSCHE BANK	04/05/13	04/04/13	04/04/13	450,000,000	450,000,000	-	450,000,000	-
BANK OF AMERICA TRIPARTY	04/05/13	04/04/13	04/04/13	1,005,000,000	1,005,000,000	-	1,005,000,000	-
DEUTSCHE BANK	04/08/13	04/05/13	04/05/13	400,000,000	400,000,000	-	400,000,000	-

FLORIDA PRIME™

TRADING ACTIVITY FOR APRIL 2013 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Buys (continued)					$	$	$	$
BANK OF AMERICA TRIPARTY	04/08/13	04/05/13	04/05/13	650,000,000	650,000,000	-	650,000,000	-
DEUTSCHE BANK	04/09/13	04/08/13	04/08/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/09/13	04/08/13	04/08/13	545,000,000	545,000,000	-	545,000,000	-
DEUTSCHE BANK	04/10/13	04/09/13	04/09/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/10/13	04/09/13	04/09/13	590,000,000	590,000,000	-	590,000,000	-
DEUTSCHE BANK	04/11/13	04/10/13	04/10/13	750,000,000	750,000,000	-	750,000,000	-
BANK OF AMERICA TRIPARTY	04/11/13	04/10/13	04/10/13	590,000,000	590,000,000	-	590,000,000	-
DEUTSCHE BANK	04/12/13	04/11/13	04/11/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/12/13	04/11/13	04/11/13	520,000,000	520,000,000	-	520,000,000	-
DEUTSCHE BANK	04/15/13	04/12/13	04/12/13	550,000,000	550,000,000	-	550,000,000	-
BANK OF AMERICA TRIPARTY	04/15/13	04/12/13	04/12/13	938,000,000	938,000,000	-	938,000,000	-
DEUTSCHE BANK	04/16/13	04/15/13	04/15/13	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	04/16/13	04/15/13	04/15/13	1,030,000,000	1,030,000,000	-	1,030,000,000	-
DEUTSCHE BANK	04/17/13	04/16/13	04/16/13	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	04/17/13	04/16/13	04/16/13	955,000,000	955,000,000	-	955,000,000	-
DEUTSCHE BANK	04/18/13	04/17/13	04/17/13	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	04/18/13	04/17/13	04/17/13	760,000,000	760,000,000	-	760,000,000	-
DEUTSCHE BANK	04/19/13	04/18/13	04/18/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/19/13	04/18/13	04/18/13	560,000,000	560,000,000	-	560,000,000	-
DEUTSCHE BANK	04/22/13	04/19/13	04/19/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/22/13	04/19/13	04/19/13	570,000,000	570,000,000	-	570,000,000	-
DEUTSCHE BANK	04/23/13	04/22/13	04/22/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/23/13	04/22/13	04/22/13	575,000,000	575,000,000	-	575,000,000	-
DEUTSCHE BANK	04/24/13	04/23/13	04/23/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/24/13	04/23/13	04/23/13	300,000,000	300,000,000	-	300,000,000	-
DEUTSCHE BANK	04/25/13	04/24/13	04/24/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/25/13	04/24/13	04/24/13	500,000,000	500,000,000	-	500,000,000	-
DEUTSCHE BANK	04/26/13	04/25/13	04/25/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/26/13	04/25/13	04/25/13	500,000,000	500,000,000	-	500,000,000	-
DEUTSCHE BANK	04/29/13	04/26/13	04/26/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/29/13	04/26/13	04/26/13	740,000,000	740,000,000	-	740,000,000	-
DEUTSCHE BANK	04/30/13	04/29/13	04/29/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/30/13	04/29/13	04/29/13	715,000,000	715,000,000	-	715,000,000	-
DEUTSCHE BANK	05/01/13	04/30/13	04/30/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/01/13	04/30/13	04/30/13	670,000,000	670,000,000	-	670,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130402	04/02/13	04/01/13	04/01/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130403	04/03/13	04/02/13	04/02/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130404	04/04/13	04/03/13	04/03/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130405	04/05/13	04/04/13	04/04/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130408	04/08/13	04/05/13	04/05/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130409	04/09/13	04/08/13	04/08/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130410	04/10/13	04/09/13	04/09/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130411	04/11/13	04/10/13	04/10/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130412	04/12/13	04/11/13	04/11/13	300,000,000	300,000,000	-	300,000,000	-

TRADING ACTIVITY FOR APRIL 2013 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Buys (continued)					$	$	$	$
SVENSKA HANDELSBANKTDCAY 0.16 20130415	04/15/13	04/12/13	04/12/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130416	04/16/13	04/15/13	04/15/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130418	04/18/13	04/17/13	04/17/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130417	04/17/13	04/16/13	04/16/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130419	04/19/13	04/18/13	04/18/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130422	04/22/13	04/19/13	04/19/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130423	04/23/13	04/22/13	04/22/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.14 20130424	04/24/13	04/23/13	04/23/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.14 20130425	04/25/13	04/24/13	04/24/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.14 20130426	04/26/13	04/25/13	04/25/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.14 20130429	04/29/13	04/26/13	04/26/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.14 20130430	04/30/13	04/29/13	04/29/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130501	05/01/13	04/30/13	04/30/13	300,000,000	300,000,000	-	300,000,000	-
Total Buys				**36,743,499,299**	**$36,743,200,989**	**$6,155**	**$36,743,207,144**	**$0**
Maturities								
BANK OF TOKYO-MITSUCDYAN	04/17/13	04/17/13	04/17/13	75,000,000	75,000,000	-	75,000,000	-
BANK OF TOKYO-MITSUCDYAN	04/02/13	04/02/13	04/02/13	75,000,000	75,000,000	-	75,000,000	-
BANK OF TOKYO-MITSUCDYAN	04/25/13	04/25/13	04/25/13	20,000,000	20,000,000	-	20,000,000	-
BANK OF TOKYO-MITSUCDYAN	04/24/13	04/24/13	04/24/13	300,000,000	300,000,000	-	300,000,000	-
BARCLAYS BANK PLCCDYAN	04/12/13	04/12/13	04/12/13	100,000,000	100,000,000	-	100,000,000	-
CREDIT AGRICOLE NORTH AMERICA INC	04/01/13	04/01/13	04/01/13	150,000,000	150,000,000	-	150,000,000	-
CREDIT AGRICOLE CORCDYAN	04/10/13	04/10/13	04/10/13	160,000,000	160,000,000	-	160,000,000	-
CREDIT SUISSE, ZURICDYAN	04/26/13	04/26/13	04/26/13	300,000,000	300,000,000	-	300,000,000	-
DEUTSCHE BANK AGCDYAN	04/25/13	04/25/13	04/25/13	100,000,000	100,000,000	-	100,000,000	-
FCAR OWNER TRUST, ACPABS3	04/09/13	04/09/13	04/09/13	20,000,000	20,000,000	-	20,000,000	-
ICICI BANK LTD,CPLOC	04/10/13	04/10/13	04/10/13	25,000,000	25,000,000	-	25,000,000	-
MIZUHO FUNDING LLCCP4-2	04/01/13	04/01/13	04/01/13	50,000,000	50,000,000	-	50,000,000	-
NRW BANKCP	04/02/13	04/02/13	04/02/13	100,000,000	100,000,000	-	100,000,000	-
NRW BANKCP	04/12/13	04/12/13	04/12/13	424,000,000	424,000,000	-	424,000,000	-
NRW BANK	04/25/13	04/25/13	04/25/13	125,000,000	125,000,000	-	125,000,000	-
NRW BANK	04/30/13	04/30/13	04/30/13	200,000,000	200,000,000	-	200,000,000	-
RABOBANK NEDERLAND,CDYAN	04/10/13	04/10/13	04/10/13	200,000,000	200,000,000	-	200,000,000	-
RABOBANK NEDERLAND,CDYAN	04/15/13	04/15/13	04/15/13	110,000,000	110,000,000	-	110,000,000	-
SOCIETE GENERALE, PCDYAN	04/24/13	04/24/13	04/24/13	78,000,000	78,000,000	-	78,000,000	-
SUMITOMO MITSUI BANCDYAN	04/01/13	04/01/13	04/01/13	200,000,000	200,000,000	-	200,000,000	-
UNITED STATES TREASURY NOTE/BOND	04/15/13	04/15/13	04/15/13	15,000,000	15,000,000	-	15,000,000	-
DEUTSCHE BANK	04/01/13	04/01/13	04/01/13	250,000,000	250,000,000	-	250,000,000	-
BANK OF AMERICA TRIPARTY	04/01/13	04/01/13	04/01/13	1,050,000,000	1,050,000,000	-	1,050,000,000	-
DEUTSCHE BANK	04/02/13	04/02/13	04/02/13	700,000,000	700,000,000	-	700,000,000	-
BANK OF AMERICA TRIPARTY	04/02/13	04/02/13	04/02/13	750,000,000	750,000,000	-	750,000,000	-
DEUTSCHE BANK	04/03/13	04/03/13	04/03/13	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	04/03/13	04/03/13	04/03/13	1,050,000,000	1,050,000,000	-	1,050,000,000	-
DEUTSCHE BANK	04/04/13	04/04/13	04/04/13	650,000,000	650,000,000	-	650,000,000	-
BANK OF AMERICA TRIPARTY	04/04/13	04/04/13	04/04/13	790,000,000	790,000,000	-	790,000,000	-

FLORIDA PRIME™

TRADING ACTIVITY FOR APRIL 2013 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Maturities (continued)					$	$	$	$
DEUTSCHE BANK	04/05/13	04/05/13	04/05/13	450,000,000	450,000,000	-	450,000,000	-
BANK OF AMERICA TRIPARTY	04/05/13	04/05/13	04/05/13	1,005,000,000	1,005,000,000	-	1,005,000,000	-
DEUTSCHE BANK	04/08/13	04/08/13	04/08/13	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	04/08/13	04/08/13	04/08/13	650,000,000	650,000,000	-	650,000,000	-
DEUTSCHE BANK	04/09/13	04/09/13	04/09/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/09/13	04/09/13	04/09/13	545,000,000	545,000,000	-	545,000,000	-
DEUTSCHE BANK	04/10/13	04/10/13	04/10/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/10/13	04/10/13	04/10/13	590,000,000	590,000,000	-	590,000,000	-
DEUTSCHE BANK	04/11/13	04/11/13	04/11/13	750,000,000	750,000,000	-	750,000,000	-
BANK OF AMERICA TRIPARTY	04/11/13	04/11/13	04/11/13	590,000,000	590,000,000	-	590,000,000	-
DEUTSCHE BANK	04/12/13	04/12/13	04/12/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/12/13	04/12/13	04/12/13	520,000,000	520,000,000	-	520,000,000	-
DEUTSCHE BANK	04/15/13	04/15/13	04/15/13	550,000,000	550,000,000	-	550,000,000	-
BANK OF AMERICA TRIPARTY	04/15/13	04/15/13	04/15/13	938,000,000	938,000,000	-	938,000,000	-
DEUTSCHE BANK	04/16/13	04/16/13	04/16/13	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	04/16/13	04/16/13	04/16/13	1,030,000,000	1,030,000,000	-	1,030,000,000	-
DEUTSCHE BANK	04/17/13	04/17/13	04/17/13	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	04/17/13	04/17/13	04/17/13	955,000,000	955,000,000	-	955,000,000	-
DEUTSCHE BANK	04/18/13	04/18/13	04/18/13	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	04/18/13	04/18/13	04/18/13	760,000,000	760,000,000	-	760,000,000	-
DEUTSCHE BANK	04/19/13	04/19/13	04/19/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/19/13	04/19/13	04/19/13	560,000,000	560,000,000	-	560,000,000	-
DEUTSCHE BANK	04/22/13	04/22/13	04/22/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/22/13	04/22/13	04/22/13	570,000,000	570,000,000	-	570,000,000	-
DEUTSCHE BANK	04/23/13	04/23/13	04/23/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/23/13	04/23/13	04/23/13	575,000,000	575,000,000	-	575,000,000	-
DEUTSCHE BANK	04/24/13	04/24/13	04/24/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/24/13	04/24/13	04/24/13	300,000,000	300,000,000	-	300,000,000	-
DEUTSCHE BANK	04/25/13	04/25/13	04/25/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/25/13	04/25/13	04/25/13	500,000,000	500,000,000	-	500,000,000	-
DEUTSCHE BANK	04/26/13	04/26/13	04/26/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/26/13	04/26/13	04/26/13	500,000,000	500,000,000	-	500,000,000	-
DEUTSCHE BANK	04/29/13	04/29/13	04/29/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/29/13	04/29/13	04/29/13	740,000,000	740,000,000	-	740,000,000	-
DEUTSCHE BANK	04/30/13	04/30/13	04/30/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	04/30/13	04/30/13	04/30/13	715,000,000	715,000,000	-	715,000,000	-
SVENSKA HANDELSBANKTDCAY 0.07 20130401	04/01/13	04/01/13	04/01/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130402	04/02/13	04/02/13	04/02/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130403	04/03/13	04/03/13	04/03/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130404	04/04/13	04/04/13	04/04/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130405	04/05/13	04/05/13	04/05/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130408	04/08/13	04/08/13	04/08/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130409	04/09/13	04/09/13	04/09/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130410	04/10/13	04/10/13	04/10/13	300,000,000	300,000,000	-	300,000,000	-

FLORIDA PRIME™

TRADING ACTIVITY FOR APRIL 2013 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Maturities (continued)					$	$	$	$
SVENSKA HANDELSBANKTDCAY 0.16 20130411	04/11/13	04/11/13	04/11/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130412	04/12/13	04/12/13	04/12/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130415	04/15/13	04/15/13	04/15/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130416	04/16/13	04/16/13	04/16/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130418	04/18/13	04/18/13	04/18/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.16 20130417	04/17/13	04/17/13	04/17/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130419	04/19/13	04/19/13	04/19/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130422	04/22/13	04/22/13	04/22/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130423	04/23/13	04/23/13	04/23/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.14 20130424	04/24/13	04/24/13	04/24/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.14 20130425	04/25/13	04/25/13	04/25/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.14 20130426	04/26/13	04/26/13	04/26/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.14 20130429	04/29/13	04/29/13	04/29/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.14 20130430	04/30/13	04/30/13	04/30/13	300,000,000	300,000,000	-	300,000,000	-
Total Maturities				**36,760,000,000**	**$36,760,000,000**	**$0**	**$36,760,000,000**	**$0**
Sells								
MIZUHO CORPORATE BACDYAN	06/03/13	04/24/13	04/24/13	50,000,000	50,001,663	15,972	50,017,635	1,663
MIZUHO CORPORATE BACDYAN	06/03/13	04/24/13	04/24/13	50,000,000	50,001,663	15,972	50,017,635	1,663
ROYAL BANK OF CANADA/NEW YORK NY	02/21/14	04/02/13	04/02/13	15,000,000	15,000,000	6,129	15,006,129	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/02/13	04/02/13	1,141,972	1,141,972	-	1,141,972	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/02/13	04/02/13	1,490,372	1,490,372	-	1,490,372	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/02/13	04/02/13	228,537	228,537	-	228,537	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/03/13	04/03/13	1,777,381	1,777,381	-	1,777,381	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/04/13	04/04/13	1,747,975	1,747,975	-	1,747,975	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/09/13	04/09/13	461,674	461,674	-	461,674	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/09/13	04/09/13	4,549,585	4,549,585	-	4,549,585	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/09/13	04/09/13	7,263,621	7,263,621	-	7,263,621	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/11/13	04/11/13	617,504	617,504	-	617,504	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/11/13	04/11/13	359,417	359,417	-	359,417	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/12/13	04/12/13	335,893	335,893	-	335,893	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/15/13	04/15/13	175,798	175,798	-	175,798	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/17/13	04/17/13	141,932	141,932	-	141,932	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/18/13	04/18/13	1,134,390	1,134,390	-	1,134,390	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/18/13	04/18/13	839,840	839,840	-	839,840	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/18/13	04/18/13	735,725	735,725	-	735,725	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/19/13	04/19/13	809,409	809,409	-	809,409	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/22/13	04/22/13	1,044,974	1,044,974	-	1,044,974	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/25/13	04/25/13	2,446,029	2,446,029	-	2,446,029	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/29/13	04/29/13	1,075,595	1,075,595	-	1,075,595	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/29/13	04/29/13	204,082	204,082	-	204,082	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/29/13	04/29/13	85,794	85,794	-	85,794	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/30/13	04/30/13	420,368	420,368	-	420,368	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	04/30/13	04/30/13	727,819	727,819	-	727,819	-
				144,815,686	**$144,819,011**	**$38,074**	**$144,857,085**	**$3,326**

FUND B

FUND B FACTS

INVESTMENT OBJECTIVE

Fund B's primary objective is to maximize the present value of distributions from the Fund.

COMPOSITION

Fund B principally consists of Segregated Securities, which are securities originally purchased for the LGIP that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; (4) experienced elevated market illiquidity; or (5) did not meet the criteria of the nationally recognized statistical rating organization (NRSRO) that provides Florida PRIME's AAAm rating.

DISTRIBUTIONS

Participants in Fund B will receive periodic distributions to the extent that Fund B receives proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken.

ACCOUNTING

Fund B is accounted for as a fluctuating NAV pool, not a 2a-7-like money market fund. That is, accounting valuations reflect estimates of the market value of securities rather than their amortized cost.

STATUS OF INVESTMENTS

Florida East and West: Restructured from KKR and receiving principal and interest.
Florida Funding I: Restructured from Ottimo (Issuer Entity) and receiving principal and interest.
Florida Funding II: Restructured from Axon and receiving principal and interest.

COMMENTARY ON PORTFOLIO MANAGEMENT

All cash from paydowns on securities in Fund B are invested in AAAm-rated money market funds pending monthly distribution to participant accounts in Florida PRIME. This month, $61.51 million in liquid assets were transferred from Fund B to Florida PRIME, consisting of principal paydowns and income from the securities in the Fund.

The investment team continually analyzes the bonds in each portfolio, comparing estimated defaults and estimated cumulative net losses to an historical loss-timing curve. Many different factors in the domestic and global economies can affect both the securities and the underlying bonds. Some of the factors will contribute positively while others could have adverse consequences. The SBA and Apollo Global Management's investment team will continue to employ prudent risk mitigation strategies in order to maximize the present value of distributions from Fund B with a primary focus on the restoration of principal.

LEGAL ISSUE

As an ongoing legal matter, the SBA asserts Lehman Brothers (which is now in liquidation) sold the SBA certain unregistered secured notes that were not exempt from registration under the Securities Act of 1933. The Lehman Trustee has not yet responded to the SBA's general creditor claim on behalf of Fund B as to whether the Lehman estate will have any assets available for recovery. The Trustee's latest reports have stated that "returns to general estate creditors will be limited at best." However, the secured notes sold by Lehman Brothers were secured by certain collateral. Fund B has been receiving and is expected to continue receiving monetary distributions of principal and interest from that underlying collateral.

The SBA will promptly disclose any future developments as they become matters of public record.

DISCLOSURE OF MATERIAL IMPACTS

There were no developments during April 2013 that had a material impact on the liquidity or operation of Fund B.

FUND B

FUND B DISTRIBUTIONS

RETURN OF FUND B PRINCIPAL

The first table below details the SBA's progress in returning principal to investors in Fund B. Through the end of April 2013, investors cumulatively received distributions from Fund B totaling $1.84 billion or 91.3% of their original balances.

The securities remaining in Fund B are legacy items from the four issuers whose financial circumstances gave rise to the November 2007 run (as well as overnight instruments temporarily holding fund earnings). As of April 30, 2013, their remaining amortized cost was $382.2 million, or 119.51% more than remaining participant positions in Fund B. Conversely, the current estimated liquidation (market) value of these securities is pegged at $190.2 million or 109.3% of remaining participant positions.

It is important to note that due to the lack of an actively traded market for Fund B securities, their "market value" is an estimate of current liquidation value that has been determined through a collaborative process among various pricing experts and sources in the marketplace. See footnote 1 on page 22.

FUND B DISTRIBUTIONS TO PARTICIPANTS

	Distributions to Participants	Cumulative Distributions	Participant Principal	Proportion of Original Principal Returned
12/05/07	$	$	$ 2,009,451,941	0.0%
CY 2008	$ 1,421,900,000	$ 1,421,900,000	$ 587,551,941	70.8%
CY 2009	$ 89,100,000	$ 1,511,000,000	$ 498,451,941	75.2%
CY 2010	$ 135,100,000	$ 1,646,100,000	$ 363,351,941	81.9%
CY 2011	$ 57,425,000	$ 1,703,525,000	$ 305,926,941	84.8%
CY 2012	$ 58,915,000	$ 1,762,440,000	$ 247,011,941	87.7%
01/17/13	$ 3,975,000	$ 1,766,415,000	$ 243,036,941	87.9%
02/06/13	$ 4,265,000	$ 1,770,680,000	$ 238,771,941	88.1%
03/06/13	$ 3,150,000	$ 1,773,830,000	$ 235,621,941	88.3%
04/04/13	$ 61,510,000	$ 1,835,340,000	$ 174,111,941	91.3%

FUND B MONTHLY DISTRIBUTION DETAIL

April 2013 Distribution Detail Including Receipts by Source For the period 3/7/13 - 4/4/13	Fund B Participant Allocation	Fund B Expense Allocation
Beginning Balance	$ -	$ 24,424.75
Receipts:		
Florida East	$ 17,089,943.67	
Florida West	$ 43,157,194.93	
Florida Funding I	$ 386,474.49	
Florida Funding II	$ 877,458.23	
Overnight Investments	$ 71.93	
Total Receipts	$ 61,511,143.25	
Distributions:		
Allocation to/from Expense Reserve	$ (1,143.25)	$ 1,143.25
Expenses Paid		$ (1,937.25)
Participant Distribution	$ (61,510,000.00)	
Ending Balance	$ -	$ 23,630.75

NOTE ON RECENT FUND B ASSET SALES AND FUTURE FUND B RESOLUTION

The SBA recently divested a portion of the portfolio and was able to secure in excess of $61.5 million, which was applied to the outstanding principal balances of Fund B participants, in April, 2013 bringing the proportion of original principal returned to more than 91 percent.

The SBA and Fund B's external investment manager, Apollo Capital Management, expect disciplined asset sales to continue. Any future sales will be governed by market conditions and the relative pricing of specific collateral assets at the time of divestiture.

FUND B

INVENTORY OF HOLDINGS - AS OF APRIL 30, 2013

Security Name	Type	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND		6,843,892	0.00	$ 6,843,892	$ 6,843,892	$ -
Florida East Funding LLC	VARIABLE RATE TERM NOTE	04/26/13	51,410,698	0.55	$ 51,410,698	$ 37,710,454	$ (13,700,244)
Florida West Funding LLC	VARIABLE RATE TERM NOTE	04/26/13	123,086,372	0.55	$ 123,086,372	$ 66,474,849	$ (56,611,522)
Florida Funding I LLC	VARIABLE RATE TERM NOTE	04/29/13	117,246,664	0.42	$ 117,246,664	$ 30,396,678	$ (86,849,986)
Florida Funding II LLC	VARIABLE RATE COMMERCIAL PAPER	04/29/13	83,620,381	0.53	$ 83,613,713	$ 48,785,385	$ (34,828,329)
Total Value of Investments			**382,208,007**		**$382,201,340**	**$190,211,259**	**($191,990,081)**

Notes:

[1] Due to the lack of an actively traded market for Fund B securities, the "market value" is an estimate of current liquidation value that has been determined through a collaborative process among various pricing experts and sources in the marketplace. Although the estimate represents an attempt to reasonably reflect the stressed market conditions that currently exist, the amount actually realized if the securities were liquidated at this time could be more or less than the estimate. Moreover, these estimates of current market value are not predictive of the ultimate amount likely to be realized from these securities. Fund B's investment objective is to maximize the present value of distributions to participants. If, in the judgment of the portfolio manager, fair value exceeds liquidation value at points in the future, then complete or partial liquidations of securities could be deferred for an extended period of time; e.g., a four- to five-year horizon for complete termination or self-liquidation of Fund B.

[2] Amortized cost is calculated using a straight line method.

The securities held in Fund B result from workouts of the LGIP's original holdings from 4 issuers – Axon, KKR Atlantic, KKR Pacific and Ottimo. The purpose of Fund B is to maximize the present value of distributions to participants through a prudent workout with an ultimate goal of liquidation. As a result, the maturity dates of each holding in Fund B will be dependent on the maturity date or earlier liquidation, if prudent, of the collateral securities underlying each of these holdings and will be contingent upon future market conditions and other factors.

The collateral manager, Apollo Global Management, is the source for data shown above other than market value. See note 1.

The amounts shown above are the value of investments. Income accruals, payables and uninvested cash are not included. The data is unaudited.

FUND B

COMPLIANCE WITH INVESTMENT POLICY - APRIL 2013

Investment Policy Statement Compliance is conducted on Fund B by SBA Risk Management and Compliance and reported on a monthly basis to the Investment Oversight Group. Portfolio activity is reviewed to ensure that transactions and holdings are in compliance with guideline requirements and with those stipulated in the respective Investment Management Agreements with Apollo Global Management, the collateral manager for the four special purpose entities held in Fund B (Florida East Funding LLC, Florida West Funding LLC, Florida Funding I LLC, and Florida Funding II LLC). Since the principal holdings in the fund are the notes issued by these special purpose entities, and no deposits or withdrawals are permitted by participants, transactions are typically limited to 1) the receipt cash flows from the underlying note collateral, 2) the investment of these cash flows in AAAm money market funds, and 3) periodic distributions to participants. Apollo Global Management can also sell, exchange, or restructure the notes, consistent with the objective of maximizing the present value of cash flows from the collateral. For the month of April 2013, Fund B was in compliance with its Investment Policy Statement.

TRADING ACTIVITY - APRIL 2013

Security Description	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Buys				$	$	$	$
DREYFUS GOVERNMENT CASH MANAGEMENT	04/02/13	04/02/13	72	72	0	72	0
DREYFUS GOVERNMENT CASH MANAGEMENT	04/30/13	04/30/13	6,822,354	6,822,354	0	6,822,354	0
Total Buys			**6,822,426**	**6,822,426**	**$0**	**$6,822,426**	**$0**
Sells							
FLORIDA FUNDING I LLC	04/30/13	04/30/13	428,749	428,749	0	428,749	0
FLORIDA EAST FUNDING LLC	04/30/13	04/30/13	1,465,748	1,465,748	0	1,465,748	0
FLORIDA WEST FUNDING LLC	04/30/13	04/30/13	2,962,514	2,962,514	0	2,962,514	0
FLORIDA FUNDING II	04/30/13	04/30/13	1,540,567	1,540,567	0	1,540,567	123
DREYFUS GOVERNMENT CASH MANAGEMENT	04/01/13	04/01/13	58	58	0	58	0
DREYFUS GOVERNMENT CASH MANAGEMENT	04/04/13	04/04/13	22,481	22,481	0	22,481	0
DREYFUS GOVERNMENT CASH MANAGEMENT	04/04/13	04/04/13	7	7	0	7	0
DREYFUS GOVERNMENT CASH MANAGEMENT	04/04/13	04/04/13	61,487,513	61,487,513	0	61,487,513	0
DREYFUS GOVERNMENT CASH MANAGEMENT	04/18/13	04/18/13	2,093	2,093	0	2,093	0
Total Sells			**67,909,729**	**67,909,729**	**0**	**67,909,729**	**123**

Note: In the Trading Activity table above, the gain reflected on the sales from Florida Funding II is an accounting gain. The original Axon Financial Funding LLC security was purchased at a discount and was deemed “in default” prior to the original maturity date. At the point of becoming “in default,” amortization of the discount was terminated thus leaving the cost of the security less than par. Any principal payment received at par will result in recognition of a gain, calculated as Proceeds less Cost Basis of the par value being sold.

Our Mission

Our mission is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary, and professional standards.

Federated

Monthly Summary Report for May 2013

Including Fund B

State Board of Administration

FLORIDA PRIME™

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Past performance is no guarantee of future results.

Views are as of the issue date and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security.

An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Although money market funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in this fund.

INTRODUCTION

This report is prepared for stakeholders in Florida PRIME and Fund B in accordance with Section 218.409(6)(a), Florida Statutes. The statute requires:

(1) Reporting of any material impacts on the funds and any actions or escalations taken by staff to address such impacts;

(2) Presentation of a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last month; and

(3) Preparation of the management summary "in a manner that will allow anyone to ascertain whether the investment activities during the reporting period have conformed to investment policies."

This report, which covers the period from May 1, 2013 through May 31, 2013, has been prepared by the SBA with input from Federated Investment Counseling ("Federated"), investment advisor for Florida PRIME and Apollo Global Management, the collateral manager for Fund B, in a format intended to comply with the statute.

During the reporting period, Florida PRIME and Fund B were in material compliance with investment policy. Details are available in the PRIME policy compliance table and the Fund B compliance narrative in the body of this report. This report also includes details on market conditions; fees; fund holdings, transactions and performance; and client composition.

DISCLOSURE OF MATERIAL IMPACTS

There were no developments during May 2013 that had a material impact on the liquidity or operation of Florida PRIME.

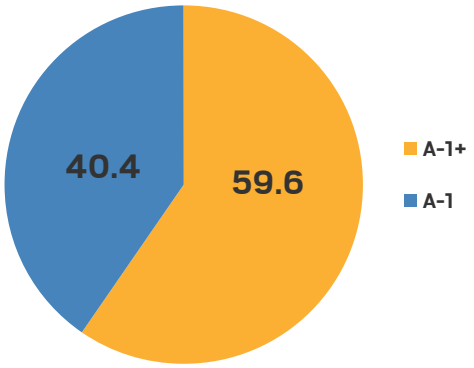
FLORIDA PRIME™

PORTFOLIO COMPOSITION
MAY 31, 2013

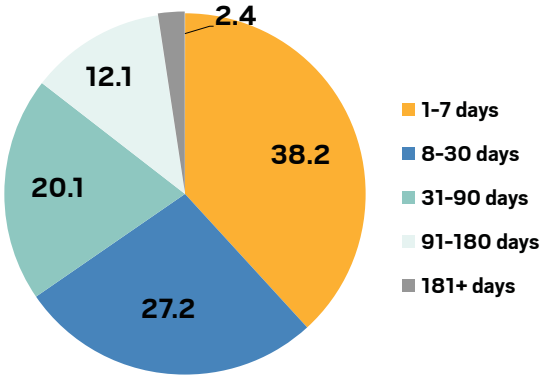
Florida PRIME Assets

$ 8,009,821,417

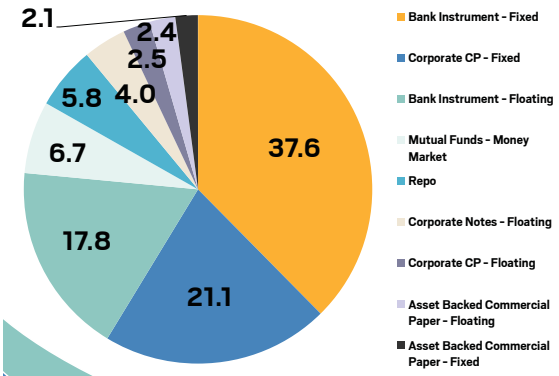
Credit Quality Composition (%)



Effective Maturity Schedule (%)



Portfolio Composition (%)



PORTFOLIO MANAGER COMMENTARY

MAY 2013 MARKET CONDITIONS

Repo and overnight markets spent much of the last month mired in low territory, at rates not seen for close to two years. These shortest-term instruments were financing, at times, at just 2 to 3 basis points, and expectations were that rates would remain low in the face of continued downward pressures on market supply. Bill issuance dipped late in the month as the Treasury prepared for the reinstallation of the debt ceiling, and although issuance then returned to previous levels, it was not enough—rates were expected to push up only into the high single digits. This low-rate environment for repos and overnights is likely to continue until there is some more relief on the supply front.

That relief might be temporary—Fannie Mae and Freddie Mac are both in the black now that the housing market is making such a strong showing. As a result, the Treasury will soon be receiving $59.4 billion in dividends from Fannie Mae, and then $7 billion from Freddie Mac, and with that influx of cash the Treasury will have less need for financing from the markets. The ongoing sequestration plays a role, as well. While it has not had the impact on the recovery that had been feared, until it is resolved it continues to hang like a cloud over the prospects for growth for the rest of the year.

The most recent appearance of Federal Reserve Chairman Ben Bernanke and the release of minutes from the previous month's Federal Open Market Committee (FOMC) meeting revealed the beginnings of Fed discussions on how and when to scale back its monthly quantitative-easing purchases of $85 billion of Treasury bonds and agency mortgage-backed securities. In his prepared testimony before Congress late in the month, Bernanke pointedly avoided details on the timing of any unwinding of QE, even reiterating the FOMC still had the option of increasing measures if warranted. However, in the question-and-answer session that followed, Bernanke admitted the Fed might in fact start tapering purchases in its "next few meetings." That admission, coupled with FOMC minutes revealing that participants at the April meeting "expressed willingness to adjust the flow of purchases downward as early as the June meeting," caused some stir. Many had expected QE to continue unabated until 2014, but that prospect seems to be growing less likely as the recovery gathers steam. The end of QE is tied directly to the pace of the recovery, though, and the Fed is nothing if not data-driven, with the ability to adjust policy as it goes along, so prospects hinge on each new economic

MAY 31, 2013

Top Holdings (%) and Average Maturity

1.	Bank of Montreal	5.3%
2.	Mitsubishi UFJ Financial Group, Inc.	5.0%
3.	North Rhine-Westphalia, State of	5.0%
4.	Royal Bank of Canada, Montreal	5.0%
5.	Bank of America Corp.	4.9%
6.	Sumitomo Mitsui Financial Group, Inc.	4.8%
7.	Toyota Motor Corp. Japan	4.7%
8.	J.P. Morgan Chase & Co.	4.5%
9.	Mizuho Financial Group, Inc.	4.4%
10.	Deutsche Bank AG	3.9%

Average Effective Maturity (WAM)

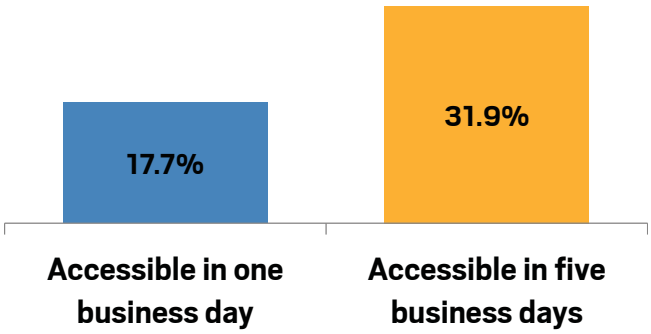
37.5 Days

Weighted Average Life (Spread WAM)

80.5 Days

Percentages based on total value of investments

Highly Liquid Holdings (% at month end)



PORTFOLIO MANAGER COMMENTARY (CON'T.)

release. And it is likely unwinding, when it does occur, will begin with the Fed declining to make new purchases rather than selling off any current holdings. The Fed will want to wean markets off QE very, very gradually to avoid shocks to the markets.

PORTFOLIO INVESTMENT STRATEGY

With the passing of Florida's tax-collection season and funds being used by participants, Florida PRIME assets were down $309 million at the end of May 2013, ending the month at $8.01 billion. The gross yield for Florida PRIME came down one basis point for the month, largely due to downward pressure on the yield curve. London interbank offered rates (LIBOR) continued to decline during the month, with one-month down a basis point to 0.19%, three-month remaining steady at 0.28%, six-month down two basis points to 0.41% and twelve-month down two basis points to 0.68%. Management purchases during the month focused on the banking sector, specifically in fixed-rate instruments in the 30-, 90- and 100-day range. Management also purchased some longer-term, variable-rate notes in the nine-month range. The bulk of activity, however, involved shifting from overnight investments, which have been offering extremely low rates, and moving into weekly instruments, both commercial instruments and variable rate demand notes, which provided greater returns.

During May, exposure to bank instruments was up 7%, to 38% of the pool, and variable rate instruments were up 1%, to make up 26% percent of the pool. Given the low rates in the overnight range, the pool's repurchase agreement (repo) position was down 8%, to make up 6% of the pool. Fixed-rate commercial paper instruments were up 1%, to 23% of the pool, while investments in other securities, which include money market funds, were down 1%, to 7% of the pool.

FLORIDA PRIME™

FLORIDA PRIME SUMMARY OF CASH FLOWS

May 31, 2013		
Opening Balance (05/01/13)	$	8,319,678,450
Participant Deposits		844,596,707
Transfers from Fund B		6,820,000
Gross Earnings		1,576,264
Participant Withdrawals		(1,162,640,841)
Fees		(209,163)
Closing Balance (05/31/13)	$	8,009,821,417
Net Change over Month		(309,857,033)

Valuations based on amortized cost

As shown in the table above, Florida PRIME experienced a net ouflow of $309.9 million during May 2013.

This change in value consisted of positive flows of $844.6 million in participant deposits, $6.8 million in transfers from Fund B and $1.6 million in earnings. Negative flows consisted of $1.16 billion in participant withdrawals and about $209,000 in fees.

Overall, the fund ended the month with a closing balance of $8.01 billion.

FLORIDA PRIME DETAILED FEE DISCLOSURE

May 31, 2013	Amount	Basis Point Equivalent*
SBA Client Service, Account Mgt. & Fiduciary Oversight Fee	$ 69,725.56	$ 1.02
Federated Investment Management Fee	126,894.52	1.87
BNY Mellon Custodial Fee	116.67	0.00
Bank of America Transfer Agent Fee	3,546.08	0.05
S&P Rating Maintenance Fee	3,397.26	0.05
Audit/External Review Fees	5,482.42	0.08
Total Fees	**$ 209,162.51**	**3.07**

*The basis point equivalent is an annualized rate based on the dollar amount of fees charged for the month times 12, divided by an average of the fund's beginning and ending total value (amortized cost) for the month which was $8,164,749,933.

FLORIDA PRIME™

NOTES TO PERFORMANCE TABLE

[1]Net of fees. Participant yield is calculated on a 365-day basis and includes adjustments for expenses and other accounting items to reflect realized earnings by participants.

[2]The net-of-fee benchmark is the S&P AAA/AA Rated GIP All 30-Day Net Index for all time periods.

Net asset value includes investments at market value, plus all cash, accrued interest receivable and payables.

NOTES TO CHART

The 7-Day "SEC" Yield in the chart is calculated in accordance with the yield methodology set forth by SEC rule 2a-7 for money market funds.

The 7-day yield = net income earned over a 7-day period / average units outstanding over the period / 7 times 365.

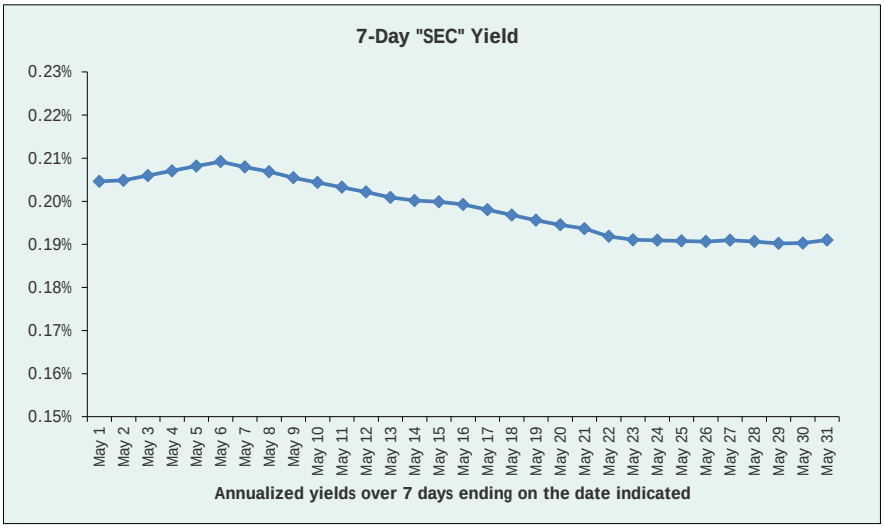
Note that unlike other performance measures, the SEC yield does not include realized gains and losses from sales of securities.

FUND PERFORMANCE THROUGH MAY 31, 2013

Florida PRIME Participant Performance Data

	Net Participant Yield[1]	Net-of-Fee Benchmark[2]	Above (Below) Benchmark
1 mo	0.21%	0.06%	0.14%
3 mos	0.22%	0.06%	0.15%
12 mos	0.26%	0.09%	0.18%
3 yrs	0.28%	0.11%	0.17%
5 yrs	0.54%	0.41%	0.13%
10 yrs	1.98%	1.79%	0.19%
Since 1.96	3.16%	2.94%	0.22%
		Net asset value at month end:	$8,010.7 m

Florida PRIME 7-Day "SEC" Yields During the Month



For performance comparisons to other short-term investment options, see www.sbafla.com/prime and click on "Pool Performance."

ABOUT ANNUALIZED YIELDS

Performance data in the table and chart is annualized, meaning that the amounts are based on yields for the periods indicated, converted to their equivalent if obtained for a 12-month period.

For example, ignoring the effects of compounding, an investment that earns 0.10% over a 1-month period yields 1.20% on an annualized basis. Likewise, an investment that earns a total of 3.60% over three years yields 1.20% on an annualized basis, ignoring compounding.

FLORIDA PRIME™

INVENTORY OF HOLDINGS
MAY 31, 2013

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
							$	$	$
ANZ National (Int'l) Ltd. CP4-2	COMMERCIAL PAPER - 4-2		06/04/13		100,000,000	0.30	99,996,778	99,999,220	2,442
ANZ National (Int'l) Ltd. CP4-2	COMMERCIAL PAPER - 4-2		06/10/13		100,000,000	0.30	99,991,944	99,997,940	5,996
Australia & New Zealand Banking Group, Melbourne, Dec 04, 2013	VARIABLE RATE COMMERCIAL PAPER - 4-2	0.42	12/04/13	06/04/13	100,000,000	0.40	100,000,000	99,943,700	(56,300)
BNP Paribas Finance, Inc. CP	COMMERCIAL PAPER		08/05/13		100,000,000	0.26	99,952,333	99,961,130	8,797
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.26	08/02/13		100,000,000	0.26	100,000,000	99,999,990	(10)
Bank of America N.A. BNOTE	BANK NOTE	0.30	06/06/13		10,000,000	0.30	10,000,000	10,000,166	166
Bank of America N.A. BNOTE	BANK NOTE	0.29	06/25/13		225,000,000	0.29	225,000,000	225,014,040	14,040
Bank of America N.A. BNOTE	BANK NOTE	0.29	07/12/13		75,000,000	0.29	75,000,000	75,004,365	4,365
Bank of America N.A. BNOTE	BANK NOTE	0.28	09/06/13		80,000,000	0.28	80,000,000	79,991,208	(8,792)
Bank of America N.A. Triparty Repo Overnight Fixed	REPO TRIPARTY OVERNIGHT FIXED	0.09	06/03/13		65,000,000	0.09	65,000,000	65,000,000	0
Bank of Montreal CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.38	10/15/13		100,000,000	0.39	100,000,000	100,064,420	64,420
Bank of Montreal, Jan 16, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.28	01/16/14	07/16/13	130,000,000	0.28	130,000,000	130,011,830	11,830
Bank of Montreal, Mar 14, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.30	03/14/14	06/14/13	75,000,000	0.31	75,000,000	74,994,300	(5,700)
Bank of Montreal, Sep 16, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.30	09/16/13	06/17/13	100,000,000	0.30	100,000,000	100,034,500	34,500
Bank of Nova Scotia, Toronto, Oct 16, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.20	10/16/13	06/17/13	10,000,000	0.22	10,004,235	10,005,150	915
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.12	06/07/13		300,000,000	0.12	300,000,000	300,000,000	0
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.25	07/01/13		100,000,000	0.25	100,000,000	100,005,160	5,160
Caisse des Depots et Consignations (CDC) CP	COMMERCIAL PAPER		10/08/13		25,000,000	0.28	24,975,174	24,977,160	1,986
Caisse des Depots et Consignations (CDC) CP	COMMERCIAL PAPER		10/11/13		120,000,000	0.27	119,880,300	119,887,392	7,092
Caisse des Depots et Consignations (CDC) CP	COMMERCIAL PAPER		10/15/13		20,000,000	0.25	19,980,972	19,980,516	(456)

See notes at end of table.

FLORIDA PRIME™

INVENTORY OF HOLDINGS (CONTINUED)
MAY 31, 2013

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
							$	$	$
Caisse des Depots et Consignations (CDC) CP	COMMERCIAL PAPER		10/16/13		16,000,000	0.27	15,983,440	15,984,299	859
Caisse des Depots et Consignations (CDC) CP	COMMERCIAL PAPER		12/03/13		95,000,000	0.25	94,879,746	94,879,099	(647)
California Statewide Communities Development Authority, SWEEP Loan Program (Series 2007A), 08/01/2035	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.06	08/01/35	06/05/13	19,300,000	0.11	19,300,000	19,300,000	0
Canadian Imperial Bank of Commerce, Nov 25, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.32	11/25/13	06/24/13	275,000,000	0.32	275,000,000	275,253,550	253,550
Credit Agricole Corporate and Investment Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.27	07/11/13		160,000,000	0.27	160,000,000	160,016,384	16,384
Credit Agricole Corporate and Investment Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.27	08/07/13		47,000,000	0.27	47,000,000	46,999,995	(5)
Credit Agricole Corporate and Investment Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.14	06/04/13		40,000,000	0.14	40,000,000	39,999,868	(132)
Credit Suisse, Zurich CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	07/10/13		100,000,000	0.24	100,000,000	100,005,540	5,540
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.26	06/06/13		50,000,000	0.26	50,000,000	50,001,165	1,165
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.25	06/12/13		50,000,000	0.25	50,000,000	50,002,165	2,165
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.23	06/27/13		100,000,000	0.23	100,000,000	100,008,250	8,250
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	07/30/13		110,000,000	0.24	110,000,000	110,010,989	10,989
Deutsche Bank Securities, Inc. REP3P	REPO TRIPARTY OVERNIGHT FIXED	0.10	06/03/13		400,000,000	0.10	400,000,000	400,000,000	0
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND	0.01	06/03/13		7,905,898	0.01	7,905,898	7,905,898	0
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		09/16/13		65,500,000	0.29	65,443,015	65,459,128	16,113
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		07/15/13		23,500,000	0.35	23,490,013	23,494,419	4,406
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		08/01/13		60,000,000	0.34	59,965,900	59,979,228	13,328
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		08/07/13		12,935,000	0.26	12,928,647	12,929,992	1,344
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		09/03/13		3,000,000	0.30	2,997,625	2,998,219	594
Fairway Finance Co. LLC, Jul 22, 2013	VARIABLE RATE COMMERCIAL PAPER-ABS-4(2)	0.23	07/22/13	06/24/13	14,000,000	0.23	14,000,000	14,000,966	966

See notes at end of table.

FLORIDA PRIME™

INVENTORY OF HOLDINGS (CONTINUED)
MAY 31, 2013

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
							$	$	$
Fairway Finance Co. LLC, Jun 10, 2013	VARIABLE RATE COMMERCIAL PAPER-ABS-4(2)	0.22	06/10/13	06/10/13	30,000,000	0.23	30,000,000	30,000,330	330
Fairway Finance Co. LLC, Jun 17, 2013	VARIABLE RATE COMMERCIAL PAPER-ABS-4(2)	0.23	06/17/13	06/17/13	50,000,000	0.23	50,000,000	50,001,300	1,300
Fairway Finance Co. LLC, Jun 18, 2013	VARIABLE RATE COMMERCIAL PAPER-ABS-4(2)	0.23	06/18/13	06/18/13	75,000,000	0.23	75,000,000	75,002,100	2,100
Fairway Finance Co. LLC, Sep 06, 2013	VARIABLE RATE COMMERCIAL PAPER-ABS-4(2)	0.21	09/06/13	06/10/13	21,200,000	0.22	21,200,000	21,201,081	1,081
Federated Prime Cash Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.04	06/03/13	06/03/13	251,550,878	0.04	251,550,878	251,550,878	0
Federated Prime Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.06	06/03/13	06/03/13	276,918,769	0.05	276,918,769	276,918,769	0
General Elec Cap Corp, Sr. Note, 1.875%, 9/16/2013	CORPORATE BOND	1.88	09/16/13		1,350,000	0.28	1,356,331	1,356,025	(306)
General Elec Cap Corp, Sr. Note, 1.875%, 9/16/2013	CORPORATE BOND	1.88	09/16/13		1,000,000	0.41	1,004,330	1,004,463	133
General Elec Cap Corp, Sr. Note, 1.875%, 9/16/2013	CORPORATE BOND	1.88	09/16/13		500,000	0.41	502,165	502,232	67
General Elec Cap Corp, Sr. Note, 1.875%, 9/16/2013	CORPORATE BOND	1.88	09/16/13		24,410,000	0.41	24,515,684	24,518,942	3,257
General Electric Capital Corp., Sep 20, 2013	VARIABLE EURO MEDIUM TERM NOTE	0.28	09/20/13	06/20/13	3,000,000	0.39	2,999,226	2,999,295	69
General Electric Capital Corp., Sr. Unsecd. Note, 5.900%, 05/13/2014	CORPORATE BOND	5.90	05/13/14		21,458,000	0.30	22,596,198	22,570,383	(25,815)
General Electric Capital Corp., Sr. Unsecd. Note, 5.900%, 05/13/2014	CORPORATE BOND	5.90	05/13/14		15,000,000	0.30	15,795,852	15,777,600	(18,252)
General Electric Capital Corp., Sr. Unsecd. Note, 5.900%, 05/13/2014	CORPORATE BOND	5.90	05/13/14		5,000,000	0.30	5,265,200	5,259,200	(6,000)
General Electric Capital Corp., Sr. Unsecd. Note, 5.900%, 05/13/2014	CORPORATE BOND	5.90	05/13/14		3,000,000	0.32	3,157,620	3,155,520	(2,100)
General Electric Capital, Sr. Unsecd. Note, 5.4%, 9/20/2013	CORPORATE BOND	5.40	09/20/13		1,670,000	0.41	1,695,487	1,696,097	610
Gibson County, IN, (Toyota Motor Manufacturing, Indiana, Inc.), (Series 1998), 01/01/2028	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.10	01/01/28	06/05/13	10,000,000	0.13	10,000,000	10,000,000	0
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		06/06/13		13,000,000	0.12	12,999,740	12,999,653	(87)
Illinois Finance Authority, (Northwest Community Hospital), (Series 2008B), 07/01/2032	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.08	07/01/32	06/06/13	37,750,000	0.11	37,750,000	37,750,000	0
JPMorgan Chase & Co CP	COMMERCIAL PAPER		06/12/13		100,000,000	0.29	99,990,667	99,998,440	7,773

See notes at end of table.

INVENTORY OF HOLDINGS (CONTINUED)
MAY 31, 2013

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
							$	$	$
JPMorgan Chase Bank, N.A. CD	CERTIFICATE OF DEPOSIT	0.38	05/15/14		50,000,000	0.38	50,000,000	50,004,815	4,815
JPMorgan Chase Bank, N.A., Jul 07, 2014	VARIABLE RATE BANK NOTE	0.35	07/07/14	06/07/13	35,000,000	0.36	35,000,000	34,994,190	(5,810)
Long Island Power Authority, NY, (Series 3A), 05/01/2033	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.08	05/01/33	06/05/13	16,900,000	0.11	16,900,000	16,900,000	0
Massachusetts HEFA, (Children's Hospital Corporation), (Series N-4 2010), 10/01/2049	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.06	10/01/49	06/03/13	32,065,000	0.09	32,065,000	32,065,000	0
Mizuho Corporate Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	06/13/13		100,000,000	0.24	100,000,000	100,002,160	2,160
Mizuho Corporate Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.12	06/04/13		100,000,000	0.12	100,000,000	99,999,330	(670)
Mizuho Funding LLC CP4-2	COMMERCIAL PAPER - 4-2		06/13/13		100,000,000	0.24	99,991,514	99,995,760	4,246
Mizuho Funding LLC CP4-2	COMMERCIAL PAPER - 4-2		08/01/13		50,000,000	0.24	49,979,764	49,981,715	1,951
Mullenix-St. Charles Properties, L.P., Times Centre Apartments Project Series 2004, Jan 01, 2028	VARIABLE RATE DEMAND NOTE	0.17	01/01/28	06/06/13	13,500,000	0.17	13,500,000	13,500,000	0
Murray City, Utah Hospital Revenue, (IHC Health Services, Inc.), (Series 2005A), 05/15/2037	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.07	05/15/37	06/03/13	12,500,000	0.09	12,500,000	12,500,000	0
NRW Bank CP	COMMERCIAL PAPER		06/04/13		200,000,000	0.12	199,997,445	199,997,560	115
NRW Bank CP	COMMERCIAL PAPER		06/05/13		200,000,000	0.12	199,996,806	199,996,940	134
Oklahoma State Turnpike Authority, (Series 2006E), 01/01/2028	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.07	01/01/28	06/03/13	33,950,000	0.09	33,950,000	33,950,000	0
Oklahoma State Turnpike Authority, (Series 2006F), 01/01/2028	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.07	01/01/28	06/03/13	41,030,000	0.11	41,030,000	41,030,000	0
Putnam County, WV County Commission, (Toyota Motor Manufacturing, West Virginia, Inc.), (1998 Series A), 06/01/2028	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.10	06/01/28	06/05/13	4,100,000	0.13	4,100,000	4,100,000	0
Royal Bank of Canada, Montreal, Feb 03, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.32	02/03/14	06/03/13	75,000,000	0.31	75,000,000	75,053,550	53,550
Royal Bank of Canada, Montreal, Feb 10, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.32	02/10/14	06/03/13	50,000,000	0.31	50,000,000	50,036,750	36,750
Royal Bank of Canada, Montreal, Feb 21, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.31	02/21/14	06/03/13	83,000,000	0.30	83,000,000	83,057,851	57,851
Royal Bank of Canada, Montreal, Jul 01, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.32	07/01/14	08/01/13	30,000,000	0.33	30,000,000	29,995,500	(4,500)
Royal Bank of Canada, Montreal, Jul 03, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.33	07/03/14	06/04/13	160,000,000	0.33	160,000,000	160,065,760	65,760

See notes at end of table.

FLORIDA PRIME™

INVENTORY OF HOLDINGS (CONTINUED)
MAY 31, 2013

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
							$	$	$
Societe Generale North America, Inc. CP	COMMERCIAL PAPER		07/02/13		90,000,000	0.31	89,975,200	89,986,266	11,066
Societe Generale, Paris CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.27	08/15/13		148,200,000	0.27	148,200,000	148,206,239	6,239
St. Andrew United Methodist Church, Series 2004, Jul 01, 2029	VARIABLE RATE DEMAND NOTE	0.20	07/01/29	06/06/13	9,140,000	0.20	9,140,000	9,140,000	0
Standard Chartered Bank plc CDEUR	CERTIFICATE OF DEPOSIT - EURO	0.26	06/26/13		200,000,000	0.26	200,000,722	200,018,780	18,058
State Street Bank and Trust Co., Jun 18, 2014	VARIABLE RATE BANK NOTE	0.32	06/18/14	06/18/13	125,000,000	0.33	125,000,000	125,000,750	750
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	08/01/13		200,000,000	0.24	200,000,000	199,996,520	(3,480)
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.23	07/23/13		25,000,000	0.23	25,000,000	25,000,735	735
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	09/09/13		150,000,000	0.24	150,000,000	149,991,570	(8,430)
Svenska Handelsbanken, Stockholm TDCAY	TIME DEPOSIT - CAYMAN	0.08	06/03/13		300,000,000	0.08	300,000,000	300,000,000	0
Texas State, (Series 2012B), 12/01/2042	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.08	12/01/42	06/05/13	11,500,000	0.12	11,500,000	11,500,000	0
Toronto Dominion Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.28	06/17/13		100,000,000	0.28	100,000,000	100,008,970	8,970
Toronto Dominion Bank, Jul 26, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.28	07/26/13	07/26/13	50,000,000	0.28	50,000,000	50,023,600	23,600
Toronto Dominion Bank, Sep 13, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.28	09/13/13	06/13/13	125,000,000	0.28	125,000,000	125,047,375	47,375
Toyota Motor Credit Corp. CP	COMMERCIAL PAPER		09/06/13		100,000,000	0.25	99,931,944	99,962,980	31,036
Toyota Motor Credit Corp. CP	COMMERCIAL PAPER		09/16/13		80,000,000	0.27	79,935,200	79,962,560	27,360
Toyota Motor Credit Corp. CP	COMMERCIAL PAPER		09/17/13		183,000,000	0.27	182,850,398	182,912,453	62,055
Wells Fargo Bank, N.A., Jun 20, 2014	VARIABLE RATE BANK NOTE	0.33	06/20/14	06/20/13	100,000,000	0.33	100,000,000	99,998,200	(1,800)
Westpac Banking Corp. Ltd., Sydney, Jul 08, 2013	VARIABLE RATE COMMERCIAL PAPER - 4-2	0.25	07/08/13	06/11/13	100,000,000	0.25	100,000,000	100,008,200	8,200
Total Value of Investments					**8,009,833,545**		**$8,011,518,159**	**$8,012,355,727**	**$837,569**

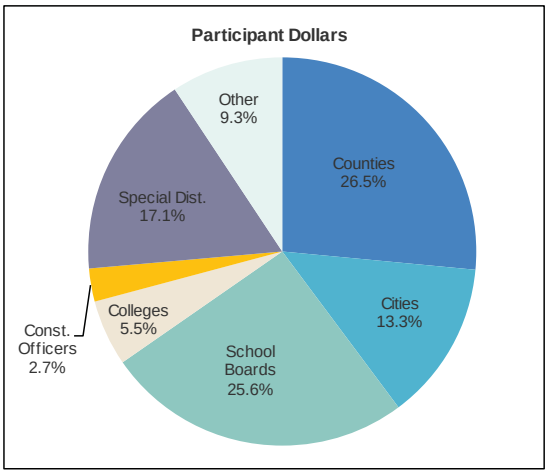
Notes: The data included in this report is unaudited. Amounts above are the value of investments. Income accruals, payables and uninvested cash are not included. Amortizations/accretions are reported with a one-day lag in the above valuations.

[1] Market values of the portfolio securities are provided by the custodian, BNY Mellon. The portfolio manager, Federated Investment Counseling, is the source for other data shown above.

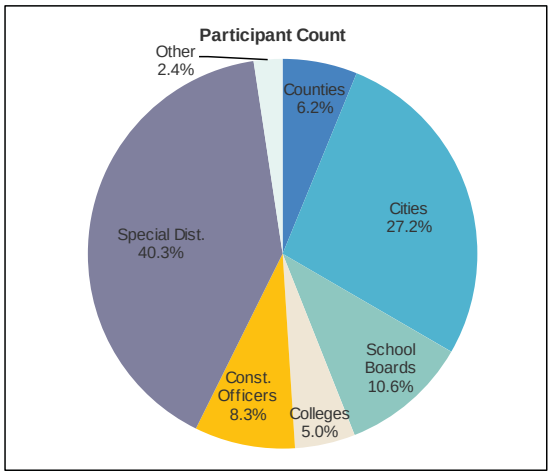
[2] Amortized cost is calculated using a straight line method.

PARTICIPANT CONCENTRATION DATA - MAY 31, 2013

Participant Balance	Share of Total Fund	Share of Participant Count	Participant Balance	Share of Total Fund	Share of Participant Count
All Participants	**100.0%**	**100.0%**	**Colleges & Universities**	**5.5%**	**5.0%**
Top 10	38.4%	1.2%	Top 10	4.9%	1.2%
$100 million or more	57.1%	2.4%	$100 million or more	2.6%	0.1%
$10 million up to $100 million	35.4%	10.5%	$10 million up to $100 million	2.3%	1.1%
$1 million up to $10 million	6.7%	17.8%	$1 million up to $10 million	0.6%	1.2%
Under $1 million	0.8%	69.4%	Under $1 million	0.01%	2.6%
Counties	**26.5%**	**6.2%**	**Constitutional Officers**	**2.7%**	**8.3%**
Top 10	22.1%	1.2%	Top 10	1.1%	1.2%
$100 million or more	18.8%	0.8%	$100 million or more	0.0%	0.0%
$10 million up to $100 million	7.2%	1.5%	$10 million up to $100 million	2.1%	0.7%
$1 million up to $10 million	0.5%	1.1%	$1 million up to $10 million	0.6%	1.4%
Under $1 million	0.0%	2.7%	Under $1 million	0.1%	6.2%
Municipalities	**13.3%**	**27.2%**	**Special Districts**	**17.1%**	**40.3%**
Top 10	7.9%	1.2%	Top 10	12.6%	1.2%
$100 million or more	2.9%	0.2%	$100 million or more	7.9%	0.4%
$10 million up to $100 million	8.1%	2.5%	$10 million up to $100 million	7.1%	1.9%
$1 million up to $10 million	2.0%	5.6%	$1 million up to $10 million	1.8%	5.0%
Under $1 million	0.3%	18.8%	Under $1 million	0.3%	33.0%
School Boards	**25.6%**	**10.6%**	**Other**	**9.3%**	**2.4%**
Top 10	21.7%	1.2%	Top 10	9.1%	1.2%
$100 million or more	17.8%	0.5%	$100 million or more	7.1%	0.4%
$10 million up to $100 million	6.8%	2.1%	$10 million up to $100 million	2.0%	0.6%
$1 million up to $10 million	0.9%	2.9%	$1 million up to $10 million	0.3%	0.6%
Under $1 million	0.1%	5.1%	Under $1 million	0.0%	0.8%



Total Fund Value: $8,009,821,417



Total Participant Count: 839

FLORIDA PRIME COMPLIANCE WITH INVESTMENT POLICY - MAY 2013

As investment manager, Federated monitors compliance daily on Florida PRIME to ensure that investment practices comply with the requirements of the Investment Policy Statement (IPS). Federated provides a monthly compliance report to the SBA and is required to notify the Investment Oversight Group (IOG) of compliance exceptions within 24 hours of identification. The IOG meets monthly and on an ad hoc basis to review compliance exceptions, to document responses to exceptions, and to formally escalate recommendations for approval by the Executive Director & CIO. The IOG also reviews the Federated compliance report each month, as well as, the results of independent compliance testing conducted by SBA Risk Management and Compliance. Minutes from the IOG meetings are posted to the Florida PRIME website.

In addition to the compliance testing performed by Federated, the SBA conducts independent testing on Florida PRIME using a risk-based approach. Under this approach, each IPS parameter is ranked as "High" or "Low" with respect to the level of risk associated with a potential guideline breach. IPS parameters with risk rankings of "High" are subject to independent verification by SBA Risk Management and Compliance. These rankings, along with the frequency for testing, are reviewed and approved by the IOG on an annual basis or more often if market conditions dictate. Additionally, any parameter reported in "Fail" status on the Federated compliance report, regardless of risk ranking, is also independently verified and escalated accordingly. The results of independent testing are currently reported monthly to the IOG.

Test by Source	Pass/Fail
Florida PRIME's Investment Policy	
Securities must be USD denominated.	Pass
Ratings requirements	
The Pool must purchase exclusively first-tier securities. Securities purchased with short-term ratings by an NRSRO, or comparable in quality and security to other obligations of the issuer that have received short-term ratings from an NRSRO, are eligible if they are in one of the two highest rating categories.	Pass
Securities purchased that do not have short-term ratings must have a long-term rating in one of the three highest long-term rating categories.	Pass
Commercial Paper must be rated by at least one short-term NRSRO.	Pass
Repurchase Agreement Counterparties must be rated by S&P	Pass
S&P Weighted Average Life - maximum 90 days [1]	Pass
Maturity	
Securities, excluding Government floating rate notes/variable rate notes, purchased did not have a maturity in excess of 397 days.	Pass
Government floating rate notes/variable rate notes purchased did not have a maturity in excess of 762 days.	Pass
The Pool must maintain a Spread WAM of 120 days or less.	Pass
Issuer Diversification	
First-tier issuers (limit does not apply to cash, cash items, U.S. Government securities refunded securities and repo collateralized by these securities) are limited, at the time of purchase, to 5% of the Pool's total assets. [2]	Pass
Demand Feature and Guarantor Diversification	
First-tier securities issued by or subject to demand features and guarantees of a non-controlled person, at time of purchase, are limited to 10% with respect to 75% of the Pool's total assets.	Pass
First-tier securities issued by or subject to demand features and guarantees of a control person, at time of purchase, are limited to 10% with respect to the Pool's total assets.	Pass
Money Market Mutual Funds	
The account, at time of purchase, will not have exposure to any one Money Market Mutual Fund in excess of 10% of the Pool's total assets.	Pass
Concentration Tests	
The account, at time of purchase, will not have exposure to an industry sector, excluding the financial services industry, in excess of 25% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to any single Government Agency in excess of 33.33% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to illiquid securities in excess of 5% of the Pool's total assets.	Pass
The account, at time of purchase, will invest at least 10% of the Pool's total assets in securities accessible within one business day.	Pass
The account, at time of purchase, will invest at least 30% of the Pool's total assets in securities accessible within five business days. [3]	Pass
S&P Requirements	
The Pool must maintain a Dollar Weighted Average Maturity of 60 days or less.	Pass
The account, at time of purchase, will invest at least 50% of the Pool's total assets in Securities in Highest Rating Category (A-1+ or equivalent) .	Pass

[1] The fund may use floating rate government securities to extend the limit up to 120 days

[2] This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to liquidate positions if the exposure in excess of the specified percentage is caused by

[3] This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to take immediate corrective measures if asset movements cause the exposure to be below the specified percentage.

FLORIDA PRIME™

TRADING ACTIVITY FOR MAY 2013

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Buys					$	$	$	$
BNP PARIBAS FINANCE, INC,	05/20/13	05/17/13	05/17/13	45,000,000	44,999,625	-	44,999,625	-
BNP PARIBAS FINANCE, INC,	08/05/13	05/03/13	05/03/13	50,000,000	49,966,056	-	49,966,056	-
BNP PARIBAS FINANCE, INC,	08/05/13	05/03/13	05/03/13	50,000,000	49,966,056	-	49,966,056	-
BANK OF AMERICA N,ABNOTE	09/06/13	05/29/13	05/29/13	30,000,000	30,000,000	-	30,000,000	-
BANK OF AMERICA N,ABNOTE	09/06/13	05/29/13	05/29/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/08/13	05/01/13	05/01/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/08/13	05/01/13	05/01/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/08/13	05/01/13	05/01/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/08/13	05/01/13	05/01/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/08/13	05/01/13	05/01/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/08/13	05/01/13	05/01/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/15/13	05/08/13	05/08/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/15/13	05/08/13	05/08/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/15/13	05/08/13	05/08/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/15/13	05/08/13	05/08/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/15/13	05/08/13	05/08/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/15/13	05/08/13	05/08/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/22/13	05/15/13	05/15/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/22/13	05/15/13	05/15/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/22/13	05/15/13	05/15/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/22/13	05/15/13	05/15/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/24/13	05/17/13	05/17/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/24/13	05/17/13	05/17/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/29/13	05/22/13	05/22/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/29/13	05/22/13	05/22/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/31/13	05/24/13	05/24/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/31/13	05/24/13	05/24/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/31/13	05/24/13	05/24/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/31/13	05/24/13	05/24/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/07/13	05/31/13	05/31/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/07/13	05/31/13	05/31/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/07/13	05/31/13	05/31/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/07/13	05/31/13	05/31/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/07/13	05/31/13	05/31/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/07/13	05/31/13	05/31/13	50,000,000	50,000,000	-	50,000,000	-
BARTON CAPITAL LLCCPABS4-	05/20/13	05/17/13	05/17/13	40,000,000	39,999,667	-	39,999,667	-
BARTON CAPITAL LLCCPABS4-	05/29/13	05/28/13	05/28/13	50,000,000	49,999,889	-	49,999,889	-
BARTON CAPITAL LLCCPABS4-	05/29/13	05/28/13	05/28/13	20,000,000	19,999,956	-	19,999,956	-
BARTON CAPITAL LLCCPABS4-	05/31/13	05/30/13	05/30/13	35,001,000	35,000,922	-	35,000,922	-
CAISSE DES DEPOTS ECP	12/03/13	05/29/13	05/30/13	50,000,000	49,936,368	-	49,936,368	-
CAISSE DES DEPOTS ECP	12/03/13	05/29/13	05/30/13	45,000,000	44,942,731	-	44,942,731	-
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY	08/01/35	05/08/13	05/08/13	19,300,000	19,300,000	629	19,300,629	-
CREDIT AGRICOLE CORCDYAN	08/07/13	05/07/13	05/07/13	47,000,000	47,000,000	-	47,000,000	-
CREDIT AGRICOLE CORCDYAN	06/04/13	05/28/13	05/28/13	40,000,000	40,000,000	-	40,000,000	-
DEUTSCHE BANK AGCDYAN	07/30/13	05/07/13	05/07/13	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK AGCDYAN	07/30/13	05/07/13	05/07/13	10,000,000	10,000,000	-	10,000,000	-
DEUTSCHE BANK AGCDYAN	07/30/13	05/07/13	05/07/13	50,000,000	50,000,000	-	50,000,000	-
GENERAL ELECTRIC CAPITAL CORP	05/13/14	05/20/13	05/23/13	15,000,000	15,814,200	24,583	15,838,783	-
GENERAL ELECTRIC CAPITAL CORP	05/13/14	05/28/13	05/31/13	5,000,000	5,265,200	14,750	5,279,950	-
GENERAL ELECTRIC CAPITAL CORP	05/13/14	05/29/13	05/31/13	21,458,000	22,596,198	63,301	22,659,499	-
GENERAL ELECTRIC CAPITAL CORP	05/13/14	05/29/13	06/03/13	3,000,000	3,157,620	9,833	3,167,453	-
COUNTY OF GIBSON IN	01/01/28	05/09/13	05/10/13	10,000,000	10,000,000	499	10,000,499	-

TRADING ACTIVITY FOR MAY 2013 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Buys (continued)					$	$	$	$
ING (U,S,) FUNDING CP	06/06/13	05/29/13	05/29/13	13,000,000	12,999,653	-	12,999,653	-
JPMORGAN CHASE BANKCD	05/15/14	05/15/13	05/15/13	50,000,000	50,000,000	-	50,000,000	-
MASSACHUSETTS HEALTH & EDUCATIONAL FACILITIES AUTHORITY	10/01/49	05/23/13	05/23/13	12,065,000	12,065,000	1,041	12,066,041	-
MASSACHUSETTS HEALTH & EDUCATIONAL FACILITIES AUTHORITY	10/01/49	05/23/13	05/23/13	20,000,000	20,000,000	1,726	20,001,726	-
MIZUHO CORPORATE BACDYAN	05/28/13	05/21/13	05/21/13	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	05/28/13	05/21/13	05/21/13	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	05/28/13	05/21/13	05/21/13	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	06/04/13	05/28/13	05/28/13	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	06/04/13	05/28/13	05/28/13	50,000,000	50,000,000	-	50,000,000	-
CITY OF MURRAY UT	05/15/37	05/29/13	05/29/13	12,500,000	12,500,000	1,318	12,501,318	-
NRW,BANKCP	05/15/13	05/08/13	05/08/13	50,000,000	49,998,688	-	49,998,688	-
NRW,BANKCP	05/15/13	05/08/13	05/08/13	50,000,000	49,998,688	-	49,998,688	-
NRW,BANKCP	05/15/13	05/08/13	05/08/13	50,000,000	49,998,688	-	49,998,688	-
NRW,BANKCP	05/15/13	05/08/13	05/08/13	50,000,000	49,998,688	-	49,998,688	-
NRW,BANKCP	05/17/13	05/10/13	05/10/13	50,000,000	49,998,639	-	49,998,639	-
NRW,BANKCP	05/17/13	05/10/13	05/10/13	50,000,000	49,998,639	-	49,998,639	-
NRW,BANKCP	05/17/13	05/10/13	05/10/13	50,000,000	49,998,639	-	49,998,639	-
NRW,BANKCP	05/17/13	05/10/13	05/10/13	50,000,000	49,998,639	-	49,998,639	-
NRW,BANKCP	05/22/13	05/15/13	05/15/13	50,000,000	49,998,639	-	49,998,639	-
NRW,BANKCP	05/22/13	05/15/13	05/15/13	50,000,000	49,998,639	-	49,998,639	-
NRW,BANKCP	05/22/13	05/15/13	05/15/13	50,000,000	49,998,639	-	49,998,639	-
NRW,BANKCP	05/22/13	05/15/13	05/15/13	50,000,000	49,998,639	-	49,998,639	-
NRW BANK	05/28/13	05/21/13	05/21/13	50,000,000	49,998,785	-	49,998,785	-
NRW BANK	05/28/13	05/21/13	05/21/13	50,000,000	49,998,785	-	49,998,785	-
NRW BANK	05/28/13	05/21/13	05/21/13	50,000,000	49,998,785	-	49,998,785	-
NRW BANK	05/28/13	05/21/13	05/21/13	50,000,000	49,998,785	-	49,998,785	-
NRW,BANKCP	05/29/13	05/22/13	05/22/13	50,000,000	49,998,931	-	49,998,931	-
NRW,BANKCP	05/29/13	05/22/13	05/22/13	50,000,000	49,998,931	-	49,998,931	-
NRW,BANKCP	05/29/13	05/22/13	05/22/13	50,000,000	49,998,931	-	49,998,931	-
NRW,BANKCP	05/29/13	05/22/13	05/22/13	50,000,000	49,998,931	-	49,998,931	-
NRW,BANKCP	06/04/13	05/28/13	05/28/13	50,000,000	49,998,882	-	49,998,882	-
NRW,BANKCP	06/04/13	05/28/13	05/28/13	50,000,000	49,998,882	-	49,998,882	-
NRW,BANKCP	06/04/13	05/28/13	05/28/13	50,000,000	49,998,882	-	49,998,882	-
NRW,BANKCP	06/04/13	05/28/13	05/28/13	50,000,000	49,998,882	-	49,998,882	-
NRW BANK	06/05/13	05/29/13	05/29/13	50,000,000	49,998,882	-	49,998,882	-
NRW BANK	06/05/13	05/29/13	05/29/13	50,000,000	49,998,882	-	49,998,882	-
NRW BANK	06/05/13	05/29/13	05/29/13	50,000,000	49,998,882	-	49,998,882	-
NRW BANK	06/05/13	05/29/13	05/29/13	50,000,000	49,998,882	-	49,998,882	-
OKLAHOMA TURNPIKE AUTHORITY	01/01/28	05/29/13	05/29/13	33,950,000	33,950,000	3,516	33,953,516	-
OKLAHOMA TURNPIKE AUTHORITY	01/01/28	05/29/13	05/29/13	41,030,000	41,030,000	4,249	41,034,249	-
SOCIETE GENERALE NOCP	05/08/13	05/01/13	05/01/13	50,000,000	49,998,347	-	49,998,347	-
SOCIETE GENERALE NOCP	05/08/13	05/01/13	05/01/13	10,000,000	9,999,669	-	9,999,669	-
SOCIETE GENERALE, PCDYAN	08/15/13	05/08/13	05/08/13	50,000,000	50,000,000	-	50,000,000	-
SOCIETE GENERALE, PCDYAN	08/15/13	05/08/13	05/08/13	50,000,000	50,000,000	-	50,000,000	-
SOCIETE GENERALE, PCDYAN	08/15/13	05/08/13	05/08/13	48,200,000	48,200,000	-	48,200,000	-
SUMITOMO MITSUI BANKING CORP	09/09/13	05/07/13	05/07/13	50,000,000	50,000,000	-	50,000,000	-
SUMITOMO MITSUI BANKING CORP	09/09/13	05/07/13	05/07/13	50,000,000	50,000,000	-	50,000,000	-
SUMITOMO MITSUI BANKING CORP	09/09/13	05/07/13	05/07/13	50,000,000	50,000,000	-	50,000,000	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/01/13	05/01/13	320,938	320,938	-	320,938	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/02/13	05/02/13	1,577,163	1,577,163	-	1,577,163	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/03/13	05/03/13	28,030	28,030	-	28,030	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/06/13	05/06/13	4,145,289	4,145,289	-	4,145,289	-

FLORIDA PRIME™

TRADING ACTIVITY FOR MAY 2013 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Buys (continued)					$	$	$	$
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/08/13	05/08/13	216,743	216,743	-	216,743	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/09/13	05/09/13	359,546	359,546	-	359,546	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/10/13	05/10/13	238,460	238,460	-	238,460	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/13/13	05/13/13	3,025,846	3,025,846	-	3,025,846	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/16/13	05/16/13	3,717,738	3,717,738	-	3,717,738	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/20/13	05/20/13	9,812,019	9,812,019	-	9,812,019	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/22/13	05/22/13	46,628,971	46,628,971	-	46,628,971	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/23/13	05/23/13	18,972,047	18,972,047	-	18,972,047	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/28/13	05/28/13	5,508,766	5,508,766	-	5,508,766	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/29/13	05/29/13	279,888,847	279,888,847	-	279,888,847	-
FEDERATED PRIME CASH OBLIGATIONS FUND	10/01/40	05/01/13	05/01/13	15,647	15,647	-	15,647	-
FEDERATED PRIME OBLIGATIONS FUND	10/01/40	05/01/13	05/01/13	18,560	18,560	-	18,560	-
DEUTSCHE BANK	05/02/13	05/01/13	05/01/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/02/13	05/01/13	05/01/13	620,000,000	620,000,000	-	620,000,000	-
DEUTSCHE BANK	05/03/13	05/02/13	05/02/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/03/13	05/02/13	05/02/13	775,000,000	775,000,000	-	775,000,000	-
DEUTSCHE BANK	05/06/13	05/03/13	05/03/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/06/13	05/03/13	05/03/13	705,000,000	705,000,000	-	705,000,000	-
DEUTSCHE BANK	05/07/13	05/06/13	05/06/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/07/13	05/06/13	05/06/13	705,000,000	705,000,000	-	705,000,000	-
DEUTSCHE BANK	05/08/13	05/07/13	05/07/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/08/13	05/07/13	05/07/13	795,000,000	795,000,000	-	795,000,000	-
DEUTSCHE BANK	05/09/13	05/08/13	05/08/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/09/13	05/08/13	05/08/13	520,000,000	520,000,000	-	520,000,000	-
DEUTSCHE BANK	05/10/13	05/09/13	05/09/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/10/13	05/09/13	05/09/13	565,000,000	565,000,000	-	565,000,000	-
DEUTSCHE BANK	05/13/13	05/10/13	05/10/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/13/13	05/10/13	05/10/13	410,000,000	410,000,000	-	410,000,000	-
DEUTSCHE BANK	05/14/13	05/13/13	05/13/13	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	05/14/13	05/13/13	05/13/13	535,000,000	535,000,000	-	535,000,000	-
DEUTSCHE BANK	05/15/13	05/14/13	05/14/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/15/13	05/14/13	05/14/13	435,000,000	435,000,000	-	435,000,000	-
DEUTSCHE BANK	05/16/13	05/15/13	05/15/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/16/13	05/15/13	05/15/13	585,000,000	585,000,000	-	585,000,000	-
DEUTSCHE BANK	05/17/13	05/16/13	05/16/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/17/13	05/16/13	05/16/13	525,000,000	525,000,000	-	525,000,000	-
DEUTSCHE BANK	05/20/13	05/17/13	05/17/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/20/13	05/17/13	05/17/13	530,000,000	530,000,000	-	530,000,000	-
DEUTSCHE BANK	05/21/13	05/20/13	05/20/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/21/13	05/20/13	05/20/13	690,000,000	690,000,000	-	690,000,000	-
DEUTSCHE BANK	05/22/13	05/21/13	05/21/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/22/13	05/21/13	05/21/13	270,000,000	270,000,000	-	270,000,000	-
DEUTSCHE BANK	05/23/13	05/22/13	05/22/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/23/13	05/22/13	05/22/13	325,000,000	325,000,000	-	325,000,000	-
DEUTSCHE BANK	05/24/13	05/23/13	05/23/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/24/13	05/23/13	05/23/13	250,000,000	250,000,000	-	250,000,000	-
DEUTSCHE BANK	05/28/13	05/24/13	05/24/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/28/13	05/24/13	05/24/13	340,000,000	340,000,000	-	340,000,000	-
DEUTSCHE BANK	05/29/13	05/28/13	05/28/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/29/13	05/28/13	05/28/13	230,000,000	230,000,000	-	230,000,000	-
DEUTSCHE BANK	05/30/13	05/29/13	05/29/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/30/13	05/29/13	05/29/13	100,000,000	100,000,000	-	100,000,000	-
DEUTSCHE BANK	05/31/13	05/30/13	05/30/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/31/13	05/30/13	05/30/13	10,000,000	10,000,000	-	10,000,000	-
DEUTSCHE BANK	06/03/13	05/31/13	05/31/13	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	06/03/13	05/31/13	05/31/13	65,000,000	65,000,000	-	65,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130502	05/02/13	05/01/13	05/01/13	300,000,000	300,000,000	-	300,000,000	-

TRADING ACTIVITY FOR MAY 2013 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Buys (continued)					$	$	$	$
SVENSKA HANDELSBANKTDCAY 0.15 20130503	05/03/13	05/02/13	05/02/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130506	05/06/13	05/03/13	05/03/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.14 20130507	05/07/13	05/06/13	05/06/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.13 20130508	05/08/13	05/07/13	05/07/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.13 20130509	05/09/13	05/08/13	05/08/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.13 20130510	05/10/13	05/09/13	05/09/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.13 20130513	05/13/13	05/10/13	05/10/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.13 20130514	05/14/13	05/13/13	05/13/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.12 20130515	05/15/13	05/14/13	05/14/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.12 20130516	05/16/13	05/15/13	05/15/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.12 20130517	05/17/13	05/16/13	05/16/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.11 20130520	05/20/13	05/17/13	05/17/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.11 20130521	05/21/13	05/20/13	05/20/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.1 20130522	05/22/13	05/21/13	05/21/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130523	05/23/13	05/22/13	05/22/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130524	05/24/13	05/23/13	05/23/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130528	05/28/13	05/24/13	05/24/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130529	05/29/13	05/28/13	05/28/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130530	05/30/13	05/29/13	05/29/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.08 20130531	05/31/13	05/30/13	05/30/13	400,000,000	400,000,000	-	400,000,000	-
SVENSKA HANDELSBANKTDCAY 0.08 20130603	06/03/13	05/31/13	05/31/13	300,000,000	300,000,000	-	300,000,000	-
Total Buys				**32,285,978,610**	**$32,288,127,545**	**$125,446**	**$32,288,252,991**	**$0**
Maturities								
BNP PARIBAS FINANCE, INC,	05/20/13	05/20/13	05/20/13	45,000,000	45,000,000	-	45,000,000	-
BANK OF AMERICA N,ABNOTE	05/29/13	05/29/13	05/29/13	30,000,000	30,000,000	-	30,000,000	-
BANK OF NOVA SCOTIA/HOUSTON	05/09/13	05/09/13	05/09/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/08/13	05/08/13	05/08/13	300,000,000	300,000,000	-	300,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/15/13	05/15/13	05/15/13	300,000,000	300,000,000	-	300,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/22/13	05/22/13	05/22/13	200,000,000	200,000,000	-	200,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/24/13	05/24/13	05/24/13	100,000,000	100,000,000	-	100,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/29/13	05/29/13	05/29/13	100,000,000	100,000,000	-	100,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/31/13	05/31/13	05/31/13	200,000,000	200,000,000	-	200,000,000	-
BANK OF TOKYO-MITSUCDYAN	05/01/13	05/01/13	05/01/13	200,000,000	200,000,000	-	200,000,000	-
BARTON CAPITAL LLCCPABS4-	05/20/13	05/20/13	05/20/13	40,000,000	40,000,000	-	40,000,000	-
BARTON CAPITAL LLCCPABS4-	05/29/13	05/29/13	05/29/13	70,000,000	70,000,000	-	70,000,000	-
BARTON CAPITAL LLCCPABS4-	05/31/13	05/31/13	05/31/13	35,001,000	35,001,000	-	35,001,000	-
COMMONWEALTH BANK OCP4-2	05/15/13	05/15/13	05/15/13	50,000,000	50,000,000	-	50,000,000	-
CREDIT AGRICOLE NORCP	05/07/13	05/07/13	05/07/13	50,000,000	50,000,000	-	50,000,000	-
CREDIT AGRICOLE NORTH AMERICA	05/14/13	05/14/13	05/14/13	40,000,000	40,000,000	-	40,000,000	-
DEUTSCHE BANK AGCDYAN	05/13/13	05/13/13	05/13/13	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK AGCDYAN	05/20/13	05/20/13	05/20/13	50,000,000	50,000,000	-	50,000,000	-
JPMORGAN CHASE & CO	05/01/13	05/01/13	05/01/13	100,000,000	100,000,000	-	100,000,000	-
MIZUHO CORPORATE BACDYAN	05/28/13	05/28/13	05/28/13	8,000,000	8,000,000	-	8,000,000	-
MIZUHO CORPORATE BACDYAN	05/28/13	05/28/13	05/28/13	150,000,000	150,000,000	-	150,000,000	-
NRW BANK	05/02/13	05/02/13	05/02/13	200,000,000	200,000,000	-	200,000,000	-
NRW BANK	05/07/13	05/07/13	05/07/13	200,000,000	200,000,000	-	200,000,000	-
NRW,BANKCP	05/15/13	05/15/13	05/15/13	200,000,000	200,000,000	-	200,000,000	-

FLORIDA PRIME™

TRADING ACTIVITY FOR MAY 2013 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Maturities (continued)					$	$	$	$
NRW,BANKCP	05/17/13	05/17/13	05/17/13	200,000,000	200,000,000	-	200,000,000	-
NRW,BANKCP	05/22/13	05/22/13	05/22/13	200,000,000	200,000,000	-	200,000,000	-
NRW BANK	05/28/13	05/28/13	05/28/13	200,000,000	200,000,000	-	200,000,000	-
NRW,BANKCP	05/29/13	05/29/13	05/29/13	200,000,000	200,000,000	-	200,000,000	-
ROYAL BANK OF CANADA/NEW YORK NY	05/22/13	05/22/13	05/22/13	15,000,000	15,000,000	-	15,000,000	-
SOCIETE GENERALE NOCP	05/08/13	05/08/13	05/08/13	60,000,000	60,000,000	-	60,000,000	-
SOCIETE GENERALE, PCDYAN	05/01/13	05/01/13	05/01/13	50,000,000	50,000,000	-	50,000,000	-
SOCIETE GENERALE, PCDYAN	05/08/13	05/08/13	05/08/13	80,000,000	80,000,000	-	80,000,000	-
SOCIETE GENERALE, PCDYAN	05/14/13	05/14/13	05/14/13	10,000,000	10,000,000	-	10,000,000	-
SUMITOMO MITSUI BANCDYAN	05/07/13	05/07/13	05/07/13	130,000,000	130,000,000	-	130,000,000	-
WESTPAC BANKING CORP	05/29/13	05/29/13	05/29/13	115,000,000	115,000,000	-	115,000,000	-
DEUTSCHE BANK	05/01/13	05/01/13	05/01/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/01/13	05/01/13	05/01/13	670,000,000	670,000,000	-	670,000,000	-
DEUTSCHE BANK	05/02/13	05/02/13	05/02/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/02/13	05/02/13	05/02/13	620,000,000	620,000,000	-	620,000,000	-
DEUTSCHE BANK	05/03/13	05/03/13	05/03/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/03/13	05/03/13	05/03/13	775,000,000	775,000,000	-	775,000,000	-
DEUTSCHE BANK	05/06/13	05/06/13	05/06/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/06/13	05/06/13	05/06/13	705,000,000	705,000,000	-	705,000,000	-
DEUTSCHE BANK	05/07/13	05/07/13	05/07/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/07/13	05/07/13	05/07/13	705,000,000	705,000,000	-	705,000,000	-
DEUTSCHE BANK	05/08/13	05/08/13	05/08/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/08/13	05/08/13	05/08/13	795,000,000	795,000,000	-	795,000,000	-
DEUTSCHE BANK	05/09/13	05/09/13	05/09/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/09/13	05/09/13	05/09/13	520,000,000	520,000,000	-	520,000,000	-
DEUTSCHE BANK	05/10/13	05/10/13	05/10/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/10/13	05/10/13	05/10/13	565,000,000	565,000,000	-	565,000,000	-
DEUTSCHE BANK	05/13/13	05/13/13	05/13/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/13/13	05/13/13	05/13/13	410,000,000	410,000,000	-	410,000,000	-
DEUTSCHE BANK	05/14/13	05/14/13	05/14/13	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	05/14/13	05/14/13	05/14/13	535,000,000	535,000,000	-	535,000,000	-
DEUTSCHE BANK	05/15/13	05/15/13	05/15/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/15/13	05/15/13	05/15/13	435,000,000	435,000,000	-	435,000,000	-
DEUTSCHE BANK	05/16/13	05/16/13	05/16/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/16/13	05/16/13	05/16/13	585,000,000	585,000,000	-	585,000,000	-
DEUTSCHE BANK	05/17/13	05/17/13	05/17/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/17/13	05/17/13	05/17/13	525,000,000	525,000,000	-	525,000,000	-
DEUTSCHE BANK	05/20/13	05/20/13	05/20/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/20/13	05/20/13	05/20/13	530,000,000	530,000,000	-	530,000,000	-
DEUTSCHE BANK	05/21/13	05/21/13	05/21/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/21/13	05/21/13	05/21/13	690,000,000	690,000,000	-	690,000,000	-
DEUTSCHE BANK	05/22/13	05/22/13	05/22/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/22/13	05/22/13	05/22/13	270,000,000	270,000,000	-	270,000,000	-
DEUTSCHE BANK	05/23/13	05/23/13	05/23/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/23/13	05/23/13	05/23/13	325,000,000	325,000,000	-	325,000,000	-
DEUTSCHE BANK	05/24/13	05/24/13	05/24/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/24/13	05/24/13	05/24/13	250,000,000	250,000,000	-	250,000,000	-
DEUTSCHE BANK	05/28/13	05/28/13	05/28/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/28/13	05/28/13	05/28/13	340,000,000	340,000,000	-	340,000,000	-
DEUTSCHE BANK	05/29/13	05/29/13	05/29/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/29/13	05/29/13	05/29/13	230,000,000	230,000,000	-	230,000,000	-
DEUTSCHE BANK	05/30/13	05/30/13	05/30/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/30/13	05/30/13	05/30/13	100,000,000	100,000,000	-	100,000,000	-
DEUTSCHE BANK	05/31/13	05/31/13	05/31/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	05/31/13	05/31/13	05/31/13	10,000,000	10,000,000	-	10,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130501	05/01/13	05/01/13	05/01/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130502	05/02/13	05/02/13	05/02/13	300,000,000	300,000,000	-	300,000,000	-

FLORIDA PRIME™

TRADING ACTIVITY FOR MAY 2013 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Maturities (continued)					$	$	$	$
SVENSKA HANDELSBANKTDCAY 0.15 20130503	05/03/13	05/03/13	05/03/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.15 20130506	05/06/13	05/06/13	05/06/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.14 20130507	05/07/13	05/07/13	05/07/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.13 20130508	05/08/13	05/08/13	05/08/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.13 20130509	05/09/13	05/09/13	05/09/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.13 20130510	05/10/13	05/10/13	05/10/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.13 20130513	05/13/13	05/13/13	05/13/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.13 20130514	05/14/13	05/14/13	05/14/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.12 20130515	05/15/13	05/15/13	05/15/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.12 20130516	05/16/13	05/16/13	05/16/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.12 20130517	05/17/13	05/17/13	05/17/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.11 20130520	05/20/13	05/20/13	05/20/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.11 20130521	05/21/13	05/21/13	05/21/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.1 20130522	05/22/13	05/22/13	05/22/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130523	05/23/13	05/23/13	05/23/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130524	05/24/13	05/24/13	05/24/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130528	05/28/13	05/28/13	05/28/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130529	05/29/13	05/29/13	05/29/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130530	05/30/13	05/30/13	05/30/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.08 20130531	05/31/13	05/31/13	05/31/13	400,000,000	400,000,000	-	400,000,000	-
Total Maturities				**32,218,001,000**	**$32,218,001,000**	**$0**	**$32,218,001,000**	**$0**
Sells								
ROYAL BANK OF CANADA/NEW YORK NY	05/22/13	05/07/13	05/07/13	3,000,000	3,000,336	549	3,000,885	336
ROYAL BANK OF CANADA/NEW YORK NY	02/21/14	05/01/13	05/01/13	2,000,000	2,000,160	1,404	2,001,564	160
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/07/13	05/07/13	3,643,730	3,643,730	-	3,643,730	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/07/13	05/07/13	320,938	320,938	-	320,938	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/07/13	05/07/13	2,864,443	2,864,443	-	2,864,443	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/14/13	05/14/13	1,577,163	1,577,163	-	1,577,163	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/14/13	05/14/13	28,030	28,030	-	28,030	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/14/13	05/14/13	614,083	614,083	-	614,083	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/15/13	05/15/13	666,763	666,763	-	666,763	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/15/13	05/15/13	216,743	216,743	-	216,743	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/15/13	05/15/13	1,161,450	1,161,450	-	1,161,450	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/17/13	05/17/13	359,546	359,546	-	359,546	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/17/13	05/17/13	238,460	238,460	-	238,460	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/17/13	05/17/13	1,864,396	1,864,396	-	1,864,396	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/17/13	05/17/13	3,717,738	3,717,738	-	3,717,738	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/21/13	05/21/13	4,550,631	4,550,631	-	4,550,631	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/24/13	05/24/13	5,261,388	5,261,388	-	5,261,388	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/24/13	05/24/13	46,628,971	46,628,971	-	46,628,971	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/24/13	05/24/13	15,735,325	15,735,325	-	15,735,325	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/30/13	05/30/13	3,236,722	3,236,722	-	3,236,722	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/30/13	05/30/13	5,508,766	5,508,766	-	5,508,766	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/30/13	05/30/13	271,562,406	271,562,406	-	271,562,406	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	05/31/13	05/31/13	420,543	420,543	-	420,543	-
				375,178,234	**$375,178,730**	**$1,953**	**$375,180,683**	**$496**

FUND B

FUND B FACTS

INVESTMENT OBJECTIVE

Fund B's primary objective is to maximize the present value of distributions from the Fund.

COMPOSITION

Fund B principally consists of Segregated Securities, which are securities originally purchased for the LGIP that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; (4) experienced elevated market illiquidity; or (5) did not meet the criteria of the nationally recognized statistical rating organization (NRSRO) that provides Florida PRIME's AAAm rating.

DISTRIBUTIONS

Participants in Fund B will receive periodic distributions to the extent that Fund B receives proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken.

ACCOUNTING

Fund B is accounted for as a fluctuating NAV pool, not a 2a-7-like money market fund. That is, accounting valuations reflect estimates of the market value of securities rather than their amortized cost.

STATUS OF INVESTMENTS

Florida East and West: Restructured from KKR and receiving principal and interest.
Florida Funding I: Restructured from Ottimo (Issuer Entity) and receiving principal and interest.
Florida Funding II: Restructured from Axon and receiving principal and interest.

COMMENTARY ON PORTFOLIO MANAGEMENT

All cash from paydowns on securities in Fund B are invested in AAAm-rated money market funds pending monthly distribution to participant accounts in Florida PRIME. This month, $6.8 million in liquid assets were transferred from Fund B to Florida PRIME, consisting of principal paydowns, income and/or asset sales (divestment) from the securities in the Fund.

The investment team continually analyzes the bonds in each portfolio, comparing estimated defaults and estimated cumulative net losses to an historical loss-timing curve. Many different factors in the domestic and global economies can affect both the securities and the underlying bonds. Some of the factors will contribute positively while others could have adverse consequences. The SBA and Apollo Global Management's investment team will continue to employ prudent risk mitigation strategies in order to maximize the present value of distributions from Fund B with a primary focus on the restoration of principal.

LEGAL ISSUE

As an ongoing legal matter, the SBA asserts Lehman Brothers (which is now in liquidation) sold the SBA certain unregistered secured notes that were not exempt from registration under the Securities Act of 1933. The Lehman Trustee has not yet responded to the SBA's general creditor claim on behalf of Fund B as to whether the Lehman estate will have any assets available for recovery. The Trustee's latest reports have stated that "returns to general estate creditors will be limited at best." However, the secured notes sold by Lehman Brothers were secured by certain collateral. Fund B has been receiving and is expected to continue receiving monetary distributions of principal and interest from that underlying collateral.

The SBA will promptly disclose any future developments as they become matters of public record.

DISCLOSURE OF MATERIAL IMPACTS

There were no developments during May 2013 that had a material impact on the liquidity or operation of Fund B.

FUND B

FUND B DISTRIBUTIONS

RETURN OF FUND B PRINCIPAL

The first table below details the SBA's progress in returning principal to investors in Fund B. Through the end of May 2013, investors cumulatively received distributions from Fund B totaling $1.84 billion or 91.7% of their original balances.

The securities remaining in Fund B are legacy items from the four issuers whose financial circumstances gave rise to the November 2007 run (as well as overnight instruments temporarily holding fund earnings). As of May 31, 2013, their remaining amortized cost was $375.5 million, or 124.48% more than remaining participant positions in Fund B. Conversely, the current estimated liquidation (market) value of these securities is pegged at $188 million or 112.41% of remaining participant positions.

It is important to note that due to the lack of an actively traded market for Fund B securities, their "market value" is an estimate of current liquidation value that has been determined through a collaborative process among various pricing experts and sources in the marketplace. See footnote 1 on page 22.

FUND B DISTRIBUTIONS TO PARTICIPANTS

	Distributions to Participants	Cumulative Distributions	Participant Principal	Proportion of Original Principal Returned
12/05/07	$	$	$ 2,009,451,941	0.0%
CY 2008	$ 1,421,900,000	$ 1,421,900,000	$ 587,551,941	70.8%
CY 2009	$ 89,100,000	$ 1,511,000,000	$ 498,451,941	75.2%
CY 2010	$ 135,100,000	$ 1,646,100,000	$ 363,351,941	81.9%
CY 2011	$ 57,425,000	$ 1,703,525,000	$ 305,926,941	84.8%
CY 2012	$ 58,915,000	$ 1,762,440,000	$ 247,011,941	87.7%
01/17/13	$ 3,975,000	$ 1,766,415,000	$ 243,036,941	87.9%
02/06/13	$ 4,265,000	$ 1,770,680,000	$ 238,771,941	88.1%
03/06/13	$ 3,150,000	$ 1,773,830,000	$ 235,621,941	88.3%
04/04/13	$ 61,510,000	$ 1,835,340,000	$ 174,111,941	91.3%
05/06/13	$ 6,820,000	$ 1,842,160,000	$ 167,291,941	91.7%

FUND B MONTHLY DISTRIBUTION DETAIL

May 2013 Distribution Detail Including Receipts by Source For the period 4/5/13 - 5/6/13	Fund B Participant Allocation	Fund B Expense Allocation
Beginning Balance	$ -	$ 23,630.75
Receipts:		
Florida East	$ 1,492,585.44	
Florida West	$ 3,026,491.31	
Florida Funding I	$ 473,974.14	
Florida Funding II	$ 1,829,303.67	
Overnight Investments	$ 52.47	
Total Receipts	$ 6,822,407.03	
Distributions:		
Allocation to/from Expense Reserve	$ (2,407.03)	$ 2,407.03
Expenses Paid		$ (2,151.29)
Participant Distribution	$ (6,820,000.00)	
Ending Balance	$ -	$ 23,886.49

FUND B

INVENTORY OF HOLDINGS - AS OF MAY 31, 2013

Security Name	Type	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND		35,184,560	0.00	$ 35,184,560	$ 35,184,560	$ -
Florida East Funding LLC	VARIABLE RATE TERM NOTE	05/29/13	50,401,691	0.54	$ 50,401,691	$ 37,871,967	$ (12,529,723)
Florida West Funding LLC	VARIABLE RATE TERM NOTE	05/29/13	89,485,322	0.54	$ 89,485,322	$ 35,345,976	$ (54,139,347)
Florida Funding I LLC	VARIABLE RATE TERM NOTE	05/30/13	116,858,984	0.48	$ 116,858,984	$ 30,181,121	$ (86,677,863)
Florida Funding II LLC	VARIABLE RATE COMMERCIAL PAPER	05/30/13	83,620,381	0.57	$ 83,613,713	$ 49,464,973	$ (34,148,740)
Total Value of Investments			**375,550,938**		**$375,544,270**	**$188,048,597**	**($187,495,673)**

Notes:

[1] Due to the lack of an actively traded market for Fund B securities, the "market value" is an estimate of current liquidation value that has been determined through a collaborative process among various pricing experts and sources in the marketplace. Although the estimate represents an attempt to reasonably reflect the stressed market conditions that currently exist, the amount actually realized if the securities were liquidated at this time could be more or less than the estimate. Moreover, these estimates of current market value are not predictive of the ultimate amount likely to be realized from these securities. Fund B's investment objective is to maximize the present value of distributions to participants. If, in the judgment of the portfolio manager, fair value exceeds liquidation value at points in the future, then complete or partial liquidations of securities could be deferred for an extended period of time; e.g., a four- to five-year horizon for complete termination or self-liquidation of Fund B.

[2] Amortized cost is calculated using a straight line method.

The securities held in Fund B result from workouts of the LGIP's original holdings from 4 issuers – Axon, KKR Atlantic, KKR Pacific and Ottimo. The purpose of Fund B is to maximize the present value of distributions to participants through a prudent workout with an ultimate goal of liquidation. As a result, the maturity dates of each holding in Fund B will be dependent on the maturity date or earlier liquidation, if prudent, of the collateral securities underlying each of these holdings and will be contingent upon future market conditions and other factors.

The collateral manager, Apollo Global Management, is the source for data shown above other than market value. See note 1.

The amounts shown above are the value of investments. Income accruals, payables and uninvested cash are not included. The data is unaudited.

FUND B

COMPLIANCE WITH INVESTMENT POLICY - MAY 2013

Investment Policy Statement Compliance is conducted on Fund B by SBA Risk Management and Compliance and reported on a monthly basis to the Investment Oversight Group. Portfolio activity is reviewed to ensure that transactions and holdings are in compliance with guideline requirements and with those stipulated in the respective Investment Management Agreements with Apollo Global Management, the collateral manager for the four special purpose entities held in Fund B (Florida East Funding LLC, Florida West Funding LLC, Florida Funding I LLC, and Florida Funding II LLC). Since the principal holdings in the fund are the notes issued by these special purpose entities, and no deposits or withdrawals are permitted by participants, transactions are typically limited to 1) the receipt cash flows from the underlying note collateral, 2) the investment of these cash flows in AAAm money market funds, and 3) periodic distributions to participants. Apollo Global Management can also sell, exchange, or restructure the notes, consistent with the objective of maximizing the present value of cash flows from the collateral. For the month of May 2013, Fund B was in compliance with its Investment Policy Statement.

TRADING ACTIVITY - MAY 2013

Security Description	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Buys				$	$	$	$
DREYFUS GOVERNMENT CASH MANAGEMENT	05/02/13	05/02/13	53	53	0	53	0
DREYFUS GOVERNMENT CASH MANAGEMENT	05/31/13	05/31/13	35,162,237	35,162,237	0	35,162,237	0
Total Buys			**35,162,290**	**35,162,290**	**$0**	**$35,162,290**	**$0**
Sells							
FLORIDA FUNDING I LLC	05/31/13	05/31/13	387,681	387,681	0	387,681	0
FLORIDA EAST FUNDING LLC	05/31/13	05/31/13	1,009,007	1,009,007	0	1,009,007	0
FLORIDA WEST FUNDING LLC	05/31/13	05/31/13	33,601,049	33,601,049	0	33,601,049	0
DREYFUS GOVERNMENT CASH MANAGEMENT	05/01/13	05/01/13	58	58	0	58	0
DREYFUS GOVERNMENT CASH MANAGEMENT	05/06/13	05/06/13	21,408	21,408	0	21,408	0
DREYFUS GOVERNMENT CASH MANAGEMENT	05/06/13	05/06/13	72	72	0	72	0
DREYFUS GOVERNMENT CASH MANAGEMENT	05/06/13	05/06/13	6,798,521	6,798,521	0	6,798,521	0
DREYFUS GOVERNMENT CASH MANAGEMENT	05/14/13	05/14/13	1,563	1,563	0	1,563	0
Total Sells			**41,819,359**	**41,819,359**	**0**	**41,819,359**	**0**

Our Mission

Our mission is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary, and professional standards.

Federated

Monthly Summary Report for June 2013

Including Fund B

State Board of Administration

FLORIDA PRIME™

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Past performance is no guarantee of future results.

Views are as of the issue date and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security.

An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Although money market funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in this fund.

INTRODUCTION

This report is prepared for stakeholders in Florida PRIME and Fund B in accordance with Section 218.409(6)(a), Florida Statutes. The statute requires:

(1) Reporting of any material impacts on the funds and any actions or escalations taken by staff to address such impacts;

(2) Presentation of a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last month; and

(3) Preparation of the management summary "in a manner that will allow anyone to ascertain whether the investment activities during the reporting period have conformed to investment policies."

This report, which covers the period from June 1, 2013 through June 30, 2013, has been prepared by the SBA with input from Federated Investment Counseling ("Federated"), investment advisor for Florida PRIME and Apollo Global Management, the collateral manager for Fund B, in a format intended to comply with the statute.

During the reporting period, Florida PRIME and Fund B were in material compliance with investment policy. Details are available in the PRIME policy compliance table and the Fund B compliance narrative in the body of this report. This report also includes details on market conditions; fees; fund holdings, transactions and performance; and client composition.

DISCLOSURE OF MATERIAL IMPACTS

There were no developments during June 2013 that had a material impact on the liquidity or operation of Florida PRIME.

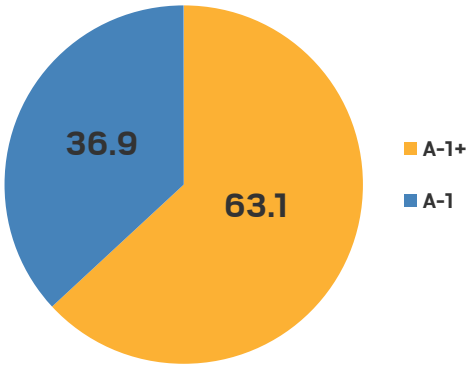
FLORIDA PRIME™

PORTFOLIO COMPOSITION
JUNE 30, 2013

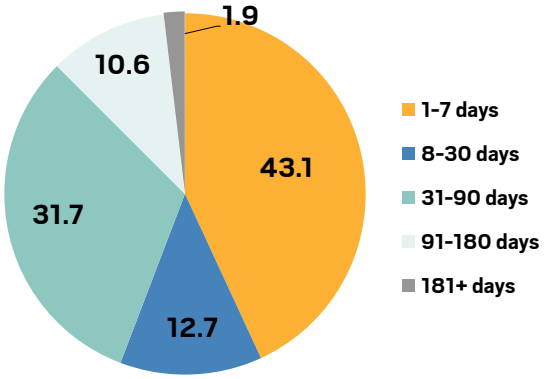
Florida PRIME Assets

$ 7,278,092,919.51

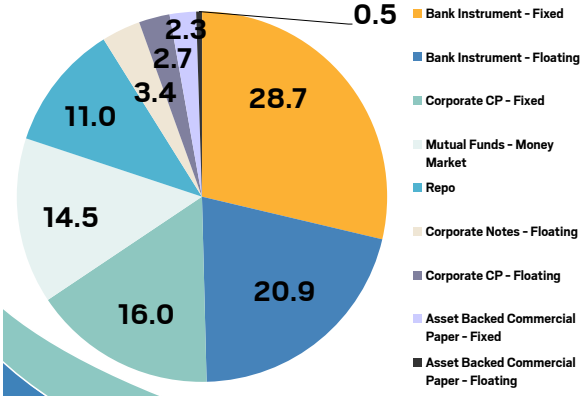
Credit Quality Composition (%)



Effective Maturity Schedule (%)



Portfolio Composition (%)



PORTFOLIO MANAGER COMMENTARY

JUNE 2013 MARKET CONDITIONS

Federal Reserve Chairman Ben Bernanke's delivery of his opening statement as the Federal Open Market Committee (FOMC) wrapped up its two-day meeting on June 19 did not flow as smoothly as his past post-FOMC presentations, giving a sense he might not have been fully on board with the language he was asked to read. The statement was, however, a representation of sentiment across the policy-setting committee. It was also in line with what we have been saying for some time—while it is not being reflected in inflationary levels, keeping rates this low for so long is dangerous, and in light of the progress seen in the economic recovery this year, tapering of quantitative easing measures is likely to start in the second half of 2013. It's important to note, as Bernanke did in his press conference, that tapering of QE does not amount to tightening of monetary policy—it is just reduced easing. The strategy can be adjusted, or even reversed, if economic data starts turning downward again.

Despite a steady stream of indications over the past few months that the Fed was heading down this path, many were taken aback by the Fed chairman's openness. Nobody likes surprises, and ripple effects spread quickly across all sectors of the markets. Luckily, the upheaval being seen in the bond markets has not played through to the money market yield curve. Rates at the short end have suffered by just a couple basis points, with the London interbank offered rates (LIBOR) curve steepening out one to three basis points in some places—minor effects compared with what is happening in the ten-year range of the bond market.

The scramble in the markets to react, and even overreact, to the Fed's moves also presented a buying opportunity. Federal funds futures had for some time been pricing in adjustments to the federal funds rate to take place somewhere around the beginning of 2015, but during the past month, those futures contracts have slid forward, toward an anticipated mid-late 2014 adjustment to rates. The opportunity comes because that move might not be warranted—Bernanke made it clear that QE and the federal funds rate are two different issues, and a change to the actual target rate was still "far in the future." In the period since the FOMC statement and Bernanke's press conference, two separate Fed officials have stepped forward to warn that these moves were out of line with the Fed's thinking.

FLORIDA PRIME™

JUNE 30, 2013

Top Holdings (%) and Average Maturity

1.	Dreyfus Government Cash Management Fund	7.3%
2.	Bank of Montreal	5.6%
3.	Royal Bank of Canada, Montreal	5.5%
4.	Sumitomo Mitsui Financial Group, Inc.	5.4%
5.	Toyota Motor Corp. Japan	5.2%
6.	Mitsubishi UFJ Financial Group, Inc.	4.8%
7.	Federated Prime Obligations Fund	3.8%
8.	Caisse des Depots et Consignations (CDC)	3.8%
9.	Toronto Dominion Bank	3.8%
10.	Canadian Imperial Bank of Commerce	3.8%

Average Effective Maturity (WAM)

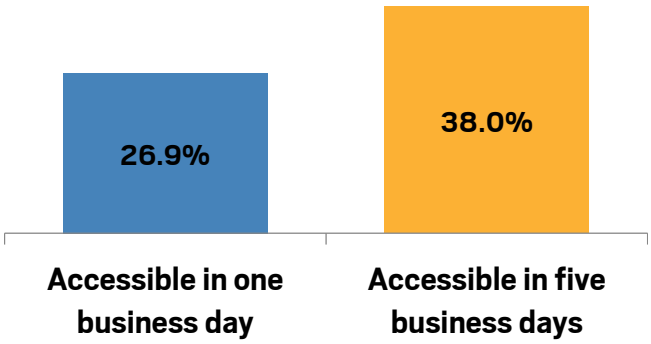
42.8 Days

Weighted Average Life (Spread WAM)

87.1 Days

Percentages based on total value of investments

Highly Liquid Holdings (% at month end)



PORTFOLIO MANAGER COMMENTARY (CON'T.)

Repo rates remained very, very low throughout June, ending the month in the one to three basis point range. A number of factors are coming together to provide some expected relief. With the end of second quarter 2013, and some supply coming into the marketplace, we should see repos trading in the high single digits soon. Repos should also get some help, surprisingly, from the $59.4 billion dividend payment from Fannie Mae to the U.S. Treasury. The Fannie Mae payment had initially been seen as a negative for repo rates, as it could reduce the Treasury's need for short-term financing, but the Treasury has since provided guidance that even with the influx of Fannie Mae money, it would still need to go to the markets for short-term cash. With that assurance, the net effect then is that Fannie Mae will be moving out of the cash market and the repo space, allowing some breathing room for others.

PORTFOLIO INVESTMENT STRATEGY

Florida PRIME assets were down $731.7 million at the end of June 2013, ending the month at $7.28 billion, largely a function of the seasonal nature of Florida's tax-collection pattern and the end of second-quarter 2013 on June 28. The gross yield for Florida PRIME was steady for the month at 0.23%. London interbank offered rates (LIBOR) remained largely unchanged during the month, with one-month steady at 0.19%, three-month down a basis point to 0.27%, six-month steady at 0.41%, and twelve-month up a basis point to 0.69%. As management replaced maturing securities with banking instruments in the 90- and 180-day range, the weighted average maturity of the pool extended six days in June, to 43 days, and the weighted average life extended seven days, to 87 days.

During June, exposure to bank instruments was down 9%, to 29% of the pool, and variable rate instruments remained unchanged at 26% percent of the pool. Fixed-rate commercial paper instruments were down 5%, to 18% of the pool. The pool's repurchase agreement (repo) position was up 5%, to make up 11% of the pool, and investments in other securities, which include money market funds, were up 9%, to 16% of the pool, both in anticipation of seasonal outflows.

FLORIDA PRIME™

FLORIDA PRIME SUMMARY OF CASH FLOWS

June 30, 2013		
Opening Balance (06/01/13)	$	8,009,821,417
Participant Deposits		1,027,228,141
Transfers from Fund B		35,160,000
Gross Earnings		1,414,281
Participant Withdrawals		(1,795,350,735)
Fees		(180,184)
Closing Balance (06/30/13)	$	7,278,092,920
Net Change over Month		(731,728,497)

Valuations based on amortized cost

As shown in the table above, Florida PRIME experienced a net ouflow of $731.7 million during June 2013.

This change in value consisted of positive flows of $1.03 billion in participant deposits, $35.2 million in transfers from Fund B and $1.4 million in earnings. Negative flows consisted of $1.80 billion in participant withdrawals and about $180,000 in fees.

Overall, the fund ended the month with a closing balance of $7.28 billion.

FLORIDA PRIME DETAILED FEE DISCLOSURE

June 30, 2013	Amount	Basis Point Equivalent*
SBA Client Service, Account Mgt. & Fiduciary Oversight Fee	$ 62,869.69	$ 0.99
Federated Investment Management Fee	102,868.50	1.61
BNY Mellon Custodial Fee	116.67	0.00
Bank of America Transfer Agent Fee	5,736.13	0.09
S&P Rating Maintenance Fee	3,287.67	0.05
Audit/External Review Fees	5,305.56	0.08
Total Fees	**$ 180,184.22**	**2.83**

*The basis point equivalent is an annualized rate based on the dollar amount of fees charged for the month times 12, divided by an average of the fund's beginning and ending total value (amortized cost) for the month which was $7,643,957,168.

Visit the Latest News box of the PRIME Website to review the following posts.

The Results of the Annual Participant Satisfaction Survey
The Results of the Fund B Participant Survey
The 2013 Best Practices Review
The 2013 Statutory Legal Compliance Review

https://www.sbafla.com/PRIME

FLORIDA PRIME™

NOTES TO PERFORMANCE TABLE

[1]Net of fees. Participant yield is calculated on a 365-day basis and includes adjustments for expenses and other accounting items to reflect realized earnings by participants.

[2]The net-of-fee benchmark is the S&P AAA/AA Rated GIP All 30-Day Net Index for all time periods.

Net asset value includes investments at market value, plus all cash, accrued interest receivable and payables.

NOTES TO CHART

The 7-Day "SEC" Yield in the chart is calculated in accordance with the yield methodology set forth by SEC rule 2a-7 for money market funds.

The 7-day yield = net income earned over a 7-day period / average units outstanding over the period / 7 times 365.

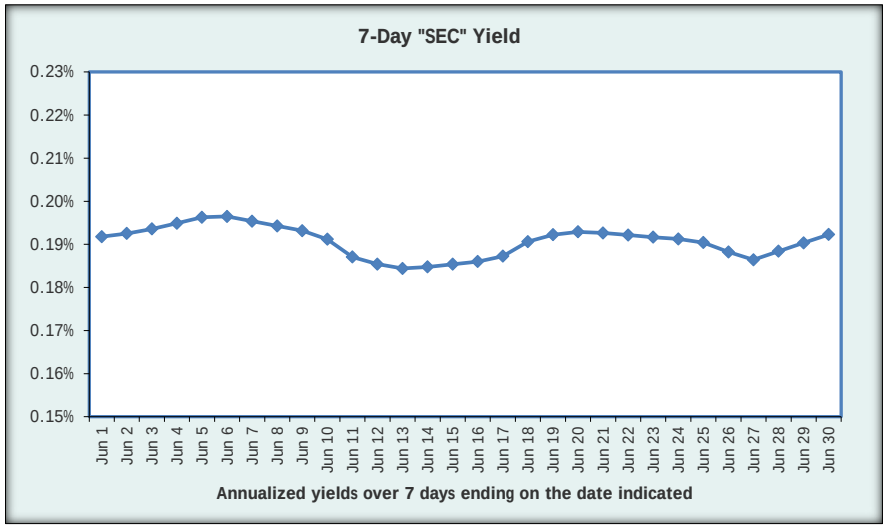
Note that unlike other performance measures, the SEC yield does not include realized gains and losses from sales of securities.

FUND PERFORMANCE THROUGH JUNE 30, 2013

Florida PRIME Participant Performance Data

	Net Participant Yield[1]	Net-of-Fee Benchmark[2]	Above (Below) Benchmark
1 mo	0.21%	0.06%	0.14%
3 mos	0.21%	0.06%	0.15%
12 mos	0.25%	0.08%	0.17%
3 yrs	0.28%	0.10%	0.17%
5 yrs	0.50%	0.37%	0.13%
10 yrs	1.97%	1.78%	0.19%
Since 1.96	3.14%	2.92%	0.22%
	Net asset value at month end:		$7,279.4 m

Florida PRIME 7-Day "SEC" Yields During the Month



For performance comparisons to other short-term investment options, see www.sbafla.com/prime and click on "Pool Performance."

ABOUT ANNUALIZED YIELDS

Performance data in the table and chart is annualized, meaning that the amounts are based on yields for the periods indicated, converted to their equivalent if obtained for a 12-month period.

For example, ignoring the effects of compounding, an investment that earns 0.10% over a 1-month period yields 1.20% on an annualized basis. Likewise, an investment that earns a total of 3.60% over three years yields 1.20% on an annualized basis, ignoring compounding.

FLORIDA PRIME™

INVENTORY OF HOLDINGS
JUNE 30, 2013

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
							$	$	$
Australia & New Zealand Banking Group, Melbourne, Dec 04, 2013	VARIABLE RATE COMMERCIAL PAPER - 4-2	0.42	12/04/13	07/04/13	100,000,000	0.43	100,000,000	99,946,900	(53,100)
BNP Paribas Finance, Inc. CP	COMMERCIAL PAPER		08/05/13		100,000,000	0.26	99,972,556	99,981,460	8,904
BNP Paribas Finance, Inc. CP	COMMERCIAL PAPER		09/06/13		40,000,000	0.24	39,981,333	39,982,136	803
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.26	08/02/13		100,000,000	0.26	100,000,000	100,005,820	5,820
Bank of America N.A. BNOTE	BANK NOTE	0.28	10/03/13		110,000,000	0.28	110,000,000	110,000,000	0
Bank of America N.A. BNOTE	BANK NOTE	0.29	07/12/13		75,000,000	0.29	75,000,000	75,002,618	2,618
Bank of America N.A. BNOTE	BANK NOTE	0.28	09/06/13		80,000,000	0.28	80,000,000	79,999,992	(8)
Bank of America N.A. BNOTE	BANK NOTE	0.27	09/10/13		3,000,000	0.27	3,000,000	2,999,938	(62)
Bank of America N.A. Triparty Repo Overnight Fixed	REPO TRIPARTY OVERNIGHT FIXED	0.15	07/01/13		50,000,000	0.15	50,000,000	50,000,000	0
Bank of Montreal CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.38	10/15/13		100,000,000	0.39	100,000,000	100,060,360	60,360
Bank of Montreal, Jan 16, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.28	01/16/14	07/16/13	130,000,000	0.28	130,000,000	130,022,100	22,100
Bank of Montreal, Mar 14, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.29	03/14/14	09/16/13	75,000,000	0.30	75,000,000	75,016,575	16,575
Bank of Montreal, Sep 16, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.29	09/16/13	09/16/13	100,000,000	0.30	100,000,000	100,035,500	35,500
Bank of Nova Scotia, Toronto, Oct 16, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.19	10/16/13	07/16/13	10,000,000	0.22	10,003,376	10,004,630	1,254
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.12	07/05/13		250,000,000	0.12	250,000,000	250,000,000	0
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.25	07/01/13		100,000,000	0.25	100,000,000	100,000,580	580
Caisse des Depots et Consignations (CDC) CP	COMMERCIAL PAPER		10/08/13		25,000,000	0.28	24,980,521	24,982,718	2,197
Caisse des Depots et Consignations (CDC) CP	COMMERCIAL PAPER		10/11/13		120,000,000	0.27	119,905,500	119,914,248	8,748
Caisse des Depots et Consignations (CDC) CP	COMMERCIAL PAPER		10/15/13		20,000,000	0.25	19,984,861	19,985,084	223

See notes at end of table.

FLORIDA PRIME™

INVENTORY OF HOLDINGS (CONTINUED)
JUNE 30, 2013

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
							$	$	$
Caisse des Depots et Consignations (CDC) CP	COMMERCIAL PAPER		10/16/13		16,000,000	0.27	15,986,800	15,987,941	1,141
Caisse des Depots et Consignations (CDC) CP	COMMERCIAL PAPER		12/03/13		95,000,000	0.25	94,897,849	94,890,627	(7,222)
California Statewide Communities Development Authority, SWEEP Loan Program (Series 2007A), 08/01/2035	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.08	08/01/35	07/03/13	19,300,000	0.08	19,300,000	19,300,000	0
Canadian Imperial Bank of Commerce, Dec 24, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.31	12/24/13	07/24/13	275,000,000	0.32	275,000,000	275,191,675	191,675
Citibank NA, New York CD	CERTIFICATE OF DEPOSIT	0.28	09/26/13		100,000,000	0.28	100,000,000	100,000,000	0
Credit Agricole Corporate and Investment Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.27	08/07/13		47,000,000	0.27	47,000,000	47,003,130	3,130
Credit Agricole Corporate and Investment Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.26	09/10/13		34,000,000	0.26	34,000,000	33,999,300	(700)
Credit Agricole Corporate and Investment Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.28	10/01/13		142,000,000	0.28	142,000,000	142,000,000	0
Credit Suisse, Zurich CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	07/10/13		100,000,000	0.24	100,000,000	100,002,330	2,330
Deutsche Bank AG CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	07/30/13		110,000,000	0.24	110,000,000	110,009,768	9,768
Deutsche Bank Securities, Inc. REP3P	REPO TRIPARTY OVERNIGHT FIXED	0.25	07/01/13		750,000,000	0.25	750,000,000	750,000,000	0
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND	0.01	07/01/13		529,014,960	0.01	529,014,960	529,014,960	0
FCAR Owner Trust, A1+/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		09/16/13		65,500,000	0.29	65,457,789	65,471,907	14,118
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		07/15/13		23,500,000	0.35	23,496,227	23,498,113	1,886
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		08/01/13		60,000,000	0.34	59,981,300	59,990,082	8,782
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		08/07/13		12,935,000	0.26	12,931,263	12,932,370	1,107
FCAR Owner Trust, A1/P1 Series CPABS3A3	COMMERCIAL PAPER - ABS 3A3		09/03/13		3,000,000	0.30	2,998,325	2,998,800	475
Fairway Finance Co. LLC, Jul 22, 2013	VARIABLE RATE COMMERCIAL PAPER-ABS-4(2)	0.22	07/22/13	07/22/13	14,000,000	0.23	14,000,000	14,000,476	476
Fairway Finance Co. LLC, Sep 06, 2013	VARIABLE RATE COMMERCIAL PAPER-ABS-4(2)	0.21	09/06/13	07/08/13	21,200,000	0.22	21,200,000	21,201,124	1,124

See notes at end of table.

FLORIDA PRIME™

INVENTORY OF HOLDINGS (CONTINUED)
JUNE 30, 2013

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
							$	$	$
Federated Prime Cash Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.06	07/01/13	07/01/13	251,562,907	0.04	251,562,907	251,562,907	0
Federated Prime Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.04	07/01/13	07/01/13	276,932,514	0.04	276,932,514	276,932,514	0
General Elec Cap Corp, Sr. Note, 1.875%, 9/16/2013	CORPORATE BOND	1.88	09/16/13		1,350,000	0.28	1,354,690	1,354,336	(354)
General Elec Cap Corp, Sr. Note, 1.875%, 9/16/2013	CORPORATE BOND	1.88	09/16/13		1,000,000	0.41	1,003,207	1,003,212	5
General Elec Cap Corp, Sr. Note, 1.875%, 9/16/2013	CORPORATE BOND	1.88	09/16/13		500,000	0.41	501,604	501,606	2
General Elec Cap Corp, Sr. Note, 1.875%, 9/16/2013	CORPORATE BOND	1.88	09/16/13		24,410,000	0.41	24,488,285	24,488,405	120
General Electric Capital Corp., 3.125%, 3/12/2014	EURO MEDIUM TERM NOTE	3.13	03/12/14		3,000,000	0.35	3,058,441	3,052,092	(6,349)
General Electric Capital Corp., Floating Rate Note - Sr. Note, Series MTN, 04/24/2014	CORPORATE BOND	0.98	04/24/14	07/24/13	1,000,000	0.31	1,005,635	1,005,457	(178)
General Electric Capital Corp., Jun 20, 2014	VARIABLE MEDIUM TERM NOTE	0.41	06/20/14	09/20/13	1,000,000	0.32	1,000,998	1,001,090	92
General Electric Capital Corp., Sep 20, 2013	VARIABLE EURO MEDIUM TERM NOTE	0.27	09/20/13	09/20/13	3,000,000	0.38	2,999,420	2,999,397	(23)
General Electric Capital Corp., Sr. Note, Series MTN, 5.650%, 06/09/2014	CORPORATE BOND	5.65	06/09/14		11,170,000	0.39	11,724,549	11,716,727	(7,822)
General Electric Capital Corp., Sr. Note, Series MTN, 5.650%, 06/09/2014	CORPORATE BOND	5.65	06/09/14		11,170,000	0.41	11,723,237	11,716,727	(6,510)
General Electric Capital Corp., Sr. Unsecd. Note, 5.900%, 05/13/2014	CORPORATE BOND	5.90	05/13/14		21,458,000	0.30	22,504,355	22,471,247	(33,108)
General Electric Capital Corp., Sr. Unsecd. Note, 5.900%, 05/13/2014	CORPORATE BOND	5.90	05/13/14		15,000,000	0.30	15,731,633	15,708,300	(23,333)
General Electric Capital Corp., Sr. Unsecd. Note, 5.900%, 05/13/2014	CORPORATE BOND	5.90	05/13/14		5,000,000	0.30	5,243,801	5,236,100	(7,701)
General Electric Capital Corp., Sr. Unsecd. Note, 5.900%, 05/13/2014	CORPORATE BOND	5.90	05/13/14		3,000,000	0.32	3,146,165	3,141,660	(4,505)
General Electric Capital Corp., Sr. Unsecd. Note, Series MTN, 12/20/2013	CORPORATE BOND	0.39	12/20/13	09/20/13	3,041,000	0.29	3,042,644	3,042,505	(139)
General Electric Capital, Series MTN, 5.5%, 6/04/2014	CORPORATE BOND	5.50	06/04/14		1,345,000	0.38	1,409,163	1,408,008	(1,156)
General Electric Capital, Series MTN, 5.5%, 6/04/2014	CORPORATE BOND	5.50	06/04/14		11,500,000	0.40	12,045,563	12,038,729	(6,834)

See notes at end of table.

FLORIDA PRIME™

INVENTORY OF HOLDINGS (CONTINUED)
JUNE 30, 2013

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
							$	$	$
General Electric Capital, Sr. Unsecd. Note, 5.4%, 9/20/2013	CORPORATE BOND	5.40	09/20/13		1,670,000	0.41	1,689,115	1,688,639	(476)
Gibson County, IN, (Toyota Motor Manufacturing, Indiana, Inc.), (Series 1998), 01/01/2028	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.08	01/01/28	07/03/13	10,000,000	0.08	10,000,000	10,000,000	0
Illinois Finance Authority, (Northwest Community Hospital), (Series 2008B), 07/01/2032	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.08	07/01/32	07/04/13	37,750,000	0.08	37,750,000	37,750,000	0
JPMorgan Chase Bank, N.A. CD	CERTIFICATE OF DEPOSIT	0.38	05/15/14		50,000,000	0.38	50,000,000	49,999,920	(80)
JPMorgan Chase Bank, N.A. CD	CERTIFICATE OF DEPOSIT	0.22	12/12/13		100,000,000	0.22	100,000,000	100,000,000	0
JPMorgan Chase Bank, N.A., Jul 07, 2014	VARIABLE RATE BANK NOTE	0.35	07/07/14	09/09/13	15,000,000	0.36	15,000,000	14,997,900	(2,100)
JPMorgan Chase Bank, N.A., Jun 06, 2014	VARIABLE RATE BANK NOTE	0.35	06/06/14	09/09/13	20,000,000	0.36	20,000,000	20,000,000	0
Long Island Power Authority, NY, (Series 3A), 05/01/2033	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.08	05/01/33	07/03/13	16,900,000	0.08	16,900,000	16,900,000	0
Mizuho Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.22	09/12/13		50,000,000	0.22	50,000,000	49,997,695	(2,305)
Mizuho Funding LLC CP4-2	COMMERCIAL PAPER - 4-2		08/01/13		50,000,000	0.24	49,988,903	49,991,390	2,487
Mullenix-St. Charles Properties, L.P., Times Centre Apartments Project Series 2004, Jan 01, 2028	VARIABLE RATE DEMAND NOTE	0.17	01/01/28	07/04/13	13,500,000	0.17	13,500,000	13,500,000	0
NRW Bank CP	COMMERCIAL PAPER		07/03/13		248,000,000	0.10	247,996,728	247,996,074	(654)
Putnam County, WV County Commission, (Toyota Motor Manufacturing, West Virginia, Inc.), (1998 Series A), 06/01/2028	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.08	06/01/28	07/03/13	4,100,000	0.08	4,100,000	4,100,000	0
Royal Bank of Canada, Montreal, Feb 03, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.32	02/03/14	07/01/13	75,000,000	0.32	75,000,000	75,050,550	50,550
Royal Bank of Canada, Montreal, Feb 10, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.32	02/10/14	07/01/13	50,000,000	0.32	50,000,000	50,034,800	34,800
Royal Bank of Canada, Montreal, Feb 21, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.31	02/21/14	07/01/13	83,000,000	0.31	83,000,000	83,055,444	55,444
Royal Bank of Canada, Montreal, Jul 02, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.37	07/02/14	10/01/13	30,000,000	0.38	30,000,000	30,008,100	8,100
Royal Bank of Canada, Montreal, Jul 03, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.33	07/03/14	07/04/13	160,000,000	0.34	160,000,000	160,086,880	86,880
Societe Generale North America, Inc. CP	COMMERCIAL PAPER		07/02/13		90,000,000	0.31	89,996,900	89,998,596	1,696

See notes at end of table.

INVENTORY OF HOLDINGS (CONTINUED)
JUNE 30, 2013

Security Name	Security Classification	Cpn/ Disc	Maturity	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
							$	$	$
Societe Generale, Paris CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.27	08/15/13		148,200,000	0.27	148,200,000	148,209,855	9,855
St. Andrew United Methodist Church, Series 2004, Jul 01, 2029	VARIABLE RATE DEMAND NOTE	0.20	07/01/29	07/04/13	9,140,000	0.20	9,140,000	9,140,000	0
State Street Bank and Trust Co., Jul 18, 2014	VARIABLE RATE BANK NOTE	0.34	07/18/14	09/18/13	125,000,000	0.33	125,000,000	124,997,875	(2,125)
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	08/01/13		200,000,000	0.24	200,000,000	200,005,640	5,640
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.23	07/23/13		25,000,000	0.23	25,000,000	25,000,693	693
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	09/09/13		150,000,000	0.24	150,000,000	149,996,940	(3,060)
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	10/04/13		10,000,000	0.24	10,000,000	9,999,455	(545)
Texas State, (Series 2012B), 12/01/2042	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.06	12/01/42	07/03/13	11,400,000	0.06	11,400,000	11,400,000	0
Toronto Dominion Bank, Jul 26, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.28	07/26/13	07/26/13	50,000,000	0.28	50,000,000	50,010,950	10,950
Toronto Dominion Bank, Jun 17, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.24	06/17/14	07/17/13	100,000,000	0.24	100,000,000	99,999,800	(200)
Toronto Dominion Bank, Sep 13, 2013	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.27	09/13/13	09/13/13	125,000,000	0.28	125,000,000	125,064,375	64,375
Toyota Motor Credit Corp. CP	COMMERCIAL PAPER		09/06/13		100,000,000	0.25	99,951,389	99,978,610	27,221
Toyota Motor Credit Corp. CP	COMMERCIAL PAPER		09/16/13		80,000,000	0.27	79,952,000	79,976,888	24,888
Toyota Motor Credit Corp. CP	COMMERCIAL PAPER		09/17/13		183,000,000	0.27	182,888,828	182,945,649	56,822
Wells Fargo Bank, N.A., Jul 18, 2014	VARIABLE RATE BANK NOTE	0.32	07/18/14	09/20/13	100,000,000	0.29	100,000,000	100,016,200	16,200
Westpac Banking Corp. Ltd., Sydney, Jul 08, 2013	VARIABLE RATE COMMERCIAL PAPER - 4-2	0.24	07/08/13	07/08/13	100,000,000	0.25	100,000,000	100,001,200	1,200
Total Value of Investments					**7,273,549,381**		**$7,277,025,333**	**$7,277,714,396**	**$689,063**

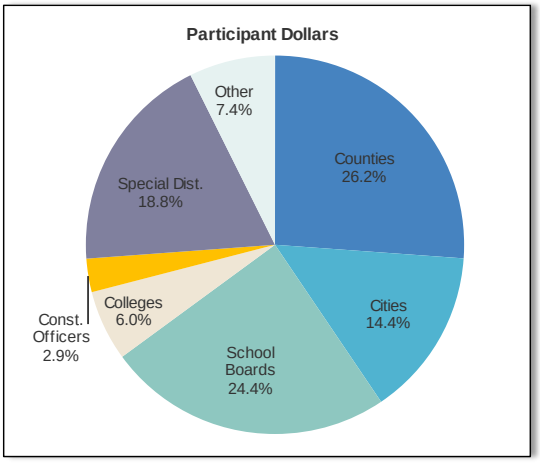
Notes: The data included in this report is unaudited. Amounts above are the value of investments. Income accruals, payables and uninvested cash are not included. Amortizations/accretions are reported with a one-day lag in the above valuations.

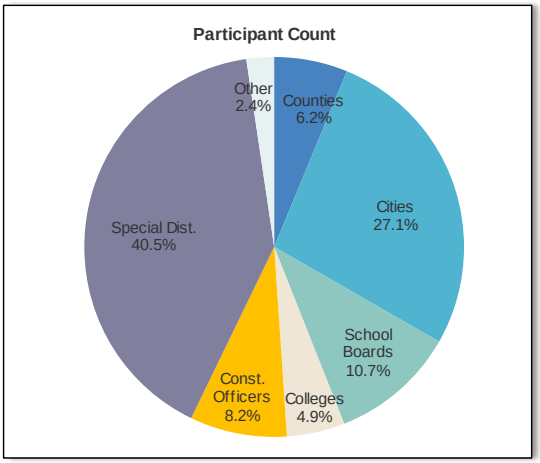
[1] Market values of the portfolio securities are provided by the custodian, BNY Mellon. The portfolio manager, Federated Investment Counseling, is the source for other data shown above.

[2] Amortized cost is calculated using a straight line method.

PARTICIPANT CONCENTRATION DATA - JUNE 30, 2013

Participant Balance	Share of Total Fund	Share of Participant Count	Participant Balance	Share of Total Fund	Share of Participant Count
All Participants	**100.0%**	**100.0%**	**Colleges & Universities**	**6.0%**	**4.9%**
Top 10	38.2%	1.2%	Top 10	5.4%	1.2%
$100 million or more	55.4%	2.2%	$100 million or more	2.9%	0.1%
$10 million up to $100 million	36.4%	10.5%	$10 million up to $100 million	2.5%	1.1%
$1 million up to $10 million	7.3%	17.9%	$1 million up to $10 million	0.6%	1.3%
Under $1 million	0.9%	69.4%	Under $1 million	0.01%	2.5%
Counties	**26.2%**	**6.2%**	**Constitutional Officers**	**2.9%**	**8.2%**
Top 10	21.7%	1.2%	Top 10	1.3%	1.2%
$100 million or more	18.1%	0.8%	$100 million or more	0.0%	0.0%
$10 million up to $100 million	7.5%	1.5%	$10 million up to $100 million	2.1%	0.6%
$1 million up to $10 million	0.5%	1.1%	$1 million up to $10 million	0.7%	1.6%
Under $1 million	0.0%	2.8%	Under $1 million	0.1%	6.0%
Municipalities	**14.4%**	**27.1%**	**Special Districts**	**18.8%**	**40.5%**
Top 10	8.6%	1.2%	Top 10	14.1%	1.2%
$100 million or more	3.2%	0.2%	$100 million or more	9.0%	0.4%
$10 million up to $100 million	8.6%	2.5%	$10 million up to $100 million	7.5%	2.0%
$1 million up to $10 million	2.3%	5.6%	$1 million up to $10 million	1.8%	4.9%
Under $1 million	0.3%	18.7%	Under $1 million	0.4%	33.2%
School Boards	**24.4%**	**10.7%**	**Other**	**7.4%**	**2.4%**
Top 10	20.7%	1.2%	Top 10	7.0%	1.2%
$100 million or more	17.4%	0.5%	$100 million or more	4.7%	0.2%
$10 million up to $100 million	5.8%	2.1%	$10 million up to $100 million	2.3%	0.7%
$1 million up to $10 million	1.0%	2.6%	$1 million up to $10 million	0.4%	0.7%
Under $1 million	0.1%	5.5%	Under $1 million	0.0%	0.7%





Total Fund Value: $7,278,092,920

Total Participant Count: 850

FLORIDA PRIME COMPLIANCE WITH INVESTMENT POLICY - JUNE 2013

As investment manager, Federated monitors compliance daily on Florida PRIME to ensure that investment practices comply with the requirements of the Investment Policy Statement (IPS). Federated provides a monthly compliance report to the SBA and is required to notify the Investment Oversight Group (IOG) of compliance exceptions within 24 hours of identification. The IOG meets monthly and on an ad hoc basis to review compliance exceptions, to document responses to exceptions, and to formally escalate recommendations for approval by the Executive Director & CIO. The IOG also reviews the Federated compliance report each month, as well as, the results of independent compliance testing conducted by SBA Risk Management and Compliance. Minutes from the IOG meetings are posted to the Florida PRIME website.

In addition to the compliance testing performed by Federated, the SBA conducts independent testing on Florida PRIME using a risk-based approach. Under this approach, each IPS parameter is ranked as "High" or "Low" with respect to the level of risk associated with a potential guideline breach. IPS parameters with risk rankings of "High" are subject to independent verification by SBA Risk Management and Compliance. These rankings, along with the frequency for testing, are reviewed and approved by the IOG on an annual basis or more often if market conditions dictate. Additionally, any parameter reported in "Fail" status on the Federated compliance report, regardless of risk ranking, is also independently verified and escalated accordingly. The results of independent testing are currently reported monthly to the IOG.

Test by Source	Pass/Fail
Florida PRIME's Investment Policy	
Securities must be USD denominated.	Pass
Ratings requirements	
The Pool must purchase exclusively first-tier securities. Securities purchased with short-term ratings by an NRSRO, or comparable in quality and security to other obligations of the issuer that have received short-term ratings from an NRSRO, are eligible if they are in one of the two highest rating categories.	Pass
Securities purchased that do not have short-term ratings must have a long-term rating in one of the three highest long-term rating categories.	Pass
Commercial Paper must be rated by at least one short-term NRSRO.	Pass
Repurchase Agreement Counterparties must be rated by S&P	Pass
S&P Weighted Average Life - maximum 90 days [1]	Pass
Maturity	
Securities, excluding Government floating rate notes/variable rate notes, purchased did not have a maturity in excess of 397 days.	Pass
Government floating rate notes/variable rate notes purchased did not have a maturity in excess of 762 days.	Pass
The Pool must maintain a Spread WAM of 120 days or less.	Pass
Issuer Diversification	
First-tier issuers (limit does not apply to cash, cash items, U.S. Government securities refunded securities and repo collateralized by these securities) are limited, at the time of purchase, to 5% of the Pool's total assets. [2]	Pass
Demand Feature and Guarantor Diversification	
First-tier securities issued by or subject to demand features and guarantees of a non-controlled person, at time of purchase, are limited to 10% with respect to 75% of the Pool's total assets.	Pass
First-tier securities issued by or subject to demand features and guarantees of a control person, at time of purchase, are limited to 10% with respect to the Pool's total assets.	Pass
Money Market Mutual Funds	
The account, at time of purchase, will not have exposure to any one Money Market Mutual Fund in excess of 10% of the Pool's total assets.	Pass
Concentration Tests	
The account, at time of purchase, will not have exposure to an industry sector, excluding the financial services industry, in excess of 25% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to any single Government Agency in excess of 33.33% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to illiquid securities in excess of 5% of the Pool's total assets.	Pass
The account, at time of purchase, will invest at least 10% of the Pool's total assets in securities accessible within one business day.	Pass
The account, at time of purchase, will invest at least 30% of the Pool's total assets in securities accessible within five business days. [3]	Pass
S&P Requirements	
The Pool must maintain a Dollar Weighted Average Maturity of 60 days or less.	Pass
The account, at time of purchase, will invest at least 50% of the Pool's total assets in Securities in Highest Rating Category (A-1+ or equivalent) .	Pass

[1] The fund may use floating rate government securities to extend the limit up to 120 days

[2] This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to liquidate positions if the exposure in excess of the specified percentage is caused by

[3] This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to take immediate corrective measures if asset movements cause the exposure to be below the specified percentage.

FLORIDA PRIME™

TRADING ACTIVITY FOR JUNE 2013

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Buys					$	$	$	$
BNP PARIBAS FINANCE, INC,	09/06/13	06/10/13	06/10/13	40,000,000	39,976,533	-	39,976,533	-
BANK OF AMERICA N,ABNOTE	10/03/13	06/25/13	06/25/13	10,000,000	10,000,000	-	10,000,000	-
BANK OF AMERICA N,ABNOTE	10/03/13	06/25/13	06/25/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF AMERICA N,ABNOTE	10/03/13	06/25/13	06/25/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF AMERICA N,ABNOTE	09/10/13	06/07/13	06/07/13	3,000,000	3,000,000	-	3,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/28/13	06/21/13	06/21/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/28/13	06/21/13	06/21/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/28/13	06/21/13	06/21/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	07/05/13	06/28/13	06/28/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	07/05/13	06/28/13	06/28/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	07/05/13	06/28/13	06/28/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	07/05/13	06/28/13	06/28/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	07/05/13	06/28/13	06/28/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/14/13	06/07/13	06/07/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/14/13	06/07/13	06/07/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/14/13	06/07/13	06/07/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/14/13	06/07/13	06/07/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/18/13	06/11/13	06/11/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/18/13	06/11/13	06/11/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/21/13	06/14/13	06/14/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/21/13	06/14/13	06/14/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/25/13	06/18/13	06/18/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/25/13	06/18/13	06/18/13	50,000,000	50,000,000	-	50,000,000	-
CITIBANK NA, NEW YOCD	09/26/13	06/25/13	06/25/13	50,000,000	50,000,000	-	50,000,000	-
CITIBANK NA, NEW YOCD	09/26/13	06/25/13	06/25/13	50,000,000	50,000,000	-	50,000,000	-
CREDIT AGRICOLE CORCDYAN	09/10/13	06/10/13	06/10/13	34,000,000	34,000,000	-	34,000,000	-
CREDIT AGRICOLE CORCDYAN	10/01/13	06/27/13	06/28/13	50,000,000	50,000,000	-	50,000,000	-
CREDIT AGRICOLE CORCDYAN	10/01/13	06/27/13	06/28/13	50,000,000	50,000,000	-	50,000,000	-
CREDIT AGRICOLE CORCDYAN	10/01/13	06/27/13	06/28/13	42,000,000	42,000,000	-	42,000,000	-
DEUTSCHE BANK AGCDYAN	06/26/13	06/19/13	06/19/13	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK AGCDYAN	06/26/13	06/19/13	06/19/13	50,000,000	50,000,000	-	50,000,000	-
GENERAL ELECTRIC CAPITAL CORP	06/20/14	06/24/13	06/26/13	1,000,000	1,001,004	69	1,001,072	-
GENERAL ELECTRIC CAPITAL CORP	06/04/14	06/21/13	06/26/13	1,345,000	1,409,540	4,521	1,414,061	-
GENERAL ELECTRIC CAPITAL CORP	06/04/14	06/24/13	06/27/13	11,500,000	12,047,163	40,410	12,087,572	-
GENERAL ELECTRIC CAPITAL CORP	04/24/14	06/24/13	06/27/13	1,000,000	1,005,654	1,734	1,007,388	-
GENERAL ELECTRIC CAPITAL CORP	06/09/14	06/24/13	06/27/13	11,170,000	11,726,152	31,555	11,757,707	-
GENERAL ELECTRIC CAPITAL CORP	06/09/14	06/24/13	06/27/13	11,170,000	11,724,836	31,555	11,756,391	-
GENERAL ELECTRIC CAPITAL CORP	12/20/13	06/24/13	06/26/13	3,041,000	3,042,663	199	3,042,862	-
JPMORGAN CHASE BANKCD	12/12/13	06/12/13	06/12/13	50,000,000	50,000,000	-	50,000,000	-
JPMORGAN CHASE BANKCD	12/12/13	06/12/13	06/12/13	50,000,000	50,000,000	-	50,000,000	-
LLOYDS TSB BANK PLCCP	06/27/13	06/26/13	06/26/13	50,000,000	49,999,882	-	49,999,882	-
LLOYDS TSB BANK PLCCP	06/27/13	06/26/13	06/26/13	50,000,000	49,999,882	-	49,999,882	-
LLOYDS TSB BANK PLCCP	06/27/13	06/26/13	06/26/13	50,000,000	49,999,882	-	49,999,882	-
LLOYDS TSB BANK PLCCP	06/27/13	06/26/13	06/26/13	50,000,000	49,999,882	-	49,999,882	-
LLOYDS TSB BANK PLCCP	06/27/13	06/26/13	06/26/13	50,000,000	49,999,882	-	49,999,882	-
MIZUHO CORPORATE BACDYAN	06/11/13	06/04/13	06/04/13	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	06/11/13	06/04/13	06/04/13	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	06/11/13	06/04/13	06/04/13	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	09/12/13	06/13/13	06/13/13	50,000,000	50,000,000	306	50,000,305	-
MIZUHO CORPORATE BACDYAN	06/20/13	06/13/13	06/13/13	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	06/20/13	06/13/13	06/13/13	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	06/20/13	06/13/13	06/13/13	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	06/20/13	06/13/13	06/13/13	45,000,000	45,000,000	-	45,000,000	-
MIZUHO CORPORATE BACDYAN	06/20/13	06/13/13	06/13/13	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	06/20/13	06/13/13	06/13/13	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	06/27/13	06/20/13	06/20/13	50,000,000	50,000,000	-	50,000,000	-

FLORIDA PRIME™

TRADING ACTIVITY FOR JUNE 2013 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Buys (continued)					$	$	$	$
MIZUHO CORPORATE BACDYAN	06/27/13	06/20/13	06/20/13	10,000,000	10,000,000	-	10,000,000	-
MIZUHO CORPORATE BACDYAN	06/27/13	06/20/13	06/20/13	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	06/27/13	06/20/13	06/20/13	50,000,000	50,000,000	-	50,000,000	-
MIZUHO CORPORATE BACDYAN	06/27/13	06/20/13	06/20/13	50,000,000	50,000,000	-	50,000,000	-
NRW BANK	06/12/13	06/05/13	06/05/13	50,000,000	49,998,882	-	49,998,882	-
NRW BANK	06/12/13	06/05/13	06/05/13	50,000,000	49,998,882	-	49,998,882	-
NRW BANK	06/12/13	06/05/13	06/05/13	50,000,000	49,998,882	-	49,998,882	-
NRW BANK	06/12/13	06/05/13	06/05/13	50,000,000	49,998,882	-	49,998,882	-
NRW BANK	06/12/13	06/05/13	06/05/13	50,000,000	49,998,882	-	49,998,882	-
NRW BANK	06/12/13	06/05/13	06/05/13	50,000,000	49,998,882	-	49,998,882	-
NRW BANK	06/12/13	06/05/13	06/05/13	50,000,000	49,998,882	-	49,998,882	-
NRW BANK	06/18/13	06/12/13	06/12/13	50,000,000	49,999,125	-	49,999,125	-
NRW BANK	06/18/13	06/12/13	06/12/13	50,000,000	49,999,125	-	49,999,125	-
NRW BANK	06/18/13	06/12/13	06/12/13	18,000,000	17,999,685	-	17,999,685	-
NRW BANK	06/18/13	06/12/13	06/12/13	50,000,000	49,999,125	-	49,999,125	-
NRW BANK	06/18/13	06/12/13	06/12/13	50,000,000	49,999,125	-	49,999,125	-
NRW BANK	06/26/13	06/19/13	06/19/13	50,000,000	49,998,979	-	49,998,979	-
NRW BANK	06/26/13	06/19/13	06/19/13	50,000,000	49,998,979	-	49,998,979	-
NRW BANK	06/26/13	06/19/13	06/19/13	50,000,000	49,998,979	-	49,998,979	-
NRW BANK	06/26/13	06/19/13	06/19/13	50,000,000	49,998,979	-	49,998,979	-
NRW BANK	06/26/13	06/19/13	06/19/13	50,000,000	49,998,979	-	49,998,979	-
NRW BANK	07/03/13	06/27/13	06/27/13	50,000,000	49,999,209	-	49,999,209	-
NRW BANK	07/03/13	06/27/13	06/27/13	50,000,000	49,999,209	-	49,999,209	-
NRW BANK	07/03/13	06/27/13	06/27/13	48,000,000	47,999,240	-	47,999,240	-
NRW BANK	07/03/13	06/27/13	06/27/13	50,000,000	49,999,209	-	49,999,209	-
NRW BANK	07/03/13	06/27/13	06/27/13	50,000,000	49,999,209	-	49,999,209	-
STARBIRD FUNDING COCPABS4	06/07/13	06/06/13	06/06/13	50,000,000	49,999,875	-	49,999,875	-
STARBIRD FUNDING COCPABS4	06/07/13	06/06/13	06/06/13	5,000,000	4,999,988	-	4,999,988	-
SUMITOMO MITSUI BANCDYAN	10/04/13	06/04/13	06/04/13	10,000,000	10,000,000	-	10,000,000	-
SURREY FUNDING CORPCPABS4	06/06/13	06/05/13	06/05/13	50,000,000	49,999,861	-	49,999,861	-
SURREY FUNDING CORPCPABS4	06/06/13	06/05/13	06/05/13	39,000,000	38,999,892	-	38,999,892	-
TORONTO-DOMINION BANK/NY	06/17/14	06/17/13	06/17/13	50,000,000	50,000,000	-	50,000,000	-
TORONTO-DOMINION BANK/NY	06/17/14	06/17/13	06/17/13	50,000,000	50,000,000	-	50,000,000	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/04/13	06/04/13	1,093,422	1,093,422	-	1,093,422	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/06/13	06/06/13	4,061,846	4,061,846	-	4,061,846	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/10/13	06/10/13	294,326	294,326	-	294,326	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/11/13	06/11/13	4,798,249	4,798,249	-	4,798,249	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/12/13	06/12/13	2,353,211	2,353,211	-	2,353,211	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/13/13	06/13/13	2,787,780	2,787,780	-	2,787,780	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/14/13	06/14/13	10,100,046	10,100,046	-	10,100,046	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/19/13	06/19/13	9,295,836	9,295,836	-	9,295,836	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/21/13	06/21/13	68,962	68,962	-	68,962	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/24/13	06/24/13	3,504,631	3,504,631	-	3,504,631	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/26/13	06/26/13	102,668,690	102,668,690	-	102,668,690	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/28/13	06/28/13	524,265,294	524,265,294	-	524,265,294	-
GENERAL ELECTRIC CAPITAL CORP	03/12/14	06/21/13	06/26/13	3,000,000	3,058,896	27,083	3,085,979	-
FEDERATED PRIME CASH OBLIGATIONS FUND	10/01/40	06/01/13	06/01/13	12,029	12,029	-	12,029	-
FEDERATED PRIME OBLIGATIONS FUND	10/01/40	06/01/13	06/01/13	13,745	13,745	-	13,745	-
DEUTSCHE BANK	06/04/13	06/03/13	06/03/13	250,000,000	250,000,000	-	250,000,000	-
BANK OF AMERICA TRIPARTY	06/04/13	06/03/13	06/03/13	295,000,000	295,000,000	-	295,000,000	-
DEUTSCHE BANK	06/05/13	06/04/13	06/04/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	06/05/13	06/04/13	06/04/13	300,000,000	300,000,000	-	300,000,000	-
DEUTSCHE BANK	06/06/13	06/05/13	06/05/13	350,000,000	350,000,000	-	350,000,000	-
BANK OF AMERICA TRIPARTY	06/06/13	06/05/13	06/05/13	130,000,000	130,000,000	-	130,000,000	-
DEUTSCHE BANK	06/07/13	06/06/13	06/06/13	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	06/07/13	06/06/13	06/06/13	325,000,000	325,000,000	-	325,000,000	-

FLORIDA PRIME™

TRADING ACTIVITY FOR JUNE 2013 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Buys (continued)					$	$	$	$
DEUTSCHE BANK	06/10/13	06/07/13	06/07/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	06/10/13	06/07/13	06/07/13	340,000,000	340,000,000	-	340,000,000	-
DEUTSCHE BANK	06/11/13	06/10/13	06/10/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	06/11/13	06/10/13	06/10/13	435,000,000	435,000,000	-	435,000,000	-
DEUTSCHE BANK	06/12/13	06/11/13	06/11/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	06/12/13	06/11/13	06/11/13	410,000,000	410,000,000	-	410,000,000	-
DEUTSCHE BANK	06/13/13	06/12/13	06/12/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	06/13/13	06/12/13	06/12/13	520,000,000	520,000,000	-	520,000,000	-
DEUTSCHE BANK	06/14/13	06/13/13	06/13/13	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	06/14/13	06/13/13	06/13/13	115,000,000	1,150,000	-	115,000,000	-
DEUTSCHE BANK	06/17/13	06/14/13	06/14/13	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	06/17/13	06/14/13	06/14/13	40,000,000	40,000,000	-	40,000,000	-
DEUTSCHE BANK	06/18/13	06/17/13	06/17/13	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	06/18/13	06/17/13	06/17/13	295,000,000	295,000,000	-	295,000,000	-
DEUTSCHE BANK	06/19/13	06/18/13	06/18/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	06/19/13	06/18/13	06/18/13	365,000,000	365,000,000	-	365,000,000	-
DEUTSCHE BANK	06/20/13	06/19/13	06/19/13	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	06/20/13	06/19/13	06/19/13	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK	06/21/13	06/20/13	06/20/13	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	06/21/13	06/20/13	06/20/13	220,000,000	220,000,000	-	220,000,000	-
DEUTSCHE BANK	06/24/13	06/21/13	06/21/13	250,000,000	250,000,000	-	250,000,000	-
BANK OF AMERICA TRIPARTY	06/24/13	06/21/13	06/21/13	210,000,000	210,000,000	-	210,000,000	-
DEUTSCHE BANK	06/25/13	06/24/13	06/24/13	350,000,000	350,000,000	-	350,000,000	-
BANK OF AMERICA TRIPARTY	06/25/13	06/24/13	06/24/13	130,000,000	130,000,000	-	130,000,000	-
DEUTSCHE BANK	06/26/13	06/25/13	06/25/13	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	06/26/13	06/25/13	06/25/13	270,000,000	270,000,000	-	270,000,000	-
DEUTSCHE BANK	06/27/13	06/26/13	06/26/13	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	06/27/13	06/26/13	06/26/13	430,000,000	430,000,000	-	430,000,000	-
DEUTSCHE BANK	06/28/13	06/27/13	06/27/13	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	06/28/13	06/27/13	06/27/13	445,000,000	445,000,000	-	445,000,000	-
DEUTSCHE BANK	07/01/13	06/28/13	06/28/13	750,000,000	750,000,000	-	750,000,000	-
BANK OF AMERICA TRIPARTY	07/01/13	06/28/13	06/28/13	50,000,000	50,000,000	-	50,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130621	06/21/13	06/20/13	06/20/13	370,000,000	370,000,000	-	370,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130625	06/25/13	06/24/13	06/24/13	365,000,000	365,000,000	-	365,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130626	06/26/13	06/25/13	06/25/13	370,000,000	370,000,000	-	370,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130604	06/04/13	06/03/13	06/03/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.1 20130605	06/05/13	06/04/13	06/04/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130606	06/06/13	06/05/13	06/05/13	395,000,000	395,000,000	-	395,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130607	06/07/13	06/06/13	06/06/13	395,000,000	395,000,000	-	395,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130610	06/10/13	06/07/13	06/07/13	400,000,000	400,000,000	-	400,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130611	06/11/13	06/10/13	06/10/13	400,000,000	400,000,000	-	400,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130612	06/12/13	06/11/13	06/11/13	400,000,000	400,000,000	-	400,000,000	-

FLORIDA PRIME™

TRADING ACTIVITY FOR JUNE 2013 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Buys (continued)					$	$	$	$
SVENSKA HANDELSBANKTDCAY 0.09 20130613	06/13/13	06/12/13	06/12/13	400,000,000	400,000,000	-	400,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130614	06/14/13	06/13/13	06/13/13	395,000,000	395,000,000	-	395,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130617	06/17/13	06/14/13	06/14/13	385,000,000	385,000,000	-	385,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130618	06/18/13	06/17/13	06/17/13	370,000,000	370,000,000	-	370,000,000	-
SVENSKA HANDELSBANKTDCAY 0.1 20130619	06/19/13	06/18/13	06/18/13	375,000,000	375,000,000	-	375,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130620	06/20/13	06/19/13	06/19/13	370,000,000	370,000,000	-	370,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130624	06/24/13	06/21/13	06/21/13	365,000,000	365,000,000	-	365,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130627	06/27/13	06/26/13	06/26/13	365,000,000	365,000,000	-	365,000,000	-
SVENSKA HANDELSBANKTDCAY 0.08 20130628	06/28/13	06/27/13	06/27/13	370,000,000	370,000,000	-	370,000,000	-
Total Buys				**25,527,544,067**	**$25,415,438,860**	**$137,431**	**$25,529,426,291**	**$0**
Maturities								
ANZ NATIONAL (INT'LCP4-2	06/04/13	06/04/13	06/04/13	100,000,000	100,000,000	-	100,000,000	-
ANZ NATIONAL (INT'LCP4-2	06/10/13	06/10/13	06/10/13	100,000,000	100,000,000	-	100,000,000	-
BANK OF AMERICA N,ABNOTE	06/06/13	06/06/13	06/06/13	10,000,000	10,000,000	-	10,000,000	-
BANK OF AMERICA N,ABNOTE	06/25/13	06/25/13	06/25/13	225,000,000	225,000,000	-	225,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/28/13	06/28/13	06/28/13	50,000,000	50,000,000	-	50,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/28/13	06/28/13	06/28/13	100,000,000	100,000,000	-	100,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/07/13	06/07/13	06/07/13	300,000,000	300,000,000	-	300,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/14/13	06/14/13	06/14/13	200,000,000	200,000,000	-	200,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/18/13	06/18/13	06/18/13	100,000,000	100,000,000	-	100,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/21/13	06/21/13	06/21/13	100,000,000	100,000,000	-	100,000,000	-
BANK OF TOKYO-MITSUCDYAN	06/25/13	06/25/13	06/25/13	100,000,000	100,000,000	-	100,000,000	-
STANDARD CHARTERED CDEUR	06/26/13	06/26/13	06/26/13	200,000,000	200,000,000	-	200,000,000	-
CREDIT AGRICOLE CORCDYAN	06/04/13	06/04/13	06/04/13	40,000,000	40,000,000	-	40,000,000	-
DEUTSCHE BANK AGCDYAN	06/26/13	06/26/13	06/26/13	100,000,000	100,000,000	-	100,000,000	-
DEUTSCHE BANK AGCDYAN	06/06/13	06/06/13	06/06/13	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK AGCDYAN	06/12/13	06/12/13	06/12/13	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK AGCDYAN	06/27/13	06/27/13	06/27/13	100,000,000	100,000,000	-	100,000,000	-
FAIRWAY FINANCE LLC	06/10/13	06/10/13	06/10/13	30,000,000	30,000,000	-	30,000,000	-
FAIRWAY FINANCE LLC	06/17/13	06/17/13	06/17/13	50,000,000	50,000,000	-	50,000,000	-
FAIRWAY FINANCE LLC	06/18/13	06/18/13	06/18/13	75,000,000	75,000,000	-	75,000,000	-
ING (U,S,) FUNDING CP	06/06/13	06/06/13	06/06/13	13,000,000	13,000,000	-	13,000,000	-
JPMORGAN CHASE COCP	06/12/13	06/12/13	06/12/13	100,000,000	100,000,000	-	100,000,000	-
LLOYDS TSB BANK PLCCP	06/27/13	06/27/13	06/27/13	250,000,000	250,000,000	-	250,000,000	-
MIZUHO FUNDING LLCCP4-2	06/13/13	06/13/13	06/13/13	100,000,000	100,000,000	-	100,000,000	-
MIZUHO CORPORATE BACDYAN	06/13/13	06/13/13	06/13/13	100,000,000	100,000,000	-	100,000,000	-
MIZUHO CORPORATE BACDYAN	06/04/13	06/04/13	06/04/13	100,000,000	100,000,000	-	100,000,000	-
MIZUHO CORPORATE BACDYAN	06/11/13	06/11/13	06/11/13	150,000,000	150,000,000	-	150,000,000	-
MIZUHO CORPORATE BACDYAN	06/20/13	06/20/13	06/20/13	295,000,000	295,000,000	-	295,000,000	-
MIZUHO CORPORATE BACDYAN	06/27/13	06/27/13	06/27/13	210,000,000	210,000,000	-	210,000,000	-
NRW,BANKCP	06/04/13	06/04/13	06/04/13	200,000,000	200,000,000	-	200,000,000	-
NRW BANK	06/05/13	06/05/13	06/05/13	200,000,000	200,000,000	-	200,000,000	-
NRW BANK	06/12/13	06/12/13	06/12/13	350,000,000	350,000,000	-	350,000,000	-
NRW BANK	06/18/13	06/18/13	06/18/13	218,000,000	218,000,000	-	218,000,000	-
NRW BANK	06/26/13	06/26/13	06/26/13	250,000,000	250,000,000	-	250,000,000	-
STARBIRD FUNDING COCPABS4	06/07/13	06/07/13	06/07/13	55,000,000	55,000,000	-	55,000,000	-
SURREY FUNDING CORPCPABS4	06/06/13	06/06/13	06/06/13	89,000,000	89,000,000	-	89,000,000	-
TORONTO DOMINION BACDYAN	06/17/13	06/17/13	06/17/13	100,000,000	100,000,000	-	100,000,000	-

FLORIDA PRIME™

TRADING ACTIVITY FOR JUNE 2013 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Maturities (continued)					$	$	$	$
DEUTSCHE BANK	06/03/13	06/03/13	06/03/13	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	06/03/13	06/03/13	06/03/13	65,000,000	65,000,000	-	65,000,000	-
DEUTSCHE BANK	06/04/13	06/04/13	06/04/13	250,000,000	250,000,000	-	250,000,000	-
BANK OF AMERICA TRIPARTY	06/04/13	06/04/13	06/04/13	295,000,000	295,000,000	-	295,000,000	-
DEUTSCHE BANK	06/05/13	06/05/13	06/05/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	06/05/13	06/05/13	06/05/13	300,000,000	300,000,000	-	300,000,000	-
DEUTSCHE BANK	06/06/13	06/06/13	06/06/13	350,000,000	350,000,000	-	350,000,000	-
BANK OF AMERICA TRIPARTY	06/06/13	06/06/13	06/06/13	130,000,000	130,000,000	-	130,000,000	-
DEUTSCHE BANK	06/07/13	06/07/13	06/07/13	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	06/07/13	06/07/13	06/07/13	325,000,000	325,000,000	-	325,000,000	-
DEUTSCHE BANK	06/10/13	06/10/13	06/10/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	06/10/13	06/10/13	06/10/13	340,000,000	340,000,000	-	340,000,000	-
DEUTSCHE BANK	06/11/13	06/11/13	06/11/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	06/11/13	06/11/13	06/11/13	435,000,000	435,000,000	-	435,000,000	-
DEUTSCHE BANK	06/12/13	06/12/13	06/12/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	06/12/13	06/12/13	06/12/13	410,000,000	410,000,000	-	410,000,000	-
DEUTSCHE BANK	06/13/13	06/13/13	06/13/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	06/13/13	06/13/13	06/13/13	520,000,000	520,000,000	-	520,000,000	-
DEUTSCHE BANK	06/14/13	06/14/13	06/14/13	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	06/14/13	06/14/13	06/14/13	115,000,000	1,150,000	-	115,000,000	-
DEUTSCHE BANK	06/17/13	06/17/13	06/17/13	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	06/17/13	06/17/13	06/17/13	40,000,000	40,000,000	-	40,000,000	-
DEUTSCHE BANK	06/18/13	06/18/13	06/18/13	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	06/18/13	06/18/13	06/18/13	295,000,000	295,000,000	-	295,000,000	-
DEUTSCHE BANK	06/19/13	06/19/13	06/19/13	500,000,000	500,000,000	-	500,000,000	-
BANK OF AMERICA TRIPARTY	06/19/13	06/19/13	06/19/13	365,000,000	365,000,000	-	365,000,000	-
DEUTSCHE BANK	06/20/13	06/20/13	06/20/13	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	06/20/13	06/20/13	06/20/13	50,000,000	50,000,000	-	50,000,000	-
DEUTSCHE BANK	06/21/13	06/21/13	06/21/13	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	06/21/13	06/21/13	06/21/13	220,000,000	220,000,000	-	220,000,000	-
DEUTSCHE BANK	06/24/13	06/24/13	06/24/13	250,000,000	250,000,000	-	250,000,000	-
BANK OF AMERICA TRIPARTY	06/24/13	06/24/13	06/24/13	210,000,000	210,000,000	-	210,000,000	-
DEUTSCHE BANK	06/25/13	06/25/13	06/25/13	350,000,000	350,000,000	-	350,000,000	-
BANK OF AMERICA TRIPARTY	06/25/13	06/25/13	06/25/13	130,000,000	130,000,000	-	130,000,000	-
DEUTSCHE BANK	06/26/13	06/26/13	06/26/13	300,000,000	300,000,000	-	300,000,000	-
BANK OF AMERICA TRIPARTY	06/26/13	06/26/13	06/26/13	270,000,000	270,000,000	-	270,000,000	-
DEUTSCHE BANK	06/27/13	06/27/13	06/27/13	400,000,000	400,000,000	-	400,000,000	-
BANK OF AMERICA TRIPARTY	06/27/13	06/27/13	06/27/13	430,000,000	430,000,000	-	430,000,000	-
DEUTSCHE BANK	06/28/13	06/28/13	06/28/13	600,000,000	600,000,000	-	600,000,000	-
BANK OF AMERICA TRIPARTY	06/28/13	06/28/13	06/28/13	445,000,000	445,000,000	-	445,000,000	-
SVENSKA HANDELSBANKTDCAY 0.08 20130603	06/03/13	06/03/13	06/03/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130604	06/04/13	06/04/13	06/04/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.1 20130605	06/05/13	06/05/13	06/05/13	300,000,000	300,000,000	-	300,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130606	06/06/13	06/06/13	06/06/13	395,000,000	395,000,000	-	395,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130607	06/07/13	06/07/13	06/07/13	395,000,000	395,000,000	-	395,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130610	06/10/13	06/10/13	06/10/13	400,000,000	400,000,000	-	400,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130611	06/11/13	06/11/13	06/11/13	400,000,000	400,000,000	-	400,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130612	06/12/13	06/12/13	06/12/13	400,000,000	400,000,000	-	400,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130613	06/13/13	06/13/13	06/13/13	400,000,000	400,000,000	-	400,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130614	06/14/13	06/14/13	06/14/13	395,000,000	395,000,000	-	395,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130617	06/17/13	06/17/13	06/17/13	385,000,000	385,000,000	-	385,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130618	06/18/13	06/18/13	06/18/13	370,000,000	370,000,000	-	370,000,000	-
SVENSKA HANDELSBANKTDCAY 0.1 20130619	06/19/13	06/19/13	06/19/13	375,000,000	375,000,000	-	375,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130620	06/20/13	06/20/13	06/20/13	370,000,000	370,000,000	-	370,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130624	06/24/13	06/24/13	06/24/13	365,000,000	365,000,000	-	365,000,000	-

FLORIDA PRIME™

TRADING ACTIVITY FOR JUNE 2013 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Maturities (continued)					$	$	$	$
SVENSKA HANDELSBANKTDCAY 0.09 20130627	06/27/13	06/27/13	06/27/13	365,000,000	365,000,000	-	365,000,000	-
SVENSKA HANDELSBANKTDCAY 0.08 20130628	06/28/13	06/28/13	06/28/13	370,000,000	370,000,000	-	370,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130621	06/21/13	06/21/13	06/21/13	370,000,000	370,000,000	-	370,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130625	06/25/13	06/25/13	06/25/13	365,000,000	365,000,000	-	365,000,000	-
SVENSKA HANDELSBANKTDCAY 0.09 20130626	06/26/13	06/26/13	06/26/13	370,000,000	370,000,000	-	370,000,000	-
Total Maturities				**25,840,000,000**	**$25,726,150,000**	**$0**	**$25,840,000,000**	**$0**
Sells								
CREDIT AGRICOLE CORCDYAN	07/11/13	06/27/13	06/28/13	50,000,000	50,002,346	29,625	50,031,971	2,346
CREDIT AGRICOLE CORCDYAN	07/11/13	06/27/13	06/28/13	10,000,000	10,000,469	5,925	10,006,394	469
CREDIT AGRICOLE CORCDYAN	07/11/13	06/27/13	06/28/13	50,000,000	50,002,346	29,625	50,031,971	2,346
CREDIT AGRICOLE CORCDYAN	07/11/13	06/27/13	06/28/13	50,000,000	50,002,346	29,625	50,031,971	2,346
MASSACHUSETTS HEALTH & EDUCATIONAL FACILITIES AUTHORITY	10/01/49	06/04/13	06/04/13	12,065,000	12,065,000	20	12,065,020	-
MASSACHUSETTS HEALTH & EDUCATIONAL FACILITIES AUTHORITY	10/01/49	06/04/13	06/04/13	20,000,000	20,000,000	33	20,000,033	-
CITY OF MURRAY UT	05/15/37	06/03/13	06/03/13	12,500,000	12,500,000	-	12,500,000	-
OKLAHOMA TURNPIKE AUTHORITY	01/01/28	06/03/13	06/03/13	33,950,000	33,950,000	-	33,950,000	-
OKLAHOMA TURNPIKE AUTHORITY	01/01/28	06/03/13	06/03/13	41,030,000	41,030,000	-	41,030,000	-
STATE OF TEXAS	12/01/42	06/03/13	06/03/13	100,000	100,000	-	100,000	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/03/13	06/03/13	925,540	925,540	-	925,540	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/05/13	06/05/13	3,507,309	3,507,309	-	3,507,309	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/07/13	06/07/13	3,473,049	3,473,049	-	3,473,049	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/07/13	06/07/13	1,093,422	1,093,422	-	1,093,422	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/07/13	06/07/13	2,799,161	2,799,161	-	2,799,161	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/17/13	06/17/13	1,262,684	1,262,684	-	1,262,684	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/17/13	06/17/13	294,326	294,326	-	294,326	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/17/13	06/17/13	4,798,249	4,798,249	-	4,798,249	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/17/13	06/17/13	8,276,499	8,276,499	-	8,276,499	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/18/13	06/18/13	2,353,211	2,353,211	-	2,353,211	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/18/13	06/18/13	2,787,780	2,787,780	-	2,787,780	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/18/13	06/18/13	528,946	528,946	-	528,946	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/20/13	06/20/13	1,294,602	1,294,602	-	1,294,602	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/20/13	06/20/13	4,798,412	4,798,412	-	4,798,412	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/25/13	06/25/13	4,497,424	4,497,424	-	4,497,424	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/25/13	06/25/13	68,962	68,962	-	68,962	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/25/13	06/25/13	757,552	757,552	-	757,552	-
DREYFUS GOVT CASH MGMT FUND	10/01/13	06/27/13	06/27/13	100,666,102	100,666,102	-	100,666,102	-
Total Sells				**423,828,231**	**$423,835,736**	**$94,853**	**$423,930,589**	**$7,506**

FUND B

FUND B FACTS

INVESTMENT OBJECTIVE

Fund B's primary objective is to maximize the present value of distributions from the Fund.

COMPOSITION

Fund B principally consists of Segregated Securities, which are securities originally purchased for the LGIP that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; (4) experienced elevated market illiquidity; or (5) did not meet the criteria of the nationally recognized statistical rating organization (NRSRO) that provides Florida PRIME's AAAm rating.

DISTRIBUTIONS

Participants in Fund B will receive periodic distributions to the extent that Fund B receives proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken.

ACCOUNTING

Fund B is accounted for as a fluctuating NAV pool, not a 2a-7-like money market fund. That is, accounting valuations reflect estimates of the market value of securities rather than their amortized cost.

STATUS OF INVESTMENTS

Florida East and West: Restructured from KKR and receiving principal and interest.
Florida Funding I: Restructured from Ottimo (Issuer Entity) and receiving principal and interest.
Florida Funding II: Restructured from Axon and receiving principal and interest.

COMMENTARY ON PORTFOLIO MANAGEMENT

All cash from paydowns on securities in Fund B are invested in AAAm-rated money market funds pending monthly distribution to participant accounts in Florida PRIME. This month, $35.2 million in liquid assets were transferred from Fund B to Florida PRIME, consisting of principal paydowns, income and/or asset sales (divestment) from the securities in the Fund.

The investment team continually analyzes the bonds in each portfolio, comparing estimated defaults and estimated cumulative net losses to an historical loss-timing curve. Many different factors in the domestic and global economies can affect both the securities and the underlying bonds. Some of the factors will contribute positively while others could have adverse consequences. The SBA and Apollo Global Management's investment team will continue to employ prudent risk mitigation strategies in order to maximize the present value of distributions from Fund B with a primary focus on the restoration of principal.

LEGAL ISSUE

As an ongoing legal matter, the SBA asserts Lehman Brothers (which is now in liquidation) sold the SBA certain unregistered secured notes that were not exempt from registration under the Securities Act of 1933. The Lehman Trustee has not yet responded to the SBA's general creditor claim on behalf of Fund B as to whether the Lehman estate will have any assets available for recovery. The Trustee's latest reports have stated that "returns to general estate creditors will be limited at best." However, the secured notes sold by Lehman Brothers were secured by certain collateral. Fund B has been receiving and is expected to continue receiving monetary distributions of principal and interest from that underlying collateral.

The SBA will promptly disclose any future developments as they become matters of public record.

DISCLOSURE OF MATERIAL IMPACTS

There were no developments during June 2013 that had a material impact on the liquidity or operation of Fund B.

FUND B

FUND B DISTRIBUTIONS

RETURN OF FUND B PRINCIPAL

The first table below details the SBA's progress in returning principal to investors in Fund B. Through the end of June 2013, investors cumulatively received distributions from Fund B totaling $1.88 billion or 93.4% of their original balances.

The securities remaining in Fund B are legacy items from the four issuers whose financial circumstances gave rise to the November 2007 run (as well as overnight instruments temporarily holding fund earnings). As of June 30, 2013, their remaining amortized cost was $340.5 million, or 157.71% more than remaining participant positions in Fund B. Conversely, the current estimated liquidation (market) value of these securities is pegged at $147.8 million or 111.84% of remaining participant positions.

It is important to note that due to the lack of an actively traded market for Fund B securities, their "market value" is an estimate of current liquidation value that has been determined through a collaborative process among various pricing experts and sources in the marketplace. See footnote 1 on page 22.

FUND B DISTRIBUTIONS TO PARTICIPANTS

	Distributions to Participants	Cumulative Distributions	Participant Principal	Proportion of Original Principal Returned
12/05/07	$	$	$ 2,009,451,941	0.0%
CY 2008	$ 1,421,900,000	$ 1,421,900,000	$ 587,551,941	70.8%
CY 2009	$ 89,100,000	$ 1,511,000,000	$ 498,451,941	75.2%
CY 2010	$ 135,100,000	$ 1,646,100,000	$ 363,351,941	81.9%
CY 2011	$ 57,425,000	$ 1,703,525,000	$ 305,926,941	84.8%
CY 2012	$ 58,915,000	$ 1,762,440,000	$ 247,011,941	87.7%
01/17/13	$ 3,975,000	$ 1,766,415,000	$ 243,036,941	87.9%
02/06/13	$ 4,265,000	$ 1,770,680,000	$ 238,771,941	88.1%
03/06/13	$ 3,150,000	$ 1,773,830,000	$ 235,621,941	88.3%
04/04/13	$ 61,510,000	$ 1,835,340,000	$ 174,111,941	91.3%
05/06/13	$ 6,820,000	$ 1,842,160,000	$ 167,291,941	91.7%
06/06/13	$ 35,160,000	$ 1,877,320,000	$ 132,131,941	93.4%

FUND B MONTHLY DISTRIBUTION DETAIL

June 2013 Distribution Detail Including Receipts by Source For the period 5/7/13 - 6/6/13	Fund B Participant Allocation	Fund B Expense Allocation
Beginning Balance	$ -	$ 23,886.49
Receipts:		
Florida East	$ 1,033,276.29	
Florida West	$ 33,659,153.76	
Florida Funding I	$ 429,307.01	
Florida Funding II	$ 40,500.16	
Overnight Investments	$ 19.17	
Total Receipts	$ 35,162,256.39	
Distributions:		
Allocation to/from Expense Reserve	$ (2,256.39)	$ 2,256.39
Expenses Paid		$ (1,621.75)
Participant Distribution	$ (35,160,000.00)	
Ending Balance	$ -	$ 24,521.13

NOTE ON RECENT FUND B ASSET SALES AND FUTURE FUND B RESOLUTION

The SBA recently divested a portion of the portfolio and was able to secure in excess of $35.1 million, which was applied to the outstanding principal balances of Fund B participants, in June 2013 bringing the proportion of original principal returned to more than 93.4 percent.

The SBA and Fund B's external investment manager, Apollo Capital Management, expect disciplined asset sales to continue. Any future sales will be governed by market conditions and the relative pricing of specific collateral assets at the time of divestiture.

FUND B

INVENTORY OF HOLDINGS - AS OF JUNE 30, 2013

Security Name	Type	Rate Reset	Par	Current Yield	Amort Cost [2]	Mkt Value [1]	Unrealized Gain (Loss)
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND		6,567,437	0.00	$ 6,567,437	$ 6,567,437	$ -
Florida East Funding LLC	VARIABLE RATE TERM NOTE	06/26/13	49,849,974	0.55	$ 49,849,974	$ 36,034,412	$ (13,815,562)
Florida West Funding LLC	VARIABLE RATE TERM NOTE	06/26/13	87,571,650	0.55	$ 87,571,650	$ 32,073,858	$ (55,497,792)
Florida Funding I LLC	VARIABLE RATE TERM NOTE	06/27/13	113,533,558	0.42	$ 113,533,558	$ 25,178,535	$ (88,355,023)
Florida Funding II LLC	VARIABLE RATE COMMERCIAL PAPER	06/27/13	83,000,894	0.56	$ 82,994,275	$ 47,917,198	$ (35,077,078)
Total Value of Investments			**340,523,512**		**$340,516,894**	**$147,771,439**	**($192,745,455)**

Notes:

[1] Due to the lack of an actively traded market for Fund B securities, the "market value" is an estimate of current liquidation value that has been determined through a collaborative process among various pricing experts and sources in the marketplace. Although the estimate represents an attempt to reasonably reflect the stressed market conditions that currently exist, the amount actually realized if the securities were liquidated at this time could be more or less than the estimate. Moreover, these estimates of current market value are not predictive of the ultimate amount likely to be realized from these securities. Fund B's investment objective is to maximize the present value of distributions to participants. If, in the judgment of the portfolio manager, fair value exceeds liquidation value at points in the future, then complete or partial liquidations of securities could be deferred for an extended period of time; e.g., a four- to five-year horizon for complete termination or self-liquidation of Fund B.

[2] Amortized cost is calculated using a straight line method.

The securities held in Fund B result from workouts of the LGIP's original holdings from 4 issuers – Axon, KKR Atlantic, KKR Pacific and Ottimo. The purpose of Fund B is to maximize the present value of distributions to participants through a prudent workout with an ultimate goal of liquidation. As a result, the maturity dates of each holding in Fund B will be dependent on the maturity date or earlier liquidation, if prudent, of the collateral securities underlying each of these holdings and will be contingent upon future market conditions and other factors.

The collateral manager, Apollo Global Management, is the source for data shown above other than market value. See note 1.

The amounts shown above are the value of investments. Income accruals, payables and uninvested cash are not included. The data is unaudited.

FUND B

COMPLIANCE WITH INVESTMENT POLICY - JUNE 2013

Investment Policy Statement Compliance is conducted on Fund B by SBA Risk Management and Compliance and reported on a monthly basis to the Investment Oversight Group. Portfolio activity is reviewed to ensure that transactions and holdings are in compliance with guideline requirements and with those stipulated in the respective Investment Management Agreements with Apollo Global Management, the collateral manager for the four special purpose entities held in Fund B (Florida East Funding LLC, Florida West Funding LLC, Florida Funding I LLC, and Florida Funding II LLC). Since the principal holdings in the fund are the notes issued by these special purpose entities, and no deposits or withdrawals are permitted by participants, transactions are typically limited to 1) the receipt cash flows from the underlying note collateral, 2) the investment of these cash flows in AAAm money market funds, and 3) periodic distributions to participants. Apollo Global Management can also sell, exchange, or restructure the notes, consistent with the objective of maximizing the present value of cash flows from the collateral. For the month of June 2013, Fund B was in compliance with its Investment Policy Statement.

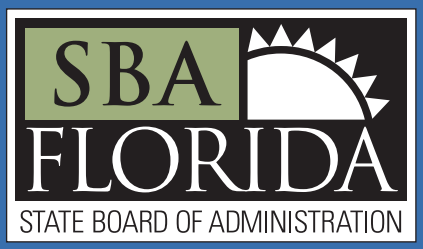
TRADING ACTIVITY - JUNE 2013

Security Description	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
Buys				$	$	$	$
DREYFUS GOVERNMENT CASH MANAGEMENT	06/04/13	06/04/13	19	19	0	19	0
DREYFUS GOVERNMENT CASH MANAGEMENT	06/28/13	06/28/13	6,544,513	6,544,513	0	6,544,513	0
Total Buys			**6,544,532**	**6,544,532**	**$0**	**$6,544,532**	**$0**
Sells							
FLORIDA FUNDING I LLC	06/28/13	06/28/13	3,325,426	3,325,426	0	3,325,426	0
FLORIDA EAST FUNDING LLC	06/28/13	06/28/13	551,716	551,716	0	551,716	0
FLORIDA WEST FUNDING LLC	06/28/13	06/28/13	1,913,672	1,913,672	0	1,913,672	0
FLORIDA FUNDING II	06/28/13	06/28/13	619,487	619,487	0	619,487	49
DREYFUS GOVERNMENT CASH MANAGEMENT	06/03/13	06/03/13	58	58	0	58	0
DREYFUS GOVERNMENT CASH MANAGEMENT	06/06/13	06/06/13	22,212	22,212	0	22,212	0
DREYFUS GOVERNMENT CASH MANAGEMENT	06/06/13	06/06/13	53	53	0	53	0
DREYFUS GOVERNMENT CASH MANAGEMENT	06/06/13	06/06/13	35,137,735	35,137,735	0	35,137,735	0
DREYFUS GOVERNMENT CASH MANAGEMENT	06/19/13	06/19/13	1,597	1,597	0	1,597	0
Total Sells			**41,571,957**	**41,571,957**	**0**	**41,571,957**	**49**

Note: In the Trading Activity table above, the gain reflected on the sales from Florida Funding II is an accounting gain. The original Axon Financial Funding LLC security was purchased at a discount and was deemed “in default” prior to the original maturity date. At the point of becoming “in default,” amortization of the discount was terminated thus leaving the cost of the security less than par. Any principal payment received at par will result in recognition of a gain, calculated as Proceeds less Cost Basis of the par value being sold.

Our Mission

Our mission is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary, and professional standards.



Federated

Protecting Florida's Investments Act (PFIA)

Quarterly Report – September 24, 2013

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

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About the State Board of Administration

The statutory mandate of the State Board of Administration (SBA) is to invest, manage and safeguard assets of the Florida Retirement System (FRS) Trust Fund and a variety of other funds for state and local governments. FRS Trustees are dedicated to ensuring that the SBA invests assets and discharges its duties in accordance with Florida law, guided by strict policies and a code of ethics to ensure integrity, prudent risk management and top-tier performance. The SBA is an investment fiduciary under law, and subject to the stringent fiduciary duties and standards of care defined by the Employee Retirement Income Security Act of 1974 (ERISA), as incorporated into Florida law. The SBA has three Trustees: the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary.

As of June 30, 2013, the net asset value of total funds under SBA management was approximately $161.8 billion. The FRS Pension Plan provides defined pension benefits to 1.1 million beneficiaries and retirees. The strong long-term performance of the FRS Pension Plan, the fourth-largest public pension fund in the nation, reflects our commitment to responsible fiscal management.

The SBA's mission is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary, and professional standards.

We encourage you to review additional information about the SBA and FRS on our website at www.sbafla.com.

Introduction

On June 8, 2007, the Protecting Florida's Investments Act ("PFIA") was signed into law. The PFIA requires the State Board of Administration ("SBA"), acting on behalf of the Florida Retirement System Trust Fund (the "FRSTF"), to assemble and publish a list of "Scrutinized Companies" that have prohibited business operations in Sudan and Iran. Once placed on the list of Scrutinized Companies, the SBA and its investment managers are prohibited from acquiring those companies' securities and are required to divest those securities if the companies do not cease the prohibited activities or take certain compensating actions. The implementation of the PFIA by the SBA will not affect any FRSTF investments in U.S. companies. The PFIA will solely affect foreign companies with certain business operations in Sudan and Iran involving the petroleum or energy sector, oil or mineral extraction, power production or military support activities. This quarterly report is developed pursuant to Section 215.473 (4), Florida Statutes.

Primary Requirements of the PFIA

The PFIA created new reporting, engagement, and investment requirements for the SBA, including:

1. Quarterly reporting to the Board of Trustees of every equity security in which the SBA has invested for the quarter, along with its industry category. This report is posted on the SBA website.

2. Quarterly presentation to the Trustees of a "Scrutinized Companies" list for both Sudan and Iran for their approval. Scrutinized Company lists are available on the SBA's website, along with information on the FRSTF direct and indirect holdings of Scrutinized Companies.

3. Written notice to external investment managers of all PFIA requirements. Letters request that the managers of actively managed commingled vehicles (i.e., those with FRSTF and other clients' assets) consider removing Scrutinized Companies from the product or create a similar actively managed product that excludes such companies. Similar written requests must be provided to relevant investment managers within the defined contribution plan.

4. Written notice to any company with inactive business operations in Sudan or Iran, informing the company of the PFIA and encouraging it to continue to refrain from reinitiating active business operations. Such correspondence continues semiannually.

5. Written notice to any Scrutinized Company with active business operations, informing the company of its Scrutinized Company status and that it may become subject to divestment. The written notice must inform the company of the opportunity to clarify its Sudan-related or Iran-related activities and encourage the company, within 90 days, to cease its scrutinized business operations or convert such operations to inactive status.

6. A prohibition on further investment on behalf of the FRSTF in any Scrutinized Company once the Sudan and Iran scrutinized lists have been approved by the Trustees. All publicly traded securities of Scrutinized Companies must be divested within 12 months after the company's initial (and continued) appearance on the Scrutinized Companies list. Divestment does not apply to indirect holdings in actively managed commingled investment funds—i.e., where the SBA is not the sole investor in the fund. Private equity funds are considered to be actively managed.

7. Reporting to each member of the Board of Trustees, President of the Senate, and the Speaker of the House of Representatives of Scrutinized Company lists within 30 days of creation, and public disclosure of each list.

8. Quarterly reporting of the following to each member of the Board of Trustees, the President of the Senate, the Speaker of the House of Representatives, the United States Presidential Special Envoy to Sudan, and the United States Presidential Special Envoy to Iran. The report is made publicly available and posted to the SBA's website.

a. A summary of correspondence with engaged companies;
b. A listing of all investments sold, redeemed, divested, or withdrawn;
c. A listing of all prohibited investments;
d. A description of any progress related to external managers offering PFIA compliant funds; and
e. A list of all publicly traded securities held directly by the state.

9. Adoption and incorporation into the FRSTF Investment Policy Statement (IPS) of SBA actions taken in accordance with the PFIA. Changes to the IPS are reviewed by the Investment Advisory Council (IAC) and approved by the Trustees.

10. Relevant Sudan or Iran portions of the PFIA are discontinued if the Congress or President of the United States passes legislation, executive order, or other written certification that:

    a. Darfur genocide has been halted for at least 12 months;
    b. Sanctions imposed against the Government of Sudan are revoked;
    c. Government of Sudan honors its commitments to cease attacks on civilians, demobilize and demilitarize the Janjaweed and associated militias, grant free and unfettered access for deliveries of humanitarian assistance, and allow for the safe and voluntary return of refugees and internally displaced persons;
    d. Government of Iran has ceased to acquire weapons of mass destruction and support international terrorism;
    e. Sanctions imposed against the government of Iran are revoked; or
    f. Mandatory divestment of the type provided for by the PFIA interferes with the conduct of U.S. foreign policy.

11. Cessation of divestment and/or reinvestment into previously divested companies may occur if the value of all FRSTF assets under management decreases by 50 basis points (0.5%) or more as a result of divestment. If cessation of divestment is triggered, the SBA is required to provide a written report to each member of the Board of Trustees, the President of the Senate, and the Speaker of the House of Representatives prior to initial reinvestment. Such condition is required to be updated semiannually.

12. In 2009, the Florida Legislature approved a bill requiring the SBA to identify and offer, by March 1, 2010, at least one terror-free investment product for the FRS Investment Plan. The product must allocate its funds among securities not subject to divestiture, as provided in section 215.473, Florida Statutes.

Definition of a Scrutinized Company

The following is a brief review of the criteria on which the active business operations of companies must be judged, in accordance with subsection (1)(t) of Section 215.473, F.S.

Sudan:

1. Have a material business relationship with the government of Sudan or a government-created project involving oil related, mineral extraction, or power generation activities, or
2. Have a material business relationship involving the supply of military equipment, or
3. Impart minimal benefit to disadvantaged citizens that are typically located in the geographic periphery of Sudan, or
4. Have been complicit in the genocidal campaign in Darfur.

Iran:

1. Have a material business relationship with the government of Iran or a government-created project involving oil related or mineral extraction activities, or
2. Have made material investments with the effect of significantly enhancing Iran's petroleum sector.

Affiliates of companies with scrutinized business operations are also subject to the requirements of the PFIA. An affiliated company is generally defined as any other company that either directly or indirectly controls, is controlled by or is under common control with the company conducting scrutinized active business operations. Control generally means the power to exercise a controlling influence over the management or policies of a company. As well, many companies have parent-subsidiary relationships whereby a parent company may own several other companies. In such cases, the SBA has included any known parent and/or subsidiaries which can be clearly linked to a company with scrutinized active business operations. The SBA has used a 50 percent ownership threshold in determining whether or not companies are affiliated, examining parent company-subsidiary ownership on a pro rata basis.

The SBA views companies which have explicit plans and activities related to discontinuation of active business operations as meeting the PFIA definition of substantial action. For all identified companies, the SBA will request information detailing what a company has actually done, if anything, to discontinue its active business operations or if it has pursued humanitarian efforts (applicable to Sudan only).

SBA Scrutinized Companies Identification Methodology

The SBA has developed two lists (the Sudan List and the Iran List) of Scrutinized Companies with active business operations. The lists are developed by principally relying on the research and findings of our "External Research Providers". Below is a brief description of our External Research Providers, which are maintained to provide input from multiple sources.

1. **EIRIS Conflict Risk Network (CRN).** In May 2013, the Conflict Risk Network became part of EIRIS, a global provider of environmental, social, governance, and ethical performance of companies. EIRIS provides services to more than 150 asset owners and managers globally, with a staff of over 60, based primarily in London. CRN was formerly known as the Sudan Divestment Task Force (SDTF).

2. **MSCI ESG Research (MSCI)**. MSCI combined, through acquisition, the resources of the RiskMetrics Group (Institutional Shareholder Services) and KLD Research & Analytics (KLD). MSCI delivers proxy voting and corporate governance analysis to institutional investors. Through its ESG Research unit, MSCI offers screening services with specific and unique components of state law pertaining to investments in sanctioned countries, including Sudan and Iran.

3. **IW Financial (IWF).** IWF is a provider of environmental, social, and governance research and consulting. IWF partners with Conflict Securities Advisory Group (CSAG) to provide clients with detailed information on the business ties of publicly traded companies in Sudan and Iran.

4. **Jantzi-Sustainalytics, Inc. (Sustainalytics).** Sustainalytics provides environmental, social and governance research and analysis, sustainability benchmarks, and investment services, and is the result of the merger between Jantzi Research, Inc. and Sustainalytics in 2009. Sustainalytic's company database, "Sustainalytics Global Platform," covers business operations in both Iran and Sudan.

Staff members within the Investment Programs & Governance unit, as well as other senior investment staff, review the assessments of the External Research Providers and other publicly available information. The SBA has utilized the following sources to evaluate over 400 companies and affiliates with reported links to Sudan or Iran:

Company disclosures:
- SEC filings (DEF 14A Proxy Statements, 10-K & 20-F Annual Reports, etc.)
- Investor Relations/company websites
- Industry publications and analyst research

Investment/Finance Organizations:
- Industry Analysts
- Index Providers (e.g., Russell)
- Other Institutional Investors/Private Investors

U.S Government Agencies:
- U.S. Department of State
- U.S. Treasury, Office of Foreign Asset Control (OFAC)
- U.S. Government Accountability Office (GAO)
- SEC Office of Global Security (EDGAR)
- Dept. of Energy, Energy Information Administration (EIA)
- Congressional Research Service (CRS), Library of Congress

Non-Governmental Organizations (NGOs):
- American Enterprise Institute (AEI)
- Amnesty International
- Yale University (Allard K. Lowenstein International Human Rights Project)
- Human Rights Watch

Other Sources:
- SBA External Investment Managers
- U.S. Federal Sanctions Laws covering State Sponsors of Terror
- Any other publicly available information.

Using the previous information sources, the SBA has developed two separate categorizations of a company's involvement in Sudan and/or Iran.

1. **"Scrutinized"** — Information provided by several External Research Providers indicates that a company meets the classification of a Scrutinized Company as defined by the PFIA as set forth in Section 215.473 (1)(t)1., 2., or 3. [Sudan] or Section 215.473 (4)(t)1. [Iran]. Upon SBA review, no other information sources clearly contradict the conclusions of the External Research Providers.

2. **"Continued Examination"** — At least one External Research Provider indicates that a company meets the classification of a Scrutinized Company as defined by the PFIA as set forth in Section 215.473, (1)(t)1., 2., or 3. [Sudan] or Section 215.473, (4)(t)1. [Iran]. In other words, the External Research Providers do not agree on the status of a company and the SBA is unable to definitively categorize the company's activities as scrutinized without further research to resolve the differences. For companies classified as "Continued Examination" the SBA will begin an engagement process to clarify each firm's current business relationships.

Key Changes Since the Previous PFIA Quarterly Report

Sudan

AREF Energy Holdings Co is now listed as (The) **Energy House Holding Company** due a name change by the company. **Energy House Holding Company** has been added to the Sudan Scrutinized List (Table 1) and the List of Prohibited Investments (Table 7).

Ranhill Powertron II Sdn has been added to the Sudan Scrutinized List (Table 1) and the List of Prohibited Investments (Table 7). The company has issued bonds and is added as a subsidiary of a scrutinized company (Ranhill Bhd).

Sinopec Capital 2013 Ltd has been added to the Sudan Scrutinized List (Table 1) and the List of Prohibited Investments (Table 7). The company has issued bonds and is added as a subsidiary of a scrutinized company (China Petroleum & Chemical Corp (CPCC) Sinopec).

Sinopec Group Overseas Development 2012 Ltd has been removed from the Sudan Scrutinized List (Table 1) and the List of Prohibited Investments (Table 7). The company no longer has publicly traded bonds or equity.

No other changes were made to the Sudan Scrutinized or Continued Examination lists this quarter.

Recent Sudan developments: Although the governments of Sudan and South Sudan continue negotiations, the one year ceasefire in the border region of Heglig was broken in August after South Sudan's military crossed the demilitarized border zone to advance towards Sudanese troops. In response, the Sudanese army shelled South Sudan's position. Separately, the parliament of South Sudan passed legislation setting out rules determining how the government can spend oil revenues and the bill awaits approval of the president.

Iran

CNOOC Finance Limited has been added to the Iran Scrutinized List (Table 3) and the List of Prohibited Investments (Table 7). The company has issued bonds and is added as a subsidiary of a scrutinized company (CNOOC).

COSL Finance (BVI) Limited has been added to the Iran Scrutinized List (Table 3) and the List of Prohibited Investments (Table 7). The company has issued bonds and is added as a subsidiary of a scrutinized company (China Oilfield Services Ltd and CNOOC).

Saipem SpA was removed from the Iran Continued Examination List (Table 4) this quarter.

No other changes were made to the Iran Scrutinized or Continued Examination lists this quarter.

Recent Iran developments: In August, the U.S. House of Representatives approved the Nuclear Iran Prevention Act of 2013 to further limit Iran's oil exports by imposing harsher penalties on countries buying oil from Iran.

Table 1: Scrutinized Companies with Activities in Sudan

New companies on the list are shaded and in bold.
(Note: AREF Energy Holdings Co has been renamed Energy House Holding Company)

Company	Country of Incorporation	Date of Initial Scrutinized Classification
AviChina Industry & Technology Company Limited	China	September 19, 2007
Chennai Petroleum Corp Ltd	India	September 19, 2007
China National Petroleum Corporation (CNPC)	China	December 11, 2012
China Petroleum & Chemical Corp (CPCC) Sinopec	China	September 19, 2007
CNPC General Capital Ltd	China	June 26, 2012
CNPC Golden Autumn	China	September 18, 2012
CNPC HK Overseas Capital Ltd	China	June 16, 2011
Daqing Huake Group Co Ltd	China	March 25, 2008
Egypt Kuwait Holding Co. SAE	Kuwait	January 13, 2009
Energy House Holding Company (fka: AREF Energy Holdings Co)	**Kuwait**	**July 28, 2009**
Gas District Cooling (Putrajaya) Sdn Bhd	Malaysia	April 14, 2009
Groupe ONA (ONA SA)	Morocco	November 9, 2010
Harbin Electric Co. Ltd. (fka: Harbin Power Equipment)	China	September 19, 2007
Indian Oil Corp Ltd (IOCL)	India	September 19, 2007
Jiangxi Hongdu Aviation (aka Hongdu Aviation)	China	September 19, 2007
Jinan Diesel Engine Co. Ltd	China	July 28, 2009
Kingdream PLC	China	April 14, 2009
KLCC Property Holdings Bhd	Malaysia	April 14, 2009
Kunlun Energy Company Ltd (fka: CNPC Hong Kong Limited)	Hong Kong	September 19, 2007
Kuwait Finance House	Kuwait	April 14, 2009
Lanka IOC Ltd	India	September 19, 2007
Managem SA	Morocco	November 9, 2010
Mangalore Refinery & Petrochemicals Ltd	India	September 19, 2007
Midciti Resources Sdn Bhd	Malaysia	September 19, 2007
MISC Bhd	Malaysia	September 19, 2007
MISC Capital Ltd	Malaysia	April 14, 2009
Oil India Ltd.	India	September 18, 2012
Oil & Natural Gas Corp (ONGC)	India	September 19, 2007
PetroChina	China	September 19, 2007
Petroliam Nasional (Petronas)	Malaysia	September 19, 2007
Petronas Capital Limited	Malaysia	September 19, 2007
Petronas Chemicals Bhd	Malaysia	June 16, 2011
Petronas Dagangan Bhd	Malaysia	September 19, 2007
Petronas Gas Berhad	Malaysia	September 19, 2007
Petronas Global Sukuk	Malaysia	September 18, 2012

Company	Country of Incorporation	Date of Initial Scrutinized Classification
Ranhill Bhd	Malaysia	September 16, 2008
Ranhill Power Sdn Bhd	Malaysia	September 20, 2011
Ranhill Powertron Sdn	Malaysia	April 14, 2009
Ranhill Powertron II Sdn	**Malaysia**	**September 24, 2013**
Sinopec Capital 2013 Ltd	**China**	**September 24, 2013**
Sinopec Finance	China	April 14, 2009
Sinopec Kantons Holdings Ltd	Bermuda	September 19, 2007
Sinopec Shanghai Petrochemical	China	September 19, 2007
Sinopec Yizheng Chemical Fibre	China	March 25, 2008
Societe Metallurgique D'imiter	Morocco	November 9, 2010
# of Sudan Scrutinized Companies	**45**	

The following companies were **removed** from the Sudan Scrutinized List during the quarter.

Removed Company	***Country of Incorporation***
Sinopec Group Overseas Development 2012 Ltd	***China***

Table 2: Continued Examination Companies with Activities in Sudan

New companies on the list are shaded and in bold. (There were no new companies this quarter.)

Company	Country of Incorporation
Alstom	France
Alstom Projects India	India
ASEC Company for Mining S.A.E.	Egypt
Bharat Heavy Electricals, Ltd	India
Bollore Group	France
China Gezhouba Group Company Ltd	China
China North Industries Group Corp (CNGC/Norinco)	China
Dongfeng Motor Group Co Ltd	China
Dongan Motor (aka Harbin Dongan Auto Engine)	China
Drake & Scull International PJSC	United Arab Emirates
El Sewedy Cables Holding Company	Egypt
Glencore Xstrata PLC	Switzerland
Hafei Aviation Industry Co Ltd	China
Infotel Broadband Services Ltd	India
JX Holdings Inc.	Japan
KMCOB Capital Bhd	Malaysia
LS Industrial Systems	South Korea
Mercator Lines Limited (Mercator Lines Singapore)	India
Muhibbah Engineering Bhd	Malaysia
Nippo Corporation	Japan
Nippon Oil Finance	Japan
Orca Gold Inc	Canada
PetroFac	United Kingdom
PT Pertamina Persero	Indonesia
Reliance Industries Ltd	India
Scomi Engineering Bhd	Malaysia
Scomi Group Bhd	Malaysia
Sinohydro	China
Statesman Resources Ltd	Canada
Sudan Telecommunications (Sudatel)	Sudan
Wartsila Oyj	Finland
Wuhan Boiler Company	China
# of Companies	**32**

No companies were **removed** from the Sudan Continued Examination List during the quarter.

Table 3: Scrutinized Companies with Activities in the Iran Petroleum Energy Sector

New companies on the list are shaded and in bold.

Company	Country of Incorporation	Date of Initial Scrutinized Classification
China BlueChemical Ltd	China	March 19, 2013
China National Petroleum Corporation (CNPC)	China	December 11, 2012
China Petroleum & Chemical Corp (CPCC) Sinopec	China	September 19, 2007
China Oilfield Services Ltd.	China	June 16, 2011
CNOOC Ltd.	China	June 16, 2011
CNOOC Finance Limited	**China**	**September 24, 2013**
CNPC HK Overseas Capital Ltd.	China	June 16, 2011
COSL Finance (BVI) Limited	**China**	**September 24, 2013**
Daelim Industrial Co Ltd	South Korea	June 16, 2011
Gas District Cooling (Putrajaya) Sdn Bhd	Malaysia	April 14, 2009
Gazprom	Russia	September 19, 2007
Gazprom Neft	Russia	September 16, 2008
Indian Oil Corp Ltd (IOCL)	India	September 19, 2007
KLCC Property Holdings Bhd	Malaysia	April 14, 2009
Kunlun Energy Company Ltd. (fka: CNPC Hong Kong Limited)	Hong Kong	September 19, 2007
Mangalore Refinery & Petrochemicals Ltd	India	March 19, 2013
Midciti Resources Sdn Bhd	Malaysia	September 19, 2007
MISC Bhd	Malaysia	September 19, 2007
MISC Capital Ltd.	Malaysia	April 14, 2009
Mosenergo	Russia	September 16, 2008
Oil & Natural Gas Corp (ONGC)	India	September 19, 2007
PetroChina	China	September 19, 2007
Petroliam Nasional (Petronas)	Malaysia	September 19, 2007
Petronas Capital Limited	Malaysia	September 19, 2007
Petronas Chemicals Bhd	Malaysia	June 16, 2011
Petronas Dagangan Bhd	Malaysia	September 19, 2007
Petronas Gas Berhad	Malaysia	September 19, 2007
Sinopec Finance	China	April 14, 2009
Sinopec Kantons Holdings Ltd.	Bermuda	September 19, 2007
Sinopec Shanghai Petrochemical	China	September 19, 2007
Sinopec Yizheng Chemical Fibre	China	March 25, 2008
# of Iran Scrutinized Companies	**31**	

No companies were **removed** from the Iran Scrutinized List during the quarter.

Table 4: Continued Examination Companies with Petroleum Energy Activities in Iran

New companies on the list are shaded and in bold. ***(There were no new companies this quarter.)***

Company	Country of Incorporation
China Communications Construction Co	China
China Nonferrous Metal Industry's Foreign Engineering and Construction	China
GAIL (India) Limited, aka GAIL Ltd.	India
GS Engineering & Construction Corp.	South Korea
GS Holdings	South Korea
Hyundai Engineering & Construction Co.	South Korea
Hyundai Heavy Industries	South Korea
INA-Industrija Nafte DD	Croatia
Lukoil OAO	Russia
Maire Tecnimont	Italy
Oil India Ltd.	India
Petrofac Ltd.	United Kingdom
Petronet LNG Ltd.	India
PetroVietnam Drilling and Well Services Joint Stock Co.	Vietnam
Sasol Ltd.	South Africa
Shanghai Zhenhua Heavy Industry Co. Ltd.	China
Technip	France
# of Companies	**17**

The following companies were **removed** from the Iran Continued Examination List during the quarter.

Removed Company	***Country of Incorporation***
Saipem SpA	***Italy***

Table 5: Correspondence & Engagement Efforts with Scrutinized Companies

In accordance with Section 215.473(3)(a), F.S., the SBA began to engage companies on the September 19, 2007, Scrutinized Company lists. The SBA sent letters to each Scrutinized Company that was owned and held as of September 19, 2007, per the requirements of the law.

The SBA also sent written communication to other scrutinized firms since the initial company engagement effort in September 2007. Each letter encouraged the company to cease any active business operations within 90 days or convert such operations to inactive status to avoid qualifying for divestment by the SBA. In addition, the SBA sent a second letter to scrutinized companies on January 25, 2008, again requesting companies to provide all information necessary to av oid divestment.

On September 30, 2008, the SBA sent a follow-up letter to all Scrutinized Companies. Although, these companies are no longer held by the SBA, the September 30, 2008, letter was intended to once again provide notice of the requirements of the PFIA. Since our original correspondence, several companies on the scrutinized list have replied with valuable information. Each company's response and classification status is summarized below. Any company that responded to the SBA's written correspondence is highlighted in blue text.

Company	Company Responsive to SBA Communications	Status
ABB	Yes; January 29, 2009	Removed from Sudan Scrutinized List
Alstom	Yes; October 1, 2007 and October 25, 2011	Moved to Sudan Continued Examination List
Bharat Heavy Electricals Limited	Yes; October 4, 2007	Sudan Scrutinized Classification Continues
Bow Valley Energy	Yes; October 22, 2008	Removed from Iran Scrutinized List
Chennai Petroleum Corporation Limited	Yes; October 16, 2008	Sudan Scrutinized Classification Continues
China Petroleum & Chemical Corp (Sinopec)	No	Iran & Sudan Scrutinized Classification Continues
CNOOC Ltd	Yes; October 28, 2008	Iran Scrutinized Classification Continues
Dongfeng Motor Group Co. Ltd.	No	Sudan Scrutinized Classification Continues
Electricity Generating Public Co	No	Removed from Sudan Scrutinized List
ENI	Yes; February 13, 2008 and May 13, 2011	Removed from Iran Scrutinized and CE Lists
GAIL (India) Limited, aka GAIL Ltd.	Yes; October 5, 2010	Moved to Iran Continued Examination List
Gazprom	Yes; November 1, 2007	Iran Scrutinized Classification Continues
Gazprom Neft	Yes; August 15, 2013	Iran Scrutinized as subsidiary of Gazprom
Harbin Electric Co. (fka Harbin Power Equipment)	No	Sudan Scrutinized Classification Continues
Indian Oil Corp Ltd (IOCL)	No	Iran & Sudan Scrutinized Classification Continues
Inpex Corp.	Yes; October 15, 2007 and July 11, 2011	Removed Iran Scrutinized List
Kencana Petroleum	Yes; October 31, 2008	Moved to Sudan Continued Examination List
Korea Electric Power (and subsidiaries, KEPCO Plant/Korea Plant)	Yes; December 27, 2011	Removed from Sudan Scrutinized List
Kunlun Energy Company Ltd. (fka: CNPC Hong Kong Limited)	Yes; October 5, 2007 and May 24, 2008	Iran & Sudan Scrutinized Classification Continues
Lukoil OAO	Yes; October 8, 2007	Moved to Iran Continued Examination List
Lundin Petroleum AB	Yes; October 17, 2008	Removed from Sudan Scrutinized List
Lundin International SA	No	Removed from Sudan Scrutinized List
MISC Bhd	No	Iran & Sudan Scrutinized Classification Continues

Company	Company Responsive to SBA Communications	Status
Norsk Hydro	Yes; November 30,2007	Removed from Iran Scrutinized List
OMV AG	Yes; November 6, 2007 and April 14, 2010	Removed from Iran Continued Examination List
PetroChina	Yes; December 22, 2008	Iran & Sudan Scrutinized Classification Continues
Petroleo Brasileiro (Petrobras)	Yes; January 13, 2010	Removed from Iran Scrutinized List
Ranhill Bhd	Yes; October 22, 2008	Sudan Scrutinized Classification Continues
Repsol YPF	Yes; October 15, 2007; January 2013	Removed from Iran Scrutinized and CE Lists
Royal Dutch Shell PLC	Yes; October 5, 2007; January 27, 2011; April 13, 2011	Removed from Iran Scrutinized and CE Lists
Sinopec Kantons Holdings Ltd.	No	Iran & Sudan Scrutinized Classification Continues
Sinopec Shanghai Petrochemical Company	No	Sudan Scrutinized Classification Continues
Snam Rete Gas	Yes; October 9, 2008	Removed from Iran Scrutinized Classification
Statoil ASA (fka: StatoilHydro)	Yes; February 4, 2008; January 24, 2011; June 16, 2011	Removed from Iran Scrutinized and CE Lists
Total Capital	Yes; January 26, 2011 and April 25, 2011	Removed from Iran Scrutinized and CE Lists
Total SA	Yes; October 12, 2007; October 29, 2010; April 25, 2011	Removed from Iran Scrutinized and CE Lists
Wärtsilä Oyj	Yes; December 4, 2007	Moved to Sudan Continued Examination List

Table 6: Correspondence & Engagement Efforts with Continued Examination Companies

In addition to Scrutinized Companies, the SBA engaged companies on our initial September 19, 2007, Continued Examination company lists. The SBA also sent written communication to firms added to the Continued Examination list since the initial company engagement effort in September 2007. Such companies were asked to provide information to the SBA in order to assist us in determining the extent of their activities, if any, in Sudan and Iran. The SBA sent a follow-up letter to all companies on September 30, 2008. Each company's response and classification is summarized below. Any company that responded to the SBA's written correspondence is highlighted in blue text.

Company	Company Responsive to SBA Communications	Continued Examination Status
Actividades de Construccion y Servicios S.A.(ACS)	No	Removed from Iran List
Aggreko PLC	Yes; January 28, 2008	Removed from Iran List
Air Liquide	Yes; November 30, 2007 January 28, 2008	Removed from Iran List
Aker Solutions ASA (fka Aker Kvaerner ASA)	No	Iran CE Classification Continues
AREF Investment Group	No	Removed from Sudan List
Areva SA	Yes; October 27, 2008 December 29, 2009	Removed from Sudan List
Bauer Aktiengesellschaft	Yes; March 13, 2008	Removed from Sudan List
BG Group	Yes; November 23, 2007	Removed from Iran List
Bharat Electronics Limited	No	Removed from Sudan CE List
Bollore Group	No	Sudan CE Classification Continues
Costain Group PLC	Yes; November 5, 2007	Removed from Iran List
Daelim Industrial Co Ltd	No	Moved to Iran Scrutinized List
Engineers India Ltd.	Yes; October 16, 2008; September 9, 2010	Removed from Iran CE List
Essar Oil	Yes; January 9, 2009	Removed from Iran List
Finmeccanica SpA	No	Removed from Sudan List
Glencore Xstrata PLC	Yes; September 20, 2010	Sudan CE Classification Continues
GVA Consultants	Yes; September 26, 2007 September 30, 2010	Removed from Iran CE List
ICSA India Limited	No	Removed from Sudan List
Itochu Corp	Yes; May 9, 2008	Removed from Iran List
JGC Corp	Yes; October 1, 2007	Removed from Iran List
La Mancha Resources	Yes; October 21, 2008	Removed from Sudan List
Linde AG	Yes; November 14, 2007	Removed from Iran List
Liquefied Natural Gas LNGL	No	Iran CE Classification Continues
Mitsubishi Heavy Industries Ltd.	Yes; October 26, 2007	Removed from Iran List
Mitsui & Co.	Yes; October 17, 2007	Removed from Iran List
Mitsui Engineering & Shipbuilding	Yes; November 21, 2007 December 18, 2007	Removed from Iran and Sudan Lists
MMC Bhd	No	Sudan CE Classification Continues
Nam Fatt	No	Removed from Sudan List
PT Citra Tubindo Tbk.	Yes; September 27, 2010	Removed from Iran CE List

Company	Company Responsive to SBA Communications	Continued Examination Status
PTT Public Company Limited	Yes; October 1, 2010	Removed from Sudan CE List
Saipem SpA	Yes; December 12, 2007	Removed from Iran Lists
Samsung Engineering Co. Ltd.	No	Removed from Iran CE List
Samsung Heavy Industries Co. Ltd.	No	Removed from Iran List
Sasol Ltd.	Yes; May 25, 2010 September 29, 2010	Iran CE Classification Continues
Seadrill Ltd	Yes; September 20, 2010	Removed from Sudan CE List
Siam Cement Group (SCG)	Yes; September 24, 2010	Iran CE Classification Continues
Siemens AG	Yes; October 22, 2009 October 8, 2010	Removed from Iran CE List
Schlumberger Limited NV	Yes; October 19, 2007	Removed from Iran and Sudan Lists
Siam Cement PCL	Yes; October 21, 2008	Iran CE Classification Continues
SNC - Lavalin Group Inc.	Yes; September 25, 2007	Removed from Iran List
Sudan Telecommunications (Sudatel)	No	Sudan CE Classification Continues
Technip	Yes; April 30, 2010 and November 30, 2010	Iran CE Classification Continues
The Weir Group PLC	Yes; November 16, 2007	Removed from Iran and Sudan Lists
Total SA	Yes; October 12, 2007	Sudan CE Classification Continues
Trevi-Finanziaria Industriale S.p.A.	Yes; September 17, 2010	Removed from Iran CE List
Weatherford International, Ltd.	No	Removed from Sudan List
Welspun Corp. Limited (fka Welspun-Gujarat Stahl Rohen Ltd.)	Yes; September 24, 2010	Iran CE Classification Continues

Key Dates for PFIA Activities

June 8, 2007 — Legislation's effective date, upon becoming a law.

August 6, 2007 — SBA letter to state agencies requesting data on all publicly traded securities held directly by the State.

August 20, 2007 — First of two letters to investment managers providing written notice of PFIA enactment and amendment to Schedule B of investment management contracts.

September 19, 2007 — SBA assembles initial Scrutinized Companies lists for Sudan and Iran.

September 20, 2007 — SBA engages companies classified as either Scrutinized or needing Continued Examination through written correspondence, subsequent conference calls and additional communication. SBA disclosed the Scrutinized Companies lists on its website, including reporting of all equities held by the State.

September 21, 2007 — Second of two letters to investment managers providing Scrutinized Companies lists.

October 16, 2007 — SBA formally submits the Scrutinized Companies lists to the Legislature and the United States Special Envoy to Sudan, and continues to do so every quarter.

November 30, 2007 — SBA sends notification via email to any owned scrutinized company that has not responded to initial written correspondence. Similar notification was sent to each company classified as needing continued examination.

January 25, 2008 — SBA sends additional notice of divestment and request for information to all Scrutinized Companies, with emphasis to companies that have been unresponsive to the SBA's prior request for the necessary information.

July 1, 2008 — In March 2008, the SBA developed a policy approach directing all affected managers to sell their remaining PFIA related holdings no later than July 1, 2008, approximately three months earlier than the statutory deadline of September 18, 2008.

September 18, 2008 — Statutory deadline for the SBA to complete divestment of *initial* Scrutinized Companies (i.e., within 12 months of their initial appearance on the September 19, 2007 list), if they do not stop scrutinized active business operations.

March 1, 2010— Deadline for the SBA to identify and offer at least one terror-free investment product for the FRS Investment Plan (Defined Contribution).

Quarterly Reporting—SBA provides quarterly updates to the Scrutinized Companies lists for Sudan and Iran, including a summary of engagement activities. PFIA quarterly reports have been issued on the following dates:

September 19, 2007
December 18, 2007
March 25, 2008
June 10, 2008
September 16, 2008
January 13, 2009
April 14, 2009
July 28, 2009
October 27, 2009
January 26, 2010
April 27, 2010
July 29, 2010
November 9, 2010
February 22, 2011
June 16, 2011
September 20, 2011
December 6, 2011
March 20, 2012
June 26, 2012
September 18, 2012
December 11, 2012
March 19, 2013
June 25, 2013
September 24, 2013

Summary of Investments Sold, Redeemed, Divested or Withdrawn

In accordance with the PFIA, the SBA must divest all holdings of any scrutinized companies within 12 months of their original appearance on the prohibited securities list. External managers are contractually responsible for administering investments in accordance with restrictions set forth by the SBA, including the prohibited securities list of the PFIA. Historical divestment transaction data is contained in prior PFIA Quarterly Reports. The table below presents the cumulative market capitalization of scrutinized companies divested by the SBA since the PFIA's inception:

Royal Dutch Shell**	$215,784,700.79
Total SA**	$214,536,015.45
Petroleo Brasileiro SA (Petrobras) **	$206,135,264.10
ENI**	$141,403,034.78
CNOOC Ltd	$131,737,735.86
Gazprom (a.k.a. OAO Gazprom)	$71,275,453.14
Alstom**	$65,897,698.67
Repsol YPF**	$53,420,179.87
Statoil ASA** (fka: StatoilHydro)	$46,792,677.58
China Petroleum and Chemical Corp (CPCC) Sinopec	$38,455,440.48
PetroChina	$25,723,158.75
Inpex Corp.**	$24,835,110.63
MISC Bhd	$16,448,397.44
Snam Rete Gas**	$9,596,905.78
Lukoil OAO**	$9,487,631.46
OMV AG **	$8,601,977.98
Shell International Finance**	$8,599,813.40
Wärtsilä Oyj**	$1,797,871.96
Daelim Industrial Co Ltd	$1,566,926.73
Petrofac Ltd **	$1,496,881.43
The Weir Group PLC **	$1,322,666.62
Petrobras International Finance**	$1,148,750.00
Lundin Petroleum AB **	$1,133,120.04
Oil & Natural Gas Corporation (ONGC)	$945,363.83
China BlueChemical Ltd	$528,071.50
Petrobras Energia (Participaciones) **	$298,632.08
Dongfeng Motor Group**	$158,623.49
Electricity Generating Public Company**	$121,321.38
Gazprom Neft	$37,892.73
** denotes companies no longer on the Prohibited Company list.	**$1,299,287,317.95**

In accordance with the PFIA, the SBA will report on the performance implications of PFIA-related divestitures and restrictions. Generally, the impact of PFIA legislation on performance is measured as the opportunity cost of not being able to hold prohibited securities, measured by comparing the monthly return of the standard foreign equity benchmark (i.e., the MSCI ACWI ex-US) to a custom foreign equity benchmark based upon PFIA divestiture requirements. The difference in returns between the standard benchmark and custom benchmark represents the opportunity cost to the SBA of not being able to invest in (or hold) prohibited companies. The percent return difference is then applied to the average monthly balance of foreign equity investments to determine a dollar impact. Monthly dollar impacts, whether positive or negative, are added together through time and then compared to the total value of the FRS Pension Plan to determine the percentage or basis point impact of PFIA legislation.

Table 7: List of Prohibited Investments (Scrutinized Companies)

New companies on the list are shaded and in bold.
(Note: AREF Energy Holdings Co has been renamed Energy House Holding Company)

Company	Scrutinized Country	Country of Incorporation	Initial Appearance on Scrutinized List	Full Divestment
AviChina Industry & Technology Company Limited	Sudan	China	September 19, 2007	Yes
Chennai Petroleum Corp Ltd	Sudan	India	September 19, 2007	Yes
China BlueChemical Ltd	Iran	China	March 19, 2013	Prior to 3/19/2014
China National Petroleum Corporation (CNPC)	Sudan & Iran	China	December 11, 2012	Yes
China Oilfield Services Ltd	Iran	China	June 16, 2011	Yes
China Petroleum & Chemical Corp (CPCC) Sinopec	Sudan & Iran	China	September 19, 2007	Yes
CNOOC Ltd	Iran	China	June 16, 2011	Yes
CNOOC Finance Limited	**Iran**	**China**	**September 24, 2013**	**Yes**
CNPC General Capital Ltd	Sudan	China	June 26, 2012	Yes
CNPC Golden Autumn	Sudan	China	September 18, 2012	Yes
CNPC HK Overseas Capital Ltd	Sudan & Iran	China	June 16, 2011	Yes
COSL Finance (BVI) Limited	**Iran**	**China**	**September 24, 2013**	**Yes**
Daelim Industrial Co Ltd	Iran	South Korea	June 16, 2011	Yes
Daqing Huake Group Co Ltd	Sudan	China	March 25, 2008	Yes
Egypt Kuwait Holding Co. SAE	Sudan	Kuwait	January 13, 2009	Yes
Energy House Holding Company (fka: AREF Energy Holdings Co)	**Sudan**	**Kuwait**	**July 28, 2009**	**Yes**
Gas District Cooling (Putrajaya) Sdn Bhd	Sudan & Iran	Malaysia	April 14, 2009	Yes
Gazprom	Iran	Russia	September 19, 2007	Yes
Gazprom Neft	Iran	Russia	September 16, 2008	Yes
Groupe ONA (ONA SA)	Sudan	Morocco	November 9, 2010	Yes
Harbin Electric Co. Ltd. (fka: Harbin Power Equipment)	Sudan	China	September 19, 2007	Yes
Indian Oil Corp Ltd (IOCL)	Sudan & Iran	India	September 19, 2007	Yes
Jiangxi Hongdu Aviation (aka Hongdu Aviation)	Sudan	China	September 19, 2007	Yes
Jinan Diesel Engine	Sudan	China	July 28, 2009	Yes
Kingdream PLC	Sudan	China	April 14, 2009	Yes
KLCC Property Holdings Bhd	Sudan & Iran	Malaysia	April 14, 2009	Yes
Kunlun Energy Company Ltd. (fka: CNPC Hong Kong)	Sudan & Iran	Hong Kong	September 19, 2007	Yes
Kuwait Finance House	Sudan	Kuwait	April 14, 2009	Yes
Lanka IOC Ltd	Sudan	India	September 19, 2007	Yes
Managem SA	Sudan	Morocco	November 9, 2010	Yes
Mangalore Refinery & Petrochemicals Ltd	Sudan & Iran	India	September 19, 2007	Yes
Midciti Resources Sdn Bhd	Sudan	Malaysia	September 19, 2007	Yes
MISC Bhd	Sudan & Iran	Malaysia	September 19, 2007	Yes
MISC Capital Ltd.	Sudan & Iran	Malaysia	April 14, 2009	Yes
Mosenergo	Iran	Russia	September 16, 2008	Yes
Oil India Ltd.	Sudan	India	September 18, 2012	Yes
Oil & Natural Gas Corp (ONGC)	Sudan & Iran	India	September 19, 2007	Yes
PetroChina	Sudan & Iran	China	September 19, 2007	Yes
Petroliam Nasional (Petronas)	Sudan & Iran	Malaysia	September 19, 2007	Yes

Company	Scrutinized Country	Country of Incorporation	Initial Appearance on Scrutinized List	Full Divestment
Petronas Capital Limited	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Chemicals Bhd	Sudan & Iran	Malaysia	June 16, 2011	Yes
Petronas Dagangan Bhd	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Gas Berhad	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Global Sukuk	Sudan	Malaysia	September 18, 2012	Yes
Ranhill Bhd	Sudan	Malaysia	September 16, 2008	Yes
Ranhill Power Sdn Bhd	Sudan	Malaysia	September 20, 2011	Yes
Ranhill Powertron Sdn	Sudan	Malaysia	April 14, 2009	Yes
Ranhill Powertron II Sdn	**Sudan**	**Malaysia**	**September 24, 2013**	**Yes**
Sinopec Capital 2013 Ltd	**Sudan**	**China**	**September 24, 2013**	**Yes**
Sinopec Finance	Sudan & Iran	China	April 14, 2009	Yes
Sinopec Kantons Holdings Ltd	Sudan & Iran	Bermuda	September 19, 2007	Yes
Sinopec Shanghai Petrochemical	Sudan & Iran	China	September 19, 2007	Yes
Sinopec Yizheng Chemical Fibre	Sudan & Iran	China	March 25, 2008	Yes
Societe Metallurgique D'imiter	Sudan	Morocco	November 9, 2010	Yes
# of Prohibited Investments	**54**	**-**	**-**	

The following companies were **removed** from the Prohibited Investments List this quarter.

Removed Company	*Country of Incorporation*
Sinopec Group Overseas Development 2012 Ltd	***China***

Table 8: SBA Holdings in Prohibited Investments Subject to Divestment

As of June 30, 2013, the SBA held the following shares in China BlueChemical Ltd in accounts subject to the PFIA divestiture requirements. China BlueChemical was was added to the Prohibited Investments List as of the March 19, 2013 PFIA report, and is subject to full divestment within one year (prior to March 19, 2014).

Issuer	Shares	Market Value
China BlueChemical Ltd	11,896,000	$7,269,790.54

Summary of Progress, SBA Investment Manager Engagement Efforts

On August 20, 2007, the SBA sent letters to 66 external investment managers notifying them of the Act and informing them of new contract language that would enforce their cooperation with the requirements of the new law.

On September 19, 2007, the SBA sent letters to all affected managers outlining the list of prohibited securities for any future purchases. The letter described the SBA's engagement process with companies on the list, which affords companies a 90-day period in which to comply with the conditions of the law or clarify their activities. The letter directed these managers to cease purchase of securities on the list and to await the direction of the SBA for any divestment necessary in the event engagement fails, with a deadline for divestment under the law of September 18, 2008.

On September 19, 2007, the SBA sent letters to actively-managed, indirectly held funds holding scrutinized securities, including managers of the defined contribution program, asking the funds to review the list of scrutinized securities and consider eliminating such holdings from the portfolio or create a similar fund, devoid of such holdings, per the requirements of the law.

Each quarter, the SBA sends written and electronic notification to all affected managers about the list of prohibited companies.

The SBA has received responses noting our concerns in writing and by phone from several of the contacted managers.

Listing of All Publicly Traded Securities (Including Equity Investments)

Due to the large number of individual securities and the volume of information, this list has been electronically posted to the SBA's website and is updated quarterly. A list of all publicly traded securities owned by the State of Florida can be found within the PFIA information section of the SBA's website. Please observe the electronic report's notes page for important clarifying explanations of included data.

For more information, please contact:

State Board of Administration of Florida (SBA)
Investment Programs & Governance
1801 Hermitage Blvd., Suite 100
Tallahassee, FL 32308
www.sbafla.com

or send an email to:
pfia@sbafla.com

MINUTES
INVESTMENT ADVISORY COUNCIL
JUNE 24, 2013

A meeting of the Investment Advisory Council (IAC) was held on Monday, June 24, 2013 in the Hermitage Room of the State Board of Administration of Florida (SBA), Tallahassee, Florida. The attached transcript of the June 24, 2013 meeting is hereby incorporated into these minutes by this reference.

Members Present:
Martin Garcia, Chair
Les Daniels, Vice Chair
Chuck Cobb
Peter Collins
MaryEllen Elia
Will Harrell
Chuck Newman
Gary Wendt
Michael Price (via telephone)

Also Present:
Ash Williams
Lamar Taylor
John Benton
Trent Webster
John Bradley
Katy Wojciechowski
Steve Spook
Janice Yecco
Scott Seery
Rowland Davis, Hewitt EnnisKnupp
Kristen Doyle, Hewitt EnnisKnupp
Steve Voss, Hewitt EnnisKnupp

CALL TO ORDER/APPROVAL OF MINUTES

Mr. Martin Garcia, Chair, called the meeting to order at 1:15 PM. He requested that anyone participating by telephone identify themselves for the benefit of the court reporter. Following a short discussion, Mr. Collins made a motion to accept the transcripts of the March 18, 2013 meeting to serve as the minutes of the meeting, which was seconded by Mr. Newman and unanimously approved.

OPENING REMARKS/REPORTS

Mr. Ash Williams, Executive Director and Chief Investment Officer, welcomed the meeting's participants and then provided an overview of the SBA's performance and market factors. Mr. Williams also provided an overview of the outcome of the legislative session.

ASSET LIABILITY/ASSET ALLOCATION REVIEW AND ASSET CLASS STRATEGY (ACTION REQUIRED)

Mr. Ash Williams presented background information related to asset liability and asset allocation. Mr. Rowland Davis, Hewitt EnnisKnupp, provided information related to the assumed actuarial required return and described the process for evaluating various allocation models/impacts of legislation.

Mr. Lamar Taylor, Deputy Executive Director, presented IAC fiduciary responsibilities as it relates to asset allocation. Mr. Steve Voss, Hewitt EnnisKnupp, presented a brief overview of the asset allocation and asset liability process. Ms. Kristen Doyle, Hewitt EnnisKnupp, presented the measurement aspect of the asset liability asset allocation review. Mr. Davis briefly presented on the risk allocation of the asset liability study. Mr. Davis explained that the assumptions in his model called for global equity 15-year return of 7.9% and a bond return of 2.27%. The simulation process of the asset-liability model with the inputted assumptions results in a 45% probability that the modeled portfolio achieves a 7.75% targeted rate of return. There is a 48% probability that the modeled portfolio achieves the targeted real rate of return of 5%. Several IAC members asked questions about the probability levels of achieving the targeted rates of return. He explained that such probabilities could be increased by increasing the allocation to risky assets. Mr. Voss explained that there is a 90% probability that future returns are going to come from asset allocation decisions and the other 10% will come from manager selection. He confirmed that institutional investors are not moving away from their allocations to fixed income. He explained that they are maintaining their allocations in the neighborhood of total assets between 24% and 26%.

Ms. Doyle explained that more specific information can be provide about the members of the TUCS and BNY Mellon universe so the IAC can better compare itself to those in those universes. He explained that most of such information is public.

Mr. Davis explained the calculation of the equity risk. He said the four consulting firms referenced in the board material calculated risk premiums ranging between 4.3% and 5.15%. In the 2010 study, the equity risk premium was calculated by averaging the equity risk premiums of the various consulting firms. For the current study, the average equity risk premium would be 4.76%. He explained that the difference between 3.36% and 4.76% is a significant increase and he questioned whether this rate was sustainable long-term. It was his judgment and interpretation that the baseline rate of 4.76% was high and not a suitable anchor for long-term strategic policy. A 4.76% risk premium would militate towards a 85% allocation to risk assets and a 15% allocation to fixed income. Because he didn't think the 4.76% was reliable, the risk premium was adjusted to a lower rate, indicating that a 75% allocation to risk assets and a 25% to fixed income assets was an appropriate allocation. He did not recommend changing the 75%/25% allocation.

Because of the risk of rising rates, Mr. Davis did recommend changing the benchmark to lower the duration of the fixed income component to acknowledge the fact that rates are extremely low. There were questions and comments posed by IAC members about some of the ranges in the Investment Policy Statement (e.g., a policy high for fixed income of 32% and cash high of 9%). There was discussion by the IAC about changing some of the ranges. There was discussion about lowering the ranges for fixed income and increasing the range for global equities. There was discussion about where you would allocate funds if they were taken out of fixed income.

Mr. Harrell said he very much hoped that the IAC would reopen the topic of what the asset allocation should be and asked that each member be poled on his suggestion. It was unanimously voted by the IAC that the IAC and SBA reopen the topic of asset allocation, with each individual member giving their individual perspective about changing the ranges. It was suggested that the IAC, SBA and the consultants not examine the aggregate results of a thousand different scenarios, but examine single scenarios and their corresponding outcomes. With time running short, it was recommended that the entire meeting in September be dedicated to evaluating changing our asset allocation scheme and that we begin the meeting at 10:00 am to insure adequate time for this important function. There was interest expressed in immediately changing the global equity allocation by increasing the upper range to 65%. A motion was made by Mr. Newman to change the fixed income benchmark to the Barclays intermediate from the Barclays ag and to change the upper bound of the range for global equities to 65% with an amendment

made by Mr. Wendt and Cobb that the asset allocation discussion be continued into the September meeting. The motion passed unanimously.

Mr. Davis explained that at the September meeting that "what if" scenarios would be explored with different assumptions producing different outcomes.

Ms. Katy Wojciechowski, Senior Investment Officer Fixed Income discussed the advantages of changing the fixed income benchmark to the Barclays Intermediate Aggregate Benchmark from the Barclays Aggregate Benchmark. Ms. Wojciechowski's presentation addressed the extent to which such a change would decrease the duration of fixed income investments in the FRS DB portfolio and reduces exposure to long-dated government bonds. Questions and clarifications were addressed throughout the presentations.

MAJOR MANDATE PERFORMANCE REVIEWS

Ms. Kristen Doyle, Hewitt EnnisKnupp, provided a very brief overview of the SBA's major mandates' performance. Mr. Cobb posed a question concerning securities lending, which was answered.

AUDIENCE COMMENTS/2013 SCHEDULED MEETINGS/CLOSING REMARKS/ADJOURN

There were no comments from the audience. Mr. Garcia requested a motion to adjourn the meeting. Ms. Elia made the motion to adjourn, seconded by Mr. Collins. The meeting adjourned at 4:30 PM.

Martin Garcia, Chairman

9-12-13

Date

(Further meeting information can be found in the written transcripts of the meeting kept by the State Board of Administration.)

STATE BOARD OF ADMINISTRATION OF FLORIDA

INVESTMENT ADVISORY COUNCIL MEETING

MONDAY, JUNE 24, 2013
1:15 P.M. - 4:30 P.M.

1801 HERMITAGE BOULEVARD
HERMITAGE ROOM, FIRST FLOOR
TALLAHASSEE, FLORIDA

REPORTED BY: JO LANGSTON
Registered Professional Reporter

ACCURATE STENOTYPE REPORTERS, INC.
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APPEARANCES

IAC MEMBERS:

MARTIN GARCIA
CHUCK NEWMAN
GARY WENDT
CHUCK COBB
WILL HARRELL
LES DANIELS
MARYELLEN ELIA
PETER COLLINS
MICHAEL PRICE (via telephone)

SBA EMPLOYEES:

ASH WILLIAMS, EXECUTIVE DIRECTOR
JOHN BENTON
LAMAR TAYLOR
TRENT WEBSTER
JOHN BRADLEY
KATY WOJCIECHOWSKI
STEVE SPOOK
JANICE YECCO
SCOTT SEERY

CONSULTANTS:

ROWLAND DAVIS - (Hewitt EnnisKnupp)
KRISTEN DOYLE - (Hewitt EnnisKnupp)
STEVE VOSS - (Hewitt EnnisKnupp)

INVESTMENT ADVISORY COUNCIL MEETING

* * *

MR. GARCIA: Why don't we bring the meeting to order. Welcome to all. The first order of business is the minutes. And we've got two sets of minutes. First the minutes from the March 18th, 2013 meeting. Is there a motion?

MR. HARRELL: To do what?

MR. GARCIA: To the minutes of March 18th.

MR. HARRELL: I'll move it.

MR. COBB: I'll second.

MR. GARCIA: Any objection? All in favor indicate by voting aye.

(Ayes)

MR. GARCIA: And then the minutes of the March 18th IAC meeting. Is there a motion?

MS. ELIA: Move to approve.

MR. NEWMAN: That's the 18th?

MR. GARCIA: Yes, sir.

MR. NEWMAN: I thought we just approved that one.

MR. GARCIA: It's the 29th. Excuse me. You're right. April 29th.

MR. NEWMAN: Martin, I had some issues with that one, if I could speak for a minute.

MR. GARCIA: Sure.

MR. NEWMAN: I've gone back and looked at these, and I don't think this really was what happened at the IAC. These appear to be excerpts out of the comp committee, the subcommittee. And at that committee what we've done is adopted the transcript, because there's so much conversation and so many views that it could be misleading if we start just pulling certain things out. So we have just said we'll use that. And we sent a memo out that just says, here's what happened and here's what we need to do in the future.

And when I went back and looked at these, these were really just excerpts from that, because if I remember correctly, the IAC meeting was simply going and just approving the two recommendations that we had made at the comp committee.

MR. GARCIA: I believe, with the exception of Will, who came in on the call later, everyone from the IAC attended the meeting. And our meeting, IAC meeting lasted maybe ten minutes and adopted everything that we did in the comp meeting. And so that's why I prepared the minutes the way that I did.

MR. NEWMAN: What I'm saying is these aren't

reflective of the IAC minutes. And I think, by pulling out quotes from the excerpts, it could be misleading to where we were really going with the comp committee meeting, because there's so much more discussion in there that don't get pulled out and put in here.

MR. GARCIA: Do you have -- do you want to delete something? Do you have a suggestion of what we ought to do?

MR. NEWMAN: I would rather see these minutes reflect what really happened in the IAC. And whether it is just to redo these or adopt the transcript, that was a short meeting, something like that, to be the minutes, versus having this, where we're pulling different pieces out of the comp committee as the minutes for the IAC, since this is not minutes from the IAC.

MS. ELIA: Did you have minutes from the comp committee?

MR. NEWMAN: No. We used the full transcript, because there's so much that goes on. We do send a memo around that I think Kathy prepares that just summarizes, here's what we did, here's the motions we made, and here's the action when we go forward, because there are a lot of views, and you need to

read the thing to really get the full feeling for what we're doing.

MS. ELIA: So you could adopt those minutes as part of the --

MR. NEWMAN: The transcript.

MS. ELIA: Adopt the transcript as part of the minutes.

MR. GARCIA: We can do that. The minutes were an attempt to summarize the transcript. But if you want to have the minutes be the entire transcript, that's fine. Does anybody have a problem with that? Well, do I have a motion to that effect?

MR. COLLINS: Motion.

MR. GARCIA: Second?

MR. NEWMAN: I'll second it. We're saying we would take the minutes -- that these minutes become the transcript from the IAC meeting?

MR. GARCIA: Yes.

MR. NEWMAN: Okay. I agree with that.

MR. GARCIA: Okay. Any opposed? Okay. Passes. Ash, the floor is yours.

MR. WILLIAMS: Thank you. I tell you, for just sheer theatrics, you can't beat what the markets are doing right now. While the conversation was going on about the minutes, I was on Bloomberg looking at

1 what's going on. The S&P 500 is off 170 basis
2 points today. The 10-year has moved. The 30-year
3 has moved. Everything has moved. So we're seeing
4 play out pretty much in realtime some of the things
5 we've discussed previously.
6 MR. WENDT: What changed?
7 MR. WILLIAMS: Well, the markets are roiled
8 pretty significantly.
9 MR. WENDT: Is it down, the stock market?
10 MR. WILLIAMS: Yes. The stock market is down.
11 Various markets are down by varying amounts. The
12 S&P 500 is down about 170 basis points as of right
13 now in the trading day. We were just looking. One
14 of the Chinese indices is down over 6 percent. Hong
15 Kong is down better than two. Bonds are moving a
16 bit. So all kinds of interesting things out there.
17 In terms of the fund broadly, fiscal year to
18 date, as of the close on the 21st, even net of the
19 downturn we've seen in the markets just over the
20 past couple of weeks, we're still up 12.3 percent
21 year to date. That's 119 basis points ahead of
22 target. We had $131.9 billion in the fund. That's
23 up 9.2 billion over the prior fiscal year-end of 30
24 June 2012, and that's net of paying out roughly a
25 half a billion dollars a month in cash for benefits.

1 So all in, I think the strategy has worked for
2 us reasonably well this year. And for purposes of
3 today's discussion, it's a very important time for
4 us to come together because we're picking up on the
5 discussion that we left off back in March. And
6 you'll recall, at the time, we had a pretty
7 extensive and I think thoughtful conversation about
8 asset allocation, and several things, the desire of
9 the IAC collectively to spend more of its time on
10 that subject, recognizing that it's a priority for
11 all of us and, secondly, we've had several things
12 come up since that time.
13 Will Harrell wrote a thoughtful paper on the
14 subject. Ambassador Cobb raised some questions
15 about the importance of the volatility of fixed
16 income. Others have weighed in on various points.
17 And Chairman Garcia has expressed several concerns
18 and also expressed -- several members of the IAC
19 have also expressed interest in having more
20 interaction with the SBA investment team. So I
21 think we're going to basically indulge all of those
22 interests this afternoon, and I hope do so very
23 thoroughly.
24 So where are we? We are now on the back -- and
25 we're going to run through some slides on this in a

1 minute. But what we're going to do -- let me recap
2 where we are very broadly and then give you the
3 outline of how we're going to address what we'll
4 cover this afternoon, and then we'll just dive in.
5 And we set aside a full three hours, so we want to
6 do this in an interactive way.
7 I will sort of be the ring leader, if you will.
8 And we have Hewitt EnnisKnupp on board this
9 afternoon. We have Cambridge Associates on hand.
10 We have Rowland Davis, who is our actuary, here as
11 well, plus all of our senior investment officers and
12 our deputy executive director as well. So we've got
13 all hands on deck.
14 So where are we? Where are we is that we are
15 now well into an implementation phase of the last
16 major asset allocation that we did, which was in
17 June of 2010. In March we suspended our
18 deliberations on asset allocation pending the
19 outcome of legislative discussion on whether and to
20 what degree the defined benefit pension plan
21 structure might change or its benefits might change
22 in a way that would impact our liability and have
23 ramifications for investment strategy.
24 The session ended, and there was no action on
25 either the structure or the benefits. So we came

1 out of the session thinking, okay, now we have
2 clarity on that and we can go forth and give our
3 undivided attention to asset allocation based on
4 market opportunities and risks as we collectively
5 perceive them.
6 After about ten days of that happy thought
7 pattern, I had a call from senior legislative staff
8 who advised me that the intention of the legislature
9 is to come back in the next session and again
10 evaluate closure of the defined benefit side of the
11 pension system and the implementation of a cash
12 balance or some other sort of structure.
13 So the same uncertainty that has been dominant
14 in our ability to make longer-term thoughts about
15 our investment portfolio -- and this has been
16 present for the past several years -- continues for
17 the next year.
18 So, with that said, let me leap into a few
19 background points that may be of interest, and we'll
20 go from there. Also would note that we had an asset
21 allocation workshop in our March meeting that those
22 of you who were on the IAC at the time attended. We
23 have a couple of new members who were not able to
24 join. So we're going to recap a handful of high
25 level points relating to asset allocation, how we do

it, why we do it the way we do, and what the criteria are through which we take those decisions. And these slides are all in your books, of course. So, first, when we look at --

MS. ELIA: Where are they in the book?

MR. WILLIAMS: They're marked in the index under which tab they're under.

MR. NEWMAN: C.

MS. ELIA: Thank you.

MR. COLLINS: Ash, I did want to thank you for you and Diane sending me the transcript from that asset allocation workshop. I did go back and read it, and it was very helpful in preparation for today.

MR. WILLIAMS: Sure. Thank you. So, anyway, let's just come to our slides. So basically how is the plan designed and how do the investment policy objectives get derived. Our pension plan, like any pension plan, owes its success to appropriately handling three variables. First, the retirement benefits themselves have to be reasonable. Second, the funding policy has to be actuarially sound and consistently applied. And, third, the investment process has to be executed in a prudent manner, which is to say it should be not only sound in

concept but professional and prudent in its execution.

The investment policy statement for the Florida Retirement System is the key policy document that's used to design and implement the pension plan. And certainly the most important directive within the investment policy statement is the allocation strategy.

I think here what we would do is talk for just a minute about risk, because risk is a sometimes counterintuitive concept. And for the purposes of this discussion, risk from the perspective of the Board of Trustees of the State Board of Administration is failing to earn the absolute real target rate of return over long periods of time.

Now, let's be clear. The absolute real target rate of return is 5 percent. It is not the 7.75 percent we so often hear about. That's a number set by the legislature. And that number has been all over the map over a period of years. And the legislature will set that number wherever they choose to set it. It's not related to actuarial analysis or anything else, other than the legislature's judgment.

The other number that's important is what's

1 called the long-term nominal return assumption,
2 which is simply the real return assumption,
3 5 percent, plus whatever the actual inflation for
4 any given period is. So those are long-term
5 targets. Yes, sir.
6 MR. HARRELL: One quick question. Which of
7 those return numbers is the one that is used when we
8 say we're 90 percent funded or whatever? Which of
9 those numbers goes into that calculation?
10 MR. WILLIAMS: That is done based on an annual
11 assessment of assets and liabilities and the
12 reconciliation of those two, and I believe the
13 number that would be used -- the real long-term
14 number and the nominal are not two different
15 numbers. They're just -- I mean, they're two
16 different numbers, but it's only because one adds
17 inflation. Their derivation is not dependent one on
18 the other.
19 MR. HARRELL: So it's not the 7.75 that drives
20 the funding percentage, or is it?
21 MR. WILLIAMS: Rowland?
22 MR. DAVIS: Yeah. The actuary does their
23 annual valuation as of July 1st, and what's called
24 the actuarial liability is measured using the 7.75
25 percent discount rate.

1 MR. HARRELL: Okay. Thank you.
2 MR. WILLIAMS: So what we are trying to do is
3 meet or exceed that real long-term objective over
4 long periods of time, which in this context are
5 commonly thought of as 20 years, 15 to 30.
6 Twenty-ish is a reasonable ballpark. And so when we
7 set an asset allocation, the idea is to have an
8 allocation that over that long period of time, while
9 it will oscillate around and it will vary up, down
10 or equal to whatever it's long-term target may be,
11 that over the fullness of time, it will in fact
12 deliver the desired result, with some variance along
13 the way. Peter, were you going to ask a question?
14 MR. COLLINS: I was going to say that even
15 though the 7.75 is the number that's used, just to
16 be clear, based on the transcript that I read from
17 the workshop and the materials, but like you said,
18 that number does move, and it tends to move -- I
19 don't know if it's the legislature that sets it, but
20 there's a conference or an economic group that
21 meets, the actuarial conference, estimating
22 conference gets together. That's the function of
23 the legislature, right? They empower the estimating
24 conference to do its job?
25 MR. WILLIAMS: Well, the estimating conference

is a joint legislative and executive conference that convenes commonly in the tail end of the third quarter or early fourth quarter of the year. And they give consideration to various things. We usually provide input. We copied all of you on our written correspondence with them, and we've been telling them now for a couple of years, in writing and informally, that there's nothing that would rule out a lowering, a modest lowering of the actuarial investment return assumption. They've not chosen to lower it.

I can tell you, based on my prior experience at the board in the nineties, we went through a period of several years of very strong returns, and there was interest in the legislature in increasing the return assumption to double digits.

MR. COLLINS: Right.

MR. WILLIAMS: And the reason was, well, gee, you've had several years in the sort of low to mid teens, 10 ought to be an easy lift. Let's just move it to 10. It would save us all a lot of money in contributions and what have you. And we said, no, these returns are unusually rich. They will regress to the mean, and we ought to leave it where it is, which at the time, I believe, was 8 percent, or

maybe even eight and a quarter.

MR. COLLINS: I just wanted to make sure. So that number does oscillate around, and it oscillates around based on the estimating conference and input on an annual basis, correct?

MR. WILLIAMS: It's set every year.

MR. COLLINS: But it doesn't have to be seven and three-quarters every year.

MR. WILLIAMS: No. And in fact, if you look at the history, I think it's been as low as seven and a half and as high as nine or more. Is that the range, John?

MR. BENTON: Yes.

MR. COLLINS: Okay.

MR. WILLIAMS: So just that's to establish some context. And the point I'm really getting to here is that the asset allocation is not something that you should think of as a short-term tactical gesture. This is a very long-term-oriented decision.

So if we look at other key components that guide how we form the asset allocation strategy, legal and fiduciary constraints are fundamental. And Lamar is going to do a section in a little bit going into those in a little more detail. But if

1 you look at the pension plan's investment
2 objectives, we have to provide investment returns
3 that are sufficient to maintain a plan that lets us
4 pay the benefits and keeps costs at a reasonable
5 level, which means a couple of things.
6 We want to avoid any outcomes or minimize the
7 probability of outcomes that could be disruptive of
8 our ability to make benefit payments, or the same
9 sort of outcome that would suppress liquidity like
10 that in many cases would impair assets materially,
11 which then could lead to a requirement for sudden
12 and unexpected and material changes in employer
13 contributions.
14 And given that at the end of the day you're
15 talking about tax money to pay those contributions,
16 we really don't want to go there. When you consider
17 further that while this is the Florida Retirement
18 System, fully 80 percent of our beneficiaries are in
19 fact local government employees, primarily at the
20 county level, we really don't want to do anything
21 that will hamstring the economics of local
22 governments across Florida. So stability is an
23 important aspect of whatever allocation we end up
24 with.
25 Then on that second bullet, to achieve the

1 long-term return approximating the 5 percent
2 per annum compounded and net of expenses, we want to
3 do that consistent with the actuarial investment
4 return assumption of 7.75, and then we want to avoid
5 excessive cost trends. And when we say cost trends,
6 we're talking about implementation costs generally
7 but also, in the macro sense, plan costs overall.
8 And if we underperform, plan costs go up.
9 Never forget roughly two-thirds of every
10 benefit dollar paid out today did not come from
11 taxpayers and member employers. It came from
12 investment returns. And we don't want to disrupt
13 that, because that's a very powerful return on the
14 work we do here, with your help.
15 To that point, we want to manage risks and the
16 volatility of annual returns so that those risks are
17 reasonably controlled, which raises a question.
18 Controlled to what standard? And here we get into
19 the concept of risk tolerance. And it's the
20 trustees that have the responsibility for setting
21 that risk tolerance and how far they're willing to
22 go in certain forms of risk.
23 As a practical matter, we have evolved over a
24 lot of years something that Rowland is going to
25 touch on in a moment, which is basically taking a

1 certain number of units of risk in anticipation of a
2 certain level of return. And that's been a boundary
3 that's served us well. And as you know from looking
4 at our performance numbers going back 15, 20, 25, 30
5 years, the board has in effect, has very effectively
6 met its long-term return assumptions and, in fact,
7 exceeded them.
8 So how do we go about this and how do we
9 maintain that posture? Historically, major
10 asset-liability reviews are done every three to five
11 years. As I said a minute ago, the last major one
12 was done in the spring of 2010, implemented in July
13 of '10 after approval in June of '10, and led to
14 some pretty significant changes.
15 Now, what informed that initiative and what did
16 we do? Several things informed it, not least of
17 them being the crucible of the downturn of '08.
18 That was a miserable time, and the Florida
19 Retirement System Trust Fund, going into the
20 downturn, had a higher equity exposure than most of
21 our large fund peers. Having a very large equity
22 exposure is like being a little girl with a curl.
23 When it's good, it's really good, and when it's bad,
24 it's awful.
25 And the reason is you have a higher beta than

1 your peers. So when the markets were running up
2 like they were in the late nineties with the dot com
3 boom, you saw the wonderful experience of the
4 Florida Retirement System going from slightly
5 underfunded to materially overfunded in a period of
6 a single year, on the strength of the equity market
7 run-up, which was captured by a great big sail in
8 that good wind, and the sail was a big equity
9 allocation.
10 By the same token, when the markets tanked, as
11 they did in '08, if you had a very large exposure,
12 you feel a lot of pain. So on a relative basis, I'm
13 sure EnnisKnupp was reporting at a time, relative to
14 our peers, the FRS probably did a little bit worse
15 than a lot of our big fund peers, if not
16 considerably worse during that period of time.
17 One of the distinguishing factors we saw when
18 we looked at that and looked at that contrast to
19 other funds who had done a lot better was that they
20 had something we didn't have and we had something
21 they didn't have. The thing we had that they didn't
22 was more equity exposure, and the thing they had and
23 we didn't was more diversification in the form of
24 more alternative exposure through private equity and
25 other alternative investments that are less

1 correlated to equities but tend to give equal or
2 better return patterns than straight fixed income.
3 So that caused us to look at the question of
4 how do we take risk, and not just ask the question
5 how do we take risk, but how intelligently do we
6 take risk and can we take it more efficiently.
7 That's what led to the analysis in 2010 that
8 concluded we could increase our diversification
9 significantly by adding more alternatives, boosting
10 private equity a little bit, pulling down our global
11 equity, meaning both domestic and ex-U.S. equity
12 exposures, and in so doing would improve the
13 efficiency of our portfolio, slightly reduce our
14 risk and at the same time save approximately
15 $2 billion in member contributions over the ensuing
16 30 years.
17 So very counterintuitively, this set of actions
18 was, in our analysis, a way to simultaneously reduce
19 risk, slightly improve returns, and because of the
20 slightly improved returns, captured not through
21 shooting higher on the up side but by better
22 protecting capital on the down side, we could
23 compound capital more effectively over time and
24 capture about $2 billion in savings over time.
25 That allocation was reviewed by the IAC June 7

1 of '10, adopted by the trustees June 8 of '10,
2 reaffirmed by the IAC June of '11. And the
3 important intervening occurrence was the trustees in
4 office in June of 2010 all went out of office in
5 January of 2011 when the current trustees were sworn
6 in. An unprecedented event, which is 100 percent
7 turnover in the SBA trustees, took place at the end
8 of that year.
9 And implementation of the asset allocation that
10 was set in June '10 required a statutory change to
11 enable us to have more alternative investment
12 exposure than was then allowed. The then statutory
13 cap was 10 percent, which would include the sum of
14 private equity, hedge funds, timber, commodities,
15 distressed debt, opportunistic credit, a range of
16 other things that can be in what we now call the
17 strategic assets budget. So the recommendation was
18 we increase that authority to 20 percent.
19 But with the turnover in trustees in early
20 2011, none of these new trustees had any background
21 with the Florida Retirement System. There's no
22 reason they should have. And none were comfortable
23 moving forward with that statutory change without a
24 period of acclimation. We had also had an expansion
25 of the IAC. So we had new members on the IAC who

1 weren't fully aware of where we were, what the
2 history was.
3 So we decided the prudent thing to do was pull
4 back on the throttles, idle the engines for a while,
5 if you take the analogy, reeducate everybody, bring
6 the IAC up to speed, get them comfortable with what
7 we were trying to do, and hopefully we would either
8 get that level of comfort and buy-in, or
9 collectively we would decide to do something else.
10 And we would then, with the help of the IAC and me
11 working independently with the trustee staff, get
12 their offices comfortable with where we were going,
13 and we would move forward.
14 That process took a number of months. And
15 suffice it to say the IAC reaffirmed the policy in
16 June of 2011. The sitting trustees affirmed it in
17 mid-June of that year, '11. And we presented an
18 asset allocation review in March of '12 to the IAC
19 and trustees, and we also got the law changed during
20 '12 to accommodate the existing policy.
21 So the policy we're under now has been in place
22 since the summer of '10, and it has survived either,
23 what, two or three actuarial reviews, IAC reviews,
24 et cetera, and two different sets of trustees have
25 embraced it.

1 So just looking quickly, I think I touched on
2 these already in my remarks. But what did we do?
3 We basically -- we went to a global equity
4 benchmark, from having separate domestic and ex-U.S.
5 benchmarks. We did that in part to eliminate an
6 inherent home country bias in the former situation.
7 And with growth rates changing in different parts of
8 the world and with the U.S. no longer having a
9 dominant growth rate, we thought it was better to be
10 on a straight global equity allocation and let the
11 markets tell us what our allocation ought to be
12 rather than put a top-down spin on it that was
13 material.
14 So basically this last bullet sums up what I
15 was saying about the volatility being pretty similar
16 to where we were before, but over a 15-year horizon,
17 having a slightly higher probability of getting a
18 return and saving about 2 billion for the plan
19 overall.
20 Just moving forward, looking through these to
21 see if there's anything I didn't cover. We put in
22 place a transitional asset allocation policy to
23 allow us to go ahead and get moving on implementing
24 the hedge fund portfolio, which we've done with the
25 help of Cambridge Associates subsequently. And then

when we finally got the legislative authority in July of '12 to expand alternatives, we were able to move forward.

So this gives you basically what the recommended allocations were, what the near-term transitional allocations were and the pre-'10 allocation policies were. And as you can see, what we've done is we've been on a de-risking glide plane over a period of years now, where we've pulled down the global equity allocation, which is the most volatile part of the portfolio historically, also has been the highest value returning. Thank you, Janice and Scott. But what we've done is take away volatility, reduce downside risk and try and enhance our capital compounding over time.

So if we look at where we are now, other details of what we did, we did some enhancements to some of our benchmarks. We moved, as part of the global equity initiative, to a Morgan Stanley Capital International All Country World Investable Market Index, also known as ACWI, which is custom for Florida because we take out the Sudan and Iran component due to the Protecting Florida's Investments Act requirement.

We moved high yield from fixed income into strategic because we saw it as an area where, rather than having a standing allocation, it should be opportunistically approached. And we adjusted the real estate benchmark to reflect what we thought was an appropriate benchmark for a more global approach as well. Mr. Collins.

MR. COLLINS: Can you repeat that about the Sudan or Iran? I wasn't aware that we had that restriction.

MR. WILLIAMS: Yeah. Florida has what's called the Protecting Florida's Investments Act, which basically prohibits us from owning companies that do significant business in or with Sudan and Iran. And we report quarterly to the trustees on that subject. What that does is put us out of square with global indices. So we have to have custom indices. It limits what we can do with ETFs, et cetera.

That's one of the reasons why anytime divestiture initiatives come up, we tend to resist them. And people think we're being stodgy. But we always try and say, listen, when you're dealing with investable markets, inconsistency costs you money, period, because everything you do has to be custom made for you, which makes it less liquid and more

1 expensive.
2 We also updated, at the time we did these
3 changes previously, our private equity primary
4 benchmark to reflect a 3 percent premium over the
5 Russell 3000, rather than four and a half. The
6 reason we did that is we thought it was more
7 consistent with reality and what return expectations
8 should be and what other fiduciaries were doing.
9 I don't think it does any of us a service to
10 use an unrealistically rosy return assumption for
11 any component of what we're doing because it can
12 color the allocation decisions that result from it.
13 So basically that's the sum of what we did.
14 And when we last looked at where we were
15 actuarially, it was pretty similar to where we were
16 last year. Stable trend line for contribution rates
17 and funded ratios, significant range of uncertainty,
18 including for contribution rates, and risk related
19 to poor investment results.
20 We've done a bit of sensitivity analysis from
21 the March asset-liability review, trying to look at
22 what could happen under various circumstances,
23 particularly with sensitivity toward what's going on
24 in the bond market and the changes in the Fed stance
25 on quantitative easing, which we learned earlier

1 today is now being signaled with clarity. Mr.
2 Wendt?
3 MR. WENDT: Could you provide, just off the top
4 of your head, some assumptions or -- some of the
5 capital market assumptions that you used to indicate
6 a 45 percent probability? I'm having a hard time
7 understanding that concept. What capital market
8 assumptions did you make to do that?
9 MR. WILLIAMS: The probabilities that are there
10 come out of Rowland Davis's work. Rowland, do you
11 want to talk to that?
12 MR. DAVIS: Sure. The capital market
13 expectations for that probability calculation are
14 the same as we used in our asset-liability model.
15 So to recap a few of them, global equity at a
16 15-year expected return of 7.9 percent. The bond
17 return was low at 2.75 percent, other asset classes.
18 The full set of details are in the March meeting.
19 MR. WENDT: That gives me an idea. I think I
20 understand. Then why did you decide to come up with
21 a 45 percent probability?
22 MR. DAVIS: So then what we do is, with these
23 capital market assumptions, we have this simulation
24 process that we use for the asset-liability model.
25 Well, part of that is -- creates distribution of

1 portfolio returns as well over 15-year periods. And
2 so I get the 45 percent as I look at the thousand
3 scenarios and I see that 450 of them will meet or
4 exceed the 7.75 percent.
5 MR. WENDT: So based on those assumptions, you
6 run those through your machine.
7 MR. DAVIS: Yeah.
8 MR. WENDT: You said there's a 45 percent
9 chance we're going to meet these things.
10 MR. DAVIS: That's right.
11 MR. WENDT: But you don't go back and change
12 the assumptions to get higher.
13 MR. DAVIS: Well, the assumption, the
14 7.75 percent, as was discussed, is from the
15 Actuarial Estimating Conference, with the
16 legislature deciding, and the actuary has
17 significant input. So that one -- I can't touch
18 that one.
19 MR. WENDT: All right. I understand. Thank
20 you.
21 MR. WILLIAMS: Thank you.
22 MR. COBB: I have a question on that point. As
23 I understand, what we've just said is that the
24 45 percent wasn't an objective. The 45 percent is a
25 result of --

1 MR. WILLIAMS: Exactly, exactly. Key point.
2 Some of the work that Rowland does creates
3 probability cones. And we've all seen it. He calls
4 the graphic the cone of death. And really I say
5 that only half jokingly, because one of the things
6 that's really important in this business is that all
7 outcomes are not valued equally. It's not a
8 bell-shaped curve, where bad is the mirror image of
9 good, because bad experience is in many ways worse
10 than good experience in this environment.
11 And here's why. If you look at good
12 experience, take a snapshot of that window 1995 to
13 2000, you would have seen a very dramatic run-up in
14 assets and a very dramatic run-up in funded ratio.
15 What happened? There was so much money in the fund
16 and it became overfunded to the tune of close to
17 120 percent that the decision was taken, well, gee,
18 we don't need to keep piling up money. Let's take
19 money away.
20 So that triggered a ten-year period -- I think
21 it was a ten-year period. Maybe it was six. I
22 wasn't here at the time -- of contribution holidays
23 that amounted to about $6 billion in aggregate,
24 which was intended to stabilize the fund at a little
25 over or right about at a fully funded level.

1 Unfortunately, that continuity was interrupted by
2 2008. And when the tide went out on the markets,
3 the fund suddenly went from a funding level of about
4 107 to about 88, as I recall, all at once.
5 So here you have what in a private setting
6 might have been a very strong buildup of assets that
7 would have stayed put and accrued to the benefit, in
8 fact, went elsewhere. However, if you have a bad
9 experience, if you have a big loss, you can drive
10 funding down to a level that you can't recover from
11 it. And the response could simply be to shut the
12 plan, to default on benefits, any number of other
13 bad outcomes that you really don't want to have
14 happen.
15 The other key thing is, on a much simpler level
16 and a less Draconian level, come back to the
17 responsibility of managing plan costs. What we
18 really don't want to do is increase the probability
19 materially that we have a down year or series of
20 sequential down years. And as Rowland's work points
21 out, there have been I think, what, five periods in
22 the past 80 years where you've had consecutive years
23 that have been down collectively something like
24 20 percent?
25 It does happen. And what we don't want to do

1 is put the Florida Retirement System in a position
2 that when the funding decisions are made and the
3 legislature has to tell member employers what their
4 contributions are going to be, that those
5 contributions change very, very dramatically.
6 That's a very undesirable outcome that citizens,
7 taxpayers and employees don't want to come to pass.
8 MR. WENDT: But does the mix of the portfolio
9 affect any of these mathematical calculations? In
10 other words, your 45 percent probability, is that
11 based on a certain amount of equity, a certain
12 amount of real estate, et cetera, et cetera? So is
13 it possible, by changing the mix of the portfolio,
14 that we might come up with more than the 45 percent
15 probability?
16 MR. WILLIAMS: Absolutely. And that's what
17 this exercise is.
18 MR. DAVIS: The 45 percent is based on current
19 policy, so that reflects current policy.
20 MR. NEWMAN: Do you feel comfortable with that
21 kind of probability?
22 MR. DAVIS: Yes. And particularly I probably
23 pay more attention to the probability of hitting the
24 5 percent real return, which I think is 48 percent.
25 So it's even closer to the 50-50 proposition. And

it's going to change. It's going to wobble every year as the capital market assumptions. But as long as it's within spitting distance of 50 percent probability, then I think it's supporting current policy in that respect.

MR. GARCIA: On that point, let me ask this. So the goal in the investment policy statement is 7.75 percent. And is what we're saying here is that there is a 45 percent chance that we're going to achieve our goal?

MR. DAVIS: Just a slight correction. The investment policy statement ties to the 5 percent real return. It used to -- several years ago it tied to the actuarial assumption, but now it's 5 percent. So we have a 48 percent probability based on current assumptions. Last year I think we had 53 percent probability of hitting the 5 percent.

So rather than slice it too thinly, I would say that in recent years the analysis has shown roughly a 50-50 probability of hitting the 5 percent real return over long periods of time. And so that's the kind of statement that would give me some comfort that, you know, we have seen that we've been right around a 50 percent probability.

MR. GARCIA: I'm not used to seeing goals where

there's a 50 percent chance that you're going to achieve them. You typically set a goal that's achievable, and that's what confuses me.

MR. DANIELS: I agree.

MR. COLLINS: It's like, if we sat here today and somebody said, can you pay all your pension liabilities, and we say, well, you know, 50-50 chance. Right? So I think what you're seeing is, understand that the biggest variable is the market, right, and what happens in the market.

MR. DAVIS: That's right.

MR. COLLINS: And that creates a lot of deviation, right? And that's what really gets at your percentage probability, right? So we deal in more finite -- I think we deal in more finite outcomes than the global equity, debt, real estate strategic markets.

MR. WILLIAMS: Over 30 years.

MR. COLLINS: Right. So I don't disagree with you. You look at 45 percent and you go, hey, I don't like that. But I think that you're not going to get -- I can't see you getting to 60 percent. I mean, I think that that would be unheard of, unless you were buying all zero coupon bonds and they were going to get you within 90 percent of what your rate

of return -- required rate of return was, right?

MR. DAVIS: That's right. I think a few things to keep in mind. This is a traditional plan, which means the benefits are backed up by investment returns but then back-stopped by employer contributions. So to the extent you exceed the target return, the employer contributions can be lowered and they would be lowered. To the extent you fall short of the target return, the employer contributions would be higher to make up for the shortfall. And so the whole system kind of relies on both those aspects of inflow to the fund.

MR. COLLINS: I'm sorry. So it does rely on cash inflows? So are you making presumptions about who is going to fund -- are things going to be funded?

MR. DAVIS: Yes.

MR. COLLINS: Interesting.

MR. DAVIS: Not presumptions. What I do is model the process that the actuary uses to determine the contribution -- required contribution rates each year. Now, whether the legislature approves those required rates or not, there have been --

MR. COLLINS: And is the actuary making assumptions about that, too?

MR. DAVIS: The actuary is required to do a valuation that says, here's the plan, here's the liabilities, here's the assets, so we have a status. Right now the plan has an unfunded liability, and there's also a cost of sort of maintaining the current accrual of benefits. Right now the cost of the plan is roughly about 7.8 percent of payroll, to just accrue new benefits, and about -- a little over 2 percent of pay to pay back the unfunded liability that exists.

So right now we're at about 10 percent of pay, payroll, as the cost of the plan that composes those two different components. And 3 percent of that now comes from the employee, so the employer is on the hook for the balance. And the actuary trues that up every year.

MR. GARCIA: So, Rowland, if you wanted to set and achievable goal that was more than 50 percent, you would either have to adjust your asset allocation plan or you would have to lower your rate of return, achievable rate of return, correct?

MR. DAVIS: Yeah. The actuarial assumption -- I guess, put aside the actuarial assumption and focus on the 5 percent real rate of return, and should it be adjusted based on being less than

1 50 percent. For one year being just at 48 percent
2 instead of 50 percent, I would say, no, that's not
3 enough, given the noisy nature of these kinds of
4 assumptions that we do.
5 If we see a pattern over a few years, where we
6 maybe are drifting further and further lower than
7 50 percent probability, then I think it would be
8 time to reevaluate just what you said, either the
9 policy or the target itself, in terms of what we're
10 looking at. And that's really what the
11 asset-liability study is intended to do, is just
12 kind of keep a focus year to year but not instigate
13 changes every time there's a little blip in the
14 assumptions, in some of these things.
15 MR. NEWMAN: Rowland, can I just make sure I
16 understand this? The 45 percent is the probability
17 that we achieve this return on our investments. It
18 doesn't get affected by contributions, but it can
19 affect contributions; is that correct?
20 MR. DAVIS: Yes.
21 MR. NEWMAN: It's not 45 percent that we're
22 going to be able to make the payments, because we
23 can go out and make them contribute more.
24 MR. DAVIS: That's right. There is 100 percent
25 probability that benefits will be paid. The source

1 of where that money comes from is what's undecided
2 at any point in time, whether it's going to be
3 investment returns or contributions. It's going to
4 be some mix of those two. If the investment returns
5 are better than expected, then contributions can
6 fall below expected levels.
7 MR. WILLIAMS: And if we go back to the very
8 beginning, where I was talking about the three
9 variables that the health of any pension plan
10 depends upon, reasonable benefits, responsible
11 funding and prudent investing, we control exactly
12 one of those, prudent investing. So it's not up to
13 us and it's not within our purview to say what's the
14 contribution rate and how much of it gets paid. The
15 legislature has that discretion. It's not up to us
16 to say what are the benefits, should they be
17 decreased, increased, spread out, compacted,
18 whatever. That's up to the legislature, too.
19 So, for example, you can see the phenomenon
20 that we've seen in the past few years, where
21 investment returns have in fact been quite strong
22 and they've been well ahead of target, yet the
23 actuarial drift, to Rowland's point, has been
24 negative. Well, why is that? Well, it's several
25 things.

First and foremost, several years ago it was a shift in longevity for beneficiaries. No legal solution to that, as we always say. The other couple of variables were that given the degree of extremis that the State's finances were in, the legislature, for three consecutive years, the first three consecutive years since the creation of the FRS back in the mid-1970s, for the first time, they didn't pay the full actuarial contribution. So we had $3 billion in forgone contributions.

And then in addition to that, you've had a couple of other things, what I would call technical things, on the actuarial side, not the actuarial side we control, that had to do with the rate at which savings were realized, but when you consider that not only were the investment returns really good, but there was also benefit reform that was meaningful.

In 2011 there was an elimination of the cost of living adjustments on retiree benefits. That's a big thing actuarially because that's an inflation factor going away that would otherwise be permanently attached to your benefit payment streams. You also had the plans become contributory for the first time ever. Three percent of the gross

salary of every single FRS member is now coming out of their pocket and into the fund. That was never there before.

So it's somewhat counterintuitive that you've seen this negative trend in the actuarial funding level. I'm hopeful that trend is going to reverse, because this year, with the improvement of the economy, the legislature stepped up and has paid the full nut, and I would like to think it will be a return to the standard they've established over many decades going forward. Whether that will be the case, I don't know, and we don't control it.

MR. WENDT: And how much was the full nut this year, as you phrased it? How much did the legislature put in?

MR. WILLIAMS: I don't know what the total number was. Is Ron Poppell in here? Ron, do you know? Say that again. 800 million system-wide.

MR. COLLINS: System-wide.

MR. WILLIAMS: Yeah. Keep in mind, we've got a million beneficiaries. This is a great big state.

MR. COLLINS: It wasn't just the State. I mean, they passed it, and a lot of -- if you read the clippings from like the last week of session, a lot of this was passed in the last week of session,

where they were making the local governments fund this amount of money, and some of them didn't even realize it.

MS. ELIA: That's exactly right, yes. So it went into the local governments and then had to be immediately turned around and came back out into the retirement.

MR. WILLIAMS: Right. And the back story on that is, there was some press over the past few weeks about contribution levels, but different local governments treated that whole 3 percent of employee contributions in different ways. Some local governments, the 3 percent was used to -- the 3 percent reduction in contribution requirements, because what happened at the state level was the legislature simply reduced the contribution requirements for state and local employers on a dollar-for-dollar basis equal to what the employees put in. So no additional money actually went into the pension system. It was just a transfer. And some local governments took that 3 percent and turned around and gave their employees raises.

MR. COLLINS: Kind of like the lottery, right?

MR. WILLIAMS: Others didn't. And you had no way of knowing what your member employers were going

to do. But, again, we don't control that. We had nothing to do with it.

MR. COBB: I have a question. I've been asked by legislators, and I'm sure my colleagues on the council have been, too, of what we think of the idea of a purely contributory plan. Can you talk a little bit about what you have advised the legislature on what the impact on the pension plan would be if there are no more contributions to that plan and it just works its way off and all new amounts, new employees are on a contributing basis? What's going to be the impact of that? And what are you saying to legislators that are asking you about that, and what kind of analytical process have you been providing?

MR. WILLIAMS: Well, the most honest answer I can give you is they haven't been asking. Perhaps surprisingly, but that's the truth. But what we know, because it's obviously something we've given a lot of thought to because it is a possibility and we would be irresponsible not to think about what the ramifications are, what we think is the inevitable outcome of closing the defined benefit plan would be at some period of time -- we would work with Rowland to determine what that period of time might be, but

1 probably something no less than two years, probably
2 not much more than five years, it would start to
3 bear on your liquidity, which means our ability to
4 make less liquid investments, more volatile
5 investments. Think things like private equity,
6 venture capital, where you're locking up capital for
7 8- to 12-year partnerships, things of that nature,
8 our ability to do those would go down. The same
9 might be true of real estate, where you make
10 commitments over a very long horizon. Our ability
11 to tolerate volatility over time would tail down.
12 All of those taken together imply a reduction
13 in your aggregate allocation to risk assets, which
14 means a greater dependency on fixed income assets
15 and probably aggregate lower portfolio returns,
16 which means higher cash flows from other sources.
17 Remember what Rowland said, money comes from
18 employer contributions, it comes from investment
19 returns, and it comes from employee contributions.
20 And if you're structurally changing what you
21 can do on the investment side in a manner that
22 pushes your ability to generate returns down, one or
23 both of two things is going to happen. You're
24 either going to have to get more money from
25 somewhere else to pay those benefits, or you're

1 going to reduce the benefits.
2 We've already had some degree of benefit
3 reform. And if you simply close the DB plan, you're
4 not necessarily changing its forward liabilities,
5 because those are vested liabilities, they're
6 earned, and there's a lot of law that supports, you
7 can't re-trade those on a retroactive basis, absent
8 a bankruptcy or a Detroit kind of situation,
9 something like that. Stockton, California, is
10 another one that's in play right now. So it raises
11 questions about what you can do.
12 And it's a very legitimate public discussion on
13 whether defined benefit pension programs are an
14 affordable and sustainable feature of modern day
15 life. But that's well above my pay grade. What we
16 do here is invest the money, and whatever
17 legislative policy is in that area it will be, and
18 we will give them every bit of advice we can to the
19 best of our ability, to the extent they want it.
20 MR. COLLINS: I have a sense that the
21 45 percent, as uneasy as we are with that
22 probability, if what happens is the elimination
23 going forward of the defined benefit program, that
24 45 probably goes to, I don't know, 25, maybe,
25 because you have to switch your whole asset

1 allocation. And as you pay down more, then it
2 changes more, which further ratchets down your
3 return assumption. I don't know. I'm just
4 guessing. But your probability is going to go down
5 if you eliminate that program, I've got to believe.
6 MR. DAVIS: We've done sensitivity pretty much
7 every year for the last several years of what
8 happens, what would the analysis look like if the
9 plan were to close to new entrants. And in all
10 cases, there's a noticeable shift towards a more
11 conservative investment policy and one which we
12 think would kind of grow over time.
13 But it's noticeable, even at the start, that
14 you would be inclined to take some risk off the
15 table, because basically you're shortening the
16 maturity structure of the liabilities. And so
17 having to deal with it over a shorter time period,
18 even though we're still talking pretty long time
19 periods, but it starts to shorten, and you need to
20 deal with that.
21 I can offer a little background, not an answer
22 to your question but a little background that might
23 be helpful on legislative reforms that have already
24 taken place. And I'm ball-parking a little bit
25 here. But go back a few years, the plan that had

1 been in existence since I've been involved, for like
2 over 15 years, without any real substantial changes,
3 had a cost, as determined by the actuary, that was
4 about 12, 12 and a half percent of pay.
5 So basically one way to think of it is, a new
6 hire coming into that plan -- and there were no
7 employee contributions, so it was all paid by the
8 state or the employer -- could be told, our actuary
9 estimates that the value of this benefit to you as a
10 new employee is roughly 12, 12 and a half percent of
11 your pay.
12 The changes that have occurred over the last
13 few years have brought that 12 percent -- now, the
14 changes include, the biggest ones are the phase-out
15 of the COLA, so that new employees don't have any
16 post-retirement COLA, and changes in early
17 retirement eligibility and accrual rates -- have
18 brought that 12 and a half percent to about
19 7.8 percent. So that's pretty significant. And now
20 the employee pays 3 percent of that.
21 So the employer cost has gone from 12 to 12 and
22 a half percent of pay to something less than
23 5 percent of pay. So it's been significant. That's
24 the ongoing cost. Now, that doesn't deal with
25 unfunded liabilities and paying those off and all

that. But just sort of the regular -- if the plan were exactly 100 percent funded, these are the kind of cost rates that the actuary would determine for you.

So just as a perspective, I think the changes, the benefit changes, legislative changes have been significant. It's not just kind of playing at the edges.

MS. ELIA: Can I ask a question? So what was proposed this year didn't pass and is coming back.

MR. DAVIS: Yeah. I mean, Ash knows more, much more than I do. I get my tidbits from Ash on this one.

MS. ELIA: But he hasn't been asked.

MR. DAVIS: He hasn't been asked, but he hears things, right? Am I characterizing that, in terms of --

MS. ELIA: I think, Ambassador, it's an issue when people are asking you, and we don't have that kind of a discussion with the SBA. I think that's an important thing that needs to be pointed out.

MR. COLLINS: Well, I get the sense that when you're not asked a question, it's because they don't want the answer.

MS. ELIA: Thank you.

MR. COLLINS: Right?

MS. ELIA: Yes.

MR. COLLINS: So Ash isn't getting asked because they don't want to hear the answer.

MS. ELIA: I know that, but I think it's an important thing, that as we're asked questions about that -- because I will be. I represent almost 28,000 people in my district, and I'm only 7.7 percent of the public employees involved in schools. And so that's a huge number of people that are concerned about the change in the plan. And I think we can identify that, as Rowland pointed out, those things that have occurred in the past have been to strengthen it.

But the question needs to come up whether or not the proposed legislation that didn't pass last year that is coming back with other forms or whatever is something to strengthen or not. I think that should be a question that is raised with the SBA. We can't raise it, but it needs to be on the page. And I think those of us who can get that out should certainly share that. So as people are asking me, my point would be, we need to look very carefully at how it would affect the SBA.

MR. WILLIAMS: Fair enough. And again, as I

said, we're happy to be a resource to anyone. And our objective would be, to the extent there are elements of the plans we have now -- because keep in mind, when people say should we switch from DB to DC, we already run the DC plan. Ron Poppell back here runs one of the most successful DC plans in the country. It's growing rapidly. It's performing well. It's low cost. It's very sound. By the same token, the DB side of our system is very healthy, very sound, very efficient, and has a good track record.

So to the extent we can take the basic building blocks that we've got and combine them in some way to simultaneously alleviate public policy concerns about sustainability and cost without creating new concerns elsewhere, that would be I think a smart synergy that would be beneficial to all. But that's the discretion of the legislature.

Can we move on? Thank you. So we talked a little bit about sensitivity and how we test various things. One of the key things we found here -- and this, I think I actually passed the page a minute ago where the point was made, but one of the key things driving the balance between the appetite for risk assets and non-risk assets is the obvious

question, well, how much do I get paid for taking the risk. And that's expressed by something called the equity risk premium.

And the reason that some of the modeling recently has suggested that it might make sense to increase the proportion of risk assets is that that risk premium is currently at a level of about 4.76 percent. It's perceived, though, that the reason that level is so high, and that's very high compared to its historic norm, is not because there's a particularly robust set of opportunities out there in which you can make risky investments -- and I don't mean risky in an absolute sense, I mean in a relative sense, meaning equity-like investments -- it's that fixed income rates have been so low, which means it's artificially high. So rather than simply slavishly follow the model and jack up our exposure to risk investments, Rowland very thoroughly at our last meeting, I recall, outlined why that equity risk premium was elevated and therefore should not be used as is in the modeling.

So he used the discretion to reduce it by 100 basis points, to a level of 3.76, which is still relatively high compared to where it's historically

1 been, but it's a heck of a lot more reasonable than
2 4.76. Put that through the model, run a series of
3 simulations with it. And it caused us to come to
4 the conclusion that the basic allocation of risky to
5 non-risky assets is appropriate pretty much where it
6 is, which is at about a level of 75 percent risk
7 assets. So that's where we ended up back in March.
8 MR. NEWMAN: Ash, what is the norm?
9 MR. WILLIAMS: The norm for us?
10 MR. NEWMAN: No. Just, you know, we went --
11 MR. WILLIAMS: Across funds broadly in the
12 industry?
13 MR. NEWMAN: No. We went from the 4.76 to
14 3.36. What would the -- you said that's still
15 higher than norm.
16 MR. WILLIAMS: Right. Rowland, what's the
17 average? You've got a chart in here that has it in
18 it.
19 MR. DAVIS: Looking over the last 50-plus years
20 and looking at 15-year rolling periods, the average
21 worked out to about three and a quarter percent.
22 MR. WILLIAMS: So basically if we -- let's wrap
23 up on the March '13 study. If we go back and look
24 at what frames up some of the discussion we're
25 working through today, what we're doing today is

1 tying out the decision that we started back in March
2 about fixed income. And, hey, you know, you can't
3 have QE forever. You can't have central banks
4 around the world running the printing presses day
5 and night, not have inflation, not have rates go up,
6 and not have fixed income as an asset class feel the
7 pain and reflect that pain in its pricing.
8 So what should we do about that? Should we
9 reduce fixed income? Should we eliminate it?
10 Should we change the mix of risky versus non-risky
11 assets? By definition, if you reduce what you're
12 doing in fixed income, the money has got to go
13 somewhere else, and that somewhere else is almost
14 certainly not cash. So is it equities? Is it
15 private equity? Is it real estate? Is it hedge
16 funds? What is it? And when we look at the answers
17 to those questions, we have to consider what the
18 implications are for volatility, for contribution
19 shock that could result, liquidity ramifications, et
20 cetera.
21 When we look, too, at what we have now, we have
22 targets, and then we have bands around each target
23 that give us pretty significant latitude for
24 tactical moves on a day-to-day basis. And
25 essentially what that means is we don't have to make

tactical moves with great frequency on the allocation targets themselves because they're understood to be longer-term targets.

We have a group here at the board we call the senior investment group that meets monthly. It's basically all of our senior investment officers, all of whom are here; John Benton, myself, our chief of risk and compliance, and a number of other members of top management here at the board. And we go through what the opportunities and risks are and tilts we could put on the aggregate portfolio, how we might better express investment exposures in more efficient ways, ways we might mitigate risk exposures, et cetera.

So just putting a little more on this, we also have the ability within the asset classes to make very specific execution changes so that we mitigate risks and enhance our ability to access opportunities. And we're going to go through that class by class in just a little while.

So if you come to the present and look at where we are in our allocation ranges, this will give you a sense of where we are. And I printed off a graphic of where we were in allocations as of the close last -- I actually have an updated printout

that I did through June 21. And where we are then is that I guess fixed income is pretty close to where it is here, which is right at the bottom of the range, and global equity is up toward the top of the range, and the other assets are more or less in their sweet spot.

So with that very quick and broad background of the entire landscape that we're going to go through today, Lamar -- unless anybody on the council has any questions, Lamar, why don't you go ahead and give us a little more specifics on the legal and fiduciary constraints, and then we'll jump into the asset class by asset class opportunities and go from there.

MR. GARCIA: And, Lamar, your written material was very self-explanatory, and in the interest of time, I would request that you be brief, please.

MR. TAYLOR: Sure, absolutely.

MR. NEWMAN: Can I ask one question before we leave that? Just looking at this, where we're at 59 percent and our policy high is 60 percent, so we would have to change the policy, or do you have some room to go above that?

MR. WILLIAMS: What we've been doing is using global equity as a liquidity source for all our

1 liquidity needs and holding it down that way. I
2 think we've had some help from the markets on
3 pressing the upper bound of this limit in the past
4 couple of days, if I had to guess, pretty
5 significantly.
6 But just to give you an idea of how robust
7 these equity markets have been, we have paid the
8 entirety of all of our monthly benefit
9 contributions, and those have been running at right
10 around 600 million a month, plus all of our capital
11 calls for other investments, they've been coming
12 right out of global equity. And Janice and Scott
13 are looking somewhat fatigued because they've been
14 moving wheel barrows full of hundred dollar bills to
15 get this done day and night for months. But that's
16 what we've been doing.
17 MR. COLLINS: So you've been funding all of
18 this out of equities, or you would be higher than
19 the 59 percent. So that's what you're saying has
20 kept it under the 60 percent, irregardless of what's
21 happened in the market the last couple of days.
22 MR. WILLIAMS: Right, yes.
23 MR. COLLINS: Just been skimming it off the top
24 and that's --
25 MR. WILLIAMS: Just take it out. We don't want

1 it there. Get it away.
2 MR. COLLINS: Got you. Skimming is maybe not
3 the right word. Sorry. I'm new.
4 MR. WILLIAMS: Right, right. And the other
5 thing to note about that approach, which is using
6 whatever asset class is overweight as a liquidity
7 source, is there are transaction costs with that, as
8 there are with rebalancing. You may have some
9 transaction cost exiting positions, but you're going
10 to cash, so you're only paying half of the in and
11 out cost that you'd otherwise be paying in
12 transactions. All right. Lamar.
13 MR. TAYLOR: I'm going to briefly discuss the
14 legal and fiduciary environment in which asset
15 allocation decisions -- sorry. Is this better?
16 There we go. So I'm going to discuss briefly the
17 legal and fiduciary environment in which asset
18 allocation decisions and adjustments need to be
19 considered by the board.
20 So if you'd turn to the next slide, there are a
21 number of Florida law provisions that apply to the
22 SBA's investment activities, and particularly the
23 asset allocation decisions of the board.
24 Specifically, section 215.47, it's a statute I'm
25 going to mention a number of times through the

1 presentation. That section provides that the SBA
2 must make investments in order to maximize the
3 return consistent with risks incumbent in the
4 investments, in a manner that's designed to preserve
5 the appropriate level of diversification of the
6 portfolio.
7 In addition to that directive and as an
8 underscore to it, the Florida Legislature has
9 subjected the SBA's investment activities to an
10 ERISA fiduciary standard of care. Now, ERISA is a
11 federal law and doesn't technically apply to state
12 governmental pension plans like the Florida
13 Retirement System. But the Florida Legislature has
14 specifically applied a portion of ERISA related to
15 the ERISA fiduciary duties to the SBA's investment
16 activities. And in particular, the duties of
17 loyalty, prudence and diversification.
18 Now, in terms of asset allocation, of those
19 three, the two that are most directly applicable are
20 the duties of prudence and diversification. And I'm
21 going to talk about both of those duties today, and
22 I'm going to start in reverse order with the concept
23 of diversification.
24 So from an ERISA standpoint, diversification
25 requires that fiduciaries diversify investments in

1 order to minimize the risk of large losses.
2 Ordinarily, a fiduciary should not invest an unduly
3 large portion of a portfolio in one type of security
4 or in a way that's dependent on one enterprise or
5 locality.
6 The standard is a facts and circumstances
7 standard. So it's based on all the facts and
8 circumstances at hand. About as specific as ERISA
9 gets is actually in the legislative history of
10 ERISA, and there's a committee report that lays out
11 some factors that fiduciaries could consider in
12 terms of their asset allocation determinations. And
13 those would be listed on that slide in terms of the
14 purpose of the plan, the amount of the assets
15 involved, financial and industrial considerations,
16 the type of investment, geographic distribution,
17 dates of maturity.
18 And these aren't considerations that every
19 fiduciary has to consider in all cases. It depends
20 on the facts and circumstances of what may or may
21 not be relevant at the time. The overall important
22 aspect is to ensure that the portfolio is
23 diversified in order to minimize the risk of large
24 losses.
25 So in addition to the ERISA standard, there are

1 certain applicable state law limitations. Section
2 215.47 is actually a statute that sets out a
3 permitted investment list for the state board. It's
4 a fairly lengthy statute, over 20 provisions. It
5 sets out specific investment, permitted investment
6 items, as well as percentage of fund portfolio
7 limitations. And I won't go through them all.
8 They're fairly detailed.
9 But by way of example -- and I put these in the
10 background material. For example, under 215.47 the
11 fund is limited to investing no more than 25 percent
12 of any fund in mortgage securities like Ginnie Maes
13 and Freddie Macs and Fannie Maes, limited to
14 investing no more than 20 percent of the fund in
15 alternative investments. And it's limited to
16 investing no more than 80 percent of the fund in
17 certain common stocks, preferred stocks and
18 convertible bonds.
19 In addition to these statutory investment
20 limitations, there's also some state statutory
21 investment restrictions and prohibitions. And we
22 talked a little bit about this earlier in terms of
23 the PFIA legislation. But the state board is
24 limited under certain circumstances in investing in
25 companies doing business in or with Cuba, Sudan,

1 Iran and Northern Ireland.
2 So these are the types of considerations the
3 SBA has to keep in mind in terms of its asset
4 allocation decisions, and general ERISA fiduciary
5 diversification requirements and state statutory
6 limitations and state statutory prohibitions. And
7 so how does it go about applying these
8 considerations to the FRS investments that it makes?
9 And that's through the FRS investment policy
10 statement. We touched on that earlier.
11 The FRS investment policy statement provides
12 that all investments of the FRS must comply with the
13 policy statement. It sets out an investment
14 objective of earning a real 5 percent rate of return
15 over time. Importantly, it establishes that the
16 risk, from the SBA's perspective, is failing to earn
17 that 5 percent real rate of return over long periods
18 of time.
19 Equally important, the IPS establishes that the
20 diversification that's set out in the target
21 portfolio is the manner in which the SBA is to
22 mitigate the risk of failing to earn this rate of
23 return over long periods of time.
24 So the question then is how is this target
25 portfolio developed. And essentially that's what we

1 will have a very lengthy discussion throughout the
2 rest of the day in much more detail. But in a word,
3 that target portfolio is developed prudently. And
4 so this is the part of the presentation where I will
5 shift gears and talk a little more about the concept
6 of prudence.
7 So the target portfolio is developed through a
8 process that's subject to a fiduciary standard of
9 prudence. And what that means is, fiduciaries are
10 required to employ the level of care, skill and
11 diligence that a prudent investment professional
12 would use under similar circumstances. And there's
13 two points I want to make about the concept of
14 prudence.
15 The first is that it's a heightened standard
16 with respect to the SBA. It's not evaluated in
17 terms of whether or what an ordinary layperson would
18 do under the circumstances, but rather what would a
19 person do having experience under similar
20 circumstances, with similar matters, do under the
21 circumstances. So from the SBA's perspective, it's
22 essentially what would a prudent investment
23 professional do under the circumstances.
24 The second thing I want to point out about the
25 concept of prudence is that it tends to focus on

1 process. You can describe the concept of prudence
2 in terms of substantive prudence and procedural
3 prudence, whereas substantive is relating more to
4 the merits of a decision, which is reasonable on its
5 face. Procedural prudence can be described, as you
6 would expect, in terms of process.
7 But essentially, the question of prudence is
8 generally looked at after the fact, after a decision
9 has been made. And whether you're dealing in terms
10 of substance or process, you tend to concentrate or
11 converge on essentially the same questions. And
12 that was, what did the fiduciaries consider at the
13 time; did they engage in the proper process, did
14 they consider the proper facts and circumstances.
15 So as a practical matter, questions of prudence
16 tend to ultimately result and revolve around
17 questions of process. In that regard, it's
18 important that fiduciaries ascertain relevant facts,
19 consider options and obtain expert advice if needed
20 or appropriate.
21 And in terms of developing the target
22 portfolio, the IPS helps the SBA establish its
23 prudent standard in that regard, because the IPS
24 specifically provides that in developing the target
25 portfolio, the SBA must consider information from

1 actuarial evaluation and reviews and asset-liability
2 studies, asset class risk and return characteristics
3 and timing of cash demands as well as expected
4 return and volatility and liquidity of each asset
5 class.
6 So those are part and parcel of the aspects in
7 terms of ascertaining relevant facts and considering
8 options. And I would also submit that the process
9 that we're undertaking today and that we undertook
10 in the previous quarterly meeting also helps
11 establish the concept of prudence from the SBA's
12 standpoint in terms of developing the target
13 portfolio and its asset allocation determinations.
14 So in a nutshell, that's my part. I think it
15 was relatively brief. But I'm happy to answer any
16 questions.
17 MR. GARCIA: Any questions? Thank you very
18 much, Lamar.
19 MR. TAYLOR: With that, I'll turn it over to
20 Rowland.
21 MR. DAVIS: I'm going to pass it to Steve Voss,
22 who is here today from Hewitt EnnisKnupp, filling in
23 for Mike Sebastian, a senior partner in the firm,
24 and then Kristen and then back to me.
25 MR. VOSS: Good afternoon, everyone. It's a

1 pleasure to be here today. I thought I'd do a
2 couple of different things. One, provide just a
3 brief overview of the asset allocation and the
4 asset-liability process. You spent a lot of time on
5 that previously. Mr. Williams gave a great intro
6 and a great reminder of some of the discussions that
7 you had in the past. And Mr. Taylor set the table
8 very nicely as it relates to fiduciary
9 responsibility. So I won't tread on those areas too
10 heavily.
11 I'd like to also talk about some of the
12 qualitative aspects that should factor into setting
13 asset allocation, and then I'd love to close with
14 just what we see, what are our other clients doing
15 and what do we see around the country in terms of
16 issues on asset allocation, in terms of risk or
17 issues on inflation concerns, expectations for fixed
18 income and some of the things that you've been
19 grappling with. Mr. Williams talked about spending
20 more time on these issues, and by and large, we are
21 definitely seeing many of our clients --
22 MR. PRICE: Could you get closer to the mike?
23 It's really breaking up.
24 MR. VOSS: Sorry about that. You bet. We are
25 seeing a number of clients and other entities around

1 the country spending a great deal of time on asset
2 allocation right now, so your time is well spent and
3 you're in good company in doing so.
4 I'll go ahead and advance to the first slide
5 here. I won't go through all these points but just
6 stress the importance of asset allocation. You've
7 heard before, you've heard us say and others say
8 that 90 percent of your future returns are going to
9 come from your asset allocation decisions, the other
10 10 percent manager selection, another kind of more
11 slippery factor. So setting the asset allocation is
12 critically important.
13 There's a variety of different tools and
14 processes that you have at your disposal to help you
15 set that asset allocation. And one is the
16 asset-liability study itself. And what is the
17 purpose of the asset-liability study? Rowland will
18 talk a little bit more about this and spent a great
19 deal of time talking about this at the March
20 workshop. It's to help you address the overall risk
21 appetite for the fund, recognizing the liabilities,
22 looking at cash flows, funded status, et cetera.
23 So the asset-liability study can also be very
24 helpful for shining a bright light in darker corners
25 of risk and return expectations, not just looking

1 down at the center of the distribution but looking
2 at the tail end of the distribution, looking at more
3 volatile expectations than what otherwise might be
4 modeled, and pulling out specific unique
5 circumstances to help you as fiduciaries understand
6 what happens if the following scenario takes place.
7 So the asset-liability study and model itself is
8 very useful for looking at very specific what if
9 questions and scenarios. And Rowland has some
10 examples of those that he'll walk you through in
11 just a few minutes.
12 Beyond the asset-liability model, what are some
13 of the other factors that institutional investors
14 look at to helping them set asset allocation? Well,
15 we think that there's three key qualitative factors
16 as well. Governance, the time horizon and portfolio
17 size. And we list those on the screen here in front
18 of you.
19 As it relates to you all, you're different and
20 unique in a variety of different ways compared to
21 some of your peers. Your portfolio size -- I'm
22 going to start from the bottom and work my way up.
23 Your portfolio size is definitely a unique
24 characteristic. You're rather large. That means
25 that investing in certain niche marketplaces can be

very difficult, be difficult for you to get proper exposure to things like bank loans, and you might only be able to play at the margin in such areas.

But your large size also gives you access to the full opportunity sets that you have out there available to you and helps you lower fees through economies of scale. Your time horizon, this is probably one of the greatest uncertainties that faces you and many other public-sponsored defined benefit plans. Ash spoke earlier about some uncertainties that remain within the legislature here in the state of Florida. We see that with other states as well and other municipalities, that there is pressure on DB funds.

Right now you are an open plan and you do have the ability to participate in illiquid investments, things like private assets, private real estate and so on and so forth. And I understand, from Ash's presentation a few minutes ago, that your allocations to those areas, you have the ability to allocate as much as 20 percent into those alternative areas. We think that is a key advantage for the SBA.

Governance, and this is incredibly important. Mr. Taylor's presentation talked about the

importance of governance just a few minutes ago. When we look at governance, we look at a continuum of strategic versus being flexible. We see a lot of good things within SBA in terms of your ability to be flexible and to be tactical, that you have a skilled and talented investment team in-house, have been managing assets for many, many years. They do have the necessary, I believe, discretion to be tactical, to allocate assets in accordance with the set policies, but also to be able to go to the outer edges of those policies.

And Mr. Williams pointed out the ranges that you have. Fixed income right now is plus or minus eight percentage points that you can deviate. So you have that flexibility to be tactical and the investment staff in place to help you be able to do that.

As a public fund, you do operate in the public domain, so there's certain scrutiny that's on you, as well as many of our other clients. We think open discussions like this helps mitigate that. Having a clear documented process in place also helps mitigate that, and then ongoing review and monitoring, which we understand that you participate in at great length.

1 Let me pause there, and what I thought I'd
2 do -- I don't have a slide on this, but just tell
3 you what we see other funds doing, if that is of
4 interest to you as it relates to asset allocation in
5 particular and as it relates to things like
6 inflation and fixed income. Would that be of
7 interest?
8 So there's actually -- as a prop, there was a
9 great P & I article that many of you may have seen
10 dated June 10th, and it outlines what public pension
11 funds have been looking at as it relates to fixed
12 income in particular. And it lists you and a number
13 of your peers and what your target allocations are
14 to bonds.
15 The short of it is, institutional investors are
16 not moving away from their allocations to fixed
17 income. They're maintaining those allocations.
18 When we look at peer universes, we see numbers
19 somewhere in the neighborhood of total assets of 24
20 to 26 percent allocated to fixed income. I believe
21 you're right in the middle of that.
22 What we are seeing is more and more
23 institutions looking at the way they get that fixed
24 income exposure, moving away from the aggregate bond
25 index to something with a lower duration and less

1 interest rate sensitivity, like the intermediate
2 aggregate. We are seeing more institutions also
3 look at the plus sectors of fixed income. I mention
4 bank loans in here. Things that float, floating
5 rate notes and other such securities are being
6 looked at at the margin by many institutions.
7 And then just allowing staff discretion, the
8 internal investment team discretion to be more
9 tactical, to make decisions on the yield curve, to
10 shorten duration, and to make decisions on
11 allocating assets outside of the benchmark. So
12 we're not seeing movements away from fixed income.
13 We're just seeing the composition and the nature of
14 bonds being used changing.
15 I'll pause there and see if you have any
16 questions about some of the other things that we're
17 seeing institutional investors do. And if not, I'll
18 turn it to Kristen to talk about how we go about
19 measuring whether or not an asset allocation has
20 served its purpose over time. We have three
21 different metrics that we'll look at there. Any
22 questions or comments?
23 MR. COLLINS: I have one question, Ash.
24 Mr. Chairman.
25 MR. GARCIA: Sure.

MR. COLLINS: The other people that you're seeing that aren't moving away from fixed income -- and Ash mentioned this before. We've over the years achieved more and more or a more diverse investment authority, right, strategics being I guess the newest one that we've moved into.

Do those people that are not moving out of fixed income, generally do they have as broad of an investment authority as we do? And the reason I'm asking that, is there some other motivation for them not to be maybe looking elsewhere because it's like, well, where do I go? Right? So I'm wondering how diverse their mandate is.

MR. VOSS: That's a good question. So by and large what we see is peers like you that are large, sophisticated funds that do have the discretion and authority to invest in alternative investments, they have been doing that for some time, much like you have as well.

MR. COLLINS: Thanks.

MR. VOSS: Other questions or comments? You all have been engaging in dialogue all afternoon long, and I'm sure there are different questions that will pop up through Kristen's presentation and Rowland's, so we appreciate that.

MS. DOYLE: Thanks, Steve. So we talked a lot about, at the last IAC meeting and today, about the process and the fact that we have a quantitative aspect of the process and a qualitative aspect. But if we were going to actually measure whether the asset allocation that has come out of that process was actually achieving the goal that we've set, we would measure that in three ways. We're proposing three ways.

One would be the actual performance of the fund relative to the investment objective that's set by policy, which we've talked about today, which is the absolute nominal target rate of return of inflation plus 5 percent. We define that as a reasonable way to measure that the investment return, which is one leg of the stool that supports the pension plan and the funding of the pension plan, is contributing significantly to the ability of the pension plan to not only pay benefits but to keep costs stable over time.

Secondly would be relative to peers. I have a major caveat here in that we look at performance relative to the most relevant peer group, which in your case are very, very large public pension plans. But even amongst that peer universe, circumstances

1 can vary quite dramatically, from funded status to
2 contribution requirements, cash flows, whether the
3 plan is cash flow positive or cash flow negative,
4 benefit structure. So want to make sure that we
5 don't use that as the guiding force but look at it
6 as one measure. And then thirdly would be the world
7 market opportunity set, and I'll explain that when I
8 get to that slide.
9 So this is some information we've shown in the
10 past. We show this on a quarterly basis within the
11 quarterly performance reporting that we provide.
12 We've also shown this in past IAC materials as a
13 part of the asset allocation, asset-liability study.
14 But this is basically over the longer periods of
15 time, 15, 20, 25 and 30-year periods, the actual
16 return of the FRS relative to that 5 percent real
17 return investment objective set by policy.
18 And you'll see that over the 15-year period,
19 there's been some underperformance of the FRS
20 relative to that target, but over the longest
21 periods of time, the FRS has far exceeded that
22 target. And then on the bottom are rolling 10-year
23 periods. And the red line that you see there, that
24 stable line is that absolute nominal target rate of
25 return.

1 And so we show this to indicate that over most
2 trailing 10-year periods, the FRS has exceeded that
3 absolute return, and there's a couple of lines here,
4 but it's the dark blue line that you want to focus
5 on. Now, in the most recent period, so 10 years
6 ending '08, '09, '10 and '11, there's been
7 underperformance relative to that absolute return
8 target due to the significant downturn that we saw
9 in the market and the fact that the FRS has a
10 significant allocation to global equity. But you
11 can see that at the far end, the 10-year return has
12 actually started to creep back up above that
13 absolute nominal target rate of return.
14 So this gets back to the discussion from
15 earlier in noting that there is going to be some
16 fluctuation of the actual return around this target
17 nominal rate of return, which is why we want to
18 focus on the top chart.
19 This is some peer data. Again, we include some
20 of this information in our quarterly performance
21 reporting as well. The chart on the top is the --
22 this is gross of fees because the universe, the TUCS
23 universe, which is the Trust Universe Comparison
24 Service, is provided on a gross-of-fee basis. So I
25 want to make sure we're comparing apples to apples.

1 The beige bar is the total FRS return over the
2 trailing periods.
3 And then we have the Top 10 Defined Benefit
4 Plans. That's the most relevant peer group for this
5 plan. And then we have a broader measure, which is
6 the total defined benefit plan universe that TUCS
7 provides, which is a much, much broader universe.
8 And you can see that over all trailing periods
9 relative to both universes, either the fund has
10 returned very similarly to the median fund within
11 that universe or exceeded it.
12 And then the chart on the bottom, this is
13 actually net of fees, so we take out the effect of
14 fees, because the BNY Mellon Universe is provided
15 net of fees, and this is the BYN Mellon Universe,
16 with plans that are over a billion dollars in size.
17 And you can see that with the exception of the
18 three- and the five-year period, over the one-year
19 and the ten-year, the FRS has outperformed its
20 peers.
21 And there's not dramatic underperformance or
22 dramatic outperformance. And what that would
23 indicate to us is that you're behaving similarly to
24 your peers, and your return is, over a lot of these
25 periods, actually doing better than your peers in

1 terms of the performance.
2 MR. GARCIA: Kristen, could I ask if your -- at
3 the other meetings where we've been presented
4 material with the comparison to the TUCS group and
5 BNY Mellon group, I always ask, who are we comparing
6 ourselves to? What is that population?
7 MS. DOYLE: Do you mean in terms of the actual
8 funds that are in there or the description of the --
9 MR. GARCIA: The most specific description that
10 you can give us so we know what the comparison is
11 to.
12 MS. DOYLE: So the TUCS Top 10 Median are the
13 top 10 defined benefits plan in the U.S. And that
14 could include corporate and public pension plans.
15 Most of the time the public pension plans are the
16 larger plans. There may be one or two corporate
17 plans in that universe. But that's what that
18 universe represents.
19 MR. GARCIA: Do you know who they are?
20 MS. DOYLE: They do not provide us the -- we
21 could probably figure it out. But, no, these
22 universes are not transparent in terms of we don't
23 see a list of the underlying constituents.
24 MR. COLLINS: If it's top 10, we're probably
25 one of them.

1 MS. DOYLE: Yes.
2 MR. WENDT: California and Texas.
3 MS. DOYLE: California, Texas, New Jersey.
4 MR. GARCIA: Would there be corporate ones as
5 well?
6 MS. DOYLE: There may be one or two corporate
7 plans in there.
8 MR. COLLINS: How about TIAA-CREF, would they
9 be in there?
10 MS. DOYLE: I don't think so. I don't have,
11 unfortunately, right off the top of my head, the
12 description for the total TUCS universe or the BNY
13 Mellon universe. But I could get you basically the
14 average size plan, the total number of plans. But
15 it's going to be upwards of, for both of those
16 universes, two or three hundred plans, with an
17 average of probably around a billion dollars.
18 MR. GARCIA: For me, it would be helpful for
19 you all to provide as much information so we know
20 who the comparative group is.
21 MR. HARRELL: And in particular, if you were
22 providing a list, I would love to see perhaps the
23 funded ratio that those plans are at, on sort of an
24 apples to apples discount rate basis. And it might
25 be harder to get, but something like the annual cash

1 flow, net cash flow in or out, are they paying more.
2 Just so that as we look down the list, we can kind
3 of compare.
4 MR. WENDT: Mr. Chairman, if you'd like to look
5 back, I think some of the information we got on the
6 compensation study listed the asset size of very
7 large pension plans. And so that's available there
8 if you want to go way back in your papers. But no
9 reason why they shouldn't do it. They get paid a
10 handsome sum to do it.
11 MR. WILLIAMS: I think we can fish that out for
12 you. And you're correct. I believe what we did was
13 we -- what we did in the explanatory stuff in the
14 comp committee was to say, this comparison group
15 includes a range of funds with assets from A to B,
16 that kind of a thing.
17 MR. WENDT: I thought you had the real numbers
18 for some of them. I remember one chart.
19 MS. DOYLE: We can definitely provide that.
20 We've done that for other clients, and most of that
21 information is publicly available.
22 And then lastly, we compare the SBA performance
23 benchmark, so this is the representation of the
24 policy allocation, which we believe is more relevant
25 here because we're talking about the -- how to

1 measure the asset allocation that is set, so when we
2 look at the performance benchmark, what we're
3 looking at is the policy allocation, a passive
4 representation of that particular policy allocation.
5 So this red line here does not include any of
6 the effect of outperformance from active management
7 within the fund. And what we're doing is we're
8 comparing it to the world market opportunity set,
9 which is basically the entire opportunity set
10 globally that you as an institutional investor have
11 access to. That includes anything you can think of
12 in terms of global equity, global bonds, real
13 estate, REITs, alternative investments.
14 And you can see that over time, the asset
15 allocation of the SBA has outperformed that total
16 market opportunity set. And you are making
17 decisions on your asset allocation relative to what
18 you have available to you in the investment world.
19 So I guess the conclusion that we draw from
20 this is that there are measurements to gauge how
21 well this group has set asset allocation and other
22 groups in the past. And it has been set well and
23 performance has been good.
24 So I was going to turn it over at this point to
25 Rowland, who is going to a spend a little bit more

1 time reviewing again some of the information from
2 the asset-liability study.
3 MR. DAVIS: And I think I can be pretty brief,
4 as brief as I ever am, I think. But Ash set this up
5 pretty well for me. On the asset-liability study,
6 which again is sort of top level how much overall
7 risk should the plan be taking in total, when you
8 reflect the liabilities, liability growth, and over
9 long periods of time, the current policy is
10 75 percent allocation target to what we call risk
11 assets and 25 percent to fixed income and cash. We
12 recommend no change in the strategic long-term
13 investment policy targets from that.
14 If you jump to the bottom bullet, though, we
15 believe that if there are things to potentially
16 mitigate temporary fixed income returns that are
17 depressed as yields rise, they are best handled
18 within the fixed income sector, either with tactical
19 moves and/or with changes in the benchmark for fixed
20 income asset class. So that's where basically I
21 disappear and turn it over to Katy and Kristen and
22 others to talk about those kinds of actions.
23 So it's not that we're saying there's not
24 necessarily an issue. What I'm saying is it
25 appears, from our work, that the risk-reward

1 analysis over a long period of time should probably
2 be based on something that's a little more like the
3 historical equity risk premium and not on something
4 that appears to be temporarily large, which is our
5 baseline assumption, is temporarily large. And
6 therefore, rather than make a strategic policy
7 change for a temporary flip in what the equity risk
8 premium might be, we think it's best dealt with in
9 other ways.
10 So I will just kind of briefly go through some
11 of this equity risk premium stuff. This is a chart
12 that you've seen before about the development of the
13 equity risk premium assumption, where we average the
14 four consulting firms. And it goes back to 2010,
15 where we were at 3.36, and it's been jumping up to
16 the current level of 4.76.
17 This is the chart again that we've seen before,
18 but just kind of reemphasizing here, this is the
19 historical 15-year rolling periods, the equity risk
20 premium, very volatile. The shaded area captures
21 the last 50, 50-some years, which actually started
22 in 1960. The first point -- the first 15-year point
23 shows up in 1975 for the years from 1960 through
24 1975.
25 And if you just look at that shaded area, the

1 average of those points that fall into that shaded
2 area is about 3.26 percent.
3 MR. COLLINS: So it's gone from negative in
4 just the first quarter of 2010 to 4.76 today?
5 MR. DAVIS: No. The blue line are actual
6 historical results. The red line is the assumption
7 that we developed from this. So these are
8 forward-looking assumptions from four different
9 consulting firms about the expected risk premium,
10 equities versus bonds, and we take the average of
11 those four. So the four consulting firms right now
12 range from 4.3 percent at the low end, which is
13 Mercer, 5.15 at the high end is Callan. Hewitt
14 EnnisKnupp is close to the high mark there as well.
15 We do the four firms. We've been doing that for
16 probably five or six years to try and maintain a
17 little more stability from year to year in the
18 assumption by not relying solely on one firm.
19 MR. GARCIA: Rowland, do you know what was used
20 as the equity risk premium in the 2010 study?
21 MR. DAVIS: Yeah. That is 3.36.
22 MR. GARCIA: So you used the average for the
23 2010 study. Why wouldn't we consistently use the
24 average of 4.76, to be consistent?
25 MR. DAVIS: Well, we are showing the results.

1 And this gets back to -- you know, we calculate a
2 baseline, which uses the 4.76. But then -- and this
3 gets to the point that Will and I think others have
4 made, and I have tried to make, is that the model
5 results then require judgment and interpretation.
6 And right now our judgment and interpretation is
7 that that baseline assumption is high and it's
8 temporary. It's likely not to stay at that for more
9 than a few more years. And the way things are
10 going, it may be a few more weeks.
11 So it's something that we think would not be a
12 suitable anchor for long-term strategic policy. It
13 does maybe call attention to tactical and shorter
14 term types of issues that may need to be dealt with
15 in --
16 MR. GARCIA: Did you run scenarios using a
17 4.76?
18 MR. DAVIS: Yes, we did. And I'll show you
19 those actually. These then are the -- what we call
20 our risk-reward curves. And two lines are shown
21 here. The red line is at 4.76, what we call our
22 baseline results. The green line is one of the
23 sensitivities, but I think the most important one,
24 which uses a lower equity risk premium. We drop it
25 by 100 basis points for our sensitivity analysis.

1 So this is at 3.76.
2 And without going into all the gory details of
3 what this chart -- how it's put together, the visual
4 interpretation of these charts is simple. And that
5 is, look at the diagonal line from lower left to
6 upper right and look at our risk-reward curves. If
7 there are points that plot above the diagonal line,
8 they are interesting and may be more efficient to
9 us. If they are on or below the diagonal line, we
10 would argue that they're not interesting and
11 probably inefficient.
12 A lot depends on things like your risk-reward
13 ratios or appetites, your appetite for risk and so
14 forth. But I don't want to -- I'm going to answer
15 any questions that anybody has on all that, because
16 it is a lot there. We've gone into it before, and
17 I'm willing to do it again.
18 But right now the simple interpretation
19 visually is that if you see points above the
20 diagonal, like that red line, the red line, based on
21 4.76, does give us information that says maybe
22 taking more risk makes sense. But when we drop that
23 equity risk premium assumption to 3.76, it's
24 basically tangent to or right on the diagonal, which
25 says there's really not a strong message for change

1 based on that.
2 So the judgment question is, well, which one of
3 those is the important one for long-term strategic
4 policy. Our view is it's the green line in this
5 case. Sometimes it's a blend of the two or so
6 forth. We think 4.76 is too high and too temporary
7 to make a recommendation for a long-term strategic
8 policy.
9 MR. COLLINS: But is all that modeled using our
10 current allocation?
11 MR. DAVIS: Yes. Well, no. Each one of these
12 points is actually a different allocation, so --
13 MR. COLLINS: Within our ranges.
14 MR. DAVIS: Yeah. No. Within -- so this would
15 be, if you look at the crosshairs of the graph
16 there, that's current policy at 75 percent risk
17 assets and 25 percent fixed income. And every point
18 on a curve, so if you move on the red line, you move
19 to the right, the next point is an 80 percent risk
20 asset, 20 percent fixed income, and then 85 percent.
21 So as you move from the crosshairs to the
22 right, you're adding more allocation to risk assets
23 and dropping the fixed income, and vice versa. Both
24 graphs tell us the same thing, that you wouldn't
25 want to lower below the 75 percent. What they tell

1 us is different, though, with respect to the
2 possibility of increasing the red line, would say,
3 yeah, based on a kind of typical risk appetite, it
4 may make sense, if you believe you can get
5 4.76 percent extra return over bonds, but if 3.76 is
6 more like a reasonable expectation, then the green
7 line is the one that we would --
8 MR. GARCIA: So I have a little bit of trouble
9 with the graph. So based on the graph, if you
10 assume the 4.76 percent as being the number, what
11 would be the allocation to the risky assets?
12 MR. DAVIS: If we felt that 4.76 was sort of a
13 reasonable long-term expectation for the risk
14 premium, then I would look at that red line. And
15 what I see is that it raises, relative to the
16 diagonal, up to about 85 percent. And then it kind
17 of flattens and runs more parallel with the
18 diagonal. So I would say that, you know, if we
19 really believe that and wanted to stake a
20 recommendation on it, then it would be perhaps go to
21 up to 85 percent on that one.
22 MR. COLLINS: But that's where the judgment
23 comes in, too, right?
24 MR. DAVIS: That's where the judgment comes in.
25 MR. COLLINS: And how much more risk do you

1 want to take to get to that.
2 MR. DAVIS: Right. And then it gets to the
3 next layer of issues, which are moving to short-term
4 risk. There's some information that -- I'm going to
5 pass it back to Kristen. Let me just jump to that
6 one. Is that up there? Here is short-term risk.
7 This is a little out of order now. But what happens
8 if we shift 10 percent from fixed income to global
9 equity when we look at short-term risk issues.
10 So I'd look at a few different things. The
11 funded status after five years, what's the
12 probability that that could fall to 50 percent, a
13 dangerously low funded ratio, where we're now close
14 to 90 percent. And here I'm using market value, not
15 the smoothed actuarial value of assets. But the
16 probability currently is about 12 percent. If you
17 shifted 10 percent from fixed income to global
18 equity, that goes to 13.8 percent. If you shifted
19 all of the current fixed income to global equity, it
20 would rise to 15 percent.
21 Those are -- since that's such a dangerous
22 event, any increase in those probabilities is
23 something that deserves attention. Again, a
24 judgment call as to how significant those shifts
25 are, but it's certainly something to look at.

1 Also, second bullet point, looked at what if
2 scenarios. So I said, what is the funded ratio
3 after five years, where risk assets return an
4 average of negative 5 percent. And I get to points
5 that are below 50 percent. Now, the reason I did
6 that is to kind of go back to the first bullet point
7 that says 50 percent funded ratios, it's possible,
8 and you can imagine how painful it would be to have
9 five years averaging negative 5 percent on risk
10 assets. And you can see, you know, the importance
11 of that.
12 And the last bullet point brings a historical
13 reference in that it is possible to have those kind
14 of negative 5 percent periods over five years of
15 returns. So you can't discount that the potential
16 is there, and it's a judgment call as to how
17 important are these probabilities of that extreme
18 shortfall, and are other things important enough to
19 trump the increases in those probabilities of having
20 that kind of extreme short-term risk.
21 And that's kind of the points that I wanted to
22 make before I turn it back. So from this point of
23 basically transitioning from our view that if
24 there's changes to be made, they would not be in the
25 strategic long-term policy targets, but they may

1 well be in terms of refinements within fixed income.
2 And that's where Kristen and Katy are going to pick
3 it up.
4 MS. DOYLE: So just to close out our portion,
5 so there's been some discussion, some concern around
6 the 45 percent probability of reaching the 7.75.
7 One way you could increase that probability would be
8 to obviously increase your allocation to risky
9 assets, so global equity or hedge funds.
10 And so one of the things we wanted to do was
11 look at what would be kind of the worst case
12 scenario to the extent you didn't have any fixed
13 income in a down market. So that's what's laid out
14 here on this slide. If we assume 100 percent is
15 invested in risky assets and we have another 2008
16 when global equity markets were down 40 percent,
17 what would be the actual reality or the practical
18 results to the plan from that event, without any
19 fixed income allocation.
20 And so the reality would be that you wouldn't
21 have any way to rebalance because the equity returns
22 would be significantly down and you would have a
23 really probably much higher allocation then due to
24 the denominator effect in your more illiquid asset
25 classes. Therefore, there's an inability to

1 rebalance back from things that are doing well into
2 an asset class that is depressed and it has
3 attractive valuations.
4 Then you also need to pay benefit payments.
5 And where do you pay benefit payments? Well, you'd
6 have to pay benefit payments out of global equity
7 because you can't pay benefit payments out of
8 private equity and private real estate. And that
9 could cause permanent impairment in the value of the
10 pension plan, by having to sell equities at the
11 bottom. That's kind of a worst case scenario in
12 terms of what would practically happen if public
13 pension plans or pension plans in general were
14 structured that way in an extreme down market.
15 So one thing I wanted to look at was what --
16 look back historically and see how that may have
17 affected the FRS in terms of the policy allocations.
18 What we did here was we looked at the current policy
19 over trailing three-year periods. This is the
20 actual policy allocation over trailing three-year
21 periods, is that blue line, and then what would
22 happen, what would have happened to the return of
23 the policy if we took out fixed income and
24 reallocated that component into the other risky
25 assets.

1 And what happens is what you would expect to
2 happen. In down markets like in the early 2000s and
3 like our last crisis of 2008, you saw the pink line,
4 which is the policy without fixed income, performing
5 much worse than the actual FRS policy that has
6 included fixed income historically. And then of
7 course on the up side you see that that policy
8 without fixed income would do much better because it
9 has a higher allocation to risky assets that are
10 performing better in up markets.
11 But what was interesting here is that we
12 actually -- what's more interesting to look at is
13 the magnitude of the difference. So on the down
14 side, in the early 2000s, you would have had almost
15 a 6 percent difference in the negative return
16 between the two policies. But then on the up side,
17 the policy without fixed income does not make up for
18 that 6 percent. It's only up 4 percent relative to
19 the policy including fixed income.
20 So while fixed income does a better job of
21 protecting on the down side, it doesn't do as good
22 of a job at limiting the up side. So I think -- and
23 you see that same phenomenon in early 2008, or
24 sorry, late 2008, and then in the recovery after
25 that. You see that the fund would have been down 5

1 percent more in terms of return over a three-year
2 period, but was only up, would only have been up
3 3.8 percent more in the return.
4 And then one other thing to note was just, to
5 put some dollars around some of this, is that -- and
6 let's just take 2008 for example. The policy
7 benchmark actually returned minus 26 percent for the
8 year ended 2008. If we had had a policy benchmark
9 without fixed income for that period of time, it
10 would have exhibited a return of negative
11 38 percent, so a 10 percent worse return over a
12 one-year period, which would have been an
13 additional -- in addition to the loss that the FRS
14 took, it would have been an additional $13 billion
15 in loss, should there not have been fixed income.
16 So this is just to help illustrate the role
17 that fixed income tends to play. It does add value
18 even though, when you look at the expected return,
19 it's very low and there's a lot of risk in fixed
20 income right now. It does play a role in that
21 compounded return over very, very long periods of
22 time. And that's why we have the view that we have,
23 that there should not be a significant change to the
24 75 percent risky, 25 percent fixed income.
25 So before I go to the next slide, maybe I'll

1 pause and see if there are any comments or questions
2 about that.
3 MR. GARCIA: So the risk that you're analyzing
4 here is volatility risk. Did you do an analysis of
5 performance risk using the same -- the different
6 trade-offs in terms of being in risky assets versus
7 fixed income?
8 MS. DOYLE: This is actually performance.
9 These are actually returns, not volatility. It does
10 illustrate the volatility, but these are actually
11 performance numbers, so --
12 MR. GARCIA: Are these long-term performance
13 numbers?
14 MS. DOYLE: These are three-year, we just used
15 rolling three-year annualized periods, to show more
16 of the short-term effect of changing your policy.
17 MR. GARCIA: Did you do a long-term analysis on
18 the performance risk?
19 MS. DOYLE: Not for this particular analysis.
20 We could look -- we could easily run what the return
21 would have been over a 20-year period, with and
22 without fixed income. What you would see most
23 likely is that -- it would depend on what -- it's
24 very time dependent. So it would depend on what
25 period of time you were looking at.

1 Over the last 10 years, if add to fixed income,
2 you're going to look better than if you had more
3 equities. But over longer periods of time, you're
4 probably -- global equity is going to add a lot of
5 return to the long-term returns. It's going to be
6 dependent on what time period you look at. I didn't
7 include that here.
8 So before I turn it over to Katy, Rowland
9 talked about the high level risky versus fixed
10 income allocation, but we want to spend a little bit
11 of time looking at what's the actual asset
12 allocation recommendation. And so here we show the
13 expanded authority, which is the current policy
14 allocation.
15 The recommendation is to not necessarily change
16 the policy allocation to fixed income, which is
17 currently 24 percent, but to instead change the
18 benchmark to lower the duration of the fixed income
19 component to acknowledge the fact that rates are
20 extremely low. Higher duration bonds are most
21 likely going to perform worse in the shorter period
22 of time.
23 And also we included a paper in the material
24 that you received that talks about our view that
25 intermediate duration bonds actually, over long

1 periods of time, are a better way to position a
2 portfolio that's really meant to provide downside
3 protection in weak equity markets.
4 So, oftentimes there's a view that long bonds
5 tend to perform better in weak equity markets. But
6 if you actually look at data going back
7 historically, intermediate bonds have tended to
8 actually outperform long bonds in very weak equity
9 markets. So this is -- this recommendation is not
10 only driven by a view, a short-term view, but also a
11 view that intermediate bonds over a long period of
12 time, from a strategic perspective, are the right
13 place to be for a downside protection type
14 portfolio.
15 The distinction between the green highlighted
16 column and the column just to the left of it is that
17 while we are not recommending policy allocations
18 specifically to things like high yield emerging
19 market debt or bank loans, what we are recommending
20 is that the -- we acknowledge the fact that the
21 fixed income team within the SBA has the discretion
22 to move into some of those areas, diversify the
23 portfolio away from U.S. investment grade credit and
24 Treasuries as they find opportunities and that that
25 will add some diversification and add some return

1 and even potentially move away from some -- some
2 just solid 24 percent of the portfolio exposure to
3 U.S. bonds, where we see a lot of the investment
4 interest rate risk. So that's the distinction
5 between those two columns.
6 MR. WENDT: Where do we see the change in the
7 benchmark on this, and so what? I mean, we look --
8 I look at this, and it looks exactly the same.
9 Every column is exactly the same. And I know you
10 said go to shorter duration bonds, but so what? I
11 mean, I know what that does. But what have we
12 accomplished there?
13 MS. DOYLE: So there's actually -- the expected
14 nominal return row, if we expanded that out past one
15 decimal point, you would see a slight difference in
16 the expected return for moving from the current
17 asset allocation, where we use a core bond capital
18 markets expectation, to the column just to the right
19 of it, in the green column, where we use the
20 expected return on intermediate bonds, which is
21 slightly lower, because of the lower duration.
22 But it doesn't have a material impact on the
23 expected return or the expected risk. So you see
24 there's a slight change in the expected risk. Well,
25 you can't actually see it because, again, it's so

1 slight that when you round, it doesn't show up.
2 There is a slight change to the Sharpe ratio,
3 which is a measure of risk-adjusted return. But
4 you're right. From a policy perspective, when we
5 look at the expected return, it's not going to have
6 a material impact. But we believe that, practically
7 speaking, in the market environment in which we
8 exist right now, moving to an intermediate duration
9 bond portfolio is going to be beneficial in terms of
10 the actual return of the plan.
11 MR. COBB: Mr. Chairman?
12 MR. GARCIA: Yes, sir.
13 MR. COBB: After two days of very thoughtful
14 presentations, I guess that I am almost convinced
15 that 25 percent fixed is the appropriate
16 recommendation, or say 24 percent fixed and
17 1 percent cash. I'm impressed with the analysis on
18 my standard deviation issues and how little that
19 impacted it. As I indicated at lunch, I question
20 the arithmetic, but I assume your arithmetic is
21 right. And then also Will's point on inflation, how
22 you have shown that dramatic change in inflation
23 doesn't affect your recommendation on the mix. And
24 I think the two days of presentations have been very
25 helpful.

1 What I'm not convinced of and what we haven't
2 even discussed is the policy high of 32 percent for
3 fixed and 9 percent for cash, or a possible
4 recommendation that we're making to the trustees
5 that there could be 41 percent fixed and cash, which
6 I just think that would be a horrible result. And
7 we have no evidence, no backup at all to show that
8 32 percent fixed and 1 percent, or 9 percent cash is
9 justified. And so as one member of the committee,
10 I'm concerned about these policy ranges,
11 particularly the fixed and the cash being up to
12 41 percent.
13 MR. WILLIAMS: Mr. Chairman.
14 MR. GARCIA: Yes, sir.
15 MR. WILLIAMS: If I may make a point. No one
16 in this room, if not anyone in this country, would
17 be more concerned than I would if we went to a
18 9 percent cash allocation plus the maximum fixed
19 income allocation. I think that would be disastrous
20 for a lot of reasons. And we have absolutely no
21 intention of going there.
22 And I think the right context for that would be
23 to look at these ranges the same way we would
24 consider the statutory authority that we have, which
25 is to put up to 80 percent of any portfolio in

1 either equities or fixed income. We've never done
2 either on a total portfolio basis, nor would we.
3 And obviously you can't do both because they add up
4 to 160.
5 I think the ranges are there for flexibility.
6 They're way outside the bounds of anything we would
7 do. And to Lamar's earlier point of procedural
8 prudence, our processes have never taken us anywhere
9 near anything like that, like a 9 percent cash. In
10 fact, one of the other thoughtful things that was
11 brought up previously was whether, to avoid the drag
12 of a cash allocation, we should have an outside
13 credit facility potentially.
14 Well, in fact, we did a fair amount of work
15 last week in our senior investment group meeting on
16 exactly that. We have a very detailed liquidity
17 analysis that we update regularly so that we're sure
18 we stay liquid and can always meet benefit
19 requirements timely without issue.
20 And what we concluded was, not only do we not
21 need an outside facility, we've probably, even at
22 the level of 1 percent cash, got more tied up in
23 that space than we want to. And we don't keep a
24 hard 1 percent cash. That's sort of a max of what
25 we'd want to do.

1 So what we've talked about is possibly creating
2 a liquidity facility using basically futures, et
3 cetera, to create a float of liquidity without tying
4 up the assets, which we think can incrementally add
5 to returns over time and tie up even less in fixed
6 income.
7 So I think our thought process is extremely
8 similar. And the key to understanding the benefit
9 of that green column up here -- and Katy is going to
10 walk us through it shortly -- is that kind of taking
11 the natural distinction between strategic and
12 tactical, the benefit of that green column is
13 heavily tactical, because if you look at the
14 short-term benefit of changing your fixed income
15 benchmark from a Barclay's ag, which has, as a
16 consequence of government bailouts of banks, et
17 cetera, shifted in its composition in recent years
18 to be more heavily government and more heavily
19 Treasury oriented than it was before, one can get
20 the same diversification benefits and
21 non-correlation to equity benefits, if not better
22 benefits in that regard, from the intermediate.
23 And by the supression of duration that you have
24 in comparison to the Barclay's ag, in a rising rate
25 environment, you don't have anywhere near as much

1 damage from duration exposure to rising rates. And
2 between taking that step and doing some other things
3 in terms of the latitude with which we apply our
4 fixed income discipline, we think we can benefit
5 ourselves very nicely on the tactical front, without
6 having to take the more Draconian step and take the
7 associated risk increase that would come with an
8 outright change in the target allocation of fixed.
9 MR. COBB: I suspect there's unanimous view
10 towards your tactical recommendation. So that's not
11 my question. My question is why not a narrower
12 range.
13 MR. COLLINS: You mean just in general?
14 MR. COBB: Yeah. Why shouldn't we have --
15 we've gone to all this work. And now why shouldn't
16 we recommend to the trustees a narrower range?
17 MR. WILLIAMS: The main reason I would --
18 Mr. Chairman, if I may.
19 MR. GARCIA: Sure.
20 MR. WILLIAMS: The main response I would offer
21 would be, oddly enough, it's to give you room not to
22 be forced to do things when it's unwise to do them,
23 probably more than it is the latitude to go out and
24 do something that would be perceived as aggressive.
25 It's the other way around.

1 For example, back in December of 2008, I
2 specifically remember, I had been at work for all of
3 about two weeks and had my first trustees meeting.
4 And because of the collapse in the equity markets,
5 we had been pushed to the outer boundary of our
6 private equity allocation. We were about to be
7 forced to sell private equity in December of 2008.
8 The only way you could do that would be to take an
9 absolute haircut starting at the neck on the
10 valuation of whatever you sold. Very undesirable.
11 So I had to go to the trustees and ask in a
12 public meeting to get an increase in the -- not a
13 decrease, an increase in the range for private
14 equity, to avoid being a forced seller at an
15 inopportune time. That caused some consternation at
16 the time, but it eventually passed, in the same
17 meeting.
18 So I think the main rationale for the broader
19 ranges is that when you have something happen in
20 extremis and when markets are in extremis, you don't
21 want to be compelled to take an action because of a
22 structural necessity, that you might be able to work
23 past it and say, if I can be a little bit more
24 patient here, I think time is really my friend. I
25 don't want to be a forced seller here.

1 Is that -- John and Rowland, have I left any
2 aspect of that out?
3 MS. DOYLE: Can I make one more point, too?
4 There's also an active risk budget that is at the
5 total fund level and then also at the asset class
6 level that also somewhat constrains the ability for
7 staff to just dramatically go beyond the allocations
8 that they've been allotted here. So that's just
9 another governance tool in place or risk management
10 tool in place to ensure that there's prudence taken
11 within the actual implementation.
12 MR. WILLIAMS: That's actually a really
13 important point, and thank you for bringing that up,
14 because we control risk. We have an actual risk
15 budget in basis points for every single asset class
16 and for the total fund. And we stay within it.
17 It's part of our discussion, both in the narrative
18 and the graphics packages for our senior investment
19 group meetings every month, and we really watch
20 that. And there have been times in the past,
21 notably '08, when certain asset classes, notably
22 fixed income, blew to the moon on their risk
23 budgets, and we very systematically have pulled them
24 back in, and risk in all classes is down now very
25 substantially and completely within budget. And in

1 fact in some areas we probably need to be taking a
2 little more risk, and we're working on that.
3 MR. COLLINS: Mr. Chairman, can I ask a
4 question?
5 MR. GARCIA: Sure.
6 MR. COLLINS: So relative to the ranges -- and
7 I'm going to get off the cash and the 32 percent
8 side but go back to the low end of the fixed income
9 range. Ever since reading Will's memo and putting
10 together my own book of research reports from
11 various groups and listening to HEK, it's clear that
12 everybody is having the same thought, and everybody
13 has the same common answer of, well, we're not
14 really sure what to do, except we don't want to
15 abandon fixed income, for all of the reasons that
16 we've been talking about and all the reasons that
17 are in here and because Katy seems so nice.
18 So the question is, though, when you see a lot
19 of these models run and the effect of no fixed
20 income or dramatically lower fixed income in the
21 portfolios, you know, you can make the numbers do
22 whatever you want. So if we're talking about
23 ranges, and I see where we're at 21.9 or 22 percent
24 and the low end of our range is 20 -- and I think
25 we're at the lower end of our range for a reason,

1 right? Senior staff and you have clearly said, hey,
2 we need to be at the lower end of this range.
3 My question is, is do you need a broader range.
4 Do you need a couple hundred more basis points
5 broader range on the down side, such that if you did
6 decide, besides duration, which everybody is talking
7 about, besides duration, if you chose to make a
8 truer reduction and you went down to your current
9 20, you wouldn't run the risk of one day being at
10 19.5.
11 MR. COBB: It's 16 though.
12 MR. COLLINS: I thought it was 20. Well, the
13 24 is the high. Thirty-two is the high, but I
14 thought 20 was the low. Okay, so you're 16.
15 MR. WENDT: No, you're 24. Fixed income is 24
16 percent of the portfolio. You're talking range?
17 MR. COLLINS: I'm talking about range.
18 MS. ELIA: Range is 16 to 32.
19 MR. NEWMAN: So, Peter, you just got your
20 4 percent while you were talking.
21 MR. COLLINS: So the next part of my question
22 is, so despite the results of what happens on page
23 16, right -- and I'm not going to ask you an obvious
24 question of do you think 21.9 is the right way to
25 be. But instead of going -- instead of changing

1 duration, is there a desire to have a materially at
2 least 200 basis points lower allocation to fixed
3 income over a period of time of, you know, the next
4 24 months or 36 months?
5 I'm not saying abandon fixed income at all.
6 But if there's a couple hundred basis points and if
7 it's well within your range, how much do you
8 really -- how much are you really talking about
9 doing that?
10 MR. HARRELL: A lot, I hope.
11 MR. WILLIAMS: Well, I would say this. I don't
12 think any of us wakes up every day thinking, the
13 first thing I'd like to do today is buy more bonds
14 because I think I'm going to make a whole lot of
15 money over the next couple of years in bonds. Now,
16 Katy does, but -- she's very nice, as we've all
17 stipulated to that.
18 But that then begs the question, all right, if
19 you -- you have two questions there. One is do you
20 want to have less fixed income. I think the answer
21 is, sure, I'd be delighted to have less fixed
22 income. But then you have to answer two other
23 questions. So if I move the money out of fixed
24 income, I'm putting it exactly where? Do I want to
25 put it back in global equities, which today alone

1 have moved around -- they've been down as much as
2 1.7 percent U.S. and the last time I looked were
3 down 50 basis points. So you've got 120 basis
4 points of swing there in a matter of hours, which if
5 you look at our book, valued in real time, you're
6 talking about swings in the, what, the equity book
7 in aggregate, 70 billion, something like that. So
8 start moving that around 2 percent a day. What's
9 the toleration for that kind of vol? Short-term it
10 doesn't matter, truly.
11 But let's come back to what I asked on
12 fundamental value. So first of all, do you want to
13 go into global equities at current valuation, at
14 higher level, when we're still implementing the
15 reduction in global equity and still trying to get
16 to the target we originally set in June of '10 and
17 we're not there yet. Why? Because it takes time to
18 put money to work in the alternative areas.
19 So that leaves you real estate, private equity
20 and strategic. Well, we've got every one of these
21 asset class heads here now and we're ready to walk
22 you through the opportunities and risks in each
23 class. But the short answer to your question is, if
24 you ask me today where could I put 2 percent that I
25 took out of fixed income, 2 percent out of fixed

1 income is a big number. And if you try and put that
2 kind of number in private equity, you could
3 potentially incrementally add some money to some
4 existing funds if they're in the market. They may
5 not be. You could do some co-investments, if
6 they're available and they pass dilly, but they may
7 not be.
8 We could increase the allocation to private
9 equity broadly and add more managers. I don't think
10 that would be a bad thing at all. Margo Doyle, is
11 grinning broadly. She's the private equity head
12 from Cambridge Associates. I think there are some
13 very attractive opportunities there. And the sorts
14 of dislocations we're continuing to see will
15 continue to make those opportunities happen.
16 But it could easily take two years just to find
17 the managers, get them signed up and get your
18 initial capital call, because those are all
19 committed capital strategies. Finding the manager
20 and signing them up is not tantamount to getting the
21 money to work. It's got to be called and invested.
22 That takes time.
23 If we look at strategic, where we have hedge
24 funds, distressed debt, timber, we're looking at
25 CTAs right now, that's a place we can put some money

1 to work. And CTAs happen to be a wonderful
2 diversifier in falling markets. So they can be
3 quite good. They've taken a beating recently
4 because global equities have been hot in the past
5 few years, and so CTAs have looked bad.
6 And we've done a lot work. We're way down the
7 road. We're looking at a number of funds, and we
8 have other hedge fund strategies we can work on.
9 We've done a lot in timber. We can do more there.
10 And Trent can talk about some of the other areas we
11 could look into there. But here again, if you want
12 to effect a fast change, it's not fast. We've
13 always chosen prudence over speed. You know, Doc
14 Skow (phonetic) used to say, if you want it bad,
15 you'll probably get it that way. And we think he
16 was right.
17 So we've always taken our time. That's why we
18 don't do funds of funds, for the most part. We do
19 funds of funds only in areas where we can't access
20 the managers we want directly, either because we're
21 too big or because they're too exclusive and they
22 don't do business with people like us. Public funds
23 are not the most prestigious investors out there.
24 We have a lot of money, but we're not everybody's
25 favorite limited partner.

1 So in situations like that, to get into places
2 we can't otherwise get into, we use funds of funds.
3 The main reason most institutions use funds of funds
4 is for speed and because they don't have the
5 expertise to partner with managers themselves. We
6 have the luxury of being long-term oriented so we
7 don't need the speed, and we protect ourselves from
8 the mistakes that speed usually generates as a
9 consequence, number one. Number two, we're doing
10 the best we can to build staff and retain them.
11 That's another issue, the human capital issue that
12 you all know about and have contributed to the
13 solution of.
14 But we've chosen not to use funds of funds as a
15 vehicle to put billions of dollars to work quickly
16 in strategic. We've chosen to save that layer of
17 fees, go direct, own the relationships, control the
18 risk management, et cetera, and do it that way.
19 That then brings us to real estate. Mr. Spook
20 is looking as far afield as he possibly can for
21 opportunities and just came back from Japan, China
22 and Hong Kong in that regard, and still looks a
23 little sleep-deprived as a result of his efforts.
24 But it's no secret that the properties that are
25 our sweet spot, which is to say investment grade

1 stabilized core real estate, have been priced up to
2 a level that cap rates there now make it really
3 attractive to be a seller, not a buyer. And you're
4 in the real estate business. You know this better
5 than I do, Peter. So if you say, where can I put
6 money to work in real estate now, the answer is in
7 non-gateway tertiary secondary markets, where
8 valuations haven't appreciated as much, or in value
9 add or opportunistic real estate, where the risk
10 characteristic is dramatically different from what
11 it is in stabilized core.
12 MR. COLLINS: And you're not going to be able
13 to put a lot of money to work.
14 MR. WILLIAMS: And it's going to take forever
15 because you've got to find the properties, do the
16 diligence, et cetera. So what I'm telling you is
17 there is no turn a dial, get a quick satisfaction
18 solution. And that's why the whole institutional
19 world is wrestling with this question.
20 MR. WENDT: Well, I'm just going to say
21 something. I've prepared at least six speeches in
22 my mind to give here at this point, and I will --
23 MR. WILLIAMS: We have time.
24 MR. WENDT: I will get rid of all of them
25 except for the one that said, why would you ever

1 change your benchmark. I know why, but think about
2 the effects of that. Why don't we think
3 intermediate term? I know we can't put all this
4 money to work tomorrow morning, and we wouldn't say
5 in real estate or private equity. Don't do that
6 stuff anymore. Okay? But what about taking 2 to
7 3 percent of the bond portfolio and move it to
8 global equities for two years?
9 MR. NEWMAN: Do we have to then change the
10 upper limit?
11 MR. WENDT: We're okay, I think, aren't we?
12 MR. NEWMAN: We're at 59 now, right?
13 MR. COLLINS: Yeah. No, we couldn't do it.
14 MS. ELIA: 62.
15 MR. COLLINS: We'd have to get to 62 percent.
16 MR. WENDT: Oh, do you? Okay. So the
17 legislature beat me on that one. Okay. Well, we
18 can't move that.
19 MR. GARCIA: No, you can move it.
20 MR. WILLIAMS: Wait a minute.
21 MR. GARCIA: As a group here, we can make a
22 determination that the new asset allocation scheme
23 allocate more to global equity. That's part of the
24 function of what we're doing here.
25 MR. WENDT: Well, I'm not proposing such a

1 dramatic change. I think we've got -- we can go
2 from 52 to 60. We're at 59, that's right. This
3 chart isn't really current, even though it says
4 current.
5 MR. HARRELL: Mr. Chairman, may I --
6 MR. GARCIA: I want to make sure that Mr. Wendt
7 finishes.
8 MR. WENDT: Well, anyway, so you're saying we
9 can't go any further. The idea -- there is no place
10 to put money we take out of bonds, no place, because
11 I agree that we shouldn't put it in any of these
12 long-term illiquid investments. I agree with that,
13 because we want to go back into bonds in a couple of
14 years, and you're saying we're already at the top of
15 equities, so we're boxed in. Here we are with no
16 options.
17 MR. HARRELL: I feel like we have options.
18 MR. WENDT: Would you go into the illiquid
19 investments?
20 MR. HARRELL: Well, I had a couple of points I
21 was going to make. One is minor, and I'll lay that
22 aside. I very much hope and was sort of wondering
23 what the right way is to bring it up. I very much
24 hope that we reopen the topic of what our asset
25 allocation ought to be. And the first question is

1 whether there is a majority of nine people here that
2 want to revisit it. And maybe in revisiting it we
3 would decide it should stay exactly as it is. And
4 if that's the majority's will, that's fine with me.
5 I personally, as is probably clear from the
6 memo, would make some changes, and reducing fixed
7 income would be one of them. Revisiting the range
8 that we allocate to equities would be one of them.
9 Doing something that might be intermediate term
10 would very much be one of them.
11 If we have any role at all, I would think --
12 right now we can look at the present, and when we
13 look out to the future, it's all uncertain. We
14 don't know what will happen. But I would hope that
15 if we were sitting here in 1998 or 1999 and we were
16 talking about the overvaluation in large cap stocks,
17 the way that today we're talking about the
18 overvaluation in bonds, I would hope that we would
19 decide to do something about it, to reduce our
20 exposure to it.
21 And I look at this situation, and I can't
22 believe that everybody doesn't feel the same way.
23 So even if -- and other people may not, and I'm very
24 respectful of the greater experience and wisdom
25 collected in this room than mine, but that's the way

I feel. And I hope it at least comes up that we move in that direction.

So revisiting the ranges, revisiting how we do it, whether we do something in the short-run, which of these asset classes we favor for liquidity reasons, revisiting -- one of my topics is how we think about our liquidity needs, which I would think would be part of that.

MR. WENDT: Who has to give us the authority to change?

MR. WILLIAMS: Let me refresh everybody's memory on how this works. Under the law, it's my responsibility -- under the statute, it is my responsibility, as executive director and chief investment officer of the Florida State Board of Administration, to recommend an investment policy statement to the trustees. The aspects of that IPS, as we call it, we went through earlier today, and we prepared a very extensive background book on that whole subject and process that was distributed to all of you in advance of this meeting.

To the extent changes are recommended, to the extent we want to make a change in that investment policy statement over time, prior to my taking that recommended change to the trustees, it's to be

reviewed and opined upon by the Investment Advisory Council, which is a policy advisory body. The council does not in and of itself have the responsibility to set the asset allocation for the State Board of Administration.

So as a practical matter, the way this group has always worked with executive directors of the SBA is that we reason together, we pool our knowledge, and we make the best decision we collectively can. I think that's exactly the exercise we're indulging in here today.

MR. WENDT: Okay. But I just want to make sure I understand. The rules -- and I think I do. But if we voted nine to zero to change the ranges somehow, then you have to decide whether that's the right thing to do, and if you decide to agree with us, you take it to the trustees. And they could approve it?

MR. COLLINS: But I don't think it's ever happened that way.

MR. WILLIAMS: That's one way it could play out. It's never happened --

MR. WENDT: Well, I don't know. Nothing ever happened like the world today either, I don't think. I'm sorry. I'm just trying to get a straight

1 answer. Maybe I'm not presenting the question --
2 MR. WILLIAMS: Well, I'll give you as straight
3 an answer as I can give you.
4 MR. WENDT: Will wants to do something. The
5 ambassador wants to do something. How can we do it?
6 Give us a specific set of rules.
7 MR. COLLINS: Before you answer that question,
8 Mr. Chairman, can I ask one more question?
9 MR. WENDT: Don't answer my question. I sure
10 don't want that done.
11 MR. COLLINS: Go ahead. I'm sorry.
12 MR. WENDT: What are the rules for changing
13 these ranges?
14 MR. WILLIAMS: Again, the investment policy
15 statement is adopted by the trustees at the
16 recommendation of the executive director and CIO,
17 with the consideration of the Investment Advisory
18 Council.
19 MR. WENDT: The trustees can approve it.
20 MR. WILLIAMS: Yes, that's correct.
21 MR. WENDT: That's all I wanted to know. Thank
22 you. I didn't know if the legislature had to
23 approve it or not.
24 MR. WILLIAMS: No, no.
25 MR. WENDT: Okay. That's the answer. The

1 trustees approve it.
2 MR. COLLINS: So, Ash, go back to my other
3 question, my original question. Let's say that you
4 use -- so you answered my question by saying where
5 do you go with it. To go to Mr. Wendt's line of
6 thinking, on the upper end of the equity range, if
7 you were to increase that to 62 percent and if you
8 had that ability today, would you take 2 percent
9 from fixed income, in a reasonable time frame, and
10 put it into global equities?
11 MR. WILLIAMS: I think the short answer is
12 probably no. And the reason is that we did a lot of
13 work on this back in 2010. That would be very
14 similar to a posture we had for a lot of years that
15 got us in real trouble in '08, because the risk
16 characteristics of global equity are substantially
17 different from those of some of the other
18 opportunity areas we have that can be diversifiers
19 and protect capital in down environments but also
20 give us upside participation.
21 So if you think back to what we did in 2010 and
22 the reason we took the time to frame up that history
23 today is that we made a very considered decision,
24 after doing a very deep dive, in one of these three-
25 to five-year major reviews of allocation, that the

1 level of equity exposure we had at the time, which
2 was then in the high fifties, was higher than we
3 wanted to be. I guess it peaked out, John, what, at
4 60, 62?
5 MR. BENTON: About 62.
6 MR. WILLIAMS: Something like that, exactly
7 right. So exactly where we're talking about going
8 today as an idea for a reform is what was identified
9 not too long ago as excessive risk taking and that
10 we could more smartly take risk in other parts of
11 the market, pull that global equity allocation in a
12 bit, and deploy capital elsewhere with a better
13 long-term expected result.
14 So what I would say is -- and this is also in
15 answer to Mr. Wendt's question. If you asked me for
16 a specific solution today, I would say the first
17 answer would be tactical adjustments within fixed
18 income that do include the benchmark change. And I
19 think that does have benefit without detriment.
20 And, further, some tactical refinements in what we
21 do in the fixed income space.
22 I would also be very comfortable with
23 increasing some of our allocations in the
24 alternative areas, in real estate over time. I
25 think that's a great area, and we don't have quite

1 as much as some other funds have. I think private
2 equity has got head room. I mean, if we want to
3 reduce our long-term exposure to fixed income, I'm
4 not opposed to that to a degree.
5 But there's another asterisk you have to put on
6 this. Given the time that I've just described it
7 takes to effect any of these changes and what it
8 costs, it's not free to build a global equity
9 allocation by a couple of percent in a fund this
10 size. The transaction costs are real and they're
11 significant. And one of our legal obligations is to
12 manage plan costs overall.
13 One of the other factors we've got is what we
14 talked about structurally, that little question mark
15 that the legislature is holding out there, which is,
16 we may change your ability to tolerate near-term
17 volatility and risk and also your ability to
18 tolerate illiquidity, and we may change it as soon
19 as next March or April. That's not far away at all.
20 So when you talk about an intermediate-term
21 change -- and I could not agree more with your view
22 of a desire to look not short-term, not over the
23 millennia of time, but a reasonable time frame for
24 management action, which is intermediate. That's
25 exactly the right time frame. The problem is, the

1 intermediate time frame is occluded by legislative
2 fiat that none of us can predict. I shouldn't say
3 fiat. That sounds arbitrary. Legislative
4 decision-making that none of us can predict. And
5 that's just reality.
6 MR. GARCIA: On this point, let me just make an
7 observation that I think is compelling that we
8 should reevaluate the ranges. When this plan was
9 first crafted, there were three different trustees
10 on the cabinet. There were nine different IAC
11 members. Our consultants, HEK, at the time of that
12 plan in June of 2010, computed the equity risk
13 premium at 2.4 percent. Today they compute it at
14 5.1 percent. So the equity risk premium, based on
15 our consultants, has more than doubled. Okay? And
16 yet we're going to continue to maintain the same
17 asset allocation plan that we had back in June of
18 2010.
19 I think the prudent thing for us to do is to go
20 through the appropriate analysis of what we could do
21 if we made some of these changes. And one of the
22 things that would have been extremely helpful for
23 me, because I'm someone who believes that we ought
24 to reduce our fixed income exposure, is to at least
25 have gotten, as part of this analysis, what we could

1 have done operating at the lowest range in fixed
2 income of 16 percent.
3 There was none of that analysis. The only
4 analysis was a recommendation about tactical
5 allocation and not about asset class changes. And
6 as was pointed out at the beginning, 90 percent of
7 our performance is determined by how we allocate the
8 asset classes.
9 And so I think we owe it to three different
10 trustees, at a time when the equity risk premium,
11 which is the single most important assumption we
12 make, is so different than it was back then. So I
13 think we should go through this analysis. I think
14 we owe it to the trustees. And we have nine
15 different people today than we did in 2010.
16 MR. HARRELL: Is it possible to get the sense
17 of what -- I mean, if most people don't want to
18 reopen it, that's one thing. But I'd love to get a
19 sense of what the rest of the council thinks. I
20 don't know what the proper parliamentary procedure
21 is for that.
22 MR. GARCIA: I'm going to turn the meeting over
23 to you, Will. I think that's a good suggestion.
24 MR. HARRELL: I'd like to reopen it.
25 MR. GARCIA: Ambassador Cobb?

1 MR. COBB: I believe, as Will does, that in
2 retrospect, we're going to look back to 2013 and
3 believe that there was a fixed income bubble in
4 asset prices. I was surprised, I asked at lunch --
5 and that was only -- we've only had a 3 percent
6 reduction in asset prices of fixed income securities
7 to this point. I would have thought it was greater.
8 But I'm still convinced that the standard
9 deviation expected in this model is only three and a
10 half percent on fixed income, because I happened to
11 believe it was going to be more. But I'm also
12 impressed with the analysis that says, even if it
13 was 6 percent -- was it 6 percent, I think you used
14 in your analysis?
15 MR. DAVIS: Five or six.
16 MR. COBB: Whatever it was. But it showed not
17 a dramatic difference in the risk-reward ratio.
18 MR. HARRELL: Well, to be clear, I'm not asking
19 if you're for changing it. I'm asking if you're for
20 opening up and considering changes. And maybe that
21 wasn't clear.
22 MR. COBB: So bottom line, if there was a
23 consensus of this council to change the asset
24 ranges, I would strongly favor that, and
25 particularly, I would like to suggest that we change

1 the fixed income ranges and change the cash ranges.
2 And I have sympathy for Ash's points that management
3 needs total flexibility, and I understand how they
4 ran up against this before. But I think that we
5 will be helpful to the trustees to tell them that
6 there is a concern with our fixed income target, but
7 most importantly, from my point of view, concern
8 with the fixed income ranges as high as 32 percent.
9 MR. GARCIA: Peter.
10 MR. COLLINS: You know, relative to ranges, I
11 think the old adage the squeaky wheel gets the
12 grease may apply. I think that, as Ash said, over
13 time you have different reasons for doing different
14 things and you want to have flexibility. I'm less
15 concerned about this team's ability to operate
16 within a range, and therefore I'm for giving them as
17 broad a range as is fiscally prudent.
18 That said, if the range isn't broad enough to
19 reflect what we currently believe as a group or even
20 what everybody in the room admits is a current
21 situation, then I'd be for expanding that range.
22 So like you, Ambassador Cobb, but unlike you,
23 I'm for effecting the fixed income range, but I
24 don't want to touch the top end, and I don't think
25 we need to go after the cash. I think that that was

1 done for a reason. I think we've done pretty well
2 with it, as Ash said. I think we have one of the
3 best teams in the country, and I have complete
4 confidence in their ability to operate within those
5 ranges. But I do think that the fixed income range
6 is -- or not the fixed income range, but the top of
7 the equity range in this case is an issue.
8 I think that, you know, Ash makes a good point.
9 Unless you go into global equities, there is no
10 quick and easy fix to the allocation issue. You're
11 not going to put it into private equity right away.
12 You're not going to get it into core. You're not
13 going to get it into maybe some -- not that amount
14 of money in strategics right away. So really global
15 equities is all you have.
16 And to Martin's point, if the risk premium is
17 4.76 today, if we really believe that, then maybe
18 that's not such a bad thing. But I think, for that
19 reason, the only thing that I would really be
20 interested in opening up is increasing the top end
21 of the global equity range, because I just don't see
22 how you're going to effect what I too agree we need
23 to -- and I think that Ash and everybody else is
24 agreeing that we need to focus on. I just don't see
25 how you're going to get there anywhere else. So I'd

1 rather adjust the top end of the range of the
2 equity, then open everything back up.
3 And let me say, the last thing I'd like to do,
4 having worked at the SBA, everybody in here manages
5 money for the beneficiaries of the plan, and that's
6 their job, and they do it well. And I would say
7 that, you know, I don't want to bog down the board
8 with a yearlong or -- you know, these things tend to
9 drag on -- you know, a yearlong asset allocation
10 review. Let's keep it finite. Let's keep it
11 narrow, and let's get something done quickly.
12 MR. HARRELL: I agree.
13 MR. COLLINS: Because if we open this thing up
14 and it's this huge process, I'm telling you,
15 government is -- you know, everything comes to a
16 screeching halt, and you're not going to get
17 anything effected for a year and a half.
18 MR. HARRELL: I agree.
19 MR. COLLINS: So I think the quickest is to be
20 surgical, with a rifle, and say, we're going to up
21 the range of global equities. But at the same time
22 I'm sensitive to Ash. It's his job. If he decides
23 and the team decides that they want to do it, they
24 bring it to us. It is a little different for us to
25 lead that way. I don't think that Ash would turn

1 down a little bit more flexibility on the top end of
2 the global equities, but I could be wrong. So I
3 would be in favor of just that.
4 MR. WENDT: I agree with that only because I
5 think we should be on an intermediate term thought
6 process here, and that's the only thing we need to
7 change, is to have a higher global equity ratio.
8 And that makes it simple. And do it today, not in
9 six months.
10 MR. GARCIA: Chuck.
11 MR. NEWMAN: I think I pretty much agree with
12 the things that Peter has said, and we've all pretty
13 much discussed it. I think we have opened it up. I
14 mean, we're having this discussion, we're meeting
15 again. I don't have a problem with the broader
16 range for the fixed income either. I think it does
17 give you more flexibility. In fact, that's exactly
18 where we are right now because we're up against the
19 top end for the global equity, so we are now saying
20 should we have had a broader range there.
21 I personally would prefer, though, to see us
22 reduce fixed income, and even though it will take a
23 little longer, move more towards the private equity
24 and that area, versus more in the global equity.
25 Anything can happen. There could be a major event,

1 and that then makes the shock a lot more than many
2 other things.
3 So I'm more than willing to go along with what
4 Will is saying, that we can discuss this. If we had
5 more information, then it may help us to look at
6 raising the upper end on global equity. But I also
7 think that all these folks, all the things that we
8 have brought up, I think you did an excellent job in
9 responding to those.
10 I appreciate, Will, what you and Ambassador
11 Cobb put together, because it's caused this
12 discussion. And the way you all have responded, you
13 still come back to the same point. So I have to put
14 a lot of weight on that. But I'm fine if the group
15 wanted to go up a couple of percent on global
16 equity. I'd be fine with it.
17 MR. DANIELS: I would agree with --
18 MR. GARCIA: We've got to go in order.
19 MaryEllen is next.
20 MS. ELIA: I'm the new member here, but I do
21 have -- having sat here, I would tell you I think
22 the process is extremely important, to go through
23 this and to look at how these various ranges could
24 be changed, given shifts that occur all the time.
25 And I think it's prudent upon us to do that and to

be an advisory group to the trustees. I think that's -- I was appointed by a trustee, and I think that's what they would want.

So from my perspective, it would be important, whether it goes into global equities, maybe that's the shift, maybe it's other areas, and I would agree that it's not tying your hands, but it's having other people look at what should be a very open discussion about where we should be. And it could change. I think it's a process that should be kind of an ongoing thing all the time. And we ought to have that information.

And I think that some of the reports that we got are very helpful, but they are specific to fixed income or ex-fixed income, very limited in that. So we need to have more of a discussion on some of the other areas to know what we believe would be the best. And for the purposes of being advisory, I think that's important for us.

MR. GARCIA: Thank you. Les?

MR. DANIELS: I would agree with adding the flexibility to the global equities, but I wouldn't try to tell the team how to run the business and whether or not they should sell that fixed income. I wouldn't own a lot of fixed income right here, but

I don't manage $140 billion either. So it's a different way of doing business.

The other thing is that my experience is that when everybody runs to one side of the boat, I better get to the other side. And the observation here is that everybody is running to one side of the boat.

MR. GARCIA: Ash?

MR. WILLIAMS: I think the idea of increasing the upper bound on global equity is a smart one, and it's the same issue that I used a moment ago, illustrating the problem in 2008 with private equity. We could have a circumstance where because of nothing to do with anything that would change our fundamental views or targets, we could bump up against that target. I mean, we're not that far off that boundary now. And if we had more head room on that boundary, it gives us the flexibility that would be useful.

And the way we treat all of our alternative asset classes is we use them as what are called floating weights, where to the extent there's a variance between their target and where they actually are, it floats against global equity, and global equity becomes the liquidity source if we

1 have an opportunity to progress what's invested in
2 that particular area.
3 So I guess what I would say is that immediate
4 action, if we want to make an IPS change, I would do
5 a couple of things. I would go ahead with this
6 benchmark change we've talked about and revise the
7 IPS to reflect that. We could also increase the
8 upper bound of global equity. I don't think I would
9 necessarily mandate a changing in the target in
10 fixed right now because we've got a decent bound
11 around it, and we've got room to go on the down side
12 if we choose to take money away. So there's no
13 constraint there. And what I would let drive that
14 is what's our ability to increase opportunities in
15 other areas.
16 So I think we've got the tactical tools in
17 fixed income to act, and if we put a little more
18 head room on global equity, we have the tactical
19 tools there not to be forced to act inappropriately
20 and at an inopportune time and buy something we
21 really don't otherwise want.
22 And, MaryEllen, to your point, we have slides,
23 and every SIO came prepared today to go through
24 every single asset class and talk about
25 opportunities and risks. So depending on how well

1 rested you are and how much you want to learn today
2 and how much time you've got, we're here and we're
3 loaded fully. We're ready to go.
4 MS. ELIA: I'm glad everyone else knows
5 everything in their slides.
6 MR. WILLIAMS: Here's what I would suggest as
7 closure, because I think, Will --
8 MR. HARRELL: We do have one more on the phone,
9 don't we?
10 MR. GARCIA: Michael?
11 MR. HARRELL: Or not.
12 MR. WILLIAMS: Good point. I think we opened
13 this discussion up long ago.
14 MR. WENDT: I just have a question. Someplace
15 in all this stuff I remember a rule that said no
16 more than 75 percent in risk assets. That's not the
17 term that was used, but that's the term I'll use.
18 And so we would need to raise that to 80 percent if
19 we wanted to provide the flexibility to go higher in
20 global equity, I think, wouldn't we?
21 MR. WILLIAMS: Suggestion on that. Let us --
22 where I was going is -- I'll just wrap up, and I
23 think I can cover this for you. I think we've put a
24 lot of work and discussion into this and a lot of
25 background. The 243-page background piece you got

1 and all these slides didn't just appear out of
2 nowhere. Mr. Benton and everybody here, including
3 our outside consultant partners, have done a heck of
4 a lot of work over the past month or two on this.
5 So a lot of thought has gone into it. And, believe
6 me, the issue is more than on the table.
7 So I would say why don't we do the following.
8 Let us go to work on a redraft of the IPS that would
9 contemplate a shift in the upward bound of global
10 equities. We will evaluate this question of the
11 risk asset ratio and the way that's referred to in
12 the IPS, make sure we're within bounds on that. And
13 we will continue looking at other opportunities in
14 other areas.
15 And I guess my own sense is, just to be very
16 clear on where I'm coming from, from a risk budget
17 standpoint, to the extent we take money off the
18 table in fixed income, my own preference is to
19 diversify risks in areas other than global equities.
20 We've already got a whopping exposure to global
21 equities compared to our peer group.
22 And if things turn ugly in the global equity
23 marketplace, I don't want to be back here, and when
24 we get to the peer comparison part of this thing,
25 we're all sitting in the corner wearing a dunce hat

1 because we have 5 percent more global equities than
2 all the other big funds in the country. And I don't
3 want the trustees answering that question in public
4 either.
5 MR. GARCIA: Let me make a suggestion, because
6 I have been to the cabinet meeting where you
7 present, and this is a really important subject.
8 And you get -- the chairman gets just a few minutes
9 to present to our trustees. And I think, for this
10 to be done most effectively, I think that we
11 individually need to bring our trustees up to speed
12 on all of the things that we discuss today and that
13 their staffs need to interface with Ash's staff.
14 The one thing that we do have is some very
15 financially astute trustees that understand these
16 issues. And I think it would be beneficial if we
17 individually talked to them about what we're trying
18 to accomplish and then have their staff talk to
19 Ash's staff.
20 MR. HARRELL: And just for the record, because
21 I appreciate Ash's summation, but it definitely came
22 out more circumscribed than the conversation that
23 I'm hoping we have. I think it got limited down to
24 the notion of changing the range for global
25 equities, but even with a different range, we're not

1 changing the target and we don't actually want to
2 implement it.
3 I'm definitely hoping that we have, perhaps at
4 the next meeting, that we have a more free-ranging
5 option set that we're looking at and discussing. So
6 I don't want to close the meeting on a necessarily
7 narrower subset. And I don't want to get a debate
8 going on it, but that's my feeling, and I hope we're
9 talking about more than just that.
10 MR. GARCIA: Any other comments or questions on
11 the subject?
12 MR. WENDT: Well, we also haven't discussed
13 about one of Will's other ideas, which was a letter
14 of credit or some type of a credit facility, I
15 guess. We haven't heard that at all today. Do you
16 have any thoughts on that, Ash?
17 MR. WILLIAMS: Mr. Chairman, may I? Yeah, I
18 actually did talk about that a moment ago when I
19 talked about liquidity. And I think the answer is
20 we have more than enough now. And what we're
21 talking about doing is creating an internal
22 synthetic liquidity facility, which would give us
23 even more flexibility. So the idea of, A, trying to
24 find an outside credit provider, which for a fund
25 this size would be extremely difficult, given what

1 banks want to do in the post-Dodd-Frank era and what
2 they want to pay for it. That would be very tough
3 and we don't need it. It would be tough, expensive,
4 and most importantly we don't need it. So I think
5 we're in good shape there.
6 MR. WENDT: Thank you.
7 MR. WILLIAMS: So to sum up, Mr. Chairman, if I
8 may, what I would see our assignments as coming out
9 of this would be a couple of things. First of all,
10 we will go ahead and do some work on revising the
11 investment policy statement to adjust this global
12 equity boundary to the up side, making sure it's
13 appropriate within the risk asset ratio, make sure
14 that's appropriate.
15 I would like to go ahead and make this
16 adjustment in the benchmark for fixed. And we can
17 discuss that further if you'd like, because we've
18 done the work on it and we're ready to go on it.
19 And we will continue looking for opportunities in
20 other areas and put money to work there as we see
21 fit, keep you posted and keep you informed in real
22 time ongoing.
23 MR. GARCIA: The only suggestion I would have,
24 anticipating that IAC members will talk to the
25 trustees about this issue, I think you should

interface with the staff of the trustees.

MR. WILLIAMS: I interface with the staff of the trustees, if not daily, weekly, on everything. That's a given, no question. And what we'll do, just so you understand this, procedurally, on an IPS change, we can take that up to the trustees anytime. That doesn't have to wait for a quarterly meeting.

So what we can do is go ahead and do those revisions. You want us to circulate them around, great, we'll do that, and we can take them up at any time. And we would obviously -- I do one-on-one briefings for each of the trustee's offices on everything, this meeting, every meeting we have, every item. Every item on that agenda I've already briefed with all three offices separately, I mean tomorrow's agenda. And we do that on everything.

And anything that's of any moment, there's an iterative process of shuttle diplomacy, where I talk to each of them individually and we keep going around and around until we get consensus. That's how it works.

MR. COLLINS: Mr. Chairman.

MR. GARCIA: Sure.

MR. COLLINS: To Will's point and to yours on the work that staff did for us on each asset class,

maybe at the next meeting -- I'm assuming between now and the next meeting, we will execute on -- you will execute on what we've talked about here today, such that at the next meeting, if we wanted to, which I'd like to, to get into the different asset classes and talk about that and hear from your staff relative to Will's point on being a little bit more tactical. If we could do that, that would be great. I don't want all this work to go to waste.

MR. COBB: Why aren't we going to do some of that today? Because of time?

MR. COLLINS: Because it's 4:00.

MR. GARCIA: What's the pleasure of the IAC? Do you want to continue to move forward on the agenda?

MR. NEWMAN: I'd rather come back and do it. I've got to leave anyway, so --

MR. HARRELL: On what I promise is a completely unrelated topic, I had a conversation with Rowland earlier, and something I wanted to put in front of the IAC as a potential idea. You all know I wrote that memo about the particular model that Rowland runs for us. Before the meeting started, Rowland and I were talking about not replacing it but an additional complementary tool. And that is, I think

1 it would be helpful perhaps for all of us to examine
2 not the aggregated results of a thousand different
3 scenarios, but a single scenario and the outcome
4 from that.
5 So, for instance, assume a Great Depression
6 kind of scenario and appropriate responses by the
7 different asset classes over, say, ten years or
8 something and what does that look like. And then
9 there was -- I think Rowland prepared an alternative
10 high inflation scenario, but that was a 10 percent
11 chance in any year of an inflationary spike. But
12 what if instead you had a scenario that was five or
13 ten years of, say, 5 percent inflation or whatever
14 seemed appropriate.
15 And there's a variety of different -- and in a
16 lot of ways I think that might be a more useful
17 tool, to look at the different scenarios
18 subjectively and say, I'm not very worried about
19 this one, I'm really scared of this one, and think
20 through that. That's in addition to what we're
21 already doing. Do you have anything you want to --
22 am I fairly stating that?
23 MR. DAVIS: Yeah, absolutely. And it's
24 something that I think can perhaps even be done -- I
25 mean, defining the scenarios and then having the

1 ability interactively during the meeting to play
2 with them a little bit, too. Those are things that
3 I think can be done, and I think they can add value
4 to getting the intuitive understanding of how things
5 react to different kinds of situations, and
6 hopefully also build comfort that the model has a
7 lot of that in it already, but you don't always see
8 all that. So it's a way to kind of get it at a more
9 understandable level. So I think it's a good idea.
10 MR. NEWMAN: The only other thing I'd say is,
11 if you put together another 250-page book, could you
12 put it on tape so I can just listen to it?
13 MR. WILLIAMS: We will, but it will be in
14 Sanskrit.
15 MR. GARCIA: Well, I get the feeling that y'all
16 want to defer the tactical allocation discussion to
17 the next meeting. Is that what I'm hearing?
18 MR. COLLINS: I would.
19 MR. NEWMAN: And with some other models maybe,
20 so it will be even more helpful to discuss.
21 MR. COBB: The only thing I would say, Martin,
22 is my sense is there is a consensus on some of the
23 tactical recommendations. And the discussion here
24 is more about allocation, which is -- now, it's
25 difficult to differentiate the two, and the

1 strategic allocation issues affect some of the
2 tactical.
3 But on the one issue of going shorter on the
4 bonds, I didn't hear anybody that's against that
5 tactical recommendation. So I would move, if there
6 is a consensus, move that we accept management -- we
7 support management on that point.
8 MR. GARCIA: I don't think that you need to
9 do -- I mean, you can do tactical asset allocation,
10 that's within your purview.
11 MR. WILLIAMS: I think the point the ambassador
12 is making is on the IPS changes. And let's be very
13 clear, because we're talking about making changes in
14 a document here and then taking them up to the
15 trustees. So there are at least two things I would
16 like to go ahead and do. One is making the
17 benchmark change to the Barclay's Intermediate from
18 the Barclay's ag for fixed income. Two is -- and,
19 again, this was in part of Katy's presentation that
20 we didn't do, but we would like to alter the mix of
21 active/passive in favor of more active and
22 potentially do a little more internal as well.
23 MR. COLLINS: Is all of that IPS?
24 MR. WILLIAMS: Yes. And all of that has
25 bearing on, if what you're trying to do is

1 differentiate yourself from a broad market that's
2 moving adversely, then the more latitude you have to
3 make active bets versus be handcuffed to something
4 that's going a direction you don't want to go
5 passively, that's better. So we've contemplated all
6 of that. We have very specific recommendations in
7 all of those areas. And we had envisioned walking
8 through those today to help address the issue of we
9 hate fixed income, so how do we help live with
10 something we don't like. Sorry, Katy.
11 MR. COLLINS: We like Katy.
12 MR. WILLIAMS: Yeah, we do, we like Katy, but
13 not what she carries. So anyway --
14 MR. GARCIA: I don't think it would be prudent
15 for us to do that without receiving a presentation,
16 I mean change something in the investment policy
17 statement without having a presentation.
18 MR. WILLIAMS: Then let's do it.
19 MR. GARCIA: Are you all okay with staying for
20 that?
21 MR. COBB: Yeah.
22 MR. GARCIA: Okay. Katy, you're up.
23 MS. WOJCIECHOWSKI: Wow, there is nothing that
24 I can say that won't be anticlimactic at this point.
25 Okay, let's go.

MR. WENDT: Give us a page.

MS. WOJCIECHOWSKI: If you just page forward from Kristen's pages just a little. I can probably name it in 15 notes or less. We all know the issue. You guys don't like fixed income. I love working in fixed income. I don't even like fixed income. My slides, I need to preface this. When I put these slides together about ten days ago, we were about 50 basis points lower in yield than we are currently. So at that point, if we had a 20 basis point rise in rates, we would have negative total returns on the year. Well, guess what. We've had a 60 basis point rise in rates. So we have negative returns on the year, and we're digging out of that hole.

If you page forward to the next page -- if you think of duration as one measure of risk, right now you don't get paid to take risk. And I would encourage you all to reread, if you haven't read already, to read it, Kristen's paper on the intermediate ag, because we did a lot of work on looking at opportunities. And you have to remember, in the fixed income group, we look in the shorter term. They look in the longer term. And they did do some work in the longer term. And it in general shows that you don't get paid for taking risk out in

the long-term, so 20 years and out, for example, that the risk that you took you were not paid for over time, over a long-term. Is that fair, Kristen? To sum up your paper in ten words.

MS. DOYLE: When you say long-term, meaning the long end of the yield curve.

MS. WOJCIECHOWSKI: Yes.

MS. DOYLE: Yes.

MS. WOJCIECHOWSKI: So we've done a lot of work at looking at opportunities in the intermediate ag for how we'd like to invest. But what this page shows is you don't get paid right now for taking risk in the Barclay's ag. So we try to look at, is that a short-term thing, an intermediate-term thing or a long-term thing. I say it definitely is true in the short term and the intermediate term, and Kristen's paper would say it's true in the long term as well.

On the next page I just want to point out, one reason that you don't get paid right now is the benchmark has become much more government or government related oriented. So it's gone from 20 percent to 35 percent in Treasuries. It's 70 to 80 percent right now government or government related.

1 So if you're pushed into investing, if you
2 invest passively, you're pushed into investing where
3 you don't want to invest, where you're not paid to
4 invest, where the Fed is telling you not to invest,
5 because they're pushing you into the risk aisle of
6 investing. So we're looking at different
7 opportunities that maintain liquidity without giving
8 up -- without giving up returns hopefully or
9 improving returns.
10 So our group put together a lot of work on
11 scenario analysis. This one is rates increase, and
12 we've done hundreds of scenarios, frankly. But what
13 it showed was, looking at a different risk
14 measurement of volatility, that if we want to reduce
15 risk, volatility being that measure of risk, we can
16 actually probably increase returns in certain asset
17 classes.
18 Now, you have to remember that 2 percent of our
19 asset class is 600 million. So it's pretty tough to
20 invest completely in these asset classes. But we
21 can, by shortening the ag, the aggregate benchmark
22 to the intermediate aggregate benchmark, we can
23 reduce some of that volatility and improve returns
24 over that time. And then we probably can improve
25 over that as well, in some opportunistic asset

1 classes.
2 And we try to remember in our group that our
3 number one goal is preservation of principal,
4 because we are investment grade, we are the source
5 of -- a source of liquidity for the fund. So we
6 want to remember that. And we also are a hedge
7 against equity downside risk.
8 So a lot of things that we've looked at, bank
9 loans, high yield, emerging markets, some of those
10 act more or less like equities. So the more we move
11 into those areas, I might improve my returns, but I
12 might not act like a hedge against global equities.
13 So we try to balance that.
14 However, there are opportunities. Kristen put
15 some of them in her paper. We've looked at them.
16 If you look at bank loans, for example, floating
17 rate, so it would improve in a rising interest rate
18 environment. High yield unfortunately also acts
19 very much like global equity at the time. Pure
20 Alpha strategies. And what we found to be one of
21 our best opportunities in short CMBS was short
22 asset-backs, also a good opportunity.
23 One of the points that we looked at is, I don't
24 care necessarily if it's expressed in our group, but
25 as the fund, we should care -- Trent walked out.

1 But if it's expressed -- it could be expressed in
2 his group as well, in the strategic investments.
3 You know, I don't really care which area. The fund
4 should look at all these opportunities.
5 So what we'd like to do is shorten our
6 benchmark, because we believe at least in the
7 intermediate term, it makes sense and probably in
8 the long-term it makes sense to shorten the
9 benchmark to an intermediate ag, which reduces
10 really the long corporates and long Treasuries. It
11 eliminates them from the index. So it shortens the
12 duration of the portfolio by about a year and a
13 quarter. It does increase your allocation to
14 mortgages, which can be problematic, but we can work
15 around that. And it reduces the volatility of
16 returns and expected returns over time.
17 I think I did that in about ten minutes.
18 MR. HARRELL: Can I ask you a quick question?
19 MS. WOJCIECHOWSKI: Sure.
20 MR. HARRELL: In your world -- because I'm not
21 familiar with the subtle distinctions between the
22 fixed income benchmarks. In your world are we going
23 from the benchmark most people use to a more obscure
24 one, or are we going from one normal to a normal one
25 or --

1 MS. WOJCIECHOWSKI: It's normal to normal. It
2 is about 80 percent of the same assets. It cuts out
3 long Treasuries and the long corporates. So it
4 would eliminate that, and that's how it shortens its
5 duration. So it is a less used -- has been a less
6 used benchmark, because the aggregate is supposed to
7 represent the investable universe in fixed income.
8 There are people who have looked at the global ag
9 versus U.S. ag. Working with these guys, there are
10 people that are moving into an intermediate ag
11 benchmark as well. Fair?
12 MS. DOYLE: Yeah.
13 MS. WOJCIECHOWSKI: One of things -- I've been
14 reaching out to other people who do what we do and
15 just talking about what they're thinking. And I
16 wish there was a magic bullet, believe me, but what
17 we found is that does make a lot of sense. One
18 thing that we had to check was are the managers that
19 we use -- because we use external and internal
20 management -- are they good at intermediate ag
21 management. And pretty much the answer is yes. But
22 that is a consideration.
23 MR. HARRELL: Just one of the things I wonder,
24 I have this general sense that the whole world wants
25 to be short-term. I mean, is that a fair --

MS. WOJCIECHOWSKI: I think that's --

MR. HARRELL: Like in general, most people are scared of being long term.

MS. WOJCIECHOWSKI: Being long-term investors or long --

MR. HARRELL: Being long-term fixed income owners. Sorry. I should say owning long bonds.

MS. WOJCIECHOWSKI: Right.

MR. HARRELL: And so no question whatsoever I favor getting out of long bonds. I just wonder, do you feel like you are crowding into something where it's hard to -- when you say there are good opportunities, for instance, in asset backs, what does that mean? Like quantify that.

MS. WOJCIECHOWSKI: Well, and asset backs could be a crowded area, you're right. Short CMBS, commercial mortgage-backed securities, short CMBS less so. We would like to be opportunistic. We have some managers who are very good at those asset classes. That's my background, by the way, so I'm most familiar with that. Short corporates, you can get to a place where you can roll down the curve very quickly. So that's a good place to be.

MR. HARRELL: And then a structural question. I'm not sure who it would be for. Since you guys

are asking for a change to the benchmark, and I'm always for anything that improves flexibility, so I'll definitely be for that. If you didn't have this, how constrained are you? Do you feel like you can't do that anyway? Apparently you do feel like you can't.

MS. WOJCIECHOWSKI: That we couldn't move to change our benchmark?

MR. HARRELL: No, no, no. That you can't change your portfolio to deviate from the benchmark.

MS. WOJCIECHOWSKI: No. We can. One of the requests that we had in this book is to also increase our active management versus passive, because if you don't like something, why are you forced to invest in it, which you are when you invest passively, and to expand our opportunity set slightly.

MR. HARRELL: I'll be all for that, too.

MR. WILLIAMS: Let me add another dimension to that that I think is useful to how you think about this. If you had the existing benchmark, we could still make the changes we're talking about making in the actual portfolio. But remember what I said earlier about how we take risk in a very disciplined way and we have a very specific risk budget that's

1 asset class by asset class? Your use of risk budget
2 is driven in large measure by where you are relative
3 to your benchmark.
4 So if you keep a benchmark that structurally is
5 undesirable -- if you flip back to that slide, Katy,
6 that shows how the Barclay's ag has shifted between
7 2007 and 2012. That's a materially different
8 benchmark from what it was originally. So to the
9 extent we keep that benchmark and Katy does the
10 things she thinks are the right things to do in the
11 portfolio, guess what. You've burned up your entire
12 risk budget, and then some, just differentiating
13 yourself from what you don't like, never mind
14 getting what you do like.
15 So if you shift to the Barclay's intermediate
16 benchmark, you sort of reset the risk meter, if you
17 will, because now the benchmark you've got is more
18 similar to things that you like and are neutral on.
19 So then you make your active bets, your security
20 selection, your credit bets, your duration bets, to
21 the extent you want to make any, et cetera, from a
22 base that's a more friendly base.
23 So you're taking up less risk budget, and it's
24 a more prudent institutional way to do it. So
25 that's why we want to make the change, because it

1 keeps the alignment right on the amount of risk we
2 want to take.
3 MR. COLLINS: Mr. Chairman, I have a question
4 for Katy. So as I mentioned before, after Will's
5 memo, I put my own little book together, and it's
6 been my nightly put-me-to-bed reading. And I came
7 across this one piece, and I'm interested to hear
8 your comment on this, because I'm wondering what --
9 I'd like to get your opinion on is this much ado
10 about nothing.
11 So since 1994 there have been three distinct
12 time periods of increasing Fed funds rates. Each
13 period of rising Fed funds rates was different in
14 magnitude and the duration of the rate increase.
15 Despite increased price volatility, the cumulative
16 total return of the Barclay aggregate remained
17 positive during each period and for the following
18 year.
19 MS. WOJCIECHOWSKI: Not including 1994, right?
20 MR. COLLINS: Not including 1994. Since 1994
21 there's been three.
22 MS. WOJCIECHOWSKI: Right.
23 MR. COLLINS: And so you read that and you go,
24 well, is this much ado about nothing, right? And so
25 I'd be interested in your comment, despite this and

1 despite the benchmark switch, which great. If
2 that's what the professionals have deemed to do,
3 then great. I'd be interested in what your thoughts
4 are on the whole fixed income conundrum.
5 MS. WOJCIECHOWSKI: Well, if you look at this
6 slide, and since -- I don't have a little laser, but
7 since 1994, look at how your yield per unit of
8 duration have gone down. Actually, the last 30
9 years, have pretty much gone down. So now your
10 chances of having a positive return are much lower
11 than they were, say, in 1994.
12 MR. COLLINS: And you think that's totally
13 reflective of just the long side of it.
14 MS. WOJCIECHOWSKI: Just because rates in
15 general have dropped.
16 MR. COLLINS: Yeah, right.
17 MS. WOJCIECHOWSKI: I mean, the entire yield
18 curve has shifted down, but yeah. So this is on the
19 Barclay's ag, which by the way, the yield, as I
20 pointed out --
21 MR. COLLINS: So what would that graph look
22 like on the Barclay's intermediate?
23 MS. WOJCIECHOWSKI: On the Barclay's
24 intermediate? That's a good question. I'll get
25 back to you on that. It would be probably lower as

1 well.
2 MR. COLLINS: It would be a little bit lower,
3 but it would be higher overall probably, right?
4 MS. WOJCIECHOWSKI: It would probably be
5 higher, if I'm doing the math right.
6 MR. HARRELL: Katy, do you do anything on the
7 short side?
8 MS. WOJCIECHOWSKI: Do we do anything on the
9 short side?
10 MR. HARRELL: Yeah.
11 MS. WOJCIECHOWSKI: We manage about 20 billion
12 of short-term funds.
13 MR. HARRELL: No, sorry. Short selling. Like
14 managing -- you can still end up with the same net
15 exposure, but shift --
16 MS. WOJCIECHOWSKI: We are not allowed to lever
17 in our group. So the short answer is no.
18 MR. COLLINS: That's a whole nother other
19 discussion.
20 MR. HARRELL: I know. I was just curious if it
21 was already there. I'm not trying to open up a can
22 of worms.
23 MR. GARCIA: Does that conclude your report?
24 MS. WOJCIECHOWSKI: I think that does.
25 MR. GARCIA: I think we need a motion on this,

to change the benchmark.

MR. NEWMAN: I'd move that.

MR. GARCIA: Is there a second?

MR. COLLINS: Can I ask a question before we finish the motion?

MR. GARCIA: Sure.

MR. COLLINS: Is that all we need, Ash?

MR. WILLIAMS: If I may, Mr. Chairman, I would recommend a motion that includes two things that would both be changes to the investment policy statement. One would be the change in the fixed income benchmark. The second would be an increase in the upper bound of the global equity range.

MR. NEWMAN: How much?

MR. WENDT: I recommend 65. It doesn't hurt to be higher.

MR. WILLIAMS: It's a range.

MR. NEWMAN: As long as it's within the other --

MR. WENDT: Yeah, then we've got to get within the other ratio.

MR. HARRELL: Without prejudice to us having some more conversations in September.

MR. NEWMAN: On the same subject.

MR. COLLINS: About tactical.

MR. COBB: As I understand Will's request to the committee is that we were going to not complete the allocation discussion until the next meeting.

MR. NEWMAN: We were just making these changes now.

MR. COBB: We're making these changes now to help with the process, but that we still have not yet reached consensus on allocation.

MR. WILLIAMS: As a practical matter, we never finish this discussion. This is what we do all the time. This is our job, all of us.

MR. COBB: Except for the 2013 review hasn't been completed yet.

MR. GARCIA: Correct. So I think it would be prudent, can someone make a specific motion on the subject?

MR. WENDT: We're all afraid to at this point. I thought Ash got it.

MR. NEWMAN: I move that we would change the benchmark.

MR. WILLIAMS: We're going to do two things, change the fixed income benchmark to the Barclay's intermediate from the Barclay's ag, number one. Number two, change the upper bound of the range for global equities. And the fill-in-the-blank number

that Mr. Wendt so graciously provided was a five, 65 percent. And the only caveat to that would be that I will double-check and make sure we're okay on the -- any other risk constraint.

MR. NEWMAN: So moved.

MR. WENDT: And that we will continue the discussion next meeting.

MR. COLLINS: Well, that's not part of the same motion.

MR. COBB: It should be.

MR. COLLINS: Oh, okay, sure.

MR. GARCIA: And maybe this is the lawyer in me, but making changes to the investment policy statement without having a formal presentation, it just doesn't feel right to me.

MR. WENDT: Time is moving on. I don't mean today. I mean the markets are moving dramatically.

MR. NEWMAN: But we've had a lot of discussion on this today, in this presentation. We just didn't do that little wrap-up piece.

MR. COLLINS: I certainly feel totally informed.

MR. GARCIA: Okay.

MR. COBB: Martin, to give you my view on this, that we did discuss at length risk on long-term

fixed income securities, and management has recommended a series of tactical movements that we as a committee endorse and that -- and since we have reached that consensus, we should have a motion to approve that.

But I think that we do not have a consensus on management's recommendation on allocation, which is a more macro issue, and that we would like to discuss that at the next meeting. That's the consensus I sense.

MR. HARRELL: I agree. I think the motion on those two points is fine.

MR. COBB: And furthermore, Ash makes a very persuasive argument that since we are going to be focusing more on intermediate and short-term fixed income securities, we should change our benchmark to reflect that. So I think we have discussed that thoroughly and that there's a consensus for that.

MR. WENDT: Do you agree that we should change the upper limit of the global equity?

MR. COBB: Yes.

MR. WENDT: Not as a final thing.

MR. COBB: Except my only concern with that is that that not be considered a final discussion on allocation.

MR. WENDT: We agree, we agree. We're going to get right back into this puppy next time.

MR. GARCIA: Any further discussion?

MR. NEWMAN: Not on that --

MR. GARCIA: On the motion?

MR. NEWMAN: -- motion.

MR. WILLIAMS: Katy, do we need any detail on the active/passive piece for IPS? Can we just make the motion that we will increase the global equity upper bound to 65, number one? Number two, we will make the appropriate adjustments to fixed income to change to the statement -- the aspects of the IPS relating to fixed income, to change the benchmark and to enable opportunistic strategies to increase, which will mean more active management.

MR. NEWMAN: So moved.

MR. COLLINS: Second.

MR. GARCIA: Any further discussion?

MR. WILLIAMS: Perhaps someone else should make that motion, since I'm not a member of the IAC.

MR. NEWMAN: I made it.

MR. PRICE: I'll move it.

MR. GARCIA: Any further discussion? Any objection? Passes unanimously.

MR. NEWMAN: Can I mention one other thing?

Maybe it would be helpful for us either to plan that we're going to be here later next time or start a little earlier and go through, and I think you may have said it, Martin, or several people have said it, some models like Will talked about that say, okay, if we move 2 percent, put it into private, here's how long it takes, here's what it would do, if we put it in global, here's what it does, so that we can look at some real numbers when we're sitting here. It just makes it a lot easier.

MR. COBB: And particularly Will has convinced me that we haven't yet looked at inflation like we had during President Carter's administration. I know, in this most recent report, you had 10 percent over three or four years, which would be low compared to -- you have convinced me that the standard deviation, you can double it and still it doesn't make a dramatic difference. But I think on inflation, we still haven't -- Ash made an argument to me in our phone conversation that inflation like that will maybe hurt stocks as much as it hurts fixed income securities. That maybe is correct, Ash, but I'd like to see evidence of that in the model.

MR. DAVIS: We can certainly do it with these

specified scenarios. But I would say that in the model right now, if you look at maximum inflation rates that are produced, under the regular model, it's in excess of 12 percent on an annual basis. But it just doesn't persist because the model basically assumes that there can be a spike up to, say, 12 percent, but then the Fed will work to bring it back down.

With the high inflation model, the maximum is 20 percent, so we actually experience rates of 20 percent inflation on a single year. So the model does have those spikes. But maybe what you're saying is they may be a longer duration for some of those spikes. We can also explore that with the -- sort of the "what if" type scenarios.

MR. GARCIA: Any further discussion on this subject? A follow-up to Chuck's recommendation, which I think is an excellent one, would you all be willing to start earlier at the next -- this is the single most important thing that we do. What times work for y'all? What's the earliest y'all would be willing to meet?

MR. WENDT: The next time we don't have that morning meeting, do we, the 10:00? All of us got here by 10:00.

MR. GARCIA: Does 10:00 work for everybody?

MR. WENDT: Yeah.

MR. GARCIA: Is 10:00 a problem? Okay. Well, let's do that. Okay. Is there any other presentation that we should receive for which there needs to be action today, Ash?

MR. WILLIAMS: I don't think there's any that needs action today.

MR. GARCIA: Then let's quickly go to the major mandate.

MS. DOYLE: I'll set a record for how quickly I can get through performance.

MR. GARCIA: Pardon me?

MS. DOYLE: I said I'll set a record in how quickly I can get through performance. So I'm just going to cover performance briefly for the major mandates. I'm going to flip through some slides here quickly.

MR. WENDT: Kristen, I might suggest, just wait one minute. Everybody seems to be involved in other conversations. Just give us one or two minutes while they straighten that out, and then we'll get back to work. That's a suggestion.

MR. WILLIAMS: The chairman got up and asked me to keep moving.

MR. WENDT: Oh, did he? I'm sorry. I didn't hear him say that.

MR. WILLIAMS: Proceed.

MS. DOYLE: So, again, I'm going to spend a few minutes on performance. This is through March 31st, 2013, for a couple of the major mandates. This is the performance of the FRS pension plan. The short story here is that over all long periods of time, the FRS has outperformed its performance benchmark, which is a representation of the policy allocation. And we talked about the relative performance already today, relative to the green bar, which is the absolute nominal target rate of return, and over most long periods of time, it has outperformed that benchmark as well.

This is peer data we already looked at. So I'm going to skip forward to the investment plan. This is the defined contribution plan. We look at performance relative to the aggregate benchmark, which is the passive -- the underlying passive benchmarks for each of the fund options. You can see that over all trailing periods, the investment plan has outperformed its aggregate benchmark, meaning that on average, collectively, all the fund options are outperforming their benchmarks over all

trailing periods.

And then we have some dated CEM information, universe information at the bottom, where we show that the five-year net value added for the FRS investment plan is almost 70 basis points. For peers it's around 10 basis points. So on average the fund options are actually outperforming on a higher level than peers.

The CAT Fund is the Hurricane Catastrophe Fund, so this is a fund that's invested in very short-term bonds. So you can see that similar to what we looked at with the Florida PRIME, the absolute returns are very low over the more recent trailing periods but outperformance relative to the performance benchmark, which is a blend of T bills, short-term T bills and money market fund -- money market fund universe represented by iMoneyNet, and has outperformed both the operating fund as well as the 2007A note.

And then lastly, the Lawton Chiles Endowment Fund, I will just point out something quickly here. This is the asset allocation relative to policy. And you can see that the blue dots are the actual allocations. So this fund is currently significantly underweight global equity and

overweight cash. That's due to the special appropriations out of the Lawton Chiles Endowment Fund. So the staff at SBA chose to move that money into cash. But regardless, the performance has been strong. The total endowment fund has outperformed its performance benchmark, which again is the passive representation of the policy over all trailing periods.

And we already talked about the Florida PRIME fund. So I will conclude my performance comments.

MR. GARCIA: Does that conclude your report?

MS. DOYLE: Yes.

MR. GARCIA: Thank you very much.

MR. COBB: I have a question on security lending and how security lending is reflected in our performance reviews.

MS. DOYLE: Sure. That's rolled up -- and correct me if I'm wrong, anybody. But that return is rolled up at the total fund level. That's reflected in the total FRS returns.

MR. COBB: But not in each segment.

MS. DOYLE: No. It's separate. It's accounted for separately.

MR. COBB: Thank you.

MR. GARCIA: Any other questions? Thank you

for your report. And now are there any comments from anyone in the audience? Anybody want to be heard? Is there any new business or old business, anything further to discuss? If not, I'll take a motion to adjourn.

MS. ELIA: Move to adjourn.

MR. GARCIA: Is there a second?

MR. COLLINS: Second.

MR. GARCIA: Any objection? Passes unanimously. Thank you all very much.

(Whereupon, the meeting was concluded at 4:30 p.m.)

1
2 CERTIFICATE OF REPORTER
3
4 STATE OF FLORIDA)
5 COUNTY OF LEON)
6
7 I, Jo Langston, Registered Professional Reporter,
8 do hereby certify that the foregoing pages 3 through 166,
9 both inclusive, comprise a true and correct transcript of
10 the proceeding; that said proceeding was taken by me
11 stenographically and transcribed by me as it now appears;
12 that I am not a relative or employee or attorney or counsel
13 of the parties, or a relative or employee of such attorney
14 or counsel, nor am I interested in this proceeding or its
15 outcome.
16 IN WITNESS WHEREOF, I have hereunto set my hand
17 this 14th day of July 2013.
18
19
20
21 _____
22 JO LANGSTON
Registered Professional Reporter
23
24
25

TRANSCRIPT
MEETING OF THE INVESTMENT ADVISORY COUNCIL (IAC)
AUGUST 6, 2013

A telephonic meeting of the Investment Advisory Council (IAC) was held on Tuesday, August 6, 2013, in the Hermitage Room of the State Board of Administration of Florida (SBA), Tallahassee, Florida. The attached transcript of the August 6, 2013 meeting is hereby incorporated into these minutes by this reference.

IAC Members Present:	**Martin Garcia (Chair)**
(Telephonically)	**Les Daniels (Vice Chair)**
	Will Harrell
	Chuck Newman
	Peter Collins
	Gary Wendt
	Michael Price
	Chuck Cobb
IAC Members Absent:	**MaryEllen Elia (Absent due to Hillsborough School Board conflict)**

---

1. Welcome/Call to Order	*Martin Garcia, Chair*	**2:05 P.M.**
2. Opening Remarks	*Ash Williams* *Executive Director & CIO*	
3. Proposed Revisions to FRS Pension Plan Investment Policy Statement *(See Attachments 3A and 3B)*	*Ash Williams* *Executive Director & CIO*	

Action – ***Passed unanimously without prejudice to further discussion of asset allocation at the September meeting.***

4. Audience Comments/Closing Remarks/Adjourn	*Martin Garcia, Chair*	**2:25 P.M.**

STATE BOARD OF ADMINISTRATION OF FLORIDA

INVESTMENT ADVISORY COUNCIL MEETING

TUESDAY, AUGUST 6, 2013
2:05 P.M. - 2:25 P.M.

1801 HERMITAGE BOULEVARD
HERMITAGE ROOM, FIRST FLOOR
TALLAHASSEE, FLORIDA

REPORTED BY: JO LANGSTON
Registered Professional Reporter

ACCURATE STENOTYPE REPORTERS, INC.
2894-A REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA 32308
(850)878-2221

APPEARANCES

IAC MEMBERS: (Appearing via telephone)

MARTIN GARCIA
CHUCK NEWMAN
GARY WENDT
CHUCK COBB
WILL HARRELL
LES DANIELS
PETER COLLINS
MICHAEL PRICE
MARYELLEN ELIA (Absent due to Hillsborough School Board Conflict)

SBA EMPLOYEES:

ASH WILLIAMS, EXECUTIVE DIRECTOR
KATHY WHITEHEAD
LAMAR TAYLOR
TRENT WEBSTER
JOHN BRADLEY
KATY WOJCIECHOWSKI
STEVE SPOOK
JANICE YECCO
SCOTT SEERY

CONSULTANTS: (Appearing via telephone)

ROWLAND DAVIS - (Hewitt EnnisKnupp)
MIKE SEBASTIAN - (Hewitt EnnisKnupp)
KRISTEN DOYLE - (Hewitt EnnisKnupp)

INVESTMENT ADVISORY COUNCIL MEETING

* * *

MR. GARCIA: At the conclusion of our last IAC meeting, we afforded Ash the authority to go up to 65 percent in global equities. And he felt that in order to do that, he needed to amend our investment policy statement, and that's the purpose of this meeting. So with that, I'll turn it over to Ash.

MR. WILLIAMS: Thank you, Martin. And as you said, that's exactly what the focus of our meeting is today. So I'd like to do two things, if we could. We shared a document with everyone Friday that basically contains a couple of changes. There are two substantive changes to the investment policy statement. These can be seen on page five, where we changed the high range for the global equity policy exposure from 60 percent to 65 percent, and then on page seven, where in the table authorizing target indices we changed the Barclays Aggregate Index to the Barclays Capital Intermediate Index.

The other changes that you see made essentially fall into one of two categories. First we struck several tables that are no longer relevant because they were transitional tables that contemplated the evolution of our exposures from where they were pre

the June 2010 adoption of our current targets to when we actually reach those targets. We've been through the rebalancing exercise subsequently, so no longer need those old tables with the transitional target ranges. The other thing we did was update the contents of other tables that show estimated cash flows, expected risk in the target portfolio's real return, et cetera.

So that really is the thrust of what we have. It's extremely straightforward and is completely consistent, in the two substantive changes, with what the IAC unanimously adopted in your 24 June 2013 meeting.

So, happy to answer any questions you may have and would request your approval otherwise.

MR. GARCIA: Are there any questions?

MR. COBB: Yes. I have a question. This is Chuck Cobb. I think I was the one who suggested at the meeting that since we had agreed to a higher range of equities, since we all agreed to change the benchmark Barclays, that I felt that we didn't need to carry them over to another meeting, that we should approve them at the last meeting, as we discussed it so extensively, that even though we still had -- we had not discussed or had reached

consensus on some of the other asset allocation issues, that we should at least vote on these two issues, which we're now suggesting that we put into a formal motion.

And I'm comfortable with that. My only concern is that we are implying by this -- I'm afraid we might be implying by this vote that we all agree with Table 2, on page five, as it's now put together, and I hope we're not agreeing that we like Table 2, because I think we still have to finish the discussion. That would be my concern with the vote. Ash, do you want to respond to that, or Martin? Tell me where we are.

MR. WILLIAMS: Well, I think where we left it at our last meeting was there was consensus in going ahead and making these two changes sooner rather than later, because that would afford us flexibility not to become forced sellers of equities if we did not choose to be, and that the IAC would in a subsequent meeting or meetings rejoin the subject. And taking these actions today on an interim basis would in no way preclude any further consideration of target allocations by the IAC or recommendations for their evolution from the SBA staff.

MR. COBB: So the answer to my question, you

don't think, by silence, we are approving Table 2. We still have -- we're still in the process of analyzing Table 2 and continuing discussion.

MR. WILLIAMS: Correct. I mean, I think, again, coming back to the discussion we had in the last meeting, rather than make no change at all between now and the September meeting and at such time as the IAC makes a policy change, we still then have to go and do the redraft on the investment policy statement, bring that redraft back before you, and then it goes to the trustees. So there is an inherent lag.

So rather than effectively push out taking any action until October or November, based on the September meeting, I think the conclusion at the last meeting was let's take this interim step now, keep working on it. The chairman was clear that he wanted to come back to the subject in September. We've certainly been working on that on our end and looking at some specific alternatives for deployment of capital. And that's where I think we are.

So I don't think the council would be constraining itself at all to go ahead and approve these changes today. And the alternative is, we would just remain under our existing guidelines, in

which case, if the equity markets continue with their happy shoes on going upwards, we're going to become forced sellers pretty darn soon here.

MR. NEWMAN: It's Chuck. I wonder, could we just not make the motion, to address the ambassador's concerns, by just saying we move to pass these two, knowing that we will continue to review allocation at future meetings?

MR. WILLIAMS: Sure.

MR. COBB: Good, perfect.

MR. WILLIAMS: That's fine.

MR. GARCIA: Ambassador Cobb, are you --

MR. COBB: Yeah. So I second Chuck Newman's motion.

MR. WENDT: Gary Wendt has a question. From what you just said, Ash, does it mean that you are bumping up against the new 65 percent or --

MR. WILLIAMS: No. But we are bumping up against the 60 percent.

MR. WENDT: Okay. All right. As long as I have the floor, the second question I have is, Table 1 on page four seems to have everything crossed out and new things brought in. And I'm a little bit uncertain of what the implications of that table are to what we do.

MR. WILLIAMS: The implications of that table are simply to illustrate essentially tail events, either negative or positive, in return streams. And the reason the numbers have all changed is that Rowland Davis went and updated those with more current data. The prior numbers in there were based on return assumptions, et cetera, dating back to 2010, I believe.

MR. WENDT: To whom is that information helpful?

MR. WILLIAMS: I think the general notion of it is that if we sketch out for any reader, any stakeholder, whether it be a beneficiary, an investment partner, a member of the legislature, an interested citizen or taxpayer, it just shows them that none of us control the world, and various outcomes could produce various fairly dramatically diversified numbers. Various market environments could produce various pretty dramatically diversified return numbers.

MR. WENDT: Thank you.

MR. GARCIA: Any other discussion or questions? I think we have a motion from Chuck Newman, with a second from Ambassador Cobb. Is there any opposition to the motion? Okay. I think it passes

unanimously.

MR. WILLIAMS: Excuse me. Martin, could we have the ambassador give a clear repetition of the motion for the court reporter, please?

MR. GARCIA: Ambassador, could you please do that?

MR. COBB: No, no, no. I seconded Chuck Newman. So he should --

MR. WILLIAMS: Sorry to be --

MR. NEWMAN: Now I've got to be clear?

MR. WILLIAMS: Well, just speak up a little bit.

MR. NEWMAN: I think the motion was just to pass the changes to the policy as laid out in the materials, whatever language you want to use for that, and knowing that we will review -- we will continue to review the policy at future meetings.

MR. WILLIAMS: Okay, perfect.

MR. GARCIA: I think what the ambassador wanted to make sure is clear is that this is not a final work product.

MR. NEWMAN: Right, right.

MR. WILLIAMS: Understood.

MR. GARCIA: Any other questions or discussion on the subject?

MR. NEWMAN: Martin, you run a real efficient meeting.

MR. COLLINS: Can I ask -- this is Peter Collins. You said "on this subject." If there's none more on this subject, I have one other thing I'd like to ask.

MR. GARCIA: Yeah. I was going to say, if there's any new business or anything else, fire away. So go ahead, Peter.

MR. COLLINS: So, Ash, I just saw where John sent out the release regarding the pension fund's investment performance.

MR. WILLIAMS: Yes. And I was about to summarize that for anyone who had not seen it.

MR. COLLINS: Yeah. Okay. Would you do that?

MR. WILLIAMS: Yes. We sent out a news release earlier today saying that we have preliminary numbers for fiscal year-end showing that the FRS pension plan earned a return of 13.12 percent, beating its benchmark by 111 basis points and ending the year with a market value of $132.4 billion.

This represents a fund balance increase of 9.65 billion from the onset of the fiscal year. This is after net distributions of 6.2 billion to plan participants. We'll have audited financial

figures and will release these later in the year.

And we put some additional detail in the release that we've sent everyone that includes a breakdown of asset class returns. Global equity led with a return of 18.56 percent. Scott Seery is here bowing profusely and doing high fives.

We also have strategic investments, real estate and private equity respectively returning 16.16. 14.92 and 10.65 percent. Fixed income and cash in turn respectively earned .4 and .29.

MR. COLLINS: So fixed income only beat cash by 11 basis points?

MR. WILLIAMS: Yes.

MR. COLLINS: Wow, okay. So, Ambassador, I think we're all in agreement we need to continue to think about it, right?

MR. COBB: Yes, sir.

MR. COLLINS: That's amazing. When in your life did you ever think that you would see something like that?

MR. WILLIAMS: Well, I think if you remember '94, you saw it then.

MR. GARCIA: Well, and the future could bode that fixed income actually underperforms cash. That's the risk.

MR. COLLINS: Yeah. But, listen, not to get sidetracked on that, Ash, you know, job well done, obviously, and it's pretty incredible results, when you consider you generated 15 billion, almost $16 billion of new capital. That's pretty amazing.

MR. WILLIAMS: Well, thank you. We're pleased to have accomplished it. And we said in our release that while we're delighted to have had a strong year's numbers, the focus for us is always long-term and making sure we're diversified in a way and set up in a way that whatever hand we're dealt by the markets, we can make the best of it.

MR. GARCIA: And, Ash, at this point we don't know what that does to our funding ratio, do we?

MR. WILLIAMS: No. But that's a good question, and that's the one we're all focused on. And I would say, Martin, on this, you know, we always talk about there being three legs to the stool of the successful pension plan. The first is reasonable benefits. And if you think about the benefits of the Florida Retirement System, they've been largely unchanged since the mid-seventies. There have been a few tweaks here and there. But Florida did not indulge in the folly that a number of public pension plans did, where benefits were dramatically

1 increased in good times without being funded. So
2 that's point one.
3 Add to that the fact that in 2011 there were
4 significant benefit reforms enacted in Florida that
5 included making the system contributory and
6 requiring all defined -- all FRS members to
7 contribute 3 percent of their gross salaries into
8 the plan.
9 In addition to that, there were other steps
10 taken, such as eliminating cost of living
11 adjustments on benefits accrued after the 1st of
12 July 2011, increasing the vesting period from six
13 years to eight in the defined benefit plan,
14 et cetera. So there have been several benefit
15 reforms that actually rolled back benefit costs on
16 all benefits commencing July 1, 2011.
17 The second major leg of the stool is
18 responsible funding. And Florida is very unusual
19 among many public plans in that very consistently,
20 from the inception of the plan back in the
21 mid-seventies through three years ago, the funding
22 needs of the Florida Retirement System were met in
23 full for both the normal actuarial cost, as
24 estimated annually by an independent third party
25 actuary, and also with a special contribution for

1 any unfunded liability that existed.
2 Remember that when the FRS was created, the
3 funding ratio was way back in the forties. It went
4 all the way to about 118 percent in 1999. And then
5 the legislature empowered a number of years of
6 reductions in contributions for member employers
7 that saved local governments many billions of
8 dollars, and the State, over a period of time.
9 The funding ratio fell to the level of about
10 107 percent in 2008, and then when the tide -- or
11 2007, and when the tide went out in the markets in
12 '08, it dropped to about 98 -- I'm sorry -- 87 or
13 88 percent. And we then had three consecutive years
14 that were the only time in Florida Retirement System
15 history when the legislature did not make the full
16 actuarially indicated contributions.
17 That, I'm happy to say, ended with the fiscal
18 year we're in, we're coming into, as the
19 legislature, in the session just ended, appropriated
20 the full normal actuarial cost and the full
21 actuarially indicated contribution to our unfunded
22 liability.
23 So the one place where we could have any change
24 would be the third leg of the stool, or rather --
25 I'm saying the third leg of the stool is prudent

investment performance. And clearly, from what we've just discussed, I think that leg is covered.

So the only place we could have any surprise from here would be if there's some change in the liability side, because the asset side, between the legislature making the full contribution that's actuarially indicated and us significantly exceeding our investment return assumption, nominal, real, actuarial, et cetera, we've beat the mark any way you want to look at it, that's where we are. That analysis -- I'm sorry. Go ahead.

MR. WENDT: After all that, what's the ratio? What's the ratio?

MR. WILLIAMS: We won't know that until the fourth quarter. We do not do the actuarial work. The State does that work through a different firm. And I think -- Rowland, confirm this. I think we normally get that number circa late October, early November.

MR. DAVIS: I think it's more like December in most cases, but it could be late November, something like that. But in the September meeting, I at least will be able to have an estimate, as Ash said, barring any surprises on the liability side. It doesn't move nearly as much as the asset side. So

I'll have an estimate of what it would be on a projected basis without the actual measurement from the actuary. But I think it will be a pretty decent estimate of what the funded ratio is.

MR. GARCIA: Was that Rowland speaking?

MR. DAVIS: Yes.

MR. GARCIA: Okay. Thank you.

MR. COLLINS: Ash, I saw -- and my fellow Tampians, if that's the word, the right way to say that, saw the editorial in the *Tampa Tribune* yesterday. There was an editorial on Will Weatherford trying again at his pension reform. A couple of things in there. One, they said the Florida Retirement System is funded at about 86 percent. You were just going through those numbers, Ash, and I thought we were a little higher than that.

MR. WILLIAMS: I think the number, as I would recall it, was closer to 87, but it's close enough that it's intellectually in the ballpark.

MR. COLLINS: Yeah, okay. Okay. And I just didn't know if you saw that article. I'm sure you don't need to see the article because you're probably talking to everybody up there. But he doesn't -- he looks undaunted by what happened last

year.

MR. WILLIAMS: The signals we're getting are that they're being pretty thoughtful about it. We'll see where it goes. And obviously we're happy to be a resource on the policy level. And if we can come up with something that's constructive, that's sustainable and makes sense for everybody and is financially responsible, maybe it could even be a national model. Who knows? We're happy to help.

MR. COLLINS: Well, I just had lunch with --

MR. WENDT: -- ask what you're talking about? Those of us who don't live in Tampa might not know what you're talking about.

MR. COLLINS: Oh, it's just last year the speaker of the House, in general, I'm talking about the legislation that Speaker Weatherford, Will Weatherford, put forward last year on pension reform. And a component of that reform is the phasing out or the doing away with -- and, Ash, correct me if I'm technically wrong -- phasing out or doing away with the defined benefit plan, which as you know, is much larger than the defined contribution plan that we also operate. And so there's some serious ramifications to the system and the investment process if that were to go forward.

MR. WILLIAMS: That's correct. And this is a subject that has been before the legislature every single year, dating back to when I got back in the end of 2008. It's come up in every session from 2009 forward.

I think it's being seen as less of a binary question now and that there could be some intermediate approach that would be viable. And, again, we're working as a resource to those who make those decisions and have the authority to do so.

MR. COLLINS: I just had lunch with Senator Jeff Brandes today, and we talked a little bit about it. And based on his comments, I would agree with your statement there, that people are working on some alternatives to maybe what was not passed last year, and positive alternatives that we all, on behalf of the retirement system or the investment side of the retirement system, would think were positive.

MR. WILLIAMS: Right. And so we just need to sort of play that out and see where it goes. But you're absolutely right. Any change materially in our cash flows could have liquidity ramifications that within a few years could have real bearing on our ability to tolerate volatility and to tolerate

illiquidity. So we have to be mindful of the uncertainty connected with legislative policy-making and not do anything in our investment strategy that could be overly constraining in the face of that uncertainty.

MR. GARCIA: Any other questions or comments or discussion? Hearing none, do I have a motion we adjourn?

MR. COBB: So move.

MR. GARCIA: Second?

MR. COLLINS: Second.

MR. GARCIA: Any opposition? We'll stand adjourned, and we'll see you all in September. Thank you very much.

(Whereupon, the meeting was concluded at 2:25 p.m.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, Jo Langston, Registered Professional Reporter, do hereby certify that the foregoing pages 3 through 19, both inclusive, comprise a true and correct transcript of the proceeding; that said proceeding was taken by me stenographically and transcribed by me as it now appears; that I am not a relative or employee or attorney or counsel of the parties, or a relative or employee of such attorney or counsel, nor am I interested in this proceeding or its outcome.

IN WITNESS WHEREOF, I have hereunto set my hand this 14th day of August 2013.

_____

JO LANGSTON
Registered Professional Reporter

STATE BOARD OF ADMINISTRATION OF FLORIDA

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RICK SCOTT
GOVERNOR
CHAIR

JEFF ATWATER
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

MEMORANDUM

To: Board of Trustees

From: Mark Peterson, Chairman
Participant Local Government Advisory Council (PLGAC)

Date: September 6, 2013

Subject: Quarterly Update – Florida PRIME™

The Participant Local Government Advisory Council (the "Council") last met on June 24, 2013 and is scheduled to meet again on September 12, 2013. Over the prior quarter, the Council continued to oversee the operations and investment management of Florida PRIME™ and Fund B, reviewing recent participant surveys, legal and investment compliance reviews, as well as the current market environment for Fund B securities.

CASH FLOWS / PERFORMANCE

- Over the quarter ending June 30, 2013, participant deposits totaled $2.8 billion; participant withdrawals totaled $4.1 billion; transfers from Fund B totaled $103 million, for a net decrease of approximately $1.2 billion.
- During the fiscal year 2013, Florida PRIME™ increased by approximately $525 million.
- During the 2nd quarter, Florida PRIME™ delivered an aggregate $4.6 million in investment earnings.
- Performance of Florida PRIME™ has been consistently strong over short and long-term time periods. For the period ending June 30, 2013, Florida PRIME™ generated *excess* returns (performance above the pool's benchmark) of approximately 15 basis points (0.15 percent, annualized) over the last three months, 17 basis points (0.17 percent) over the last 12 months, and 18 basis points (0.18 percent) over the last 36 months.

POOL CHARACTERISTICS

- As of June 30, 2013, the total market value of Florida PRIME™ was $7.28 billion.
- As of June 30, 2013, the investment pool had a 7 Day SEC Yield equal to 0.19 percent, a Weighted Average Maturity (WAM) equal to 42.8 days, and a Weighted Average Life (WAL or Spread WAM) equal to 87.1 days.

FUND B

- Fund B continues to pay principal and interest, with cumulative distributions to participants of approximately $1.89 billion through the August 2013 monthly distribution, with remaining principal owed to participants equal to approximately $122 million.
- As of June 30, 2013, 93.4 percent of the original principal in Fund B has been returned to participants.
- As of June 30, 2013, the estimated liquidation value of Fund B securities was equal to 113.14 percent of remaining participant principal positions.

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PAM BONDI
ATTORNEY GENERAL

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

Date: September 4, 2013

To: Board of Trustees

From: Kimberly Ferrell, Audit Committee Chair

Subject: Quarterly Audit Committee Report

The State Board of Administration (SBA) Audit Committee met on September 3, 2013. The following were the results of this meeting:

I. Charters

We performed the annual review of the Audit Committee and the Office of Internal Audit's (OIA) charters. We proposed no changes to the Audit Committee charter and approved the revised OIA charter.

II. External Audit

A. We discussed the results of the following financial statement audits:
   1. Ernst & Young's financial statement audits of the SBA's three wholly-owned companies with March 31, 2013 year-end and one joint venture with a December 31, 2012 year-end
   2. KPMG's financial statement audit of MS Inland Fund, LLC, a joint venture of the SBA, with a December 31, 2012 year-end

   All of the audited financial statements received an unqualified or clean opinion.

B. We reviewed the reports on agreed upon procedures, tax compliance, internal control over financial reporting, and compliance with debt covenants. The report on agreed upon procedures for one of the entities disclosed a finding regarding an overpayment of manager fees. Subsequent manager fees were reduced by the overpaid amount.

C. We discussed Ernst & Young's 2013 audit plan for the financial statement audits, agreed upon procedures, debt and tax compliance of the 39 wholly-owned entities and 15 joint ventures of the SBA. We reviewed and approved the scope of work, deliverables, timing and key considerations for the audits.

III. Internal Audit

A. We reviewed the following OIA reports:
   1. Global Equity Operational Audit
   2. Strategic Investments Operational Audit
   3. Fiscal Year 2012-13 Fourth Quarter Follow-up Audit which included prior recommendations from three reports:
      a. OIA's Accounting Reconciliations Operational Audit

b. OIA's Private Equity Operational Audit
c. OIA's Securities Class Actions Operational Audit

B. We received a progress report from the Chief Audit Executive (CAE) related to OIA Annual Audit Plan for the fiscal year 2013-2014. The CAE reported that, as of August 31, 2013, OIA reviewed 60 external auditors' reports before the reports were finalized, 37 engagements are currently in progress and the efforts to reduce the number of outstanding Categories A and B recommendations continue to be successful. The CAE also provided status report on the professional development conference of the Association of Public Pension Fund Auditors OIA will host in Orlando, Florida in November 2013, OIA quality assurance and improvement program, and OIA professional staff training and development.

C. Open Recommendations
The tables below summarize the progress made on open recommendations as of August 31, 2013. Additional details related to open recommendations are presented in Appendices 1, 2, and 3.

CATEGORY "A" RECOMMENDATIONS

	As of 5/31/2013	Changes from 5/31 to 8/31	As of 8/31/2013
Total Number of Recommendations	446	19	465
Closed Recommendations	(424)	(20)	(445)
Open Recommendations	22	(2)	**20**

CATEGORY "B" RECOMMENDATIONS

	As of 5/31/2013	Changes from 5/31 to 8/31	As of 8/31/2013
Total Number of Recommendations	143	0	143
Closed Recommendations	(133)	0	(133)
Open Recommendations	10	0	**10**

Breakdown of Category B Open Recommendations:	As of 5/31/2013	Changes from 5/31 to 8/31	As of 8/31/2013
Not yet implemented	7	(6)	1
Partially implemented and the remainder is in progress	3	(3)	0
Implemented, per SBA Management	0	9	9
Open Recommendations	10	0	**10**

Category "A" refers to recommendations made either by internal or external auditors. OIA monitors and performs follow-up procedures on these recommendations in accordance with the

IIA Standard 2500.A1.[1] In certain cases, follow-up procedures are performed by external auditors.

Category "B" refers to recommendations made by consultants resulting from an assessment of a program or activity such as governance, risk management, compliance, ethics, disaster recovery preparedness program, etc. The OIA monitors the disposition of these recommendations in accordance with the *IIA Standard* 2500.C1[2]. Please note that the *IIA Standard* does **not** require the CAE to establish a follow-up process for consulting engagements, but the OIA does take into account the disposition of these recommendations when performing a risk assessment for purposes of establishing the nature, timing, and scope of audit engagements involving the affected areas.

Of the 10 open items in Category "B", one is reported as not yet implemented (NYI). The NYI recommendation came from the work conducted by Crowe Horwath and their follow-up on governance work conducted by Deloitte, discussed below.

IV. Enterprise Risk Management and Compliance

A. Compliance Activities
As part of the continuous compliance program, the Chief Risk and Compliance Officer (CRCO) reported one compliance exception which required escalation to the Executive Director & CIO during the quarter ended June 30, 2013. This compliance exception related to the statutory limitation (F.S. 215.47(20)) on foreign securities in the Lawton Chiles Endowment Fund (LCEF). The statutory limit is 35%; however LCEF foreign securities consisted of 36.28% of LCEF. This is the result of the denominator effect of an extraordinary payout made in June 2013. During the spring legislative session, the SBA will seek a statutory change to increase the limit of foreign securities to 50%. For the time being, management will recommend a customized benchmark limiting foreign security exposure to less than 35%.

B. Progress on the implementation of Crowe Horwath's recommendations
Of the 63 Crowe Horwath recommendations, one remains open at the time of this report. The open recommendation relates to reporting on the results of testing of the system of internal controls. Progress is being made to address this recommendation, with closure date expected by December 31, 2013.

C. Risk Management Activities
Risk Management staff continues to be actively engaged in refining and updating the SBA's system of internal controls documentation to emphasize key controls in place to mitigate risk across the organization. The Enterprise Risk Management (ERM) framework has been updated, and applicable definitions have been clarified to more

[1] *Standard 2500.A1- The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.*

[2] *Standard 2500.C1-The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.*

effectively describe the risks faced by the SBA. Risk Management staff is preparing for their semi-annual risk assessment and heat map production as of September 30, 2013.

The CRCO presented a quarterly ERM and Compliance report, which includes relevant statistics from the BarraOne total fund risk system as well as other risk indicator metrics for the organization.

D. Risk Management and Compliance Program Self-Assessment
The SBA's risk management and compliance program self-assessment for the fiscal year ended June 30, 2013 was completed and published by the Risk Management and Compliance unit. The report includes both ERM and compliance program overviews, summaries of ERM and compliance activities, performance metrics, satisfaction surveys, future plans for the Risk Management and Compliance unit, SBA policy updates and an Inspector General update.

V. Training Initiative

The Committee received the annual update on the training initiatives of the SBA. Based on the report presented to the Committee, progress is being made on the SBA's training initiatives.

APPENDIX 1
STATUS OF CATEGORY "A" RECOMMENDATIONS
AS OF 8/31/2013

1. OPEN RECOMMENDATIONS BY YEAR & RISK RATING

Year	Risk Rating: High	Medium	Low	Total	%
2012	1		1	2	10%
2013	6	5	7	18	90%
	7	5	8	**20**	100%
	35%	25%	40%		

2. DETAILS OF OPEN RECOMMENDATIONS

Report Title	Report Date	Risk Rating: High	Medium	Low	Total	Status: NYI	PIRP	Total	%
Accounting Reconciliations Operational Audit (OIA)	9/14/2012			1	1		1	1	5%
Private Equity Operational Audit (OIA)	10/25/2012	1			1	1		1	5%
Florida Growth Fund Investments Have Increased & Recipients Report Employment Growth (OPPAGA)	1/9/2013			1	1		1	1	5%
Fund B Surplus Funds Trust Fund Operational Audit (Auditor General)	1/18/2013			1	1	1		1	5%
Securities Class Actions Operational Audit (OIA)	5/23/2013	1			1	1		1	5%
Global Equity Operational Audit (OIA)	7/1/2013		4		4	4		4	20%
Strategic Investments Operational Audit (OIA)	8/5/2013	5	1	5	11	11		11	55%
		7	5	8	**20**	18	2	**20**	100%

Category A - **Recommendations were made by either by internal or external auditors. The Office of Internal Audit (OIA) monitors and performs follow-up procedures on these recommendations in accordance with the IIA Standard 2500. A.1**

NYI - **Not Yet Implemented**

PIRP - **Partially Implemented and the Remainder is in Progress**

APPENDIX 2
STATUS OF CATEGORY "B" RECOMMENDATIONS
AS OF 8/31/2013

1. OPEN RECOMMENDATIONS BY YEAR & RISK RATING

Year	Risk Rating: High	Risk Rating: Medium	Risk Rating: Low	Risk Rating: Total	%
2009	1	1	1	3	30%
2010	1			1	10%
2011		6		6	60%
	2	7	1	**10**	100%
	20%	70%	10%		

2. DETAILS OF OPEN RECOMMENDATIONS

Report Title	Report Date	Risk Rating: High	Risk Rating: Medium	Risk Rating: Low	Risk Rating: Total	Status: NYI	Status: IMP	Status: Total	%
Compliance Program Assessment Phase 1 – Strategic Analysis – Investment Management Compliance Program Review (Deloitte & Touche)	1/15/2009		1	1	2		2	2	20%
Compliance Program Assessment Phase 2: Governance Structure and Compliance Department Implementation (Deloitte)	6/16/2009	1			1		1	1	10%
COOP Assessment (BDA Global)	8/23/2010	1			1		1	1	10%
Evaluation and Recommendations Related to the Compliance Program (Crowe Horwath)	10/21/2011		6		6	1	5	6	60%
		2	7	1	**10**	1	9	**10**	100%

Category B - **Recommendations are made by the non-investment consultants and cover areas related to risk management, internal controls, compliance, ethics, special investigations, etc. The OIA monitors the disposition of recommendations in accordance with the IIA Standard 2500.C1.**

- **The Office of Internal Audit does not perform any follow-up procedures on the Category B recommendations.**

NYI - **Not Yet Implemented**

IMP - **Implemented,** as represented by SBA management

APPENDIX 3
STATUS OF ALL RECOMMENDATIONS (CATEGORIES A & B COMBINED)
AS OF 8/31/2013

1. OPEN RECOMMENDATIONS BY YEAR & RISK RATING

Year	Risk Rating: High	Medium	Low	Total	%
2009	1	1	1	3	10.0%
2010	1			1	3.3%
2011		6		6	20.0%
2012	1		1	2	6.7%
2013	6	5	7	18	60.0%
	9	12	9	**30**	100.0%
	30%	40%	30%		

2. DETAILS OF OPEN RECOMMENDATIONS

Report Title	Report Date	Risk Rating: High	Medium	Low	Total	Status: NYI	PIRP	IMP	Total	%
Compliance Program Assessment Phase 1 – Strategic Analysis – Investment Management Compliance Program Review (Deloitte &Touche)	1/15/2009		1	1	2			2	2	6.8%
Compliance Program Assessment Phase 2: Governance Structure and Compliance Department Implementation (Deloitte & Touche)	6/16/2009	1			1			1	1	3.3%
COOP Assessment (BDA Global)	8/23/2010	1			1			1	1	3.3%
Evaluation and Recommendations Related to the Compliance Program (Crowe Horwath)	10/21/2011		6		6	1		5	6	20.0%
Accounting Reconciliations Operational Audit (OIA)	9/14/2012			1	1		1		1	3.3%
Private Equity Operational Audit (OIA)	10/25/2012	1			1	1			1	3.3%
Florida Growth Fund Investments Have Increased & Recipients Report Employment Growth (OPPAGA)	1/9/2013			1	1		1		1	3.3%
Fund B Surplus Funds Trust Fund Operational Audit (Auditor General)	1/18/2013			1	1	1			1	3.3%
Securities Class Actions Operational Audit (OIA)	5/23/2013	1			1	1			1	3.3%
Global Equity Operational Audit (OIA)	7/1/2013		4		4	4			4	13.3%
Strategic Investments Operational Audit (OIA)	8/5/2013	5	1	5	11	11			11	36.8%
		9	12	9	**30**	19	2	9	**30**	**100.0%**

NYI - **Not Yet Implemented**
PIRP - **Partially Implemented and the Remainder is in Progress**
IMP - **Implemented,** as represented by SBA management

STATE BOARD OF ADMINISTRATION OF FLORIDA

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CHIEF FINANCIAL OFFICER
AS TREASURER

PAM BONDI
ATTORNEY GENERAL
AS SECRETARY

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

MEMORANDUM

To: Ash Williams

From: Michael McCauley

Date: September 6, 2013

Subject: Board of Trustees Meeting – Standing Report / Investment Programs & Governance

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CORPORATE GOVERNANCE & PROXY VOTING OVERSIGHT GROUP

The SBA's Corporate Governance & Proxy Voting Oversight Group (Proxy Committee) met last on June 20, 2012 and is scheduled to meet next on September 19, 2013. The Proxy Committee continues to discuss ongoing governance issues including the volume and trends for recent proxy votes, significant proxy votes, corporate governance investment factors, major regulatory developments and individual company research related to the Protecting Florida's Investments Act (PFIA).

GLOBAL EQUITY PROXY VOTING

For the trailing twelve months ending on June 30, 2013, the SBA executed votes on 9,820 public company proxies covering 89,060 individual voting items—representing a 5 percent increase in the number of total proxy votes. Individual voting items included director election, audit firm ratification, executive compensation plans, merger & acquisitions, and various other management and shareowner proposals. The SBA voted "for" 80.4 percent of all executed proxy votes. The table below provides major statistics on the SBA's proxy voting activities during fiscal year 2013:

Votes in Favor of Directors **81.6%** (FY2012=80.4%)	**Votes with Management** **81.8%** (FY2012=80.8%)
Votes in Favor of Auditors **93.7%** (FY2012=91.3%)	**Total Ballot Items Voted** **89,060** (FY2012=84,881)
Votes in Favor of All Governance Proposals **68.2%** (FY2012=66.7%)	**Total Proxies Voted** **9,820** (FY2012=9,420)

During fiscal year 2013, votes were cast in 80 countries, with the top 5 countries comprised of the United States (2,875 votes), Japan (1,175), Hong Kong (645), United Kingdom (443), and Canada (385). Among all global proxy votes, the SBA cast at least one dissenting vote at 6,559 annual shareowner meetings, or 66.8 percent of all meetings.

<u>BOARD OF DIRECTOR ELECTIONS</u>— Board elections represent one of the most critical areas in voting since shareowners rely on the board to monitor the performance of a company's management. The SBA supported 81.6 percent of individual nominees for boards of directors, voting against the remaining portion of directors primarily due to concerns about candidate independence, qualifications, attendance, or overall board performance. The SBA policy

is to withhold support from directors who fail to observe good corporate governance practices or demonstrate a disregard for the interests of shareowners.

- During the first half of 2013, 43 directors at 27 companies in the Russell 3000 stock index failed to receive majority (50 percent) support by shareowners as part of uncontested director elections—representing a mere 0.3 percent of all 14,774 director candidates. The SBA withheld votes for 88 percent of these directors.
- A review of these 43 directors by the Council of Institutional Investors (CII) concluded that multiple variables explained the failure to receive a majority level of investor support: 1) service on three or more boards (aka, "over-boarded" directors); 2) weaknesses in executive compensation practices; 3) a history of unresponsiveness to majority-supported shareowner proposals or majority-opposed directors; 4) a lack of director independence; 5) extended board tenure (defined as 10 or more years); and 6) attendance problems (participating in less than 75 percent of board/committee meetings). CII found that 72 percent of the rejected directors had at least two of these criteria.
- Only 6 of these 27 companies have implemented a majority voting election procedure, underscoring the need for U.S. companies to move away from the method of plurality voting in uncontested elections.
- Within the large capitalization S&P 500 index, seven companies had directors receiving less than 50 percent investor support. The following company directors were opposed by a majority of their investors for a variety of reasons: Cable Vision Systems (two directors opposed for failing to abide by majority votes against directors in prior periods); Nabors Industries (two directors opposed for failing to respond to majority supported shareowner proposals); Netflix (one director opposed for failing to submit a poison pill for shareowner ratification); Occidental Petroleum (one director opposed for failure to adequately manage succession planning); The AES Corp. (one director opposed due to poor attendance); and Vornado Realty Trust (four directors opposed for failing to respond to majority supported shareowner proposals).

HIGH PROFILE PROXY VOTES—Notable votes during 2013 proxy season included the May 3rd vote in which Occidental Petroleum Executive Chairman Ray Irani was ousted from the board after receiving a scant 24 percent support from all voting investors. Mr. Irani had served on the board of directors for 23 years, but was required to step down after the shareowner vote in accordance with the firm's majority voting bylaw. The SBA voted AGAINST Mr. Irani's reelection.

Another significant vote occurred at JPMorgan, when on June 7th shareowners signaled their strong disfavor with several members of the firm's Risk Committee. The SBA voted AGAINST several members of the board, including director nominees Laban Jackson, James Crown, James Cote, and Ellen Futter—with the latter two directors having since resigned. Investors did not support a proposal requesting that the board split the roles of Chief Executive Officer (CEO) and Chairman, perhaps the most publicized and widely covered shareowner proposals in U.S. history. The lower than expected shareowner support for the independent chair proposal was undoubtedly the result of a comprehensive and nuanced effort by the company's management to proactively reach out to investors with a positive dialogue. The SBA voted against the independent chairman proposal. On average, similar proposals have garnered approximately 29 percent in the first half of 2013.

PROXY ACCESS— Proxy access shareowner proposals facilitate investor-nominated director candidates. Such proposals garnered a lower level of support and attention during the 2013 proxy season than they did in 2012. Through the first half of 2013, only two proposals have passed, with an average support level among all proposals submitted of 30 percent. The SBA voted in favor of all 16 proxy access proposals submitted by investors during fiscal year 2013.

SUSTAINABLE BUSINESS PRACTICES— Investor proposals to adopt or strengthen sustainability reporting requirements and improved environmental disclosures were generally supported by the SBA. Improved corporate reporting allows investors to better gauge a firm's potential environmental risks and business practices. The SBA supported 80 percent of shareowner resolutions asking companies to publish sustainability reports, 80 percent of shareowner resolutions asking companies to produce reports assessing the impact on climate change, and 50 percent of shareowner proposals designed to improve human rights standards or company policies.

AUDITOR RATIFICATION— Auditors are responsible for safeguarding investor interests and assuring financial statements are presented fairly. Therefore, auditor independence and impartiality are paramount in maintaining public trust. The SBA supported 93.7 percent of ballot items to ratify the board of directors' selection of external auditor. Votes against auditor ratification are cast in instances where the audit firm has demonstrated a failure to provide appropriate oversight, when there have been significant restatements in the financial statements, or when significant conflicts-of-interest exist, such as the provision of outsized non-audit services.

SAY-ON-PAY (SOP) & EXECUTIVE COMPENSATION— The SBA considers on a case-by-case basis whether a company's board has proposed or implemented equity-based compensation plans that are excessive relative to other peer companies or plans that may not have an appropriate performance orientation. As a part of this analysis, the SBA reviews the level and quality of a company's compensation disclosure, believing strongly that shareowners are entitled to comprehensive reporting on compensation practices in order to make efficient investment decisions.

Compensation-related proxy votes in the United States during 2013 continued to be dominated by the 'Say-on-Pay' issue ("SOP") mandated by the Dodd-Frank Act since 2011. The SBA voted to approve remuneration reports (compensation plans for named executive officers) at 77.1 percent of U.S. companies during the 2013 proxy season, very similar to our 2012 approval rate of 77.3 percent. On a global basis, the SBA voted against approximately 28 percent of all SOP voting items. On a national basis, approximately 97.7 percent of companies won a majority of shareowner support for their compensation plans. Those companies failing their SOP vote—receiving less than 50 percent support among all voted shares—exhibited a 14 percent decline in their earnings and lagged by 610 basis points in their stock price performance compared to those firms receiving majority support.

Below are the SBA's Say-on-Pay voting statistics through June 30, 2013, broken out for both global (U.S. and Non-U.S companies) and U.S.-only portfolios:

2013 SOP Voting	Total Votes	"For" Votes	"Against" Votes
SBA Global SOP Votes	3,490	2,521 (72.2%)	909 (27.8%)
SBA U.S. SOP Votes	2,207	1,702 (77.1%)	491 (22.3%)
Glass, Lewis & Co. [1]	n/a	86.3%	13.7%
Farient Advisors [2]	2,306	2,005 (86.9%)	301 (13.1%)
ISS [1]	2,597	2,299 (88.5%)	298 (11.5%)

[1] Actual data, covering SOP recommendations at U.S. firms in the Russell 3000 Index, for shareowner meetings occurring on or before June 30, 2013.
[2] Actual data, covering SOP recommendations at U.S. firms within the Russell 3000 Index, for shareowner meetings occurring on or before June 30, 2013.Total vote figures correspond to research firm's total coverage universe and voting figures correspond to designated companies exhibiting compensation levels poorly aligned with stock performance.

Through June 30th a total of 54 companies failed to receive majority support for their executive compensation plans. Smaller reporting companies with market capitalization of $75 million or less were required for the first time this proxy season to put their executive compensation plans up for a shareowner vote. With the addition of the smaller reporting companies, as of June 30th, there were approximately 500 more Say-on-Pay votes through the first half of 2013.

On average, the 54 companies trailed the total stockowner returns (TSR) of their respective peers over one, three, and five-year time periods. On an absolute basis, these companies averaged a -2.0, -1.6, and -6.3 TSR over the one-year, three-year and five year performance periods, respectively.

For other compensation-related voting items apart from SOP, over the last fiscal year the SBA supported 56 percent of all non-salary (equity) compensation items—while supporting 70.5 percent of executive incentive bonus plans and 47.6 percent of management proposals to adopt restricted stock plans in which company executives or directors would participate (60.8 percent for the amendment of such plans).

PROXY FIGHTS & ACTIVIST INVESTORS—Activist hedge funds have had a very strong proxy season through the first half of the 2013 calendar year, successfully winning votes (or settling with boards) to nominate their own directors in 67 percent of all proxy contests where results are available. The 2013 experience is on pace to far exceed the 52 percent success rate achieved by dissident candidates during all of 2012, and is the most successful year on record since 2001. A proxy fight is a campaign under which a shareowner or group of shareowners (the "dissident") solicits the proxy or written consent of other investors in support of a resolution it is advancing. This usually involves the election of dissident nominees to the company's Board of Directors in opposition to the company's director nominees but may also involve campaigns to approve a shareowner proposal or to vote against a management proposal (including approving a merger). In a proxy fight, the dissident files a separate proxy statement and card from the company's proxy materials. The SEC requires the dissident to follow prescribed procedural and disclosure requirements to conduct a proxy fight (Rules 14a-1 to 14a-13 of the Securities Exchange Act of 1934). As soon as a dissident publicly discloses it delivered formal notice to the company that it intends to solicit proxies from shareowners (e.g., notice it intends to solicit proxies for the election of its own slate of director nominees), it is considered a proxy fight.

REGULATORY DEVELOPMENTS & OTHER COMMENTARY

On June 5th, SBA staff participated in a hearing of the Subcommittee on Capital Markets and Government Sponsored Enterprises, a subcomponent of the U.S. House of Representatives' Committee on Financial Services, titled "Examining the Market Power and Impact of Proxy Advisory Firms." The Subcommittee's hearing included written and oral testimony from six panelists examining the services provided by proxy advisory firms to shareowners and issuers. A range of issues were discussed, including corporate governance policy development, regulation of fiduciaries, and the structure of the proxy advisory industry.

Shortly after the June 20th petition to the New York Stock Exchange (NYSE) and NASDAQ OMX by the Council of Institutional Investors (CII), the SBA submitted its own letters to both exchanges on July 16th. The CII petition urges both stock exchanges to require directors of listed companies who fail to receive a majority of votes in uncontested elections to resign promptly and not be reappointed. The SBA strongly supports majority voting election standards within all global markets, viewing such procedures as a fundamental shareowner right. Numerous other global investors and shareowner groups have echoed CII's initiative by communicating directly with both U.S. exchanges.

In its letter to the NASDAQ OMX, the SBA stated, "…the SBA supports proposals encouraging companies to adopt true majority voting through a formal bylaw amendment. The SBA strongly endorses majority voting for the meaningful accountability it affords shareowners and because it provides an additional component to the system of checks and balances of power within the corporate structure. A true majority vote standard provides shareowners the ability to better monitor the board of directors and helps make its members more accountable to shareowners." The SBA's letter further states, "The basis for a majority voting standard is consistent with the stated objectives of the NASDAQ listing rules to 'maintain the quality and public confidence in its market . . . and to protect investors and the public interest.' The SBA urges the NASDAQ to demonstrate its commitment to meaningful investor voting rights and improved board accountability by proposing a revision to its listing rules that would require a majority voting standard in uncontested elections of directors with a requirement that incumbent directors who do not receive a majority of votes promptly resign from the board."

2013 GLOBAL ENGAGEMENT

SBA staff continues to implement the work plan on corporate engagement aimed at improving the corporate governance practices of approximately 13 companies (both U.S. and Non-U.S. firms). The primary governance elements of the initiative involve companies with one or more of the following areas of concern: 1) classified boards (annual elections); 2) majority voting (>50% election standard); 3) proxy access (ability to nominate directors); 4) one-share/one-vote (dual class shares, etc.); 5) executive compensation (pay for performance, long-term incentive plan design, etc.); 6) procedural (voting by poll, financial disclosures, etc.); 7) minority shareowner rights (director elections, state-owned enterprises, etc.).

The SBA also continued its partnership in 2013 with the Harvard Law School's Shareholder Rights Project (SRP), submitting shareowner proposals at a half-dozen U.S. companies. The shareowner proposals urged repeal of the

companies' classified board structure and a transition to annual director elections. Shareowner proposals voted on by investors during 2013 received very high levels of support, averaging 80 percent through June 30th. The SBA votes in favor of all proposals to de-stagger director terms and has been a long-standing advocate of annual elections for all companies, regardless of size or domicile.

The SRP is a clinical program operating at Harvard Law School and directed by Professor Lucian Bebchuk. The SRP works on behalf of public pension funds and charitable organizations seeking to improve corporate governance at publicly traded companies, as well as on research and policy projects related to corporate governance. The SRP's eight participating investors have been highly effective engaging large capitalization companies within the Russell 3000 index. The institutional investors working with the SRP during the first half of 2013 were the SBA, the Illinois State Board of Investment, the Los Angeles County Employees Retirement Association, the Massachusetts Pension Reserves Investment Management Board, the Nathan Cummings Foundation, the North Carolina State Treasurer, the Ohio Public Employees Retirement System, and the School Employees Retirement System of Ohio.

As a result of the work of the SRP and its participating investors, 77 S&P 500 and Fortune 500 companies have declassified their boards of directors during 2012 or the first half of 2013. The companies that declassified: 1) have an aggregate market capitalization approaching one trillion dollars; 2) represent over 60 percent of companies with which engagement took place; and 3) represent more than half of the S&P 500 companies that had classified boards at the beginning of 2012. During the first six months of 2013, 51 S&P 500 and Fortune 500 companies have agreed to move toward annual elections following the submission of board declassification proposals for 2013 meetings—of which the SBA sponsored three proposals. The SRP provides participating investors with a range of services, including assistance in connection with selecting companies for proposal submission, designing and submitting proposals, engaging with companies, negotiating and executing agreements by companies to bring management declassification proposals, and presenting proposals at annual shareowner meetings.

As of June 30th, every one of the companies the SBA engaged had conducted their annual shareowner meetings, with each SBA-sponsored investor proposal receiving a majority level of support from all votes cast. One notable vote was at SPX Corporation, where although the management supported proposal did receive greater than majority support, due to the company's supermajority voting requirements, the proposal was not legally approved. The SBA proposal receiving the highest level of support occurred at Netflix, which has had an extraordinary rise in its share price since the company was initially tracked due to its historical underperformance. Since inception in 2011, SBA proposals to move to annual elections have achieved an average support level of 81 percent, with 80 percent (16 out of 20 total firms) moving to de-stagger their boards.

STATE BOARD OF ADMINISTRATION OF FLORIDA

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CHIEF FINANCIAL OFFICER
AS TREASURER

PAM BONDI
ATTORNEY GENERAL
AS SECRETARY

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

MEMORANDUM

To: Ashbel C. Williams, Executive Director & CIO

From: Maureen M. Hazen, General Counsel Maureen M. Hazen

Date: September 4, 2013

Subject: Office of General Counsel: Standing Report to Trustees
For Period June 1, 2013 – August 31, 2013

SBA Agreements.

During the period covered by this report, the General Counsel's Office drafted, reviewed and negotiated: (i) 31 new agreements – including 1 investment management agreement for the Global Equity asset class, 6 private equity investments, and 4 strategic investments; (ii) 149 contract amendments, addenda or renewals; and (iii) 4 contract terminations.

SBA Litigation.

(a) Passive. As of August 31, 2013, the SBA was monitoring (as an actual or putative passive member of the class) 382 securities class actions. From May 1, 2013 through August 30, 2013[1], the SBA collected recoveries in the amount of $3,723,683 as a passive member in 45 securities class actions.

(b) Active.

(i) *In re Tribune* Litigation. On January 24, 2012, the SBA was served a complaint (along with other defendants) now pending in the U.S. Bankruptcy Court, Southern District of New York by the Official Committee of Unsecured Creditors of the Tribune Company alleging damages for fraudulent conveyance and requesting the return of proceeds received by all defendant investors in a leveraged buy-out of the Tribune Company (which subsequently declared bankruptcy). Pursuant to a plan approved in the bankruptcy proceeding, the claim was transferred to the U.S. District Court, Southern District of New York (the "Court") and consolidated with additional parallel cases for multi-district litigation. The SBA received approximately $11 million in connection with this leveraged buy-out. Pursuant to the Court master scheduling order, the Court has stayed all answer and motion filing deadlines pending resolution of similar issues in a parallel class case.

[1] As of the date of this report, the dollar recoveries reported for August, 2013 are preliminary.

(ii) *In re Lyondell* Litigation. On January 17, 2012, the SBA was served a complaint (along with other defendants) filed in the U.S. Bankruptcy Court, Southern District of New York alleging damages for fraudulent conveyance and seeking the return of proceeds received by all defendant investors that tendered stock in a leveraged merger of Lyondell Chemical Company (which subsequently declared bankruptcy). The SBA received approximately $32 million in connection with stock tendered in the leveraged merger. On March 12, 2012, the SBA filed a Joinder to existing Motions to Dismiss. The Court has yet to rule on the Motions.

(iii) *IndyMac MBS, Inc.* Decision. During the period covered by this report, the U.S. Court of Appeals in the Second Circuit issued an opinion in the case styled *Police and Fire Retirement System of the City of Detroit v. IndyMac MBS, Inc.*, 721 F.3d 95 (2d. Cir. June 27, 2013) that will significantly impact the SBA's evaluation of whether to opt-out of a federal securities class action case. Several decades ago in *American Pipe & Construction Co. v. Utah,* the U.S. Supreme Court held that the commencement of a class action suspends the applicable statute of limitations as to all asserted members of the class who would have been parties. *American Pipe & Construction Co. v. Utah*, 414 U.S. 538 (1974). In *IndyMac*, the Second Circuit deviated from this principle by holding that the tolling doctrine established by the Court in *American Pipe* does not apply to the three year statute of repose in Section 13 of the Securities Act of 1933. Notwithstanding that the Court's holding in *IndyMac* applied only to the statute of repose under the Securities Act, there is a significant risk that other courts could apply and/or extend the *IndyMac* rule and conclude that either the statute of repose or the statute of limitations no longer tolls the action for putative class members. As a result, investors like the SBA will probably have to file individual opt-out actions during the statute of limitations and repose periods applicable to the class action or otherwise risk forfeiting any recovery at all. In the past, the SBA at times filed an opt-out action only after important and persuasive substantive or procedural rulings had been issued by the court in the class case. This case has already had an effect on the SBA. Because of the ruling in *IndyMac*, the SBA will no longer be pursuing settlement discussions with the *Pfizer* defendants in an opt-out context. Rather the SBA (along with other investors who had opted out of the *Pfizer* class action) will be permitted to opt back into the class case to preserve its potential recovery.

(iv) Other Matters. During the period covered by this report, the General Counsel's Office continued to work with the Attorney General's Office in connection with the Qui Tam filed against BNY Mellon and to manage and monitor other litigation that the SBA believes will not have a material impact on the SBA's financial statements.

(c) FRS Investment Plan. During the period from June 1, 2013 through August 31, 2013, the General Counsel's Office monitored and/or managed the following cases for the Florida Retirement System Investment Plan (the "Investment Plan"). The SBA issued three (3) Final Orders, received notice of filing of eight (8) new cases (one of which was subsequently withdrawn), and continued to litigate nine (9) cases that were pending during the periods covered by previous reports, including defending two (2) appellate cases.

Other Matters.

(a) Public Records Requests. During the period covered by this report, the General Counsel's Office received 19 new public records requests and provided responses to 23 requests. As of the date of this report, the General Counsel's Office continues to work on 6 open requests.

(b) SBA Rules.

(i) Pursuant to the requirements of Section 120.74(3), Florida Statutes, the SBA filed its 2013-2014 Annual Regulatory Plan ("Plan") with both the Florida Legislature and the Office of Fiscal Accountability and Regulatory Reform ("OFARR") on June 27, 2013. In compliance with the

instructions sent by OFARR, the Plan set forth only those rules for which the SBA intends to begin rulemaking on or after July 1, 2013. As set forth in the Report, the SBA intends (a) to repeal 14 rules that are unnecessary - two in Rule Chapter 19-3; seven in Rule Chapter 19-4; and five in Rule Chapter 19-5 and (b) to amend Rules 19-11.002 and 19-11.012 to enhance information provided to members of the FRS Investment Plan as described below.

(ii) On August 6, 2013, the Trustees approved the filing of the following rules for notice:

Rule Chapter 19-3: Rule 19-3.016 is being amended to provide that the Executive Director may make final decisions on personnel matters; may issue declaratory statements; may execute, or delegate the authority to execute, final orders issued pursuant to Chapter 120, Florida Statutes; may initiate rule development; and may adopt, implement, modify and terminate internal procedures, policies and guidelines. Amendments are being made to Rule 19-3.0161 to make it clear, as required by law, that Investment Policy Statements must be submitted both to the Investment Advisory Council and the Board of Trustees of the SBA. Amendments are being made to Rule 19-3.099 to clarify that Final Orders are to be obtained from the Agency Clerk of the SBA, and that the charge for such orders is no more than cost. Rules 19-3.097 and 19-3.100 are being repealed as unnecessary.

Rule Chapter 19-5: The six separate rules currently set forth in Chapter 19-5 are being consolidated and incorporated into a single Rule 19-5.001. Consolidating the rules in Chapter 19-5 will eliminate extraneous provisions and should facilitate readability by listing all process steps and documents required to comply with the rule in one place rather than in six separate rules that cross reference each other. Rule 19-5.001 is also being amended to describe the informal review process conducted by the SBA's Executive Director after receipt of an application from a governmental unit requesting authority to sell bonds at an interest rate in excess of an otherwise statutory maximum interest rate. Rule 19-5.003 presently describes a slightly different review process for applications to sell bonds in excess of 50 basis points above the otherwise statutory maximum interest rate. That portion of Chapter 19-5 is being deleted. The same process will apply to all applications under this rule. Provisions also are being updated to clarify the types of information that the Executive Director & CIO may consider in conducting the informal review. The rule further clarifies that the authorization to issue bonds at an interest rate in excess of the legal limitation expires 180 days after the authorization has been given.

Rules 19-11.002 and 19-11.012: Rule 19-11.002, F.A.C. is being amended to indicate what happens when a beneficiary is "per Florida law" as described in Section 121.4501(2), Florida Statutes and that beneficiary fails to contact the FRS Investment Plan and/or cannot be identified. Rule 19-11.012 is being amended to detail procedures that are to be followed by Investment Plan members electing to transfer to the Pension Plan, having an available balance after paying all buy-in amounts and desiring to purchase service credit with that remaining balance.

The foregoing rules were published in the August 19th edition of Florida Administrative Register, and the SBA subsequently filed the rules with OFARR and JAPC and obtained their respective approvals. The SBA has offered a rule hearing that has been scheduled for September 11, 2013. If the rule hearing is not requested, the SBA will file the rules for adoption shortly thereafter.

(iii) During the period covered by this report, the General Counsel's Office continued to work on proposed amendments to Rule 19-4, F.A.C. and anticipates presenting these amendments at a future Trustees' meeting.

STATE BOARD OF ADMINISTRATION OF FLORIDA

1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308
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32317-3300

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CHIEF FINANCIAL OFFICER
AS TREASURER

PAM BONDI
ATTORNEY GENERAL
AS SECRETARY

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

MEMORANDUM

DATE: September 4, 2013

TO: Board of Trustees

FROM: Ken Chambers, Inspector General

SUBJECT: Quarterly Report on SBA Inspector General Activities

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The SBA Inspector General (IG) is responsible for serving as the organization's ethics officer; conducting internal investigations; overseeing investment protection principles (IPP) compliance; and handling special projects as directed by the Executive Director.

Ethics and Training

During the period June 4, 2013 to September 4, 2013, one instance was reported to the Inspector General concerning non-compliance with the SBA gift policy. The violation was unintentional and self-reported by the employee, and the provider was reimbursed for the gift in accordance with the policy.

Investment Protection Principles Compliance

In September 2002, the Trustees of the SBA adopted Investment Protection Principles (IPPs) for broker-dealers and investment managers in the wake of Wall Street scandals involving tainted equity research and conflicts of interest. Subsequently, principles have been developed to cover investment consultants. The IPPs are geared toward promoting independence, transparency and regulatory compliance, and adherence to the highest standards of ethics and professionalism. On an annual basis, written certification is required from equity and fixed income investment managers, broker-dealers, and investment consultants.

The IPP certifications for the equity, fixed income and real estate investment managers were disseminated in late January 2013. All of the investment managers completed and returned their IPP certification forms for the 2012 reporting period. An analysis of the 2012 certifications indicated full compliance with the IPP's by most of the investment

managers. For the others, explanations were provided supporting that the managers are in compliance with the spirit of the IPP's.

Certification forms for broker-dealers were disseminated to the applicable firms in late April 2013. All of the broker-dealers completed and returned their IPP certification forms for the 2012 reporting period. An analysis of the 2012 certifications indicated full compliance with the IPP's by the broker-dealers.

Investment Advisory Council Disclosures

As required by Chapter 215.444, Florida Statues, all current IAC members have completed their annual Conflict Disclosure Statement. Additionally, eight of the nine IAC members have completed the fiduciary training program as stipulated in Chapter 215.444.

SBA Fraud Hotline

Since July 2006, The Network Inc. has been the independent provider of SBA Fraud Hotline services. Through an 800 number, SBA employees may anonymously report tips or information related to fraud, theft, or financial misconduct. The telephone number and information is prominently displayed on the SBA intranet home page. Additionally, the hotline information is available on the SBA internet site as part of the SBA Internal Control and Fraud Policy.

To date, no reports or tips have been received by the Hotline for 2013.

Financial Disclosure Forms

The Commission on Ethics requires certain state employees and officials who meet the reporting requirement to file an annual Financial Disclosure Form. All SBA employees who met this requirement have filed a Financial Disclosure Form with the Commission on Ethics for the year ending December 31, 2012.

Internal Investigations

During the period June 4, 2013 to September 4, 2013, one internal investigation was initiated and completed by the Inspector General. The investigation concerned an allegation of non-compliance with SBA's mandatory leave policy by an employee. The investigation concluded the employee did not fully comply with the policy.

cc: Ash Williams

STATE BOARD OF ADMINISTRATION OF FLORIDA

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GOVERNOR
AS CHAIR

JEFF ATWATER
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

DATE: September 4, 2013

TO: Ash Williams

FROM: Eric Nelson

SUBJECT: Trustee Update – September 2013

Attached is the consolidated quarterly "Enterprise Risk Management and Compliance Report" as of 6/30/13 for distribution to the Trustees, Investment Advisory Council and Audit Committee. This report combines previously separately reported compliance activities/metrics with relevant statistics from the BarraOne risk model as well as other risk metrics for the organization. Efforts will be ongoing to refine visibility into risks faced by the SBA and enhancements will be ongoing as the risk reporting process matures.

Additionally, the annual "Risk Management and Compliance Program Self-Assessment" report for FY2012-13 is attached. This report is prepared in response to consultant recommendations from both Deloitte and Crowe Horwath that the SBA annually self-assess its compliance program in a manner consistent with SEC-registered investment advisors. This report has been presented to the SBA's Risk and Compliance Committee at their quarterly meeting on 8/22/13 and to the Audit Committee at their meeting on 9/3/13.

The following is a brief status report of Risk Management and Compliance activities and initiatives completed or in progress during the period 6/5/13 through 9/4/13:

- As part of the continuous compliance program, there was one material compliance exception discovered which required escalation to the Executive Director & CIO during the period 6/5/13 through 9/4/13. The Lawton Chiles Endowment Fund's share of foreign securities as of 6/30/13 was 36.28% - slightly exceeding the statutory limit of 35%. The breach was primarily due to the legislatively directed extraordinary payout of $350 million executed on 6/14/13, which significantly reduced the denominator on which the compliance test is run. Alternative solutions were presented to the SBA's Senior Investment Group, and the decision was made to maintain the current target allocation to global equity, while creating a new customized benchmark for the global equity asset class (and the fund's sole equity manager) to reduce the foreign equity share. In addition, the SBA would seek legislative authority next Spring to increase the maximum foreign

security holdings in Chapter 215.47(20), F.S. to 50% to remain consistent with the global investment opportunity set.

- Of the sixty-three initial Crowe Horwath recommendations, one remains open at the time of this report. Progress is being made as planned, with final disposition of the recommendation expected by 12/31/13.

- The SBA's Strategic Plan was updated and approved by senior management as of 8/8/13 for fiscal years 2013 and 2014.

- A new Executive Director & CIO-level policy "Business Continuity" is in the final stages of the staffing process and should be approved in September.

- A number of revisions were made to the Executive Director & CIO-level policy manual to reflect revised responsibilities of the Deputy Executive Director, and the SBA's "Internal Trading Policy" was substantially modified and approved effective 8/19/13.

- The SBA's "Procurement Policy" was amended effective 7/13/13 to require written annual evaluations of material (non-investment manager) service providers (providing services valued in excess of $500K per year).

- Risk Management staff continues to be actively engaged in documenting the system of internal controls to mitigate risks across the organization. Efforts have focused on identifying both preventative and detective controls and key risk indicators for monitoring and reporting.

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ENTERPRISE RISK MANAGEMENT AND COMPLIANCE QUARTERLY REPORT

2nd Quarter 2013

Prepared by RMC as of 8/20/13

SBA FLORIDA

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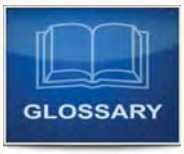
RISK MANAGEMENT & COMPLIANCE ORGANIZATIONAL STRUCTURE
Page 15



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SEMI-ANNUAL ENTERPRISE RISK MANAGEMENT RESIDUAL RISK SUMMARY AS OF 3/31/13

Residual Risk Level

- Low
- Moderate
- High
- Low Moderate
- High Moderate

1. Investment Management Risk

1.A. Policy Risk
- 1.A.i. Investment Policy Design Risk
- 1.A.ii. Investment Objective Risk
- 1.A.iii. Capital Market Assumption Risk
- 1.A.iv. Liability Risk

1.B. Implementation Risk
- 1.B.i. Strategic Risk
- 1.B.ii. Portfolio Under Performance Risk
- 1.B.iii. Trading Risk
- 1.B.iv. Asset Transition Risk
- 1.B.v. Model Risk
- 1.B.vi. Due Diligence Risk

1.B. Implementation Risk (cont.)
- 1.B.vii. Leverage Risk
- 1.B.viii. Aggregate Issuer/Counterparty Credit Risk

1.C. Inherent Risk
- 1.C.i. Market/Systematic Risk - Credit Risk
- 1.C.i.a. Credit Risk
- 1.C.1.b. Interest Rate Risk
- 1.C.i.c. Inflation Risk
- 1.C.i.d. Liquidity Risk
- 1.C.i.e. Currency Risk
- 1.C.i.f. Systemic Risk

1.C.ii. Idiosyncratic /Unsystematic Risk

2. Governance/Management Risk

- 2.A. Resource Allocation Risk
- 2.B. Governance Policy Design Risk
- 2.C. Fiduciary/Ethics Risk
- 2.D. Management Execution Risk

3. Communication/Public Affairs/ Reputational Risk

4. Legislative/Political Risk

5. Compliance Risk

- 5.A. Laws, Rules & Regulations
- 5.B. SBA Policies
- 5.C. Investment Policy Guidelines
- 5.D. Contractual Agreements

6. Fraud/Misconduct/Internal Controls Risk

- 6.A. Internal Staff
- 6.B. Service Providers
- 6.C. External Parties

7. Service Provider Risk

- 7.A. Financial Condition
- 7.B. Service Level Quality
- 7.C. Key Personnel
- 7.D. Premature/Unexpected Service Termination

8. Client Relationship Risk

- 8.A. Service Delivery
- 8.B. Education
- 8.C. Communication/Reporting
- 8.D. Allocation of Investment Opportunities

9. Operational Risk

- 9.A. Cash Management
- 9.B. Trade Settlement
- 9.C. Transaction Processing
- 9.C.i. Incoming/Outgoing Wire Processing
- 9.C.ii. Check Processing/Disbursement
- 9.C.iii. Client Deposit/Redemption Processing
- 9.C.iv. Corporate Actions and Income Collections Processing
- 9.D. Asset Reconciliation

9. Operational Risk (cont.)

- 9.E. Accounting and Financial Reporting
- 9.F. Valuation
- 9.G. Performance Measurement
- 9.H. Internal System Reliability/ Electronic Data Integrity Risk
- 9.I. FHCF/DC Program-Specific Risks
- 9.J. Proxy Voting
- 9.K. External Corporate Governance

10. Human Capital Risk

- 10.A. Recruitment and Retention
- 10.B. Training and Development
- 10.C. Key Person/Succession

11. Security Risk

- 11.A. Physical Security
  - 11.A.i. Employee Security
  - 11.A.ii. Facility Security
- 11.B. Network/System Security
- 11.C. Information Security & Records Management

12. Business Continuity / Infrastructure Risk

- 12.A. Facilities
- 12.B. Communication Systems
- 12.C. Data/System Recovery
- 12.D. Process Recovery

13. Legal Risk

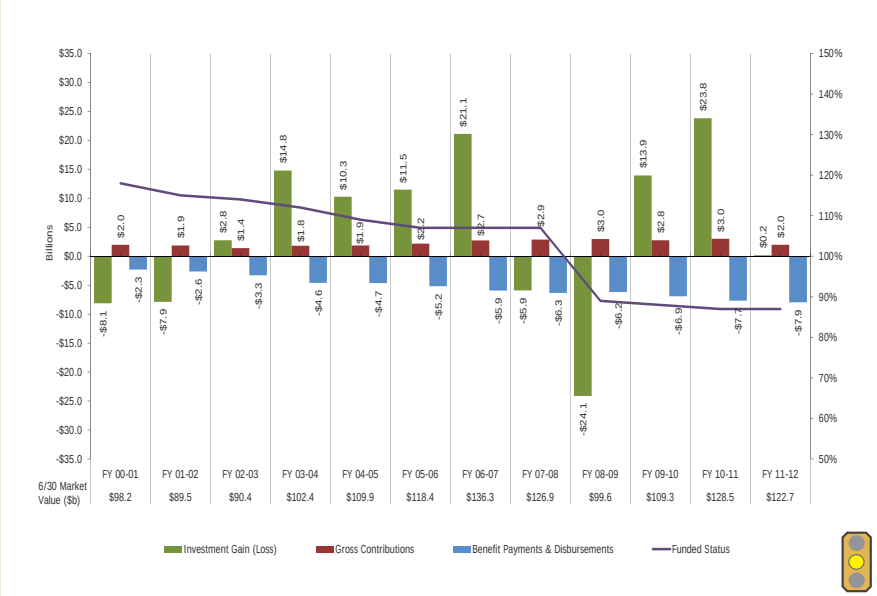
- 13.A. Contract Development

13.B. Legal Advisory

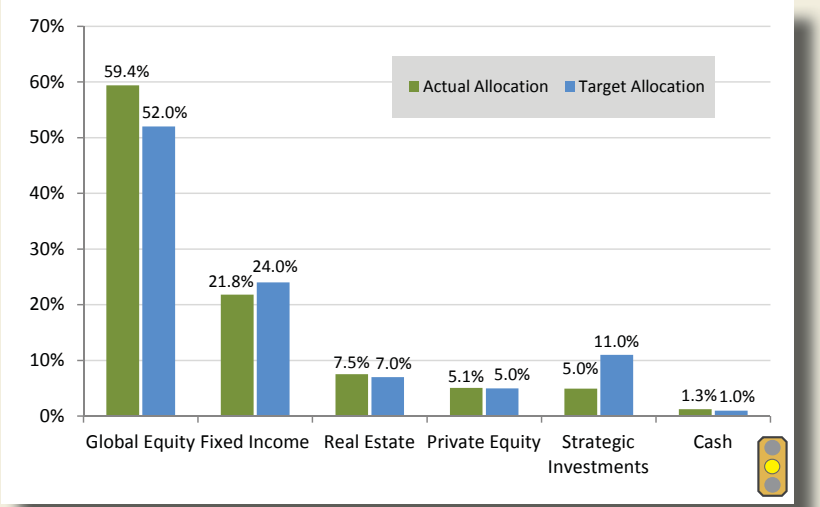
13.C. Litigation

ASSET ALLOCATION AND INVESTMENT PERFORMANCE AS OF JUNE 30, 2013

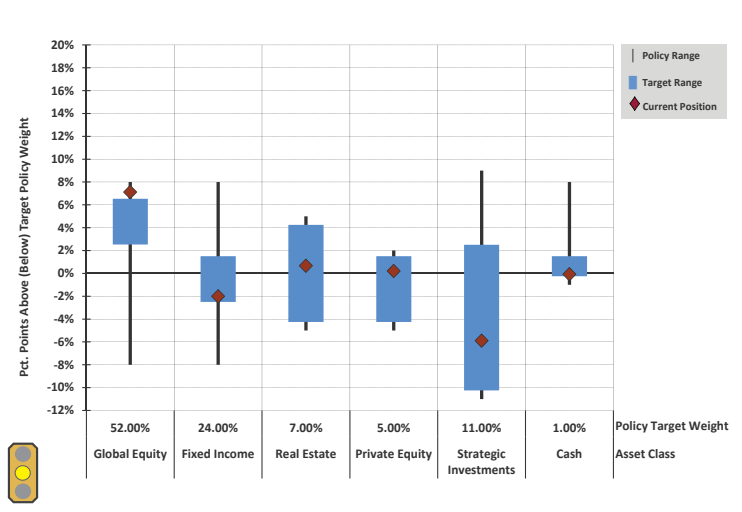
FRS PENSION PLAN CASH FLOWS AND FUNDED STATUS



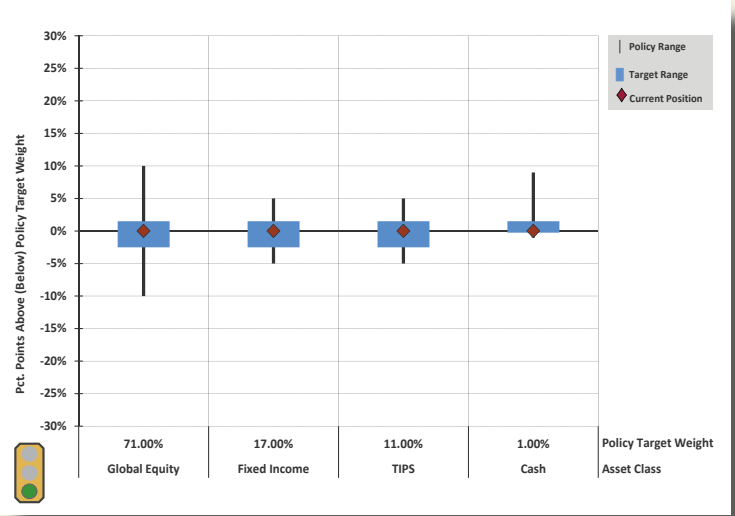
ASSET CLASS ALLOCATION VS. TARGET ALLOCATION UNDER EXPANDED LEGISLATIVE AUTHORITY



FRS ASSET ALLOCATION

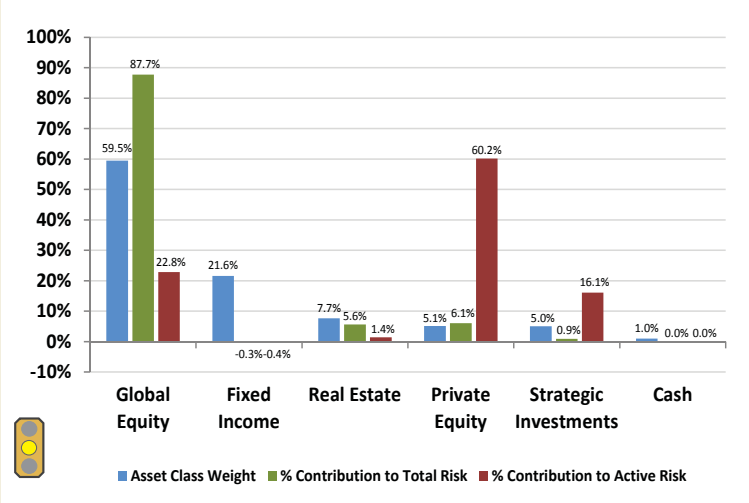


LCEF ASSET ALLOCATION

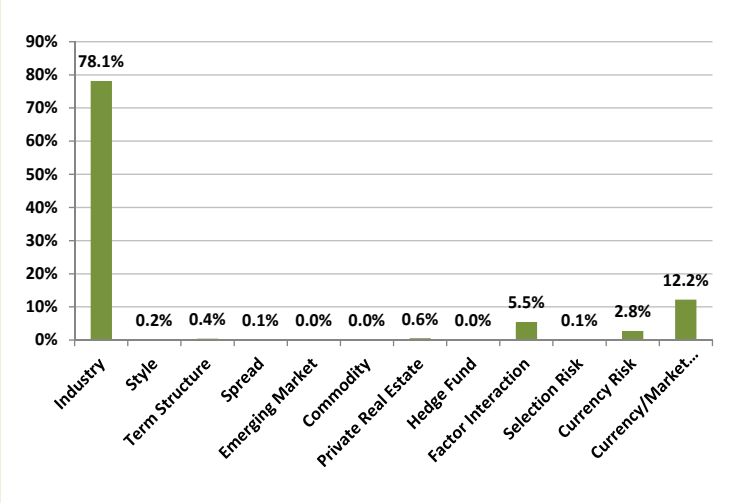


BARRAONE TOTAL FUND RISK MODEL INVESTMENT RISK MEASURES AS OF JUNE 30, 2013

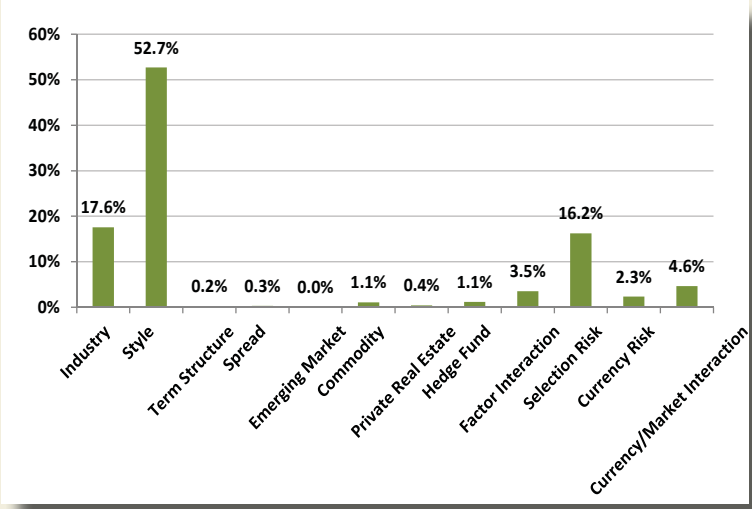
ASSET CLASS ALLOCATION VS. CONTRIBUTION TO PREDICTED TOTAL AND ACTIVE RISK



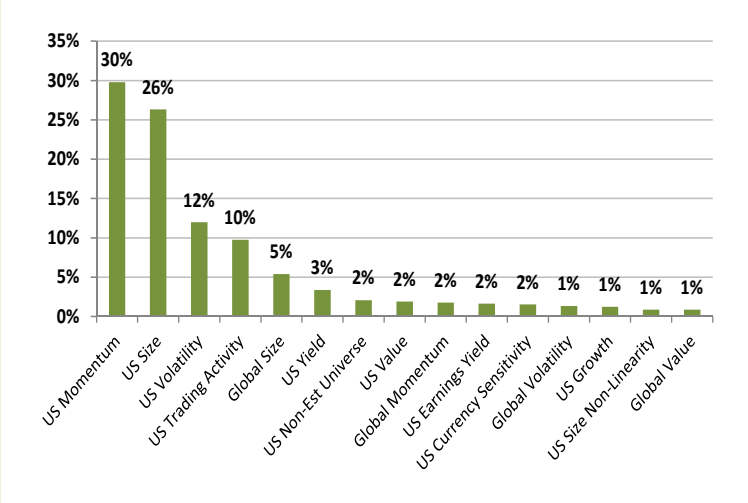
CONTRIBUTION TO TOTAL RISK BY FACTOR DECOMPOSITION



CONTRIBUTION TO ACTIVE RISK BY FACTOR DECOMPOSITION

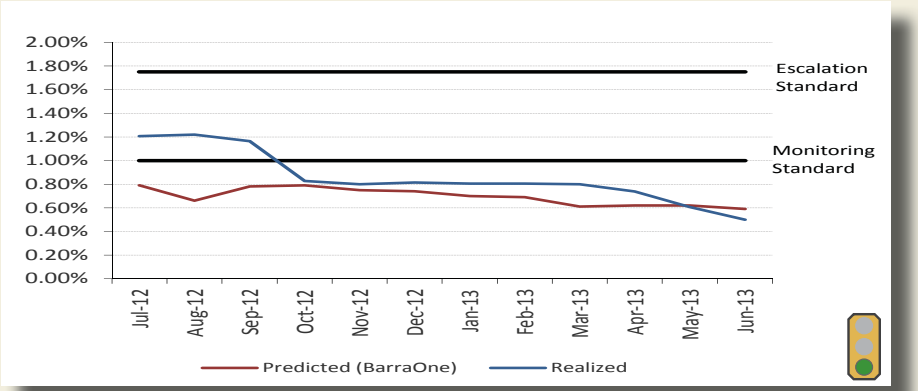


ACTIVE RISK STYLE FACTOR EXPOSURE

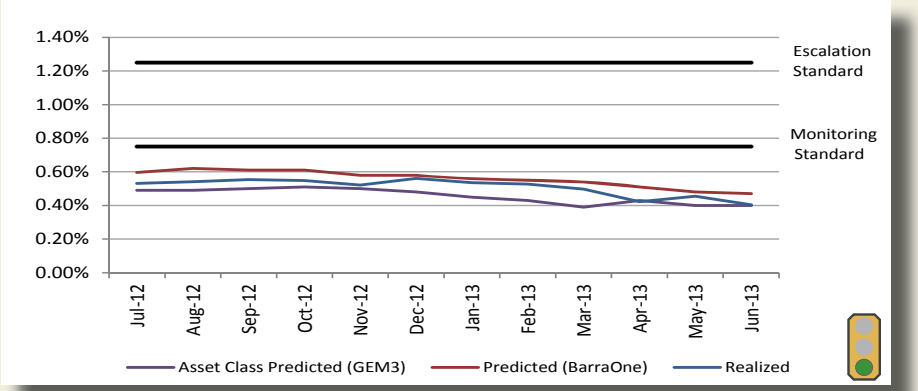


ROLLING 12 MONTH BARRAONE TOTAL FUND RISK MODEL PREDICTED AND REALIZED ACTIVE RISK AS OF JUNE 30, 2013

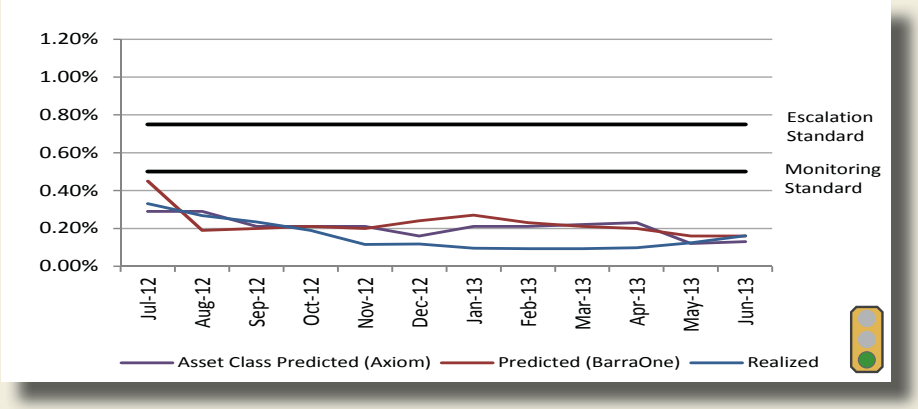
TOTAL FUND ACTIVE RISK



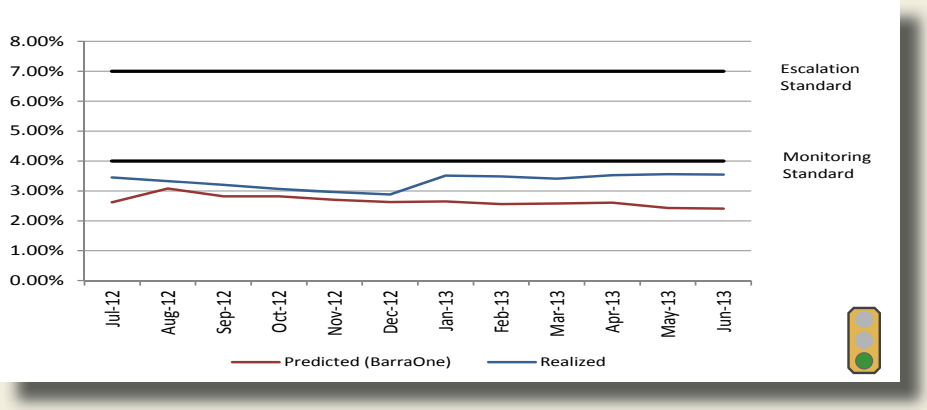
GLOBAL EQUITY ACTIVE RISK



FIXED INCOME ACTIVE RISK

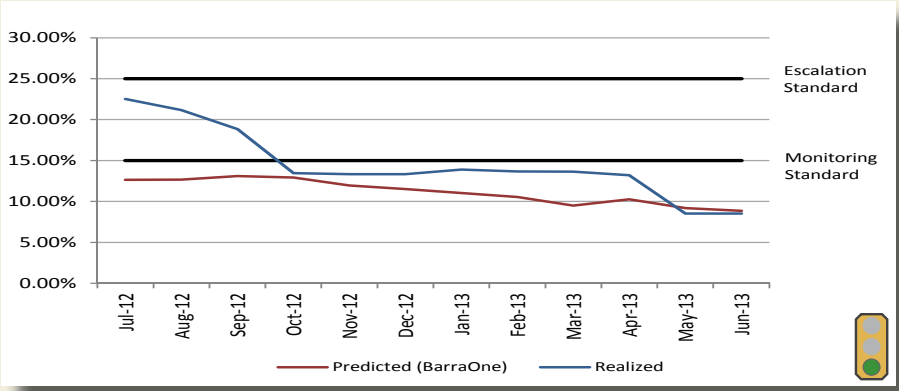


REAL ESTATE ACTIVE RISK

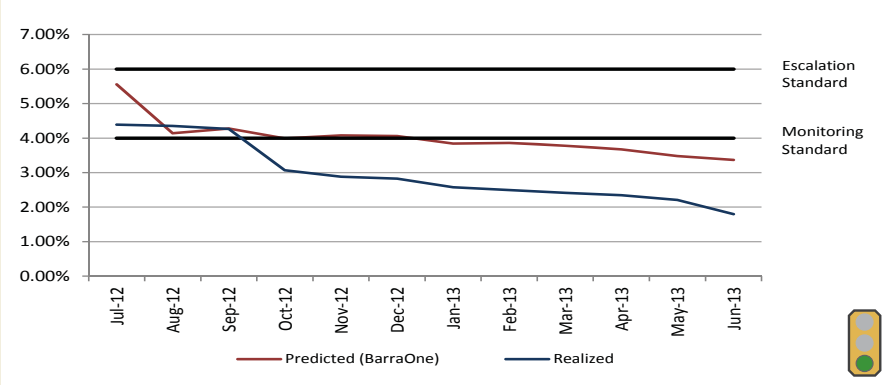


ROLLING 12 MONTH BARRAONE TOTAL FUND RISK MODEL PREDICTED AND REALIZED ACTIVE RISK AS OF JUNE 30, 2013

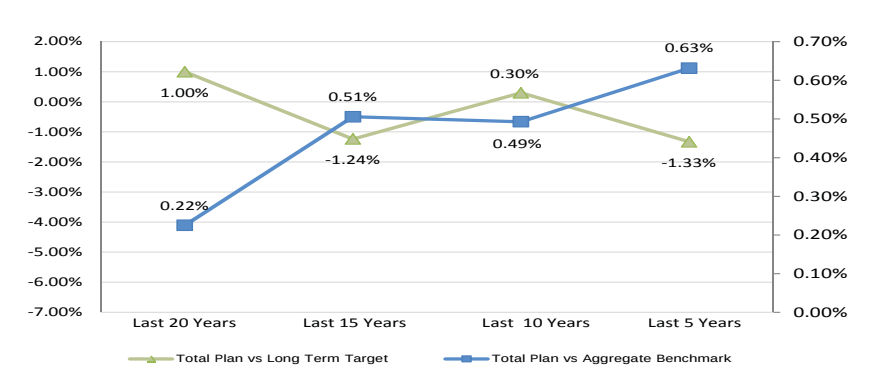
PRIVATE EQUITY ACTIVE RISK



STRATEGIC INVESTMENTS ACTIVE RISK



TOTAL PLAN PERFORMANCE VERSUS LONG TERM TARGET AND AGGREGATE BENCHMARK

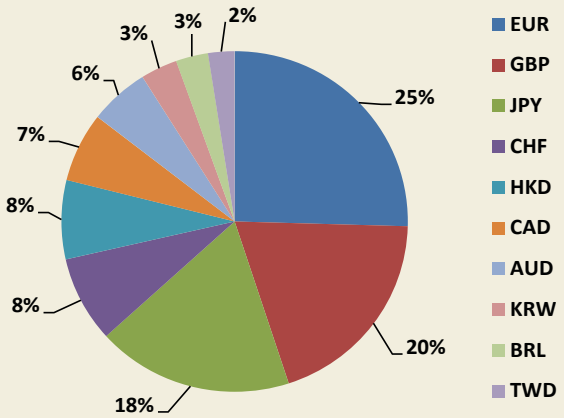


ONE YEAR ASSET CLASS KEY PERFORMANCE AND RISK MEASURES RANKING

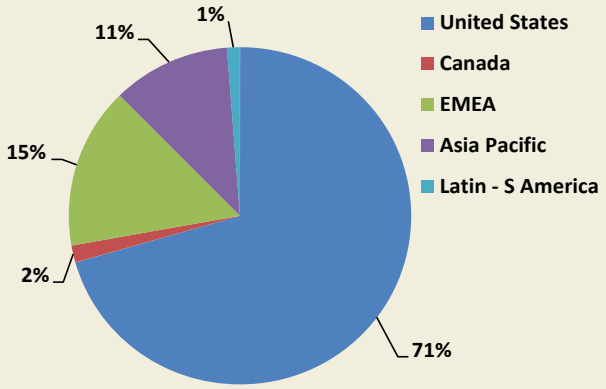
Actual Return	Active Return	Realized Total Risk	Predicted Total Risk	Realized Active Risk	Predicted Active Risk
Global Equity Comp History 18.56%	Strategic Investments 6.30%	Global Equity Comp History 6.88%	Global Equity 17.07%	Private Equity 8.54%	Private Equity 8.85%
Strategic Investments 16.16%	Real Estate 4.80%	Total Fund Asset Allocation 4.75%	Private Equity 16.92%	Real Estate 3.55%	Strategic Investments 3.37%
Real Estate 14.92%	Global Equity Comp History 1.33%	Total Fund 4.51%	Real Estate 12.79%	Strategic Investments 1.80%	Real Estate 2.41%
Total Fund 13.12%	Total Fund 1.11%	Real Estate 4.22%	Total Fund 11.59%	Total Fund 0.50%	Total Fund .59%
Total Fund Asset Allocation 12.09%	Fixed Income 1.07%	Private Equity 3.94%	Fixed Income 3.44%	Global Equity Comp History 0.45%	Global Equity .47%
Private Equity 10.65%	Cash 0.24%	Fixed Income 3.29%	Strategic Investments 3.06%	Fixed Income 0.28%	Fixed Income .16%
Fixed Income 0.38%	Total Fund Asset Allocation 0.08%	Strategic Investments 2.26%	Cash 0.01%	Total Fund Asset Allocation 0.06%	Cash 0.01%
Cash 0.29%	Private Equity -13.81%	Cash 0.01%	Total Fund Asset Allocation NA	Cash 0.01%	Total Fund Asset Allocation NA

CURRENCY EXPOSURE AS OF JUNE 30, 2013 (BARRAONE TOTAL FUND RISK SYSTEM)

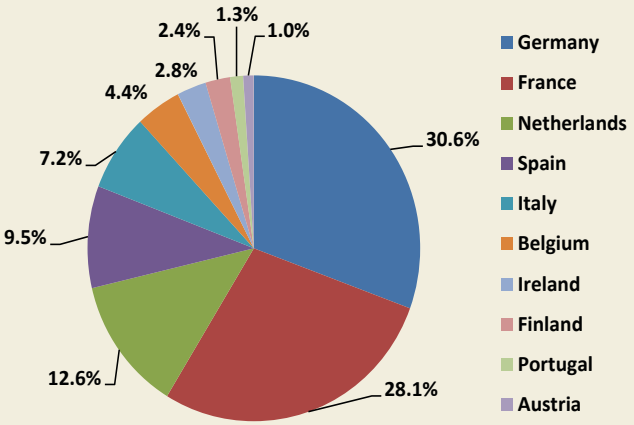
NON DOLLAR CURRENCY EXPOSURE



CURRENCY EXPOSURE BY REGION



EURO BY COUNTRY OF EXPOSURE



FRS PENSION PLAN STRESS TESTING RESULTS AS OF JUNE 30, 2013 (BARRAONE TOTAL FUND RISK SYSTEM)

HISTORICAL SCENARIOS

Scenario	Initial Market Value	
	$130,802,935,915	
	Final Market Value	Value at Risk
1972-1974 Oil Crisis	$98,141,394,635	$32,661,541,280
2001 Dot-com Slowdown	$103,004,566,691	$27,798,369,224
2008 Credit Crisis	$96,409,981,596	$34,392,954,318

See Stress Testing section on page 14 for more information regarding these scenarios

VALUE AT RISK

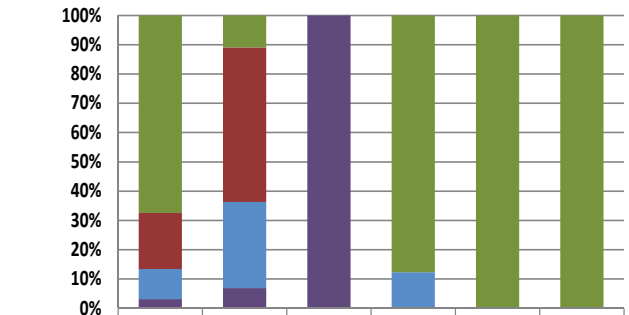
Portfolio	Initial Market Value	
	$130,802,935,915	
	Final Market Value	Value at Risk
84% Confidence (1 Standard Deviation) One Month	$126,589,098,258	$4,213,837,657
84% Confidence (1 Standard Deviation) One Year	$116,541,385,882	$14,261,550,033
95% Confidence (1.64 Standard Deviation) One Month	$123,833,162,446	$6,969,773,469
95% Confidence (1.64 Standard Deviation) One Year	$107,214,041,151	$23,588,894,763

Scenario	Initial Market Value	
	$130,802,935,915	
	Final Market Value	Value at Risk*
1% Interest Rate Increase	$130,918,086,246	-$115,150,331
5% Interest Rate Increase	$131,308,805,094	-$505,869,179

* Negative Value at Risk indicates a predicted gain at the Total Fund Level in the event of an interest rate increase

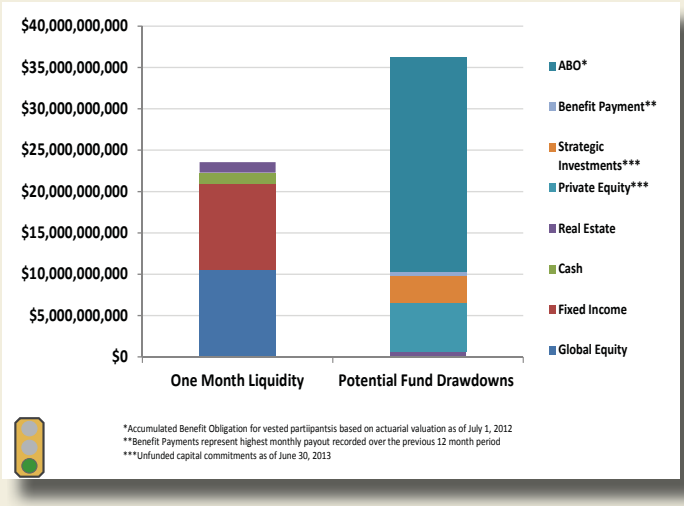
LIQUIDITY MEASURES AS OF JUNE 30, 2013

FRS PENSION PLAN PROJECTED LIQUIDATION TIME FRAME BY ASSET CLASS



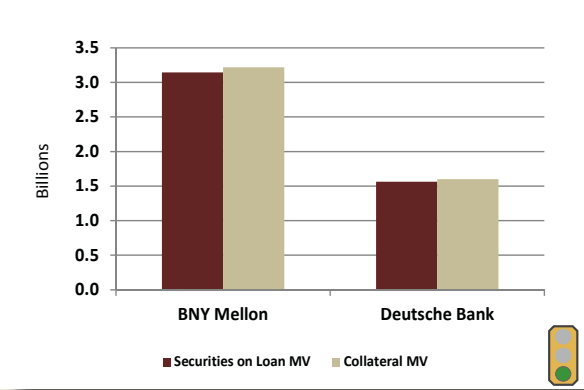
	Global Equity	Fixed Income	Cash	Real Estate	Private Equity	Strategic Investments
One Year or More	52,761,432,742	3,160,012,201		8,897,471,647	6,892,041,617	6,752,566,988
One Quarter	15,000,000,000	15,226,839,970				
One Month	8,000,000,000	8,500,000,000		1,246,071,261		
One Week	2,500,000,000	2,000,000,000	1,296,568,366			

FRS PENSION PLAN PROJECTED ONE MONTH LIQUIDITY VS MAXIMUM POTENTIAL DRAWDOWNS



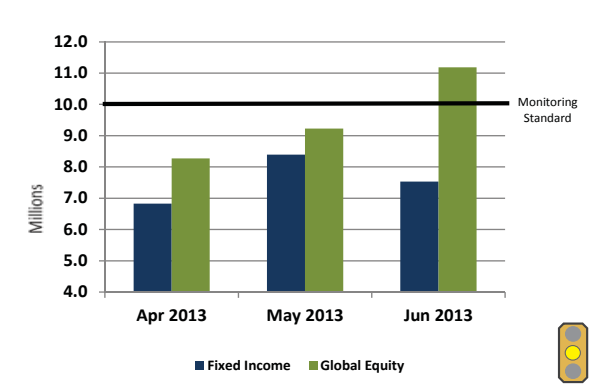
COUNTERPARTY EXPOSURE AS OF JUNE 30, 2013

SECURITIES LENDING COLLATERALIZATION



** No material compliance violations for the quarter

EXCESS FUTURES COLLATERAL



April GE collateral is with UBS
May GE collateral includes both UBS & Barclays
June GE collateral is with Barclays
FI collateral is with Barclays for each month

TOP EXPOSURES

Class B

Long Exposure by Market Value (Millions)

JP Morgan	17.7
Toronto Dominion	3.4
Credit Suisse	3.0
BNY Mellon	.6

Class D

Long Exposure by Market Value (Millions)

Goldman Sachs	.3
Citi Group	.3

Long Exposure by Notional Amounts (Millions)

Barclays	107.5
Goldman Sachs	52.0
Citi Group	7.5

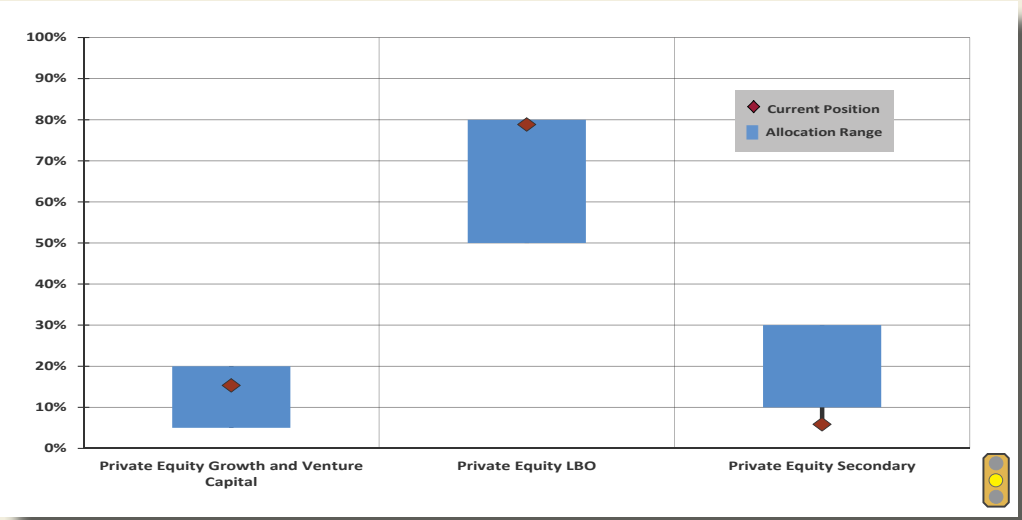
For the quarter ending June 30, 2013:

Trading Counterparty Management:

- Asset Class trading volumes within monitoring standards
- Global Equity quarterly trade cost analysis performed and reviewed on 6/27/13

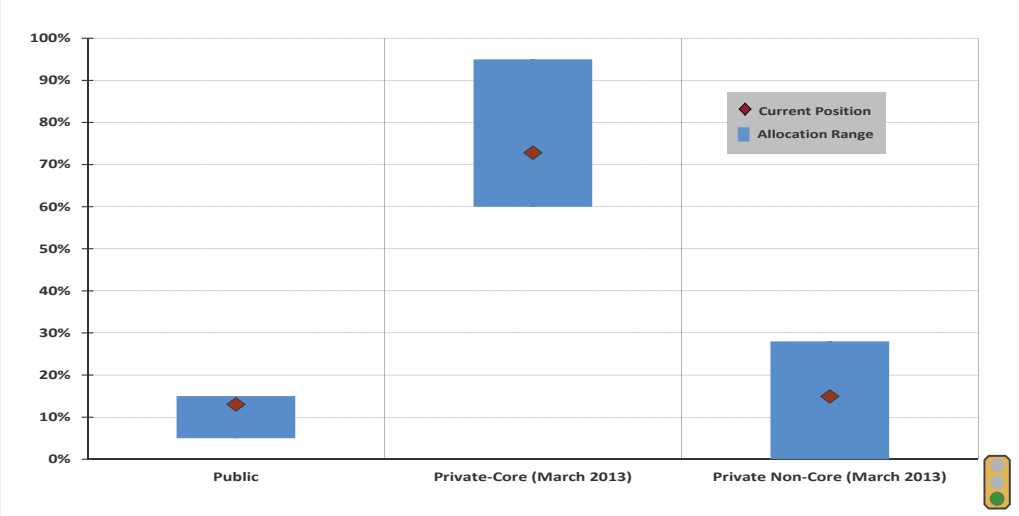
For the quarter ending June 30, 2013:

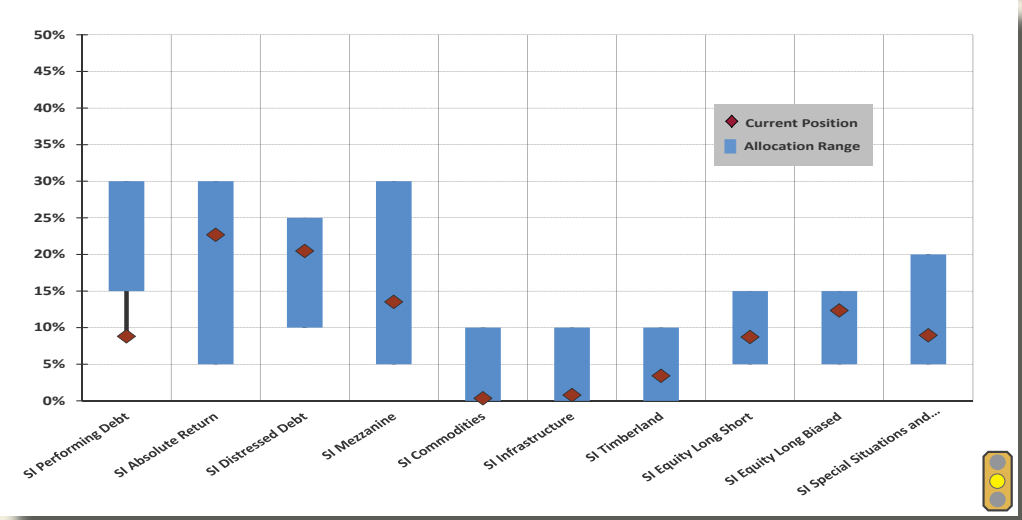
- Rebalancing and Liquidity Assessments
  - All funds currently within policy operating ranges
- Risk Budget
  - Aggregate active investment risks (sources, levels and trends) reviewed by Senior Investment Group (as of 5/31/13)
- Leverage Usage
  - Reviewed direct-owned real estate loan-to-value exposures as of 3/31/13 - within investment portfolio guidelines
- Derivative Instruments Usage
  - Reviewed counterparty risk exposures - within historically normal ranges



PRIVATE EQUITY
INTRA-ASSET ALLOCATION RANGES
AS OF JUNE 30, 2013

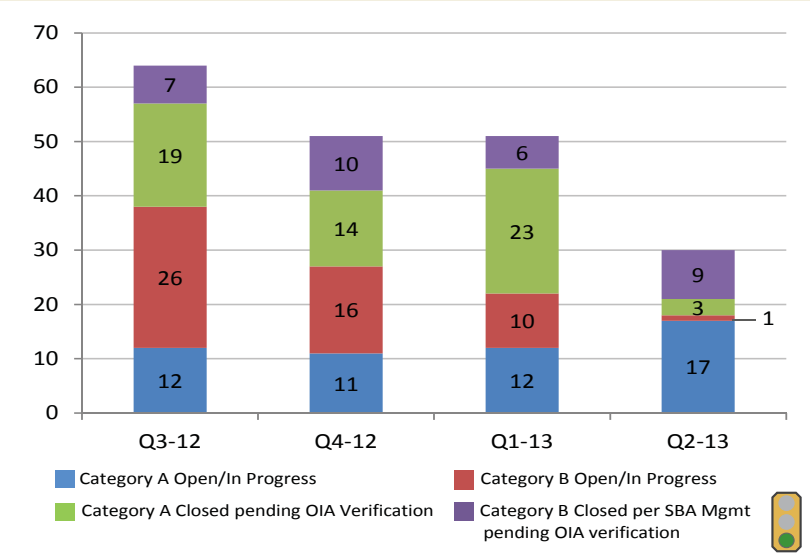
REAL ESTATE
INTRA-ASSET ALLOCATION RANGES
AS OF JUNE 30, 2013





STRATEGIC INVESTMENTS
INTRA-ASSET ALLOCATION RANGES
AS OF JUNE 30, 2013

AUDIT (CATEGORY A) AND CONSULTANT (CATEGORY B) RECOMMENDATIONS FY TO 6/30/13

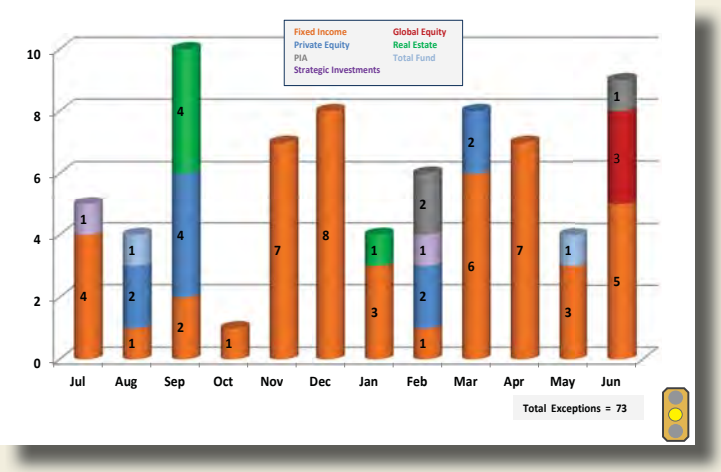


For the quarter ending June 30, 2013:

- All Conflict of Interest Certifications executed
- All Governance and Oversight meetings held as required during the quarter with the following exception:
  - Total Fund did not meet during the quarter (no issues to discuss)

COMPLIANCE EXCEPTIONS

COMPLIANCE EXCEPTIONS BY ASSET CLASS FY TO 6/30/13



Internal Trading Policy

- Eight exceptions reported to the Fixed Income Investment Oversight Group during the quarter - all exceptions addressed
- Three exceptions reported to the Global Equity Investment Oversight Group during the quarter - all exceptions addressed

Investment Portfolio Guidelines Compliance

- FRS: Global Equity and REIT Portfolios - No material compliance violations through 6/30/13
- Fixed Income & High Yield Portfolios - No material compliance violations through 6/30/13
- Private Market Asset Classes - No material compliance violations as of 3/31/13 (one quarter lag)

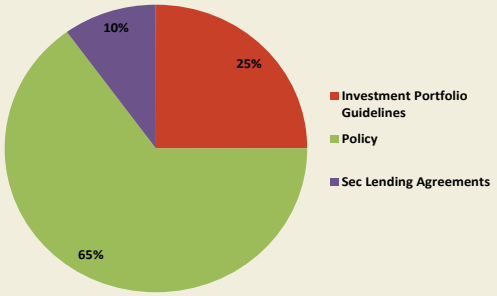
Other Non-FRS Mandates/Trust Funds

- No material violations through 6/30/13

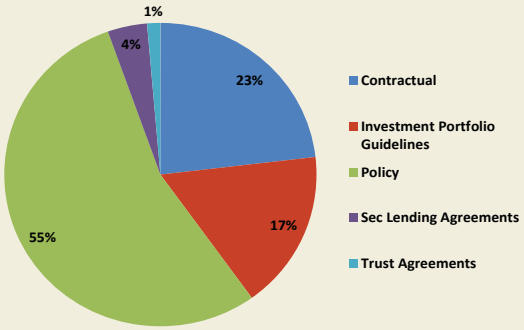
COMPLIANCE RISK

COMPLIANCE EXCEPTIONS CONT.

COMPLIANCE EXCEPTIONS BY CATEGORY
FOR QUARTER ENDING 6/30/13



COMPLIANCE EXCEPTIONS BY CATEGORY
FY 2012-13



For the quarter ending June 30, 2013:

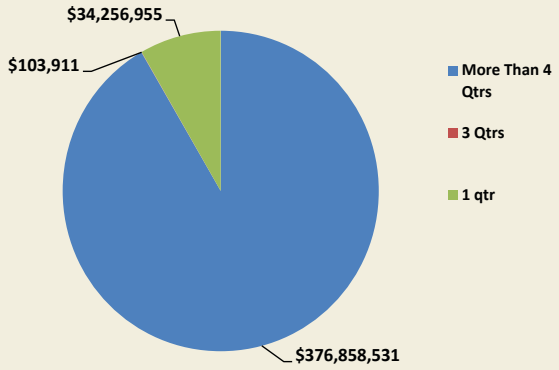
- Chapter 215.47, F.S. - Investments:
  - All investments statutorily permitted and within statutory limits with the following exception:
    - LCEF 215.47(20), foreign securities were 36.28% which exceeded the 35% limitation
- Protecting Florida's Investment Act Compliance (Iran/Sudan):
  - No violations reported (latest quarterly report approved by Trustees on 6/25/13)
- SEC Form 13F - Institutional investment managers that have discretion over $100 million in Section 13(f) securities:
  - All securities reported to the SEC
- FINRA rule 2111 - Institutional Suitability Certificate:
  - Five Institutional Suitability Certficates were filed during the quarter (Dealogic certifying account exercises independent judgement)
- External Investment Manager and Private Acquisition:
  - Checklists completed for all new managers and funds
  - Placement Agent Disclosures received and reviewed
- FRS Pension Plan
  - Asset Allocation within specified ranges
- Lawton Chiles Endowment Fund
  - Asset Allocation within specified ranges
- Florida PRIME
  - Portfolio securities and transactions in compliance with Investment Policy Statement
  - Federated conducted monthly stress tests - results reported to the Investment Oversight Group on 7/29/13
  - Daily NAV and other high risk ranked parameters independently verified and in compliance

FRAUD/MISCONDUCT/INTERNAL CONTROLS RISK

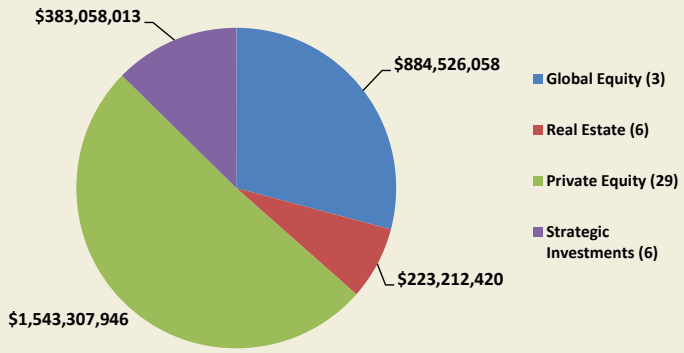
For the quarter ending June 30, 2013:

- Insider Trading - No violations reported
- Personal Investment Activity Policy - 1 minor violation during the quarter; CRCO sent cautionary email to employee.
- No Fraud Hotline calls this quarter
- One active investigation this quarter per Inspector General (minor in nature); resolved

AGING OF FRS PENSION PLAN WATCHLIST ASSETS



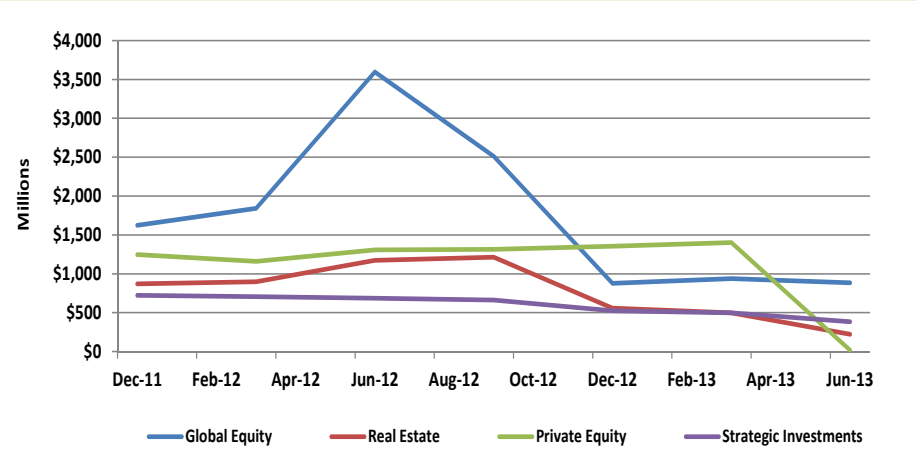
CURRENT ALLOCATION OF FRS PENSION PLAN WATCHLIST ASSETS



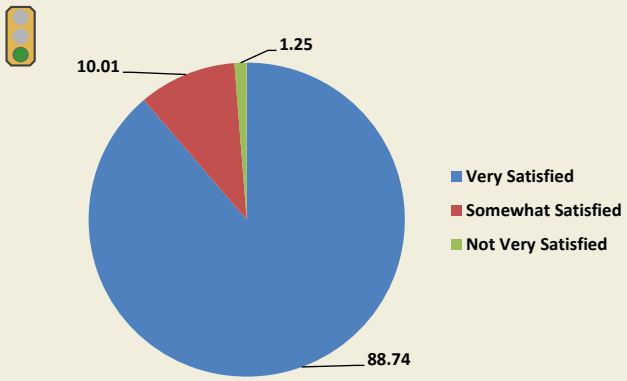
For the quarter ending June 30, 2013:

- Defined Contribution Investment Plan Education, Investment Plan Administrator and Bundled Provider requirements in compliance.

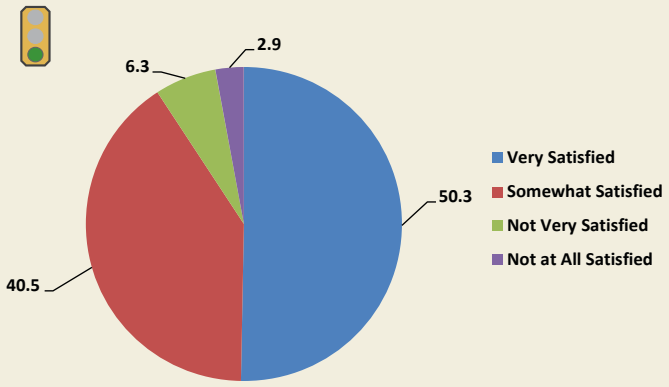
FRS PENSION PLAN WATCHLIST ASSETS



FL PRIME QUALITY OF SERVICE SURVEY RESPONSE AS OF MAY 2013



FRS INVESTMENT PLAN QUALITY OF SERVICE SURVEY RESPONSE AS OF DECEMBER 2012

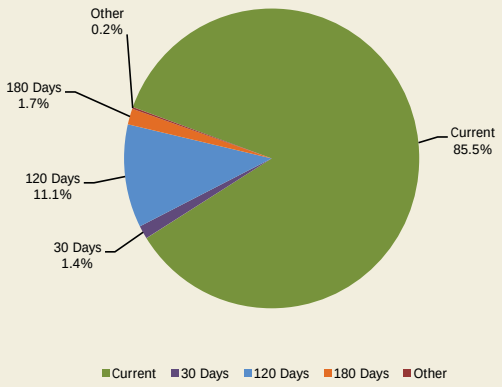


OPERATIONAL RISK

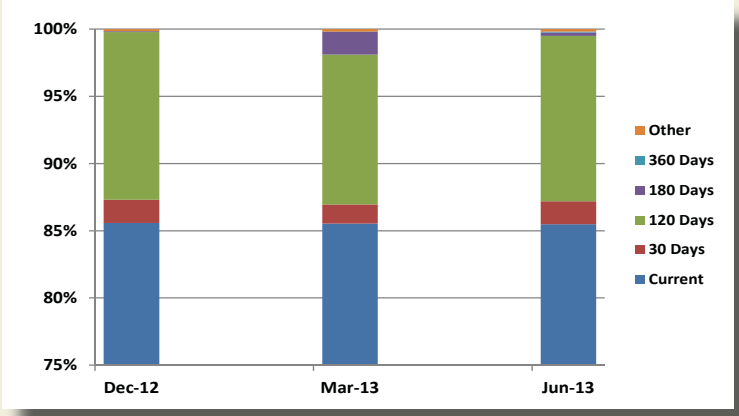
For the quarter ending June 30, 2013:

- Investment Valuation
  - All direct-owned real estate properties externally appraised within last 12 months (unless newly acquired, in foreclosure, or in the process of being sold)
- Performance Measurement
  - All calculations performed in compliance with policy

FRS PENSION PLAN ASSET VALUATION
CURRENT AGING

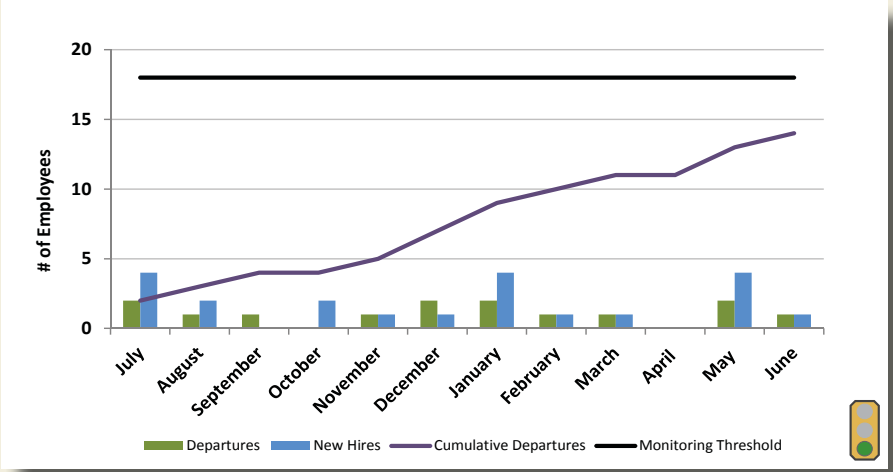


FRS PENSION PLAN ASSET VALUATION
AGING BY QUARTER

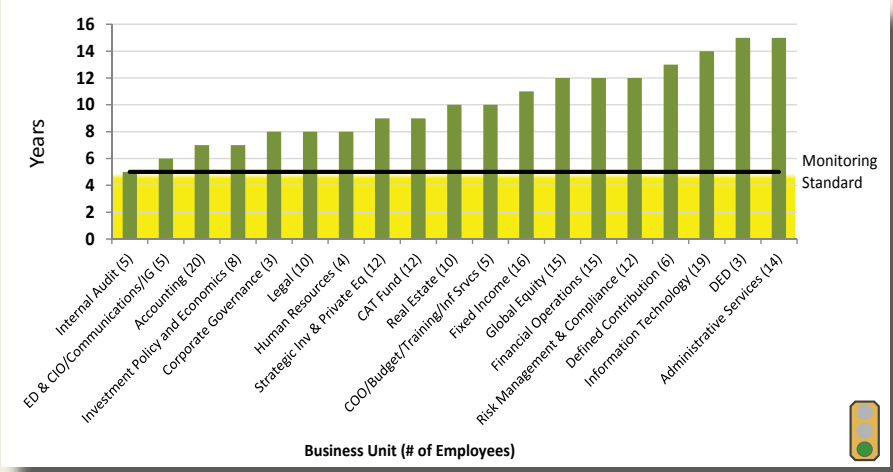


HUMAN CAPITAL RISK

HIRING ACTIVITY
FISCAL YEAR TO DATE

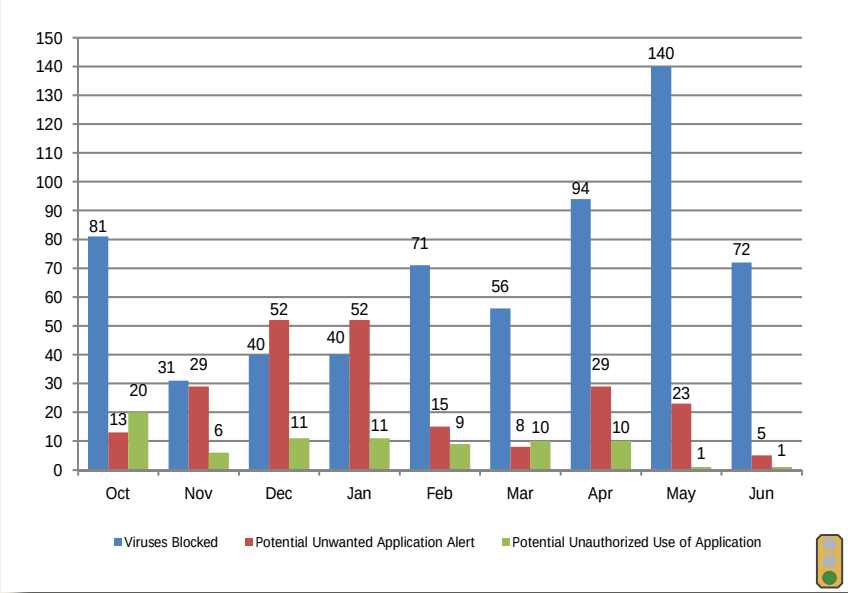


AVERAGE YEARS OF SBA
SERVICE BY BUSINESS UNIT
AS OF JUNE 30, 2013

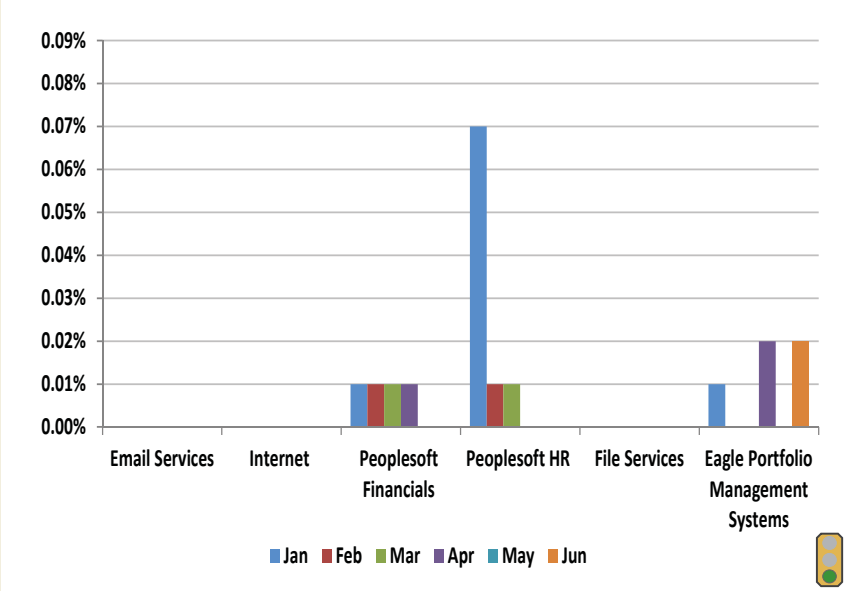


INFORMATION TECHNOLOGY/SECURITY

WORKSTATION SECURITY EVENTS AND ALERTS



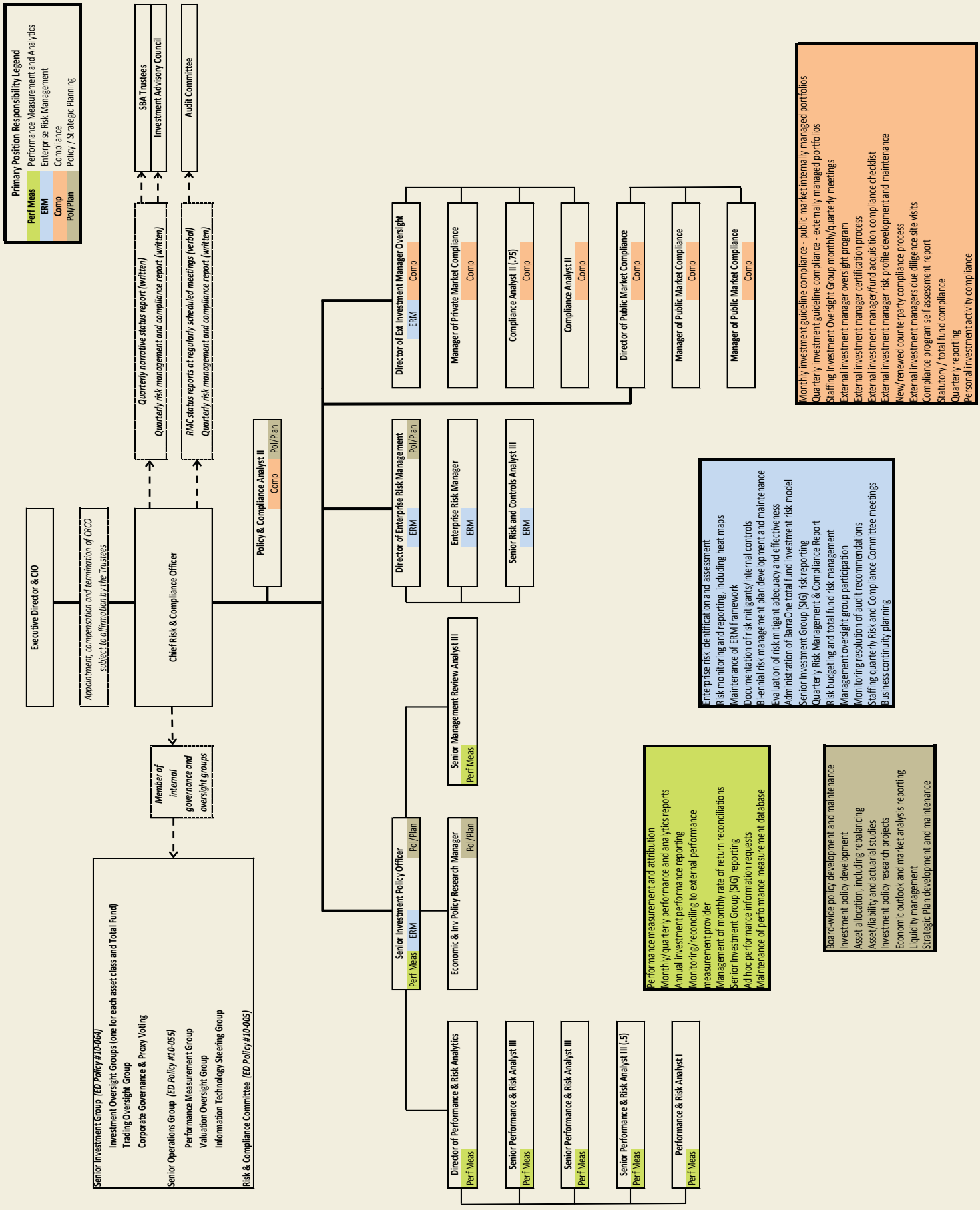
CRITICAL SYSTEM DOWNTIME



KEY NEAR TERM PROJECTS

- Finalize Strategic Plan
- Finalize Business Continuity policy
- Finalize revision to Internal Trading and Trading Counterparty Management policies
- OMGEO Upgrade for Trade Settlement Processing
- Expand Disaster Recovery Testing
- Implementation of Foreign Currency Overlay Program
- Prepare for Centralized Clearing of OTC Derivatives
- Evaluate Solutions for Contract Management System
- Business Model Review of Real Estate Principle Investments Portfolio

RMC ORGANIZATIONAL STRUCTURE



GLOSSARY

Actual Return - the portfolio performance return actually earned

Active Return - actual portfolio return minus the benchmark return

Class B Exposure - securities with contractual settlement dates more than 5 business days after trade date

Class D Exposure - over the counter derivative transactions, including credit default swaps, interest rate swaps, total return swaps and combinations thereof

Funded Status - comparison of the FRS Pension Plan projected assets to its liabilities

Long Term Target - FRS Pension Plan performance target which is calculated by adding the monthly percentage change in the Consumer Price Index to the real return rate of 5%

Realized Total Risk - standard deviation of actual returns

Realized Active Risk - standard deviation of active returns

Total Fund Aggregate Benchmark - sum of the products of asset class target benchmarks at their respective asset class weights

Watch List - defines the qualitative and quantitative conditions that will cause the SBA to formally evaulate the continued retention of an Investment Manager

BARRA ONE

Currency Risk - risk arising from holdings in assets that are denominated in currencies other than the numeraire currency; a measure of exchange rates and short-term interest rates

Currency/Market Interaction - the correlation between local market and currency bets; a measure of diversification

Emerging Market - spread associated with bonds issued in an external currency by an emerging market sovereign or by a company domiciled in an emerging market country

Factor Interaction - the measure of covariance among risk factors

Hedge Fund - a measure of risk correlated to characteristics of certain hedge fund styles

Industry - risk due to exposure to specific industries and countries

Momentum - sustained relative performance and its effect on risk

Private Real Estate - risk attributable to property type and location factors

Predicted Total Risk - asset class active exposure multiplied by the volatility and correlation

Risk Factors - a characteristic shared by a group of securities that influences the volatility of returns which is used to determine correlations between assets

Selection Risk - risk that is specific to an asset and is uncorrelated (or negligibly correlated) with the risks of other assets; non-factor component of risk

Size - systematic return and risk differences between large-cap and small-cap stocks

Spread - risk due to exposure to spread movements, a risk factor that captures typical movements in term structure spreads

Style - risk factor that characterizes equity's fundamental or market-based characteristics such as Size, Value, Momentum and Volatility

Term Structure - risk due to exposure to term structure movements

Trading Activity - measures the relative activity of a firm's shares in the market

Value - distinguishes between value stocks and growth stocks using the ratio of book-value of equity to market capitalization

Volatility - captures security price changes using measures of standard deviation over long term historical periods and high-low cumulative range of prices over the last 12 months

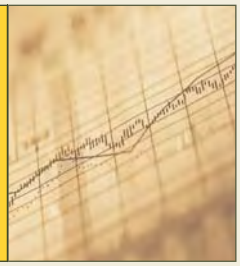
STRESS TESTING SCENARIOS

BarraOne stress testing scenarios are constructed by applying schocks to equity prices, interest rates, foreign exchange rates, credit spreads and commodity prices that mimic actual movements during the period covered by the chosen scenario or constructed based on possible outcomes in the event that a hypothetical event were to actually take place.

OIL CRISIS

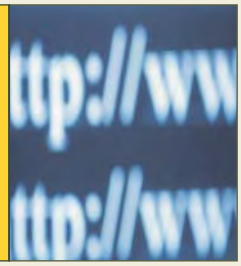
The Oil Crisis scenario is based on market conditions experienced during December 1972 - September 1974. The shocks applied in this scenario are a 26% average decrease in global stocks, 263% average increase in copper, silver and crude oil, and an increase in near term US Treasury interest rates

2008 CREDIT CRISIS



The 2008 Credit Crisis scenario is based on actual market conditions during September 2008 - November 2008. The shocks applied are a 35% decrease in equity prices, 11% decrease in foreign exchange rates, 33% commodity price decline, a widening of credit spreads of 121 basis points and a decrease in short term and long term interest rates.

2001 DOT-COM SLOWDOWN



The Dot-com slowdown scenario is based on actual market conditions during March 2001 - October 2002. The shocks applied are an average decrease in global equity prices of 19.82%, a decline in foreign exchange rates of 6.64%, a decrease in commodity prices of 3.85%, 290 basis point increase in credit spreads and a 5% decrease in near term US Treasury interest rates while longer term rates are not subject to a material change.

State Board of Administration
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Tallahassee, FL 32308
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Risk Management and Compliance Program Self-Assessment

FY 2012 - 2013

SBA FLORIDA

CONTENTS

FEATURES

01 Executive Summary

02 Self-Assessment Approach

05 Enterprise Risk Management Program Overview

10 Compliance Program Overview

33 2012-13 SBA Satisfaction Surveys

35 Inspector General Update

APPENDICES

SBA Enterprise Risk Management Framework (as of 9/30/12)

Risk Assessment Scale Definitions

Risk Ownership and Residual Risk Ranking (as of 3/31/13)1

Residual Risk Assessment - Heat Maps (as of 3/31/13)

EXECUTIVE SUMMARY

Risk management and compliance is an essential component of the State Board of Administration and it supports the SBA's efforts to effectively manage and mitigate risks. This report provides a high level overview and self-assessment of the SBA's Risk Management and Compliance (RMC) unit and its activities. The report covers the findings and accomplishments of the RMC unit for the 12-month period ended June 30, 2013 (the "period").

SBA Senior Management has proactively promoted a culture of risk management and compliance through the governance structure, budgetary resources, policies, and associated training and awareness. Management is committed to ethical practices and to serving the best interests of the SBA's clients. The SBA's mission statement further supports this culture: *"To provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary and professional standards."*

Background

In August 2008, the SBA engaged Deloitte & Touche LLP (Deloitte) to undertake an assessment of the SBA's compliance program and related control, monitoring, and oversight activities. Deloitte subsequently developed high level compliance recommendations for the SBA to consider. As a follow-up, in 2009, the SBA engaged Deloitte to develop an implementation plan for enhancing the SBA's governance structure and compliance functions. The SBA formalized the compliance program with the creation of the Risk Management and Compliane unit and the recruitment of a Chief Risk and Compliance Officer (CRCO) in December 2009.

The initial compliance self-assessment was completed in July 2012. An external assessment will be performed for FY 2013-14.

In August 2011, based on a request from the SBA Trustees, the SBA engaged Crowe Horwath LLP (Crowe) to evaluate the compliance program and its alignment to risk management processes within the SBA. As part of this engagement, the SBA requested Crowe to evaluate the progress made by the SBA relative to both reports developed by Deloitte. During Crowe's evaluation, a recommendation was put forth consistent with Deloitte's recommendation that the CRCO assess the Compliance Program on an annual basis.

The CRCO's response to the recommendation was to perform a self-assessment annually for two consecutive years, and have an external assessment performed every three years in conjunction with the Audit Committee's evaluation of risk management, compliance and internal audit functions.

SELF-ASSESSMENT APPROACH

- Documented Risk Management and Compliance Activities
- Gathered performance metrics

- Sent out Risk Management and Compliance surveys
- Confirmed observations
- Performed assessment

- Drafted report
- Published and distributed final report

RISK MANAGEMENT AND COMPLIANCE TEAM

The SBA's Chief Risk and Compliance Officer (CRCO) oversees all aspects of risk and compliance (investment and regulatory), managing a team of 11 people. The CRCO and his directors have an average of 20 years of industry experience (see information on facing page).

All SBA finance professionals are assigned 10 mandatory training hours per year from a curriculum of advanced finance and investment courses offered by eLearning provider, Intuition. In 2012, RMC implemented a core competency curriculum for all new RMC staff in addition to the mandatory training. Using the Intuition eLearning course modules, new RMC staff complete over 40 hours of training via 37 Intuition courses in their first year. These courses cover a broad range of topics pertinent to the SBA (e.g., financial markets, investment management, risk management, operational and regulatory issues). The curriculum provides new RMC staff with a foundation in critical concepts relevant to the many responsibilities of the SBA.

On February 9, 2012, the role of the CRCO was codified through Investment Policy Statements approved by the Trustees to reflect the following:

"The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions".

The following personnel changes occured during the year:

Senior Risk & Control Analyst III	New Hire	July 2012	Previously employed as Financial Administrator with the Office of Financial Regulation
Manager of Private/Public Market Compliance	Vacated	September 2012	Left for position external to SBA
Manager of Public Market Compliance	New Hire	October 2012	Previously employed as Senior Treasury Operations Specialist III with SBA
Compliance Analyst I*	Vacated	January 2013	Left for position external to SBA

* The Compliance Analyst I position was transferred to Investment Policy & Economics

State Board of Administration (SBA)

Risk Management and Compliance Staff

Eric Nelson
Chief Risk & Compliance Officer
BS Accounting
CFA, CPA, FRM
Tenure at SBA: 29 yrs
Tenure in Current Position: 3.5 yrs

Jennifer Barrett
Policy and Compliance Analyst II
BS Psychology
Tenure at SBA: 16 yrs
Tenure in Current Position: 3.5 yrs

Belinda Dixon
Director of External Investment Manager Oversight
BS Accounting
CPA, CFE, CIDA, CRMA, CGMA
Tenure at SBA: 4 yrs
Tenure in Current Position: 1.5 yrs

Karen Chandler
Director of Enterprise Risk Management
BS Finance and Economics
CFA, FRM
Tenure at SBA: 19 yrs
Tenure in Current Position: 1.75 yrs

Sheilah Smith
Director of Public Market Compliance
BS Finance
Tenure at SBA: 28.5 years
Tenure in Current Position: 5.25 yrs

Long Yang
Manager of Private Market Compliance
BA English, MA ESL
MBA
CFA, CAIA
Tenure at SBA: 7 yrs
Tenure in Current Position: 3 yrs

Nitin Verma
Compliance Analyst II
BS Accounting
CFE
Tenure at SBA: 2.25 yrs
Tenure in Current Position: 1 yr

Karen Minno
Compliance Analyst II (3/4 time)
BS Finance
Tenure at SBA: 4 yrs
Tenure in Current Position: 3 yrs

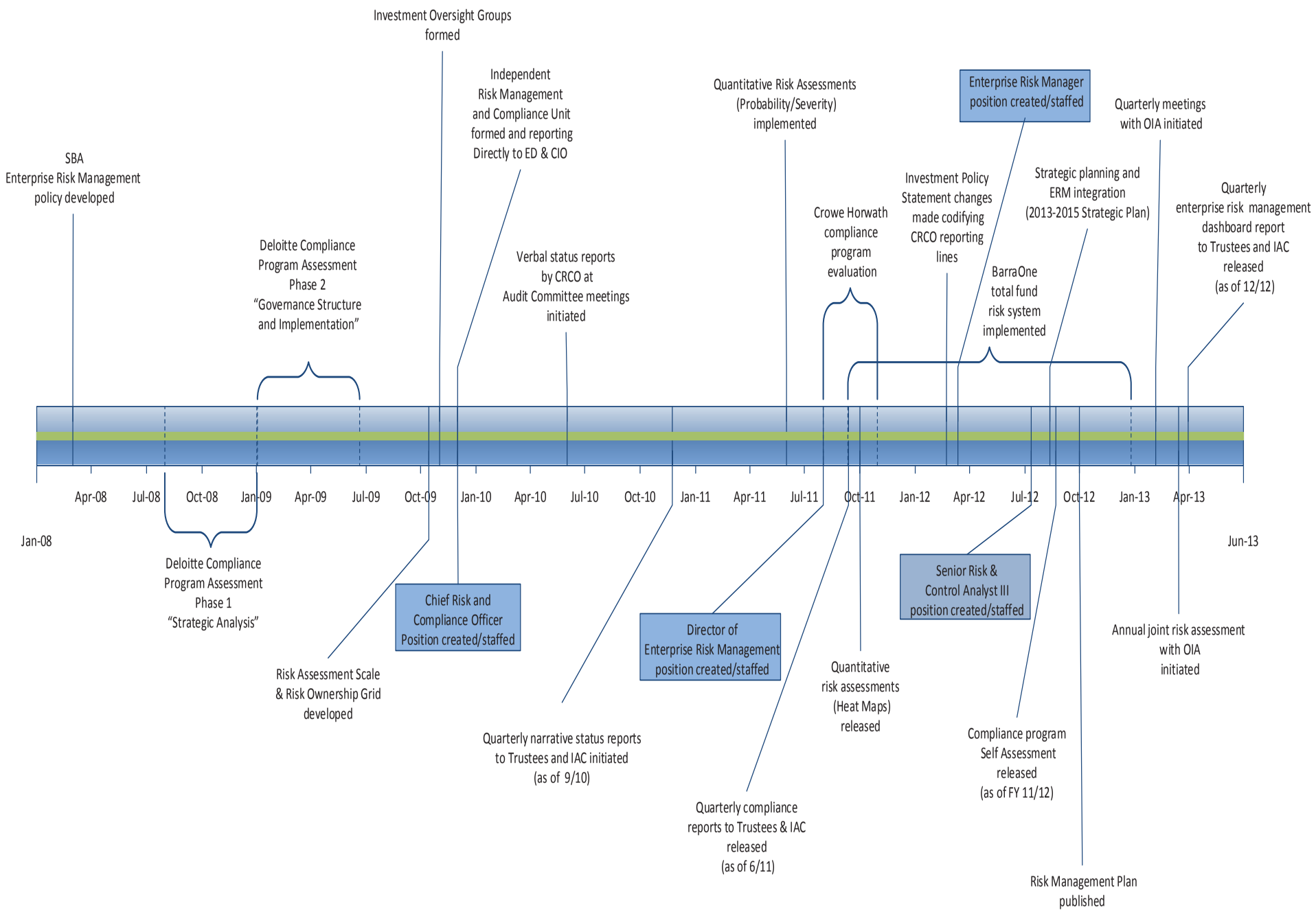
Angela Millard
Enterprise Risk Manager
BS Economics
Tenure at SBA: 7 yrs
Tenure in Current Position:1.25 yrs

Bridget Dervish
Senior Risk & Control Analyst III
BS Finance, BS Multinational Business
MBA
Tenure at SBA: 1 yr
Tenure in Current Position: 1 yr

Lisa Collins
Manager of Public Market Compliance
AA
Tenure at SBA: 26 yrs
Tenure in Current Position: 3.5 yrs

Mykel Kenton
Manager of Public Market Compliance
BS Finance
Tenure at SBA: 8.5 yrs
Tenure in Current Position: 9 months

EVOLUTION OF SBA ENTERPRISE RISK MANAGEMENT FUNCTION



As of 8-15-2013

ENTERPRISE RISK MANAGEMENT PROGRAM OVERVIEW

The goal of Enterprise Risk Management (ERM) is to provide an integrated and consistent framework to identify, assess, monitor, and ultimately manage risk in support of the SBA's mission to provide superior investment management and trust services.

Industry recognition of the need for an integrated risk management approach has increased as a result of high-profile business failures, accounting fraud, and the Global Financial Crisis. In 2008, the SBA developed its first Enterprise Risk Management policy, detailing the integrated framework by which risk would be managed at the SBA. The creation of a separate Risk Management and Compliance unit, led by an independent Chief Risk and Compliance Officer, soon followed. In August 2011, with the Compliance program firmly in place, efforts turned to further expanding the Enterprise Risk Management program. The Director of Enterprise Risk Management (DERM) position was created and staffed, followed by two additional team members, an Enterprise Risk Manager, and Senior Risk and Control Analyst III.

On at least a biennial basis, RMC prepares a Risk Management Plan that includes the identification of enterprise-wide and business unit risks, the assessment of the likelihood and severity of these risks, and any planned mitigation strategies. The SBA FY2012-2013 Risk Management Plan was published in September 2012.

Implementation

Successful enterprise risk management depends on risk awareness and input at all levels of the organization. Risk management at the SBA is facilitated through cooperative efforts between ERM staff and business units. SBA business unit heads are in a unique position to identify, assess, and monitor the risks within their respective units. In executing their job duties, risk management is also the responsibility of each employee at the SBA.

The role of ERM is to support these business unit efforts as well as consolidate risk identification, assessment, and mitigation efforts at the enterprise level. Enterprise-wide risks are then communicated to senior management through published materials and quarterly meetings of the Risk and Compliance Committee.

The process of risk identification and assessment is achieved through several information gathering exercises. The three primary components of the ERM program which help inform risk awareness are the total fund risk model, business unit risk assessment, and documentation of internal controls.

Total Fund Risk Model

ERM began the implementation of the BarraOne total fund risk model (TFRM) in September 2011. The TFRM was implemented as part of a larger effort to institutionalize more robust risk management practices, specifically surrounding identification of sources and uses of investment risk. The TFRM allows SBA senior management to measure and monitor investment exposure, volatility, and correlation across portfolios.

Risk is expressed in the model as annualized standard deviation of return. A total portfolio risk of 10, for example, means that the portfolio has a two-thirds chance of falling within 10% of its expected return over the next year (assuming that returns are normally distributed). Portfolio Risk is the *ex ante* volatility derived from the model and is based on asset weights. At the top level, the report divides total risk into three main sources: Local Market Risk, Currency Risk, and Currency/Market Interaction.

The TFRM is a multi-asset class model for forecasting the asset and portfolio level risk of global equities, bonds, private market assets and currencies. The model is built upon a foundation of factor models of local markets. By modeling each market individually, the model provides forecasts of local market risk and enables investors to see their exposures to the style and industry factors of each market. Structural models containing global factors are then linked to local factors across markets. The structural models decompose local factor returns into a portion due to global factors and a portion that is purely local. The global factors are used to estimate the correlations between asset classes.

Asset volatilities and correlations are driven by their exposures to the fundamental factors in the model and by the volatilities and correlations among the factors. Estimation of exposures to the factors requires fundamental data on equities, such as the capitalization of the firm (a size factor) and its sales, assets, and operating income from different industries. For fixed income securities, the terms and conditions of the securities are needed as well as cash flow generators that transform those terms and conditions into income streams.

The public market investment holdings are transmitted from the custody bank to the TFRM at month end, and security identifiers are used to reference the data library within the TFRM which contains the fundamental data needed to estimate exposure, volatility, and correlation of assets. The opaque nature of some Private Equity and Strategic Investments holdings necessitates a proxy modeling approach, in which a similar instrument or segment of an index whose fundamental data is known is used to estimate asset exposure to fundamental factors.

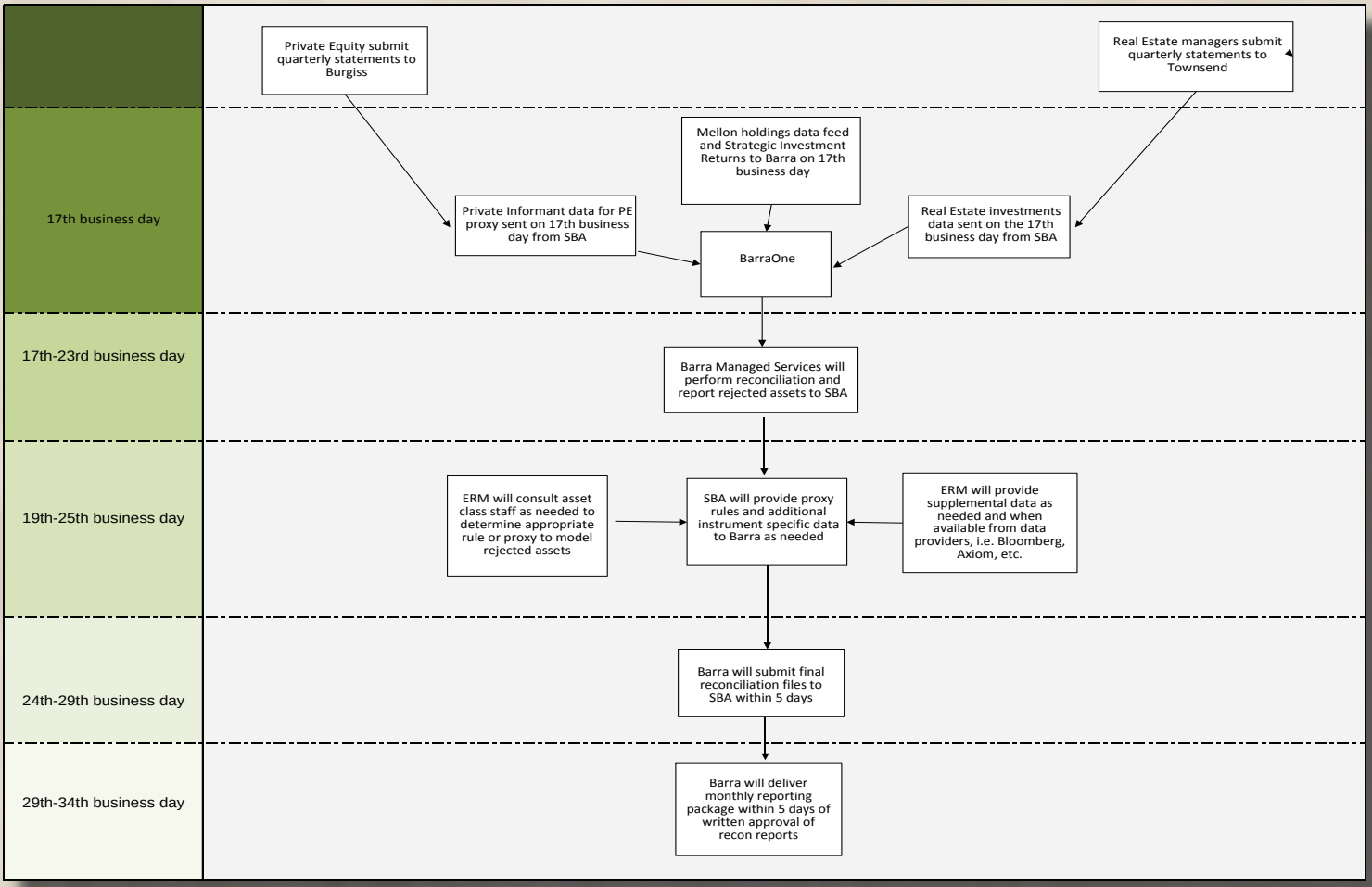
ERM staff is responsible for generating various TFRM risk reports for consumption by internal and external audiences. In an effort to inform the stakeholders of investment risks, staff has designed reports with varying levels of detail. Asset volatility (total risk), asset volatility over the benchmark (active risk), asset class contribution to total fund volatility (contribution to total portfolio and active risk), factor exposures, and asset correlation are included in the monthly Senior Investment Group meeting materials. These measures complement risk analytics prepared by asset class staff and inform quarterly Risk Budget discussions. Currency exposure, value at risk, and stress testing measures are included in the Quarterly Enterprise Risk Management and Compliance report distributed to the Risk and Compliance Committee and external oversight bodies governing SBA activities.

ERM staff is currently working with IT staff to create a database to store monthly risk statistics from BarraOne. The capture of manager level risk data will enhance analytics through the use of time series and ad-hoc data reporting to discern trends and allow easier comparative analysis of predicted and actual return variation.

Risk and Compliance Committee (RCC)

The Risk and Compliance Committee (RCC) is a cross-functional management team that has been established to promote awareness among senior management on issues facing the SBA relating to risk management and compliance. The RCC meets routinely to evaluate effectiveness of risk management and compliance monitoring efforts. The group reviews key enterprise risks, emerging risk issues, and continuously scans for potential new or altered industry, vendor, environmental or internal risks.

Total Fund Risk Model Monthly Data Processing Timeline

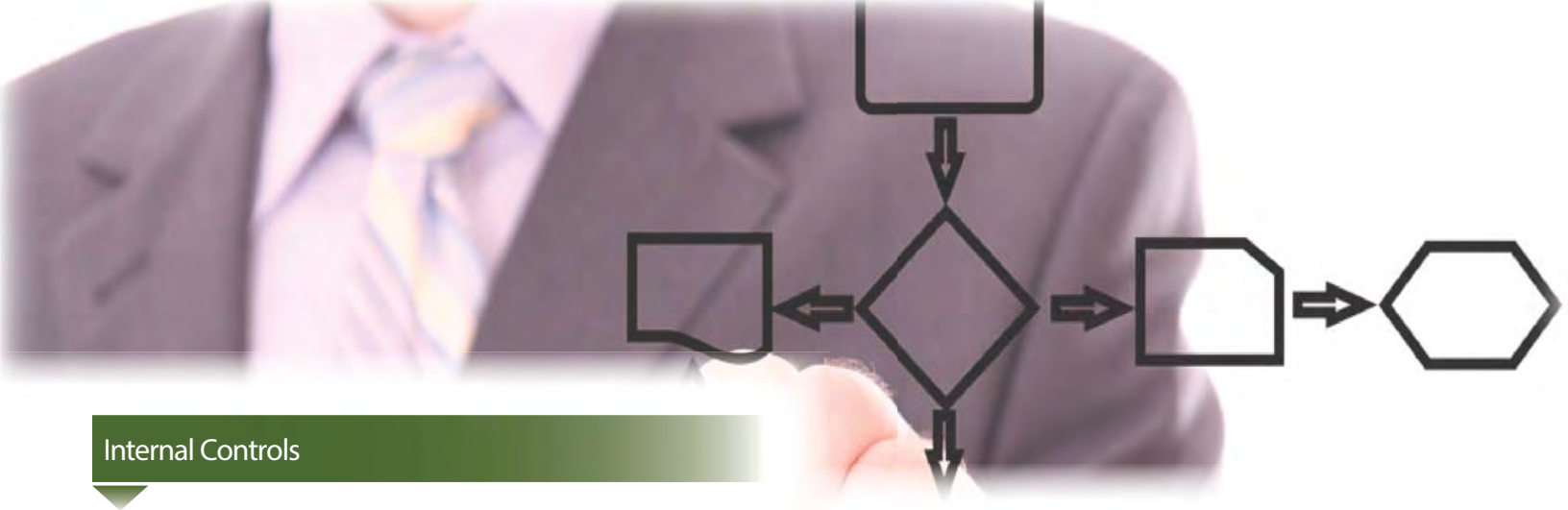


Risk Assessment

The SBA has developed a robust risk framework, with thirteen strategic risk categories, the majority of which are broken further into subcategories. The framework is used to categorize each risk affecting the SBA, whether it is specific to a particular business unit(s) or involves the entire organization.

Business unit heads are identified as risk owners, based on their unit's exposure to an existing risk in the framework. For example, high ownership means the process owner has a high level of exposure to the particular risk, and therefore has a significant and direct role in managing/mitigating the risks identified. Medium ownership indicates the process owner participates in key support functions or may provide managerial/supervisory oversight of high risk owners and/or certain risk management activities. Risk owners may also be tasked with providing key information to support the reporting of risk metrics.

Semiannually, risk owners are asked to rank the likelihood and severity of risks for which they are responsible for managing. These ratings are aggregated at the enterprise level and depicted in heat maps to indicate the SBA's residual exposure to each risk. These aggregations are reviewed and confirmed by the RCC and help focus mitigation strategies to those areas of highest residual risk to the organization. Risk responses may include acceptance, avoidance, transfer or mitigation through process changes and/or strategic projects.



Internal Controls

Internal controls provide reasonable assurance that management's directives are carried out as planned and in a timely manner. Effective internal controls support efficient operations, accountability, compliance with policies and regulatory mandates, and reliable financial reporting. They are the "checks and balances" that help identify, prevent or reduce the risks that impede accomplishment of the SBA's goals and objectives. Examples of control activities include: approvals, authorizations, verifications, reconciliations, segregation of duties, operational reviews, monitoring, and reporting.

Much effort has been spent by RMC in the area of internal control identification and documentation for major processes. Over the last year, ERM has worked with each business unit of the SBA to create an initial documentation of the SBA's system of internal controls. Specific business unit controls and processes are linked to the SBA's risk framework. ERM will continue to work with business units to refine and update internal controls as risks to the SBA are continuously evaluated. ERM staff has created flowcharts for a number of key processes and will continue to map major control processes across the organization.

Other

Strategic Planning

The strategic planning process has been revised to directly integrate risk management into the plan. The CRCO maintains responsibility for leading the strategic planning process, with the DERM serving as facilitator for the planning meetings. For the fiscal years 2013-15, executive management collaborated extensively to develop the new strategic plan. The three-year plan included a refinement of the mission statement to directly incorporate risk management efforts, creation of a new "vision" statement, simplified goals, and ties for each of the strategic objectives to primary and supporting goals. Each strategic objective is now linked directly to the ERM framework through the listing of strategic risks mitigated in the plan. Each objective is sponsored by at least one member of executive management who is responsible for communicating progress and updates back to the strategic planning team.

In August 2012, at the request of the SBA Audit Committee, RMC and the Office of Internal Audit (OIA) developed a high level plan for increasing collaboration among the two units on risk management issues. In October 2012, the Enterprise Risk Management policy (10-005) was revised and language was inserted to address the enhanced collaboration and joint risk assessment to be done by RMC and OIA. This collaboration was codified through the insertion of the following language:

"RMC shall collaborate with the SBA's Office of Internal Audit (OIA) to ensure implementation and maintenance of an effective and robust enterprise risk management program. RMC will work closely with OIA to conduct joint risk assessments to the extent practical, share results of risk management activities, evaluate and incorporate results of OIA audits and reviews, solicit feedback from OIA on risk issues, and meet routinely with OIA to review risk management issues and concerns. RMC will proactively coordinate with OIA to ensure significant risks are identified and assessed, risk responses align with SBA risk appetite, and relevant risk information is captured and communicated to management in a timely manner".

The first joint risk assessment with OIA was issued in March 2013, and RMC shifted its production of semi-annual heat maps to coincide with the annual joint risk assessment.

Trading Counterparty Management

Ensuring best execution of trades is an essential component of fulfilling the SBA's fiduciary duty. The equity and fixed income markets have unique structures and trading dynamics. As a result, trading risk varies by instrument type and market. Given these differing risk levels, securities are classified into categories depending on the risk associated with each type of trade. Trades are monitored within each market and category. Trade activity is reviewed at both the asset class and oversight committee levels.

Adding Counterparties

The SBA is under no obligation to trade with a particular counterparty. Counterparties are chosen based solely on ability to achieve best execution, a process through which the best price is realized for a particular transaction balancing portfolio objectives, market conditions, and liquidity constraints. Ethical requirements are in place for SBA staff with significant authority in the recommendation, selection, and/or approval process for trading counterparty selection. RMC maintains all forms relating to counterparty authorization to expedite the approval process.

Ongoing Monitoring

Counterparties are monitored for evidence of best execution on a daily basis by the business units. Quarterly, the Trading Oversight Group reviews trading levels by counterparty and business unit across the organization.

The SBA has **11** authorized traders

Counterparty Renewal

Maintaining best in class counterparties is critical to the success of the SBA's investment strategies. On an annual basis, the Senior Investment Officer (SIO) requests existing counterparties to fill out a Trading Counterparty Renewal Form to submit along with supporting documentation to the SBA for review. SBA staff reviews the documentation and the SIO provides a recommendation whether to maintain the existing counterparty for the next year. The recommendation is reviewed by RMC and then presented to the Trading Oversight Group for concurrence. The Trading Oversight Group provides the final recommendation to the Executive Director & CIO for approval.

The SBA has **44** authorized trading counterparties

The SBA uses CreditSights to provide independent research on credit risk as a complement to counterparty ratings and analysis generated by internal staff and external rating agencies. In 2012, the service level was enhanced to provide TOG with a quarterly review of counterparties as well as a short-term credit assessment of specific counterparties as requested.

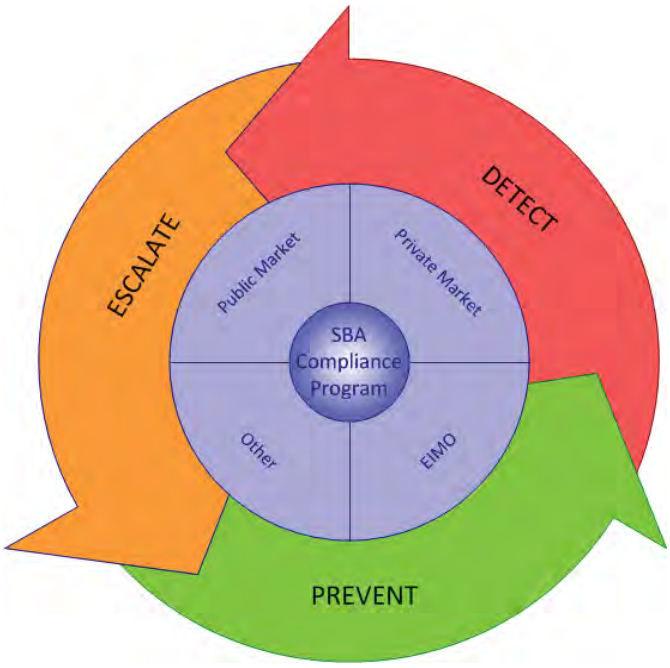
Trading Oversight Group (TOG)

The Trading Oversight Group (TOG) is a standing sub-committee of the Senior Investment Group and is responsible for reviewing all public market trade activity. The group meets quarterly to review public market asset classes' methodology for managing, monitoring and measuring counterparty risk. TOG reviews all cash market and derivative market trade activity, authorized exchanges, annual counterparty renewals, as well as emerging risk issues. The DERM serves as staff director of the Trading Oversight Group.

COMPLIANCE PROGRAM OVERVIEW

Compliance has significant responsibilities for ensuring that the SBA operates according to applicable laws, policies, guidelines, and contractual agreements. The goals of the SBA compliance program are to PREVENT violations from occurring, to DETECT any violations that may have occurred, and to ESCALATE violations to management for review and, if necessary, appropriate action. The SBA Compliance team achieves these goals within a framework of routine compliance testing and reporting.

Routinely testing portfolios against documented criteria and reporting the results to the applicable Investment Oversight Group (IOG) ensures that violations are detected and that the appropriate corrective measures are taken. Depending upon the criteria, compliance testing is performed on a daily, weekly, monthly, quarterly, or annual basis. Once identified, exceptions are reported at the next IOG meeting, unless guidelines stipulate that an ad hoc meeting must be called. For some exceptions detected by Compliance, corrective action may have already occurred, and these are reported to an IOG for review and approval of a Senior Investment Officer (SIO) response. In other cases, no action has been taken, and the exception, along with a recommendation from portfolio management, is escalated to an IOG. The IOG then forwards its recommendation to the Executive Director & CIO for a final determination. This IOG governance structure functions as the primary vehicle for escalation, transparency, and disposition of compliance exceptions.



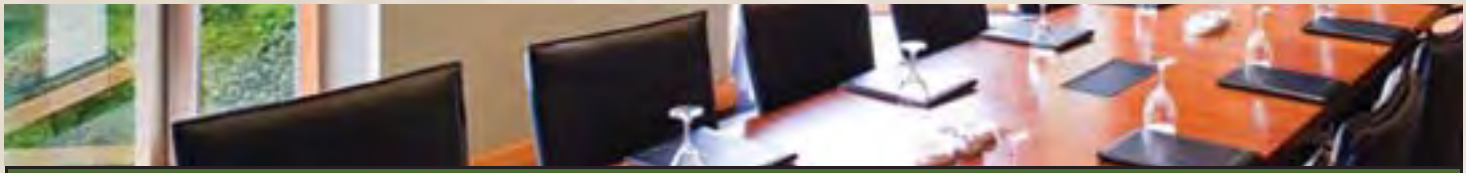
Investment Oversight Groups (IOGs)

The Executive Director & CIO has established Investment Oversight Groups (IOG) for Fixed Income, Global Equity, Private Equity/ Strategic Investments, Real Estate, and Total Fund as standing subcommittees of the Senior Investment Group to regularly review compliance exceptions and associated risks and to develop and document responses to these compliance exceptions. The Chief Risk & Compliance Officer (CRCO) acts as Chairman on behalf of the Executive Director & CIO, who retains final authority for actions taken. The designated asset class compliance officer serves as the staff director and is responsible for distributing meeting materials and for documenting the meeting minutes. Minutes describe items taken up for discussion, open items requiring additional follow-up, and any actions or escalations taken thereon, including the IOG's consensus concurrence, or lack thereof, with portfolio management recommendations with regard to compliance exceptions. The CRCO is responsible for approving the minutes and communicating proposed responses to material compliance exceptions to the Executive Director & CIO for final approval. The IOG consists of the following members:

- The designated asset class Compliance Officer for the applicable asset class
- Deputy Executive Director
- Chief Risk & Compliance Officer
- Senior Investment Officer for the applicable asset class
- Director of Enterprise Risk Management
- Director of External Investment Manager Oversight

The Investment Oversight Groups meet and report minutes as specified in policy, or on an ad-hoc basis if necessary to address material exceptions identified intra-month or intra-quarter, unless otherwise required under the Investment Portfolio Guidelines policy and/or portfolio guidelines for specific compliance exceptions. If no exceptions are identified for the review period, physical meetings may not take place and, instead, materials will be provided via email, with approval required by a majority of the IOG members.

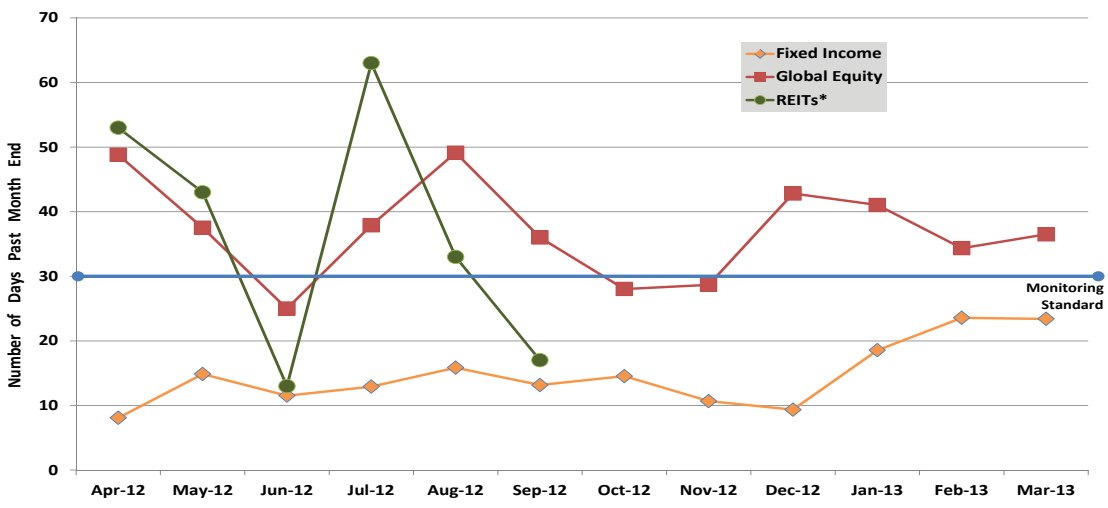
Minutes from all IOG meetings are available on the SBA Intranet on the "Compliance" tab



Investment Oversight Groups and Meeting Frequency	
Monthly	Quarterly
Senior Investment Group (SIG)	Real Estate Investment Oversight Group (RE- IOG)
Fixed Income Investment Oversight Group (FI-IOG)	Private Equity & Strategic Investments Oversight Group (PESI-IOG)
Global Equity Investment Oversight Group (GE-IOG)	Total Fund Investment Oversight Group (TF-IOG)

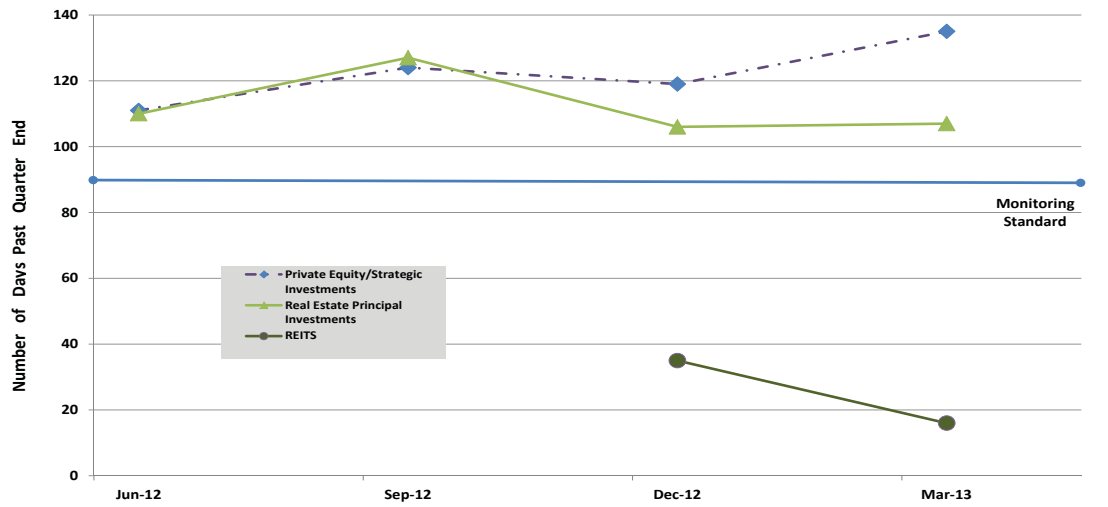
Compliance Performance Metrics

Monthly IPG Compliance and Lag Time



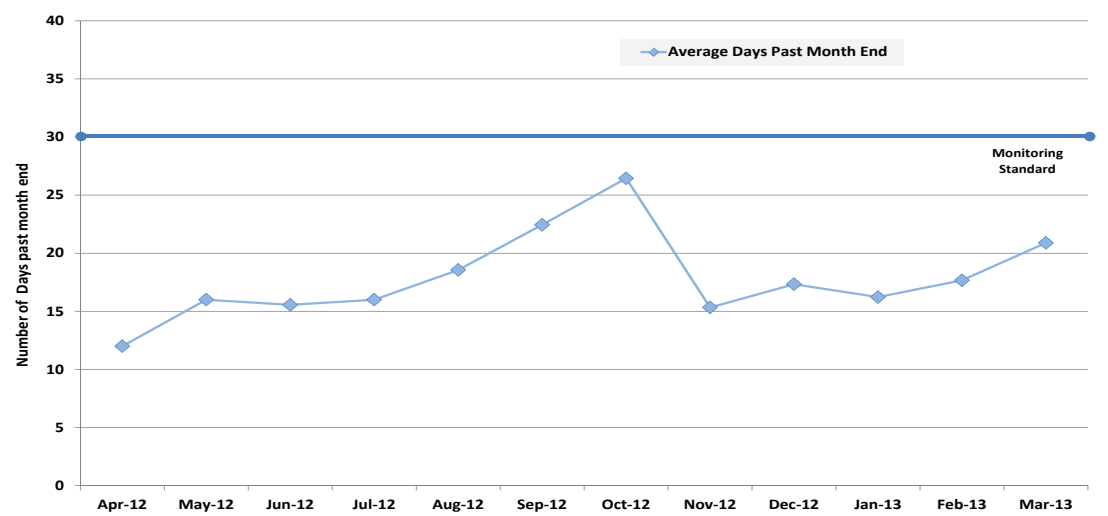
*In October 2012, REITs changed from monthly compliance monitoring to quarterly compliance monitoring

Quarterly IPG Compliance and Lag Time



*In October 2012, REITs changed from monthly compliance monitoring to quarterly compliance monitoring

ED & CIO and Asset Class/ DED Policy Compliance Lag Time



PUBLIC MARKET ASSET CLASS COMPLIANCE

The Director of Public Market Compliance (DPMC) is responsible for the compliance program for Public Market mandates, which include both pension and non-pension funds in the Fixed Income, Global Equity, and Real Estate asset classes. Within a framework of testing and reporting, the Director of Public Market Compliance and two Managers of Public Market Compliance monitor the holdings and trading activity in all SBA Public Market portfolios to ensure compliance with investment guideline and policy requirements.

Investment guidelines and SBA policies govern all portfolio management and trading activity conducted on behalf of Public Market portfolios. Checklists are developed and maintained by Public Market Compliance staff, based on the criteria stipulated in these documents. Compliance tests are created to ensure that transactions and holdings are consistent with stated requirements. Public Market Compliance staff utilizes a variety of resources in the testing and verification process:

- Barclay's Point
- Bloomberg
- BNY Mellon INFORM, Compliance Monitor, Workbench
- Charles River Systems
- External Manager or Service Provider websites
- JP Morgan ACCESS
- Moody's/Standard & Poor's Rating Agency websites
- US Securities and Exchange Commission website
- Wilshire Axiom

Compliance tests are conducted on a daily, weekly, monthly, or quarterly basis. If an exception is identified during testing, the applicable SIO is requested to provide a written response describing the circumstances of the exception and any corrective measures taken or recommended. The details of all exceptions identified since the last meeting, as well as the SIO responses, are then reported to the applicable IOG. The IOG will make a determination or provide a recommendation to the Executive Director & CIO for a final decision. Public Market Compliance staff maintains written procedures for all compliance processes.

Florida Retirement System Trust Fund - Defined Benefit

Public Market Compliance staff monitors investment guideline and policy requirements for the Florida Retirement System Pension Plan (FRSTF). Compliance on FRSTF portfolios is performed on a daily, weekly, monthly, or quarterly basis, consistent with stated criteria. Parameters such as net asset value, eligible securities, approved traders and counterparties, ratings, and trading limits are tested daily. Weekly testing is performed on the FRSTF securities lending portfolios to verify parameters such as collateral type, margin, and counterparty ratings. Monthly compliance is performed on the securities lending portfolios, as well as on all internally managed accounts, and on externally managed portfolios with less than one year of history with the SBA. The criteria tested on a monthly basis vary, but typically include permitted and prohibited securities, maturity constraints, diversification requirements, minimum liquidity, ratings, duration, and sector weights.

Since external managers are principally responsible for compliance with guideline criteria, Public Market Compliance staff performs testing on externally managed FRSTF portfolios on a quarterly basis. Externally managed accounts are tested on many of the same parameters as internally managed portfolios. However, quarterly tests may also be conducted to monitor exposures relative to a benchmark, market capitalization levels, country or region weights, and currency denomination. Compliance testing results for FRSTF accounts are reported to the applicable Investment Oversight Group on a monthly, quarterly, or ad hoc basis.

Compliance monitored on	Compliance monitored on	Compliance monitored on
31	65	4
Fixed Income portfolios	Global Equity portfolios	Real Estate Investment Trust portfolios

Florida PRIME

As investment manager of the Local Government Surplus Funds Trust Fund or Florida PRIME, Federated Investment Counseling (Federated) monitors compliance daily to ensure that investment practices comply with the requirements of the Investment Policy Statement (IPS) and with those necessary to maintain the AAAm rating from S&P. Federated is required to notify the Fixed Income-IOG (FI-IOG) of any compliance exceptions within 24 hours of identification. Federated also provides a compliance checklist to Public Market Compliance staff on or before the tenth business day of each month, which shows the pass/fail status of each criterion tested at the previous month-end. Information reported on the checklist is then independently verified by Public Market Compliance staff for accuracy, consistent with a risk-based approach.

Under the risk-based approach, each IPS parameter is ranked as "High" or "Low" with respect to the level of risk associated with a potential guideline breach. IPS parameters with risk rankings of "High" are subject to independent verification by Public Market Compliance staff. Results of independent testing are reported to the FI-IOG on a monthly basis, and decisions regarding reported items are documented in the meeting minutes. Additionally, any parameters reported in "Fail" status on the Federated checklist, regardless of risk ranking, are also reviewed by the FI-IOG. The risk rankings, along with a frequency for independent verification, are reviewed and approved by the FI-IOG on an annual basis, concurrent with Investment Policy Statement review or more often if market conditions dictate.

The following Investment Policy Statement parameters are currently ranked as "High" risk in the event of a guideline breach and are subject to independent verification by SBA Compliance:

- U.S. Dollar Denomination
- Daily Liquid Assets
- Weekly Liquid Assets
- Dollar Weighted Average Maturity
- Weighted Average Life
- Credit Quality
- Net Asset Value

Since compliance is monitored on a daily basis by the investment manager and the portfolio is also under surveillance by S&P as part of the ratings process, the above parameters, with the exception of Net Asset Value, are independently verified at each month-end. The Net Asset Value of Florida PRIME is verified on a daily basis by Public Market Compliance staff.

An additional compliance test was implemented for Florida PRIME following the identification of an ineligible 144A investment in September 2012. The security identified was restricted for purchase by Qualified Institutional Buyers (QIB) only, a designation not applicable to Florida PRIME. Since Florida PRIME qualifies as an Accredited Investor and a Qualified Purchaser, Federated now certifies on the monthly compliance checklist that all investments are eligible for purchase by Accredited Investors or Qualified Purchasers. As part of monthly independent verification process, Public Market Compliance staff reviews the Bloomberg Descriptions for each 144A security purchased in order to screen for investments eligible for QIB buyers only. If a QIB-only investment is identified in Florida PRIME, then the exception is immediately escalated to the FI-IOG. Otherwise, the results of this test are reported to the FI-IOG on a monthly basis.

Federated also performs monthly stress testing on the portfolio and reports the results to the FI-IOG on a minimum quarterly basis. Testing must be conducted for the following events:

- Changes short-term interest rates
- Increases in net shareholder redemptions
- Downgrades or defaults
- Changes between a benchmark overnight interest rate and the interest rates on securities held by Florida PRIME

Fund B Surplus Funds Trust Fund

The Fund B Surplus Funds Trust Fund (Fund B) holds securities originally purchased for the Local Government Investment Pool, now known as FL PRIME, that defaulted in the payment of principal and interest and were restructured. On a daily and monthly basis, Public Market Compliance staff monitors portfolio activity to ensure that the requirements of the Investment Policy Statement and the Investment Management Guidelines for the collateral manager are met. Compliance tests are conducted on parameters such as eligible transactions and holdings. The test results are reported monthly to the FI-IOG.

Florida Hurricane Catastrophe Fund

For the Florida Hurricane Catastrophe Fund portfolios, Public Market Compliance staff monitors investment guideline and policy requirements on a daily and/or monthly basis. Guidelines vary, depending upon the mandate, and compliance tests may be conducted on parameters such as portfolio and trading limits, eligible securities, repurchase agreement collateral, counterparties, traders, and net asset value. Compliance testing results are reported to the FI-IOG on a monthly basis.

Protecting Florida's Investment Act

The Protecting Florida's Investment Act (PFIA) requires the SBA, acting on behalf of the Florida Retirement System Trust Fund (FRSTF), to publish a list of "Scrutinized Companies" that conduct prohibited business operations (as defined in the PFIA) in or with Sudan or Iran. The FRSTF is prohibited from investing in the equity or debt issued by companies appearing on the list. If an issuer of a security held in the FRSTF is added to the list and the company continues to conduct business in or with Sudan and Iran, then the holding must be divested within twelve months.

The list is updated and distributed to all FRSTF managers on a quarterly basis, with the exception of managers of active commingled funds, which are exempt from PFIA restrictions. Depending upon the mandate, Public Market Compliance staff monitors FRSTF investments for Global Equity, Fixed Income, and the Real Estate Investment Trust portfolios on a daily, monthly, or quarterly basis to ensure compliance with the PFIA. Any compliance exceptions are reported to the applicable Investment Oversight Group.

Securities Lending

For securities lending portfolios, Public Market Compliance staff monitors investment guideline and policy requirements on a weekly and monthly basis. For intrinsic lending portfolios, which invest only in overnight repurchase agreements, reviews are conducted weekly to verify compliance with parameters such as collateral type, segregation, margin, and counterparty ratings. On a monthly basis, securities lending income, approved borrowers, and provider ratings are also verified.

For the Lottery securties lending reinvestment portfolio, compliance is tested monthly on parameters such as eligible securities, ratings, maturity, overnight liquidity, issuer exposure, margin, and weighted average maturity. Compliance testing results are reported to the FI-IOG on a monthly basis. Currently, the SBA participates in one commingled securities lending fund under the standard terms available to all clients, and as such, compliance is not performed on this account.

Number of mandates the SBA manages (including the FRS and LCEF	Fixed Income long-term trader limits (per trade)	Fixed Income short-term trader limits (per trade)	Fixed Income Exchange Traded Futures limit (per trade)	Fixed Income Repos with less than 15 days to maturity limit (per trade)	Global Equity routine trade limits
36	$150m	$300m	$1.5b (notional value)	$1.5b	$100m (single security) $500m (aggregate trade list) $1.5b (notional for exchange traded futures)

Other Mandates

Compliance is also monitored on mandates governed by Florida Statutes or by trust agreements, such as the Lawton Chiles Endowment Fund, which supports health and medical research programs for children and elders; the debt service funds for bonds issued by the Division of Bond Finance; the Department of the Lottery funds; and monies managed on behalf of the Department of Economic Opportunity for the Innovation Incentive Program. These mandates may have various accounts administered or managed by the SBA across multiple asset classes. Investment guidelines are developed according to statutory or trust agreement directives, and compliance testing is conducted on a daily and/or monthly basis on parameters such as permitted and prohibited securities, eligible transactions, ratings, and maturity. Compliance testing results for these funds are reported to the FI-IOG on a monthly basis.

Compliance Exceptions Database

Compliance staff created an Exceptions Database in Microsoft Access to act as a centralized data repository for monitoring, tracking, and reporting compliance exceptions. Compliance exceptions included any deviations/violations to investment guidelines, as well as violations related to policy or other statutory or regulatory requirements. Upon discovery, compliance staff input any exceptions or violations that occur into the Access database.

Information entered into the database includes:

- Asset Class where exception/violation occured (as applicable)
- Date of discovery of exception
- Actual date of exception/violation
- Portfolio name/policy title
- Type of exception
- Description of the exception/violation
- Escalation
- Senior Investment Officer/Responsible Party response
- Other relevant information as required

Compliance staff runs a "New Exceptions Report" on a bimonthly basis (usually every other Friday) and posts the results on the SBA Intranet. This report includes those exceptions that have occurred in the prior two-week period that have not yet been addressed by an Investment Oversight Group.

The "Open/Ongoing Exceptions Report" is run by Compliance staff on a monthly basis (on the last business day of each month) and results are also posted on the SBA Intranet. This report includes exceptions that have been addressed by an Investment Oversight Group but remain ongoing until resolution is achieved (the status is then changed to "closed").

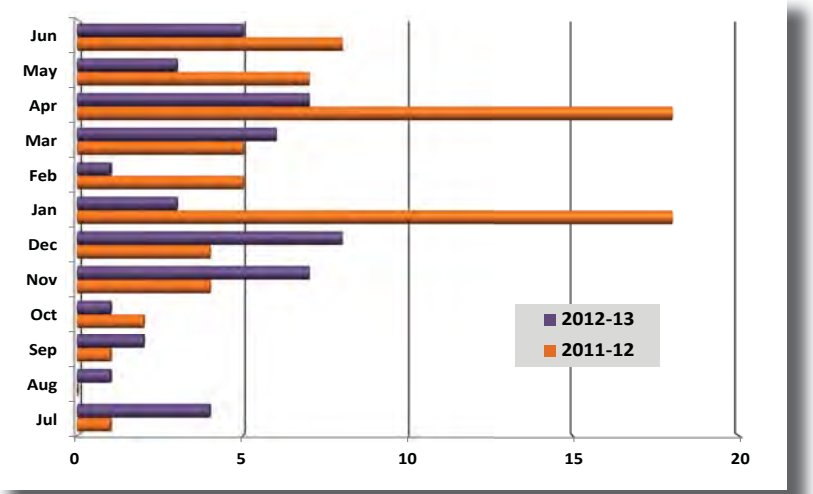
Compliance Exceptions Metrics

Although the majority of the exceptions discovered during the fiscal year occurred in the Fixed Income asset class, there was a significant decrease in the total number of exceptions reported this fiscal year versus last fiscal year (see chart below for comparison).

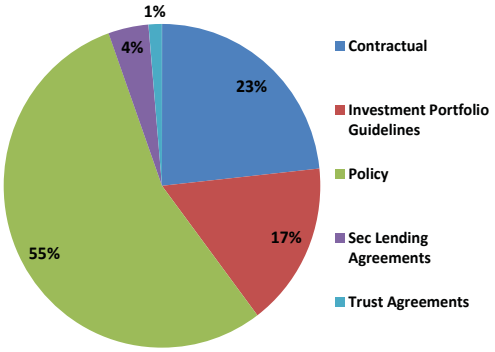
Compliance Exceptions Reported to the IOG (by category) FY2012-2013

Category	Fixed Income	Global Equity	Private Equity	Real Estate	Strategic Investments	PIA	Total Fund	Total	%
Contractual	0	0	10	5	2	0	0	17	23%
Investment Portfolio Guidelines	12	0	0	0	0	0	0	12	17%
Policy	33	3	0	0	0	3	1	40	55%
Securities Lending Agreements	3	0	0	0	0	0	0	3	4%
Trust Agreements	0	0	0	0	0	0	1	1	1%
TOTALS	48	3	10	5	2	3	2	73	100%

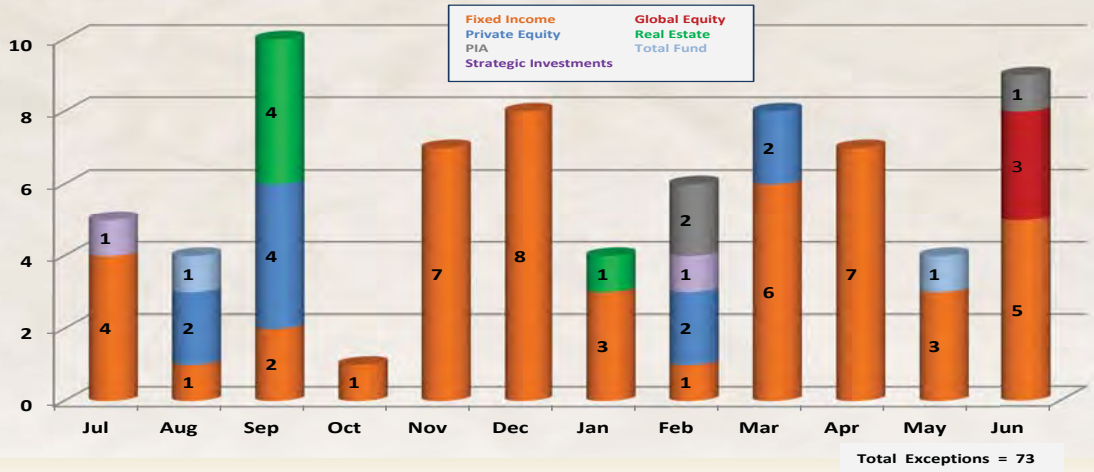
Comparison of Fixed Income Compliance Exceptions FY2011 - 12 vs. FY2012- 13



Compliance Exceptions by Category FY2012-2013



Compliance Exceptions by Asset Class FY2012 -13



AUTOMATED COMPLIANCE SYSTEMS

In October 2012, contract negotiations were completed with Charles River Systems, Inc. to utilize their trade order management and compliance platforms for the internally managed Global Equity portfolios. Implementation on Charles River began in December 2012, and during this phase, Public Market Compliance staff worked with the Charles River team to write and test compliance rules. Public Market Compliance staff also participated in weekly status meetings, reviewed the user permissioning structure within the system, and attended the Charles River Boot Camp training, conducted by Charles River at the SBA offices in March 2013.

On April 15, 2013, Global Equity began trading on the Charles River platform, and Public Market Compliance staff initiated its daily compliance monitoring on the system. This process consists of a daily review of any warnings or alerts that occur in pre-trade status and a daily post-trade review after transactions are entered into the SBA Accounting System. Public Market Compliance staff continues to develop its knowledge of the Charles River compliance module and is currently working to utilize the reporting capabilities of the system and to formalize a process for rule development, testing, and activation.

Public Market Compliance staff is also working to utilize the Bloomberg Compliance Manager function to monitor Fixed Income trading. Currently, this function may only be utilized for trades executed through the Bloomberg trading platform. A representative sampling of pre-trade compliance rules has been activated in Bloomberg and is being tested on both short-term and long-term Fixed Income portfolios.

EXTERNAL INVESTMENT MANAGER OVERSIGHT (EIMO) OVERVIEW

EIMO is responsible for the following compliance processes at the SBA which relate to the oversight of external investment managers and fund/property acquisitions:

- Private Market Asset Class Compliance
- New Investment/Fund Acquisition Compliance
- External Manager Oversight Program
- Total Fund Compliance
- Site visits

Private Market Asset Class Compliance

Private Equity and Strategic Investments

During FY2012-13, Private Equity and Strategic Investments compliance databases were created that include contractual testing requirements, restrictions, manager information, etc. to assist EIMO staff with compliance testing.

On a quarterly basis, EIMO staff reviewed compliance with investment portfolio guidelines (IPGs) for the separately managed accounts (accounts where the SBA generally has 98% to 100% interest in the fund).

IPGs determine what the fund can invest in and set limitations on certain items. Items reviewed include:

- Type of investments that are allowed for the fund
- Capital that can be committed to a single fund or portfolio company
- Capital that can be committed to funds based outside the US
- Loan-to-Value ratio
- Debt service coverage ratio
- Term or maturity

EIMO staff also tested compliance with contractual provisions regarding reports/certifications that are required to be submitted to the SBA. In addition, EIMO staff conducted a review to determine whether the valuation policies/methods noted in the latest audited financial statements of the investments (in these two asset classes) are materially consistent with the selected contractual provisions related to valuations.

The Private Equity/Strategic Investment Oversight Group (PESI-IOG) meets quarterly. A management response for any unresolved compliance exceptions or issues noted during the compliance review is obtained from the SIO for Private Equity & Strategic Investments prior to the PESI-IOG meeting. The exceptions/issues and management response are included in a quarterly compliance report to be reviewed by the PESI-IOG.

Examples of required reports/certifications

- A statement certified by an independent public accountant that certain distributions were made in accordance with the Partnership Agreement
- A certification stating that the manager has no knowledge of the existence of any material breach of fiduciary duties
- A statement of a limited partner's preferred return
- Supporting calculations related to clawback obligation

Real Estate

During FY2012-13, a Real Estate compliance database was created that includes contractual requirements, restrictions, manager information, etc. to assist the EIMO staff with compliance testing.

On a quarterly basis, EIMO staff reviews compliance with the IPG for the Principal Investments Portfolio. EIMO staff also reviews compliance with contractual provisions related to property management plans and insurance. Source information for the IPG review includes:

- information regarding new investments
- disposals and loan acitivities during the quarter
- index data
- net asset values of the properties in the portfolio
- mortgage balances of existing properties

The IPG compliance review includes the following:

- Diversification by property types and geographic regions is within the ranges set forth in the IPG
- Proper approval is obtained regarding the exposure in a metropolitan division in excess of a limit
- Leverage within limits
- New loans are non-recourse to the SBA
- Non-core equity strategies are authorized for the portfolio

In addition, EIMO staff reviews compliance with contractual provisions related to required reports/certifications.

Examples of required reports/certifications

- Annual management plans
- Allocations of partner's capital accounts
- Confirmation of distributions
- Statement of account activity
- Operations analysis
- Management fee calculation

Annual certifications are also utilized for real estate investment advisors, which are reviewed by EIMO staff along with any additional documentation received.

Testing of compliance with contractual insurance requirements is also conducted on an annual basis.

Types of insurance requirements tested include:

- Property
- Liability
- Errors & omissions
- Fidelity bonds

The Real Estate Investment Oversight Group (RE-IOG) meets quarterly. A management response for any unresolved compliance exceptions or issues noted during the compliance review is obtained from the SIO for Real Estate prior to the IOG meeting. The exceptions/issues and management response are included in a quarterly compliance report to be reviewed by the IOG.

New Investment/Fund Acquisition Compliance

The Public Market External Investment Manager Selection Compliance Checklist (the Checklist) is used to confirm that the asset class has performed the following due diligence in compliance with SBA policy:

- Developed a manager universe
- Conducted first-level and second-level manager screens
- Preliminary conference calls
- Manager interviews

The Checklist is also used to review the following:

- Reason for adding a new strategy
- Approvals
- Placement Agent Disclosures
- Form ADV
- Consultants due diligence memo

Compliance is conducted on all new private market asset class fund/property acquisitions prior to the Deputy Executive Director's (DED) review of the investment. Checklists are used to verify due diligence was performed by the asset class in compliance with SBA policy, and EIMO documents the review process for the following:

- Private Placement Memorandum
- Quantitative Analysis by Consultant(s)
- References
- Prudent Man Opinion
- Conflict of Interest Certification
- Placement Agent Disclosures
- Leverage Analysis
- Form ADV

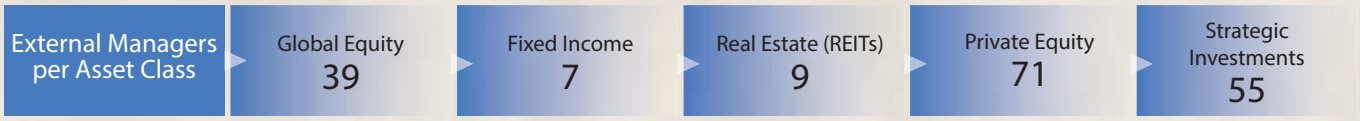
Form ADV Review

Effective March 31, 2012 Investment Advisors were required to file the new Form ADV Part II which replaced the old Part II that was prepared using a check-the-box format. The new form is a narrative and covers topics such as the advisor's business, fees and other compensation, investment strategies and risks, disciplinary events, and conflicts of interest. The new Part II requires the advisor to not only describe the nature of the various conflicts of interest but to explain how it addresses such conflicts.

The team reviews form ADV Part I and II during the new investment/fund acquisition process for all asset classes. Form ADV Part I, item 11 and material changes to Form ADV Part II are reviewed for Real Estate managers during the annual review. Public Markets, Private Equity, and Strategic Investments managers Form ADV Part II is reviewed on an annual basis for material changes. Should a manager submit a revised Form ADV during the year, material changes are reviewed at that time.

ADVs REVIEWED

Asset Class	Number Reviewed	%
Fixed Income	7	3%
Global Equity	39	18%
Private Equity	75	34%
REITs	4	2%
Real Estate	36	17%
Strategic Investments	58	26%
Total	219	100%



External Manager Oversight Program

Annual reviews of the external investment managers are performed to evaluate whether the managers appear to have appropriate operational and compliance controls in place. The public market asset class managers are requested to complete an annual questionnaire, and the private equity and strategic investment managers are requested to respond to an annual information request. In addition, all managers are asked to complete an annual certification.

Representative External Manager Certification Questions

- Is the firm in compliance with all terms, conditions and provisions of the Limited Partnership Agreement and any side letters, including any applicable SBA Policies?
- Have there been any changes in key personnel in either investments or operations?
- Is the GP and/or the manager up-to-date on all required filings, licenses, permits, consents and regulatory approvals?
- Are you aware of any violations of the manager's code of ethics that occurred in the reporting period?
- Have there been any material changes to your firm's compliance processes during the reporting period?

Scorecards are developed for each external manager based on the forms identified above, documents received, and the factors listed below for both public and private market external managers. Each factor is weighted to determine an overall manager/fund ranking.

Public Market asset class external manager scorecards are based on the following factors:

- Watch List Status
- Material changes to firm
- Questionnaire
- Certification
- Site Visit
- Size of Firm
- Insurance Requirements
- Active or Passive portfolio
- Changes to the Chief Compliance Officer
- Civil, Criminal, Regulatory Infractions

Private Market asset class external manager scorecards are based on the following factors:

- SBA Commitment as % of PESI total
- Vintage Year
- Watch List
- Accounting's 2013 Valuation
- Liquidity of Fund investors
- Complexity of Investment Strategy
- Reputation/Size of Audit Firm
- Number of Key persons
- Leverage

Using the information from the Scorecards for both public and private external managers, an overall manager/fund ranking of LOW RISK, MODERATE RISK, or HIGH RISK determines the frequency of planned surveillance, including on-site visits. The tables below provide a description of the rankings and related frequency of visits. At any time, a special evaluation, either off-site or on-site, can be completed if the manager/fund has any significant issues or changes.

Low Risk

- Mature compliance structure
- Full transparency
- Not on watch list

Moderate Risk

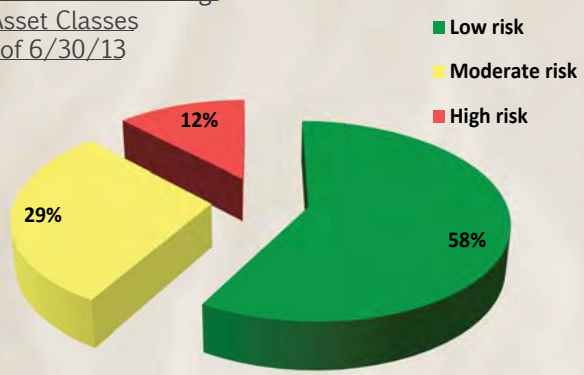
- Compliance structure in place
- No transparency issues
- Not on watch list

High Risk

- Less developed compliance structure
- Transparency issues
- On watch list

Ranking	Frequency of Planned Manager Site Visits
Low Risk	Every 3 years
Moderate Risk	Every 2 years
High Risk	Every year

Manager/Fund Overall Rankings
All Asset Classes
as of 6/30/13



Breakdown of Manager/Fund Overall Rankings as of 6/30/13

Asset Class	Low Risk	Moderate Risk	High Risk	Total	%
Fixed Income	8	0	0	8	3%
Global Equity	35	4	0	39	15%
Private Equity	78	56	13	147	55%
Real Estate	4	0	0	4	1%
Strategic Investments	30	18	20	68	26%
TOTALS	155	78	33	266	100%

Total Fund Compliance

EIMO conducts statutory, policy and contractual compliance testing at the total fund level for various investment mandates managed by the SBA. The statutes selected for testing include certain investment limits and constratints established by the legislature.

Examples of Statutory Testing

- 215.47(2c) – Fixed Income Securities collateralized by mortgages on real property cannot exceed 25% of the Total Fund
- 215.47(3c) – No more than 75% of the Total Fund may be in internally managed common stock.
- 215.47(15) – No more than 20% of the Total Fund may be in Private Equity through participation in limited partnerships and limited liability companies.
- 215.473 – Divesture by the State Board of Administration; Sudan; Iran - Scrutinized Lists will be created for companies with active business operations in Sudan and the Iran Petroleum Sector. The SBA will engage communications with these companies identified in order to inform them of the Protecting Florida's Investments Act (PFIA). The State Board of Administration will encourage these companies to discontinue active business operations in Sudan or the Iran Petroleum Sector or they will be subject to divestment
- 121.153 - Investments in Institutions Doing Business in or with Northern Ireland - By January 1 of each year, the SBA shall determine the existence of affirmative action taken to eliminate the ethnic or religious discrimination practiced by the government of Northern Ireland, or its agencies, instrumentalities, or national corporations.

Certain requirements in the SBA policies are also selected for quarterly or annual compliance testing. In addition, certain contractual provisions for these funds are selected for annual compliance testing.

Examples of Policy and Contractual Testing

- 10-019 New Investment Vehicles and Programs - Ensuring the appropriate processes for risk review, assessment, and approval by the Investment Oversight Group have been completed and documented
- 10-070 Cash & Security Transfers - The DED is required to authorize cash or security transfers for any FRS Pension Plan transfer of $1 billion or greater. The DED's authorization is required in addition to the SIPO's or SIO's authorization
- 10-020 Fair Dealing and Trade Allocation - For securities crossing transactions (i.e., purchase and sale of a security between two or more SBA Funds/Clients), the price of the security being traded must be equal to the last independent trade on a registered stock exchange or recognized market (e.g., OTC).
- Non-FRS Funds – Monthly, the SBA is required to send its clients SBA monthly reports. These reports include month-to-date and fiscal year-to-date returns, monthly and yearly (fiscal) transaction activity, and current holdings at the end of the month

The Total Fund IOG meets quarterly as necessary. A management response for any unresolved compliance exceptions or issues noted during the compliance review is obtained from the appropriate source prior to the IOG meeting. The exceptions/issues and management response are included in a quarterly compliance report to be reviewed by the IOG.

EIMO staff performs a quarterly review of Retiree Health Insurance Subsidy for Qualified Institutional Buyer status.

Additional responsibilities of the EIMO team include:

- *Reviewing investment related contract amendments*
- *Attending external manager meetings for all asset classes*
- *Creating forms and flowcharts to document SBA processes*
- *Preparing the Annual Regulatory Update*
- *Participating in Watch List conference calls for Trading Counterparties*
- *Preparing Quarterly Compliance Report*
- *Reviewing other items: adding a consultant, changing a benchmark, QIB Certificates, etc.*
- *Maintaining a compliance log to track all new investments, fund acquisitions, and contract staffing*
- *Member of Investment Oversight Groups*
- *Preparing SEC 13H Large Trader Reporting*
- *Participating in evaluation for SEC Lending Providers*
- *Participating in Quarterly External Manager Watch List conference calls*
- *Preparing Annual RMC Program Self-Assessment*
- *Reviewing New Trading Counterparties*
- *Annually reviewing existing Trading Counterparties*
- *Participating in evaluation of PE & RE Consultants searches*

Site Visits

Site visits are conducted for managers selected through the scorecard risk ranking process. The purpose of these visits is to gain an understanding of and evaluate the external managers' compliance programs. Site visits are performed by EIMO staff and occasionally SBA asset class staff will attend as well. The site visits are coordinated with the manager's client services representative and key investment manager personnel are in attendance. The visits usually take around 3 to 4 hours per manager. Areas discussed and evaluated during the visits include:

- Organization
- Portfolio Management
- Trading
- Operations
- Compliance
- Legal
- Risk Management
- A tour of the facility/trading process

Site visits are also conducted for potential investment managers under consideration. These meetings are usually a combination of asset class, EIMO staff, and the SBA's asset class speciality consultant. During FY2012-13 two such site visits were conducted for Securities Lending Agents.

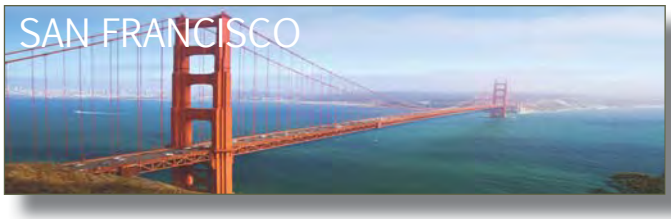
If compliance concerns of a serious nature are discovered during the visit, the relevant IOG is notified and an ad hoc meeting is scheduled in order to escalate the concern to the group for review and evaluation. Narrative summaries of site visits are prepared by EIMO staff and discussed during regularly scheduled IOG meetings. Narrative site visit summaries are posted on the SBA Intranet for a period of 12 months.

Site visits conducted for existing managers

- INTECH Investment Management (Global Equity)
- Franklin Templeton (Global Equity)
- Taplin, Canida & Habacht (Fixed Income)

Site visits conducted for existing managers

- Epoch Investment Partners (Global Equity)
- Scout Capital Partners (Strategic Investments)
- Apollo (Fixed Income, Private Equity & Strategic Investments)
- Och-Ziff Capital Management Group (Strategic Investments)
- Cohen & Steers (Real Estate)



Site visits conducted for existing managers

- Artisan Partners (Global Equity)
- Blackrock (Global Equity)
- Delaware Investments (Global Equity)
- Fisher Investments (Global Equity)
- Wells Capital Management (Global Equity)

Compliance due diligence conducted for SEC Lending Agents

- eSecLending
- BNY Mellon

PERSONAL INVESTMENT ACTIVITY (PIA)

Policy 10-041, Personal Investment Activity, was developed to provide guidance and direction to SBA employees regarding personal investment activity and to guard against any impropriety or conflict of interest between personal investment interests of SBA employees and the Funds managed by the SBA, which may adversely affect the creditability or reputation of the SBA.

The SBA had 92 Affected Persons at the SBA as of June 30, 2013

The Policy applies to all SBA employees, including OPS employees and interns employed longer than 12 consecutive months. Additionally, this Policy sets forth certain policy implementation requirements for a group of SBA employees defined as "Affected Persons" and their Immediate Family.

While the SBA affirms the rights of staff to engage in individual investment activities, conflicts of interest between SBA investment activity and personal investment activity by SBA employees must be avoided.

The Compliance Team performs the following to ensure that all SBA employees are in compliance with the Personal Investment Activity policy:

- Provide notification to new/promoted/transferred employees regarding their status as an Affected Person
- Ensure that all required forms are filled out and submitted by the deadline(s) stated in policy
- Contact brokers/banks to confirm holdings reported on the Initial Holdings Report
- Process pre-clearance requests (generally within one day of receipt)
- Process duplicate confirmations/statements and match with pre-clearance requests
- Notify the CRCO and Affected Person of any violation(s) that occur

During the period there were three minor Personal Investment Activity violations pertaining to failure to pre-clear transactions of a covered security. Employees violating policy were notified by the CRCO and reminded of their responsibilities in ensuring compliance with the policy.

Affected Person

Any employee of the SBA (including OPS employees employed longer than 12 consecutive months) who, in connection with his/her regular functions or duties, participates in the selection of a Fund's portfolio securities, participates in the selection or funding of external investment managers, participates in inter-asset class or intra-asset class allocation decisions, or who has timely access to information regarding a Fund's current purchases or sales of securities. This includes, and is limited to, the Executive Director & CIO, the Deputy Executive Director (DED) and all employees within the DED's span of control, the Chief Risk & Compliance Officer (CRCO) and all employees within the CRCO's span of control, the Senior DC Programs Officer (SDCPO) and all employees within the SDCPO's span of control, and all other Executive Service staff members not included above.

NEW REGULATORY/STATUTORY COMPLIANCE FUNCTIONS

SEC 13H Large Trader Reporting

On October 3, 2011, the SEC enacted Rule 13h-1 (the "Rule") and Form 13H which establishes new reporting requirements for large traders and the registered broker-dealers through which they trade. The Rule requires that each market participant meeting the definition of a "large trader" file a Form 13H with the SEC. The SBA qualifies as a large trader and filed the initial Form 13H in December 2011. The SEC then assigned the SBA a Large Trader Identification Number ("LTID"), which was provided to each registered broker-dealer through which the SBA effects securities transactions.

EIMO was charged with writing procedures and monitoring SBA compliance with the requirements. Annual filings are required within 45 days after the end of each full calendar year. In addition, amended filings are required if any of the information contained in Form 13H becomes inaccurate. The amended filing is required within 10 days of the end of the calendar quarter in which the information became stale.

LARGE TRADER is any person that: directly or indirectly, including through other persons controlled by such person, exercises investment discretion over one or more accounts and effects transactions for the purchase or sale of any NMS (National Market System) security (equaling or exceeding 2 million shares or $20 million during any calendar day, or 20 million shares or $200 million during any calendar month) for or on behalf of such accounts, by or through one or more registered broker-dealers, in an aggregate amount equal to or greater than the identifying activity level.

2012-13 Annual Regulatory Update

An annual regulatory update form is used to identify any Florida legislation which passed that affects the SBA which may have new and/or additional compliance requirements. For the 2013 legislative year, there were 13 bills that affected the SBA; however, none required new or additional compliance testing. EIMO was charged with developing the form, writing procedures and monitoring SBA compliance with the requirements.

Recent Changes to Certain Florida Statutes

Effective June 1, 2013, Senate Bill 1770 amended s.215.555 to change the name of the Florida Hurricane Catastrophe Fund Finance Corporation to the State Board of Administration Finance Corporation.

Effective July 1, 2013, House Bill 5401 required that certain contract and employee information be placed on applicable websites to be maintained by various agencies. The SBA is covered under subsection (6) of the bill requiring that SBA employee information be provided to the Department of Management Services for inclusion on their website for all state agency employee information.

OTHER ACTIVITIES

SBA Intranet Postings

The Risk Management and Compliance tab on the SBA Intranet provides a variety of information.

- Process Flowcharts/Process Mapping
  - Fixed Income Processes
  - Trading Counterparty Processes
  - Fund Acquisition Process Maps
  - Manager Search and Selection Process
- Total Fund Risk Reports
- Risk Management Plan

- Investment Portfolio Guidelines Information
- External Manager Site Visit Write-ups
- Quarterly Trustee Compliance Reports
- Compliance exceptions reports (New and Ongoing)
- FL PRIME procedures
- Oversight Group Meeting Minutes
- Personal Investment Activity Information and Forms
- Trading Counterparty Information
- Compliance Forms (e.g. Conflict of Interest, Placement Agent Disclosures)

POLICY AND GUIDELINES

Policies have been developed to communicate the SBA's position on issues which effect employees, constituents, clients, and business relationships. These policies are stated as clearly and concisely as possible, and guide the SBA in achieving its purpose, goals, and objectives. Risk Management and Compliance has been designated as the custodian for all SBA policies, with responsiblity for development and maintenance of all SBA policies.

New policies and current policies under revision are generally staffed using the SharePoint collaberation software. Assignments are sent to all required reviewers and once the staffing process is complete, the policy is signed and the final document is posted on the Policy tab of the SBA Intranet (under the relevant policy heading).

Executive Director & CIO Policies and Guidelines (10-level)

Executive Director & CIO Policies create a broad framework for management decision-making and provide a basis for the creation of policies and guidelines at the departmental level. All Executive Director & CIO Policies and Guidelines are signed by the Executive Director & CIO or designee.

Asset Class/Deputy Executive Director Policies and Guidelines (15-level)

Asset Class/Deputy Executive Director Policies and Guidelines mainly provide directives to the Public and Private Market Asset Classes at a more specific level than the Executive Director & CIO Policies and Guidelines. All Asset Class/Deputy Executive Director Policies and Guidelines are signed by the Executive Director & CIO and the applicable Senior Investment Officer (as necessary).

Personnel Policies and Guidelines (20-level)

Personnel Policies and Guidelines set forth directives and provide general information regarding workplace rules such as attendance and leave, payroll, benefits, employee code of conduct and disciplinary action. Personnel policies also cover legal issues like harassment, ethics and workplace violence. All Personnel Policies and Guidelines are signed by the Chief Operating/Financial Officer or designee.

Administrative Services Policies and Guidelines (20-level)

Administrative Services Policies and Guidelines set forth directives and provide general information regarding general workplace operations such as procurement, telecommunications, records management, and property and equipment. All Administrative Services Policies and Guidelines are signed by the Chief Operating/Financial Officer or designee.

Departmental Policies and Guidelines (20-level)

Departmental Policies and Guidelines are developed and maintained within each senior management position's respective unit (with guidance from Risk Management & Compliance), and may include policy guidance and directives that are departmental specific (e.g. IT, Investment Policy & Economics, etc.). Purpose and scope are established as an integral part of each departmental policy for staff reference as to applicability. All Departmental Policies and Guidelines are signed by relevant senior management or designee.

Investment Portfolio Guideline Development and Maintenance

The Compliance team participates in the development and review of investment guidelines for all mandates under management by the SBA. These may be in the form of Investment Portfolio Guidelines, Investment Policy Statements, Investment Management Agreement Schedule Bs, or Trust Agreement Investment Guidelines. All investment guidelines are staffed for review and comment to the applicable SIO, the DED, RMC staff and other affected business units so that the issues and concerns of all parties can be properly vetted and resolved prior to guideline approval. Once approved, investment guidelines are then communicated to appropriate staff by SBA Legal or by the CRCO. The RMC Unit serves as the central repository for the approved investment guidelines for internally managed portfolios and for external mandates governed by Florida Statutes or by trust agreements. Copies of these documents are posted on the SBA Intranet.

Mandatory Policy Training

All SBA personnel are required to complete mandatory training courses on an annual basis and upon being hired. These training courses include:

- Ethics
- Harassment
- Insider Trading
- Information Security
- Personal Invesment Activity
- Sunshine Law (required every other year)
- Public Records (required every other year)

Training courses are administered online through Learn.com and supported by the Office of Training & Development. It is the responsibility of the Inspector General to ensure that all SBA staff completes mandatory training as required.

Review committees have ultimate responsibility for developing, modifying, reviewing and submitting policies to the appropriate staff for approval.

Executive Director & CIO Policies and Guidelines Review Committee

- Chief Risk & Compliance Officer
- Chief Operating/Financial Officer
- Deputy Executive Director
- Director of Enterprise Risk Management
- General Counsel
- Inspector General

Personnel Policies and Guidelines Review Committee

- Chief Operating/Financial Officer
- Senior Operating Officer - Accounting and Administrative Services
- Inspector General
- General Counsel
- Human Resource Manager

Departmental Policies and Guidelines Review Committee

- Various relevant departmental staff

Asset Class/Deputy Executive Director Policies and Guidelines Review Committee

- Chief Risk & Compliance Officer
- Deputy Executive Director
- Senior Investment Officer - Fixed Income
- Senior Investment Officers - Global Equity
- Senior Investment Officer- Real Estate
- Senior Investment Officer - Private Equity & Strategic Investments
- Senior Investment Policy Officer
- Director of Enterprise Risk Management
- Director of Public Markets Compliance
- Director of External Investment Manager Oversight

Administrative Services Policies and Guidelines Review Committee

- Chief Operating/Financial Officer
- Senior Operating Officer - Accounting and Administrative Services
- Inspector General
- General Counsel
- Inspector General

Policy Requirements Database

Compliance maintains a database of policy requirements that captures items codified in policy that can be checked for compliance. The database also includes select statutory and regulatory requirements and a few other miscellaneous items that have been identified for compliance checks.

Information input into the database includes:

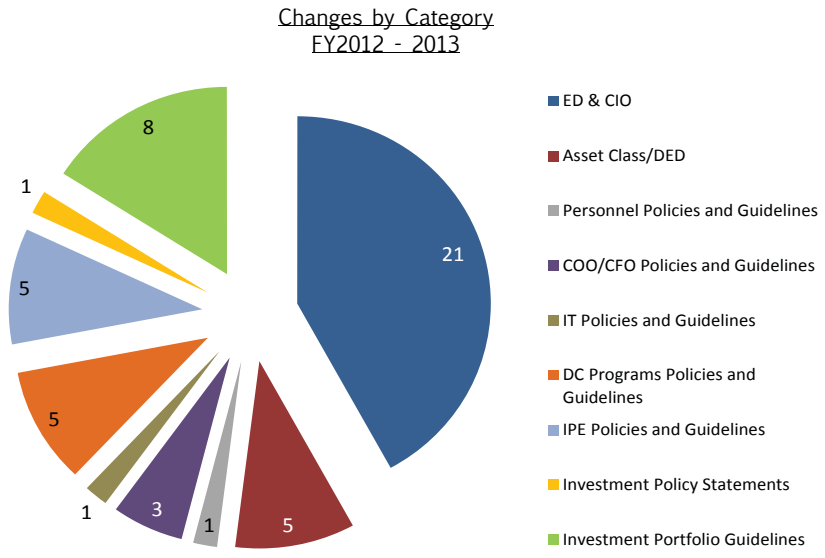
- Policy number and name
- Latest effective date
- Policy requirement/task
- Staff responsible for requirement/task
- Frequency of task (annual, monthly, etc.)
- Requirement/task due date
- RMC staff responsible for checking compliance
- various other information as necessary

The database is updated throughout the year as policies and statutes are created and revised, or when regulatory or miscellaneous items are added or are no longer required.

Compliance Procedures

Compliance staff maintains procedures for various processes and these are reviewed and updated throughout the year as needed. All procedures undergo an annual review to assess the adequacy of the procedures and their effectiveness in preventing or detecting violations. The annual review also takes into consideration any compliance matters that were identified during the period and any changes in the SBA's business activities and/or any regulatory changes that may have occurred.

All compliance procedures were reviewed and updated by compliance staff as of June 30, 2013



During the period there were 51 policy and guideline changes as listed below.

Executive Director & CIO Policies and Guidelines		Effective Date
10-001	Policy Development	10/01/2012
10-002	Delegation of Authority	10/01/2012
10-003	Strategic Planning	10/01/2012
10-004	Communications	10/01/2012
10-005	Enterprise Risk Management	10/01/2012
10-010*	Investment Management Acquisition	10/01/2012
10-011	External Investment Manager Retention and Termination	10/01/2012
10-013	Derivatives Instruments Usage	10/01/2012
10-015	Corporate Governance	10/01/2012
10-017	Investment Protection Principles	10/01/2012
10-019	New Investment Vehicles and Programs	10/01/2012 01/02/2013
10-031	Contracts	10/01/2012
10-032	Public Records Requests	10/01/2012
10-040	Ethics	10/01/2012
10-041	Personal Invesment Activity	10/01/2012
10-045	Disclosure of the Use of Placement Agents	01/02/2013
10-051	Administrative Fees and Other Service Charges	10/01/2012
10-070	Cash and Security Transfers	10/01/2012

* This policy was incorporated into 15-010 effective 4/01/13

Asset Class/Deputy Executive Director Policies and Guidelines		Effective Date
15-010	Public Market Asset External Investment Manager Selection	04/01/2013
15-016	Internal Trading Policy - Public Market Asset Classes	08/01/2012
	Strategic Investments FY 2013 Investment Work Plan	08/31/2012
	Private Equity FY 2013 Investment Plan	08/31/2012
	Real Estate FY 2013 Investment Work Plan	09/14/2012

Personnel Policies and Guidelines		Effective Date
20-271	Training and Development	10/01/2012

Chief Operating/Financial Officer Policies and Guidelines		Effective Date
20-332	Investment Valuation	07/09/2012 01/02/2013
20-340	Financial Statement Review and Approval Policy	08/01/2012

Information Technology (IT) Policies and Guidelines		Effective Date
20-414	Wireless Security	01/03/2013

Investment Policy and Economics Policies and Guidelines		Effective Date
20-510	DB and DC Manager Pre-Hire Data Policy	08/01/2012
20-511	General Performance Measurement Policies	02/01/2013
20-512	Quality Assurance of Reported Performance Data	08/01/2012
20-532	Risk Budget Reporting Policy	02/01/2013 06/24/2013

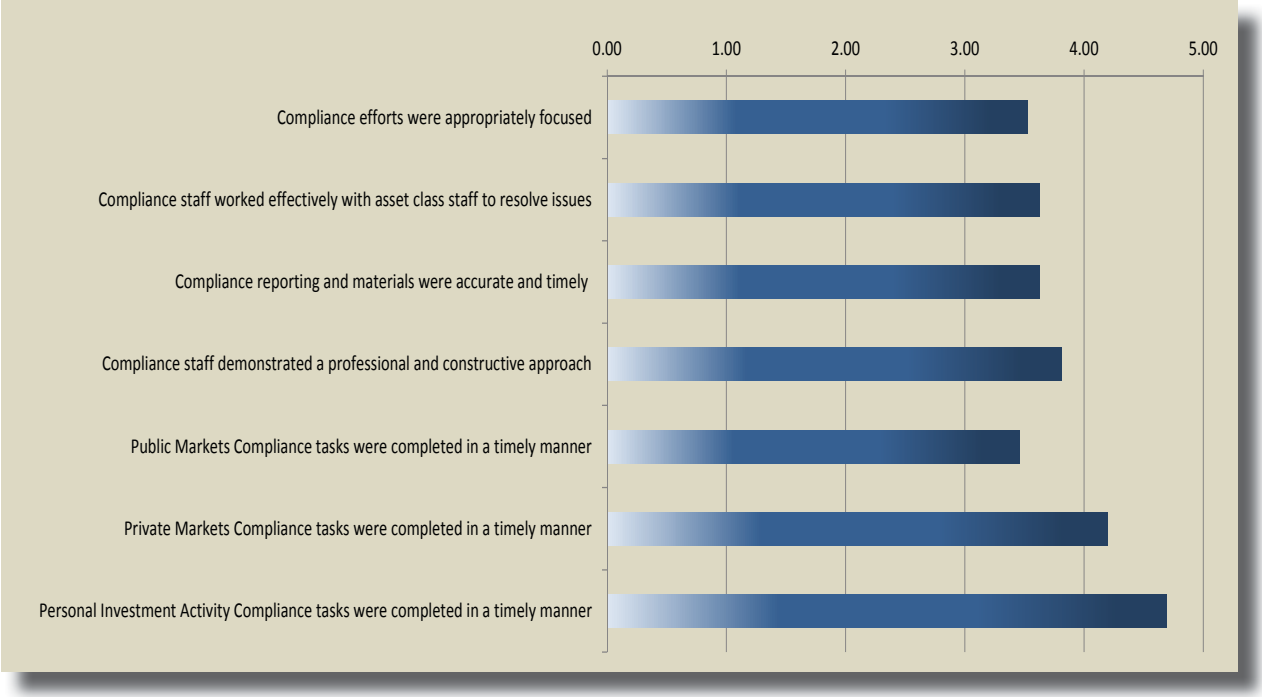
Defined Contribution Programs Policies and Guidelines		Effective Date
20-1210	Public Market Asset External Investment Manager Selection for the FRS Investment Plan	05/01/2013
20-1251	Inactive Member Fees and De Minimus Balance Requirements	07/01/2012
20-1253	Stale Dated Checks	07/01/2012
20-1255	Forfeiture Account	07/01/2012 08/06/2012

Investment Policy Statements	Effective Date
Local Goverment Surplus Trust Fund (Fl PRIME) IPS	07/01/2012

Investment Portfolio Guidelines	Effective Date
Cash Expense Account	10/22/2012
Private Equity Cash Expense Account	10/22/2012
Real Estate Cash Expense Account	10/22/2012
Strategic Investments Cash Expense Account	10/22/2012
Real Estate Principal Investments Aggregate Portfolio	02/01/2013
FHCF & FHCF Finance Corporation (Pre-event Liquidity Fund)	04/09/2013
Delta Portfolio	05/09/2013
FRS STIP Cash (STIPFRS)	05/13/2013

2012 - 2013 COMPLIANCE PROGRAM SATISFACTION SURVEY

A Compliance Program Satisfaction Survey was sent to the ED & CIO, SIOs, and a few individuals engaged in Personal Investment Activity on a regular basis. Respondants were asked to rate several statements on a scale of 1 to 5, with 1 indicating "Very Dissatisfied" and 5 indicating "Very Satisfied". The survey was sent out to 10 participants and 7 responses were received. The chart below illustrates the overall results of the survey.



Suggestions for Improvement

No responses

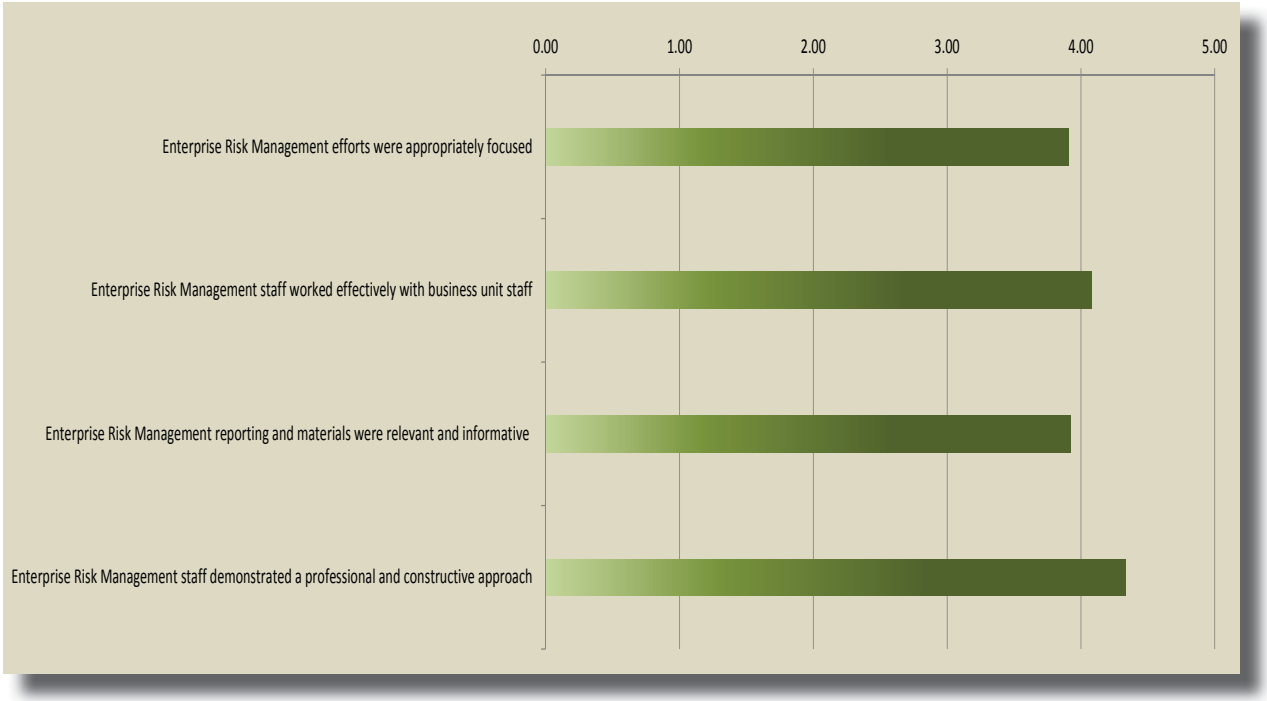
Additional Comments

Comment 1: My only direct contact with compliance is for personal investment activity. My former employer had an electronic automated system for personal trading compliance and that might be something that could be added on here.

Comment 2 (multiple comments made by one respondent):
(1) Some compliance efforts can focus on immaterial items which can lead to inefficient use of staff time. (2) A particular staff member demonstrates a lack of understanding of issues and consequently applies too literal and narrowly focused interpretation of policies/procedures. (3) Items are sometimes reported even when acknowledged that they are not an exception. (4) Dissatisfaction indicated in this survey does not reflect on all staff, just primary point of contact.

2012 - 2013 ENTERPRISE RISK MANAGEMENT PROGRAM SATISFACTION SURVEY

An Enterprise Risk Management Program Satisfaction Survey was sent to the SIOs and other members of Senior Management. Respondants were asked to rate several statements on a scale of 1 to 5, with 1 indicating "Very Dissatisfied" and 5 indicating "Very Satisfied". The survey was sent out to 18 participants and 12 responses were received. The chart below illustrates the overall results of the survey.



Suggestions for Improvement

Suggestion 1: With respect to the annual risk questionnaire, it would be helpful if ERM requested any changes or updates from the previous year rather than the completion of an entirely blank questionnaire.

Suggestion 2: Meetings are often rambling and without focus. Have a clear, crisp agenda with goals you wish to achieve. They should not be open-ended. Don't have meetings at lunch time.

Suggestion 3: Apply risk analysis to internal audit's recommendations

Suggestion 4: It would be good to have an on line training program. There does not seem to be much direction or common understanding of what ERM is or should be.

Suggestion 5: I would encourage you to share reporting measures with business units in advance of distribution to build and support partnership relationship.

Additional Comments

Comment 1: The collaborative approach with Internal Audit has vastly improved efficiency. Thanks to both units.

Comment 2: Consider decentralizing ERM. It seems to be getting too much in the weeds. This can waste resources and cause the organization to focus on the wrong things. More training is needed. It seems the blind is leading the blind. The approach seems to be - give me a stick to hit you with it rather than, "How can I help you." ERM seems too tied to internal audit.

INSPECTOR GENERAL UDPATE

Ethics, Fraud and Internal Controls

The Inspector General serves as the administrator for the SBA's Fraud Hotline. These duties include receiving information on any calls made during the year, contacting appropriate SBA staff as needed to compile responses to calls, and providing responses to the hotline provider to be communicated to callers.

There were no calls made to the Fraud Hotline during the year.

Personal Annual Financial Disclosures for Florida Commission on Ethics

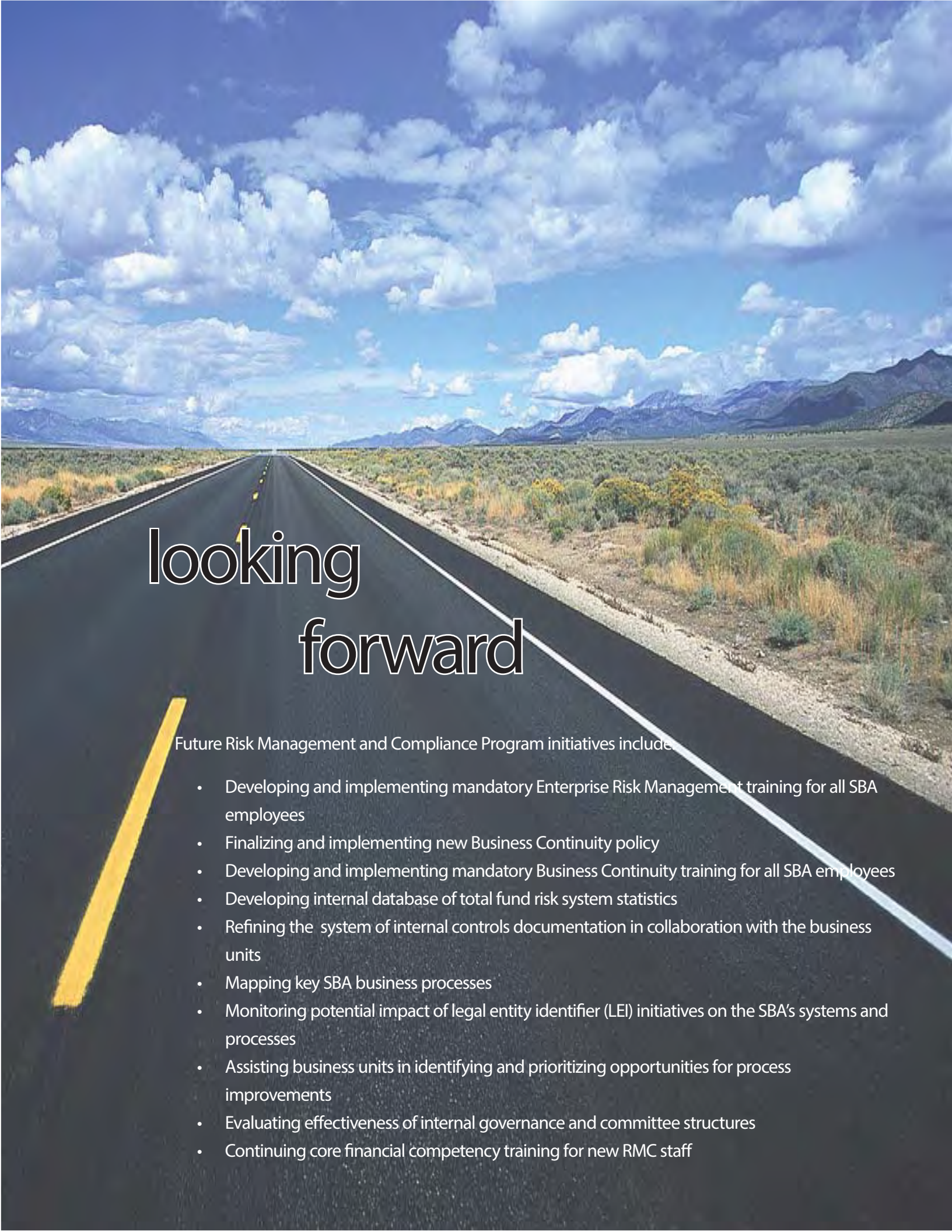
The Inspector General updated and maintained the Financial Disclosure list as required by the Florida Commission on Ethics. Additionally, once financial disclosure forms were mailed out in May 2013, the Inspector General was responsible for ensuring that all SBA staff submitted their forms to the Commission on Ethics as required.

Administration of Investment Consultant Disclosure Principles

Consultant Independence & Disclosure Principles (CIDPs) certification forms for CY2012 were sent to all applicable consultants in January 2013. All forms were received by the specified due date, indicating full compliance with the principles.

Administration of Investment Protection Principles

The Inspector General requested and collected Investment Protection Principle (IPP) Certifications for all Public Investment Managers for calendar year 2012. An analysis of the certifications indicated full compliance with the IPPs by most of the investment managers. For those not in full compliance, explanations were provided supporting that these managers complied with the spirit of the IPPs.



looking forward

Future Risk Management and Compliance Program initiatives include:

- Developing and implementing mandatory Enterprise Risk Management training for all SBA employees
- Finalizing and implementing new Business Continuity policy
- Developing and implementing mandatory Business Continuity training for all SBA employees
- Developing internal database of total fund risk system statistics
- Refining the system of internal controls documentation in collaboration with the business units
- Mapping key SBA business processes
- Monitoring potential impact of legal entity identifier (LEI) initiatives on the SBA's systems and processes
- Assisting business units in identifying and prioritizing opportunities for process improvements
- Evaluating effectiveness of internal governance and committee structures
- Continuing core financial competency training for new RMC staff

SBA TRUSTEES

Governor Rick Scott
Chair

Chief Financial Officer Jeff Atwater

Attorney General Pam Bondi

Ash Williams

EXECUTIVE DIRECTOR & CIO
STATE BOARD OF ADMINISTRATION

AUDIT COMMITTEE

Kimberly Ferrell, Chair
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Environmental
This Compliance Self-Assessment Report is created and printed internally by the SBA to minimize production costs, control waste, and monitor the types and amounts of ink and paper used in its production.

APPENDICES

SBA Enterprise Risk Management Framework

As of 9/30/2012

1. Investment Management Risk

A. Policy Risk - The risk that investment policies will be inconsistent with investment objectives because of ineffective policy design, changing objectives or reprioritization of competing objectives, or unexpected behavior of liabilities or risk premiums (both levels and interactions).

i. Investment Policy Design Risk - The risk that an investment policy will not be effectively designed for achieving an investment objective.
ii. Investment Objective Risk – The risk that simultaneous attainment of all objectives will not be possible, priority given to multiple objectives will not be appropriate, or changing circumstances will render existing objectives or priorities inappropriate.
iii. Capital Market Assumption Risk – The risk that capital markets will not perform as expected.
iv. Liability Risk - The risk that liabilities will not behave as expected.

B. Implementation Risk - The risk that decisions made in an attempt to achieve the investment objective for total fund, asset classes or individual investment mandates will cause material underperformance net of fees.

i. Strategic Risk - The risk that investment strategies used to structure total fund, asset classes or individual investment mandates will be unsuccessful, including utilizing/permitting material over/under weights to any of the following: asset class, style, market cap, sector, industries, geography, property type, currency, non-benchmark securities, duration, credit quality, liquidity, vintage or any other risk factors.
ii. Portfolio Under Performance Risk - The risk that asset class or individual portfolios' performance will not meet or exceed benchmarks.
iii. Trading Risk - The risk that trades, traders or broker/dealers will not be properly authorized, trades will not be properly documented or executed, or trading costs will not be consistent with best execution.
iv. Asset Transition Risk - The risk that assets will not be cost-effectively managed during asset transition (e.g., excessive transaction costs).
v. Model Risk - The risk that the models utilized will be inappropriate or misapplied.
vi. Due Diligence Risk - The risk that due diligence will not be adequately performed for a public or private asset class investment opportunity.
vii. Leverage Risk - The risk of imprudent or unauthorized use of leverage.
viii. Aggregate Issuer/Counterparty Credit Risk - The risk of undue concentration in firm-wide exposure to an issuer or counterparty or downgrade/default/failure to perform

C. Inherent Risk - Risks that are inherently present in financial instruments and usually knowingly assumed when investing or managed against a benchmark/peer group.

i. Market/Systematic Risk - The risk that a holder or seller will experience a loss from unexpected price fluctuations, including the loss of the original investment.

a. Credit Risk - The risk that an issuer of debt securities or a borrower will default on financial obligations (e.g., not able to make timely interest or principal payments).
b. Interest Rate Risk - The risk that an investment's value will change due to a change in interest rates.
c. Inflation Risk - The risk that the return from investing will not offset the loss in purchasing power due to inflation.
d. Liquidity Risk - The risk of limited access to funds, failure to meet liquidity needs or loss resulting from lack of market liquidity.
e. Currency Risk - The risk that an investment's value will change due to a change in exchange rates.
f. Systemic Risk - The risk that material portions of the global financial system and institutions will collapse or cease to function.

ii. Idiosyncratic/Unsystematic Risk - The risk, also known as specific risk, to individual financial instruments of price fluctuations which are not correlated with general market

2. Governance/Management Risk

A. Resource Allocation Risk - The risk of inefficient organizational structure and/or processes, and/or insufficient funding or resources.

B. Governance Policy Design Risk - The risk of missing or inadequate rules, policies or procedures.

C. Fiduciary/Ethics Risk - The risk of failing to meet fiduciary responsibilities or act consistent with appropriate ethical and professional standards.

D. Management Execution Risk - The risk of ineffective planning, decision making or supervision, poorly defined roles and responsibilities and/or inadequate internal communication.

3. Communication/Public Affairs/Reputational Risk - The risk associated with (1) the failure to develop and maintain understanding or confidence of stakeholders, (2) inability to communicate, coordinate, manage, and maintain effective public relations, and (3) adverse warranted or unwarranted media exposure.

4. Legislative/Political Risk - The risk that legislative/executive and/or regulatory actions may adversely impact the SBA's ability to carry out its mission.

5. Compliance Risk

A. Laws, Rules, & Regulations - The risk of failure to comply with applicable laws, rules and regulations.

B. SBA Policies -The risk of failure to comply with SBA policies.

C. Investment Policy Guidelines - The risk of investment loss or not being able to achieve the portfolio's objective due to the manager's non-compliance with investment policy guidelines.

D. Contractual Agreements - The risk of investment loss or disruption of services due to custodians', investment managers', or other service providers' non-compliance with contractual agreements.

6. Fraud/Misconduct/Internal Controls Risk

A. Internal Staff - The risk of fraudulent activities (e.g., misappropriation of assets) or intentional misconduct of internal staff.

B. Service Providers - The risk of fraudulent activities (e.g., misappropriation of assets) or intentional/negligent misconduct of service providers.

C. External Parties - The risk of fraudulent activities (e.g., misappropriation of assets) or intentional/negligent misconduct of external parties (e.g., check forgers, computer hackers).

7. Service Provider Risk

A. Financial Condition - The risk of deterioration of a service provider's financial condition.

B. Service Level Quality - The risk that a service provider will fail to competently and/or timely deliver services of satisfactory quality.

C. Key Personnel - The risk of loss of key service-providing personnel of an external service provider.

D. Premature/Unexpected Service Termination - The risk of premature/unexpected service termination by a service provider.

8. Client Relationship Risk

A. Service Delivery - The risk of failure to deliver satisfactory investment or other support services to the clients of the SBA.

B. Education - The risk of failure to provide adequate education regarding investments, risks, operational procedures, etc. to clients/participants.

C. Communication/Reporting - The risk of failure to provide clients/participants with timely and/or accurate information.

D. Allocation of Investment Opportunities - The risk of inappropriate allocation of investment opportunities for internally or externally managed client portfolios.

9. Operational Risk

A. Cash Management - The risk that residual cash will not be fully invested or will be overinvested (i.e., overdrafts).

B. Trade Settlement - The risk that trades will not be settled on a timely basis and/or in accordance with terms.

C. Transaction Processing - The risk that transactions (e.g., wire processing) will not be processed on a timely and accurate basis.

i. Incoming/Outgoing Wire Processing
ii. Check Processing / Disbursement
iii. Client Deposit/Redemption Processing (e.g., for Florida PRIME clients)
iv. Corporate Actions and Income Collections Processing

D. Asset Reconciliation - The risk that asset reconciliations will not be performed accurately and on a timely basis.

E. Accounting & Financial Reporting - The risk that transactions will not be correctly accounted for and reported on in a timely fashion and in conformance with GAAP or that other financial or performance information reported to external parties will be incomplete and/or inaccurate.

F. Valuation - The risk of incorrect, stale or missing valuations.

G. Performance Measurement - The risk that investment performance will not be accurately or timely measured.

H. Internal System Reliability/Electronic Data Integrity Risk - The risk that the SBA's internal technology platform does not function as intended and/or the information obtained from internal systems is unavailable, incomplete, inaccurate or otherwise cannot be relied upon for investment decision making, financial reporting or other business purposes.

I. FHCF/DC Program-Specific Risks - The risks in the Florida Hurricane Catastrophe Fund or Defined Contribution Program that are program specific and are not considered in the other risk categories of this framework.

J. Proxy Voting - The risk that proxy voting is not consistent, reliable, or conducted in a manner most likely to preserve or enhance the value of SBA equity holdings.

K. External Corporate Governance - The risk associated with not actively monitoring the governance structures of individual companies.

10. Human Capital Risk

A. Recruitment and Retention - The risk of failing to attract, recruit and retain adequate and competent staff.

B. Training and Development - The risk of inadequate training/development of knowledge, skills and abilities of staff.

C. Key Person/Succession - The risk of loss of key personnel or lack of adequate succession

11. Security Risk

A. Physical Security

i. Employee Security - The risk of harm to employees.
ii. Facility Security - The risk of unauthorized access to the building and office space.

B. Network/System Security - The risk of unauthorized access to networks/systems by internal or external parties.

C. Information Security & Records Management - The risk of not maintaining public records in accordance with mandated records retention requirements or preserving the confidentiality and integrity of physical and electronic records/data as they are collected, created, stored, transported,

12. Business Continuity/Infrastructure Risk

A. Facilities - The risk of business interruptions attributable to loss of use of SBA facilities.

B. Communication Systems - The risk of business interruptions due to ineffective or non-operative telecommunication resources and/or equipment (i.e., telephone and internet).

C. Data/System Recovery - The risk of not being able to recover data required for performance of critical business functions.

D. Process Recovery - The risk of not being able to resume critical business processes after business interruptions.

13. Legal Risk

A. Contract Development - The risk that a contract does not accurately or adequately incorporate business, legal and other requirements of stakeholders.

B. Legal Advisory - The risk of incorrect and/or incomplete legal advice provided by internal or external counsels.

C. Litigation - The risk of unfavorable litigation outcomes resulting in adverse consequences.

Risk Assessment Scale Definitions

Probability Scale	Probability of Occurrence within 36 Months
4 - Highly Likely	>90%
3 - Likely	60% - 75% (about 2 out of 3 chance)
2 - Unlikely	25% - 40% (about 1 out of 3 chance)
1 - Highly Unlikely	<10%

Guidance

Highly Likely

-Event has occurred multiple times at SBA within last 12 months

-Event occurring regulary/routinely within industry or within similar organizations

Likely

-Event has occurred once at SBA within last 12 months

-Event has occurred multiple times at SBA during past 3 years

-Event has occurred multiple times (or systematically) in industry or to similar organizations within past 12 months

Unlikely

-Event has occurred once at SBA during last 3 years

-Event has occurred multiple times (but infrequently/sporadically) in industry or to similar organizations during last 3 years

Highly Unlikely

-Event has not occurred at SBA within last 3-5 years and is not foreseeable

-Event has very isolated or no occurrences in industry or within similar organizations during during last 3-5 years

Event - threat, breach, violation, incident, occurrence, mistake, accident, emergency, mishap, disaster

Impact/ Severity Scale	Representative Characteristics of Each Level May Include:
3 - Major	Complete loss of operating capability, transaction processing, or telecommunications for more than 2 business days
	Reportable event to Trustees
	Multiple moderate events occurring simultaneously
	Litigation
	Criminal investigation
	Significant negative publicity
	Significant to complete loss of stakeholder confidence - SBA "brand" destroyed
	Loss of assets and/or mandates
	Legislative intervention
	Significant and persistent deviations from risk budget
	Material investment losses due to such factors as significant deviations from investment policy statements, investment policy guidelines, lack of/improper due diligence, etc.
	Material investment losses due to such factors as issuer defaults, counterparty defaults, etc.
	Unauthorized trading, cash transfers, or wire tranfer initiation
	Regulatory investigations
	Significant adverse audit findings
	Significant involuntary termination of staff
	20% or greater turnover in staff
	Employee or service provider fraud greater than $25K
	Loss of system or application control / breach of IT security
	Unauthorized access to confidential/sensitive data, including bank account/wiring instruction information
	Loss of transaction data
2 - Moderate	Possible reportable event to Trustees
	Minor negative publicity
	Loss of operating capability, transaction processing, or telecommunications for one to two business days
	Isolated employment litigation
	Some loss of stakeholder confidence
	Deviations from risk budget
	Minor investment losses due to such factors as deviations from investment policy statements, investment policy guidelines, improper due diligence, etc.
	Isolated investment losses due to such factors as issuer defaults, counterparty defaults, etc.
	Improper records retention, records missing or records destroyed pre-maturely
	Material valuation errors
	Multiple minor events occurring simultaneously
	Multiple minor/moderate adverse audit findings
	10% to 20% turnover in staff
	Multiple service provider terminations occurring simultaneously
	Persistent contractual and/or investment policy guidelines compliance infractions
	Employee or service provider fraud from $1K to $25K
	Unauthorized access to SBA systems, non-sensitive data, or physical facility
1 - Minor	Loss of operating capability, transaction processing or telecommunications for several hours
	Minor adverse audit findings
	Isolated staff turnover
	Isolated service provider terminations
	Minor valuation errors
	Employee or service provider fraud of $1K or less
	Non-material contractual and/or investment policy guidelines compliance infractions

ERM Risk Ownership and Residual Risk Ranking - as of 3/31/13

The risk ownership indicates the risk management effort required at the Process Owner level to effectively contribute to the SBA's enterprise-wide risk response.

	Investment Management Risk																			Governance/ Management Risk				Communication/Public Affairs/ Reputational Risk	Legislative/ Political Risk	Compliance Risk				Fraud/ Misconduct Internal Controls Risk			Service Provider Risk			
	Policy Risk				Implementation Risk								Inherent Risk																							
													Market/Systematic Risk																							
	Investment Policy Design Risk	Investment Objective Risk	Capital Market Assumption Risk	Liability Risk	Strategic Risk	Porfolio Under Performance Risk	Trading Risk	Asset Transition Risk	Model Risk	Due Diligence Risk	Leverage Risk	Agg. Issuer or Counterparty Credit Risk	Credit Risk	Interest Rate Risk	Inflation Risk	Liquidity Risk	Currency Risk	Systemic Risk	Idiosyncratic/Unsystematic Risk	Resource Allocation Risk	Governance Policy Design Risk	Fiduciary/Ethics Risk	Management Execution Risk			Laws, Rules, & Regulations	SBA Policies	Investment Policy Guidelines	Contractual Agreements	Internal Staff	Service Providers	External Parties	Financial Condition	Service Level Quality	Key Personnel	Premature/ Unexpected Service Termination
DED and Staff (Includes SPM and RCM)	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	M	M	H	M	M	L-N/A	M	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A
CAT Fund	L-N/A	L-N/A	L-N/A	M	L-N/A	M	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	H	L-N/A	M	H	H	H	H	M	M	H	M	M	L-N/A	H	H	H	H
Defined Contribution/ Legislative Affairs	H	L-N/A	L-N/A	M	H	H	L-N/A	H	H	H	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	H	M	H	H	H	H	H	M	M	H	M	M	M	H	H	H	H
RMC	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	M	M	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	H	M	M	L-N/A	L-N/A	H	H	H	M	M	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A
IPE	H	H	H	M	H	H	L-N/A	M	H	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	H	L-N/A	M	L-N/A	L-N/A	M	L-N/A	M	L-N/A	L-N/A	M	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	H	H	L-N/A
Inspector General	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	H	M	L-N/A	L-N/A	H	H	M	L-N/A	L-N/A	L-N/A	L-N/A
Communications	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	H	M	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A
Corporate Governance & Investment Programs	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A
Legal	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	M	M	L-N/A	H	M	L-N/A	H	L-N/A	L-N/A	L-N/A	L-N/A	M	M	L-N/A
Global Equity	M	M	M	L-N/A	H	H	H	H	H	H	H	M	M	L-N/A	M	M	H	M	H	L-N/A	L-N/A	M	M	L-N/A	L-N/A	M	M	H	H	M	L-N/A	L-N/A	L-N/A	H	H	M
Fixed Income	M	M	M	L-N/A	H	H	H	H	H	H	H	M	H	H	M	H	M	M	H	L-N/A	L-N/A	M	M	L-N/A	L-N/A	M	M	H	H	M	L-N/A	L-N/A	L-N/A	H	H	M
Private Equity	M	M	M	L-N/A	H	H	L-N/A	H	H	H	H	M	M	M	M	M	M	M	H	L-N/A	L-N/A	M	M	L-N/A	L-N/A	M	M	H	H	M	M	L-N/A	H	H	H	M
Strategic Investments	M	M	M	L-N/A	H	H	L-N/A	H	H	H	H	M	M	M	M	M	M	M	H	L-N/A	L-N/A	M	M	L-N/A	L-N/A	M	M	H	H	M	M	L-N/A	H	H	H	M
Real Estate	M	M	M	L-N/A	H	H	L-N/A	H	H	H	H	M	L-N/A	M	M	M	M	M	H	L-N/A	L-N/A	M	M	L-N/A	L-N/A	M	M	H	H	M	M	L-N/A	H	H	H	M
COO (includes Budget Manager	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	H	M	H	H	L-N/A	L-N/A	M	M	L-N/A	M	H	H	H	H	H	M	H
Financial Operations	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	M	M	L-N/A	L-N/A	H	H	H	L-N/A	H	L-N/A	M
Accounting	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	M	M	L-N/A	M	M	H	H	H	H	M	H
IT	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	M	L-N/A	L-N/A	L-N/A	H	L-N/A	M	M	L-N/A	H	L-N/A	M	L-N/A	H
HR (including Training)	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	M	L-N/A	L-N/A	H	H	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A
Administrative Services	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	M	M	M	L-N/A	M	L-N/A	M

Ownership Level

H-High
a) A significant and direct role is played by a process owner in risk management/ mitigation
b) May include process, contract, budget resource, strategic objective ownership
c) Risk severity level and/or frequency may be high at the process owner level
d) May include direct reporting of risk metrics to ERM
e) May be responsible for developing and maintaining well documented written policies describing risk management
f) Significant compliance and/or dedicated monitoring processes may be required
g) Significant level of internal controls may be required

M-Medium
a) Key support responsibilities are provided by a participant in risk management/mitigation
b) May provide oversight of risk management activities
c) May be organizationally responsible for risk management efforts through subordinates with high or medium responsibilities
d) Promote compliance with established risk appetite
e) Manage risks within their spheres of responsibility consistent with risk tolerances
f) May provide key data/information to support reporting of risk metrics

L-Low
a) Minor or minimal support responsibilities are provided by participant in risk management/ mitigation
b) Risk severity level and/or frequency is typically low at the participant level
c) Execute risk management/mitigation procedures in accordance with established policies & procedures (e.g., records retention)
d) Risk metrics are typically not accumulated or reported

	Client Relationship Risk				Operational Risk														Human Capital Risk			Security Risk				Business Continuity/ Infrastructure Risk				Legal Risk		
							Transaction Processing															Physical Security										
	Service Delivery	Education	Communication/ Reporting	Allocation of Investment Opportunities	Cash Management	Trade Settlement	Incoming/ Outgoing Wire Processing	Check Processing /Disbursement	Client Deposit/ Redemption Processing (e.g., for Florida PRIME Clients)	Corporate Action & Income Collections Processing	Asset Reconciliation	Accounting & Financial Reporting	Valuation	Performance Measurement	Internal System Reliability/ Electronic Data Integrity Risk	FHCF/DC Program-Specific Risks	Proxy Voting	External Corporate Governance	Recruitment and Retention	Training & Development	Key Person/Succession	Employee Security	Facility Security	Network/System Security	Information Security & Records Management	Facilities	Communication Systems	Data/System Recovery	Process Recovery	Contract Development	Legal Advisory	Litigation
DED and Staff (Includes SPM and RCM)	M	M	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	M	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	M	M	M	M	M	M	M
CAT Fund	M	M	H	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	H	L-N/A	L-N/A	L-N/A	H	L-N/A	L-N/A	M	M	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	M	M	L-N/A	M
Defined Contribution/ Legislative Affairs	H	H	H	L-N/A	M	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	H	L-N/A	L-N/A	M	M	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	H	H	M	L-N/A	M
RMC	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	M	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A
IPE	L-N/A	L-N/A	H	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	H	L-N/A	L-N/A	L-N/A	L-N/A	M	M	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A
Inspector General	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	M	M	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A
Communications	M	M	H	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A
Corporate Governance & Investment Programs	H	H	H	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	H	H	L-N/A	M	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A
Legal	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	M	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	H	H	H
Global Equity	M	L-N/A	L-N/A	H	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	M	M	M	M	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	H	M	L-N/A	L-N/A
Fixed Income	M	L-N/A	L-N/A	H	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	M	L-N/A	L-N/A	L-N/A	L-N/A	M	M	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	H	M	L-N/A	L-N/A
Private Equity	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	M	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	M	M	L-N/A	L-N/A
Strategic Investments	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	M	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	M	M	L-N/A	L-N/A
Real Estate	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	M	M	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	M	M	L-N/A	L-N/A
COO (includes Budget Manager	M	L-N/A	H	L-N/A	M	M	M	M	M	M	M	M	M	L-N/A	M	L-N/A	L-N/A	L-N/A	H	H	H	M	M	M	M	M	M	M	M	M	L-N/A	L-N/A
Financial Operations	H	M	H	L-N/A	H	H	H	H	H	H	L-N/A	L-N/A	L-N/A	L-N/A	H	L-N/A	L-N/A	L-N/A	L-N/A	M	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	H	L-N/A	L-N/A	L-N/A
Accounting	M	L-N/A	H	L-N/A	L-N/A	M	M	L-N/A	L-N/A	H	H	H	H	M	M	L-N/A	L-N/A	L-N/A	L-N/A	M	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A
IT	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	H	L-N/A	L-N/A	L-N/A	L-N/A	M	M	L-N/A	L-N/A	H	H	L-N/A	H	H	H	L-N/A	L-N/A	L-N/A
HR (including Training)	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	H	H	L-N/A	M	L-N/A	L-N/A	M	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A
Administrative Services	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	L-N/A	H	H	L-N/A	H	H	H	M	M	L-N/A	L-N/A	L-N/A

Ownership Level

H-High	a) A significant and direct role is played by a process owner in risk management/ mitigation b) May include process, contract, budget resource, strategic objective ownership c) Risk severity level and/or frequency may be high at the process owner level d) May include direct reporting of risk metrics to ERM e) May be responsible for developing and maintaining well documented written policies describing risk management f) Significant compliance and/or dedicated monitoring processes may be required g) Significant level of internal controls may be required

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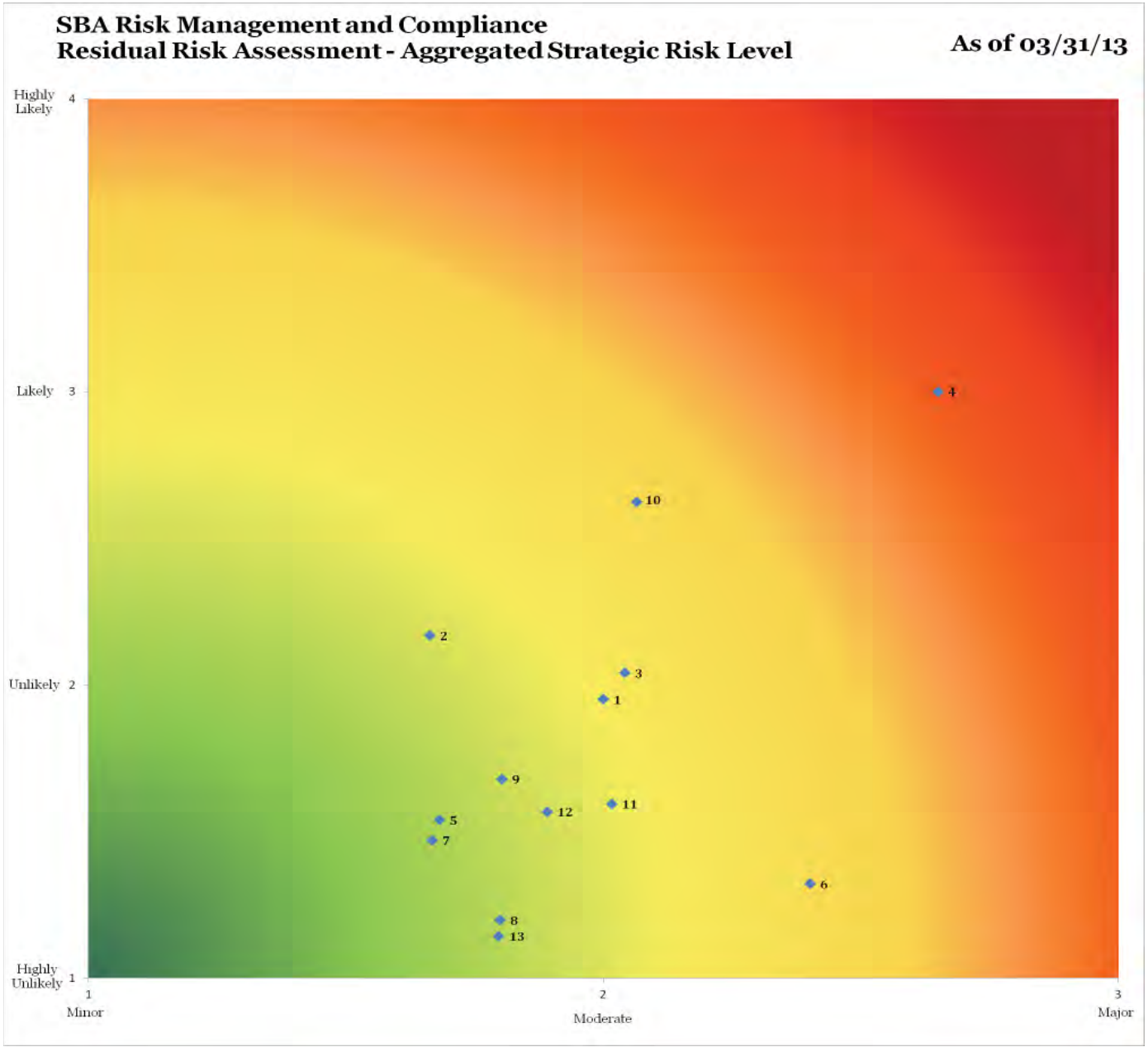
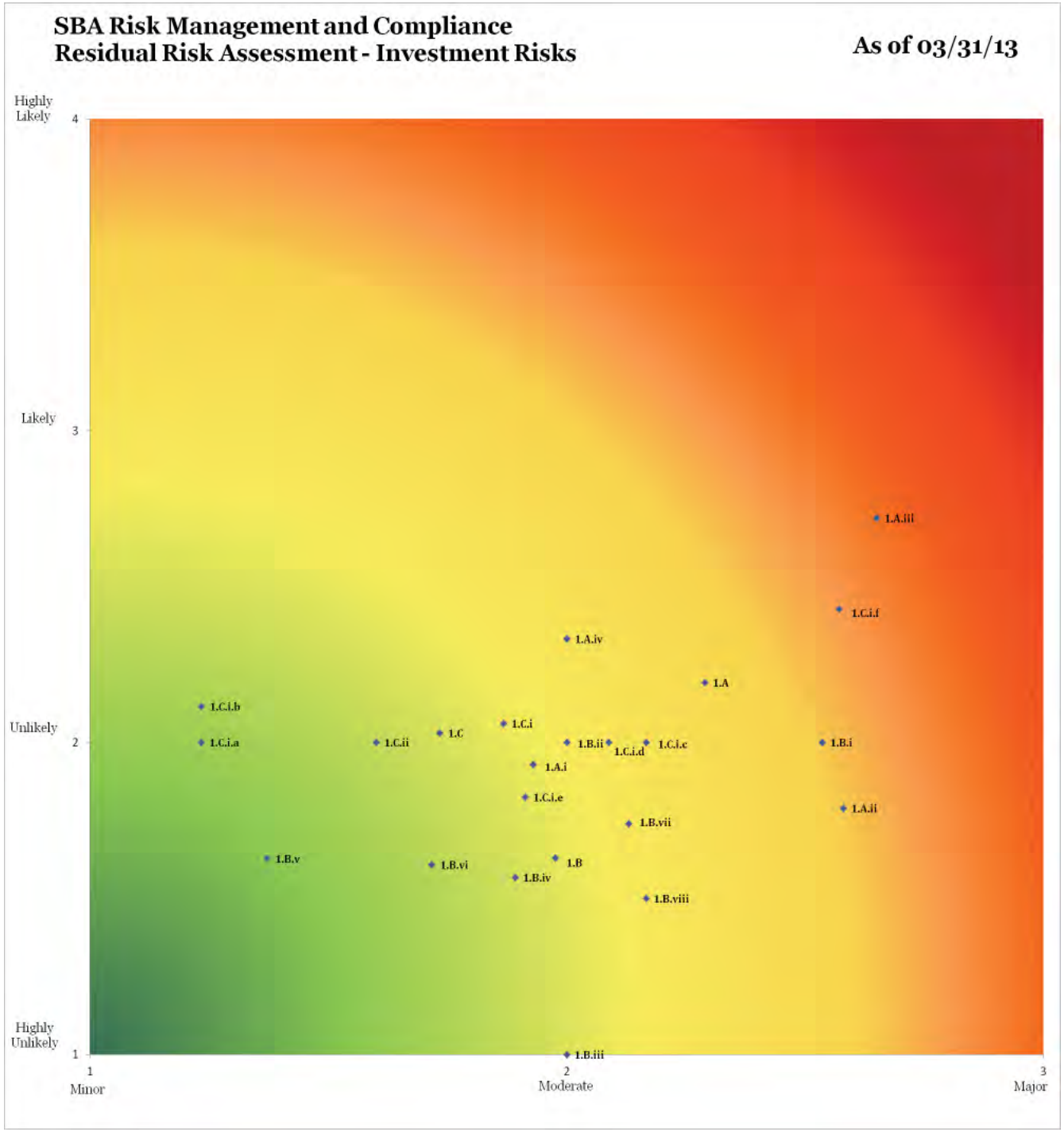
L-Low	a) Minor or minimal support responsibilities are provided by participant in risk management/ mitigation b) Risk severity level and/or frequency is typically low at the participant level c) Execute risk management/mitigation procedures in accordance with established policies & procedures (e.g., records retention) d) Risk metrics are typically not accumulated or reported

S:\Risk Management\2013 Risk Assessment Materials\Survey Responses and Linked Heat Maps\Copy of Risk Assessment Survey with Ownership Grid and Heatmaps 5 20 2013 2



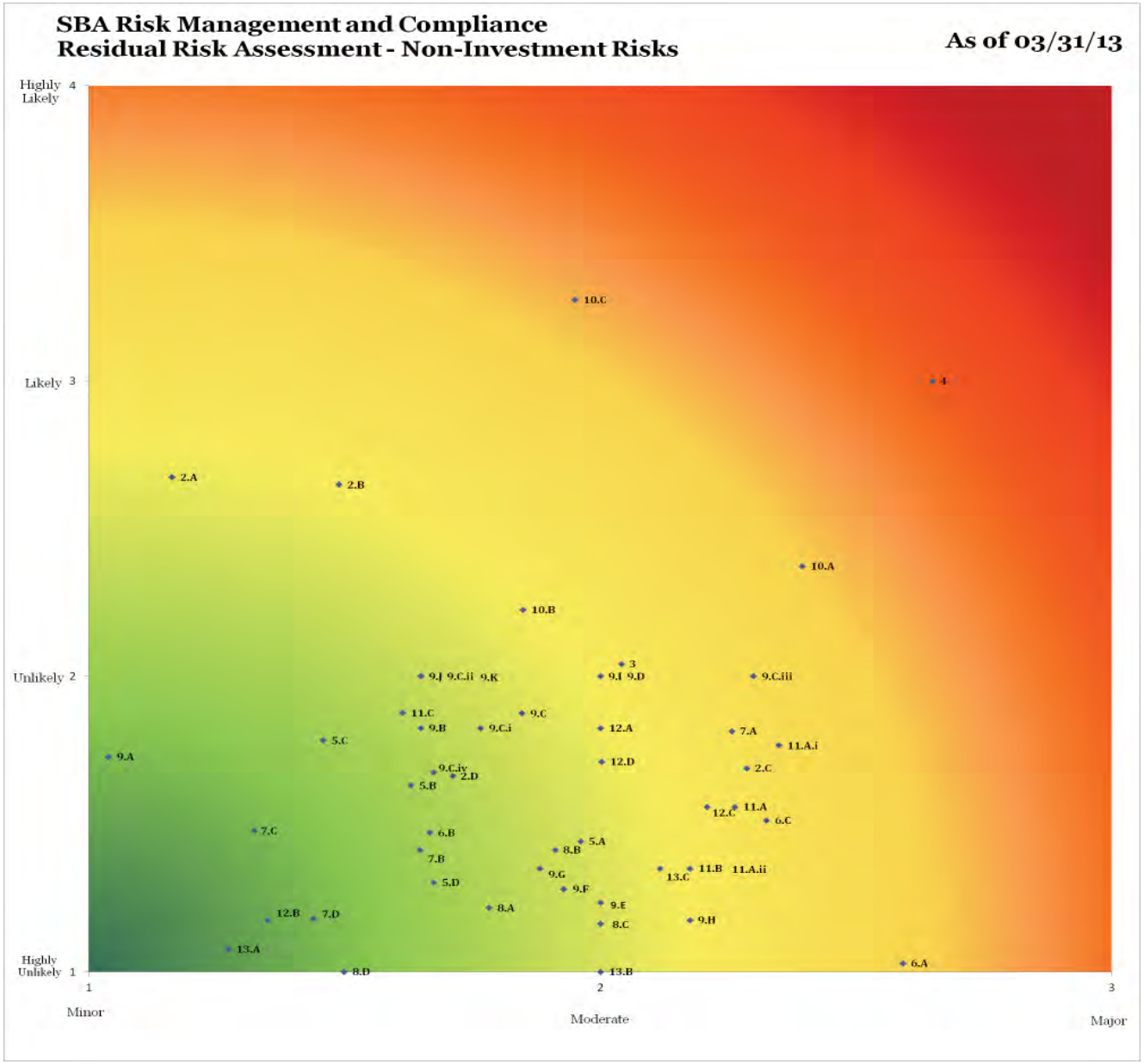
1 Investment Management Risk
2 Governance/Management Risk
3 Communication/Public Affairs/Reputational Risk
4 Legislative/Political Risk
5 Compliance Risk
6 Fraud/ Misconduct/ Internal Controls Risk
7 Service Provider Risk
8 Client Relationship Risk
9 Operational Risk
10 Human Capital Risk
11 Security Risk
12 Business Continuity/Infrastructure Risk
13 Legal Risk



1.A. Policy Risk
- **1.A.i. Policy Risk-Policy Design Risk**
- **1.A.ii. Policy Risk-Investment Objective Risk**
- **1.A.iii. Policy Risk-Capital Market Assumption Risk**
- **1.A.iv. Policy Risk-Liability Risk**

1.B. Implementation Risk
- **1.B.i. Implementation Risk-Strategic Risk**
- **1.B.ii. Implementation Risk-Portfolio Under Performance Risk**
- **1.B.iii. Implementation Risk-Trading Risk**
- **1.B.iv. Implementation Risk-Asset Transition Risk**
- **1.B.v. Implementation Risk-Model Risk**
- **1.B.vi. Implementation Risk-Due Diligence Risk**
- **1.B.vii. Implementation Risk-Leverage Risk**
- **1.B.viii. Implementation Risk-Agg Issuer/Counterparty Credit Risk**

1.C. Inherent Risk
- **1.C.i. Inherent Risk-Market/Systematic Risk**
  - **1.C.i.a. Credit Risk**
  - **1.C.i.b. Interest Rate Risk**
  - **1.C.i.c. Inflation Risk**
  - **1.C.i.d. Liquidity Risk**
  - **1.C.i.e. Currency Risk**
  - **1.C.i.f. Systemic Risk**
- **1.C.ii. Inherent Risk-Idiosyncratic/Unsystematic Risk**



2. Governance/Management Risk
2.A. Governance/Management Risk-Resource Allocation Risk
2.B. Governance/Management Risk-Governance Policy Design Risk
2.C. Governance/Management Risk-Fiduciary/Ethics Risk
2.D. Governance/Management Risk-Management Execution Risk
3. Communication/Public Affairs/Reputational Risk
4. Legislative/Political Risk
5.A. Compliance Risk-Laws, Rules, & Regulations
5.B. Compliance Risk-SBA Policies
5.C. Compliance Risk-Investment Policy Guidelines
5.D. Compliance Risk-Contractual Agreements
6.A. Fraud/Misconduct/Internal Controls Risk-Internal Staff
6.B. Fraud/Misconduct/Internal Controls Risk-Service Providers
6.C. Fraud/Misconduct/Internal Controls Risk-External Parties
7.A.Service Provider Risk-Financial Condition
7.B. Service Provider Risk-Service Level Quality
7.C. Service Provider Risk-Key Personnel
7.D. Service Provider Risk-Premature/Unexpected Service Termination
8.A. Client Relationship Risk-Service Delivery
8.B. Client Relationship Risk-Education
8.C. Client Relationship Risk-Communication/Reporting
8.D. Client Relationship Risk-Allocation of Investment Opportunities
9.A. Operational Risk-Cash Management
9.B. Operational Risk-Trade Settlement
9.C. Operational Risk-Transaction Processing
9.C.i. Incoming/Outgoing Wire Processing
9.C.ii. Check Processing/Disbursement
9.C.iii. Redemption Processing
9.C.iv. Corporate Action & Income Collections Processing
9.D. Operational Risk-Asset Reconciliation
9.E. Operational Risk-Accounting and Financial Reporting
9.F. Operational Risk-Valuation
9.G. Operational Risk-Performance Measurement
9.H. Operational Risk-Int System Reliability/E - Data Integrity Risk
9.I. Operational Risk-FHCF/DC Program-Specific Risks
9.J. Operational Risk-Proxy Voting
9.K. Operational Risk-External Corporate Governance
10.A. Human Capital Risk-Recruitment and Retention
10.B. Human Capital Risk-Training and Development
10.C.Human Capital Risk-Key Person/Succession
11.A. Security Risk-Physical Security
11.A.i. Employee Security
11.A.ii. Facility Security
11.B. Security Risk-Network/System Security
11.C. Security Risk-Information Security & Records Management
12.A. Business Continuity/Infrastructure Risk-Facilities
12.B. Business Continuity/Infrastructure Risk-Communication Systems
12.C. Business Continuity/Infrastructure Risk-Data/System Recovery
12.D. Business Continuity/Infrastructure Risk-Process Recovery
13.A. Legal Risk-Contract Development
13.B. Legal Risk-Legal Advisory
13.C. Legal Risk-Litigation

STATE BOARD OF ADMINISTRATION
OFFICE OF RISK MANAGEMENT AND COMPLIANCE
1801 HERMITAGE BOULEVARD
TALLAHASSEE FL 32308
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State Board of Administration of Florida

Major Mandate Review
Second Quarter 2013

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2. Pension Plan Review
3. Investment Plan Review
4. CAT Fund Review
5. Lawton Chiles Endowment Fund Review
6. Florida PRIME and Fund B Review
7. Appendix

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Executive Summary

Second Quarter 2013

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Executive Summary

- The major mandates outperformed their respective benchmarks over all longer time periods through June 30, 2013.
- The Pension Plan outperformed its Performance Benchmark during the second quarter and over the trailing one-, three-, five-, ten- and fifteen-year time periods.
  - Global Equity has been the main source of value added over the trailing one-, three- and five-year time periods. Fixed Income, Real Estate and Strategic Investments have also added value.
- Over the trailing one- and ten-year periods, the Pension Plan's return ranked in the top fifth percentile of the TUCS Top Ten Defined Benefit Plan universe and ranked in the top half of the universe over the trailing three- and five-year periods.
- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark during the second quarter and over all trailing periods.
- The Lawton Chiles Endowment Fund outperformed its benchmark over all trailing periods, primarily due to strong public equity performance.
- The CAT Funds and Florida PRIME continued to outperform their respective benchmarks over both short and long time periods.

State Board of Administration of Florida
Florida Retirement System

Pension Plan Review

Second Quarter 2013

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Executive Summary

- The Pension Plan assets totaled $132.4 billion as of June 30, 2013 which represents a $1.3 billion decrease since last quarter.
- The Pension Plan, when measured against the Performance Benchmark, outperformed over the trailing one-, three-, five-, ten- and fifteen-year periods.
- Relative to the Absolute Nominal Target Rate of Return, the Pension Plan underperformed over the five- and fifteen-year periods, but has outperformed over the trailing one-, three-, ten-, twenty- and twenty five-year time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
  - Public market asset class investments do not significantly deviate from their broad market-based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
  - Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type and investment strategy.
  - Asset allocation is monitored on a daily basis to ensure the actual asset allocation of the Pension Plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Hewitt EnnisKnupp and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

FRS Pension Plan Change in Market Value
Periods Ending 6/30/2013

Summary of Cash Flows		
	Second Quarter	**Fiscal YTD***
Beginning Market Value	$133,650,630,998	$122,745,973,551
+/- Net Contributions/(Withdrawals)	($1,473,938,583)	($6,189,055,380)
Investment Earnings	$206,222,851	$15,825,997,095
= Ending Market Value	$132,382,915,266	$132,382,915,266
Net Change	($1,267,715,732)	$9,636,941,715

*Period July 2012 – June 2013

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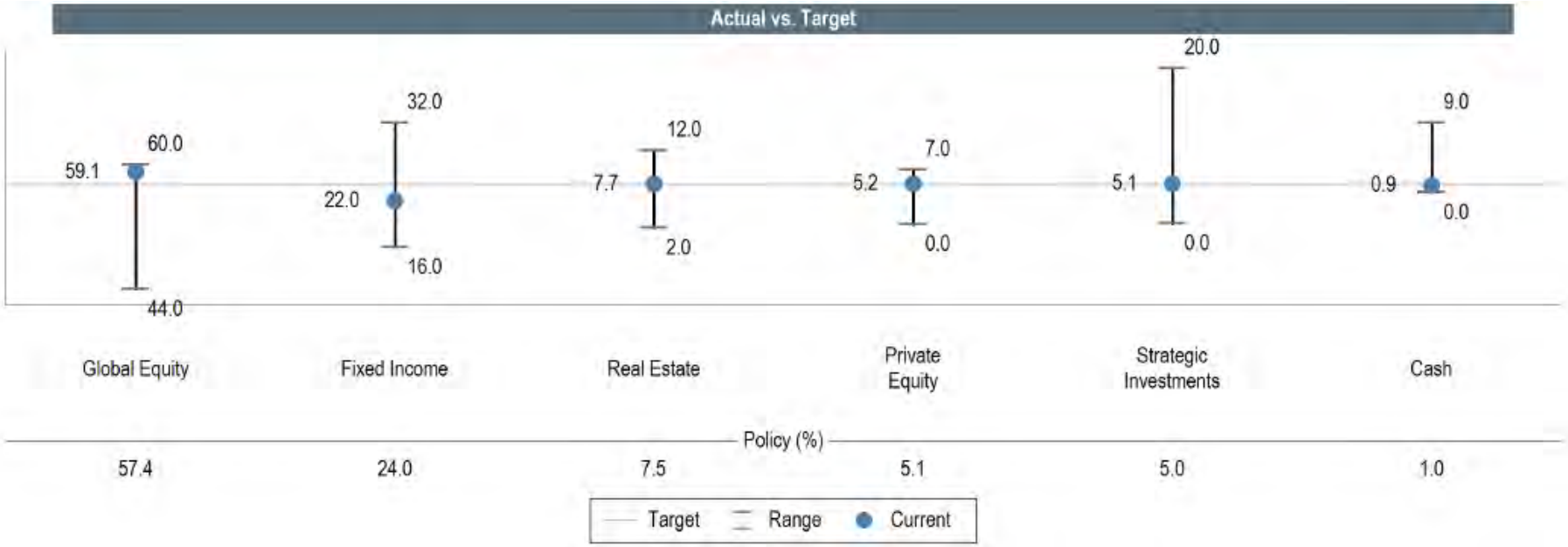
Asset Allocation as of 6/30/2013
Total Fund Assets = $132.4 Billion



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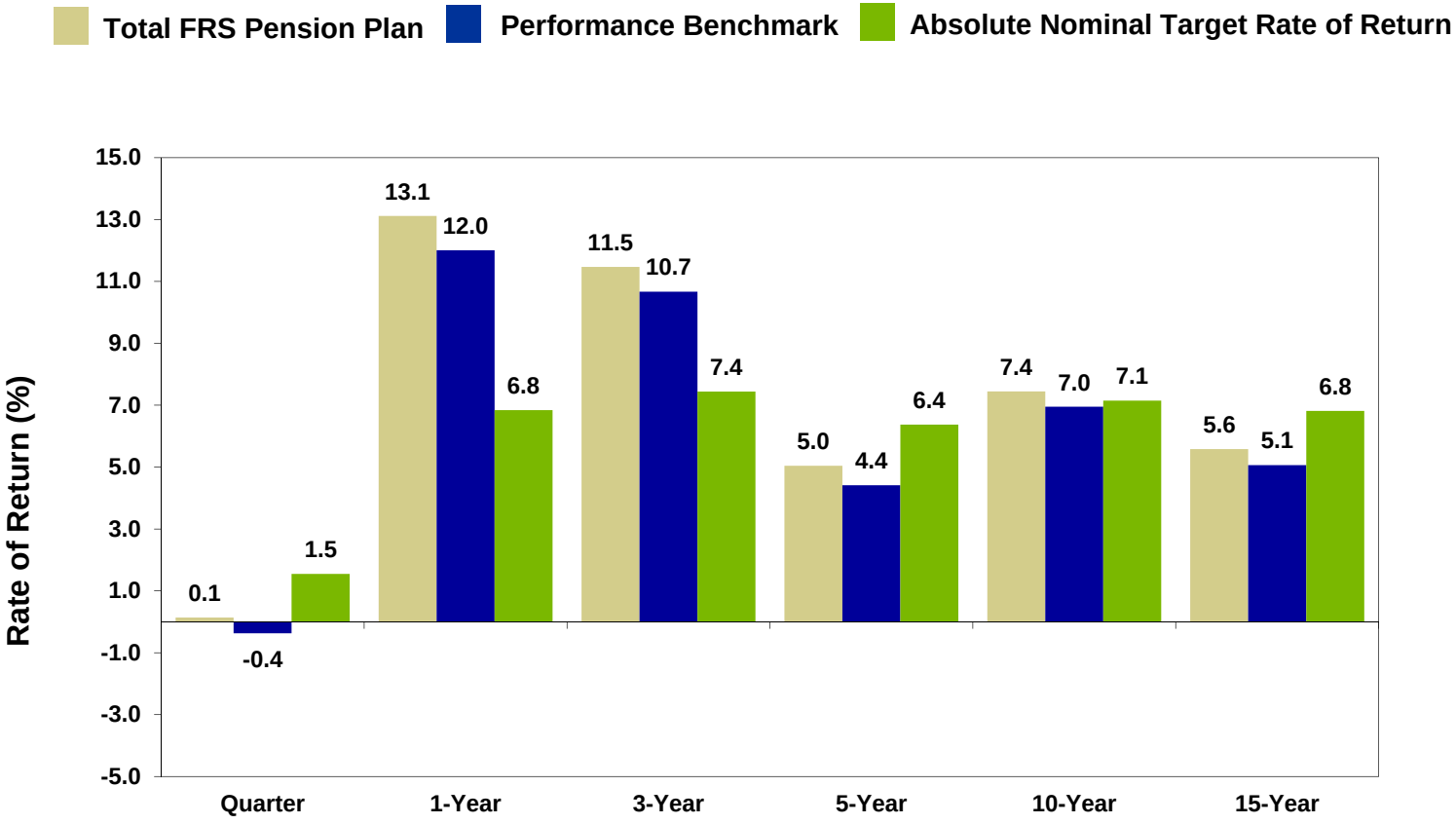
FRS Pension Plan Investment Results
Periods Ending 6/30/2013



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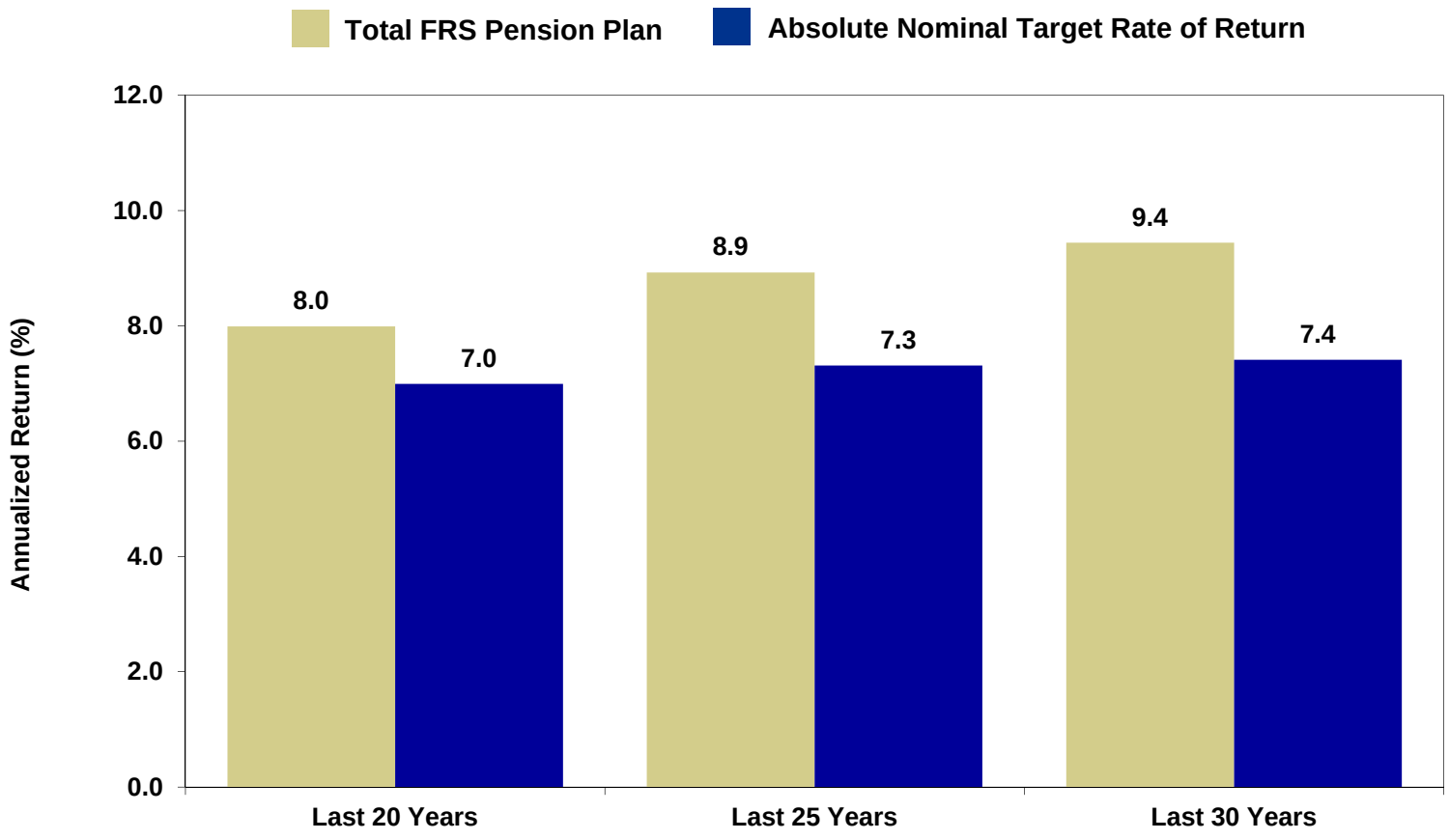
FRS Pension Plan Investment Results
Periods Ending 6/30/2013

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



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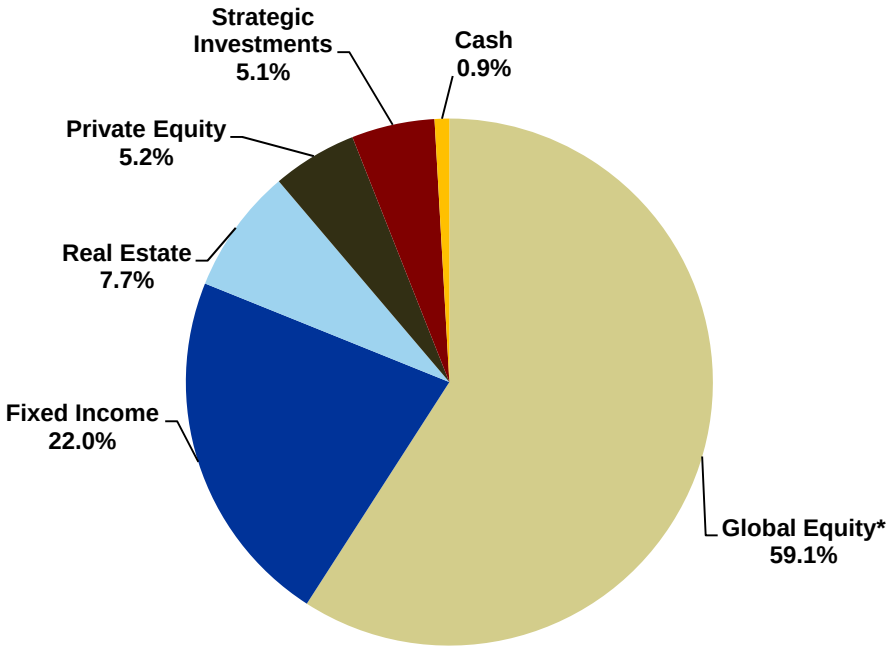
Comparison of Asset Allocation
As of 6/30/2013

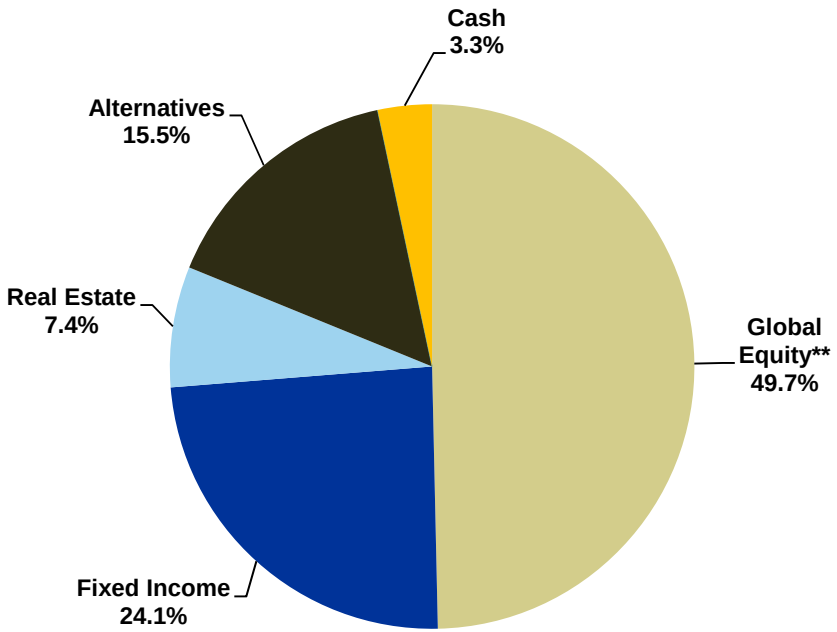
FRS Pension Plan vs. Top Ten Defined Benefit Plans

FRS TOTAL FUND



*Global Equity Allocation: 27.4% Domestic Equities; 28.3% Foreign Equities;3.5% Global Equities. Percentages are of the Total FRS Fund.

TUCS TOP TEN



**Global Equity Allocation: 31.1% Domestic Equities; 18.6% Foreign Equities.

Note: The TUCS Top Ten Universe includes $1,159.9 billion in total assets. The median fund size was $115.9 billion and the average fund size was $116.0 billion.

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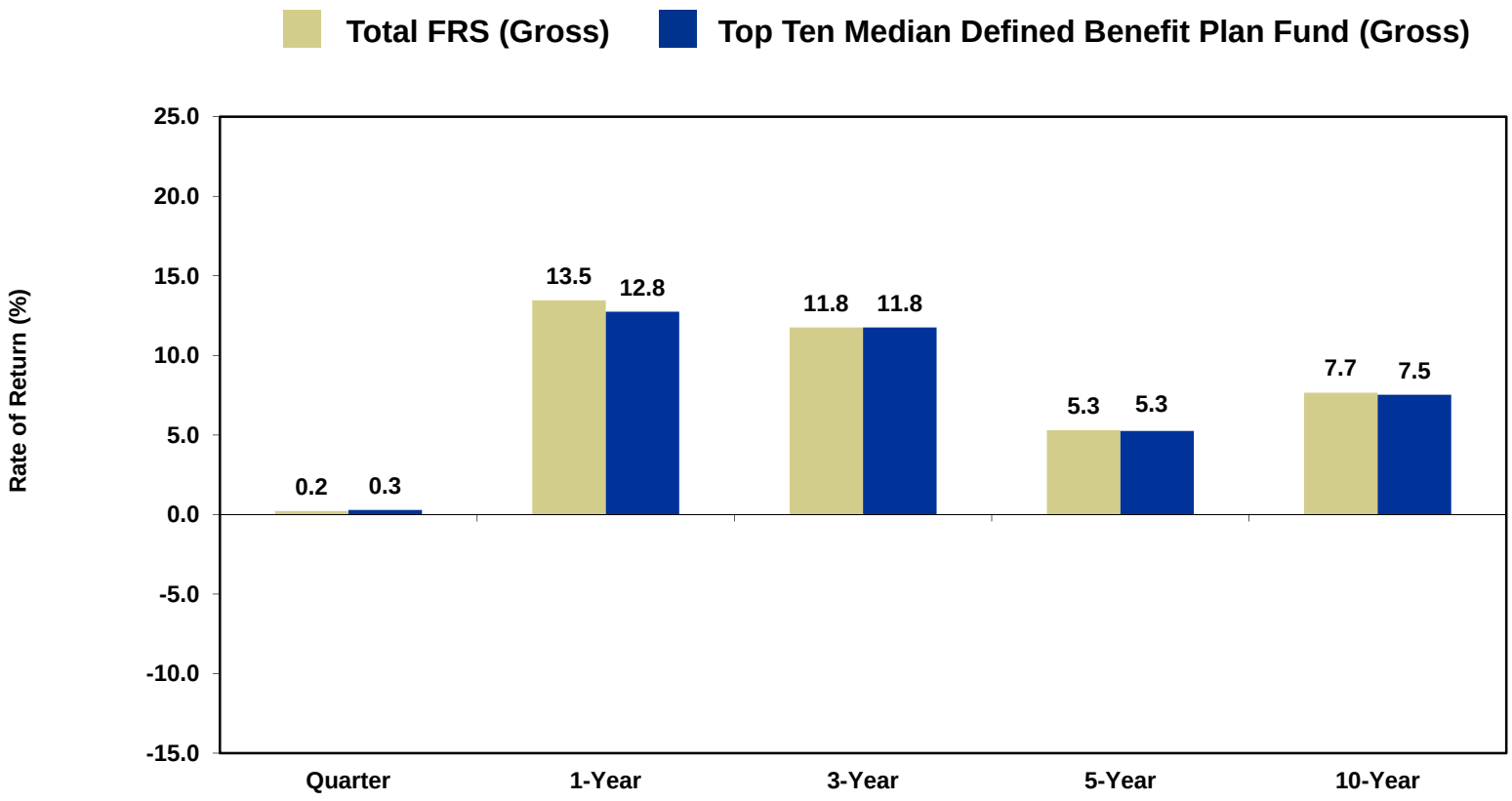
FRS Results Relative to TUCS Top Ten Defined Benefit Plans
Periods Ending 6/30/2013



Note: The TUCS Top Ten Universe includes $1,159.9 billion in total assets. The median fund size was $115.9 billion and the average fund size was $116.0 billion.

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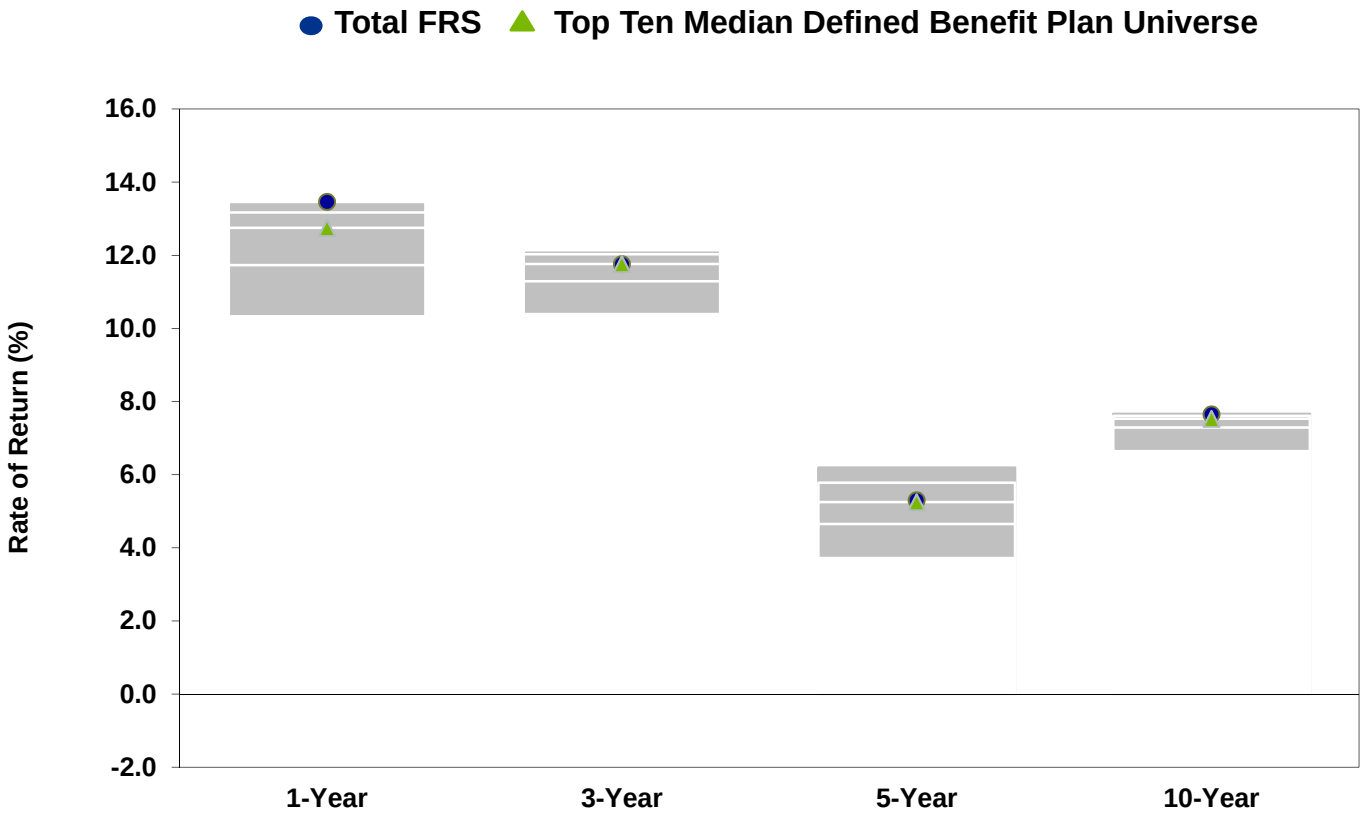
Top Ten Defined Benefit Plans FRS Universe Comparison (TUCS)
Periods Ending 6/30/2013



	1-Year	3-Year	5-Year	10-Year
FRS Percentile Ranking	5	50	37	5

Note: The TUCS Top Ten Universe includes $1,159.9 billion in total assets. The median fund size was $115.9 billion and the average fund size was $116.0 billion.

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State Board of Administration of Florida
Florida Retirement System

Investment Plan Review
Second Quarter 2013

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Executive Summary

- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark over the trailing one-, three-, five- and ten-year periods. This suggests strong relative performance of the underlying fund options in which participants are investing.

- The Investment Plan Expense Ratio for the FRS Investment Plan is lower, on average, when compared to a defined contribution peer group and is significantly lower than the average corporate and public defined benefit plan.

- Management fees are lower than the median as represented by Morningstar's mutual fund universe for every investment category.

- The FRS Investment Plan offers an appropriate number of fund options that span the risk and return spectrum.

- The Investment Policy Statement is revisited periodically to ensure the structure and guidelines of the FRS Investment Plan are appropriate, taking into consideration the FRS Investment Plan's goals and objectives.

Total Investment Plan Returns & Cost

Periods Ending 6/30/2013*

	One-Year	Three-Year	Five-Year	Ten-Year
FRS Investment Plan	**10.1%**	**9.5%**	**4.4%**	**6.5%**
*Total Plan Aggregate Benchmark***	9.7	9.2	3.9	6.1
FRS Investment Plan vs. Total Plan Aggregate Benchmark	0.4	0.3	0.5	0.4

Periods Ending 12/31/2012***

	Five-Year Average Return****	Five-Year Net Value Added	Expense Ratio
FRS Investment Plan	**2.27%**	**0.54%**	**0.37%**
Peer Group	2.33	-0.02	0.32
FRS Investment Plan vs. Peer Group	-0.06	0.56	0.05

*Returns shown are net of fees.
**Aggregate benchmark returns are an average of the individual portfolio benchmark returns at their actual weights.
***Source: 2012 CEM Benchmarking Report. Peer group for the Five-Year Average Return and Value Added represents the U.S. Median plan return based on the CEM 2012 Survey that included 166 U.S. defined contribution plans with assets ranging from $40 million to $41 billion. Peer group for the Expense Ratio represents a custom peer group for FSBA of 20 DC plans including corporate and public plans with assets between $2.4 - $14.1 billion.
****Returns shown are gross of fees.

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State Board of Administration of Florida
CAT Fund Review

Second Quarter 2013

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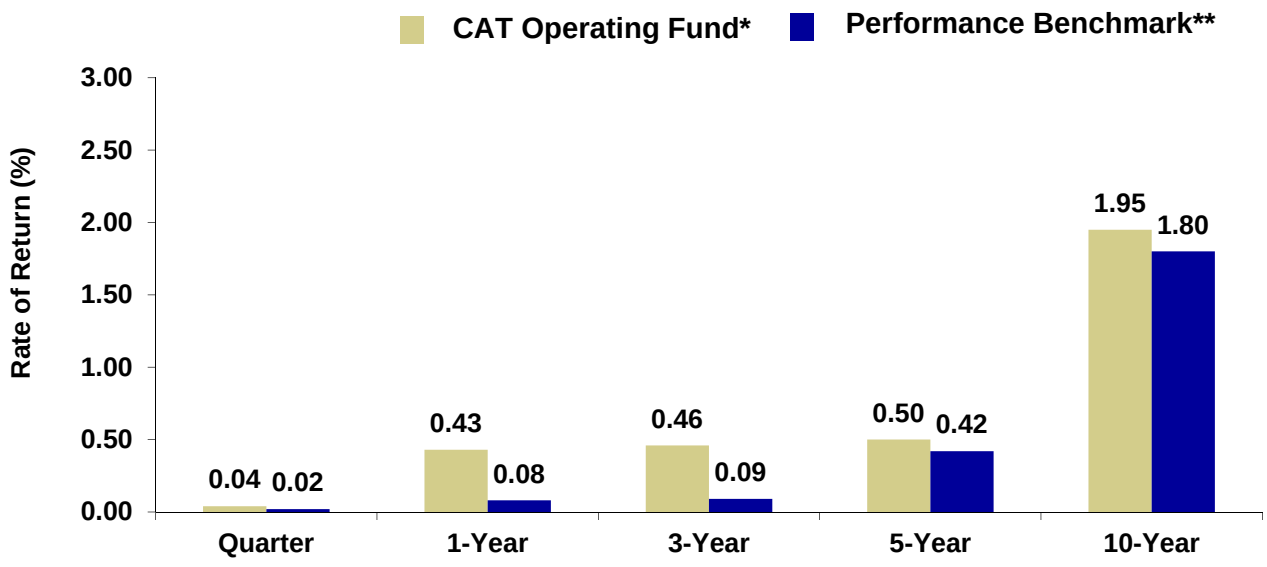
Executive Summary

- Performance of the CAT Funds on both an absolute and relative basis has been strong over short- and long-term time periods.
- The CAT Funds are adequately diversified across issuers within the short-term bond market.
- The Investment Policy Statement appropriately constrains the CAT Funds to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Adequate liquidity exists to address the cash flow obligations of the CAT Funds.
- The Investment Policy Statement is revisited periodically to ensure that the structure and guidelines of the CAT Funds are appropriate, taking into consideration the CAT Funds' goals and objectives.

CAT Funds Investment Results
Periods Ending 6/30/2013



*CAT Operating Fund: Beginning March 2008, the returns for the CAT Fund reflect marked-to-market returns. Prior to that time, cost-based returns are used.
**Performance Benchmark: The CAT Fund was benchmarked to the IBC First Tier through February 2008. From March 2008 to December 2009, it was the Merrill Lynch 1-Month LIBOR. From January 2010 to June 2010, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. Effective July 2010, it is a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Net Index.

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State Board of Administration of Florida
Lawton Chiles Endowment Fund Review

Second Quarter 2013

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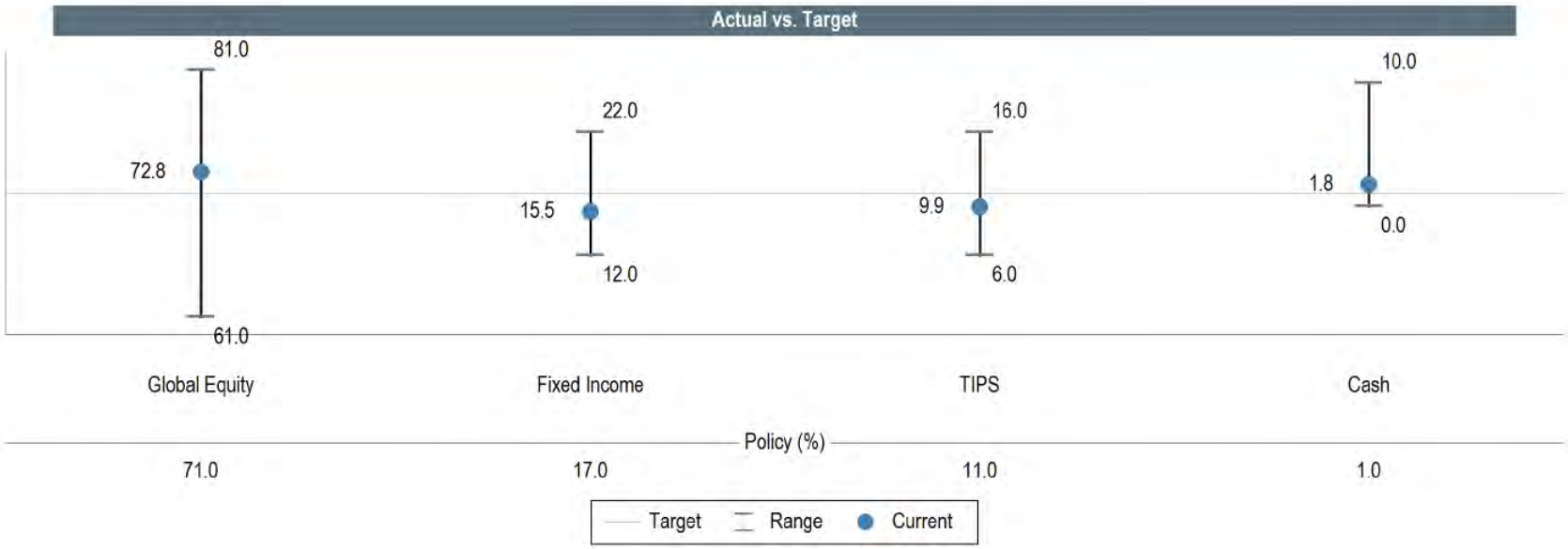
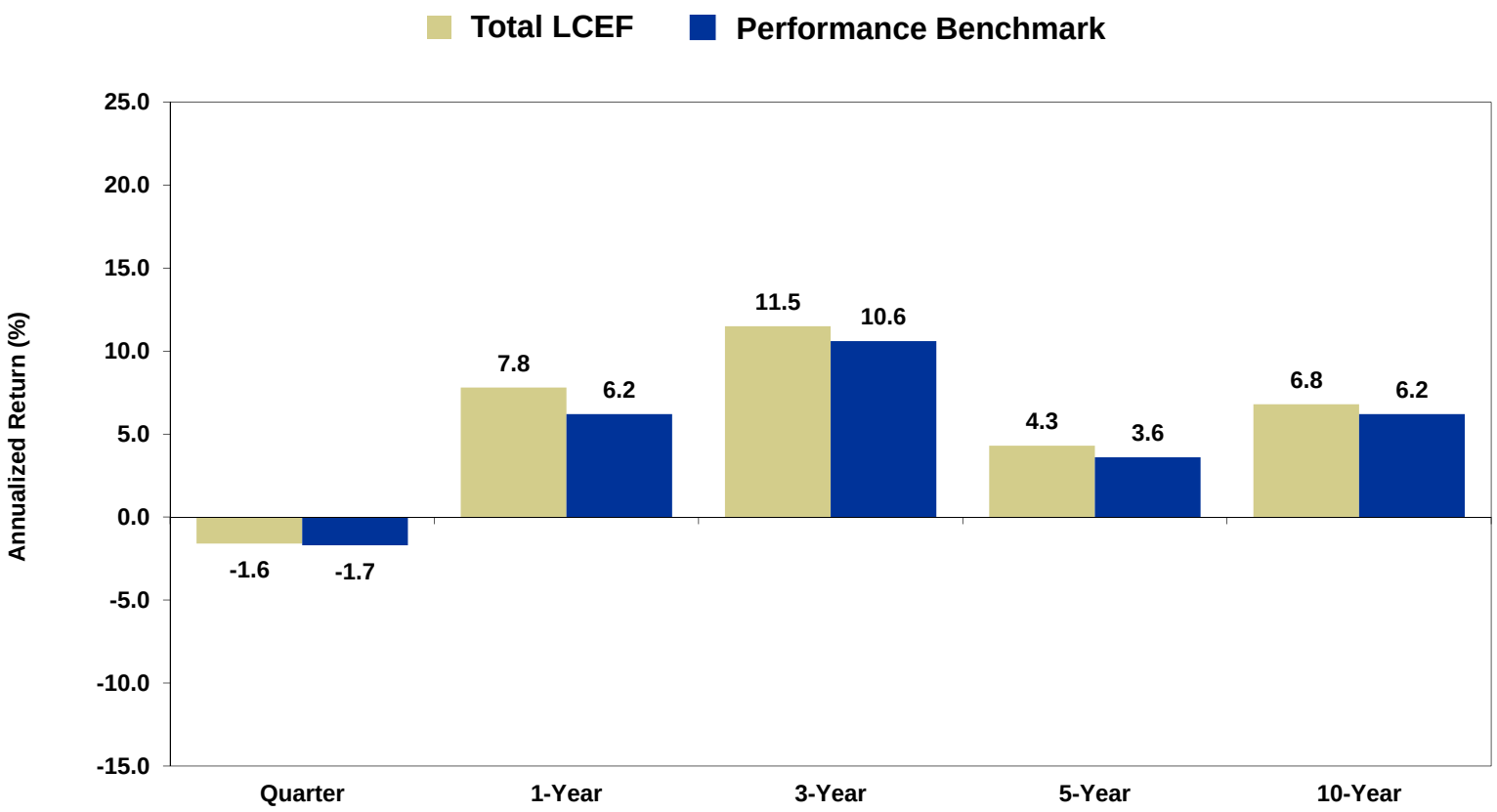
Executive Summary

- Established in July 1999, the Lawton Chiles Endowment Fund (LCEF) was created to provide a source of funding for child health and welfare programs, elder programs and research related to tobacco use.
  - The investment objective is to preserve the real value of the net contributed principal and provide annual cash flows for appropriation.
  - The Endowment's investments are diversified across various asset classes including global equity, fixed income, inflation-indexed bonds (TIPS) and cash.
- The Endowment assets totaled $479.3 million as of June 30, 2013.
- The Endowment's return outperformed that of its Target over the trailing one-, three-, five- and ten-year time periods.

Asset Allocation as of 6/30/2013
Total LCEF Assets = $479.3 Million



LCEF Investment Results
Periods Ending 6/30/2013



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State Board of Administration of Florida
Florida PRIME and Fund B Review

Second Quarter 2013

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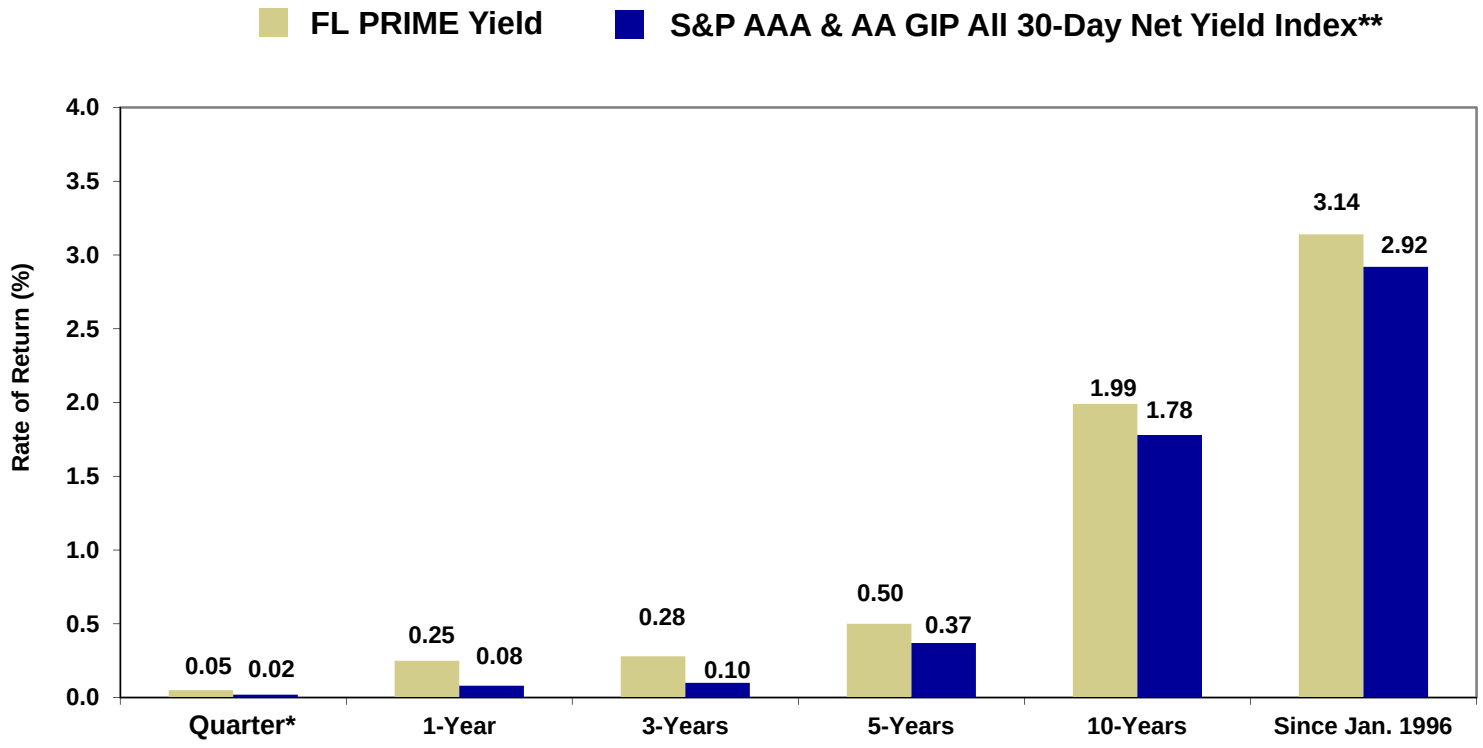
Executive Summary

- The purpose of Florida PRIME is safety, liquidity, and competitive returns with minimal risk for participants.
- The Investment Policy Statement appropriately constrains Florida PRIME to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Florida PRIME is adequately diversified across issuers within the short-term bond market and adequate liquidity exists to address the cash flow obligations of Florida PRIME.
- Performance of Florida PRIME on both an absolute and relative basis has been strong over short- and long-term time periods.
- As of June 30, 2013, the total market value of Florida PRIME was $7.3 billion.
- Hewitt EnnisKnupp, in conjunction with SBA staff, compiles an annual best practices report that includes a full review of the Investment Policy Statement, operational items, and investment structure for Florida PRIME.

Florida PRIME Investment Results
Periods Ending 6/30/2013



*Returns less than one year are not annualized.
**S&P AAA & AA GIP All 30-Day Net Yield Index for all time periods shown.

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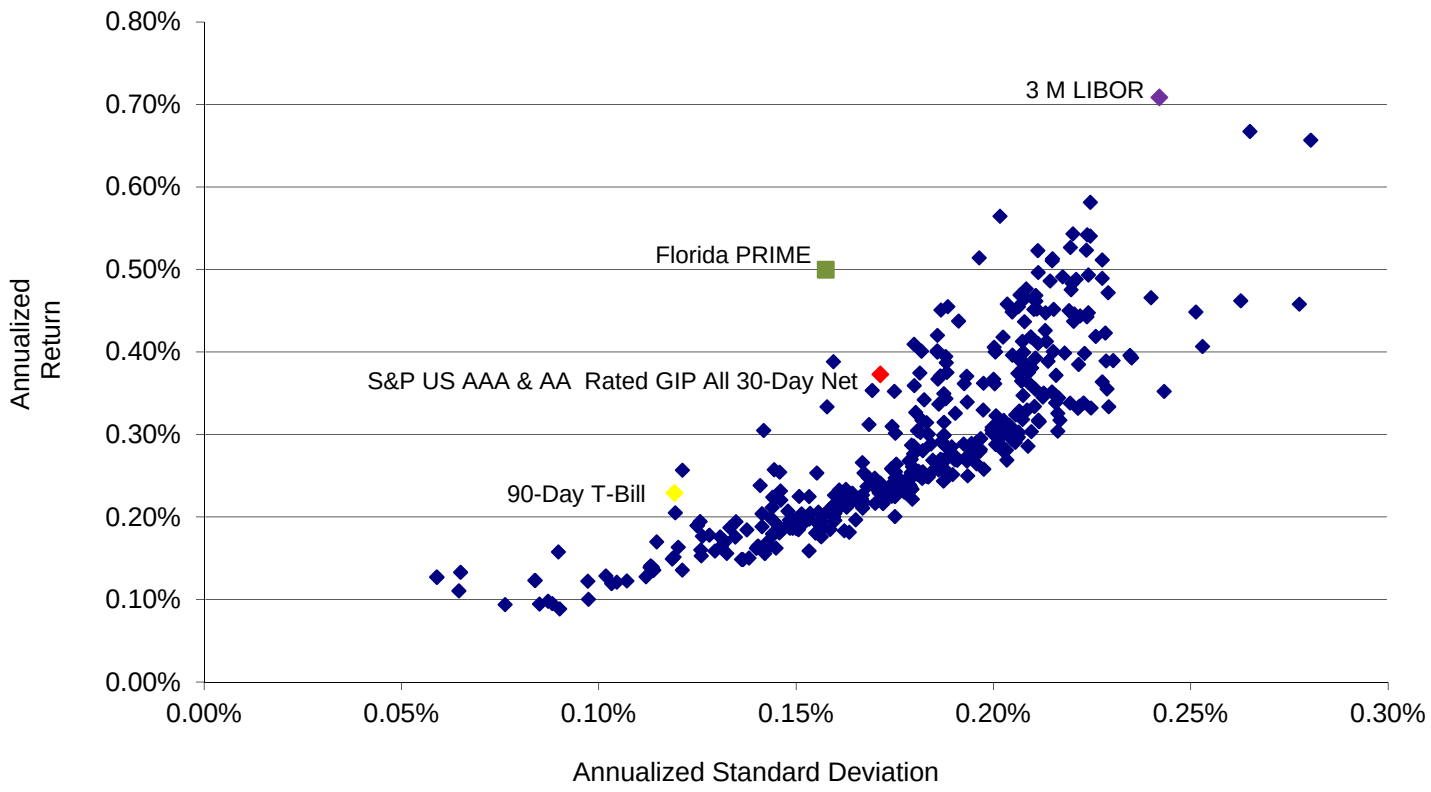
Florida PRIME Risk vs. Return
5 Years Ending 6/30/2013



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Fund B Change in Market Value
Periods Ending 6/30/2013

Cash Flows as of 6/30/2013	Second Quarter	Fiscal YTD*
Opening Balance	$246,411,043	$231,848,908
Participant Distributions	($103,490,000)	($145,620,000)
Expenses Paid	($5,710)	($22,918)
Price Change	$4,856,106	$61,565,449
Closing Balance	$147,771,439	$147,771,439
Change	**($98,639,604)**	**($84,077,469)**

*Period July 2012 – June 2013

- As of June 2013, 93.4% of the original principal in Fund B has been returned to participants.

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Appendix

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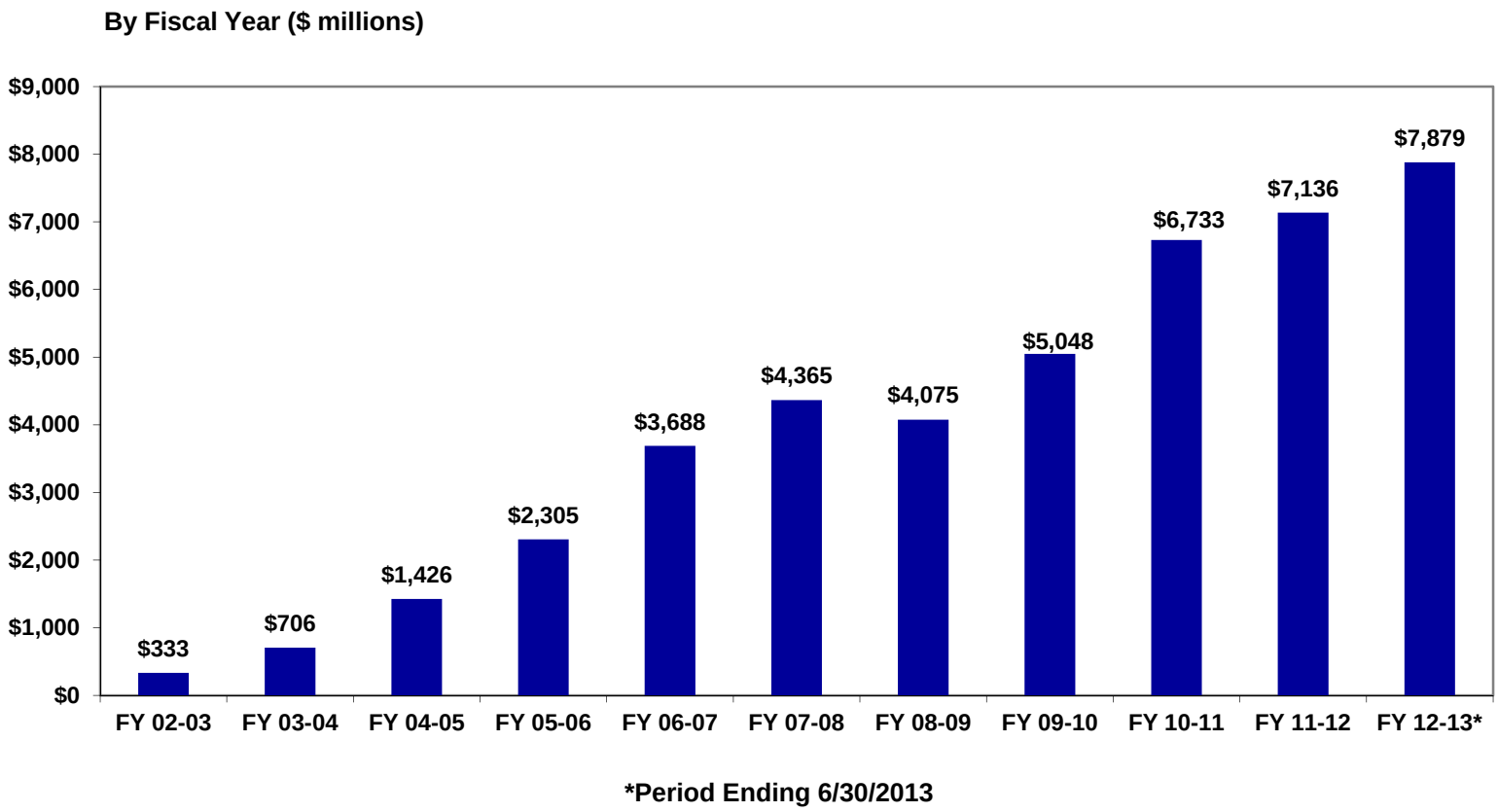
FRS Investment Plan Costs

Investment Category	Investment Plan Fee*	Average Mutual Fund Fee**
Large Cap Equity	0.27%	0.83%
Mid Cap Equity	0.37%	0.97%
Small Cap Equity	0.92%	1.05%
International Equity	0.40%	1.02%
Diversified Bonds	0.29%	0.55%
Balanced Funds	0.05%	0.92%
Money Market	0.06%	0.24%

*Average fee if multiple products in category as of 6/30/2013.

**Source: Morningstar as of 6/30/2013.

Investment Plan Fiscal Year End Assets Under Management



Source: Investment Plan Administrator

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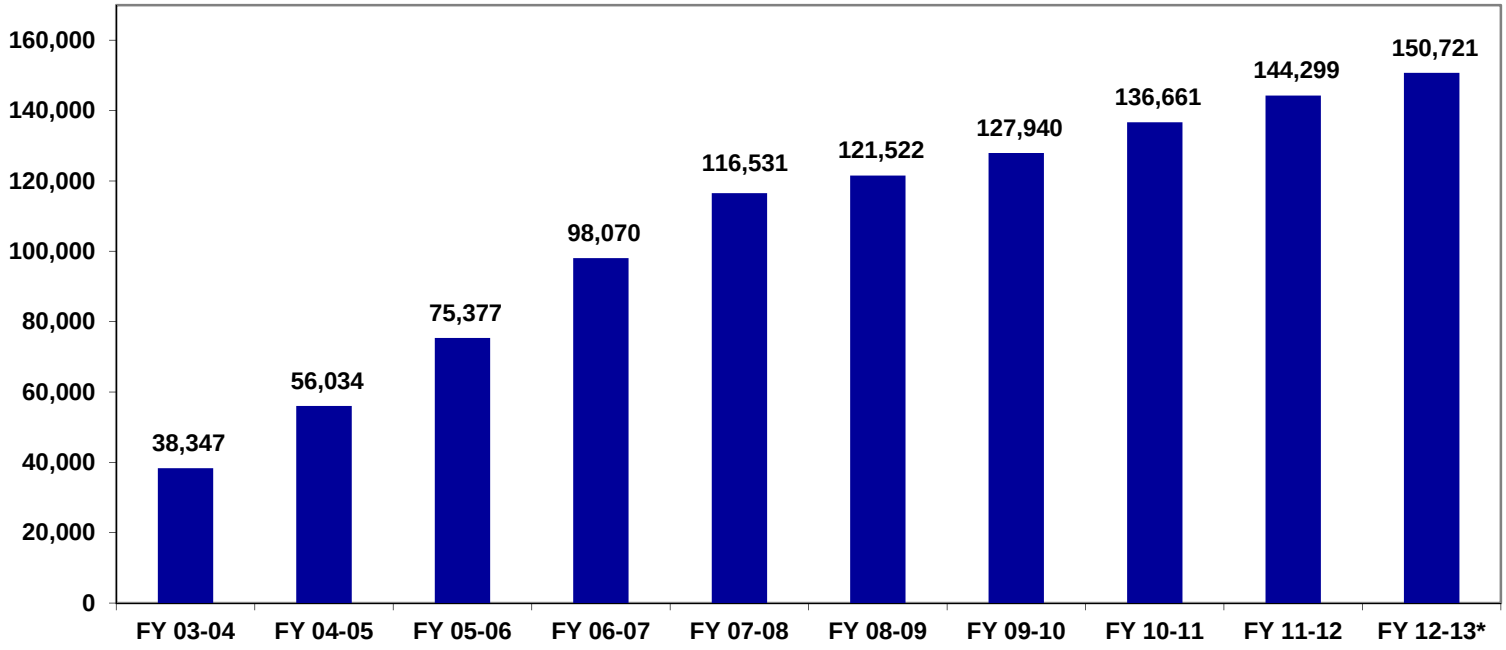
Investment Plan Membership



***Period Ending 6/30/2013**

Source: Investment Plan Administrator

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Florida Hurricane Catastrophe Fund Background

- The purpose of the Florida Hurricane Catastrophe Fund (FHCF) is to provide a stable, ongoing and timely source of reimbursement to insurers for a portion of their hurricane losses.
- Both the CAT Fund (Operating Fund) and the CAT 2013 A Fund are internally managed portfolios benchmarked to a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Net Index.
- As of June 30, 2013, the total value of all FHCF accounts was $8.5 billion.

CAT Operating Fund Characteristics
Period Ending 6/30/2013

Effective Maturity Schedule	
O/N* - 14 Days	23.5%
15 - 30 Days	14.3
31 - 60 Days	13.0
61 - 90 Days	9.2
91 - 120 Days	2.4
121 - 150 Days	4.6
151 - 180 Days	5.4
181 - 210 Days	1.6
211 - 240 Days	1.0
241 - 270 Days	1.4
271 - 300 Days	2.7
301 - 365 Days	4.1
366 - 732 Days	11.2
733 - 1,098 Days	5.1
1,099 - 1,875 Days	0.5
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
AAA	52.0%
AA	6.0
A	41.5
BBB	0.0
Non-Investment Grade	0.5
Total % of Portfolio:	**100.0%**

*O/N stands for overnight.

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CAT 2013 A Fund Characteristics
Period Ending 6/30/2013

Effective Maturity Schedule	
O/N* - 14 Days	39.4%
15 - 30 Days	9.0
31 - 60 Days	17.5
61 - 90 Days	5.0
91 - 120 Days	0.0
121 - 150 Days	2.3
151 - 180 Days	0.0
181 - 210 Days	0.0
211 - 240 Days	2.5
241 - 270 Days	0.0
271 - 300 Days	5.5
301 - 365 Days	3.7
366 - 732 Days	5.0
733 - 1,098 Days	10.0
1,099 - 1,875 Days	0.0
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
AAA	51.7%
AA	0.0
A	48.3
BBB	0.0
Non-Investment Grade	0.0
Total % of Portfolio:	**100.0%**

*O/N stands for overnight.

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Florida PRIME Characteristics
Quarter Ending 6/30/2013

Cash Flows as of 6/30/2013	Second Quarter	Fiscal YTD*
Opening Balance	$8,481,864,061	$6,752,444,139
Participant Deposits	$2,824,548,729	$15,042,368,286
Transfers from Fund B	$103,490,000	$145,620,000
Gross Earnings	$4,693,047	$20,811,383
Participant Withdrawals	($4,135,904,447)	($14,680,925,803)
Fees	($598,471)	($2,225,086)
Closing Balance (6/30/2013)	$7,278,092,920	$7,278,092,920
Change	**($1,203,771,141)**	**$525,648,781**

*Period July 2012 – June 2013

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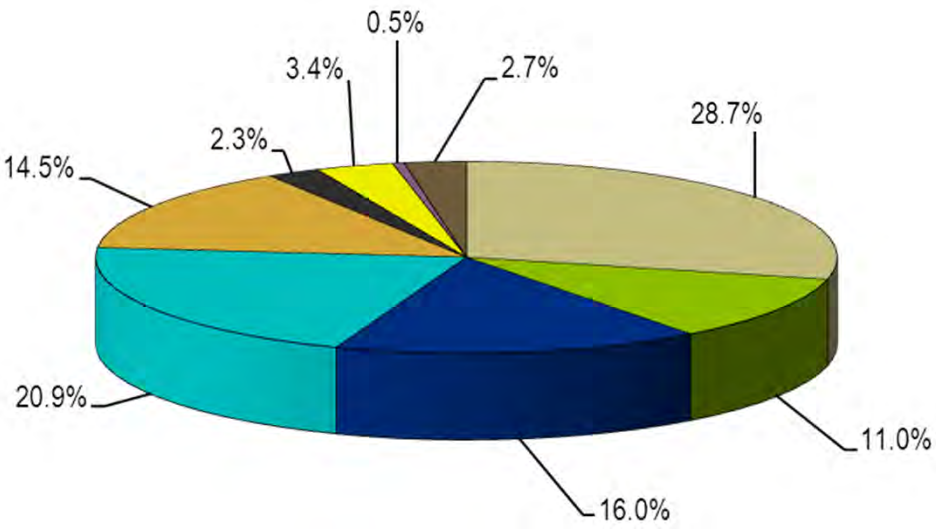
Florida PRIME Characteristics
Quarter Ending 6/30/2013

Portfolio Composition



- Bank Instrument - Fixed
- Repurchase Agreements
- Corporate Commercial Paper - Fixed
- Bank Instrument - Floating
- Mutual Funds - Money Market
- Asset-Backed Commercial Paper - Fixed
- Corporate Notes - Floating
- Asset-Backed Commercial Paper - Floating
- Corporate Commercial Paper - Floating

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Florida PRIME Characteristics
Period Ending 6/30/2013

Effective Maturity Schedule	
1-7 Days	43.1%
8-30 Days	12.7
31-90 Days	31.7
91-180 Days	10.6
181+ Days	1.9
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
A-1+	63.1%
A-1	36.9
Total % of Portfolio:	**100.0%**

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State Board of Administration of Florida

Major Mandate Review
Second Quarter 2013

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5. Lawton Chiles Endowment Fund Review
6. Florida PRIME and Fund B Review
7. Appendix

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Executive Summary

Second Quarter 2013

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Executive Summary

- The major mandates outperformed their respective benchmarks over all longer time periods through June 30, 2013.
- The Pension Plan outperformed its Performance Benchmark during the second quarter and over the trailing one-, three-, five-, ten- and fifteen-year time periods.
  - Global Equity has been the main source of value added over the trailing one-, three- and five-year time periods. Fixed Income, Real Estate and Strategic Investments have also added value.
- Over the trailing one- and ten-year periods, the Pension Plan's return ranked in the top fifth percentile of the TUCS Top Ten Defined Benefit Plan universe and ranked in the top half of the universe over the trailing three- and five-year periods.
- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark during the second quarter and over all trailing periods.
- The Lawton Chiles Endowment Fund outperformed its benchmark over all trailing periods, primarily due to strong public equity performance.
- The CAT Funds and Florida PRIME continued to outperform their respective benchmarks over both short and long time periods.

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State Board of Administration of Florida
Florida Retirement System

Pension Plan Review
Second Quarter 2013

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Executive Summary

- The Pension Plan assets totaled $132.4 billion as of June 30, 2013 which represents a $1.3 billion decrease since last quarter.
- The Pension Plan, when measured against the Performance Benchmark, outperformed over the trailing one-, three-, five-, ten- and fifteen-year periods.
- Relative to the Absolute Nominal Target Rate of Return, the Pension Plan underperformed over the five- and fifteen-year periods, but has outperformed over the trailing one-, three-, ten-, twenty- and twenty five-year time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
  - Public market asset class investments do not significantly deviate from their broad market-based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
  - Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type and investment strategy.
  - Asset allocation is monitored on a daily basis to ensure the actual asset allocation of the Pension Plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Hewitt EnnisKnupp and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

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FRS Pension Plan Change in Market Value
Periods Ending 6/30/2013

Summary of Cash Flows		
	Second Quarter	**Fiscal YTD***
Beginning Market Value	$133,650,630,998	$122,745,973,551
+/- Net Contributions/(Withdrawals)	($1,473,938,583)	($6,189,055,380)
Investment Earnings	$206,222,851	$15,825,997,095
= Ending Market Value	$132,382,915,266	$132,382,915,266
Net Change	($1,267,715,732)	$9,636,941,715

*Period July 2012 – June 2013

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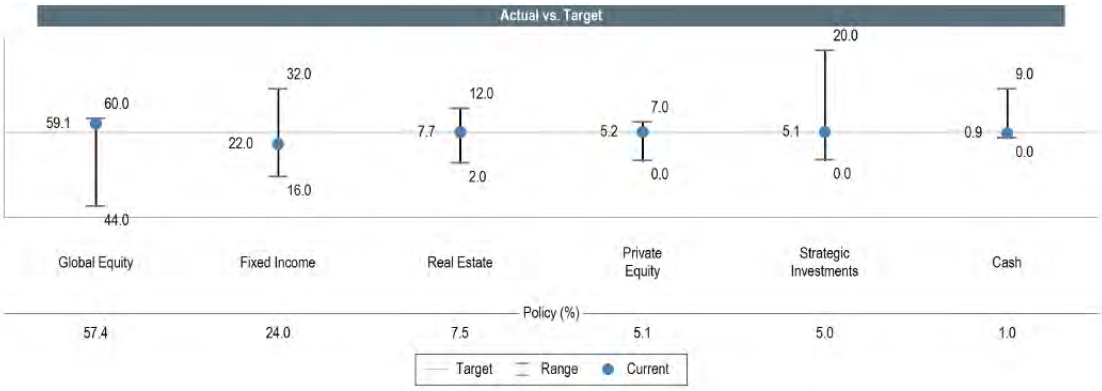
Asset Allocation as of 6/30/2013
Total Fund Assets = $132.4 Billion



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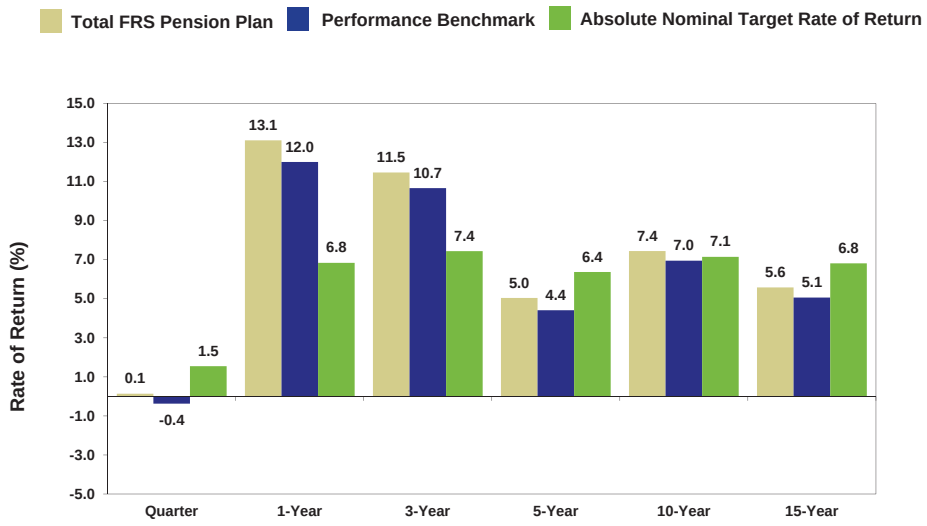
FRS Pension Plan Investment Results
Periods Ending 6/30/2013



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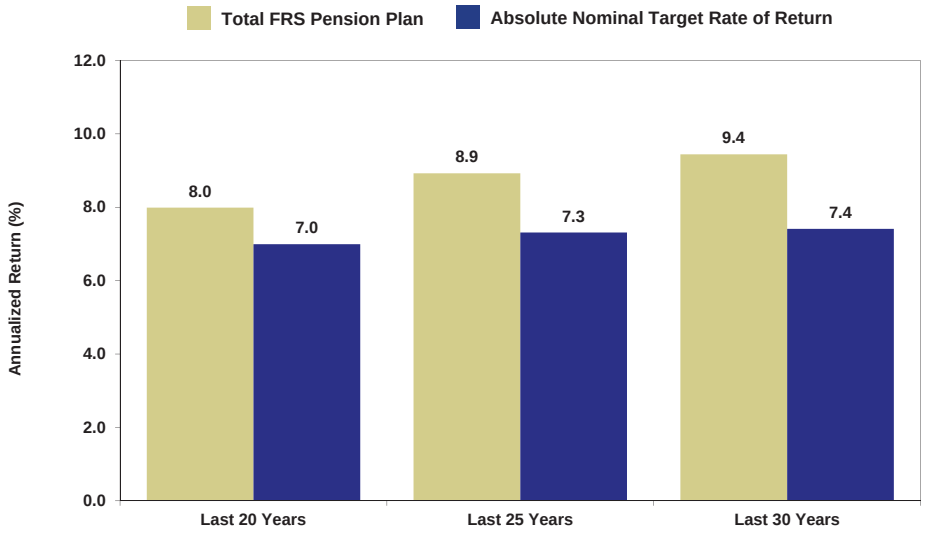
FRS Pension Plan Investment Results
Periods Ending 6/30/2013

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



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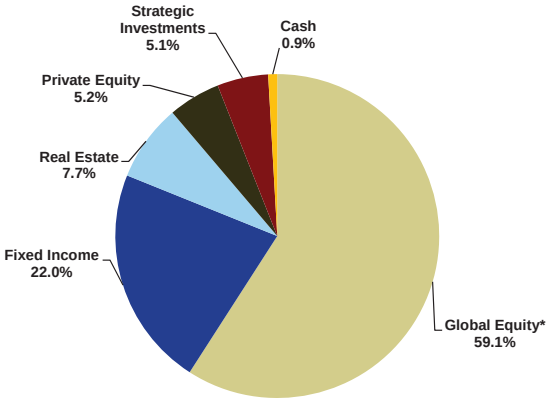
Comparison of Asset Allocation
As of 6/30/2013

FRS Pension Plan vs. Top Ten Defined Benefit Plans

FRS TOTAL FUND



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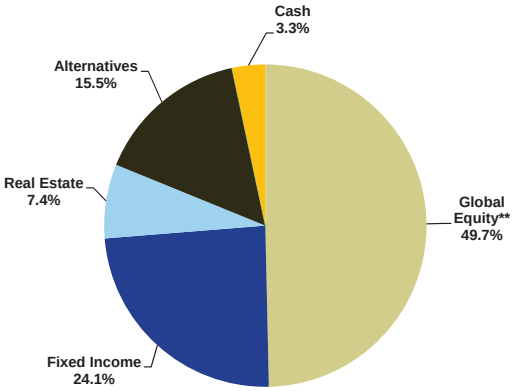
TUCS TOP TEN



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Note: The TUCS Top Ten Universe includes $1,159.9 billion in total assets. The median fund size was $115.9 billion and the average fund size was $116.0 billion.

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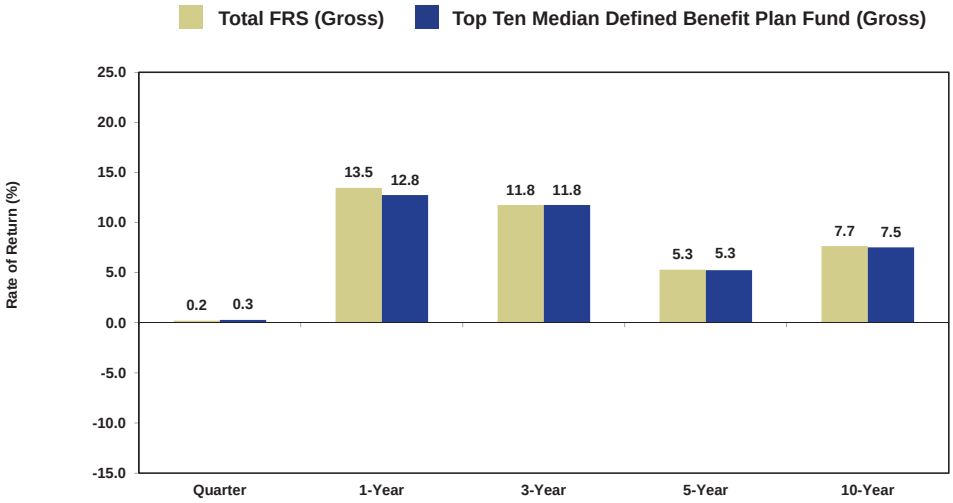
FRS Results Relative to TUCS Top Ten Defined Benefit Plans
Periods Ending 6/30/2013



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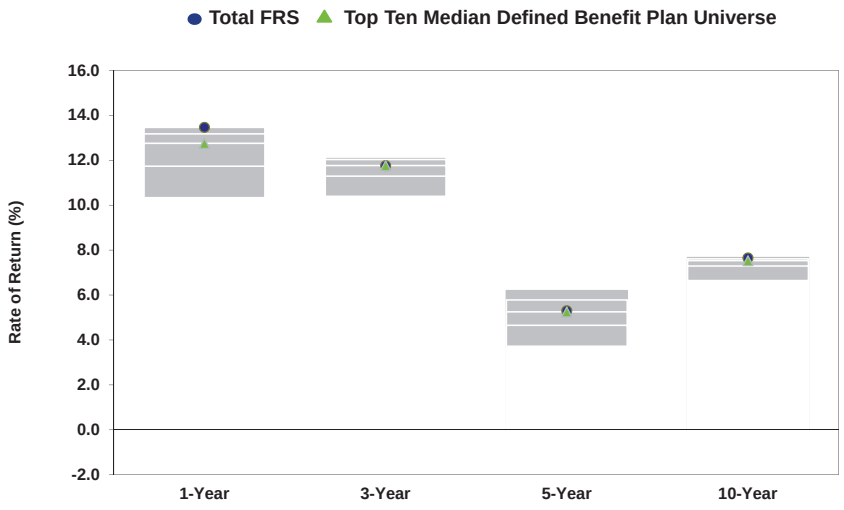
Top Ten Defined Benefit Plans FRS Universe Comparison (TUCS)
Periods Ending 6/30/2013



	1-Year	3-Year	5-Year	10-Year
FRS Percentile Ranking	5	50	37	5

Note: The TUCS Top Ten Universe includes $1,159.9 billion in total assets. The median fund size was $115.9 billion and the average fund size was $116.0 billion.

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State Board of Administration of Florida
Florida Retirement System

Investment Plan Review
Second Quarter 2013

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Executive Summary

- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark over the trailing one-, three-, five- and ten-year periods. This suggests strong relative performance of the underlying fund options in which participants are investing.
- The Investment Plan Expense Ratio for the FRS Investment Plan is lower, on average, when compared to a defined contribution peer group and is significantly lower than the average corporate and public defined benefit plan.
- Management fees are lower than the median as represented by Morningstar's mutual fund universe for every investment category.
- The FRS Investment Plan offers an appropriate number of fund options that span the risk and return spectrum.
- The Investment Policy Statement is revisited periodically to ensure the structure and guidelines of the FRS Investment Plan are appropriate, taking into consideration the FRS Investment Plan's goals and objectives.

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Total Investment Plan Returns & Cost

Periods Ending 6/30/2013*

	One-Year	Three-Year	Five-Year	Ten-Year
FRS Investment Plan	**10.1%**	**9.5%**	**4.4%**	**6.5%**
*Total Plan Aggregate Benchmark***	9.7	9.2	3.9	6.1
FRS Investment Plan vs. Total Plan Aggregate Benchmark	0.4	0.3	0.5	0.4

Periods Ending 12/31/2012***

	Five-Year Average Return****	Five-Year Net Value Added	Expense Ratio
FRS Investment Plan	**2.27%**	**0.54%**	**0.37%**
Peer Group	2.33	-0.02	0.32
FRS Investment Plan vs. Peer Group	-0.06	0.56	0.05

*Returns shown are net of fees.
**Aggregate benchmark returns are an average of the individual portfolio benchmark returns at their actual weights.
***Source: 2012 CEM Benchmarking Report. Peer group for the Five-Year Average Return and Value Added represents the U.S. Median plan return based on the CEM 2012 Survey that included 166 U.S. defined contribution plans with assets ranging from $40 million to $41 billion. Peer group for the Expense Ratio represents a custom peer group for FSBA of 20 DC plans including corporate and public plans with assets between $2.4 - $14.1 billion.
****Returns shown are gross of fees.

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State Board of Administration of Florida
CAT Fund Review

Second Quarter 2013

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Executive Summary

- Performance of the CAT Funds on both an absolute and relative basis has been strong over short- and long-term time periods.
- The CAT Funds are adequately diversified across issuers within the short-term bond market.
- The Investment Policy Statement appropriately constrains the CAT Funds to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Adequate liquidity exists to address the cash flow obligations of the CAT Funds.
- The Investment Policy Statement is revisited periodically to ensure that the structure and guidelines of the CAT Funds are appropriate, taking into consideration the CAT Funds' goals and objectives.

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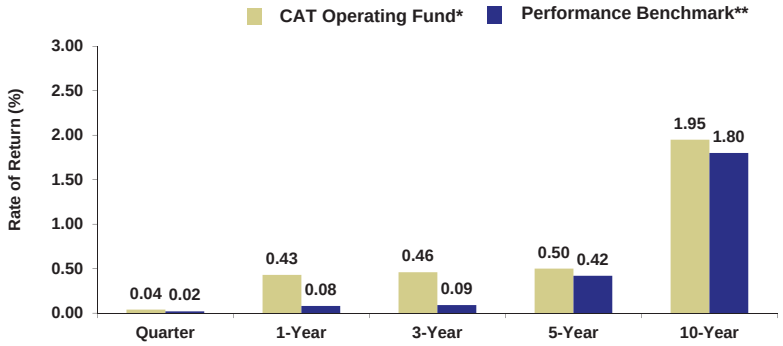
CAT Funds Investment Results
Periods Ending 6/30/2013



*CAT Operating Fund: Beginning March 2008, the returns for the CAT Fund reflect marked-to-market returns. Prior to that time, cost-based returns are used.
**Performance Benchmark: The CAT Fund was benchmarked to the IBC First Tier through February 2008. From March 2008 to December 2009, it was the Merrill Lynch 1-Month LIBOR. From January 2010 to June 2010, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. Effective July 2010, it is a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Net Index.

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State Board of Administration of Florida
Lawton Chiles Endowment Fund Review

Second Quarter 2013

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Executive Summary

- Established in July 1999, the Lawton Chiles Endowment Fund (LCEF) was created to provide a source of funding for child health and welfare programs, elder programs and research related to tobacco use.
  - The investment objective is to preserve the real value of the net contributed principal and provide annual cash flows for appropriation.
  - The Endowment's investments are diversified across various asset classes including global equity, fixed income, inflation-indexed bonds (TIPS) and cash.
- The Endowment assets totaled $479.3 million as of June 30, 2013.
- The Endowment's return outperformed that of its Target over the trailing one-, three-, five- and ten-year time periods.

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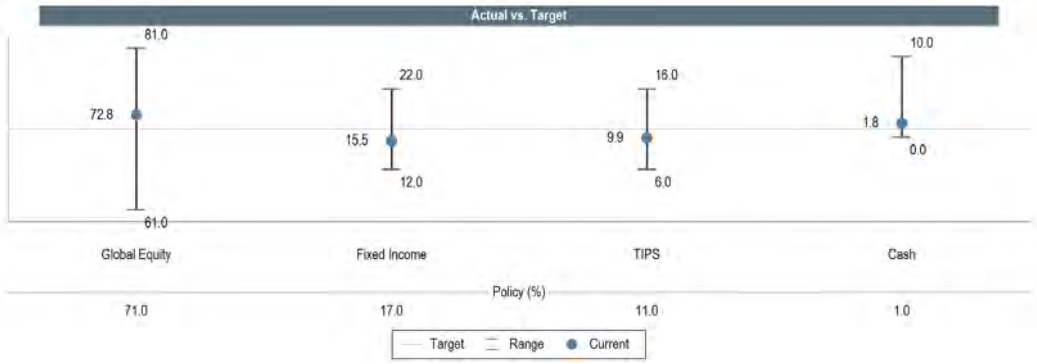
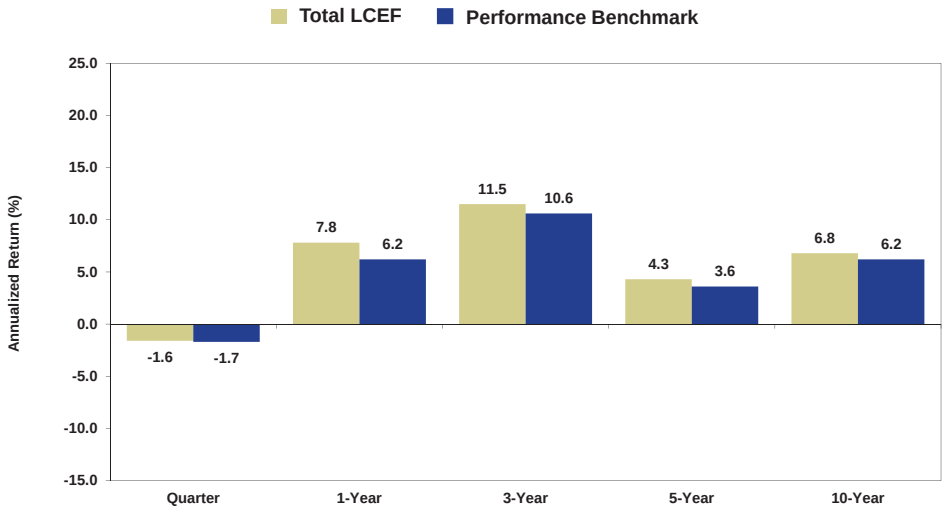
Asset Allocation as of 6/30/2013
Total LCEF Assets = $479.3 Million



LCEF Investment Results
Periods Ending 6/30/2013



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State Board of Administration of Florida
Florida PRIME and Fund B Review

Second Quarter 2013

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Executive Summary

- The purpose of Florida PRIME is safety, liquidity, and competitive returns with minimal risk for participants.
- The Investment Policy Statement appropriately constrains Florida PRIME to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Florida PRIME is adequately diversified across issuers within the short-term bond market and adequate liquidity exists to address the cash flow obligations of Florida PRIME.
- Performance of Florida PRIME on both an absolute and relative basis has been strong over short- and long-term time periods.
- As of June 30, 2013, the total market value of Florida PRIME was $7.3 billion.
- Hewitt EnnisKnupp, in conjunction with SBA staff, compiles an annual best practices report that includes a full review of the Investment Policy Statement, operational items, and investment structure for Florida PRIME.

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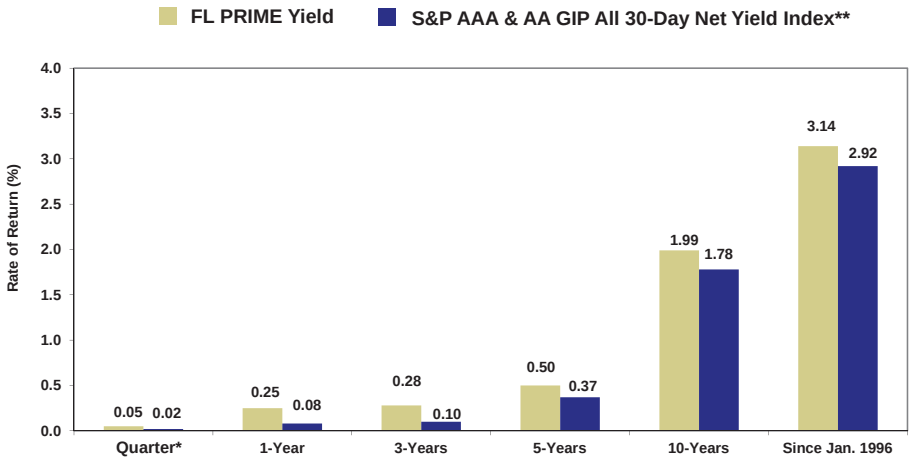
Florida PRIME Investment Results
Periods Ending 6/30/2013



*Returns less than one year are not annualized.
**S&P AAA & AA GIP All 30-Day Net Yield Index for all time periods shown.

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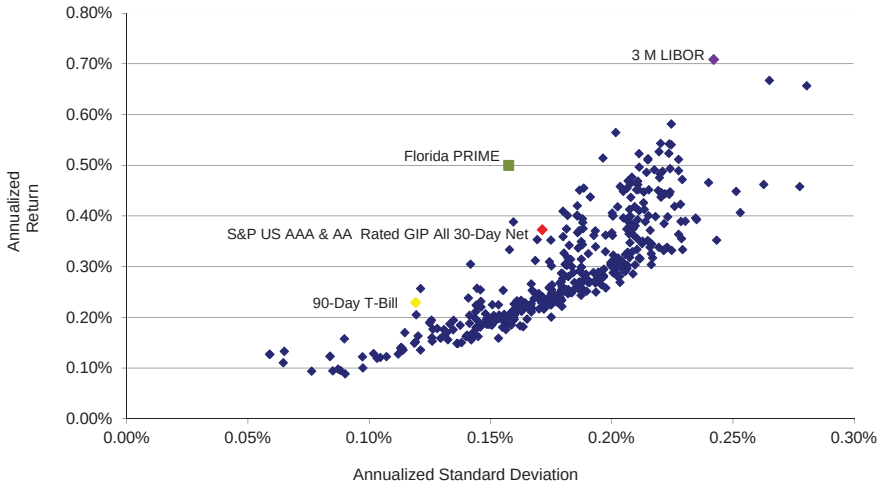
Florida PRIME Risk vs. Return
5 Years Ending 6/30/2013



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Fund B Change in Market Value
Periods Ending 6/30/2013

Cash Flows as of 6/30/2013	Second Quarter	Fiscal YTD*
Opening Balance	$246,411,043	$231,848,908
Participant Distributions	($103,490,000)	($145,620,000)
Expenses Paid	($5,710)	($22,918)
Price Change	$4,856,106	$61,565,449
Closing Balance	$147,771,439	$147,771,439
Change	**($98,639,604)**	**($84,077,469)**

*Period July 2012 – June 2013

- As of June 2013, 93.4% of the original principal in Fund B has been returned to participants.

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Appendix

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FRS Investment Plan Costs

Investment Category	Investment Plan Fee*	Average Mutual Fund Fee**
Large Cap Equity	0.27%	0.83%
Mid Cap Equity	0.37%	0.97%
Small Cap Equity	0.92%	1.05%
International Equity	0.40%	1.02%
Diversified Bonds	0.29%	0.55%
Balanced Funds	0.05%	0.92%
Money Market	0.06%	0.24%

*Average fee if multiple products in category as of 6/30/2013.

**Source: Morningstar as of 6/30/2013.

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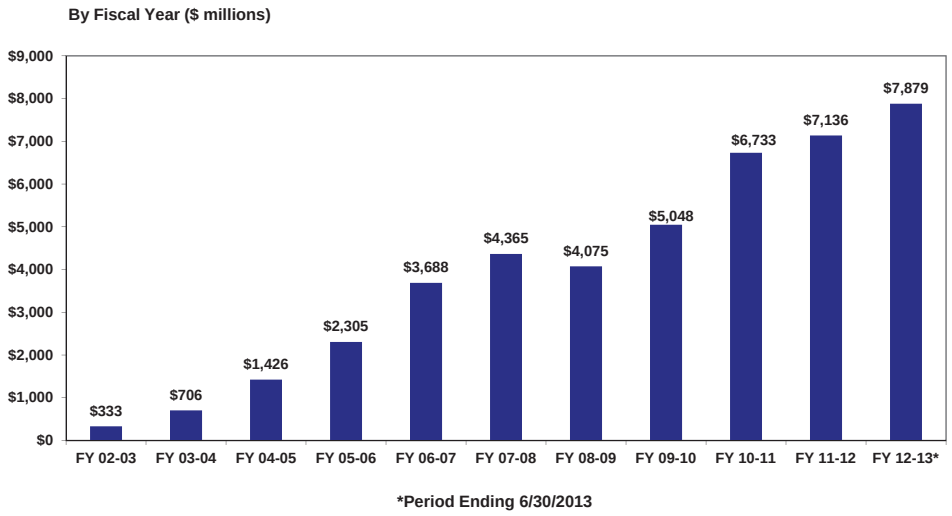
Investment Plan Fiscal Year End Assets Under Management



Source: Investment Plan Administrator

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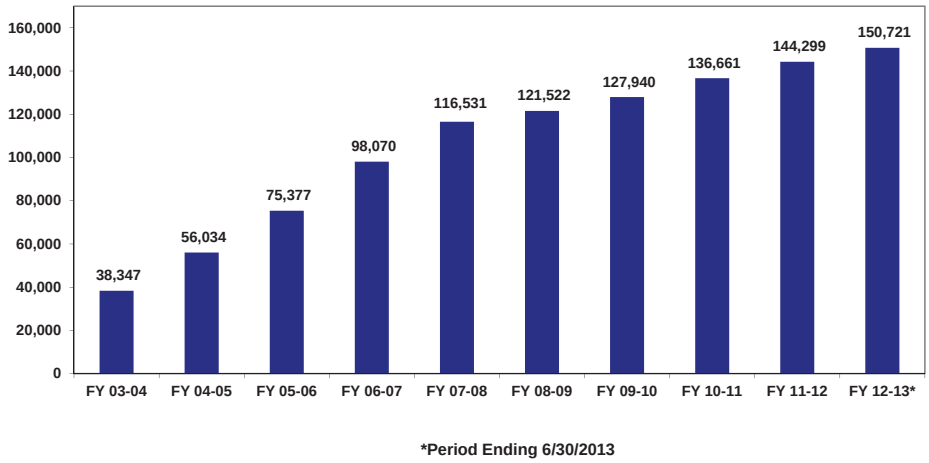
Investment Plan Membership



Source: Investment Plan Administrator

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Florida Hurricane Catastrophe Fund Background

- The purpose of the Florida Hurricane Catastrophe Fund (FHCF) is to provide a stable, ongoing and timely source of reimbursement to insurers for a portion of their hurricane losses.
- Both the CAT Fund (Operating Fund) and the CAT 2013 A Fund are internally managed portfolios benchmarked to a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Net Index.
- As of June 30, 2013, the total value of all FHCF accounts was $8.5 billion.

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CAT Operating Fund Characteristics
Period Ending 6/30/2013

Effective Maturity Schedule	
O/N* - 14 Days	23.5%
15 - 30 Days	14.3
31 - 60 Days	13.0
61 - 90 Days	9.2
91 - 120 Days	2.4
121 - 150 Days	4.6
151 - 180 Days	5.4
181 - 210 Days	1.6
211 - 240 Days	1.0
241 - 270 Days	1.4
271 - 300 Days	2.7
301 - 365 Days	4.1
366 - 732 Days	11.2
733 - 1,098 Days	5.1
1,099 - 1,875 Days	0.5
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
AAA	52.0%
AA	6.0
A	41.5
BBB	0.0
Non-Investment Grade	0.5
Total % of Portfolio:	**100.0%**

*O/N stands for overnight.

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CAT 2013 A Fund Characteristics
Period Ending 6/30/2013

Effective Maturity Schedule	
O/N* - 14 Days	39.4%
15 - 30 Days	9.0
31 - 60 Days	17.5
61 - 90 Days	5.0
91 - 120 Days	0.0
121 - 150 Days	2.3
151 - 180 Days	0.0
181 - 210 Days	0.0
211 - 240 Days	2.5
241 - 270 Days	0.0
271 - 300 Days	5.5
301 - 365 Days	3.7
366 - 732 Days	5.0
733 - 1,098 Days	10.0
1,099 - 1,875 Days	0.0
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
AAA	51.7%
AA	0.0
A	48.3
BBB	0.0
Non-Investment Grade	0.0
Total % of Portfolio:	**100.0%**

*O/N stands for overnight.

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Florida PRIME Characteristics
Quarter Ending 6/30/2013

Cash Flows as of 6/30/2013	Second Quarter	Fiscal YTD*
Opening Balance	$8,481,864,061	$6,752,444,139
Participant Deposits	$2,824,548,729	$15,042,368,286
Transfers from Fund B	$103,490,000	$145,620,000
Gross Earnings	$4,693,047	$20,811,383
Participant Withdrawals	($4,135,904,447)	($14,680,925,803)
Fees	($598,471)	($2,225,086)
Closing Balance (6/30/2013)	$7,278,092,920	$7,278,092,920
Change	**($1,203,771,141)**	**$525,648,781**

*Period July 2012 – June 2013

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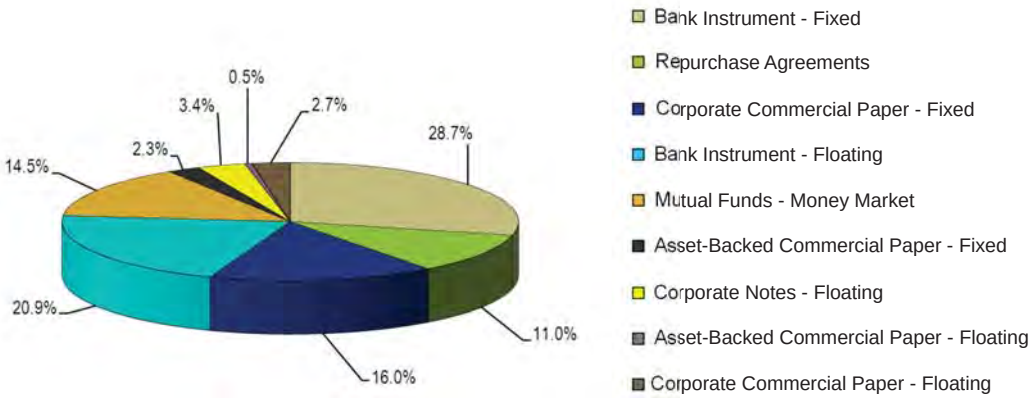
Florida PRIME Characteristics
Quarter Ending 6/30/2013

Portfolio Composition



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Florida PRIME Characteristics
Period Ending 6/30/2013

Effective Maturity Schedule	
1-7 Days	43.1%
8-30 Days	12.7
31-90 Days	31.7
91-180 Days	10.6
181+ Days	1.9
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
A-1+	63.1%
A-1	36.9
Total % of Portfolio:	**100.0%**

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State Board of Administration of Florida

FRS Pension Plan

Second Quarter 2013

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Market Environment

Second Quarter 2013

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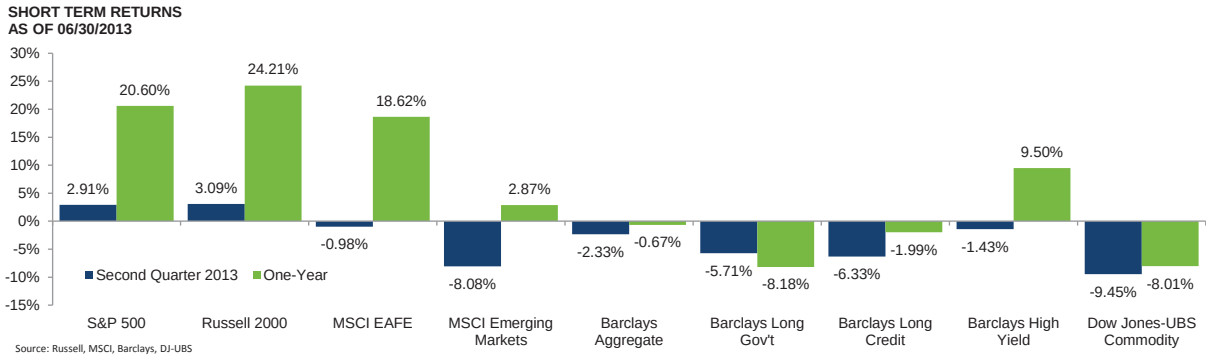
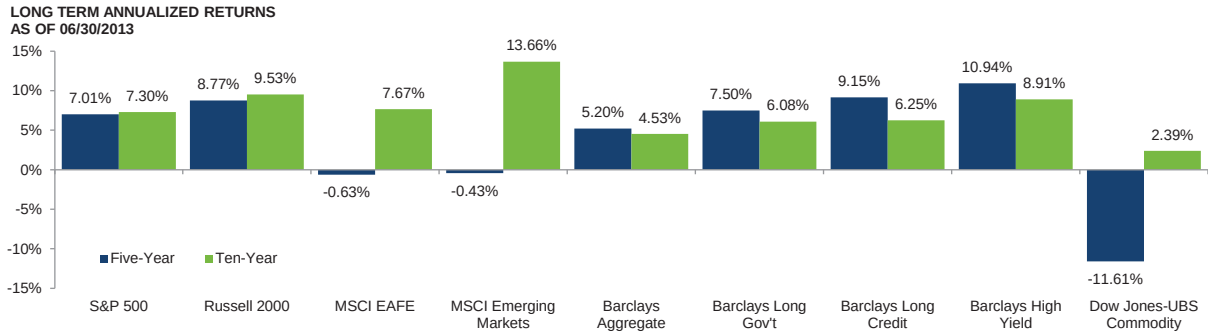
Market Highlights



Source: Russell, MSCI, Barclays, DJ-UBS



Source: Russell, MSCI, Barclays, DJ-UBS

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Market Highlights

Returns of the Major Capital Markets						
	Periods Ending 6/30/2013					
	Second Quarter	Year-to-Date	1-Year	3-Year	5-Year	10-Year
Domestic Stock Indices						
Dow Jones U.S. Total Stock Market Index	2.79%	14.18%	21.46%	18.70%	7.41%	8.07%
Russell 3000 Index	2.69%	14.06%	21.46%	18.63%	7.25%	7.81%
S&P 500 Index	2.91%	13.82%	20.60%	18.45%	7.01%	7.30%
Russell 2000 Index	3.09%	15.86%	24.21%	18.67%	8.77%	9.53%
Global Stock Indices						
MSCI All Country World IMI Index	-0.47%	6.40%	17.08%	12.60%	2.79%	8.02%
MSCI All Country World ex-U.S. IMI Index	-3.27%	0.18%	13.91%	8.13%	-0.41%	8.93%
MSCI EAFE Index	-0.98%	4.11%	18.62%	10.04%	-0.63%	7.67%
MSCI Emerging Markets Index	-8.08%	-9.57%	2.87%	3.38%	-0.43%	13.66%
Domestic/Foreign Bond Indices						
Barclays Aggregate Bond Index	-2.33%	-2.45%	-0.67%	3.53%	5.20%	4.53%
Barclays Long Gov't Index	-5.71%	-7.84%	-8.18%	6.18%	7.50%	6.08%
Barclays Long Credit Index	-6.33%	-8.01%	-1.99%	7.55%	9.15%	6.25%
Barclays Long Gov't/Credit Index	-6.11%	-7.97%	-4.69%	7.01%	8.50%	6.22%
SSB Non-U.S. WGBI Index	-3.44%	-7.14%	-5.72%	2.57%	2.55%	4.78%

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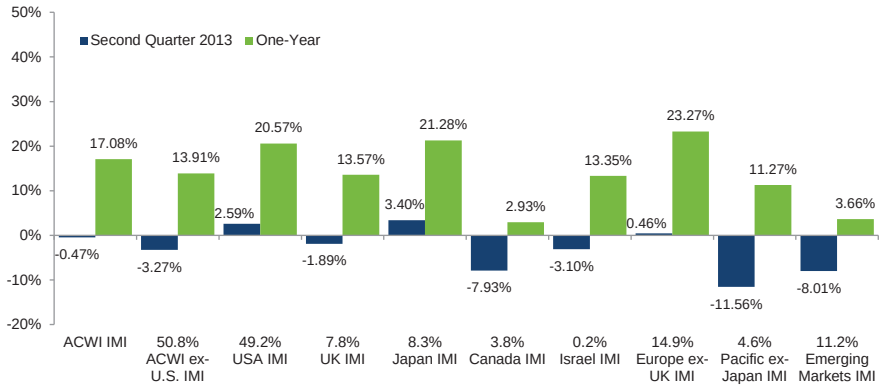
Global Equity Markets

GLOBAL MSCI IMI INDEX RETURNS
AS OF 06/30/2013



Source: MSCI

- Global equity markets were volatile over the quarter. Members of the Federal Reserve began to openly discuss tapering QE in the second half of the year, triggering weakness in U.S. equity prices towards the end of the quarter. Continued concerns around the strength of the economic recovery outside of the United States negatively impacted international equity markets. The USA, Europe ex-UK, and Japan were the only markets to post positive, albeit muted, returns.

- In the second quarter, Japan proved to be the best performing region as the improving trend in Japanese economic data continued. The worst performing region was Pacific ex-Japan.

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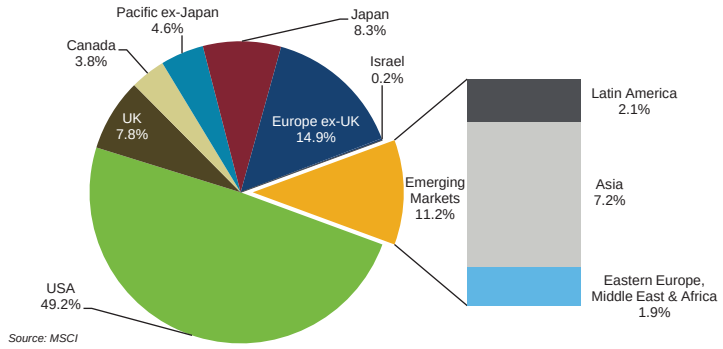
Global Equity Markets

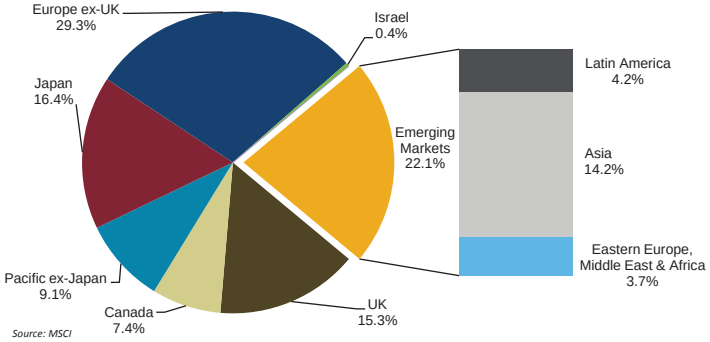
MSCI ALL COUNTRY WORLD IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 06/30/2013



Source: MSCI

- The two exhibits on this slide illustrate the percentage that each country/region represents of the global equity market as measured by the MSCI All Country World IMI Index and the MSCI All Country World ex-U.S. IMI Index.

MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 06/30/2013



Source: MSCI

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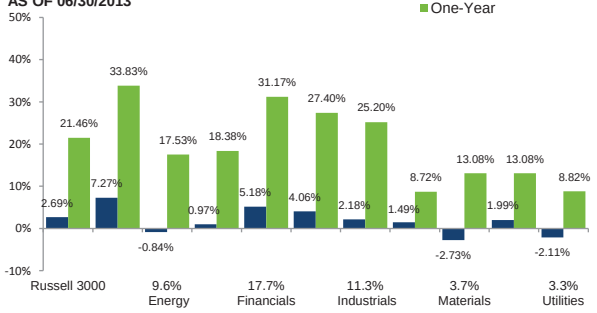
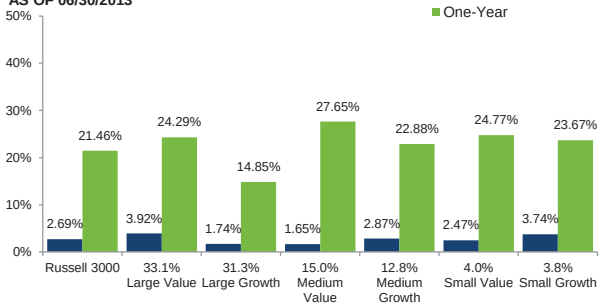
U.S. Equity Markets

RUSSELL GICS SECTOR RETURNS
AS OF 06/30/2013



Source: Russell Indexes

RUSSELL STYLE RETURNS
AS OF 06/30/2013



Source: Russell Indexes

- The first quarter rally extended into the first half of Q2. However, mid-May announcements by the Fed on the potential for tapering its QE program caused the markets to give up most of the gains accumulated up to that time in 2013.
- The Russell 3000 rose 2.69% during the quarter and returned 21.46% over the one-year period.
- During the second quarter, the Consumer Discretionary, Financials, Healthcare, and Industrials sectors were the best performing sectors, posting returns of 7.27%, 5.18%, 4.06%, and 2.18%, respectively. The Materials and Utilities sectors were the worst performing sectors, producing returns of -2.73% and -2.11%, respectively.
- Overall, small cap outperformed both mid cap and large cap modestly during the second quarter. Value outperformed growth in the large-cap sectors but growth prevailed over value in the small- and mid-cap sectors.

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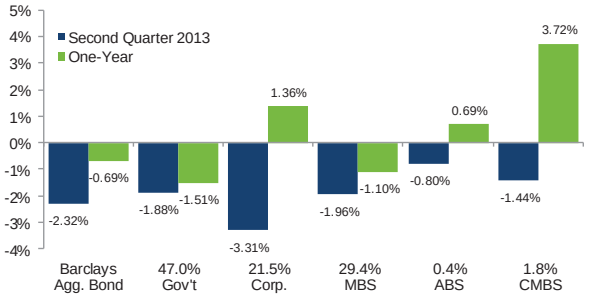
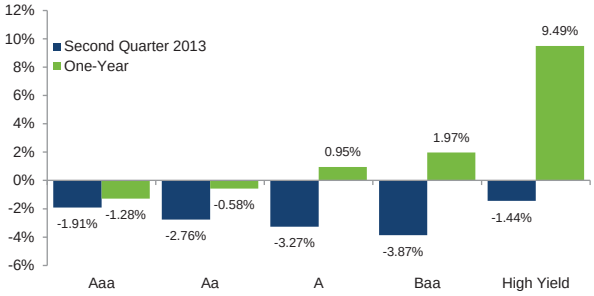
U.S. Fixed Income Markets

BARCLAYS AGGREGATE RETURNS BY SECTOR AS OF 06/30/2013



Source: Barclays Live

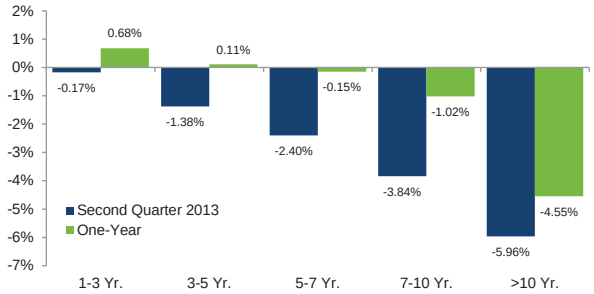
BARCLAYS AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS AS OF 06/30/2013



Source: Barclays Live

- The Barclays Aggregate Bond Index returned -2.32% in the second quarter as bond yields were pushed higher on comments made by the Federal Reserve.
- Asset-backed securities was the strongest performing sector, returning -0.80%.
- In the investment grade market, higher quality bonds outperformed lower quality bonds.
- High yield bonds marginally outperformed investment grade bonds.
- From a maturity perspective, shorter term bonds outperformed, with the 1-3 yr. and 3-5 yr. posting returns of -0.17% and -1.38%, respectively, during the second quarter.

BARCLAYS AGGREGATE RETURNS BY MATURITY AS OF 06/30/2013



Source: Barclays Live

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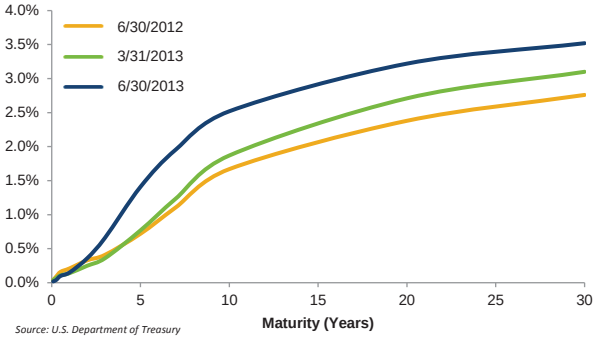
U.S. Fixed Income Markets

U.S. TREASURY YIELD CURVE



Source: U.S. Department of Treasury

U.S. 10-YEAR TREASURY AND TIPS YIELDS

Source: U.S. Department of Treasury

- The Treasury yield curve steepened during the quarter; the intermediate (1 to 10 years) and long-term segments of the yield curve rose.
- The 10-year U.S. Treasury yield ended the quarter at a yield of 2.52%, roughly 65 basis points higher than its level at the beginning of the quarter.
- 10-year TIPS yields broke into positive territory for the first time since the second half of 2011; 10-year TIPS yield rose 117 basis points to 0.53% over the quarter.

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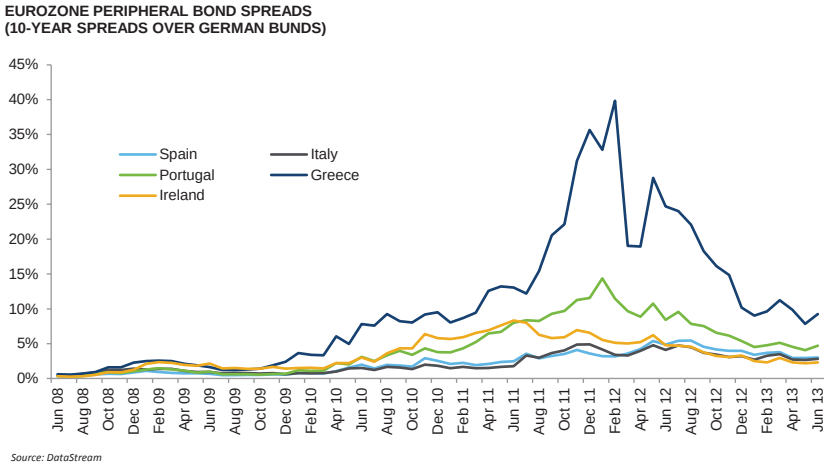
European Fixed Income Markets



- Q2 of 2013 brought the sixth straight negative quarter of GDP for the Eurozone, making the current recession the longest on record for the bloc. Acknowledging the impact of lower than expected economic growth on structural budget reform, the European Commission extended the deadline for half a dozen states that are working on reducing their excessive budget deficits to rein in those deficits.
- Spreads remained constant during the quarter.

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Credit Spreads

Spread (bps)	6/30/2013	3/31/2013	6/30/2012	Quarterly Change (bps)	1-Year Change (bps)
U.S. Aggregate	61	56	77	5	-16
Long Gov't	6	4	5	2	1
Long Credit	198	183	228	15	-30
Long Gov't/Credit	124	113	130	11	-6
MBS	60	58	76	2	-16
CMBS	150	133	235	17	-85
ABS	58	49	59	9	-1
Corporate	152	139	199	13	-47
High Yield	492	457	615	35	-123
Global Emerging Markets	345	287	408	58	-63

Source: Barclays Live

- Credit spreads rose across all markets during the quarter.
- The Global Emerging Markets segment experienced the largest increase in spreads during the quarter.
- As of June 30, 2013, credit spreads across most segments were lower relative to a year ago; the sole exception was Long Gov't, for which the credit spread rose by 1 basis point.

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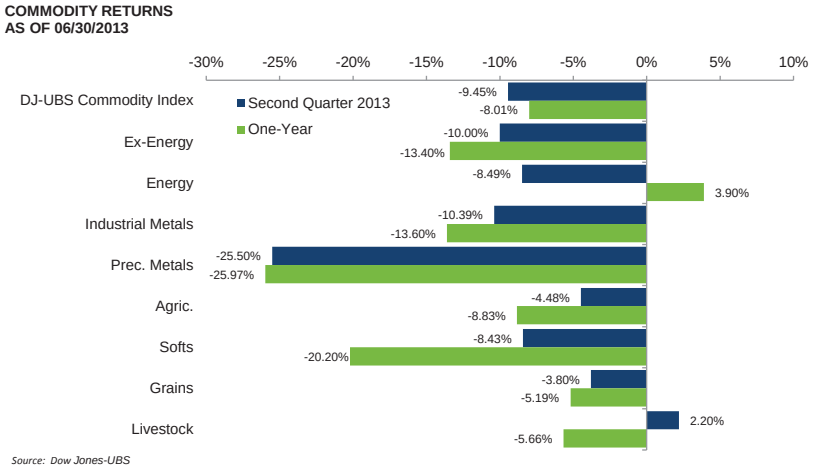
Commodities



- Driven by negative returns across most commodity market sectors, the Dow Jones-UBS Commodity Index decreased by -9.45% during the second quarter.
- The only positive performing segment of the market was Livestock with a return of 2.20% during the quarter.
- Precious Metals and Industrial Metals were the worst performing sectors of the market during the second quarter with returns of -25.50% and -10.39%, respectively.

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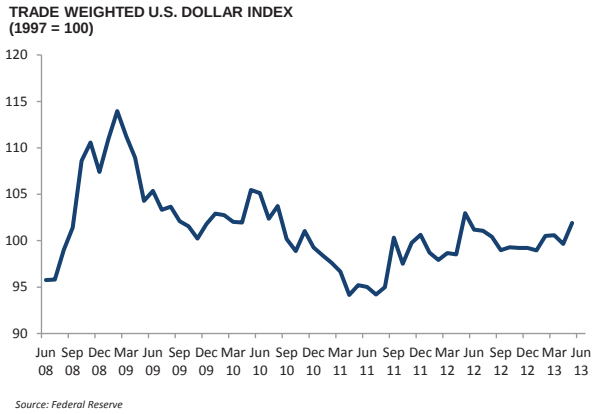
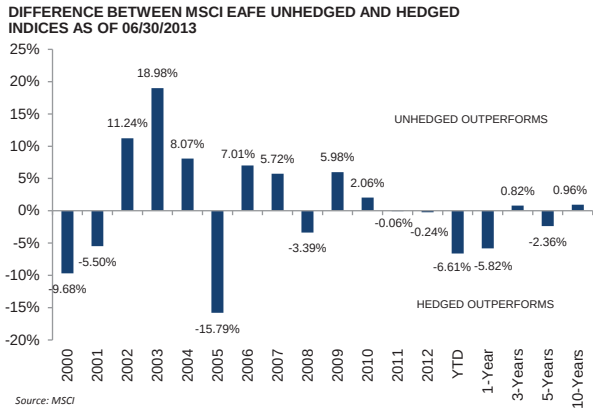
Currency





- As measured through the broad trade weighted U.S. dollar index, the U.S. dollar appreciated during the quarter.
- The MSCI EAFE Unhedged Index significantly underformed the MSCI EAFE 100% Hedged Index during the year-to-date period reflecting the appreciation of the U.S. dollar. The Unhedged index underperformed the Hedged index during the trailing 1- and 5-year periods.

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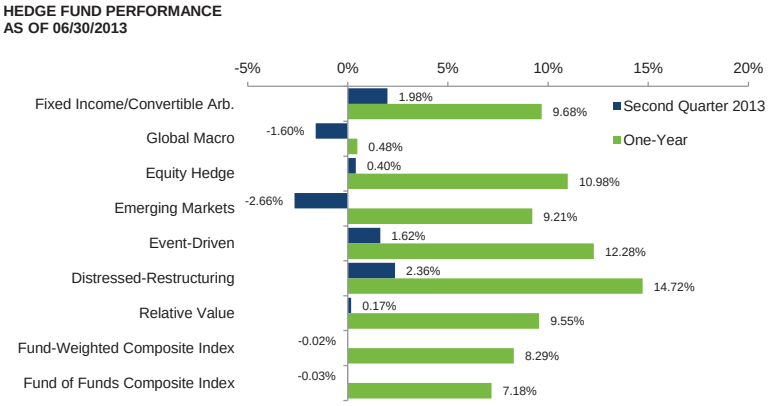
Hedge Fund Markets Overview



Note: Latest 5 months of HFR data are estimated by HFR and may change in the future.
Source: HFR

- Most major hedge fund strategies types posted positive returns in the second quarter and all major hedge fund strategies types posted positive returns for the trailing one-year period. The HFRI Fund-Weighted Composite Index and the HFRI Fund of Funds Composite Index produced returns of -0.02% and -0.03%, respectively, during the second quarter.

- Fixed Income / Convertible Arb. and Distressed-Restructuring strategies were the strongest performers during the quarter gaining 1.98% and 2.36%, respectively.

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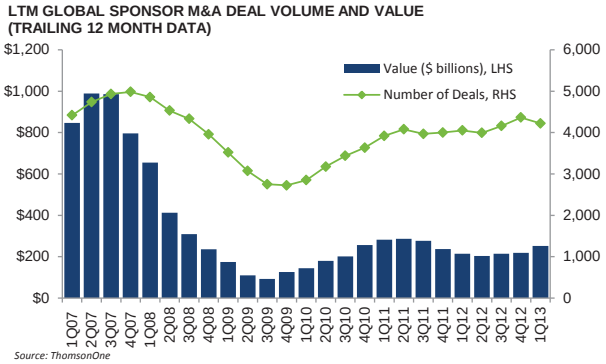
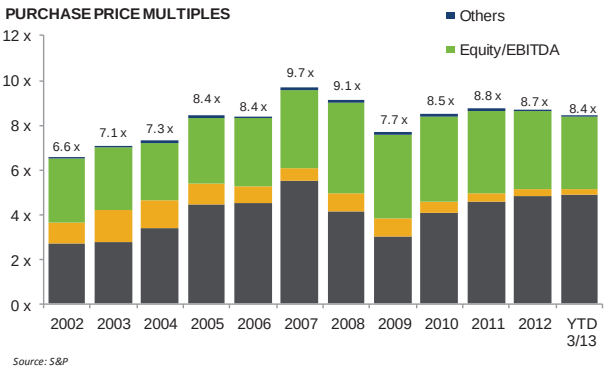
Private Equity Market Overview – Q1 2013





- **Fundraising:** $261 billion was raised on LTM basis which is flat to slightly down for last 6 quarters. This is a healthy but not an excessive level and it is well below the peak pre-crisis level ($490B). Dry powder available to invest is significant ($814B) and has increased over 4Q 2012 in all areas except buyout.
- **Buyout:** The number and value of deals completed is trending up. While small and middle market deals comprised the bulk of the deals, three mega deals completed in 1Q accounted for 40% of the 1Q value of deals completed. Purchase price multiples fell to a more reasonable 8.4x EBITDA from the 8.7x in 2012. European activity remains slow due to economic uncertainty.
- **Venture Capital:** Investment activity slowed in 1Q 2013 to $5.9 million, the lowest level since 4Q 2010. Pre-money valuations decreased across all stages with the exception of a 50% increase in Series A valuations (up to $12 million, a level not observed since the mid-2000's). Exit activity continues to languish due to reduced M&A activity and poor performance of consumer technology IPOs.
- **Mezzanine:** Mezzanine lenders are getting squeezed out of larger transactions due to the robust and less expensive high yield market. In smaller deals, mezzanine faces competition from senior lenders who are beginning to provide higher levels of leverage. This may change with the recent pullback in the bond market.
- **Distressed Debt:** Investment activity remains low due to high refinancing activity and continued low high yield default rates. Emerging signs of deteriorating credit quality may bode well for the segment.
- **Secondaries:** Fundraising continues to be strong as is transaction activity. There is more competition from non traditional buyers and pricing is deteriorating (for buyers) with buyout funds trading at 91.5% of value. Venture pricing increased to 73% but is largely contingent on the specific funds that are being priced. Solid activity is expected for the full year but is expected to revolve around smaller transactions and lesser quality assets.
- **Infrastructure:** Fundraising is solid with renewed interest from institutional investors. Activity has reached a plateau and may be trending down due to the continued economic uncertainty, increased regulation in Europe, and slow acceptance in North America.

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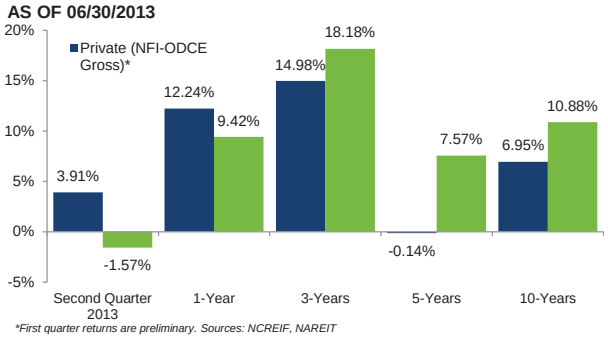
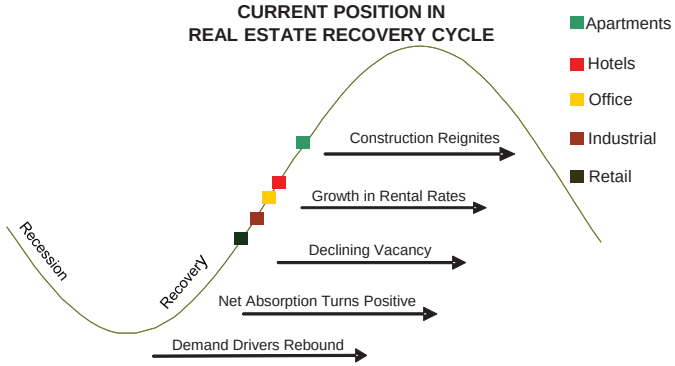
U.S. Commercial Real Estate Markets

PRIVATE VS. PUBLIC REAL ESTATE RETURNS AS OF 06/30/2013



*First quarter returns are preliminary. Sources: NCREIF, NAREIT

CURRENT POSITION IN REAL ESTATE RECOVERY CYCLE



2013 U.S. Real Estate Outlook:

- Despite slow economic growth, low new supply and accommodating interest rates continue to provide a positive investment environment for real estate in the U.S.—fundamentals are improving at a modest pace and asset values continue to increase but at a slower pace than in the past two years.
- New supply remains at all-time lows although modest upticks are expected in 2013. Apartments and some select industrial projects represent the bulk of new construction so far; new supply in other property types is still largely non-existent.
- The current low interest rate environment continues to support price recovery/growth, and the spread between cap rates and risk free rates remains wide.
  - Relative value of Real Estate versus other asset classes remains attractive
  - Rising treasury rates during Q2 caused some increased volatility in REITs, and this volatility could spill over into private market transactions during second half of 2013
- Core rebound is mature and returns are expected to continue to moderate (consensus NPI forecast range is 6–9%, which is generally in line with long-term average).
  - Still solid investment option for long-term investors seeking diversification and yield
  - Consider debt plays as a substitute for Core returns (also good alternative for fixed income)
- Non Core opportunities remain in the sector's sweet spot, with above average return potential as positive spreads exist between stabilized and non-stabilized assets.
  - Distress, recapitalization, lease up, repositioning, and even some development remain attractive

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Total Fund

Total Fund | As of June 30, 2013 | $132,382.9 Million and 100.0% of Fund

Highlights

Executive Summary

- Performance of the Pension Plan, when measured against the Performance Benchmark, has been strong over short- and long-term time periods.
- Performance relative to peers is also competitive over short- and long-term time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
- Public market asset class investments do not significantly deviate from their broad market based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
- Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type, or investment strategy.
- Asset allocation is monitored on a daily basis to ensure the actual asset allocation of the plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Hewitt EnnisKnupp and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

Performance Highlights

- Over the trailing one-, three-, five- and ten-year periods, the Total Fund outperformed the Performance Benchmark. During the second quarter, the Fund returned 0.1% and outperformed its Benchmark by 0.5 percentage points.

Asset Allocation

- The Fund assets total $132.4 billion as of June 30, 2013, which represents a $1.3 billion decrease since last quarter.
- Actual allocations for all asset classes were within their respective policy ranges at quarter-end.
- The Fund was overweight to global equity, real estate, private equity and strategic investments with corresponding marginal underweights to fixed income and cash at quarter-end.

Plan Summary

Summary of Cash Flows

Sources of Portfolio Growth	Second Quarter	Fiscal YTD*
Beginning Market Value	$133,650,630,998	$122,745,973,551
Net Additions/Withdrawals	($1,473,938,583)	($6,189,055,380)
Investment Earnings	$206,222,851	$15,825,997,095
Ending Market Value	$132,382,915,266	$132,382,915,266

*Period July 2012 - June 2013

Plan Performance

Benchmark: Performance Benchmark

Trailing Period Performance

	Market Value ($)	% of Portfolio	Policy %	2013 Q2 (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank
								Ending June 30, 2013							
Total Fund	**132,382,915,266**	**100.0**	**100.0**	**0.1**	**34**	**5.3**	**33**	**13.1**	**26**	**11.5**	**37**	**5.0**	**38**	**7.4**	**31**
Performance Benchmark				*-0.4*	*62*	*4.5*	*58*	*12.0*	*49*	*10.7*	*69*	*4.4*	*65*	*7.0*	*53*
Absolute Nominal Target Rate of Return				*1.5*	*2*	*4.2*	*62*	*6.8*	*92*	*7.4*	*97*	*6.4*	*6*	*7.1*	*44*
Global Equity*	**78,261,432,803**	**59.1**	**57.4**	**0.0**	**--**	**7.5**	**--**	**18.6**	**--**	**13.8**	**--**	**4.3**	**--**	**7.5**	**--**
Asset Class Target				*-0.4*	*--*	*6.5*	*--*	*17.2*	*--*	*12.4*	*--*	*3.3*	*--*	*7.1*	*--*
Domestic Equities	**36,239,705,277**	**27.4**	**--**	**2.8**	**46**	**14.2**	**44**	**21.6**	**59**	**18.9**	**19**	**7.5**	**29**	**7.9**	**46**
Asset Class Target				*2.7*	*57*	*14.1*	*51*	*21.5*	*60*	*18.6*	*35*	*7.2*	*33*	*7.8*	*47*
Foreign Equities	**37,426,912,060**	**28.3**	**--**	**-2.7**	**67**	**1.6**	**57**	**15.8**	**48**	**9.9**	**40**	**1.3**	**7**	**9.7**	**15**
Asset Class Target				*-3.2*	*82*	*0.4*	*82*	*14.2*	*73*	*8.1*	*77*	*-0.3*	*48*	*8.8*	*40*
Global Equities	**4,593,466,732**	**3.5**	**--**	**0.7**	**--**	**9.0**	**--**	**18.4**	**--**	**13.6**	**--**	**2.2**	**--**	**7.4**	**--**
Benchmark				*0.3*	*--*	*7.7*	*--*	*17.9*	*--*	*13.2*	*--*	*3.0*	*--*	*8.2*	*--*
Fixed Income	**29,108,897,932**	**22.0**	**24.0**	**-2.3**	**33**	**-2.2**	**45**	**0.4**	**63**	**4.7**	**50**	**6.2**	**40**	**5.0**	**42**
Asset Class Target				*-2.3*	*33*	*-2.4*	*53*	*-0.7*	*83*	*3.5*	*87*	*5.2*	*78*	*4.7*	*61*
Private Equity	**6,892,041,617**	**5.2**	**5.1**	**5.4**	**--**	**7.8**	**--**	**10.7**	**--**	**11.7**	**--**	**4.8**	**--**	**7.9**	**--**
Asset Class Target				*3.5*	*--*	*16.1*	*--*	*24.5*	*--*	*21.6*	*--*	*11.0*	*--*	*12.0*	*--*
*Secondary Target***				*4.2*	*--*	*7.6*	*--*	*11.9*	*--*	*14.7*	*--*	*7.1*	*--*	*15.3*	*--*
Real Estate	**10,143,542,908**	**7.7**	**7.5**	**2.6**	**51**	**8.6**	**13**	**14.9**	**16**	**15.3**	**8**	**1.7**	**12**	**8.8**	**8**
Asset Class Target				*1.9*	*62*	*4.4*	*70*	*10.1*	*56*	*14.4*	*32*	*-0.1*	*29*	*3.9*	*99*
Strategic Investments	**6,752,566,988**	**5.1**	**5.0**	**4.8**	**--**	**8.5**	**--**	**16.2**	**--**	**12.8**	**--**	**3.9**	**--**	**--**	**--**
Short-Term Target				*2.1*	*--*	*4.9*	*--*	*9.8*	*--*	*8.4*	*--*	*1.9*	*--*	*--*	*--*
Cash	**1,224,433,017**	**0.9**	**1.0**	**0.1**	**--**	**0.1**	**--**	**0.3**	**--**	**0.3**	**--**	**-0.5**	**--**	**1.1**	**--**
iMoneyNet First Tier Institutional Money Market Funds Net Index				*0.0*	*--*	*0.0*	*--*	*0.1*	*--*	*0.1*	*--*	*0.5*	*--*	*2.0*	*--*

Benchmark and universe descriptions can be found in the Appendix.

* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

** The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index.

Calendar Year Performance

	2012 (%)	Rank	2011 (%)	Rank	2010 (%)	Rank	2009 (%)	Rank	2008 (%)	Rank	2007 (%)	Rank	2006 (%)	Rank	2005 (%)	Rank	2004 (%)	Rank	2003 (%)	Rank
Total Fund	**14.2**	**14**	**-0.5**	**71**	**13.5**	**37**	**20.8**	**36**	**-26.7**	**49**	**9.1**	**28**	**14.6**	**33**	**7.8**	**40**	**12.0**	**47**	**23.8**	**40**
Performance Benchmark	*12.8*	*56*	*-1.2*	*84*	*12.9*	*52*	*19.5*	*46*	*-26.1*	*47*	*8.9*	*32*	*14.4*	*38*	*7.3*	*62*	*11.5*	*54*	*24.5*	*28*
Absolute Nominal Target Rate of Return	*6.8*	*98*	*8.1*	*4*	*6.6*	*98*	*7.9*	*99*	*5.1*	*1*	*8.9*	*33*	*6.6*	*96*	*7.6*	*47*	*7.4*	*96*	*6.1*	*98*
Global Equity*	**17.8**	**--**	**-6.5**	**--**	**15.9**	**--**	**33.7**	**--**	**-39.9**	**--**	**8.4**	**--**	**17.5**	**--**	**8.6**	**--**	**14.4**	**--**	**32.3**	**--**
Asset Class Target	*16.5*	*--*	*-7.9*	*--*	*15.1*	*--*	*33.8*	*--*	*-40.4*	*--*	*8.5*	*--*	*18.4*	*--*	*8.7*	*--*	*14.1*	*--*	*33.2*	*--*
Domestic Equities	**16.3**	**50**	**1.6**	**21**	**17.2**	**65**	**28.8**	**46**	**-37.4**	**48**	**5.3**	**52**	**14.7**	**61**	**6.3**	**76**	**12.3**	**44**	**30.2**	**72**
Asset Class Target	*16.4*	*41*	*1.0*	*30*	*16.9*	*70*	*28.3*	*55*	*-37.3*	*45*	*5.1*	*53*	*15.7*	*40*	*6.1*	*88*	*11.9*	*68*	*31.1*	*68*
Foreign Equities	**19.3**	**27**	**-12.9**	**45**	**15.2**	**7**	**42.7**	**9**	**-44.4**	**37**	**16.1**	**39**	**26.4**	**31**	**16.1**	**46**	**21.3**	**29**	**39.8**	**28**
Asset Class Target	*17.2*	*84*	*-14.6*	*80*	*13.0*	*41*	*43.7*	*8*	*-46.1*	*78*	*16.4*	*30*	*26.7*	*28*	*16.6*	*39*	*20.9*	*32*	*40.8*	*17*
Global Equities	**15.6**	**--**	**-5.7**	**--**	**10.4**	**--**	**32.8**	**--**	**-41.8**	**--**	**10.2**	**--**	**20.0**	**--**	**9.4**	**--**	**15.4**	**--**	**--**	**--**
Benchmark	*16.0*	*--*	*-6.7*	*--*	*13.1*	*--*	*34.6*	*--*	*-42.1*	*--*	*11.8*	*--*	*21.1*	*--*	*11.3*	*--*	*16.4*	*--*	*--*	*--*
Fixed Income	**6.4**	**61**	**7.6**	**45**	**9.2**	**34**	**14.4**	**46**	**-3.9**	**43**	**6.7**	**29**	**4.7**	**39**	**2.8**	**28**	**5.0**	**51**	**6.0**	**56**
Asset Class Target	*4.2*	*89*	*7.8*	*38*	*6.5*	*92*	*5.9*	*91*	*5.2*	*9*	*7.2*	*21*	*4.7*	*38*	*2.5*	*45*	*4.7*	*67*	*5.1*	*67*
Private Equity	**12.4**	**--**	**8.0**	**--**	**18.6**	**--**	**-12.1**	**--**	**-4.3**	**--**	**16.5**	**--**	**12.2**	**--**	**12.9**	**--**	**0.6**	**--**	**10.3**	**--**
Asset Class Target	*19.4*	*--*	*4.0*	*--*	*19.9*	*--*	*32.8*	*--*	*-32.8*	*--*	*9.6*	*--*	*20.2*	*--*	*10.6*	*--*	*16.5*	*--*	*33.8*	*--*
*Secondary Target***	*14.8*	*--*	*14.6*	*--*	*17.4*	*--*	*-9.7*	*--*	*-5.2*	*--*	*30.0*	*--*	*22.5*	*--*	*36.4*	*--*	*19.2*	*--*	*11.7*	*--*
Real Estate	**14.4**	**7**	**14.5**	**18**	**5.1**	**70**	**-22.8**	**30**	**-1.5**	**28**	**13.6**	**43**	**22.5**	**6**	**17.2**	**85**	**17.4**	**22**	**12.2**	**28**
Asset Class Target	*12.2*	*23*	*15.3*	*12*	*8.8*	*61*	*-29.7*	*63*	*-1.1*	*23*	*12.1*	*68*	*6.5*	*95*	*8.8*	*99*	*7.8*	*99*	*11.6*	*31*
Strategic Investments	**15.2**	**--**	**5.5**	**--**	**8.9**	**--**	**22.0**	**--**	**-37.4**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Short-Term Target	*9.1*	*--*	*4.2*	*--*	*3.5*	*--*	*20.8*	*--*	*-33.6*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*
Cash	**0.3**	**--**	**0.3**	**--**	**0.4**	**--**	**1.7**	**--**	**-5.8**	**--**	**4.1**	**--**	**5.1**	**--**	**3.4**	**--**	**1.4**	**--**	**1.2**	**--**
iMoneyNet First Tier Institutional Money Market Funds Net Index	*0.1*	*--*	*0.1*	*--*	*0.2*	*--*	*0.7*	*--*	*3.0*	*--*	*5.4*	*--*	*5.1*	*--*	*3.4*	*--*	*1.4*	*--*	*1.1*	*--*

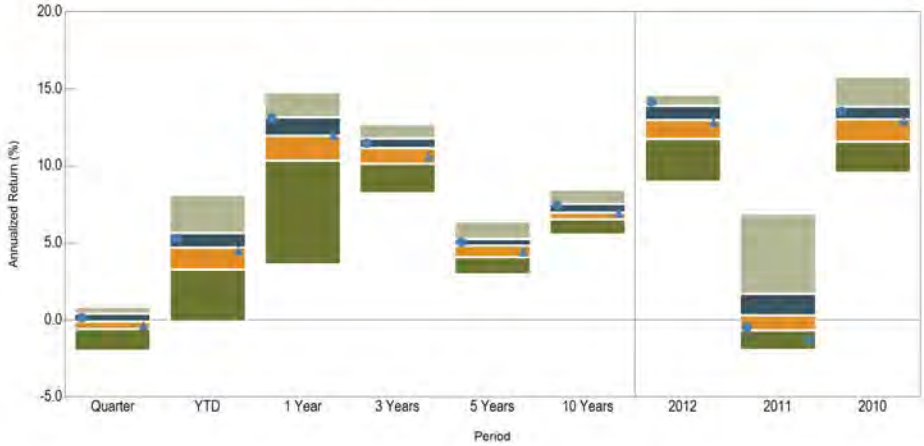
* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

** The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index.

Universe Comparison

Benchmark: Performance Benchmark

Universe: Public Funds >$1B Net

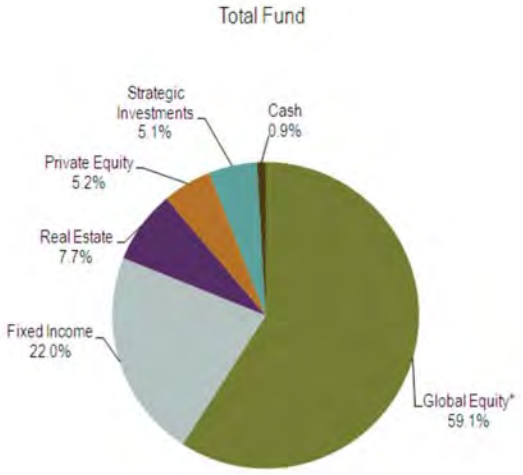


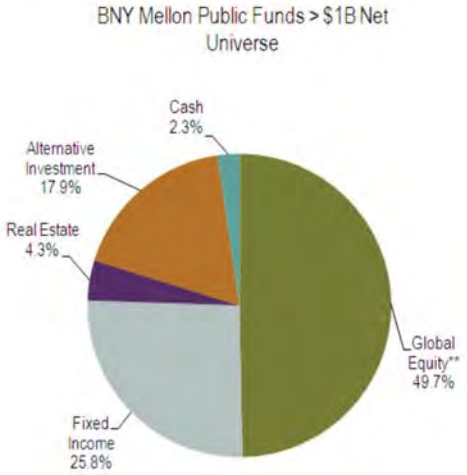
	Return (Rank)								
5th Percentile	0.8	8.1	14.8	12.7	6.4	8.5	14.6	6.9	15.8
25th Percentile	0.4	5.6	13.2	11.8	5.3	7.5	13.9	1.7	13.8
Median	-0.1	4.7	12.0	11.2	4.8	7.0	13.0	0.3	13.0
75th Percentile	-0.6	3.3	10.3	10.1	4.1	6.6	11.8	-0.7	11.6
95th Percentile	-2.0	-0.1	3.6	8.2	3.0	5.5	9.0	-2.0	9.6
# of Portfolios	63	63	62	60	58	51	65	72	67
● **Total Fund**	0.1 (34)	5.3 (33)	13.1 (26)	11.5 (37)	5.0 (38)	7.4 (31)	14.2 (14)	-0.5 (71)	13.5 (37)
▲ **Performance Benchmark**	-0.4 (62)	4.5 (58)	12.0 (49)	10.7 (69)	4.4 (65)	7.0 (53)	12.8 (56)	-1.2 (84)	12.9 (52)

Universe Asset Allocation Comparison

Benchmark: Performance Benchmark

Universe: Public Funds >$1B Net





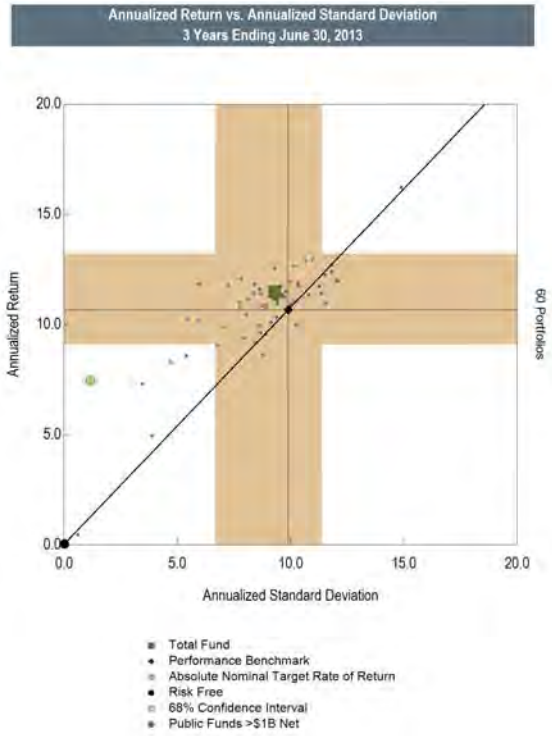
*Global Equity Allocation: 27.4% Domestic Equities; 28.3% Foreign Equities; 3.5% Global Equities. Percentages are of the Total FRS Fund.

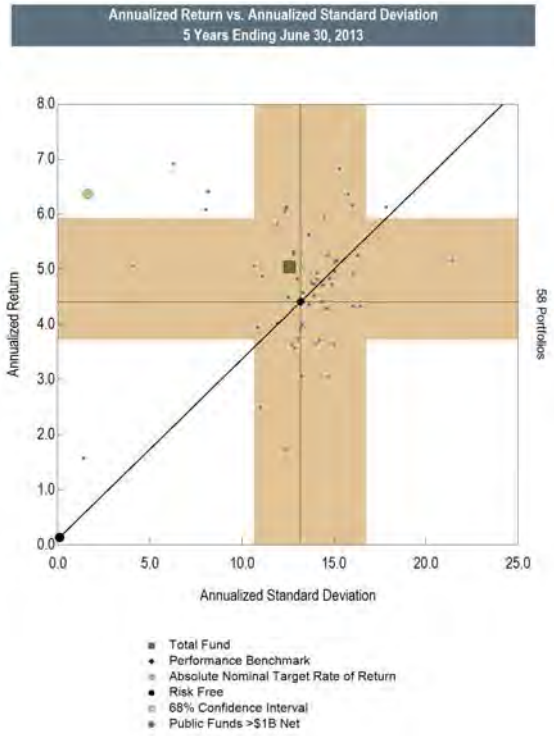
**Global Equity Allocation: 30.7% Domestic Equities; 19.0% Foreign Equities.

Risk Profile

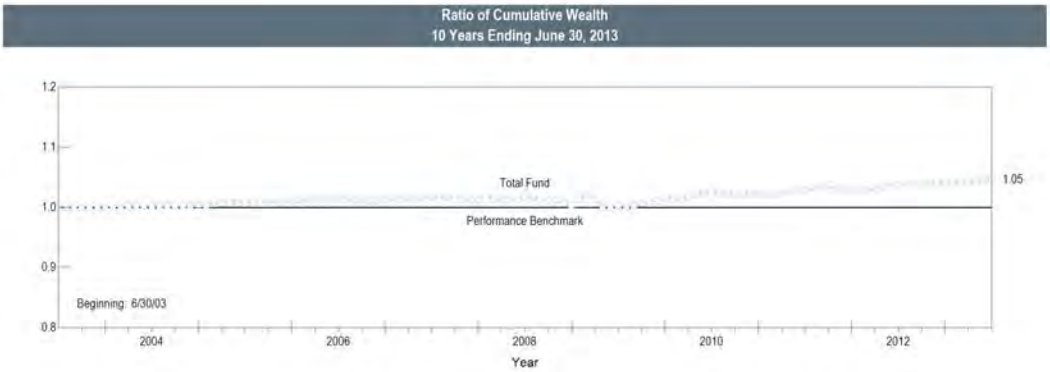
Benchmark: Performance Benchmark

Universe: Public Funds >$1B Net

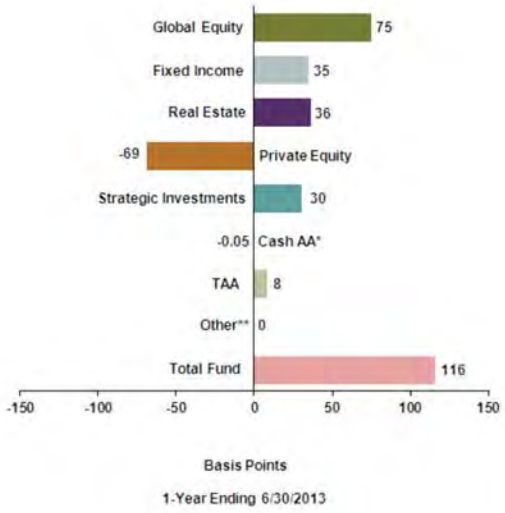


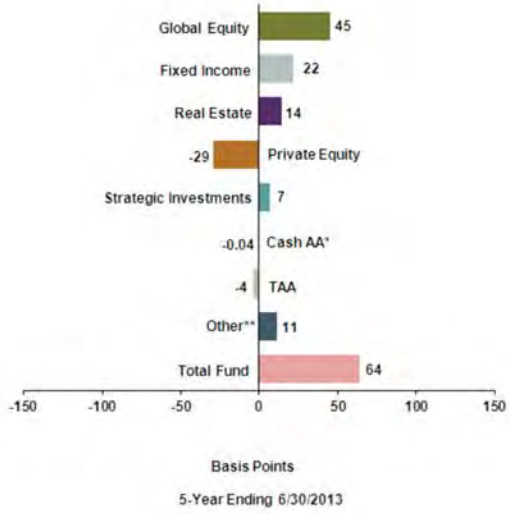


Attribution



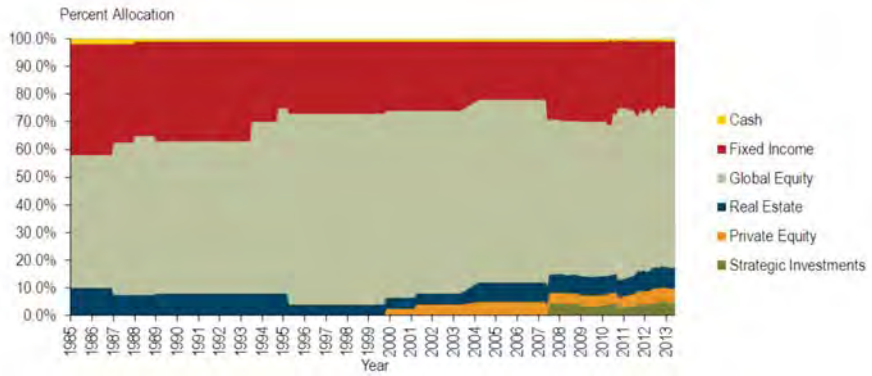
Attribution





*Cash AA includes Cash and Central Custody, Securities Lending Account income from 12/2009 to 3/2013 and unrealized gains and losses on securities lending collateral beginning June 2013, TF STIPFRS NAV Adjustment Account, and the Cash Expense Account.
**Other includes legacy accounts and unexplained differences due to methodology.

Asset Allocation

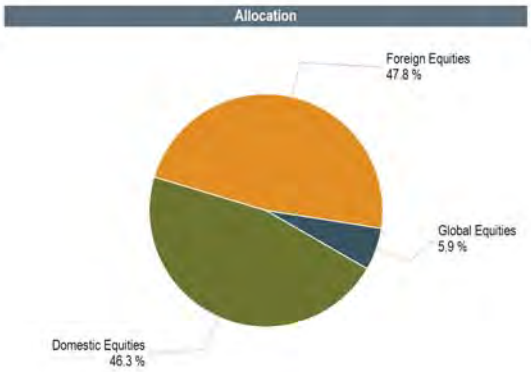


Global Equity

Global Equity* | As of June 30, 2013 | $78,261.4 Million and 59.1% of Fund

Overview

Benchmark: Asset Class Target



* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

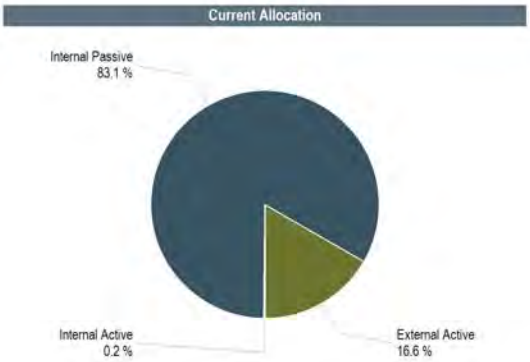
Note: The current Global Equity benchmark, the Asset Class Target, is a custom version of the MSCI ACWI IMI which excludes companies divested under provisions of the Protecting Florida's Investments Act (PFIA). Prior to July 2010, the asset class benchmark is a weighted average of the underlying Domestic Equities, Foreign Equities and Global Equities historical benchmarks.

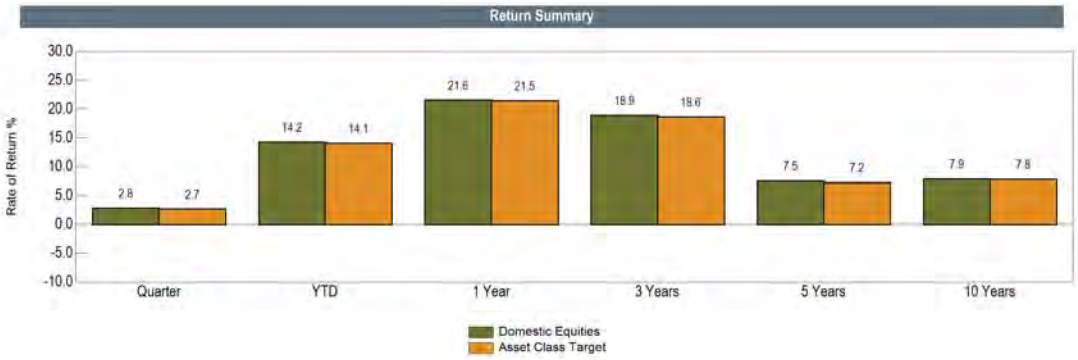
Domestic Equities

Domestic Equities | As of June 30, 2013 | $36,239.7 Million and 27.4% of Fund

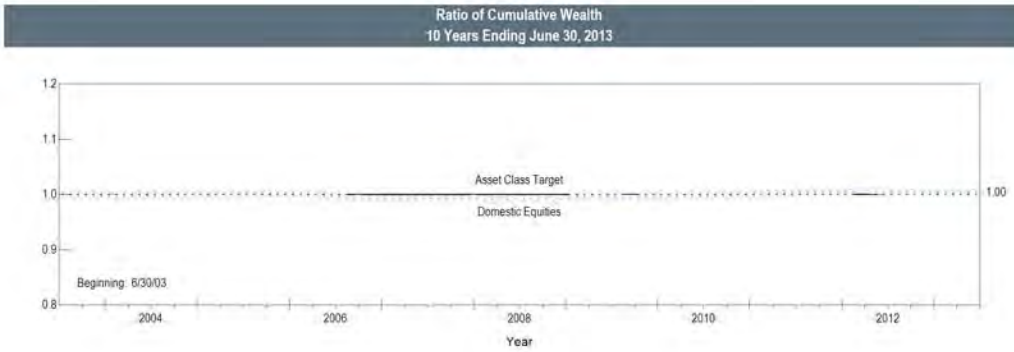
Overview

Benchmark: Asset Class Target





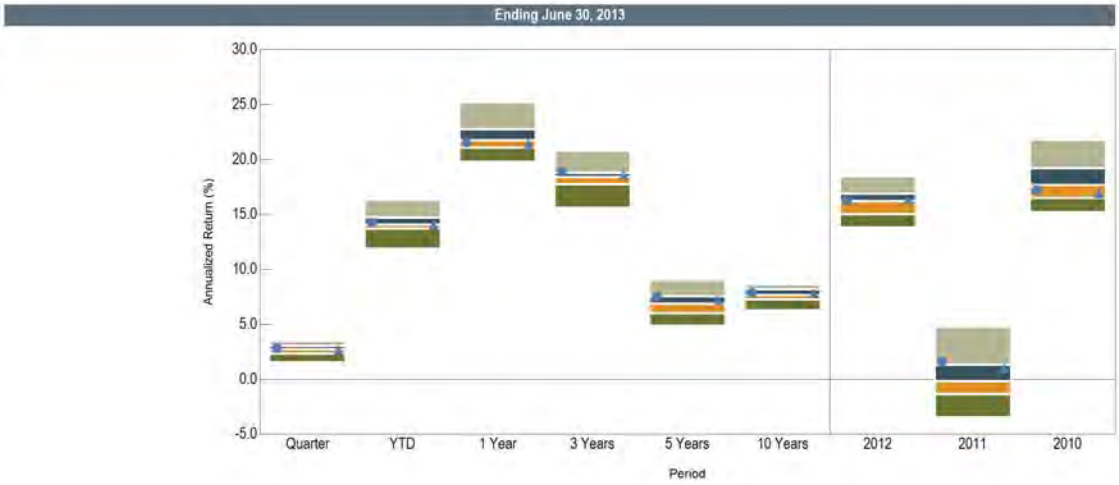
Overview



Universe Comparison

Benchmark: Asset Class Target

Universe: Public Funds >$1B - US Eq Net

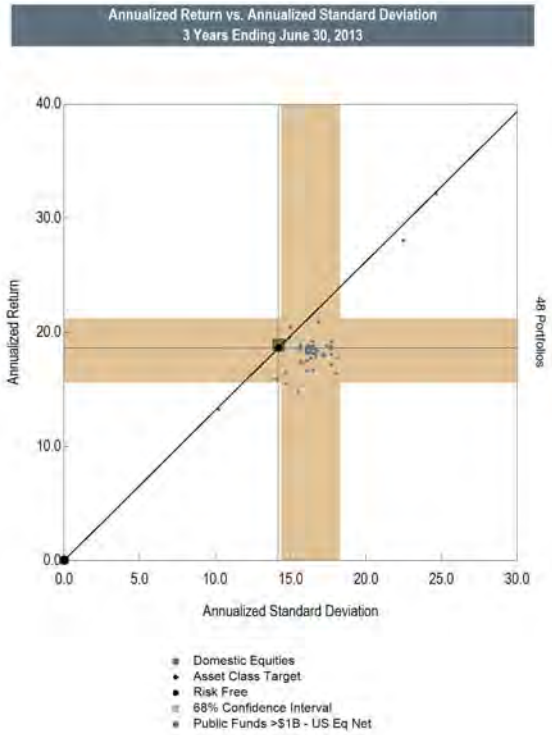


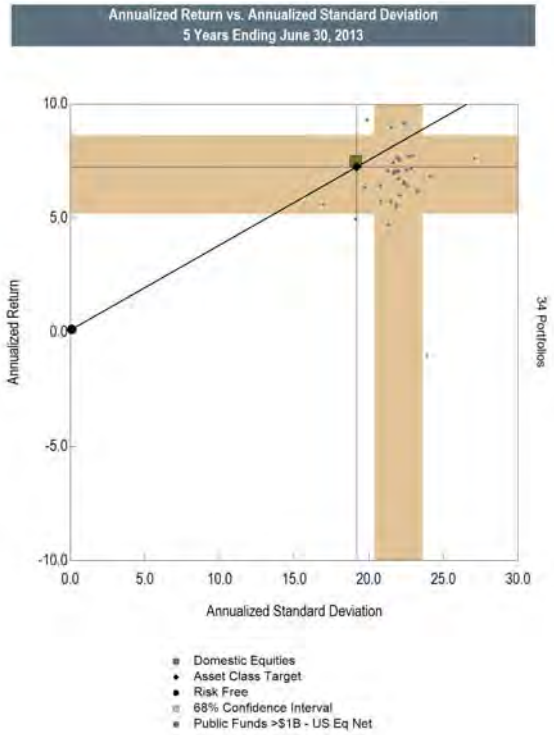
	Return (Rank)																	
5th Percentile	3.4		16.3		25.2		20.8		9.0		8.6		18.4		4.8		21.8	
25th Percentile	3.1		14.7		22.8		18.8		7.6		8.2		16.9		1.4		19.2	
Median	2.7		14.1		21.8		18.4		6.9		7.7		16.3		-0.2		17.7	
75th Percentile	2.3		13.7		21.1		17.8		6.0		7.3		15.1		-1.3		16.5	
95th Percentile	1.6		11.9		19.8		15.6		4.9		6.3		13.9		-3.4		15.2	
# of Portfolios	52		52		52		48		34		19		48		51		46	
● Domestic Equities	2.8	(46)	14.2	(44)	21.6	(59)	18.9	(19)	7.5	(29)	7.9	(46)	16.3	(50)	1.6	(21)	17.2	(65)
▲ Asset Class Target	2.7	(57)	14.1	(51)	21.5	(60)	18.6	(35)	7.2	(33)	7.8	(47)	16.4	(41)	1.0	(30)	16.9	(70)

Risk Profile

Benchmark: Asset Class Target

Universe: Public Funds >$1B - US Eq Net





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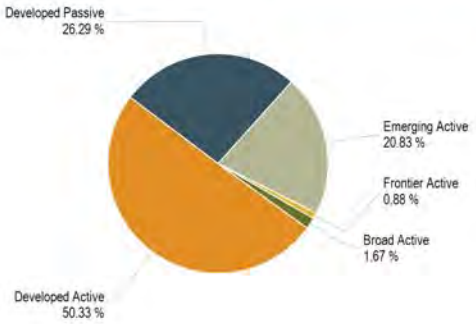
Foreign Equities

Foreign Equities | As of June 30, 2013 | $37,426.9 Million and 28.3% of Fund

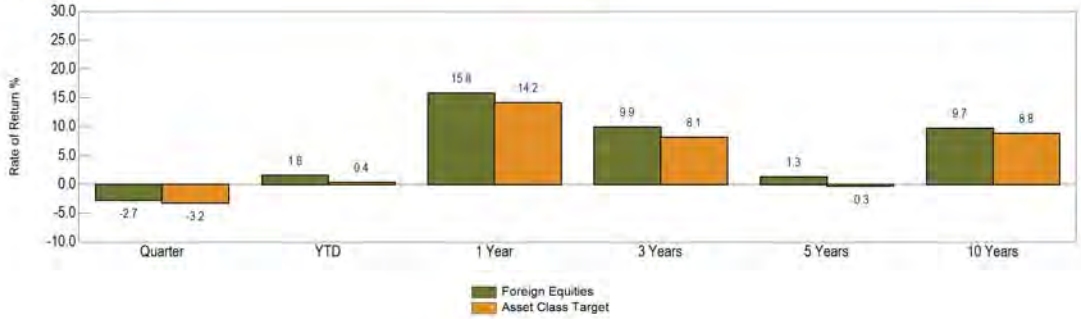
Overview

Benchmark: Asset Class Target

Current Allocation

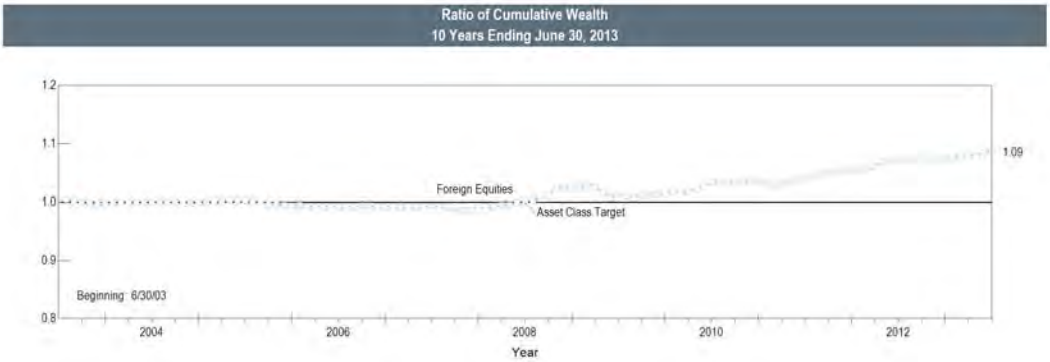


Return Summary



Overview

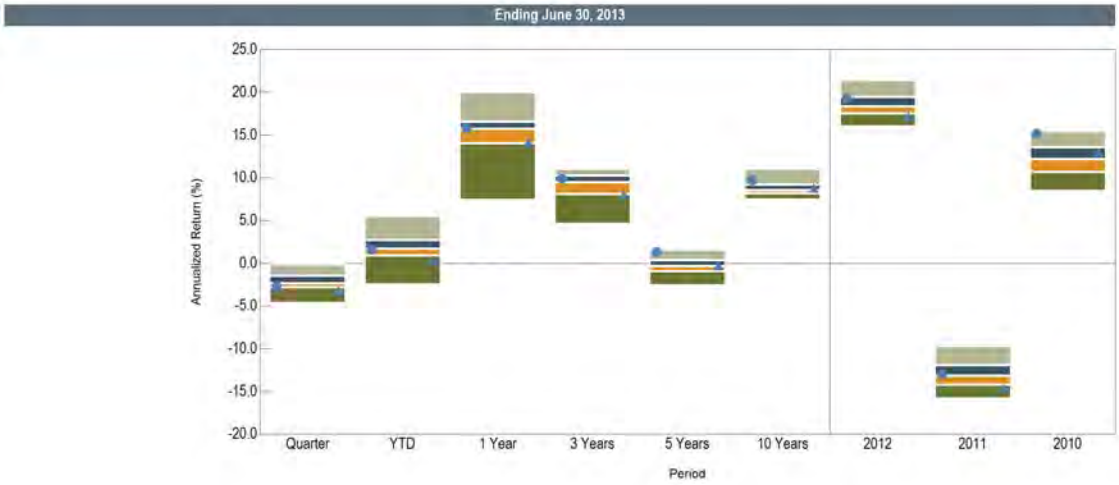
Benchmark: Asset Class Target



Universe Comparison

Benchmark: Asset Class Target

Universe: Public Funds >$1B - Non-US Eq Net

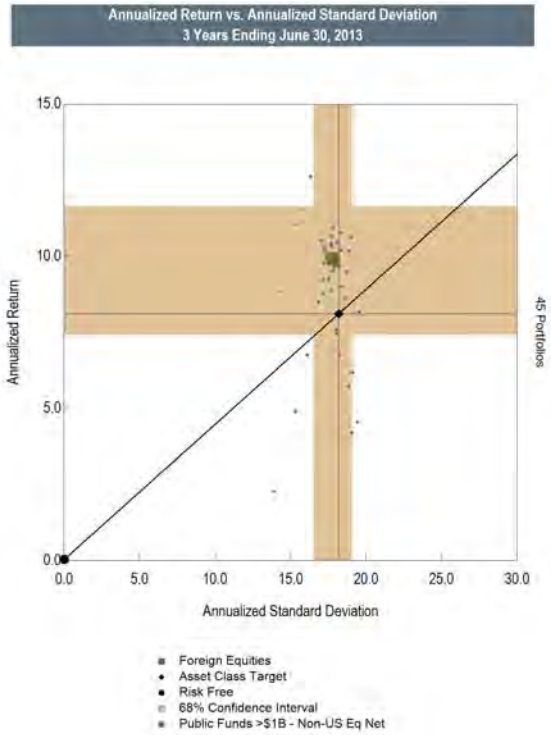


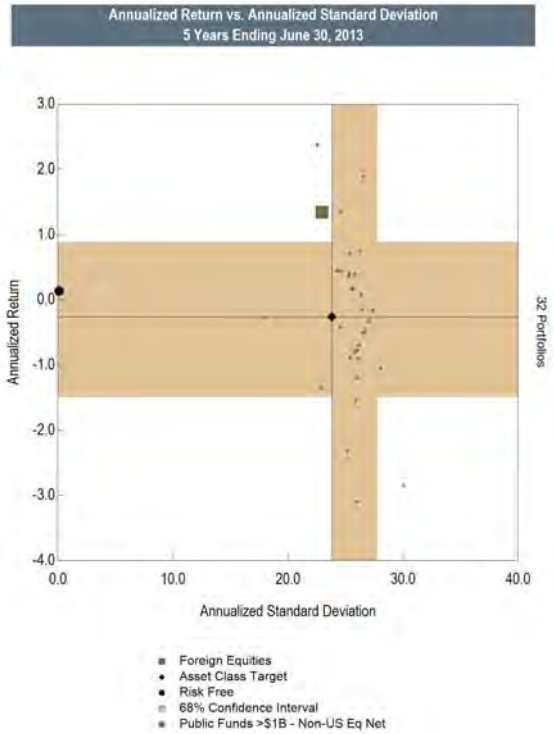
	Return (Rank)																			
5th Percentile	-0.1		5.5		20.0		11.0		1.6		11.0		21.5		-9.7		15.5	
25th Percentile	-1.4		2.8		16.6		10.3		0.4		9.2		19.5		-11.9		13.6	
Median	-2.3		1.7		15.8		9.5		-0.3		8.6		18.4		-13.1		12.2	
75th Percentile	-2.8		0.9		14.1		8.1		-0.9		8.2		17.6		-14.2		10.7	
95th Percentile	-4.6		-2.5		7.4		4.6		-2.6		7.5		16.1		-15.8		8.5	
# of Portfolios	51		51		49		45		32		18		41		45		40	
● Foreign Equities	-2.7	(67)	1.6	(57)	15.8	(48)	9.9	(40)	1.3	(7)	9.7	(15)	19.3	(27)	-12.9	(45)	15.2	(7)
▲ Asset Class Target	-3.2	(82)	0.4	(82)	14.2	(73)	8.1	(77)	-0.3	(48)	8.8	(40)	17.2	(84)	-14.6	(80)	13.0	(41)

Risk Profile

Benchmark: Asset Class Target

Universe: Public Funds >$1B - Non-US Eq Net





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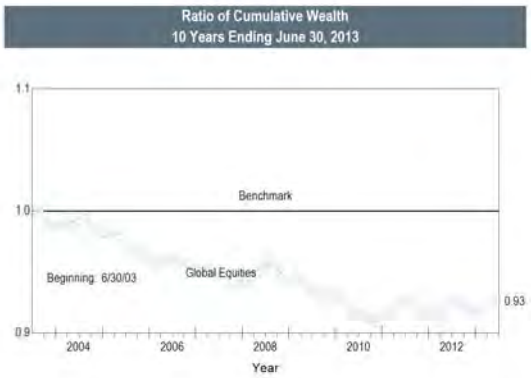
Global Equities

Global Equities | As of June 30, 2013 | $4,593.5 Million and 3.5% of Fund

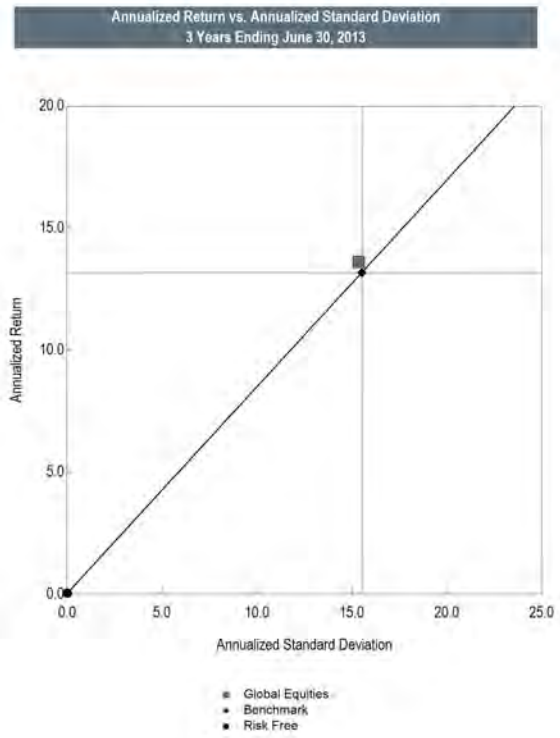
Overview

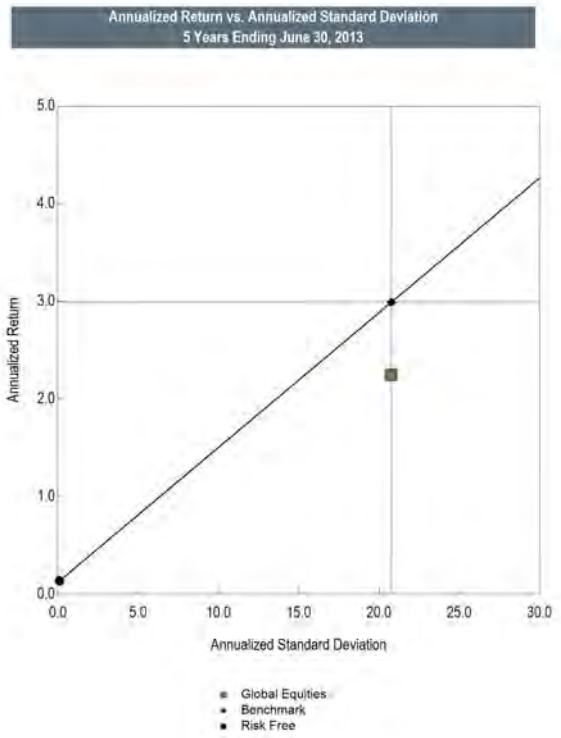
Benchmark: Aggregate Benchmark



Risk Profile

Benchmark: Aggregate Benchmark





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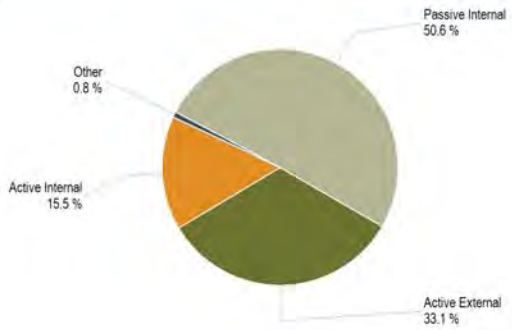
Fixed Income

Fixed Income | As of June 30, 2013 | $29,108.9 Million and 22.0% of Fund

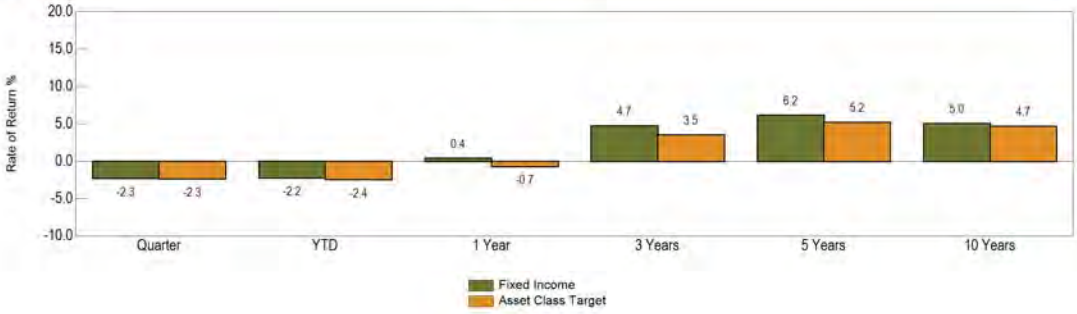
Overview

Benchmark: Asset Class Target

Current Allocation

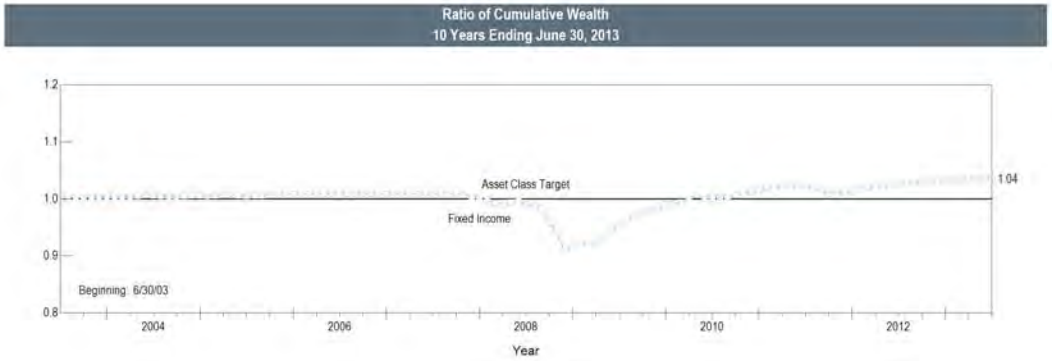


Return Summary



Overview

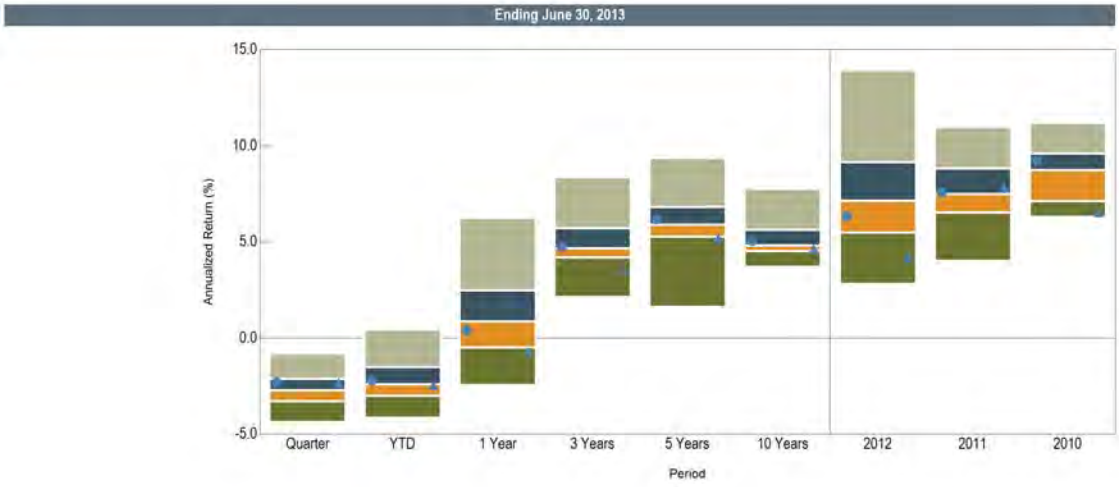
Benchmark: Asset Class Target



Universe Comparison

Benchmark: Asset Class Target

Universe: Public Funds >$1B - US FI Net

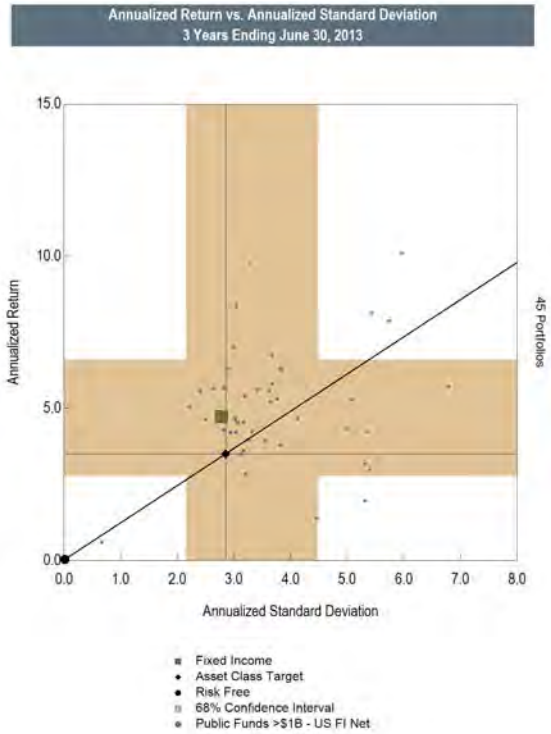


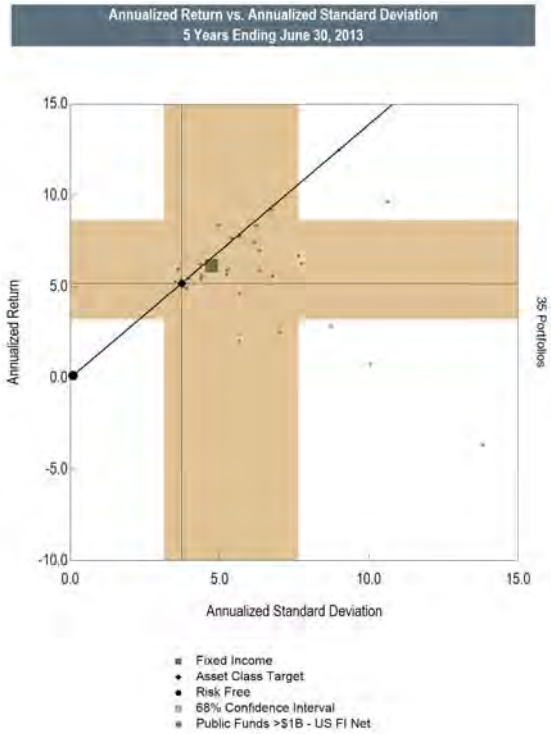
	Return (Rank)								
5th Percentile	-0.8	0.4	6.2	8.4	9.4	7.8	13.9	11.0	11.2
25th Percentile	-2.1	-1.5	2.5	5.7	6.8	5.6	9.2	8.8	9.6
Median	-2.7	-2.4	0.9	4.7	5.9	4.8	7.2	7.5	8.8
75th Percentile	-3.3	-3.0	-0.5	4.2	5.3	4.5	5.5	6.5	7.1
95th Percentile	-4.3	-4.1	-2.4	2.1	1.6	3.7	2.8	4.0	6.3
# of Portfolios	49	49	48	45	35	19	48	51	47
● Fixed Income	-2.3 (33)	-2.2 (45)	0.4 (63)	4.7 (50)	6.2 (40)	5.0 (42)	6.4 (61)	7.6 (45)	9.2 (34)
▲ Asset Class Target	-2.3 (33)	-2.4 (53)	-0.7 (83)	3.5 (87)	5.2 (78)	4.7 (61)	4.2 (89)	7.8 (38)	6.5 (92)

Risk Profile

Benchmark: Asset Class Target

Universe: Public Funds >$1B - US FI Net





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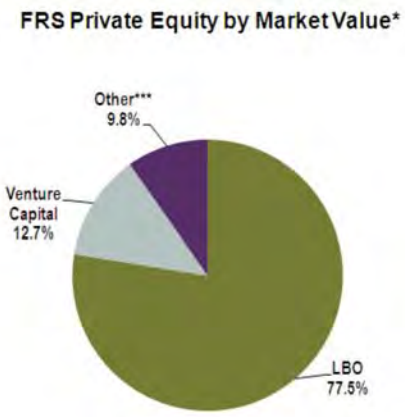
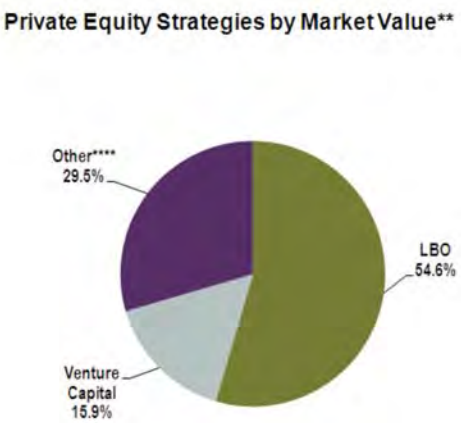
Private Equity

Overview





* Allocation data is as of June 30, 2013.

**Allocation data is as of June 30, 2012, from the Preqin database.

*** Other for the FRS Private Equity consists of Growth Capital, Secondary and PE Cash.

**** Other for the Preqin data consists of Distressed PE, Growth, Mezzanine, and other Private Equity/Special Situations.

Preqin universe is comprised of 6,200 private equity funds representing $3.2 trillion.

Private Equity | As of June 30, 2013 | $6,892.0 Million and 5.2% of Fund

Time-Weighted Investment Results

Benchmark: Asset Class Target

** The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index.

Private Equity Legacy | As of June 30, 2013 | $236.4 Million and 0.2% of Fund

Time-Weighted Investment Results

Benchmark: Asset Class Target

** The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index.

Private Equity Post Asset Class | As of June 30, 2013 | $6,542.4 Million and 4.9% of Fund

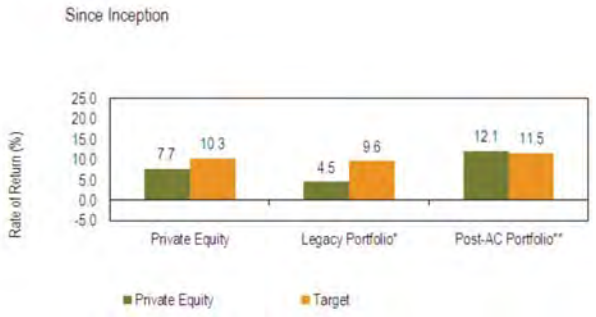
Time-Weighted Investment Results

Benchmark: Asset Class Target

** The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index.

Private Equity | As of June 30, 2013 | $6,892.0 Million and 5.2% of Fund

Dollar-Weighted Investment Results



* The Inception Date for the Legacy Portfolio is January 1989.

** The Inception Date for the Post-AC Portfolio is September 2000.

*** The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index based on actual ABAL weights. Secondary Target data is on a quarterly lag.

Private Equity Dollar-Weighted Performance
Cumulative Performance Measures Since Inception Through June 30, 2013

Name	Years Since Inception	Commitment	Net Paid In Cap.	Net Asset Value	IRR
Corporate Partners	CLOSED	N/A	-$133,709,385	$0	N/A
Ripplewood Partners I LP	CLOSED	N/A	-$75,695,566	$0	N/A
Liberty Partners I LP	CLOSED	N/A	-$267,090,548	$0	N/A
Liberty Partners IV LP	CLOSED	N/A	$66,000,789	$0	N/A
TSG Capital Fund III	CLOSED	N/A	$46,347,448	$72,830	N/A
Thomas H. Lee Equity Fund IV LP	CLOSED	N/A	$12,688,674	$0	N/A
Willis Stein & Partners II, L.P.	CLOSED	N/A	$16,660,823	$0	N/A
Liberty Partners II LP	19.01	$659,789,821	-$228,545,733	$1,900,000	10.8%
Cypress Equity Group Trust Fund	17.81	$15,000,000	-$10,460,159	$453,709	16.3%
Centre Capital Investors II LP	17.47	$200,000,000	$50,090,328	$196,201	-4.2%
Liberty Partners III LP	17.01	$506,208,481	-$372,260	$3,000,000	0.2%
Carlyle Partners II LP	16.81	$200,000,000	-$282,775,120	$1,717,431	20.0%
Hicks, Muse, Tate & Furst Fund III LP	16.32	$200,000,000	$23,251,221	$26,716,141	0.3%
Lexington Co-Investment Partners LP	15.47	$500,000,000	-$140,291,972	$15,745,764	5.7%
Apollo Investment Fund IV LP	15.03	$250,000,000	-$165,947,082	$3,663,937	8.5%
Chartwell Capital Investors II LP	14.71	$50,000,000	-$12,534,408	$9,441,616	5.4%
Hicks, Muse, Tate & Furst Fund IV LP	14.58	$400,000,000	$141,908,790	$10,823,781	-7.1%
Liberty Partners V LP	14.35	$329,664,359	-$46,308,064	$5,615,089	2.8%
Green Equity Investors III LP	14.30	$60,000,000	-$65,616,553	$5,579,205	21.4%
Carlyle Partners III LP	12.84	$200,000,000	-$255,010,845	$483,981	22.9%
Willis Stein & Partners III LP	12.57	$100,000,000	$7,551,902	$5,482,508	-0.4%
Ripplewood Partners II LP	12.35	$100,000,000	$17,696,433	$49,196,591	7.0%
Lexington Capital Partners IV LP	12.21	$200,000,000	-$133,341,902	$15,319,925	19.4%
Apollo Investment Fund V LP	12.13	$150,000,000	-$207,390,564	$23,686,970	37.2%
Thomas H. Lee Equity Fund V LP	12.00	$50,000,000	-$26,960,554	$5,136,444	13.3%
Hicks, Muse, Tate & Furst Equity Fund V LP	11.65	$25,000,000	-$19,841,784	$743,435	19.6%
Liberty Partners VI LP	11.46	$595,484,687	$290,501,712	$119,937,720	-6.1%
Lexington Capital Partners V LP	10.89	$100,000,000	-$44,911,629	$18,983,742	19.0%
Lexington Co-Investment Partners II LP	10.76	$500,000,000	-$431,120,694	$153,629,071	25.1%
Wellspring Capital Partners III LP	10.14	$50,000,000	-$58,316,009	$234,562	27.3%
Green Equity Investors IV LP	9.83	$100,000,000	$25,076,844	$121,559,712	11.8%
Top Tier Venture Capital II	9.76	$120,000,000	$46,742,910	$72,226,757	3.4%
Gores Capital Partners I LP	9.44	$50,000,000	-$7,281,207	$21,065,829	13.4%
Platinum Equity Capital Partners I LP	9.39	$50,000,000	-$52,137,513	$18,386,837	58.8%
Pantheon Venture Partners II LP	9.38	$100,000,000	$64,547,500	$87,339,026	5.7%
FS Equity Partners V LP	9.17	$50,000,000	-$29,770,192	$14,971,897	16.6%
TPG Partners IV LP	9.09	$50,000,000	-$15,103,389	$26,797,598	15.1%
GS Partners Ventures LLC	9.01	$200,000,000	$140,443,998	$179,053,755	4.4%
Kelso Investment Associates VII LP	9.00	$50,000,000	-$5,149,246	$26,253,791	11.8%

Private Equity Dollar-Weighted Performance (continued)
Cumulative Performance Measures Since Inception Through June 30, 2013

Name	Years Since Inception	Commitment	Net Paid In Cap.	Net Asset Value	IRR
Fairview Ventures Fund II LP	9.00	$50,000,000	$37,392,167	$35,362,604	-0.9%
Hellman & Friedman Capital Partners V LP	8.56	$75,000,000	-$70,674,869	$34,219,873	27.6%
Kohlberg Investors V LP	8.51	$45,000,000	$19,501,377	$29,537,467	4.4%
New Mountain Partners II LP	8.47	$50,000,000	-$13,890,859	$21,107,625	12.7%
Top Tier Venture Capital III	8.22	$75,000,000	$48,164,543	$59,815,018	3.9%
Carlyle Partners IV LP	8.18	$75,000,000	-$17,412,709	$45,944,456	12.5%
Warburg Pincus Private Equity IX LP	7.83	$75,000,000	-$3,788,537	$46,672,402	10.0%
Lexington Co-Investment Partners 2005 LP	7.79	$500,000,000	$275,692,009	$322,454,385	2.0%
Pomona Capital VI LP	7.79	$50,000,000	$16,568,685	$28,556,442	5.4%
Liberty Partners VII LP	7.68	$290,808,542	$54,279,036	$31,493,989	-4.4%
Lexington Capital Partners VI-B LP	7.57	$100,000,000	$38,078,384	$60,952,304	5.8%
Apollo Investment Fund VI LP	7.56	$200,000,000	$66,932,648	$171,762,790	9.2%
Wellspring Capital Partners IV LP	7.43	$75,000,000	$14,976,000	$44,760,743	8.3%
Blackstone Capital Partners V LP	7.30	$150,000,000	$100,042,040	$130,624,937	4.1%
TowerBrook Investors II LP	7.25	$75,000,000	$11,567,713	$42,673,713	9.4%
Thoma Cressey Fund VIII LP	7.24	$50,000,000	-$2,483,484	$50,603,268	15.3%
TPG Partners V LP	7.01	$100,000,000	$68,890,543	$67,154,652	-0.4%
Fairview Ventures Fund III LP	7.01	$75,000,000	$46,906,423	$63,496,388	9.0%
Permira IV LP	6.87	€ 50,000,000	$41,726,484	$57,584,627	5.5%
Lindsay Goldberg & Bessemer II LP	6.87	$100,000,000	$33,430,469	$78,710,028	9.2%
Grove Street Partners Buyouts LLC	6.76	$150,000,000	$69,765,153	$99,137,772	7.9%
Thomas H. Lee Equity Fund VI LP	6.63	$75,000,000	$53,386,573	$66,989,961	4.6%
First Reserve Fund XI LP	6.63	$100,000,000	$63,651,107	$80,306,376	4.0%
3i Europartners Vb LP	6.63	€ 59,000,000	$59,282,963	$41,363,580	-7.0%
RCP Advisors Fund IV LLC	6.51	$50,000,000	$22,602,025	$39,300,561	9.6%
Hellman & Friedman Capital Partners VI LP	6.45	$100,000,000	$29,044,920	$59,078,411	7.4%
Providence Equity Partners VI LP	6.30	$50,000,000	$35,511,417	$43,874,083	4.4%
Carlyle Partners Europe III	6.28	€ 49,000,000	$43,661,212	$51,510,701	4.0%
Green Equity Investors V LP	6.16	$100,000,000	$33,375,150	$80,123,763	16.1%
Gores Capital Partners II LP	5.93	$50,000,000	$15,030,661	$34,995,814	12.3%
New Mountain Partners III LP	5.90	$100,000,000	$68,836,758	$87,730,084	7.9%
Carlyle Partners V LP	5.76	$200,000,000	$100,150,468	$159,484,497	10.7%
Kohlberg Investors VI LP	5.72	$50,000,000	$7,863,084	$30,433,078	15.6%
Kelso Investment Associates VIII LP	5.70	$100,000,000	$67,111,161	$69,122,133	1.3%
Platinum Equity Capital Partners II LP	5.70	$75,000,000	$21,606,739	$53,787,625	13.9%
Apollo Investment Fund VII LP	5.70	$200,000,000	$31,263,272	$143,907,206	23.2%
RCP Advisors LLC (Fund V)	5.65	$50,000,000	$26,120,845	$34,600,857	8.1%
Warburg Pincus X	5.61	$150,000,000	$114,619,542	$143,564,796	5.7%
Top Tier Venture Capital IV	5.40	$100,000,000	$73,656,166	$93,155,310	8.8%

Private Equity Dollar-Weighted Performance (continued)
Cumulative Performance Measures Since Inception Through June 30, 2013

Name	Years Since Inception	Commitment	Net Paid In Cap.	Net Asset Value	IRR
TPG Partners VI LP	5.21	$200,000,000	$120,923,608	$151,475,763	8.4%
PAI Europe V	5.13	€ 27,500,000	$33,147,095	$34,041,353	0.9%
Pomona Capital VII LP	5.02	$50,000,000	$18,124,609	$30,063,936	11.0%
GS Partners Ventures II LLC	5.01	$200,000,000	$109,616,543	$134,194,048	10.8%
Advent International GPE VI	4.98	$58,000,000	$35,715,276	$59,103,154	15.5%
TowerBrook Investors III LP	4.96	$150,000,000	$67,406,472	$95,930,639	12.3%
Lindsay Goldberg III	4.96	$100,000,000	$58,176,143	$62,463,849	3.9%
Thoma Bravo Fund IX	4.96	$50,000,000	$2,854,398	$52,536,619	35.2%
CVC European Equity Partners V	4.96	€ 70,000,000	$46,723,320	$66,953,664	10.5%
KKR European Fund III	4.85	€ 40,000,000	$37,680,778	$40,410,466	3.1%
Ares Corporate Opportunities Fund III	4.77	$100,000,000	$22,222,528	$73,953,917	23.1%
RCP Advisors LLC (Fund VI)	4.73	$50,000,000	$27,668,027	$27,915,803	0.4%
Cressey & Company Fund IV	4.65	$50,000,000	$30,512,941	$31,852,144	2.3%
Blackstone Capital Partners VI	4.65	$200,000,000	$50,709,592	$54,120,209	5.9%
First Reserve Fund XII	4.63	$200,000,000	$145,019,456	$162,810,976	3.7%
Carlyle Asia Growth Partners IV	4.54	$75,000,000	$40,249,216	$40,628,337	0.4%
Charterhouse Capital Partners IX	4.18	€ 70,000,000	$45,876,291	$54,701,880	8.3%
Top Tier Special Opportunities Fund	4.10	$12,450,000	$11,053,288	$9,788,328	-4.1%
Riverside Capital Appreciation Fund V	4.04	$75,000,000	$45,976,035	$58,008,131	8.0%
FS Equity Partners VI	3.93	$75,000,000	$41,220,642	$50,560,856	8.1%
Energy Capital Partners II	3.92	$100,000,000	$68,339,923	$88,856,584	14.0%
KPS Special Situations Fund III	3.77	$50,000,000	$21,405,832	$27,092,052	11.3%
Gores Capital Partners III LP	3.75	$125,000,000	$64,998,661	$59,286,046	-5.6%
Charlesbank Equity Fund VII LP	3.69	$75,000,000	$32,263,777	$37,468,536	7.6%
Lexington Capital Partners VII	3.58	$200,000,000	$86,163,239	$122,915,059	16.7%
3i Growth Capital Fund	3.27	€ 40,000,000	$29,907,758	$25,771,658	-5.0%
Riverside Europe Fund IV LP	3.04	€ 40,000,000	$43,852,885	$43,367,987	-0.6%
TA XI	2.92	$100,000,000	$45,000,000	$53,943,396	10.0%
Snow Phipps II LP	2.89	$50,000,000	$20,883,765	$22,458,493	4.5%
Pantheon Global Secondary Fund IV LP	2.86	$100,000,000	$41,850,034	$55,886,105	19.5%
JH Whitney VII	2.72	$75,000,000	$28,835,576	$28,864,768	0.1%
Trident V	2.67	$75,000,000	$37,190,741	$36,935,681	-0.5%
RCP Fund VII	2.58	$50,000,000	$18,999,995	$16,995,703	-10.0%
EnerVest Energy XII-A	2.51	$60,000,000	$56,703,986	$56,978,389	0.3%
EnCap Energy Capital Fund VIII	2.37	$75,000,000	$32,910,299	$38,934,416	15.9%
Cortec Group V	2.20	$50,000,000	$17,771,051	$19,671,185	11.1%
Montagu Private Equity Fund IV	2.10	€ 40,000,000	$17,146,952	$16,359,901	-4.0%
Wellspring Capital Partners V	2.00	$150,000,000	$31,800,098	$26,450,527	-10.5%
GS Partners Buyouts II	1.94	$200,000,000	$35,301,835	$34,256,955	-3.3%

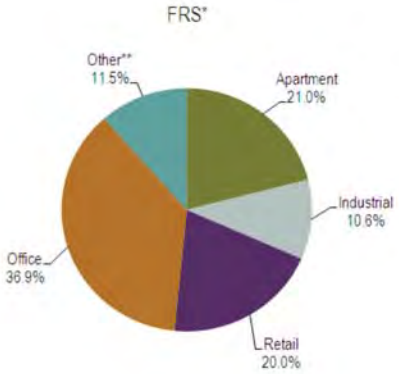
Private Equity Dollar-Weighted Performance (continued)
Cumulative Performance Measures Since Inception Through June 30, 2013

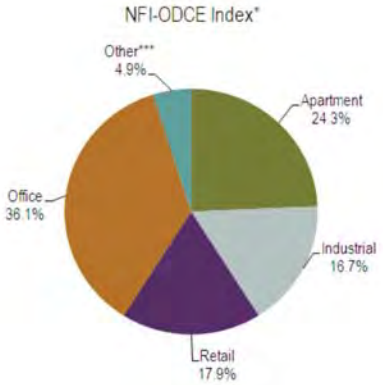
Name	Years Since Inception	Commitment	Net Paid In Cap.	Net Asset Value	IRR
Fairview Special Opportunities Fund	1.92	$120,000,000	$32,179,001	$30,710,431	-6.3%
ABRY Partners VII	1.89	$75,000,000	$51,603,195	$54,315,014	5.6%
Hellman & Friedman Capital Partners VII LP	1.89	$200,000,000	$55,389,547	$49,979,818	-6.5%
Berkshire Fund VIII	1.85	$60,000,000	$17,286,980	$15,444,330	-15.7%
BC European Capital IX	1.78	€ 70,000,000	$26,631,182	$32,044,227	18.3%
Strategic Investors Fund V-A	1.75	$125,000,000	$26,453,512	$25,454,589	-3.5%
Francisco Partners III	1.68	$75,000,000	$34,125,000	$32,728,718	-3.8%
TPG Growth II	1.52	$100,000,000	$19,885,867	$16,808,742	-20.0%
TrueBridge/FLSBA Special Purpose LLC	1.45	$50,000,000	$12,225,000	$11,533,419	-7.0%
TrueBridge - Kauffman Fellows Endowment Fund II	1.45	$100,000,000	$49,988,514	$49,106,461	-1.8%
Lexington Co-Investment Partners 2005 II	1.38	$500,000,000	$145,298,352	$162,118,551	15.4%
Platinum Equity Capital Partners III	1.26	$200,000,000	$16,869,314	$23,590,908	9.9%
Denham Commodity Partners Fund VI	1.25	$100,000,000	$17,654,423	$14,102,486	-29.6%
Thoma Bravo Fund X	1.24	$100,000,000	$48,481,420	$53,658,804	10.5%
Providence Equity Partners VII	1.14	$150,000,000	$11,202,734	$10,740,051	-3.9%
Warburg Pincus Private Equity XI	1.10	$200,000,000	$36,091,585	$38,492,262	6.7%
AXA Secondary Fund V	1.05	$100,000,000	$48,136,514	$61,380,132	36.5%
Summit Partners Growth Equity Fund VII-A	1.04	$60,000,000	$17,500,000	$16,670,025	-9.3%
RCP Fund VIII	1.00	$50,000,000	$5,035,131	$3,890,158	-37.6%
Strategic Investors Fund V-A Opportunity	0.95	$50,000,000	$13,756,961	$13,589,847	N/A
GS Partners Ventures III LLC	0.69	$150,000,000	$3,731,826	$3,250,092	N/A
Apax VIII	0.67	$157,584,000	$12,610,484	$12,205,229	N/A
Green Equity Investors VI	0.67	$200,000,000	$18,755,897	$17,972,814	N/A
Ares Corporate Opportunites Fund IV LP	0.65	$200,000,000	$8,433,086	$6,285,969	N/A
Advent International GPE VII	0.56	€ 100,000,000	$22,497,677	$21,628,785	N/A
EnCap Energy Capital Fund IX LP	0.47	$75,000,000	$5,536,458	$4,854,684	N/A
EnerVest Energy Institutional Fund XIII-A	0.44	$100,000,000	$2,674,145	$1,510,221	N/A
SVB Strategic Investors Fund VI-A, L.P.	0.25	$125,000,000	$1,909,778	$1,875,000	N/A
TrueBridge-Kauffman Fellows Endowment Fund III	0.01	$150,000,000	$6,294,440	$5,649,829	N/A
KKR Asia Fund II, L.P.	NOT FUNDED	$100,000,000	$20,599	$0	N/A
Riverside Capital Appreciation Fund VI	NOT FUNDED	$75,000,000	$54,859	$0	N/A
Liberty Partners Group II	NOT FUNDED	$12,625,000	$647,794	-$764	N/A
TrueBridge/FLSBA Special Purpose II, LLC	NOT FUNDED	$25,000,000	$8,888	$0	N/A
Insight Venture Partners VIII, L.P.	NOT FUNDED	$75,000,000	$32,571	$0	N/A
Carlyle Partners VI, L.P.	NOT FUNDED	$200,000,000	$59,885	$0	N/A
Lexington Middle Market Investors III	NOT FUNDED	$100,000,000	$56,538	$1,744,413	N/A
TowerBrook Investors IV LP	NOT FUNDED	$190,000,000	$50,012	$0	N/A
KPS Special Situations Fund IV	NOT FUNDED	$150,000,000	$56,686	$0	N/A
Silver Lake Partners IV LP	NOT FUNDED	$100,000,000	$48,854	$0	N/A
Private Equity ex Cash			**$2,427,741,647**	**$6,778,712,934**	**7.7%**

Real Estate

Real Estate | As of June 30, 2013 | $10,143.5 Million and 7.7% of Fund

Overview





*Property Allocation data is as of March 31, 2013. The FRS chart includes only the FRS private real estate assets. Property type information for the REIT portfolios is not included.

**Other for the FRS consists of Hotel, Land, Preferred Equity, Agriculture, Self-Storage and Senior Housing.

***Other for the NFI-ODCE Index consists of Hotel, Senior Living, Health Care, Mixed Use, Single Family Residential, Parking, Timber/Agriculture, Land and Infrastructure.

Real Estate | As of June 30, 2013 | $10,143.5 Million and 7.7% of Fund

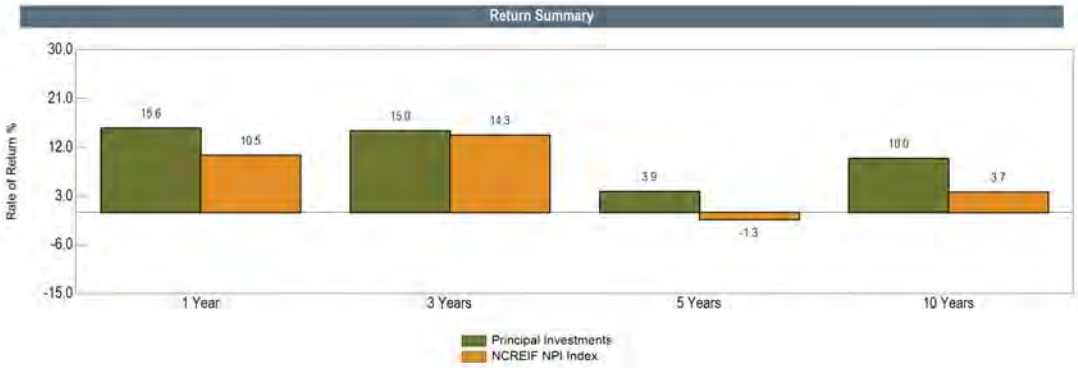
Overview

Benchmark: Asset Class Target

Principal Investments | As of June 30, 2013 | $5,163.4 Million and 3.9% of Fund

Principal Investments

Benchmark: NCREIF NPI Index



Pooled Funds | As of June 30, 2013 | $2,729.9 Million and 2.1% of Fund

Pooled Funds

Benchmark: NFI-ODCE Index Net of Fees

REITs | As of June 30, 2013 | $1,239.2 Million and 0.9% of Fund

REITs

Benchmark: FTSE EPRA/NAREIT Developed Index

Real Estate Pooled Funds Time-Weighted Performance
Performance Measures Through June 30, 2013

Name	Inception Date	Commitment	Net Asset Value	Since Inception Managed Return
Pooled Funds				
Beacon Capital SP Fund VI	Sep-07	$100,000,000	$34,552,376	-16.5%
Blackrock Retail Opportunity Fund	Nov-07	$60,000,000	$14,414,017	-33.8%
Blackstone RE Partners VII	May-12	$300,000,000	$169,571,944	24.1%
Blackstone Real Estate Partners VI	Oct-07	$200,000,000	$243,301,923	2.7%
Brookfield-Fairfield US Multi	Sep-12	$50,000,000	$38,668,366	9.2%
Carlyle Realty Partners VI	Feb-12	$83,000,000	$34,778,965	13.3%
Diamond Property Fund	Aug-06	$100,000,000	$41,170,277	-11.7%
Enhanced Property Fund	May-07	$100,000,000	$54,316,156	-3.4%
Hines US Office Value Added Fund II	Sep-07	$135,437,699	$50,283,059	-24.4%
JP Morgan Pooled Fund	Sep-03	$250,000,000	$308,062,031	7.3%
JP Morgan Special Situation Fund	Jan-08	$150,000,000	$119,143,343	-3.9%
Prime Property Fund	Jun-06	$250,000,000	$274,450,257	4.0%
Principal Financial Group Pooled Fund	Oct-03	$175,000,000	$234,793,099	5.7%
Prudential PRISA	Apr-05	$250,000,000	$246,799,669	3.5%
Prudential PRISA Fund II	Sep-07	$145,000,000	$131,304,831	-3.6%
Prudential PRISA III	Jan-08	$150,000,000	$168,131,145	-6.0%
Rockpoint RE Fund IV	Jan-13	$100,000,000	$23,070,988	30.8%
Rockpoint Real Estate Fund III LP	Jan-08	$100,000,000	$54,458,080	-57.3%
RREEF America REIT Pooled Fund	Jul-03	$250,000,000	$230,682,898	5.4%
Starwood Opportunity Fund IX	Apr-13	$100,000,000	$23,229,612	-1.1%
UBS Pooled Fund	Jul-03	$200,000,000	$234,679,512	6.7%
Total Pooled Funds		**$3,248,437,699**	**$2,729,862,550**	**3.3%**

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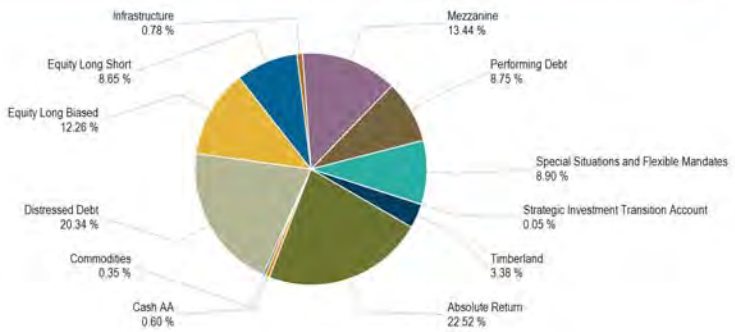
Strategic Investments

Strategic Investments | As of June 30, 2013 | $6,752.6 Million and 5.1% of Fund

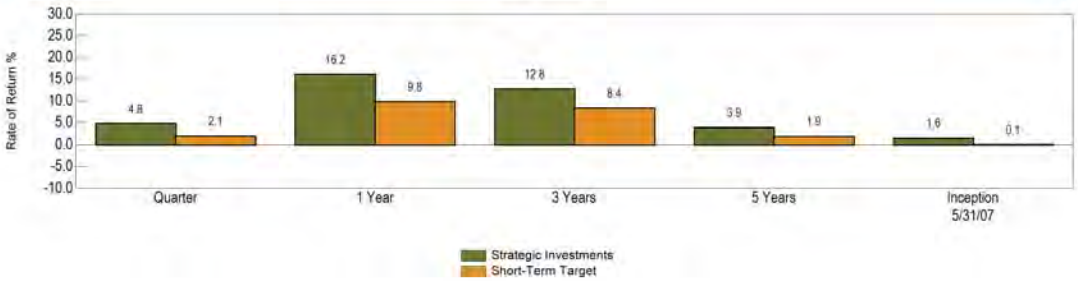
Overview

Benchmark: Short-Term Target

Current Allocation



Return Summary

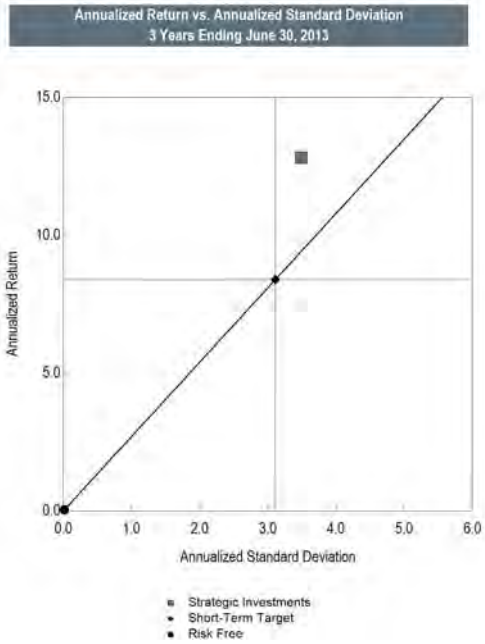


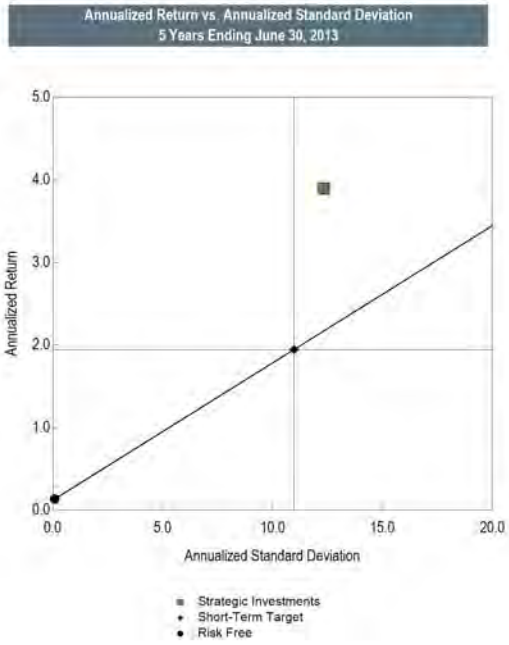
Overview

Benchmark: Short-Term Target

Risk Profile

Benchmark: Short-Term Target





Strategic Investments Value-Added Returns

For Time Periods Ending June 2013

Style/Manager	Commitment	1 Year			3 Year			5 Year			Since Inception		
		Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added
Performing Debt													
Senior Loans:													
ABRY Advanced Securities Fund II	$150,000,000	26.91%	6.06%	20.85%							11.10%	6.94%	4.16%
Apollo Credit Liquidity Fund	$238,233,051	25.47%	6.06%	19.41%	19.41%	7.17%	12.24%	17.75%	6.60%	11.16%	13.57%	6.97%	6.60%
Audax Credit Opportunities	$200,000,000	7.26%	6.06%	1.20%							6.77%	7.20%	-0.44%
Blackstone Credit Liquidity Partners, L.P.	$250,000,000	1.24%	6.06%	-4.82%	11.69%	7.17%	4.52%	9.39%	6.60%	2.79%	8.50%	6.97%	1.52%
Providence TMT Debt Opportunity Fund II, L.P.	$100,000,000	17.76%	6.06%	11.70%							8.83%	7.36%	1.46%
Providence TMT Special Situation Fund	$150,000,000	21.36%	6.06%	15.29%	13.32%	7.17%	6.15%	12.73%	6.60%	6.13%	12.29%	6.84%	5.45%
TAC 2007 (TPG Credit Fund)	$321,326,676	19.16%	6.06%	13.09%	4.98%	7.17%	-2.20%	8.41%	6.60%	1.82%	4.29%	6.97%	-2.69%
Absolute Return													
Multi-strategy Hedge Funds:													
Davidson Kempner Institutional Partners	$200,000,000												
Gruss Global Investors Fund	$200,000,000	8.39%	14.47%	-6.07%							3.92%	3.08%	0.84%
Mason Capital Fund	$200,000,000	8.53%	14.47%	-5.94%							4.97%	1.98%	3.00%
OZ Domestic Partners II, L.P.	$150,000,000										14.70%	13.62%	1.08%
Taconic Opportunity Fund	$150,000,000	17.97%	14.47%	3.50%							6.90%	1.88%	5.02%
York Capital Management L.P.	$150,000,000										15.61%	13.62%	1.98%
Opportunistic Debt Hedge Funds:													
Anchorage Capital Fund	$150,000,000	19.96%	15.52%	4.44%							14.39%	11.10%	3.29%
King Street Capital Fund	$200,000,000	14.30%	15.52%	-1.22%							5.52%	5.27%	0.25%
Distressed Debt													
Corporate Securities/Structured Products:													
ABRY Advanced Securities Fund	$150,000,000	34.42%	6.06%	28.36%	20.42%	7.17%	13.25%				21.22%	6.17%	15.05%
Blackstone/GSO Capital Solutions Fund	$100,000,000	14.42%	6.06%	8.35%							14.72%	7.30%	7.41%
CVI Credit Value Fund A	$100,000,000	37.09%	6.06%	31.03%							20.48%	7.50%	12.98%
CVI Credit Value Fund II A, L.P.	$200,000,000										0.00%	2.94%	-2.95%
Distressed Managers II FL LP	$150,000,000	-9.10%	6.06%	-15.17%	-1.22%	7.17%	-8.40%	-6.34%	6.60%	-12.94%	0.24%	9.10%	-8.86%
Oaktree Opportunities Fund VIII, L.P.	$100,000,000	18.44%	6.06%	12.38%	10.99%	7.17%	3.82%				10.68%	7.18%	3.50%
Oaktree Opportunities Fund VIIIb, L.P.	$50,000,000	11.10%	6.06%	5.03%							5.35%	6.62%	-1.27%
Oaktree Opportunity Fund IX	$100,000,000										-0.40%	2.23%	-2.64%
OCM Opportunities Fund VIIb	$50,000,000	28.38%	6.06%	22.32%	16.40%	7.17%	9.23%	15.38%	6.60%	8.78%	13.45%	4.04%	9.41%
PCG Special Situations Partners, L.P.	$150,000,000	8.42%	6.06%	2.36%	2.74%	7.17%	-4.43%	0.34%	6.60%	-6.26%	6.58%	9.75%	-3.17%
Special Situation Partners II	$100,000,000	11.16%	6.06%	5.10%	12.98%	7.17%	5.81%	11.43%	6.60%	4.84%	6.15%	4.86%	1.30%
Varde Fund X, L.P.	$100,000,000	19.33%	6.06%	13.27%	10.44%	7.17%	3.27%				9.19%	7.26%	1.92%
Wayzata Opportunities Fund II	$50,000,000	19.47%	6.06%	13.41%	17.04%	7.17%	9.87%	17.24%	6.60%	10.65%	14.28%	4.94%	9.34%
Wayzata Opportunities Fund III, LP	$150,000,000										-13.77%	2.94%	-16.72%
Real Estate Distressed Debt:													
Bayview Opportunity Master Fund II b	$100,000,000	46.78%	6.06%	40.71%							18.12%	7.20%	10.92%
Bayview Opportunity Fund IIIb	$150,000,000										-0.16%	2.23%	-2.39%
Colony Distressed Credit Fund II	$75,000,000	12.54%	6.06%	6.48%							7.79%	6.57%	1.22%
Morgan Stanley Mezzanine Partners Pooled Fund	$177,500,000	-10.11%	6.06%	-16.18%	-3.66%	7.17%	-10.83%	-22.65%	6.60%	-29.25%	-20.79%	6.97%	-27.76%
Square Mile Partners III	$100,000,000	12.67%	6.06%	6.61%	14.13%	7.17%	6.95%				4.79%	7.08%	-2.30%
Tricon IX	$105,000,000	11.03%	6.06%	4.96%	10.53%	7.17%	3.36%				8.64%	6.34%	2.30%
Tricon XI A, L.P.	$100,000,000										4.42%	5.18%	-0.76%
TriGate Property Partners II, L.P.	$50,000,000										-1.40%	0.33%	-1.73%

Strategic Investments Value-Added Returns (continued)

For Time Periods Ending June 2013

Style/Manager	Commitment	1 Year			3 Year			5 Year			Since Inception		
		Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added
Mezzanine													
Corporate Mezzanine:													
ABRY Senior Equity III, L.P.	$60,000,000	21.72%	6.06%	15.66%							12.17%	7.30%	4.87%
ABRY Senior Equity IV, L.P.	$100,000,000										1.35%	3.03%	-1.68%
Carlyle Mezzanine Partners II, L.P.	$150,000,000	12.45%	6.06%	6.39%	9.25%	7.17%	2.07%				6.13%	6.26%	-0.14%
Crescent Mezzanine Partners VI	$150,000,000										0.00%	5.73%	-5.73%
Falcon Strategic Partners III	$75,000,000	9.42%	6.06%	3.36%	14.11%	7.17%	6.94%				15.22%	7.19%	8.03%
Falcon Strategic Partners IV	$100,000,000										-0.03%	3.09%	-3.12%
GSO Capital Opportunities Fund	$200,000,000	44.21%	6.06%	38.14%	27.97%	7.17%	20.80%				21.51%	6.26%	15.25%
GSO Capital Opportunities Fund II	$150,000,000	30.65%	6.06%	24.59%							26.49%	6.57%	19.92%
Levine Leichtman Capital Partners IV	$100,000,000	29.10%	6.06%	23.04%	25.96%	7.17%	18.79%				29.82%	7.12%	22.70%
Levine Leichtman Capital Partners V	$200,000,000												
TCW Crescent Mezzanine Partners V	$150,000,000	12.24%	6.06%	6.18%	11.61%	7.17%	4.44%				8.95%	6.34%	2.61%
VSS Structured Capital II	$75,000,000	20.04%	6.06%	13.97%	19.27%	7.17%	12.09%				4.01%	7.21%	-3.20%
Real Estate Mezzanine:													
Blackrock Carbon Capital III	$100,000,000	13.50%	6.06%	7.44%	10.43%	7.17%	3.26%				7.92%	7.08%	0.84%
Principal RE Debt (SBAF Mortgage Fund)	$300,000,000	10.06%	6.06%	4.00%	11.06%	7.17%	3.88%				4.92%	7.09%	-2.17%
Equity Long Short													
Highline Capital Partners	$150,000,000	12.72%	13.29%	-0.57%							4.83%	2.17%	2.67%
Scopia PX LLC	$100,000,000	6.89%	13.29%	-6.40%							6.56%	7.27%	-0.71%
Scout Capital Partners II LP	$200,000,000										13.45%	8.71%	4.74%
Three Bridges Europe Fund LP	$75,000,000										6.09%	1.82%	4.27%
Equity Long Biased													
Activist Equity:													
Cevian Capital II	$100,000,000	17.57%	18.86%	-1.30%	12.81%	10.53%	2.28%				12.80%	4.26%	8.54%
KV Partners	$250,000,000	24.13%	18.86%	5.26%							-6.72%	6.53%	-13.25%
P2 Capital Fund	$100,000,000	33.81%	24.21%	9.60%							19.24%	15.93%	3.31%
Starboard Value and Opportunity Fund	$125,000,000	13.57%	24.21%	-10.63%							12.95%	8.63%	4.32%
GP Investments:													
Blackstone Unit Trusts		51.77%	21.46%	30.30%	27.69%	18.63%	9.06%	6.37%	7.25%	-0.87%	-1.94%	3.63%	-5.57%
Lexington GP Holdings	$41,250,000	7.92%	6.06%	1.85%	23.91%	7.17%	16.74%				23.91%	7.17%	16.74%
Providence Equity Global Group	$75,000,000										7.23%	5.73%	1.50%

Strategic Investments Value-Added Returns (continued)

For Time Periods Ending June 2013

Style/Manager	Commitment	1 Year			3 Year			5 Year			Since Inception		
		Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added
Timberland													
Boston Timber Opportunities	$300,000,000	6.87%	10.01%	-3.14%							6.32%	9.41%	-3.08%
Jackson Timberland Opportunities	$150,000,000	-1.19%	9.01%	-10.19%							-1.10%	8.41%	-9.50%
Infrastructure													
Global Infrastructure Partners II, L.P.	$150,000,000										25.23%	5.45%	19.77%
Commodities													
RK Mine Finance Fund II LP	$100,000,000										0.26%	4.21%	-3.94%
Special Situations and Flexible Mandates													
Special Situations:													
Airline Credit Opportunities II	$75,000,000	13.00%	6.06%	6.94%							13.12%	7.50%	5.62%
Flexible Mandates:													
CVI Global Value Fund A-Class P	$250,000,000	31.37%	6.06%	25.30%	20.59%	7.17%	13.42%				22.10%	6.34%	15.76%
Florida Growth Fund	$250,000,000	13.14%	6.06%	7.08%	12.85%	7.17%	5.68%				6.12%	7.06%	-0.94%
Florida Growth Fund Tranche II	$250,000,000	-6.75%	6.06%	-12.82%							-6.25%	6.28%	-12.53%
GI Partners III	$100,000,000	15.43%	6.06%	9.36%	16.53%	7.17%	9.36%				10.07%	7.08%	2.99%
Cash													
Strategic Investments Cash		0.30%	0.05%	0.25%	0.32%	0.06%	0.25%	-0.58%	0.45%	-1.03%	-0.27%	0.72%	-0.99%
Strategic Investments		**16.16%**	**9.85%**	**6.30%**	**12.81%**	**8.40%**	**4.41%**	**3.89%**	**1.95%**	**1.94%**	**1.59%**	**0.08%**	**1.52%**

Value-Added returns are managed returns minus benchmark returns.

Terminated portfolios are not shown individually but are included in the aggregate.

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Cash

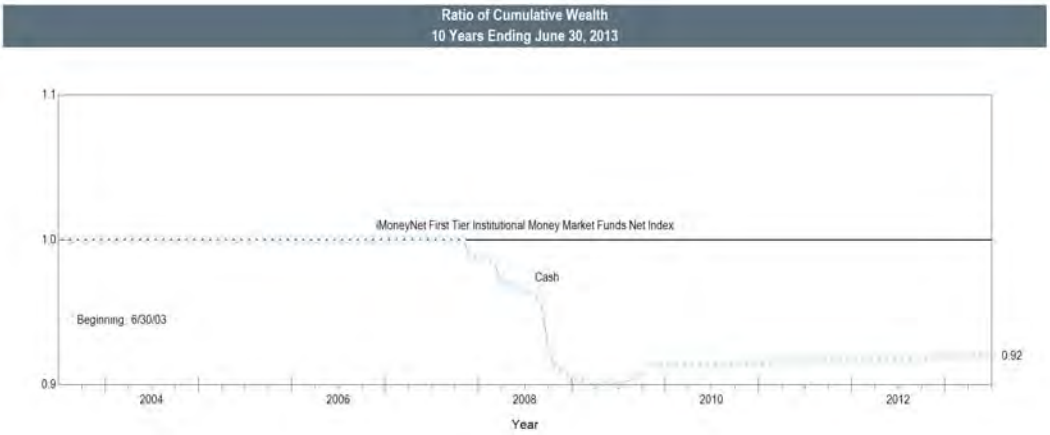
Cash | As of June 30, 2013 | $1,224.4 Million and 0.9% of Fund

Overview

Benchmark: iMoneyNet First Tier Institutional Money Market Funds Net Index

Overview

Benchmark: iMoneyNet First Tier Institutional Money Market Funds Net Index



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Appendix

As of June 30, 2013

Securities Lending

FRS Pension Plan		
	Net Income	
June 2013	Fiscal Year to Date	Calendar Year to Date
$4,044,200	$45,772,363	$27,092,332

	Returns (annualized basis points)	
June 2013	Fiscal Year to Date	Calendar Year to Date
96	102	115

Appendix

Returns Of The Major Capital Markets

	Second Quarter	Annualized Periods Ending 6/30/13 1-Year	3-Year	5-Year	10-Year	15-Year
Domestic Stock Indices:						
Dow Jones US Total Stock Index	2.8	21.5	18.7	7.4	8.1	4.8
S&P 500 Index	2.9	20.6	18.5	7.0	7.3	4.2
Russell 3000 Index	2.7	21.5	18.6	7.2	7.8	4.7
Russell 1000 Value Index	3.2	25.3	18.5	6.7	7.8	5.5
Russell 1000 Growth Index	2.1	17.1	18.7	7.5	7.4	3.1
Russell MidCap Value Index	1.7	27.7	19.5	8.9	10.9	8.6
Russell MidCap Growth Index	2.9	22.9	19.5	7.6	9.9	6.3
Russell 2000 Value Index	2.5	24.8	17.3	8.6	9.3	7.8
Russell 2000 Growth Index	3.7	23.7	20.0	8.9	9.6	4.8
Domestic Bond Indices:						
Barclays Capital Aggregate Index	-2.3	-0.7	3.5	5.2	4.5	5.5
Barclays Capital Govt/Credit Index	-2.5	-0.6	3.9	5.3	4.4	5.6
Barclays Capital Long Govt/Credit Index	-6.1	-4.7	7.0	8.5	6.2	7.0
Barclays Capital 1-3 Year Govt/Credit Index	-0.1	0.7	1.3	2.5	2.9	4.1
Barclays Capital U.S. MBS Index	-2.0	-1.1	2.5	4.8	4.7	5.5
Barclays Capital High Yield Index	-1.4	9.5	10.7	10.9	8.9	6.9
Barclays Capital Universal Index	-2.4	0.2	4.1	5.5	4.8	5.7
Real Estate Indices:						
NCREIF Property Index	2.9	10.7	13.1	2.8	8.6	9.0
NCREIF ODCE Index	3.6	11.1	13.8	-1.1	5.9	6.9
Dow Jones Real Estate Securities Index	-1.3	7.7	18.0	6.8	10.8	9.6
FTSE NAREIT US Real Estate Index	-2.1	10.2	18.5	7.7	11.0	9.7
Foreign/Global Stock Indices:						
MSCI All Country World Index	-0.4	16.6	12.4	2.3	7.6	4.0
MSCI All Country World IMI	-0.5	17.1	12.6	2.8	8.0	4.5
MSCI All Country World ex-U.S. Index	-3.1	13.6	8.0	-0.8	8.6	4.6
MSCI All Country World ex-U.S. IMI	-3.3	13.9	8.1	-0.4	9.0	4.9
MSCI All Country World ex-U.S. Small Cap Index	-4.4	15.9	9.2	2.6	11.3	7.4
MSCI EAFE Index	-1.0	18.6	10.0	-0.6	7.7	3.6
MSCI EAFE IMI	-1.2	18.9	10.3	-0.3	8.0	4.0
MSCI EAFE Index (in local currency)	1.2	24.9	9.0	1.2	6.1	2.1
MSCI Emerging Markets IMI	-8.0	3.7	3.4	0.2	13.8	8.7
Foreign Bond Indices:						
Citigroup World Gov't Bond Index	-3.4	-5.7	2.6	2.6	4.8	5.3
Citigroup Hedged World Gov't Bond Index	-1.3	3.0	3.1	4.5	4.0	4.9
Cash Equivalents:						
Treasury Bills (30-Day)	0.0	0.0	0.0	0.1	1.3	2.1
Hewitt EnnisKnupp STIF Index	0.0	0.2	0.2	0.5	2.0	2.8
Inflation Index:						
Consumer Price Index	0.3	1.8	2.3	1.3	2.4	2.4

Historical Policy Allocation

	Global Equity (%)	Domestic Equity (%)	Foreign Equity (%)	Global Equity Legacy (%)	Strategic Investments (%)	Fixed Income (%)	Real Estate (%)	Private Equity (%)	High Yield (%)	Cash (%)
6/30/2013	57.4	--	--	--	5.0	24.0	7.5	5.1	--	1.0
3/31/2013	57.6	--	--	--	4.8	24.0	7.6	5.0	--	1.0
12/31/2012	57.2	--	--	--	5.0	24.0	7.5	5.2	--	1.0
9/30/2012	57.6	--	--	--	4.7	24.0	7.6	5.2	--	1.0
6/30/2012	55.6	--	--	--	4.4	26.0	7.7	5.3	--	1.0
3/31/2012	57.1	--	--	--	4.0	26.0	7.2	4.7	--	1.0
12/31/2011	56.8	--	--	--	4.1	26.0	7.2	4.9	--	1.0
9/30/2011	57.5	--	--	--	3.7	26.0	6.9	4.7	--	1.0
6/30/2011	59.1	--	--	--	3.2	26.0	6.4	4.3	--	1.0
3/31/2011	60.0	--	--	--	2.6	26.0	6.3	4.0	--	1.0
12/31/2010	59.6	--	--	--	2.9	26.0	6.3	4.3	--	1.0
9/30/2010	58.1	--	--	--	4.2	26.0	6.5	4.2	--	1.0
6/30/2010	--	35.5	19.2	--	3.9	26.9	6.7	3.8	1.9	1.0
3/31/2010	--	35.6	19.3	--	3.7	27.0	6.7	3.9	1.9	1.0
12/31/2009	--	35.6	19.3	--	3.6	27.0	6.7	3.9	1.9	1.0
9/30/2009	--	35.7	19.3	--	3.5	27.0	6.8	3.9	1.9	1.0
6/30/2009	--	35.7	19.3	--	3.4	27.1	6.8	3.9	1.9	1.0
3/31/2009	--	35.6	19.3	--	3.8	27.0	6.8	3.9	1.9	1.0
12/31/2008	--	35.5	19.2	--	4.0	26.9	6.7	3.8	1.9	1.0
9/30/2008	--	35.4	19.1	--	4.3	26.8	6.7	3.8	1.9	1.0
6/30/2008	--	35.4	19.2	--	4.2	26.8	6.7	3.8	1.9	1.0
3/31/2008	--	35.4	19.1	--	4.5	26.7	6.7	3.8	1.8	1.0
12/31/2007	--	37.2	18.7	--	4.5	26.7	6.7	3.8	1.4	1.0
9/30/2007	--	38.1	17.8	--	4.4	26.8	6.7	3.8	1.4	1.0
6/30/2007	--	41.6	14.4	--	4.4	26.8	6.7	3.8	1.4	1.0
03/01/04 - 03/31/04	--	49.0	14.0	3.0	--	21.0	7.0	5.0	--	1.0
02/02/04 - 02/29/04	--	49.0	14.0	3.0	--	21.4	6.7	4.9	--	1.0
01/01/04 - 02/01/04	--	50.0	14.0	2.0	--	21.8	6.4	4.8	--	1.0
12/01/03 - 12/31/03	--	50.0	14.0	2.0	--	22.2	6.1	4.7	--	1.0
11/03/03 - 11/30/03	--	50.5	13.5	2.0	--	22.6	5.8	4.6	--	1.0
10/29/03 - 11/02/03	--	50.5	13.5	2.0	--	23.0	5.5	4.5	--	1.0
10/01/03 - 10/28/03	--	51.0	13.0	2.0	--	23.0	5.5	4.5	--	1.0
09/01/03 - 09/30/03	--	52.5	12.5	1.0	--	23.4	5.2	4.4	--	1.0
08/01/03 - 08/31/03	--	52.5	12.5	1.0	--	23.8	4.9	4.3	--	1.0
07/01/03 - 07/31/03	--	52.5	12.5	1.0	--	24.2	4.6	4.2	--	1.0
06/02/03 - 06/30/03	--	52.5	12.5	1.0	--	24.6	4.3	4.1	--	1.0
04/01/01 - 06/01/03	--	54.0	12.0	0.0	--	25.0	4.0	4.0	--	1.0
10/31/99 - 03/31/01	--	55.5	12.0	0.0	--	25.0	4.0	2.5	--	1.0
03/31/95 - 10/31/99	--	61.0	8.0	0.0	--	26.0	4.0	0.0	--	1.0
09/30/94 - 03/31/95	--	59.0	8.0	0.0	--	24.0	8.0	0.0	--	1.0
06/30/93 - 09/30/94	--	59.0	3.0	0.0	--	29.0	8.0	0.0	--	1.0
11/30/88 - 06/30/93	--	55.0	0.0	0.0	--	36.0	8.0	0.0	--	1.0
12/31/87 - 11/30/88	--	50.0	5.0	0.0	--	36.5	7.5	0.0	--	1.0
12/31/86 - 12/31/87	--	50.0	5.0	0.0	--	35.5	7.5	0.0	--	2.0
12/31/84 - 12/31/86	--	48.0	0.0	0.0	--	40.0	10.0	0.0	--	2.0

Total FRS Assets

Performance Benchmark - A combination of the Global Equity Target, the Barclays Aggregate Bond Index, the Private Equity Target Index, the Real Estate Investments Target Index, the Strategic Investments Target Benchmark, and the iMoneyNet First Tier Institutional Money Market Funds Net Index. The short-term target policy allocations to the Strategic Investments, Real Estate and Private Equity asset classes are floating and based on the actual average monthly balance of the Global Equity asset class.
Prior to July 2010, the Performance Benchmark was a combination of the Russell 3000 Index, the Foreign Equity Target Index, the Strategic Investments Target Benchmark, the Barclays Aggregate Bond Index, the Real Estate Investments Target Index, the Private Equity Target Index, the Barclays U.S. High Yield Ba/B 2% Issuer Capped Index, and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. During this time, the short-term target policy allocations to Strategic Investments, Real Estate and Private Equity asset classes were floating and based on the actual average monthly balance of the Strategic Investments, Real Estate and Private Equity asset classes. The target weights shown for Real Estate and Private Equity were the allocations that the asset classes were centered around. The actual target weight floated around this target month to month based on changes in asset values.

Total Global Equity

Performance Benchmark - A custom version of the MSCI All Country World Investable Market Index, adjusted to exclude companies divested under the provisions of the Protecting Florida's Investments Act (PFIA).

Total Domestic Equities

Performance Benchmark - The Russell 3000 Index. Prior to July 1, 2002, the benchmark was the Wilshire 2500 Stock Index. Prior to January 1, 2001, the benchmark was the Wilshire 2500 Stock Index ex-Tobacco. Prior to May 1, 1997, the benchmark was the Wilshire 2500 Stock Index. Prior to September 1, 1994, the benchmark was the S&P 500 Stock Index.

Total Foreign Equities

Performance Benchmark - A custom version of the MSCI ACWI ex-U.S. Investable Market Index adjusted to exclude companies divested under the PFIA. Prior to April 1, 2008, it was the MSCI All Country World Index ex-U.S. Investable Market Index. Prior to September 24, 2007, the target was the MSCI All Country World ex-U.S. Free Index. Prior to November 1, 1999, the benchmark was 85% of the MSCI Europe, Australasia and Far East (EAFE) Foreign Stock Index and 15% of the IFCI Emerging Markets Index with a half weight in Malaysia. Prior to March 31, 1995, the benchmark was the EAFE Index.

Total Global Equities

Performance Benchmark - Aggregated based on each underlying manager's individual benchmark. The calculation accounts for the actual weight and the benchmark return. The benchmarks used for the underlying managers include both the MSCI FSB All Country World ex-Sudan ex-Iran Net Index and MSCI FSB All Country World ex-Sudan ex-Iran Net Investable Market Index (IMI).

Total Fixed Income

Performance Benchmark - The Barclays U.S. Aggregate Bond Index. Prior to June 1, 2007, it was the Fixed Income Management Aggregate (FIMA). Prior to July 1, 1999, the benchmark was the Florida High Yield Extended Duration Index. Prior to July 31, 1997, the benchmark was the Florida Extended Duration Index. Prior to July 1, 1989, the Salomon Brothers Broad Investment-Grade Bond Index was the benchmark. For calendar year 1985, the performance benchmark was 70% Shearson Lehman Extended Duration and 30% Salomon Brothers Mortgage Index.

Total Private Equity

Performance Benchmark - The domestic equities target index return (Russell 3000 Index) plus a fixed premium return of 300 basis points per annum. Prior to July 1, 2010, it was the domestic equities target index return plus a fixed premium return of 450 basis points per annum. Prior to November 1, 1999, Private Equities was part of the Domestic Equities asset class and its benchmark was the domestic equities target index return plus 750 basis points.

Total Real Estate

Performance Benchmark - A combination of 90% of the NCREIF ODCE Index, net of fees, and 10% of the FTSE EPRA/NAREIT Developed Index, net of fees. Prior to July 1, 2010, it was a combination of 90% of the NCREIF ODCE Index, gross of fees, and 10% of the Dow Jones U.S. Select RESI. Prior to June 1, 2007, it was the Consumer Price Index plus 450 basis points annually. Prior to July 1, 2003, the benchmark was the Dow Jones U.S. Select Real Estate Securities Index Un-Levered. Prior to November 1, 1999, the benchmark was the Russell-NCREIF Property Index.

Total Strategic Investments

Performance Benchmark - Long-term, 5% plus the contemporaneous rate of inflation or CPI. Short-term, a weighted aggregation of individual portfolio level benchmarks.

Total Cash

Performance Benchmark - The iMoneyNet First Tier Institutional Money Market Funds Net Index. Prior to July 1, 2010, it was the iMoneyNet First Tier Institutional Money Market Funds Gross Index. Prior to June 1, 2007, it was the return of the Merrill Lynch 90-Day (Auction Average) Treasury Bill Yield Index.

Description of Benchmarks

Barclays Aggregate Bond Index - A market value-weighted index consisting of government bonds, SEC-registered corporate bonds and mortgage-related and asset-backed securities with at least one year to maturity and an outstanding par value of $200 million or greater. The index is a broad measure of the performance of the investment-grade U.S. fixed income market.

Consumer Price Index (CPI) - The CPI, an index consisting of a fixed basket of goods bought by the typical consumer and used to measure consumer inflation.

FTSE EPRA/NAREIT Developed Index - An index designed to represent general trends in eligible real estate equities worldwide. Relevant real estate activities are defined as the ownership, disposure and development of income-producing real estate. This index covers the four primary core asset classes (Industrial, Retail, Office, and Apartment).

iMoneyNet First Tier Institutional Money Market Funds Net Index - An average of non-governmental institutional funds that do not hold any second tier securities. It includes money market mutual funds, net of fees, that invest in commercial paper, bank obligations and short-term investments in the highest ratings category and is open to corporations and fiduciaries only.

MSCI All Country World Investable Market Index - A free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets. This investable market index contains constituents from the large, mid, and small cap size segments and targets a coverage range around 99% of free-float adjusted market capitalization.

NCREIF ODCE Property Index - The NCREIF ODCE is a capitalization-weighted, gross of fee, time-weighted return index. The index is a summation of open-end funds, which NCREIF defines as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, subject to contribution and/or redemption requests.

Russell 3000 Index - A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This represents most publicly traded, liquid U.S. stocks.

Description of Universes

Total Fund - A universe comprised of 63 total fund portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $690.3 billion as of quarter-end and the average market value was $20.3 billion.

Domestic Equity - A universe comprised of 52 total domestic equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $178.1 billion as of quarter-end and the average market value was $5.7 billion.

Foreign Equity - A universe comprised of 51 total international equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $139.0 billion as of quarter-end and the average market value was $4.6 billion.

Fixed Income - A universe comprised of 49 total fixed income portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $173.9 billion as of quarter-end and the average market value was $5.6 billion.

Real Estate - A universe comprised of 21 total real estate portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $31.1 billion as of quarter-end and the average market value was $2.2 billion.

Private Equity - An appropriate universe for private equity is unavailable.

Strategic Investments - An appropriate universe for strategic investments is unavailable.

Appendix

Explanation of Exhibits

Quarterly and Cumulative Excess Performance - The vertical axis, excess return, is a measure of fund performance less the return of the primary benchmark. The horizontal axis represents the time series. The quarterly bars represent the underlying funds' relative performance for the quarter.

Risk-Return Graph - The horizontal axis, annualized standard deviation, is a statistical measure of risk, or the volatility of returns. The vertical axis is the annualized rate of return. As investors generally prefer less risk to more risk and always prefer greater returns, the upper left corner of the graph is the most attractive place to be. The line on this exhibit represents the risk and return trade-offs associated with market portfolios, or index funds.

Ratio of Cumulative Wealth Graph - An illustration of a portfolio's cumulative, un-annualized performance relative to that of its benchmark. An upward-sloping line indicates superior fund performance versus its benchmark. Conversely, a downward-sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

Performance Comparison - Universe Comparison - An illustration of the distribution of returns for a particular asset class. The component's return is indicated by the circle and its performance benchmark by the triangle. The top and bottom borders represent the 5th and 95th percentiles, respectively. The solid line indicates the median while the dotted lines represent the 25th and 75th percentiles.

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Hewitt ennisknupp

An Aon Company

State Board of Administration of Florida

FRS Investment Plan

Second Quarter 2013

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FRS Investment Plan

FRS Investment Plan | As of June 30, 2013 | $7,878.5 Million and 100.0% of Fund

Trailing Period Performance

	Market Value ($)	% of Portfolio	2013 Q2 (%)	Rank	YTD (%)	Rank	Ending June 30, 2013 1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank
FRS Investment Plan	**7,878,522,104**	**100.0**	**-0.1**	**--**	**4.6**	**--**	**10.1**	**--**	**9.5**	**--**	**4.4**	**--**	**6.5**	**--**
Total Plan Aggregate Benchmark			*-0.2*	*--*	*4.5*	*--*	*9.7*	*--*	*9.2*	*--*	*3.9*	*--*	*6.1*	*--*
Balanced Funds	**3,506,631,481**	**44.5**	**-0.6**	**--**	**3.2**	**--**	**8.7**	**--**	**8.4**	**--**	**3.6**	**--**	**6.3**	**--**
FRS Select Conservative Balanced Fund	677,205,869	8.6	-1.6	--	-0.5	--	2.2	--	4.3	--	3.1	--	4.6	--
Conservative Balanced Fund Target Benchmark			*-1.5*	*--*	*-0.5*	*--*	*2.0*	*--*	*4.0*	*--*	*2.7*	*--*	*4.2*	*--*
FRS Select Moderate Balanced Fund	2,155,954,525	27.4	-0.6	--	3.6	--	9.5	--	9.0	--	4.0	--	6.3	--
Moderate Balanced Fund Target Benchmark			*-0.6*	*--*	*3.6*	*--*	*9.1*	*--*	*8.8*	*--*	*3.5*	*--*	*6.1*	*--*
FRS Select Aggressive Balanced Fund	673,471,088	8.5	0.3	--	6.3	--	13.9	--	11.3	--	3.3	--	7.0	--
Aggressive Balanced Fund Target Benchmark			*0.2*	*--*	*6.4*	*--*	*13.7*	*--*	*11.2*	*--*	*3.2*	*--*	*7.1*	*--*
Cash	**922,629,513**	**11.7**	**0.1**	**1**	**0.1**	**1**	**0.3**	**1**	**0.3**	**1**	**0.4**	**16**	**2.0**	**2**
FRS Select Yield Plus Money Market Active Fund	922,629,513	11.7	0.1	1	0.1	1	0.3	1	0.3	1	0.4	16	2.0	1
iMoneyNet 1st Tier Institutional Net Index			*0.0*	*27*	*0.0*	*27*	*0.1*	*28*	*0.1*	*28*	*0.5*	*11*	*2.0*	*1*
TIPS	**232,558,254**	**3.0**	**-7.1**	**--**	**-7.4**	**--**	**-4.7**	**--**	**4.7**	**--**	**4.5**	**--**	**5.2**	**--**
FRS Select TIPS Fund	232,558,254	3.0	-7.1	57	-7.4	52	-4.7	47	4.7	12	4.5	20	5.2	18
Barclays Capital US TIPS			*-7.1*	*56*	*-7.4*	*52*	*-4.8*	*47*	*4.6*	*19*	*4.4*	*29*	*5.2*	*19*
Fixed Income	**658,995,239**	**8.4**	**-2.4**	**29**	**-2.1**	**38**	**0.6**	**60**	**4.2**	**64**	**6.0**	**53**	**5.1**	**36**
FRS Select U.S. Bond Enhanced Index Fund	135,113,924	1.7	-2.4	19	-2.4	30	-0.6	61	3.6	97	5.5	94	4.7	97
Barclays Aggregate Bond Index			*-2.3*	*18*	*-2.4*	*30*	*-0.7*	*62*	*3.5*	*97*	*5.2*	*95*	*4.5*	*99*
Pyramis Intermediate Duration Pool Fund	70,483,561	0.9	-1.9	13	-1.5	14	0.8	55	3.6	81	5.1	78	4.3	71
Barclays Int Aggregate			*-1.8*	*10*	*-1.6*	*20*	*-0.1*	*75*	*3.0*	*92*	*4.8*	*86*	*4.3*	*72*
FRS Select High Yield Fund	162,825,457	2.1	-1.3	50	0.8	77	7.5	83	9.5	82	--	--	--	--
Barclays Capital U.S. High Yield BA/B 1% Issuer Cap Index			*-1.6*	*81*	*0.7*	*81*	*8.4*	*68*	*10.3*	*39*	*--*	*--*	*--*	*--*
PIMCO Total Return Fund	290,572,298	3.7	-3.6	96	-3.1	90	1.1	47	4.5	50	7.1	22	5.8	14
Barclays Aggregate Bond Index			*-2.3*	*27*	*-2.4*	*56*	*-0.7*	*87*	*3.5*	*81*	*5.2*	*75*	*4.5*	*61*

Trailing Period Performance

	Market Value ($)	% of Portfolio	2013 Q2 (%)	Rank	YTD (%)	Rank	Ending June 30, 2013 1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank
Domestic Equity	**2,028,372,003**	**25.7**	**2.8**	**48**	**14.5**	**47**	**22.5**	**50**	**19.3**	**22**	**8.1**	**28**	**8.7**	**40**
FRS Select U.S. Stock Market Index Fund	481,447,641	6.1	2.7	58	14.1	42	21.5	37	18.7	20	7.4	21	7.9	26
Russell 3000 Index			*2.7*	*58*	*14.1*	*42*	*21.5*	*38*	*18.6*	*21*	*7.2*	*23*	*7.8*	*29*
FRS Select U.S. Large Value Stock Fund	265,813,430	3.4	4.0	38	16.8	26	25.4	35	18.9	21	7.4	38	--	--
Russell 1000 Value Index			*3.2*	*61*	*15.9*	*41*	*25.3*	*37*	*18.5*	*26*	*6.7*	*53*	--	--
QMA Mid Cap Quantitative Core Fund	365,821,022	4.6	1.2	77	15.6	35	28.6	17	21.5	6	10.0	17	--	--
S&P 400 MidCap			*1.0*	*81*	*14.6*	*51*	*25.2*	*39*	*19.4*	*24*	*8.9*	*26*	--	--
FRS Select U.S. Large Growth Stock Active Fund	109,854,967	1.4	2.5	32	10.2	62	15.3	71	17.6	38	7.4	24	7.3	46
Russell 1000 Growth Index			*2.1*	*43*	*11.8*	*33*	*17.1*	*49*	*18.7*	*18*	*7.5*	*24*	*7.4*	*40*
Pioneer Fund	0	0.0	2.2	73	14.0	43	19.9	68	15.0	86	5.0	79	7.0	60
S&P 500 Index			*2.9*	*37*	*13.8*	*47*	*20.6*	*51*	*18.5*	*25*	*7.0*	*31*	*7.3*	*40*
Fidelity Growth Company Fund	346,890,696	4.4	3.9	8	12.8	19	18.3	36	20.3	4	7.7	20	10.7	3
Russell 3000 Growth Index			*2.2*	*39*	*12.2*	*27*	*17.6*	*43*	*18.8*	*15*	*7.6*	*23*	*7.6*	*36*
American Beacon Small Cap Value Fund	153,043,788	1.9	2.5	57	16.5	37	28.0	32	18.6	36	10.1	43	--	--
Russell 2000 Value Index			*2.5*	*58*	*14.4*	*69*	*24.8*	*60*	*17.3*	*50*	*8.6*	*72*	--	--
T. Rowe Price Small Cap Stock Fund	281,201,850	3.6	2.8	68	15.7	64	23.6	49	21.8	24	13.2	4	11.0	16
Russell 2000 Index			*3.1*	*62*	*15.9*	*61*	*24.2*	*39*	*18.7*	*65*	*8.8*	*53*	*9.5*	*56*
Fidelity Low Priced Stock Fund	24,298,609	0.3	4.5	12	15.4	43	27.4	23	19.4	30	10.1	8	11.6	7
Russell 2500 Value Index			*1.5*	*64*	*15.1*	*49*	*26.9*	*30*	*18.9*	*50*	*9.4*	*12*	*10.2*	*43*
International/Global Equity	**529,335,615**	**6.7**	**-0.8**	**49**	**3.4**	**43**	**17.6**	**46**	**10.8**	**39**	**1.1**	**28**	**8.5**	**39**
FRS Select Foreign Stock Index Fund	155,956,158	2.0	-1.5	62	2.5	58	17.4	48	10.2	51	-0.5	54	8.1	47
MSCI World ex USA			*-1.6*	*66*	*3.0*	*50*	*17.1*	*51*	*9.4*	*64*	*-0.8*	*62*	*7.9*	*50*
American Funds New Perspective Fund	209,312,806	2.7	1.7	23	8.0	44	19.8	32	14.7	31	5.2	26	10.1	17
MSCI All Country World Index Net			*-0.4*	*69*	*6.1*	*68*	*16.4*	*61*	*13.0*	*59*	*2.3*	*74*	*7.2*	*70*
American Funds Euro-Pacific Growth Fund	164,066,651	2.1	-0.7	39	2.2	61	15.9	57	9.4	62	1.5	15	--	--
MSCI All Country World ex-U.S. Index			*-2.9*	*82*	*0.3*	*82*	*14.1*	*73*	*8.5*	*78*	*-0.8*	*61*	--	--

The Pioneer Fund was terminated June 30, 2013.

Calendar Year Performance

	2012 (%)	Rank	2011 (%)	Rank	2010 (%)	Rank	2009 (%)	Rank	2008 (%)	Rank	2007 (%)	Rank	2006 (%)	Rank	2005 (%)	Rank
FRS Investment Plan	**10.5**	**--**	**0.7**	**--**	**10.6**	**--**	**18.4**	**--**	**-23.2**	**--**	**7.8**	**--**	**12.4**	**--**	**7.4**	**--**
Total Plan Aggregate Benchmark	*9.7*	*--*	*0.9*	*--*	*10.2*	*--*	*16.8*	*--*	*-23.4*	*--*	*6.1*	*--*	*13.9*	*--*	*6.1*	*--*
Balanced Funds	**9.7**	**--**	**1.4**	**--**	**9.2**	**--**	**16.4**	**--**	**-22.8**	**--**	**7.7**	**--**	**13.9**	**--**	**6.9**	**--**
FRS Select Conservative Balanced Fund	5.2	--	3.9	--	5.3	--	9.3	--	-7.3	--	8.5	--	7.1	--	4.4	--
Conservative Balanced Fund Target Benchmark	*4.8*	*--*	*4.0*	*--*	*4.8*	*--*	*8.7*	*--*	*-8.0*	*--*	*7.6*	*--*	*6.7*	*--*	*4.0*	*--*
FRS Select Moderate Balanced Fund	10.4	--	1.2	--	10.0	--	17.2	--	-23.8	--	7.4	--	14.2	--	6.8	--
Moderate Balanced Fund Target Benchmark	*9.9*	*--*	*1.3*	*--*	*9.7*	*--*	*15.9*	*--*	*-24.5*	*--*	*7.0*	*--*	*14.7*	*--*	*6.8*	*--*
FRS Select Aggressive Balanced Fund	12.8	--	-0.9	--	11.3	--	20.9	--	-32.2	--	8.2	--	17.6	--	8.6	--
Aggressive Balanced Fund Target Benchmark	*12.5*	*--*	*-0.8*	*--*	*11.0*	*--*	*21.1*	*--*	*-32.4*	*--*	*7.5*	*--*	*18.6*	*--*	*8.5*	*--*
Cash	**0.3**	**1**	**0.2**	**1**	**0.3**	**2**	**0.3**	**41**	**2.4**	**46**	**5.4**	**2**	**5.2**	**1**	**3.5**	**1**
FRS Select Yield Plus Money Market Active Fund	0.3	1	0.2	1	0.3	2	0.3	41	2.4	46	5.4	2	5.2	1	3.5	1
iMoneyNet 1st Tier Institutional Net Index	*0.1*	*27*	*0.1*	*25*	*0.2*	*7*	*0.7*	*4*	*3.0*	*4*	*5.4*	*1*	*5.2*	*1*	*3.3*	*1*
TIPS	**7.1**	**--**	**13.6**	**--**	**6.4**	**--**	**11.3**	**--**	**-2.0**	**--**	**11.7**	**--**	**0.5**	**--**	**2.8**	**--**
FRS Select TIPS Fund	7.1	18	13.6	9	6.4	28	11.3	27	-2.0	46	11.7	19	0.5	34	2.8	22
Barclays Capital US TIPS	*7.0*	*23*	*13.6*	*9*	*6.3*	*41*	*11.4*	*26*	*-2.4*	*54*	*11.6*	*20*	*0.4*	*43*	*2.8*	*20*
Fixed Income	**6.0**	**69**	**6.7**	**53**	**7.6**	**56**	**11.7**	**59**	**1.4**	**29**	**6.9**	**16**	**4.8**	**24**	**2.7**	**13**
FRS Select U.S. Bond Enhanced Index Fund	4.4	99	7.9	75	6.7	97	6.5	59	5.9	32	7.1	18	4.3	58	2.5	57
Barclays Aggregate Bond Index	*4.2*	*99*	*7.8*	*76*	*6.5*	*97*	*5.9*	*60*	*5.2*	*33*	*7.0*	*20*	*4.3*	*57*	*2.4*	*59*
Pyramis Intermediate Duration Pool Fund	4.9	82	5.9	70	7.0	67	11.9	58	-1.7	43	6.0	42	4.8	26	2.2	48
Barclays Int Aggregate	*3.6*	*95*	*6.0*	*69*	*6.1*	*88*	*6.5*	*91*	*4.9*	*13*	*7.0*	*14*	*4.6*	*33*	*2.0*	*63*
FRS Select High Yield Fund	12.9	85	6.0	10	13.6	77	--	--	--	--	--	--	--	--	--	--
Barclays Capital U.S. High Yield BA/B 1% Issuer Cap Index	*14.7*	*58*	*6.9*	*3*	*13.9*	*65*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*
PIMCO Total Return Fund	10.2	14	4.0	91	8.7	33	13.7	48	4.7	15	8.9	2	3.9	82	2.8	11
Barclays Aggregate Bond Index	*4.2*	*86*	*7.8*	*17*	*6.5*	*81*	*5.9*	*92*	*5.2*	*10*	*7.0*	*15*	*4.3*	*44*	*2.4*	*30*

Calendar Year Performance

	2012 (%)	Rank	2011 (%)	Rank	2010 (%)	Rank	2009 (%)	Rank	2008 (%)	Rank	2007 (%)	Rank	2006 (%)	Rank	2005 (%)	Rank
Domestic Equity	**16.9**	**29**	**0.3**	**36**	**20.4**	**35**	**30.9**	**36**	**-36.5**	**40**	**5.2**	**51**	**14.1**	**64**	**8.2**	**32**
FRS Select U.S. Stock Market Index Fund	16.5	27	1.0	44	17.1	12	28.6	42	-37.2	53	5.2	60	15.7	37	6.2	52
Russell 3000 Index	*16.4*	*29*	*1.0*	*44*	*16.9*	*13*	*28.3*	*43*	*-37.3*	*56*	*5.1*	*63*	*15.7*	*34*	*6.1*	*53*
FRS Select U.S. Large Value Stock Fund	15.4	52	1.6	27	15.2	33	20.8	66	-35.2	36	--	--	--	--	--	--
Russell 1000 Value Index	*17.5*	*24*	*0.4*	*37*	*15.5*	*29*	*19.7*	*73*	*-36.8*	*57*	--	--	--	--	--	--
QMA Mid Cap Quantitative Core Fund	20.4	10	0.1	22	28.9	13	36.5	50	-36.8	27	8.3	55	11.9	53	11.6	42
S&P 400 MidCap	*17.9*	*28*	*-1.7*	*35*	*26.6*	*26*	*37.4*	*46*	*-36.2*	*25*	*8.0*	*56*	*10.3*	*63*	*12.5*	*31*
FRS Select U.S. Large Growth Stock Active Fund	16.0	42	1.2	25	13.6	70	41.5	25	-37.3	25	11.9	66	4.1	84	13.3	16
Russell 1000 Growth Index	*15.3*	*53*	*2.6*	*13*	*16.7*	*42*	*37.2*	*38*	*-38.4*	*36*	*11.8*	*66*	*9.1*	*38*	*5.3*	*70*
Pioneer Fund	10.3	93	-4.2	82	16.2	19	24.9	70	-34.1	17	5.1	64	16.9	18	6.8	42
S&P 500 Index	*16.0*	*40*	*2.1*	*22*	*15.1*	*31*	*26.5*	*54*	*-37.0*	*44*	*5.5*	*50*	*15.8*	*32*	*4.9*	*65*
Fidelity Growth Company Fund	18.8	15	0.9	26	20.8	12	41.5	25	-40.7	52	20.2	21	9.8	31	13.8	15
Russell 3000 Growth Index	*15.2*	*54*	*2.2*	*18*	*17.6*	*33*	*37.0*	*38*	*-38.4*	*36*	*11.4*	*71*	*9.5*	*35*	*5.2*	*71*
American Beacon Small Cap Value Fund	16.5	46	-4.0	52	26.2	47	35.4	31	-31.9	57	-6.4	50	14.7	73	5.8	61
Russell 2000 Value Index	*18.0*	*33*	*-5.5*	*63*	*24.5*	*72*	*20.6*	*91*	*-28.9*	*35*	*-9.8*	*79*	*23.5*	*9*	*4.7*	*74*
T. Rowe Price Small Cap Stock Fund	18.0	11	-0.1	29	32.5	21	38.5	37	-33.3	7	-1.7	90	12.8	44	8.4	37
Russell 2000 Index	*16.3*	*25*	*-4.2*	*65*	*26.9*	*57*	*27.2*	*83*	*-33.8*	*7*	*-1.6*	*90*	*18.4*	*9*	*4.6*	*71*
Fidelity Low Priced Stock Fund	18.8	25	0.2	11	21.0	74	39.4	29	-36.0	26	3.4	69	18.0	15	8.9	53
Russell 2500 Value Index	*19.2*	*22*	*-3.4*	*56*	*24.8*	*42*	*27.7*	*90*	*-32.0*	*14*	*-7.3*	*99*	*20.2*	*9*	*7.7*	*65*
International/Global Equity	**18.6**	**50**	**-11.3**	**25**	**10.1**	**63**	**34.8**	**43**	**-40.9**	**17**	**15.0**	**36**	**23.2**	**76**	**14.9**	**52**
FRS Select Foreign Stock Index Fund	17.6	66	-11.8	31	9.2	68	32.3	52	-42.5	32	12.7	49	25.8	48	14.7	55
MSCI World ex USA	*16.4*	*75*	*-12.2*	*35*	*8.9*	*70*	*33.7*	*47*	*-43.6*	*41*	*12.4*	*51*	*25.7*	*49*	*14.5*	*58*
American Funds New Perspective Fund	21.0	16	-7.4	48	13.0	49	37.7	32	-37.7	24	16.3	30	20.1	53	11.5	56
MSCI All Country World Index Net	*16.3*	*52*	*-5.5*	*36*	*11.8*	*59*	*30.0*	*60*	*-40.7*	*48*	*9.0*	*59*	*20.1*	*53*	*10.0*	*64*
American Funds Euro-Pacific Growth Fund	19.6	28	-13.3	42	9.8	62	39.6	18	-40.3	10	19.3	15	22.3	84	21.4	12
MSCI All Country World ex-U.S. Index	*17.4*	*69*	*-13.3*	*43*	*11.6*	*44*	*32.5*	*42*	*-43.1*	*39*	*11.6*	*60*	*26.9*	*27*	*14.0*	*59*

Asset Allocation

	Total Market Value	% of Portfolio	U.S. Equity	Non-U.S. Equity	Balanced	Fixed Income	TIPS	Cash
Balanced Funds								
FRS Select Conservative Balanced Fund	$677,205,869	8.6%			$677,205,869			
FRS Select Moderate Balanced Fund	$2,155,954,525	27.4%			$2,155,954,525			
FRS Select Aggressive Balanced Fund	$673,471,088	8.5%			$673,471,088			
Cash								
FRS Select Yield Plus Money Market Active Fund	$922,629,513	11.7%						$922,629,513
TIPS								
FRS Select TIPS Fund	$232,558,254	3.0%					$232,558,254	
Fixed Income								
FRS Select U.S. Bond Enhanced Index Fund	$135,113,924	1.7%				$135,113,924		
Pyramis Intermediate Duration Pool Fund	$70,483,561	0.9%				$70,483,561		
FRS Select High Yield Fund	$162,825,457	2.1%				$162,825,457		
PIMCO Total Return Fund	$290,572,298	3.7%				$290,572,298		
Domestic Equity								
FRS Select U.S. Stock Market Index Fund	$481,447,641	6.1%	$481,447,641					
FRS Select U.S. Large Value Stock Fund	$265,813,430	3.4%	$265,813,430					
QMA Mid Cap Quantitative Core Fund	$365,821,022	4.6%	$365,821,022					
FRS Select U.S. Large Growth Stock Active Fund	$109,854,967	1.4%	$109,854,967					
Pioneer Fund	$0	0.0%	$0					
Fidelity Growth Company Fund	$346,890,696	4.4%	$346,890,696					
American Beacon Small Cap Value Fund	$153,043,788	1.9%	$153,043,788					
T. Rowe Price Small Cap Stock Fund	$281,201,850	3.6%	$281,201,850					
Fidelity Low Priced Stock Fund	$24,298,609	0.3%	$24,298,609					
International/Global Equity								
FRS Select Foreign Stock Index Fund	$155,956,158	2.0%		$155,956,158				
American Funds New Perspective Fund	$209,312,806	2.7%		$209,312,806				
American Funds Euro-Pacific Growth Fund	$164,066,651	2.1%		$164,066,651				
Total	**$7,878,522,104**	**100.0%**	**$2,028,372,003**	**$529,335,615**	**$3,506,631,481**	**$658,995,239**	**$232,558,254**	**$922,629,513**
Percent of Total			25.7%	6.7%	44.5%	8.4%	3.0%	11.7%

The Pioneer Fund was terminated June 30, 2013.

Asset Allocation

Asset Allocation as of 6/30/2013	U.S. Equity	Non-U.S. Equity	U.S. Fixed Income	TIPS	Cash	Total	% of Total
FRS Select Conservative Balanced Fund	54,176,470	60,948,528	257,338,230	67,720,587	237,022,054	677,205,869	8.6%
FRS Select Moderate Balanced Fund	668,345,903	452,750,450	1,034,858,172			2,155,954,525	27.4%
FRS Select Aggressive Balanced Fund	309,796,700	188,571,905	175,102,483			673,471,088	8.5%
Total Balanced Funds	**$ 1,032,319,072**	**$ 702,270,883**	**$ 1,467,298,885**	**$ 67,720,587**	**$ 237,022,054**	**$ 3,506,631,481**	**44.5%**
FRS Select Yield Plus Money Market Active Fund					922,629,513	922,629,513	11.7%
Total Cash	**$ -**	**$ -**	**$ -**	**$ -**	**$ 922,629,513**	**$ 922,629,513**	**11.7%**
FRS Select TIPS Fund	-	-	-	232,558,254	-	232,558,254	3.0%
Total TIPS	**$ -**	**$ -**	**$ -**	**$ 232,558,254**	**$ -**	**$ 232,558,254**	**3.0%**
FRS Select U.S. Bond Enhanced Index Fund			135,113,924			135,113,924	1.7%
Pyramis Intermediate Duration Pool Fund			70,483,561			70,483,561	0.9%
FRS Select High Yield Fund			162,825,457			162,825,457	2.1%
PIMCO Total Return Fund			290,572,298			290,572,298	3.7%
Total Fixed Income	**$ -**	**$ -**	**$ 658,995,239**	**$ -**	**$ -**	**$ 658,995,239**	**8.4%**
FRS Select U.S. Stock Market Index Fund	481,447,641					481,447,641	6.1%
FRS Select U.S. Large Value Stock Fund	265,813,430					265,813,430	3.4%
QMA Mid Cap Quantitative Core Fund	365,821,022					365,821,022	4.6%
FRS Select U.S. Large Growth Stock Active Fund	109,854,967					109,854,967	1.4%
Pioneer Fund	0					-	0.0%
Fidelity Growth Company Fund	346,890,696					346,890,696	4.4%
American Beacon Small Cap Value Fund	153,043,788					153,043,788	1.9%
T. Rowe Price Small Cap Stock Fund	281,201,850					281,201,850	3.6%
Fidelity Low Priced Stock Fund	24,298,609					24,298,609	0.3%
Total Domestic Equity	**$ 2,028,372,003**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2,028,372,003**	**25.7%**
FRS Select Foreign Stock Index Fund		155,956,158				155,956,158	2.0%
American Funds New Perspective Fund	86,236,876	104,028,465	-		19,047,465	209,312,806	2.7%
American Funds Euro-Pacific Growth Fund	164,067	150,941,319	1,148,467		11,812,799	164,066,651	2.1%
Total International/Global Equity	**$ 86,400,943**	**$ 410,925,942**	**$ 1,148,467**	**$ -**	**$ 30,860,264**	**$ 529,335,615**	**6.7%**
Total Portfolio	**$ 3,147,092,018**	**$ 1,113,196,824**	**$ 2,127,442,591**	**$ 300,278,841**	**$ 1,190,511,831**	**$ 7,878,522,104**	**100.0%**
Percent of Total	**39.95%**	**14.13%**	**27.00%**	**3.81%**	**15.11%**	**100.0%**	

The Pioneer Fund was terminated June 30, 2013.

Manager Scorecard

Statistics Summary
3 Years Ending June 30, 2013

	Annualized Return (%)	Annualized Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio	Up Market Capture Ratio (%)	Down Market Capture Ratio (%)
FRS Investment Plan	9.54%	7.68%	1.24	0.43%	0.89	102.97%	100.09%
FRS Select Conservative Balanced Fund	4.27%	2.75%	1.54	0.25%	0.97	104.78%	101.57%
FRS Select Moderate Balanced Fund	8.98%	7.18%	1.25	0.43%	0.50	100.55%	98.09%
FRS Select Aggressive Balanced Fund	11.30%	10.03%	1.12	0.68%	0.16	98.78%	97.33%
FRS Select Yield Plus Money Market Active Fund	0.26%	0.01%	19.51	0.01%	18.02	423.41%	--
FRS Select TIPS Fund	4.70%	5.59%	0.83	0.16%	0.40	99.91%	98.77%
FRS Select U.S. Bond Enhanced Index Fund	3.62%	2.89%	1.24	0.16%	0.71	101.77%	99.23%
Pyramis Intermediate Duration Pool Fund	3.56%	2.44%	1.44	0.68%	0.78	121.22%	123.34%
FRS Select High Yield Fund	9.50%	5.68%	1.67	0.80%	-1.03	92.93%	98.27%
PIMCO Total Return Fund	4.53%	3.94%	1.14	2.76%	0.37	126.25%	115.62%
FRS Select U.S. Stock Market Index Fund	18.69%	14.22%	1.31	0.07%	0.92	100.23%	99.95%
FRS Select U.S. Large Value Stock Fund	18.91%	14.11%	1.34	1.13%	0.36	101.75%	99.97%
QMA Mid Cap Quantitative Core Fund	21.49%	17.73%	1.21	1.78%	1.15	110.65%	102.39%
FRS Select U.S. Large Growth Stock Active Fund	17.56%	14.90%	1.18	2.64%	-0.42	100.08%	107.16%
Pioneer Fund	14.99%	15.13%	0.99	2.64%	-1.31	96.47%	117.25%
Fidelity Growth Company Fund	20.27%	16.19%	1.25	3.96%	0.38	120.38%	117.13%
American Beacon Small Cap Value Fund	18.63%	19.30%	0.96	3.16%	0.41	114.12%	108.14%
T. Rowe Price Small Cap Stock Fund	21.84%	17.96%	1.21	2.43%	1.31	99.43%	86.72%
Fidelity Low Priced Stock Fund	19.38%	14.84%	1.30	4.67%	0.10	90.84%	86.39%
FRS Select Foreign Stock Index Fund	10.19%	17.75%	0.57	1.97%	0.39	99.71%	97.35%
American Funds New Perspective Fund	14.66%	14.99%	0.98	2.52%	0.65	98.84%	91.16%
American Funds Euro-Pacific Growth Fund	9.44%	17.42%	0.54	2.81%	0.34	93.75%	92.37%

The Pioneer Fund was terminated June 30, 2013.

Appendix

Market Returns

	Second Quarter	Annualized Periods Ending 6/30/13 1-Year	3-Year	5-Year	10-Year	15-Year
Domestic Stock Indices:						
Dow Jones US Total Stock Index	2.8	21.5	18.7	7.4	8.1	4.8
S&P 500 Index	2.9	20.6	18.5	7.0	7.3	4.2
Russell 3000 Index	2.7	21.5	18.6	7.2	7.8	4.7
Russell 1000 Value Index	3.2	25.3	18.5	6.7	7.8	5.5
Russell 1000 Growth Index	2.1	17.1	18.7	7.5	7.4	3.1
Russell MidCap Value Index	1.7	27.7	19.5	8.9	10.9	8.6
Russell MidCap Growth Index	2.9	22.9	19.5	7.6	9.9	6.3
Russell 2000 Value Index	2.5	24.8	17.3	8.6	9.3	7.8
Russell 2000 Growth Index	3.7	23.7	20.0	8.9	9.6	4.8
Domestic Bond Indices:						
Barclays Capital Aggregate Index	-2.3	-0.7	3.5	5.2	4.5	5.5
Barclays Capital Govt/Credit Index	-2.5	-0.6	3.9	5.3	4.4	5.6
Barclays Capital Long Govt/Credit Index	-6.1	-4.7	7.0	8.5	6.2	7.0
Barclays Capital 1-3 Year Govt/Credit Index	-0.1	0.7	1.3	2.5	2.9	4.1
Barclays Capital U.S. MBS Index	-2.0	-1.1	2.5	4.8	4.7	5.5
Barclays Capital High Yield Index	-1.4	9.5	10.7	10.9	8.9	6.9
Barclays Capital Universal Index	-2.4	0.2	4.1	5.5	4.8	5.7
Real Estate Indices:						
NCREIF Property Index	2.9	10.7	13.1	2.8	8.6	9.0
NCREIF ODCE Index	3.6	11.1	13.8	-1.1	5.9	6.9
Dow Jones Real Estate Securities Index	-1.3	7.7	18.0	6.8	10.8	9.6
FTSE NAREIT US Real Estate Index	-2.1	10.2	18.5	7.7	11.0	9.7
Foreign/Global Stock Indices:						
MSCI All Country World Index	-0.4	16.6	12.4	2.3	7.6	4.0
MSCI All Country World IMI	-0.5	17.1	12.6	2.8	8.0	4.5
MSCI All Country World ex-U.S. Index	-3.1	13.6	8.0	-0.8	8.6	4.6
MSCI All Country World ex-U.S. IMI	-3.3	13.9	8.1	-0.4	9.0	4.9
MSCI All Country World ex-U.S. Small Cap Index	-4.4	15.9	9.2	2.6	11.3	7.4
MSCI EAFE Index	-1.0	18.6	10.0	-0.6	7.7	3.6
MSCI EAFE IMI	-1.2	18.9	10.3	-0.3	8.0	4.0
MSCI EAFE Index (in local currency)	1.2	24.9	9.0	1.2	6.1	2.1
MSCI Emerging Markets IMI	-8.0	3.7	3.4	0.2	13.8	8.7
Foreign Bond Indices:						
Citigroup World Gov't Bond Index	-3.4	-5.7	2.6	2.6	4.8	5.3
Citigroup Hedged World Gov't Bond Index	-1.3	3.0	3.1	4.5	4.0	4.9
Cash Equivalents:						
Treasury Bills (30-Day)	0.0	0.0	0.0	0.1	1.3	2.1
Hewitt EnnisKnupp STIF Index	0.0	0.2	0.2	0.5	2.0	2.8
Inflation Index:						
Consumer Price Index	0.3	1.8	2.3	1.3	2.4	2.4

Benchmark Descriptions

Balanced Benchmarks - A weighted average composite of the underlying components' benchmarks for each fund.

iMoneyNet 1st Tier Institutional Net Index - An index made up of the entire universe of money market mutual funds. The index currently represents over 1,300 funds, or approximately 99 percent of all money fund assets.

Barclays Inflation Index - An index that measures the performance of the U.S. Treasury Inflation-Protected Securities ("TIPS") market.

Barclays Aggregate Bond Index - A market value-weighted index consisting of government bonds, SEC-registered corporate bonds and mortgage-related and asset-backed securities with at least one year to maturity and an outstanding par value of $250 million or greater. This index is a broad measure of the performance of the investment grade U.S. fixed income market.

Barclays Intermediate Aggregate Bond Index - A market value-weighted index consisting of U.S. Treasury securities, corporate bonds and mortgage-related and asset-backed securities with one to ten years to maturity and an outstanding par value of $250 million or greater.

Barclays U.S. High Yield BA/B 1% Issuer Cap Index - An index composed of non-investment grade corporate debt denominated in U.S. dollars. The issues have to have an outstanding par value of $150 million or greater and at least one year of maturity remaining.

Russell 3000 Index - A capitalization-weighted index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

Russell 3000 Growth Index - An index that measures the performance of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index - An index that measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower I/B/E/S growth forecasts.

Russell 1000 Growth Index - An index that measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher I/B/E/S growth forecasts.

Benchmark Descriptions

Russell 2000 Value Index - A capitalization-weighted index representing those companies within the Russell 2000 Index with lower price-to-book ratios and lower I/B/E/S earnings growth forecasts.

Russell 2000 Index - An index that measures the performance of approximately 2000 small capitalization stocks.

Russell 2500 Value Index - A capitalization-weighted index representing those companies within the Russell 2500 Index with lower price-to-book ratios and lower I/B/E/S earnings growth forecasts.

S&P 400 Mid-Cap Index - A market capitalization-weighted index of stocks in all major industries in the mid-range of the U.S. stock market.

S&P 500 Index - A capitalization-weighted stock index consisting of 500 of the largest publicly traded U.S. stocks by capitalization.

MSCI All Country World ex-U.S. Index - A capitalization-weighted index consisting of 23 developed and 21 emerging countries, but excluding the U.S.

MSCI All Country World Index Net - A capitalization-weighted index of stocks representing approximately 46 developed and emerging countries, including the U.S. and Canadian markets.

MSCI World ex-U.S. Index - A capitalization-weighted index of stocks representing 22 developed country stock markets, including Canada and excluding the U.S. market.

Description of Universes

FRS Select Yield Plus Money Market Active Fund - A money market universe calculated and provided by Morningstar.

FRS Select TIPS Fund - An inflation-protected bond universe calculated and provided by Morningstar.

FRS Select U.S. Bond Enhanced Index Fund - A long-term bond fixed income universe calculated and provided by Morningstar.

Pyramis Intermediate Duration Pool Fund - A broad intermediate-term fixed income universe calculated and provided by Morningstar.

FRS Select High Yield Fund - A high yield bond fixed income universe calculated and provided by Morningstar.

PIMCO Total Return Fund - A broad intermediate-term fixed income universe calculated and provided by Morningstar.

FRS Select U.S. Stock Market Index Fund - A large-cap blend universe calculated and provided by Morningstar.

FRS Select U.S. Large Value Stock Fund - A large-cap value universe calculated and provided by Morningstar.

QMA Mid Cap Quantitative Core Fund - A mid-cap universe calculated and provided by Morningstar.

FRS Select U.S. Large Growth Stock Active Fund - A large-cap growth universe calculated and provided by Morningstar.

Pioneer Fund - A large-cap blend universe calculated and provided by Morningstar.

Fidelity Growth Company Fund - A large-cap growth universe calculated and provided by Morningstar.

American Beacon Small Cap Value Fund - A small-cap value universe calculated and provided by Morningstar.

Description of Universes

T. Rowe Price Small Cap Stock Fund - A small-cap growth universe calculated and provided by Morningstar.

Fidelity Low Priced Stock Fund - A mid-cap blend universe calculated and provided by Morningstar.

FRS Select Foreign Stock Index Fund - A foreign blend universe calculated and provided by Morningstar.

American Funds New Perspective Fund - A global stock universe calculated and provided by Morningstar.

American Funds Euro-Pacific Growth Fund - A foreign large blend universe calculated and provided by Morningstar.

Hewitt ennisknupp

An Aon Company

Lawton Chiles Endowment Fund

Second Quarter 2013

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LCEF Total Fund

Plan Summary

Summary of Cash Flows

Sources of Portfolio Growth	Second Quarter	Fiscal YTD*
Beginning Market Value	$850,098,955	$776,130,661
Net Additions/Withdrawals	(363,220,000)	($363,189,230)
Investment Earnings	($7,558,874)	$66,378,650
Ending Market Value	$479,320,081	$479,320,081

*Period July 2012 - June 2013

Plan Performance

Benchmark: Total Endowment Target

Trailing Period Performance

				Ending June 30, 2013											
	Market Value ($)	% of Portfolio	Policy %	2013 Q2 (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank
LCEF Total Fund	**479,320,081**	**100.0**	**100.0**	**-1.6**	**97**	**1.8**	**98**	**7.8**	**98**	**11.5**	**13**	**4.3**	**31**	**6.8**	**62**
Total Endowment Target				*-1.7*	*97*	*1.1*	*99*	*6.2*	*99*	*10.6*	*36*	*3.6*	*50*	*6.2*	*79*
Global Equity*	**348,813,649**	**72.8**	**72.8**	**-0.3**	**--**	**7.9**	**--**	**19.8**	**--**	**17.1**	**--**	**5.8**	**--**	**8.0**	**--**
Global Equity Target				*-0.5*	*--*	*6.4*	*--*	*17.5*	*--*	*15.7*	*--*	*5.1*	*--*	*7.7*	*--*
Fixed Income	**74,534,079**	**15.5**	**15.5**	**-2.2**	**38**	**-2.1**	**52**	**-0.1**	**80**	**3.8**	**84**	**5.1**	**75**	**4.6**	**60**
Barclays Aggregate Bond Index				*-2.3*	*39*	*-2.4*	*58*	*-0.7*	*82*	*3.5*	*90*	*5.2*	*74*	*4.5*	*64*
TIPS	**47,583,530**	**9.9**	**9.9**	**-7.1**	**--**	**-7.4**	**--**	**-4.6**	**--**	**4.6**	**--**	**4.9**	**--**	**5.6**	**--**
Barclays U.S. TIPS				*-7.1*	*--*	*-7.4*	*--*	*-4.8*	*--*	*4.6*	*--*	*4.4*	*--*	*5.2*	*--*
Cash Equivalents	**8,389,389**	**1.8**	**1.8**	**0.1**	**--**	**0.1**	**--**	**0.5**	**--**	**0.8**	**--**	**1.0**	**--**	**2.2**	**--**
S&P US AAA & AA Rated GIP 30D Net Yield Index				*0.0*	*--*	*0.0*	*--*	*0.1*	*--*	*0.2*	*--*	*0.5*	*--*	*1.9*	*--*

Benchmark and universe descriptions are provided in the Appendix.

*Global Equity became an asset class in September 2012 by merging the Domestic Equities and Foreign Equities asset classes. The return series prior to September 2012 is a weighted average of Domestic Equities' and Foreign Equities' historical performance.

Calendar Year Performance

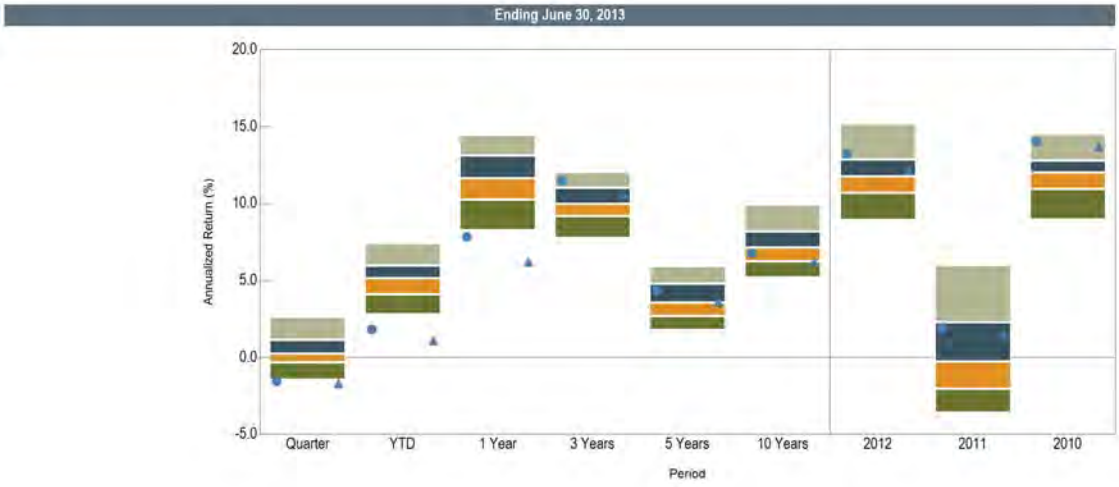
	2012 (%)	Rank	2011 (%)	Rank	2010 (%)	Rank	2009 (%)	Rank	2008 (%)	Rank	2007 (%)	Rank	2006 (%)	Rank	2005 (%)	Rank	2004 (%)	Rank	2003 (%)	Rank
LCEF Total Fund	**13.2**	**22**	**1.9**	**31**	**14.0**	**11**	**21.2**	**28**	**-29.2**	**74**	**6.3**	**92**	**15.0**	**40**	**7.4**	**69**	**12.0**	**54**	**25.0**	**25**
Total Endowment Target	*12.2*	*38*	*1.5*	*34*	*13.7*	*14*	*19.6*	*35*	*-28.9*	*74*	*6.5*	*89*	*14.0*	*52*	*6.7*	*80*	*12.1*	*51*	*24.9*	*25*
Global Equity*	**20.4**	**--**	**-1.1**	**--**	**17.0**	**--**	**30.8**	**--**	**-39.6**	**--**	**6.8**	**--**	**17.4**	**--**	**8.5**	**--**	**12.7**	**--**	**32.3**	**--**
Global Equity Target	*19.4*	*--*	*-2.2*	*--*	*16.1*	*--*	*30.5*	*--*	*-39.2*	*--*	*7.2*	*--*	*17.8*	*--*	*7.9*	*--*	*13.5*	*--*	*32.8*	*--*
Fixed Income	**4.6**	**89**	**7.6**	**32**	**7.0**	**73**	**4.6**	**85**	**5.8**	**14**	**7.3**	**43**	**4.4**	**35**	**2.7**	**24**	**4.4**	**69**	**4.1**	**90**
Barclays Aggregate Bond Index	*4.2*	*92*	*7.8*	*29*	*6.5*	*75*	*5.9*	*78*	*5.2*	*20*	*7.0*	*50*	*4.3*	*37*	*2.4*	*54*	*4.3*	*70*	*4.1*	*90*
TIPS	**7.2**	**--**	**13.6**	**--**	**6.1**	**--**	**13.3**	**--**	**-2.0**	**--**	**12.4**	**--**	**0.8**	**--**	**2.9**	**--**	**8.8**	**--**	**8.4**	**--**
Barclays U.S. TIPS	*7.0*	*--*	*13.6*	*--*	*6.3*	*--*	*11.4*	*--*	*-2.4*	*--*	*11.6*	*--*	*0.4*	*--*	*2.8*	*--*	*8.5*	*--*	*8.4*	*--*
Cash Equivalents	**1.3**	**--**	**0.1**	**--**	**2.0**	**--**	**2.6**	**--**	**0.5**	**--**	**5.4**	**--**	**5.2**	**--**	**3.3**	**--**	**1.4**	**--**	**1.2**	**--**
S&P US AAA & AA Rated GIP 30D Net Yield Index	*0.1*	*--*	*0.2*	*--*	*0.3*	*--*	*0.7*	*--*	*2.3*	*--*	*4.7*	*--*	*5.1*	*--*	*3.4*	*--*	*1.4*	*--*	*1.1*	*--*

*Global Equity became an asset class in September 2012 by merging the Domestic Equities and Foreign Equities asset classes. The return series prior to September 2012 is a weighted average of Domestic Equities' and Foreign Equities' historical performance.

Universe Comparison

Benchmark: Total Endowment Target

Universe: Endowments Net

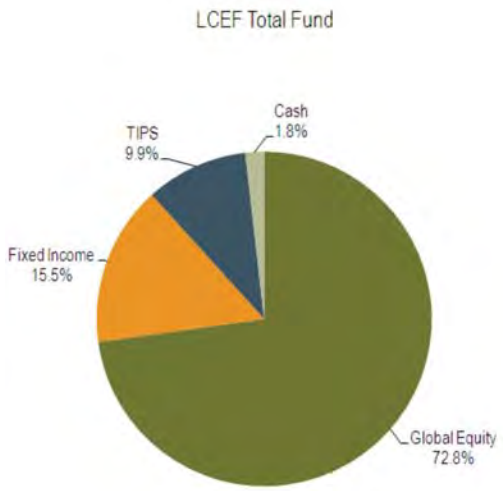


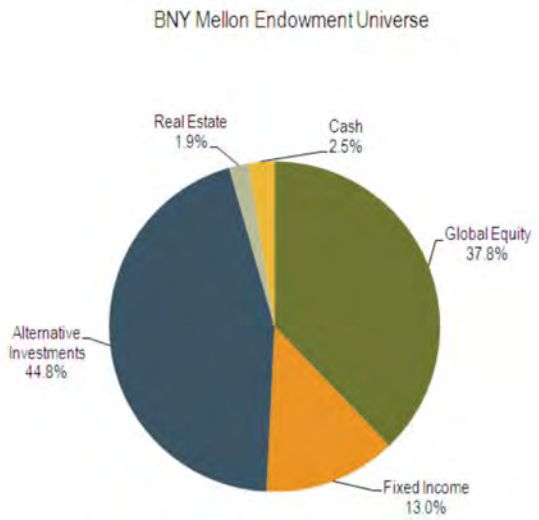
	Return (Rank)								
5th Percentile	2.6	7.4	14.5	12.0	5.9	9.9	15.2	6.0	14.5
25th Percentile	1.1	6.0	13.1	11.0	4.8	8.2	12.9	2.3	12.8
Median	0.2	5.1	11.7	10.0	3.6	7.2	11.8	-0.3	12.0
75th Percentile	-0.3	4.1	10.3	9.2	2.7	6.2	10.7	-2.0	11.0
95th Percentile	-1.4	2.8	8.3	7.8	1.8	5.2	8.9	-3.6	9.0
# of Portfolios	73	72	72	68	66	51	77	83	78
● **LCEF Total Fund**	-1.6 (97)	1.8 (98)	7.8 (98)	11.5 (13)	4.3 (31)	6.8 (62)	13.2 (22)	1.9 (31)	14.0 (11)
▲ **Total Endowment Target**	-1.7 (97)	1.1 (99)	6.2 (99)	10.6 (36)	3.6 (50)	6.2 (79)	12.2 (38)	1.5 (34)	13.7 (14)

Universe Asset Allocation Comparison

Benchmark: Total Endowment Target

Universe: Endowments Net

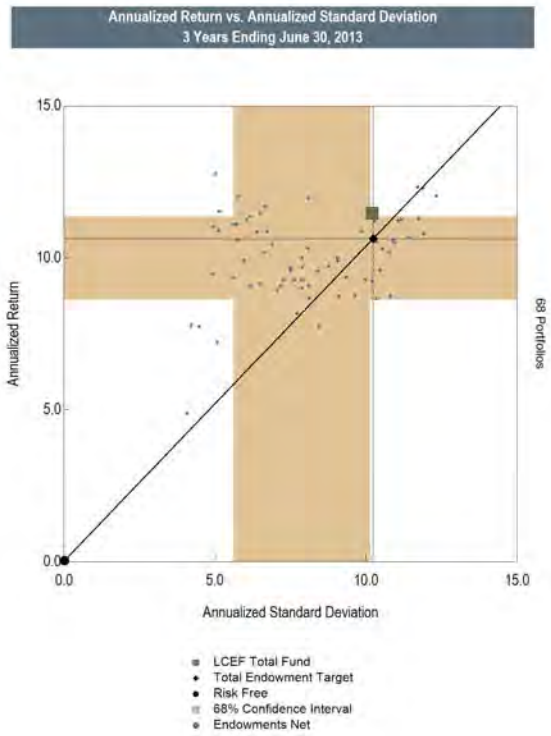


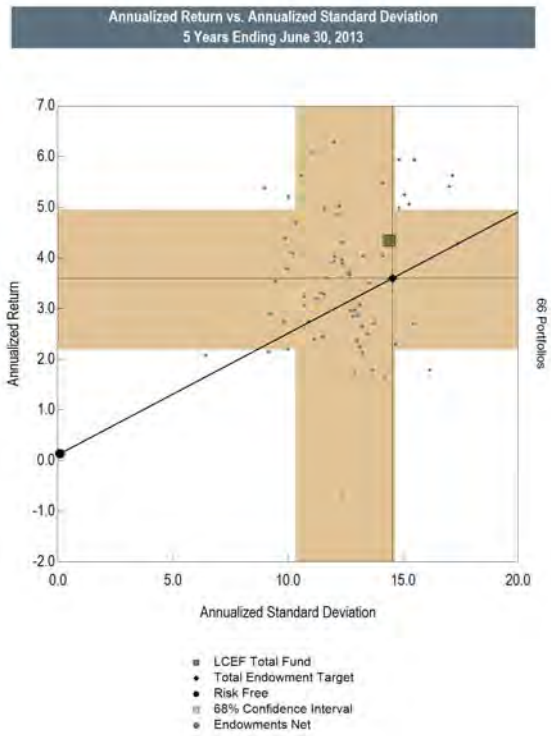


Risk Profile

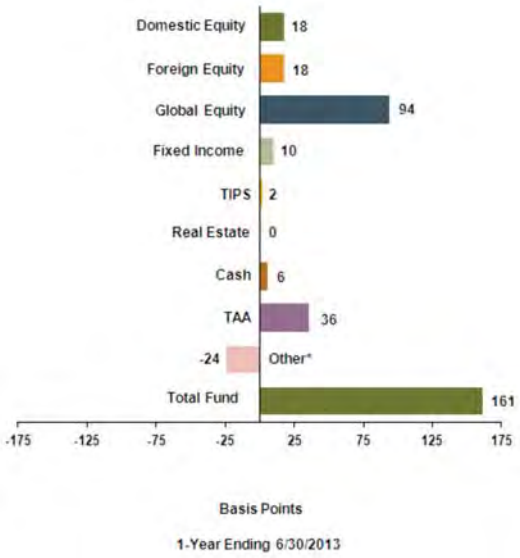
Benchmark: Total Endowment Target

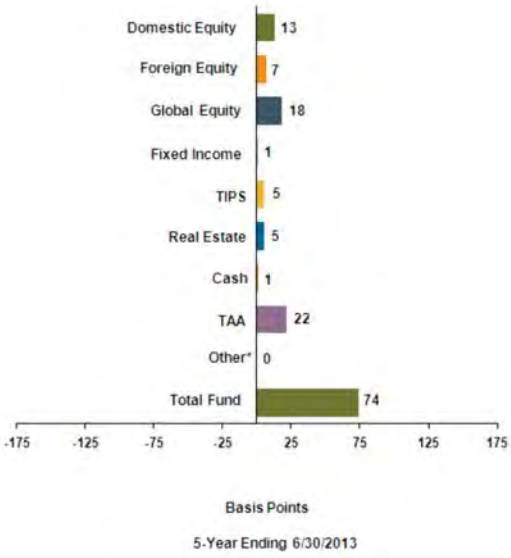
Universe: Endowments Net





Attribution





*Other includes differences between official performance value added and attribution value addded due to methodology and extraordinary payouts.

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Global Equity

Global Equity* | As of June 30, 2013 | $348.8 Million and 72.8% of Fund

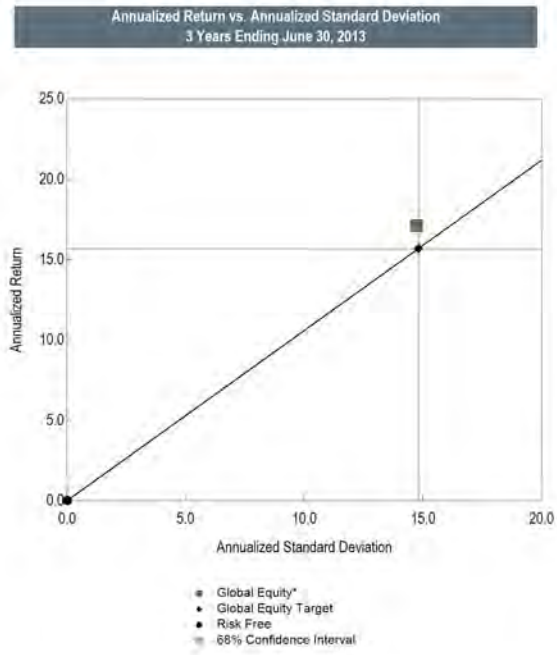
Overview

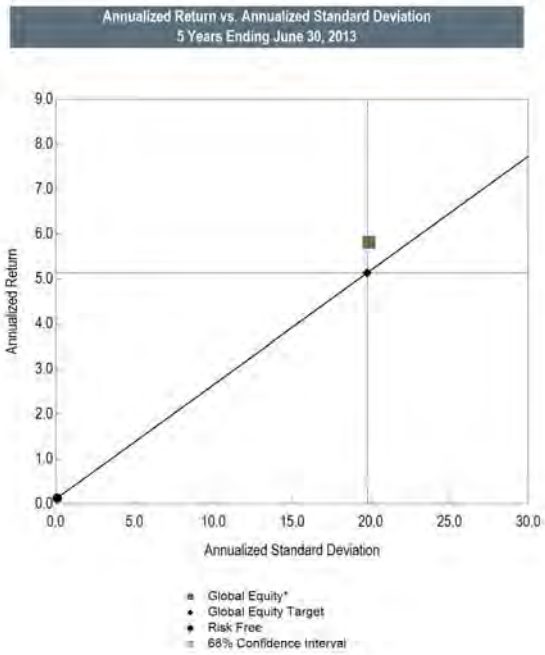
Benchmark: Global Equity Target

*Global Equity became an asset class in September 2012 by merging the Domestic Equities and Foreign Equities asset classes. The return series prior to September 2012 is a weighted average of Domestic Equities' and Foreign Equities' historical performance.

Risk Profile

Benchmark: Global Equity Target





*Global Equity became an asset class in September 2012 by merging the Domestic Equities and Foreign Equities asset classes. The return series prior to September 2012 is a weighted average of Domestic Equities' and Foreign Equities' historical performance.

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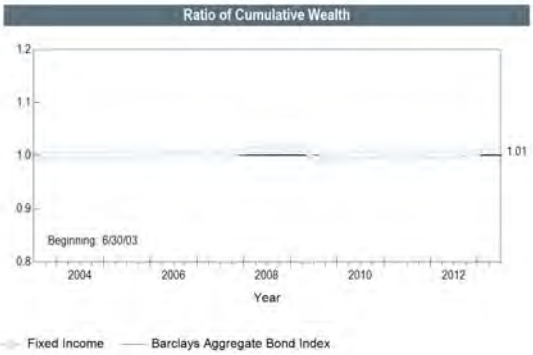
Fixed Income

Fixed Income | As of June 30, 2013 | $74.5 Million and 15.5% of Fund

Overview

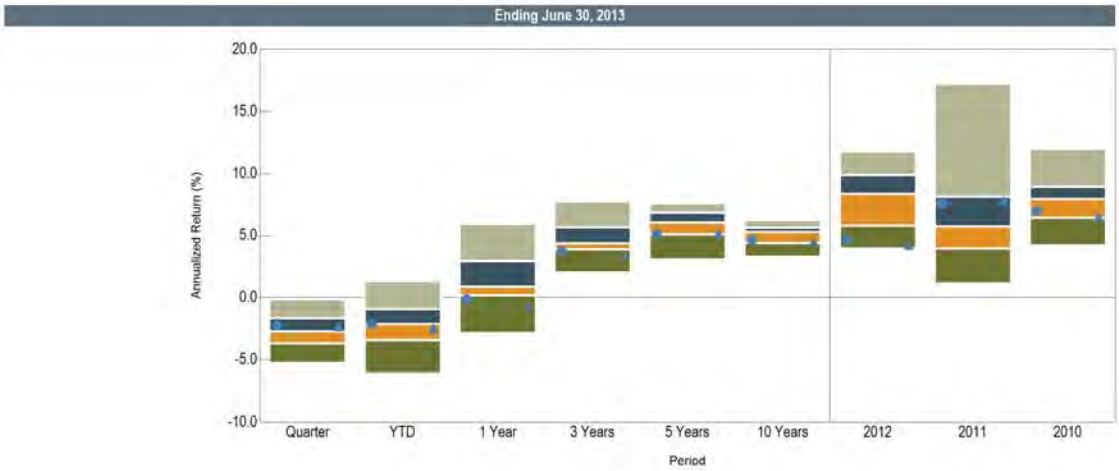
Benchmark: Barclays Aggregate Bond Index



Universe Comparison

Benchmark: Barclays Aggregate Bond Index

Universe: Endowments - US FI Net

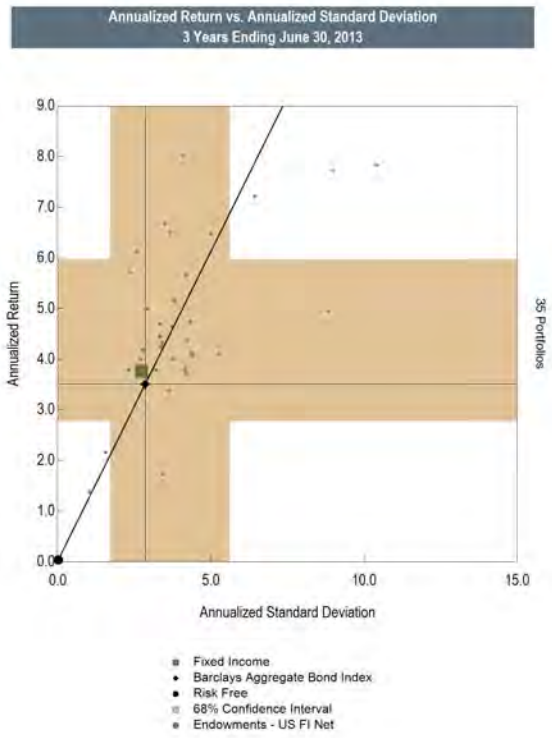


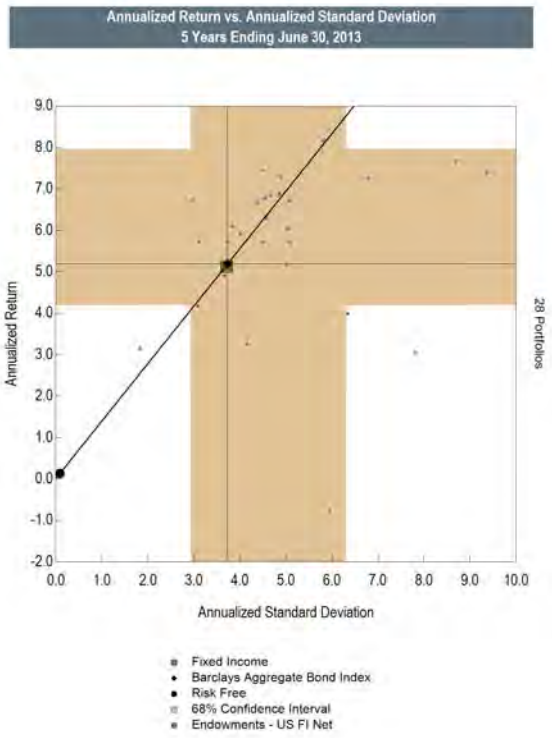
	Return (Rank)																	
5th Percentile	-0.1		1.3		5.9		7.8		7.6		6.3		11.7		17.2		12.0	
25th Percentile	-1.6		-0.9		3.0		5.7		6.9		5.6		9.9		8.1		8.9	
Median	-2.7		-2.1		0.9		4.4		6.1		5.3		8.4		5.7		8.0	
75th Percentile	-3.7		-3.4		0.2		3.9		5.1		4.4		5.8		4.0		6.4	
95th Percentile	-5.2		-6.1		-2.8		2.0		3.1		3.3		4.0		1.2		4.2	
# of Portfolios	49		48		47		35		28		21		49		49		41	
● Fixed Income	-2.2	(38)	-2.1	(52)	-0.1	(80)	3.8	(84)	5.1	(75)	4.6	(60)	4.6	(89)	7.6	(32)	7.0	(73)
▲ Barclays Aggregate Bond Index	-2.3	(39)	-2.4	(58)	-0.7	(82)	3.5	(90)	5.2	(74)	4.5	(64)	4.2	(92)	7.8	(29)	6.5	(75)

Risk Profile

Benchmark: Barclays Aggregate Bond Index

Universe: Endowments - US FI Net



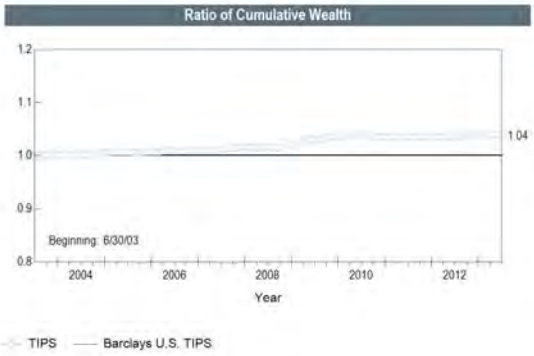


TIPS

TIPS | As of June 30, 2013 | $47.6 Million and 9.9% of Fund

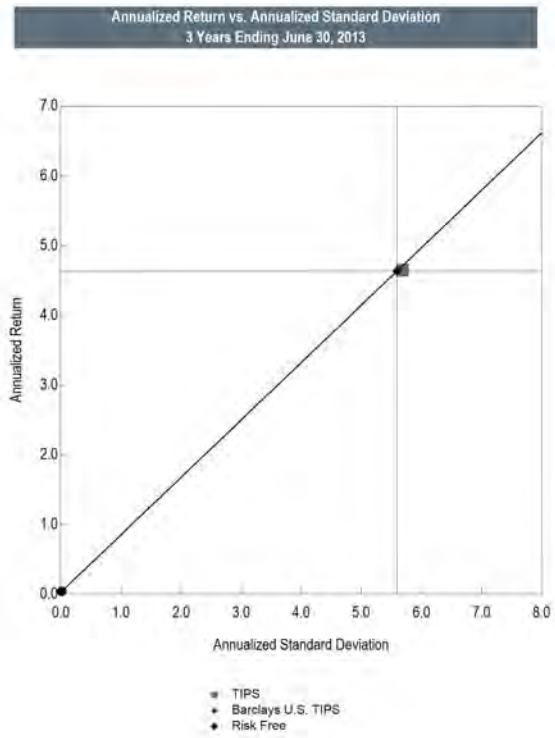
Overview

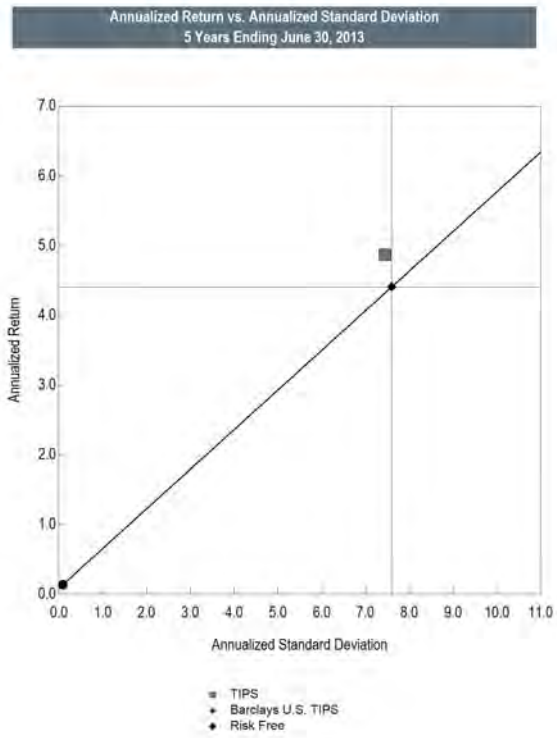
Benchmark: Barclays U.S. TIPS



Risk Profile

Benchmark: Barclays U.S. TIPS





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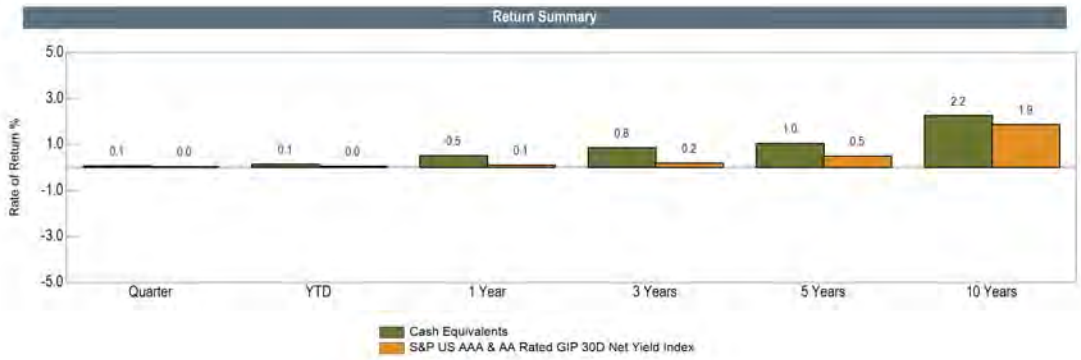
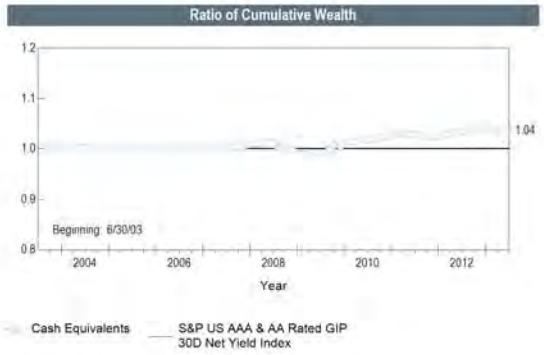
Cash Equivalents

Cash Equivalents | As of June 30, 2013 | $8.4 Million and 1.8% of Fund

Overview

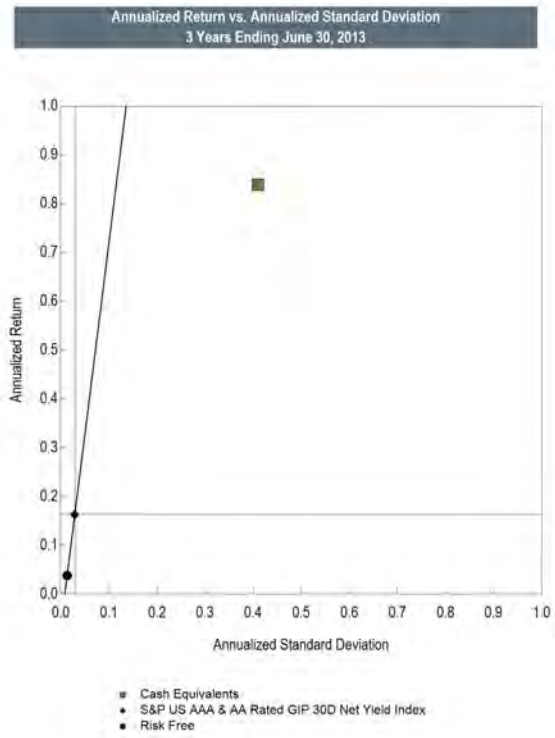
Benchmark: S&P US AAA & AA Rated GIP 30D Net Yield Index

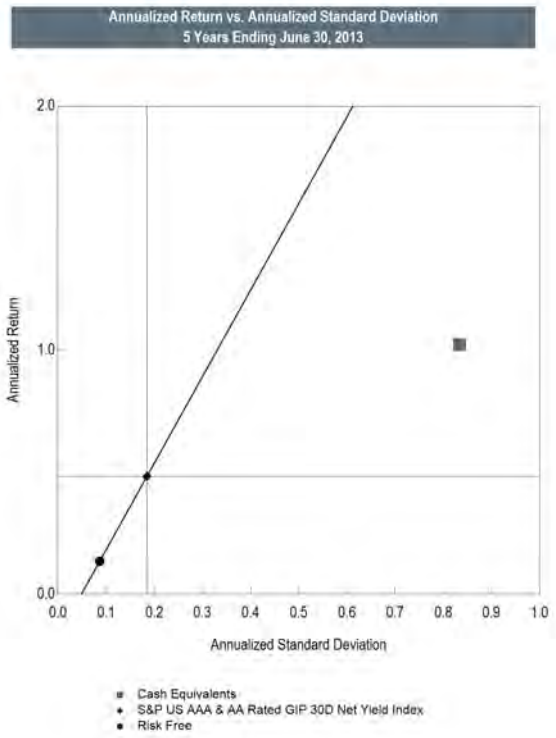




Risk Profile

Benchmark: S&P US AAA & AA Rated GIP 30D Net Yield Index





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Appendix

As of June 30, 2013

Securities Lending

Lawton Chiles Endowment Fund		
	Net Income	
June 2013	Fiscal Year to Date	Calendar Year to Date
$11,474	$192,041	$154,519
	Returns (annualized basis points)	
June 2013	Fiscal Year to Date	Calendar Year to Date
88	159	193

Market Returns

	Second Quarter	Annualized Periods Ending 6/30/13 1-Year	3-Year	5-Year	10-Year	15-Year
Domestic Stock Indices:						
Dow Jones US Total Stock Index	2.8	21.5	18.7	7.4	8.1	4.8
S&P 500 Index	2.9	20.6	18.5	7.0	7.3	4.2
Russell 3000 Index	2.7	21.5	18.6	7.2	7.8	4.7
Russell 1000 Value Index	3.2	25.3	18.5	6.7	7.8	5.5
Russell 1000 Growth Index	2.1	17.1	18.7	7.5	7.4	3.1
Russell MidCap Value Index	1.7	27.7	19.5	8.9	10.9	8.6
Russell MidCap Growth Index	2.9	22.9	19.5	7.6	9.9	6.3
Russell 2000 Value Index	2.5	24.8	17.3	8.6	9.3	7.8
Russell 2000 Growth Index	3.7	23.7	20.0	8.9	9.6	4.8
Domestic Bond Indices:						
Barclays Capital Aggregate Index	-2.3	-0.7	3.5	5.2	4.5	5.5
Barclays Capital Govt/Credit Index	-2.5	-0.6	3.9	5.3	4.4	5.6
Barclays Capital Long Govt/Credit Index	-6.1	-4.7	7.0	8.5	6.2	7.0
Barclays Capital 1-3 Year Govt/Credit Index	-0.1	0.7	1.3	2.5	2.9	4.1
Barclays Capital U.S. MBS Index	-2.0	-1.1	2.5	4.8	4.7	5.5
Barclays Capital High Yield Index	-1.4	9.5	10.7	10.9	8.9	6.9
Barclays Capital Universal Index	-2.4	0.2	4.1	5.5	4.8	5.7
Real Estate Indices:						
NCREIF Property Index	2.9	10.7	13.1	2.8	8.6	9.0
NCREIF ODCE Index	3.6	11.1	13.8	-1.1	5.9	6.9
Dow Jones Real Estate Securities Index	-1.3	7.7	18.0	6.8	10.8	9.6
FTSE NAREIT US Real Estate Index	-2.1	10.2	18.5	7.7	11.0	9.7
Foreign/Global Stock Indices:						
MSCI All Country World Index	-0.4	16.6	12.4	2.3	7.6	4.0
MSCI All Country World IMI	-0.5	17.1	12.6	2.8	8.0	4.5
MSCI All Country World ex-U.S. Index	-3.1	13.6	8.0	-0.8	8.6	4.6
MSCI All Country World ex-U.S. IMI	-3.3	13.9	8.1	-0.4	9.0	4.9
MSCI All Country World ex-U.S. Small Cap Index	-4.4	15.9	9.2	2.6	11.3	7.4
MSCI EAFE Index	-1.0	18.6	10.0	-0.6	7.7	3.6
MSCI EAFE IMI	-1.2	18.9	10.3	-0.3	8.0	4.0
MSCI EAFE Index (in local currency)	1.2	24.9	9.0	1.2	6.1	2.1
MSCI Emerging Markets IMI	-8.0	3.7	3.4	0.2	13.8	8.7
Foreign Bond Indices:						
Citigroup World Gov't Bond Index	-3.4	-5.7	2.6	2.6	4.8	5.3
Citigroup Hedged World Gov't Bond Index	-1.3	3.0	3.1	4.5	4.0	4.9
Cash Equivalents:						
Treasury Bills (30-Day)	0.0	0.0	0.0	0.1	1.3	2.1
Hewitt EnnisKnupp STIF Index	0.0	0.2	0.2	0.5	2.0	2.8
Inflation Index:						
Consumer Price Index	0.3	1.8	2.3	1.3	2.4	2.4

Benchmark Descriptions

LCEF Total Fund

Total Endowment Target - A weighted blend of the individual asset class target benchmarks.

Total Global Equity

MSCI ACWI IMI ex-Tobacco - From 9/1/2012 forward, a custom version of the MSCI ACWI IMI which excludes companies that derive their revenue from sales of tobacco and tobacco related products. Prior to September 2012, the benchmark is a weighted average of both Domestic Equities' and Foreign Equities' historical benchmarks.

Total Domestic Equities

Russell 3000 Index ex-Tobacco - Prior to 9/1/2012, an index that measures the performance of the 3,000 stocks that make up the Russell 1000 and Russell 2000 Indices, while excluding tobacco companies.

Total Foreign Equities

MSCI ACWI ex-US IMI ex-Tobacco - Prior to 9/1/2012, a capitalization-weighted index representing 44 countries, but excluding the United States. The index includes 23 developed and 21 emerging market countries, and excludes tobacco companies.

Total Fixed Income

Barclays Aggregate Bond Index - A market value-weighted index consisting of the Barclays Credit, Government, and Mortgage-Backed Securities Indices. The index also includes credit card, auto, and home equity loan-backed securities. This index is the broadest available measure of the aggregate investment grade U.S. fixed income market.

Total TIPS

Barclays U.S. TIPS - A market value-weighted index consisting of U.S. Treasury Inflation-Protected Securities with one or more years remaining until maturity with total outstanding issue size of $500 million or more.

Total Cash Equivalents

S&P U.S. AAA & AA Rated GIP 30-Day Net Yield Index - An unmanaged, net-of-fees, market index representative of the Local Government Investment Pool. On 10/1/2011, the S&P U.S. AAA & AA Rated GIP 30-Day Net Yield Index replaced the S&P U.S. AAA & AA Rated GIP 30-Day Gross Yield Index, which was previously used from 4/30/08 - 9/30/11. Prior to 4/30/08, it was the average 3-month T-bill rate.

Universe Descriptions

LCEF Total Fund
A universe comprised of 73 total endowment portfolio returns, net of fees, calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $226.9 billion as of quarter-end and the average market value was $2.4 billion.

Total Fixed Income
A universe comprised of 49 total fixed income portfolio returns, net of fees, of endowment plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $23.0 billion as of quarter-end and the average market value was $287.0 million.

Explanation of Exhibits

Quarterly and Cumulative Excess Performance - The vertical axis, excess return, is a measure of fund performance less the return of the primary benchmark. The horizontal axis represents the time series. The quarterly bars represent the underlying funds' relative performance for the quarter.

Risk-Return Graph - The horizontal axis, annualized standard deviation, is a statistical measure of risk, or the volatility of returns. The vertical axis is the annualized rate of return. As investors generally prefer less risk to more risk and always prefer greater returns, the upper left corner of the graph is the most attractive place to be. The line on this exhibit represents the risk and return trade-offs associated with market portfolios, or index funds.

Ratio of Cumulative Wealth Graph - An illustration of a portfolio's cumulative, un-annualized performance relative to that of its benchmark. An upward-sloping line indicates superior fund performance versus its benchmark. Conversely, a downward-sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

Performance Comparison - Universe Comparison - An illustration of the distribution of returns for a particular asset class. The component's return is indicated by the circle and its performance benchmark by the triangle. The top and bottom borders represent the 5th and 95th percentiles, respectively. The solid line indicates the median while the dotted lines represent the 25th and 75th percentiles.