



FINANCIAL STATEMENTS, MANAGEMENT'S
DISCUSSION AND ANALYSIS, AND
OTHER REPORT

State Board of Administration of Florida
Florida Retirement System Trust Fund
June 30, 2011 and 2010
With Report of Independent Certified Public Accountants

Ernst & Young LLP

 **ERNST & YOUNG**

State Board of Administration
Florida Retirement System Trust Fund

Financial Statements, Management’s Discussion and Analysis
and Other Reports

June 30, 2011 and 2010

Contents

Report of Independent Certified Public Accountants	1
Management’s Discussion and Analysis	3
Basic Financial Statements	
Statements of Net Assets	10
Statements of Changes in Net Assets.....	11
Notes to Financial Statements.....	12
Other Report	
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	53

Report of Independent Certified Public Accountants

Board of Trustees
State Board of Administration of Florida

We have audited the accompanying statements of net assets of the Florida Retirement System Trust Fund (the Trust) managed by the State Board of Administration (SBA) of Florida as of June 30, 2011 and 2010, and the related statements of changes in net assets for the years then ended. These financial statements are the responsibility of the SBA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Trust's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Trust and do not purport to, and do not, present fairly the financial position of the State of Florida, or the State Board of Administration of Florida or the Florida Retirement System as of June 30, 2011 and 2010, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust managed by the State Board of Administration of Florida as of June 30, 2011 and 2010, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2011 on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information recommended by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ernst + Young LLP

November 11, 2011

State Board of Administration
Florida Retirement System Trust Fund

Management's Discussion and Analysis

Years Ended June 30, 2011 and 2010

Introduction

This section of the financial statements of the Florida Retirement System Trust Fund (the Trust) presents management's discussion and analysis of the Trust's financial position for the fiscal years ended June 30, 2011 and 2010. Please read it in conjunction with the basic financial statements and the accompanying notes, which follow this section.

As further described in Note 1 to the financial statements, the Florida Retirement System (FRS) Pension Plan (the Plan) is a cost-sharing, multiple-employer defined benefit pension plan for eligible employees of the FRS who have not elected to participate in the Public Employee Optional Retirement Program (PEORP), a defined contribution plan.

The State Legislature is responsible for setting Plan structure, benefit levels, contribution rates and providing statutory authority for administering the Plan. The Plan is administered by the Division of Retirement within the Department of Management Services (DMS) and affected employers. DMS's responsibilities include directing actuarial studies, collecting contributions to the Plan, transmitting contributions to the State Board of Administration of Florida (the SBA) for deposit in the Trust, and making benefit payments. The SBA is responsible for managing Trust assets consistent with statutory authority.

Overview of the Financial Statements

The financial reporting entity represented in the basic financial statements and accompanying notes is the Trust, which consists of the assets held in trust by the SBA for the payment of retirement benefits and reasonable administrative expenses of the Plan. The financial statements of the Trust do not include the pension liabilities of the participating employers. The assets, liabilities, and funded status of the Plan are reported in the Comprehensive Annual Financial Report (CAFR) of the State of Florida.

The Trust's basic financial statements consist of two-year comparative statements of net assets and statements of changes in net assets and the notes to financial statements.

The statements of net assets and the statements of changes in net assets report information about the net assets (total assets in excess of total liabilities) of the Trust as of the end of the fiscal year and the changes in those net assets during the fiscal year. These statements present assets and liabilities using the accrual basis of accounting. Under the accrual basis of accounting, the current year's additions (revenues) and deductions (expenses) are included in the financial

State Board of Administration
Florida Retirement System Trust Fund

Management's Discussion and Analysis (continued)

Years Ended June 30, 2011 and 2010

statements, regardless of when the cash is received or paid. The difference between the total assets and total liabilities, or net assets, on the statements of net assets provides a measurement of the financial position of the Trust as of the end of the fiscal year. The statements of changes in net assets provide information on the activities that caused the financial position to change during the fiscal year.

The notes to financial statements also are important to the reader's understanding of the financial statements and provide additional information regarding the Trust, such as information about accounting policies, significant account balances and activities, material risks, obligations, contingencies and subsequent events, if any.

Statements of Net Assets

The statements of net assets present the assets, liabilities and net assets (assets minus liabilities) of the Trust as of the end of the fiscal year and are point in time financial statements.

The statements of net assets were comprised of the following major components as of the end of each of the last three fiscal years.

Trust Net Assets (In Millions)

	As of June 30		
	2011	2010	2009
Assets			
Cash and cash equivalents	\$ 225	\$ 134	\$ 476
Invested security lending collateral	4,453	5,145	9,510
Investments	133,764	112,784	101,397
Receivables and prepaid expenses	3,569	3,794	2,626
Total assets	<u>142,011</u>	<u>121,857</u>	<u>114,009</u>
Liabilities			
Total liabilities	13,178	12,683	15,358
Net assets held in trust	<u>\$ 128,833</u>	<u>\$ 109,174</u>	<u>\$ 98,651</u>

State Board of Administration
Florida Retirement System Trust Fund

Management's Discussion and Analysis (continued)

Years Ended June 30, 2011 and 2010

Statements of Changes in Net Assets

Changes in net assets from year to year are presented in the statements of changes in net assets. These statements show the net investment income earned by the Trust as well as the contributions from employers and withdrawals for participants and/or beneficiaries. A summary of the changes in net assets during the past three fiscal years follows.

Changes in Trust Net Assets (in Millions)

	Year Ended June 30		
	2011	2010	2009
Additions			
Net investment income (loss)	\$ 24,199	\$ 14,641	\$ (24,642)
Contributions	3,117	2,754	2,932
Total additions	27,316	17,395	(21,710)
Deductions			
Transfers for benefit payments	6,474	6,197	5,697
Participant-directed transfers to the Public Employee Optional Retirement Program Trust Fund (PEORPTF)	1,183	675	523
Total deductions	7,657	6,872	6,220
Net increase (decrease) in net assets	\$ 19,659	\$ 10,523	\$ (27,930)

Analysis

- The Trust's net assets (total assets in excess of total liabilities) increased by \$19.6 billion (18%) and \$10.5 billion (11%) during fiscal years 2011 and 2010, respectively.
- The Trust's assets consisted primarily of investments. The increase in net assets in fiscal years 2011 and 2010 was primarily the result of the overall net appreciation in investment values in the United States and abroad during the fiscal years, as the world economy continued to recover from the economic recession that began in late 2007.
- Net investment income increased by \$9.6 billion (65%) during fiscal year 2011, compared with an increase of \$39.3 billion (159%) for fiscal year 2010.

State Board of Administration
Florida Retirement System Trust Fund

Management's Discussion and Analysis (continued)

Years Ended June 30, 2011 and 2010

- Contributions to the Trust for fiscal year 2011 totaled \$3.1 billion, an increase of 13% compared with fiscal year 2010 contributions of \$2.8 billion. This followed a decrease of \$178 million (6%) during fiscal year 2010. Contributions consisted primarily of employer contributions to the Plan transferred from DMS, but also included participant-directed transfers from PEORP. The 2011 increase was due partly to an increase in the blended contribution rates for each membership class in the Plan, which are established legislatively.
- Total transfers from the Trust (deductions) for fiscal year 2011 totaled \$7.7 billion, an increase of 11% over fiscal year 2010 deductions of \$6.9 billion. This followed an increase of \$652 million (10%) during fiscal year 2010. Transfers from the Trust to the DMS for benefit payments increased 4.5% to \$6.5 billion and 9% to \$6.2 billion, during fiscal years 2011 and 2010, respectively. Participant-directed transfers to the PEORP Trust Fund increased by \$508 million (75%) for fiscal year 2011 and \$152 million (29%) for fiscal year 2010, as more FRS participants made a second election and transferred their membership from the Plan to the defined contribution plan.
- Cash and cash equivalents held in the Trust increased \$91 million, primarily due to a \$79 million increase in foreign currency deposits, from \$103 million at June 30, 2010, to \$182 million on June 30, 2011. Conversely, the decrease in fiscal year 2010 was primarily due to a decrease of \$306 million in time deposits held in the security lending collateral portfolios.
- In fiscal year 2011, changes were made to the Trust's asset allocation policy as publicly-held domestic and international stocks and commingled equity funds were combined into a single asset class – global equity. Total equity exposure increased, and the Trust shifted a significant share of its equity portfolios from domestic stocks to foreign stocks during the fiscal year. The proportion of the Trust that was invested in fixed income investments was reduced and the composition changed with increases in commercial paper, U.S. Government guaranteed bonds/notes, and federal agencies, and reductions in corporate bonds and notes.
- Comments below relate to certain line items that appear in the more detailed financial statements that follow this MD&A section of the report:
 - During fiscal year 2011, the invested security lending collateral and the related liability obligations under security lending agreements each decreased approximately 13% to 14% in value. In July 2009, following a third-party study of current practices in securities lending, the SBA began transitioning from a general collateral/cash reinvestment program to an intrinsic/repo-only lending model. The latter model recognizes and monetizes only the demand driven lending value of securities held in the portfolio and avoids the credit and liquidity risk of a credit-oriented reinvestment portfolio.

State Board of Administration
Florida Retirement System Trust Fund

Management's Discussion and Analysis (continued)

Years Ended June 30, 2011 and 2010

Existing re-investment portfolios contained legacy non-repo securities supported by lending until they were either sold or matured. All new lending is done using one-day repurchase agreements of U.S. Government guaranteed securities as re-investment.

The result has been that both lending revenue and utilization dropped substantially. As of June 30, 2011, approximately 94% of the lending program was intrinsic, as compared to 82% at June 30, 2010.

- The transfers due from DMS at June 30, 2011 increased \$91.9 million, or about 35%, over the amounts due the previous fiscal year. DMS collected three pay periods from employers in June 2011 versus two pay periods in June 2010, as employers made efforts to send payments prior to July 1, 2011, when employees became obligated to contribute 3% of their salaries into the FRS. DMS transferred these payments to the SBA in July 2011.
- Forward contracts to buy and sell currency decreased in value in fiscal year 2011 from fiscal year 2010 values by approximately \$372 million and \$374 million, respectively. In fiscal year 2011, the Trust terminated several Fixed Income Active Core Plus managers with about \$477 million in forward contracts as of June 30, 2010. The balance of the year-over-year change is the increase in forward contracts employed by the Global Equity asset class. During fiscal year 2011, the Trust shifted the several domestic equity portfolios to global or foreign equity portfolios, which resulted in the increase in forward contracts in that area.
- Short sell obligations increased \$652 million, or 90%, in fiscal year 2011 over fiscal year 2010. The change reflects two items. First, one fixed income portfolio manager sold TBA positions at June 30, 2011 in order to hedge a potential loss in long positions on TBA pools because of a decrease in interest rates. Second, there was growth in the aggregate prime broker equity portfolio account values for the fiscal year. The investment managers in the prime broker equity portfolios attempt to maintain a targeted 30% short position. As the market value of stocks increased in fiscal year 2011, the short positions also increased.
- Investment expenses of \$357 million increased approximately 12%. Most investment management agreement fees are calculated as a percentage of fair value, and these fees increased as the value of investments appreciated.

State Board of Administration
Florida Retirement System Trust Fund

Management's Discussion and Analysis (continued)

Years Ended June 30, 2011 and 2010

- The decline in security lending income and expenses that began in fiscal year 2010 continued in fiscal year 2011. In July 2009, the Trust began transitioning from a general collateral/cash re-investment program to an intrinsic/repo-only lending model as more fully discussed above. This, along with the low interest rate environment, led to an increase in broker rebate income and a decrease in broker rebates paid during fiscal year 2011.

Investment Returns

The Trust earned an overall investment return of 22.1% for fiscal year 2011, compared with a return of 14.0% for fiscal year 2010.

The Trust has outperformed its performance benchmark over the trailing one-, three-, and five-, ten- and fifteen-year periods. The total 2011 return was 0.5% above the performance benchmark.

For the fiscal year ended June 30, 2011, the Trust's investment returns, by major asset class, were as follows:

<u>Asset Class</u>	<u>Return</u>	<u>Benchmark</u>
Global equity	31.04%	29.99%
Fixed income	6.09%	3.90%
Private equity ¹	18.11%	34.96%
Real estate	18.43%	20.63%
Strategic investments	19.17%	12.29%
Cash	0.38%	0.08%
Total fund	22.09%	21.59%

¹ Per industry convention, Private Equity returns are presented on a dollar-weighted basis. All other returns are on a time-weighted basis.

More detailed information and analysis of the Trust's performance can be obtained from the SBA's Annual Investment Report, which can be found at www.sbafla.com.

State Board of Administration
Florida Retirement System Trust Fund

Management's Discussion and Analysis (continued)

Years Ended June 30, 2011 and 2010

Economic Factors

The fiscal year 2011 was decidedly mixed for the U.S. economy as respectable growth in the first half of the year ultimately faded. A decent recovery seemed to be underway in the second half of calendar year 2010 as real Gross Domestic Product (GDP) growth exceeded a 2% annual rate in both the third and fourth quarters. But, real GDP barely grew in the first quarter of 2011, with a modest 0.4% advance, and the second quarter was not much better with a gain of only 1.3%. Those were the weakest quarterly real GDP growth rates since the recession officially ended in June 2009. The immediate causes of the slowdown were fairly easy to identify. Spreading discontent in the Middle East was a problem for the world economy in early 2011 as the emerging Arab Spring cut oil supplies and drove fuel prices higher. The Japanese tsunami and earthquake in March damaged a number of factories that made critical parts for the global auto industry. Subsequent production curtailments caused shortages of many vehicle makes and models and cut heavily into sales.

Arguably the biggest economic drag as the year unfolded was the ongoing European debt crisis. While peripheral nations struggled under the burden of large public sector debts, core Eurozone members repeatedly sought to craft a plan that would prevent any actual sovereign debt defaults from taking down key Continental banks – perhaps triggering a Lehman-like credit crunch. Unfortunately, they were unable to convince markets that the situation was under control, and worries that a repeat severe global recession could be in the offing acted as a persistent drag on economic activity.

Despite all of the gloom and uncertainty over the economy, U.S. stock markets held up well during the fiscal year. The S&P 500 Index was up 28.1% for the 12-month period while the Russell 3000 gained 30.0%. The rest of the world did not do quite as well, but the MSCI All-Country Investable Market Index ex-U.S. produced a respectable 21.8% return. At the end of the fiscal year, each of the three negatives cited above was still impacting the economy, but some improvement had been seen in the first two. The European situation, however, still appeared to be a long way from any resolution.

Contacting the Trust's Financial Management

This financial report is designed to provide citizens, taxpayers, plan participants, and other interested parties with an overview of the Trust's finances and the prudent exercise of the SBA's oversight. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Operating Officer, State Board of Administration of Florida, P.O. Box 13300, Tallahassee, Florida 32317-3300.

State Board of Administration
Florida Retirement System Trust Fund

Statements of Net Assets

	June 30	
	2011	2010
	<i>(In Thousands)</i>	
Assets		
Cash and cash equivalents	\$ 224,754	\$ 133,747
Security lending collateral	4,453,438	5,145,215
Investments, at fair value:		
Certificates of deposit	415,029	584,932
Commercial paper	6,948,138	3,656,140
Money market funds	6,444	4,652
Repurchase agreements	1,000,000	1,565,763
U.S. government guaranteed bonds and notes	7,962,851	6,448,166
Federal agency securities	10,133,810	7,969,768
Domestic corporate bonds and notes	9,114,050	14,289,373
Domestic fixed income commingled funds	-	177,152
International bonds and notes	3,202,165	3,354,160
Domestic stocks	35,120,466	40,179,374
Equity group trust	1,235	2,082
International stocks	35,455,575	17,066,866
International equity commingled funds	8,073,939	4,958,217
Private equity limited partnerships	9,041,609	6,372,309
Real estate	7,285,791	6,160,289
Options purchased	1,017	5,615
Swap contracts (fixed income)	1,696	(10,981)
Total investments	<u>133,763,815</u>	<u>112,783,877</u>
Receivables:		
Transfers due from DMS	357,170	265,299
Accrued interest and dividends	369,480	383,982
Futures trade equity	8,348	3,909
Forward currency contracts	190,592	564,629
Investments sold, but not settled	2,635,730	2,566,914
Total receivables	<u>3,561,320</u>	<u>3,784,733</u>
Prepaid manager fees	8,144	9,435
Total assets	<u>142,011,471</u>	<u>121,857,007</u>
Liabilities		
Transfers due to DMS	301,274	313,784
Accounts payable and accrued liabilities	68,966	54,406
Futures trade equity payable	6,888	6,362
Forward currency contracts payable	190,879	562,818
Investments purchased, but not settled	6,667,392	5,704,288
Options sold	16	8,757
Short sell obligations	1,377,134	724,659
Obligations under security lending agreements	4,565,862	5,307,937
Total liabilities	<u>13,178,411</u>	<u>12,683,011</u>
Net assets held in trust	<u>\$ 128,833,060</u>	<u>\$ 109,173,996</u>

See accompanying notes.

State Board of Administration
Florida Retirement System Trust Fund

Statements of Changes in Net Assets

	June 30	
	2011	2010
	<i>(In Thousands)</i>	
Additions		
Investment income:		
Interest income	\$ 1,184,165	\$ 1,438,671
Dividend income	1,779,620	1,384,741
Real estate income, net	387,446	377,464
Fines, forfeits and securities litigation proceeds	12,548	44,464
Other investment income	58,237	62,377
Net increase in fair value of investments	<u>21,098,311</u>	<u>11,613,923</u>
Total investment income	<u>24,520,327</u>	<u>14,921,640</u>
Investment expenses:		
Bank fees	(4,203)	(4,220)
Investment management fees	(321,399)	(285,335)
SBA investment service charges	(18,476)	(16,680)
Other fees and expenses	<u>(13,267)</u>	<u>(12,294)</u>
Total investment expenses	<u>(357,345)</u>	<u>(318,529)</u>
Net investment income	<u>24,162,982</u>	<u>14,603,111</u>
Security lending income	45,669	54,797
Security lending expenses	<u>(9,987)</u>	<u>(16,795)</u>
Net income from security lending	<u>35,682</u>	<u>38,002</u>
Net investment income	<u>24,198,664</u>	<u>14,641,113</u>
Transfers:		
Transfers from participants of the PEORP	33,494	21,002
Transfers from DMS related to employer contributions	<u>3,083,840</u>	<u>2,733,277</u>
Total transfers	<u>3,117,334</u>	<u>2,754,279</u>
Total additions	<u>27,315,998</u>	<u>17,395,392</u>
Deductions		
Participant transfers to PEORPTF	1,183,161	674,731
Transfers to DMS for benefit payments	<u>6,473,773</u>	<u>6,197,430</u>
Total deductions	<u>7,656,934</u>	<u>6,872,161</u>
Increase in net assets	<u>19,659,064</u>	<u>10,523,231</u>
Net assets held in trust:		
Beginning of year	<u>109,173,996</u>	<u>98,650,765</u>
End of year	<u>\$ 128,833,060</u>	<u>\$ 109,173,996</u>

See accompanying notes.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements

June 30, 2011 and 2010

1. Financial Reporting Entity

The State Board of Administration of Florida (the SBA) was established on June 21, 1929, pursuant to Chapter 14486, Laws of Florida (1929). The SBA was subsequently created as a constitutional body corporate on January 1, 1943, by Article IX, Section 16 of the State Constitution of 1885, as amended. The SBA was subsequently continued as a body corporate by Article IV, Section 4(e) of the State Constitution (1968), as amended. The SBA is governed by a three-member board of trustees consisting of: the Governor, as Chairman; the Chief Financial Officer, as Treasurer; and the Attorney General, as Secretary.

The Department of Management Services (DMS), Division of Retirement is responsible for administering the Florida Retirement System (FRS) Pension Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan, established by the Legislature of the State of Florida in accordance with Chapter 121, Florida Statutes, to provide for retirement benefits for eligible employees of the State and all participating county, district school board, community college and university employees. Under the FRS, employers make contributions to the DMS, Division of Retirement which are initially deposited into the Florida Retirement System Contributions Clearing Fund (Clearing Fund) which holds all contributions for all plans of the FRS. The DMS, as the administrative agency of the Plan, provides full accounting and administration of benefit payments and contributions, commissions actuarial studies, and proposes rules and regulations for the administration of the Plan.

The Florida Retirement System Trust Fund (the Trust) was established by the SBA pursuant to Chapter 121, Florida Statutes, to receive, invest and hold the assets of the FRS for the exclusive benefit of the FRS participants and for the payment of reasonable costs of the Plan. The DMS transfers member government contributions from the Clearing Fund to the Trust for investment by the SBA. The Trust holds the assets of the FRS in trust for the exclusive benefits of FRS participants and beneficiaries and for the payment of reasonable administrative expenses of the Plan.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

1. Financial Reporting Entity (continued)

The Trust is not a separate legal entity within the State of Florida. These financial statements and notes thereto include only the net assets and change in net assets of the Trust and do not purport to, and do not, present fairly the financial position of the State of Florida, the SBA or the FRS as of June 30, 2011 and 2010, and the changes in their financial position for the years then ended, in conformity with accounting principles generally accepted in the United States (GAAP).

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements were prepared in conformity with GAAP for governments as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The Trust is accounted for as an investment trust fund pursuant to GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 31) and GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments* (GASB 34). As such, the Trust presents statements of net assets and statements of changes in net assets.

Measurement Focus and Basis of Accounting

The financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues (additions) are recognized when earned and expenses (deductions) are recognized when incurred, regardless of when the related cash flow takes place.

New Accounting Standards Adopted

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus* (GASB 59), which updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. GASB 59 became effective for financial statements for reporting periods beginning after June 15, 2010. The Trust’s adoption of this standard did not have a material impact on the statements of net assets or the statements of changes in net assets.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Trust reports all cash on hand and on deposit in banks, including demand deposits, time deposits, and non-negotiable certificates of deposit as cash and cash equivalents. Cash equivalents are short-term, highly liquid investments with an original maturity of ninety days or less when purchased.

Investments

Investment transactions are accounted for on a trade (investment) date basis. Gains and losses from investment transactions are determined using the average cost method. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date.

Section 215.47, Florida Statutes, gives the SBA the authority to invest in a range of instruments, including security lending agreements. All of the Trust's investments are reported at fair value in accordance with GASB 31. Realized and unrealized gains and losses are reflected in the statements of changes in net assets as "net increase in fair value of investments."

The fair value of the Trust's assets are obtained or estimated in accordance with the Global Pricing Guidelines established with the SBA's custodian BNY Mellon. BNY Mellon uses a variety of independent pricing sources and designates certain vendors as the primary source based on asset type, class or issue. BNY Mellon monitors fair value information supplied by these primary sources and may use a supplemental pricing source or change the primary pricing source if any of the following occurs:

- The fair value of a security is not received from the primary pricing source.
- The primary pricing source no longer provides fair values for a particular asset type, class or issue.
- The SBA or its portfolio investment manager challenges a fair value and BNY Mellon reviews the fair value with the vendor, who agrees that the fair value information provided by that vendor may not be appropriate.
- The fair value from the primary source exceeds BNY Mellon's price tolerance checkpoints and results in a vendor comparison review where another source is deemed to be more appropriate by BNY Mellon.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

When a portfolio includes securities or instruments for which the custodial bank does not receive fair value information from its vendor pricing source, the custodial bank uses a “non-vendor pricing source.” Examples include, but are not limited to, limited partnerships or similar private investment vehicles that do not actively trade through established exchange mechanisms; other private placements where there is limited or no information in the market place; and unique fixed income and equity instruments. The SBA does not provide direction regarding the substitution of prices in such instances where securities or instruments are in the portfolio of an investment manager appointed by the SBA. In such cases where the SBA directed the purchase of such securities or instruments, BNY Mellon may obtain the non-vendor fair values by contacting the SBA only if it is not commercially reasonable to directly obtain the non-vendor fair value information from the broker of record, as identified by the SBA.

For alternative investments where no readily ascertainable market value exists (including limited partnerships and real estate pooled funds), management has determined fair values for the individual investments based on the net asset value (capital account balance) at the closest available reporting period, as communicated by the general partner, adjusted for subsequent contributions, distributions, management fees, and reserves. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment. The most significant input into the net asset value of an entity is the value of its investment holdings. The net asset value is provided by the general partner and/or investment manager and reviewed by management. Annually, the financial statements of the limited partnerships are audited by independent auditors.

Beginning with the quarter ending March 31, 2010, all real estate direct-owned properties have been required to be valued by independent, licensed appraisers selected by an appraisal management company retained by the SBA. Appraisals on debt associated with direct-owned properties are also required to have external appraisals beginning with the quarter ending December 31, 2010. These appraisals are prepared as of each property’s respective fiscal year end (March 31, June 30, September 30, or December 31). The annual externally appraised value is adjusted for subsequent events (capital calls and capital distributions; operating income and expenses; and realized gains and losses) to derive the monthly market value. Prior to this change, real estate valuations for direct owned properties were based on internal appraisals prepared by the investment advisors annually, as of the property’s respective fiscal year end. These valuations also were adjusted monthly by the subsequent events listed above. External appraisals were required to be performed every two years and used as a reasonableness check against the

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

investment advisor's internal appraisal. Third parties may be retained by fund managers to value the funds. Direct-owned properties are held within title holding companies whose financial statements are subject to annual audit by an auditing firm retained by the SBA.

Real Estate commingled funds, per contractual arrangements, are valued by the fund manager or designee. The fund manager's market value is adjusted for subsequent events (capital calls and capital distributions; operating income and expenses; and realized gains and losses) to derive the monthly market value.

All derivative financial instruments are reported at fair value in the statements of net assets. The instruments are adjusted to fair value at least monthly, with valuation changes recognized in investment earnings. Gains and losses are recorded in the statements of changes in net assets as "net increase in fair value of investments" during the period. The nature and use of derivative instruments is discussed in Note 4.

Because of the inherent uncertainty of the valuation using pricing methodologies other than the quoted prices, the estimated fair values may differ from the values that would have been used had a ready market existed.

Transfers from and to DMS and PEORPTF

The DMS sends FRS employer contributions and Public Employee Optional Retirement Program Trust Fund (PEORPTF) sends participant-directed transfers to the Trust for investment purposes. Transfers may occur daily. Likewise, both DMS and PEORPTF may request transfers from the Trust to meet normal benefit obligations of the FRS, or to fulfill participant-directed transfer requests. To ensure timely payment, the Trust estimates such obligations at the first of each month and allocates them to the Trust's public market asset classes (excluding the Cash asset class). The allocations constitute liquidity assessments, which the asset classes are required to provide in cash in a prudent, but reasonably expeditious fashion.

At fiscal year-end, the Trust accrues a receivable due from DMS for employer contributions that are due for the month of June, but that DMS will not transfer to the Trust until the following fiscal year. The Trust also accrues a payable due to DMS at fiscal year-end for the amount of expected transfers to be requested by DMS to fund Deferred Retirement Option Program (DROP) payouts as of June 30.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Management Fees and Administrative Expenses

The SBA hires external investment managers to invest a significant portion of the Trust's investment assets. The Trust typically pays investment management fees based on individually negotiated investment management agreements. Certain fees and charges are performance-related, typically associated with exceeding a market benchmark or hurdle rate. Investment management fees are usually paid quarterly, with fees based on a sliding scale of the portfolio's net asset value at quarter-end, calculated by multiplying each level of net assets by a specified basis point charge. Fees are paid from the appropriate investment portfolio and are recognized as an expense over the time period for which the fees are applicable. Certain investment management fees, usually in private equity portfolios, are paid at the beginning of the period. These fees are recorded as prepaid manager fee assets on the statements of net assets and are expensed over their applicable time period.

Pursuant to Section 215.515, Florida Statutes, the SBA charges the Trust a monthly SBA investment service charge of 1.5 basis points (annualized) based on the month-end net asset value of the total Trust. The service charge is calculated and deducted from the Trust after each month's total net asset value of the Trust is determined. These charges are reported on the statements of changes in net assets as part of the Trust's investment expenses.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues (additions) and expenses (deductions) during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

3. Deposits

As of June 30, 2011, the recorded carrying amount of deposits totaled \$224.8 million, and consisted of U.S. dollars and foreign currencies (U.S. value) in the amounts of \$42.5 million and \$182.3 million.

As of June 30, 2010, the recorded carrying amount of deposits totaled \$133.7 million. The total deposits consisted of U.S. dollars and foreign currencies (U.S. value) in the amounts of \$31.0 million and \$102.7 million.

Certain deposits, totaling \$5.0 million in foreign currencies at June 30, 2011, and \$3.5 million in U.S. dollars and \$3.7 million in foreign currencies at June 30, 2010, were held as initial margin at the SBA's futures clearing broker. All other deposits were held in one of the financial institutions utilized by the SBA.

A. Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Trust will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Bank deposits as of June 30, 2011 were \$226.3 million. A portion of the deposits, totaling \$37.1 million, were covered by federal depository insurance. Uninsured and uncollateralized amounts of \$6.5 million in foreign currency were held by the Trust's futures clearing broker. The uninsured and uncollateralized deposits of U.S. dollars at the Trust's custodian banks in excess of the federal depository insurance totaled \$5.4 million. The remaining uninsured and uncollateralized deposits, totaling \$177.3 million, were held in foreign currencies in SBA's custodian's nominee name.

Bank deposits as of June 30, 2010, were \$133.7 million. A portion of the deposits, totaling \$782 thousand, were covered by federal depository insurance. Uninsured and uncollateralized amounts of \$3.5 million in U.S. dollars and \$3.7 million in foreign currency were held as initial margin by the Trust's futures clearing broker. The uninsured and uncollateralized deposits of U.S. dollars at the Trust's custodian banks in excess of the federal depository insurance totaled \$26.8 million. The remaining uninsured and uncollateralized deposits, totaling \$98.9 million, were held in foreign currencies in SBA's custodian's nominee name.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

3. Deposits (continued)

B. Foreign Currency Risk for Deposits

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Under Section 215.47, Florida Statutes, and subject to the limitation and conditions of the State Constitution or of the trust agreement relating to a trust fund, moneys available for investments by the Trust may be invested in fixed income obligations or stocks denominated in foreign currency. The SBA has developed for the Trust an Investment Policy Statement that sets ranges on investments by asset class. During the majority of the fiscal year ended June 30, 2010, investments held in the foreign equity asset class were limited to a range of 11% to 25% of total Trust investments, with a target of 20%. On June 8, 2010 (and reaffirmed on June 16, 2011), the SBA Trustees adopted a new Trust Investment Policy Statement that combined domestic and foreign equity asset classes into one overall global asset class; therefore, the previously adopted range limiting assets in the foreign equity asset class is no longer in effect. Other asset classes may hold non-U.S. securities as well, depending on portfolio guidelines. In both cases, Florida law limits the exposure to foreign securities held outside of commingled trusts to 35% of the total trust.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

3. Deposits (continued)

Investment activity in foreign investments resulted in deposits in foreign currency as of June 30, 2011 and 2010, as illustrated in the following schedule:

**Foreign Currency
As of June 30, 2011 and 2010**

<u>Currency</u>	<u>Carrying Balance</u>	
	<u>2011</u>	<u>2010</u>
	<i>(In Thousands)</i>	
Australian dollar	\$ 3,610	\$ 2,837
Botswana pula	67	62
Brazilian real	7,548	5,512
British pound sterling	16,346	5,164
Canadian dollar	8,934	3,194
Czech koruna	2,006	278
Danish krone	863	832
Egyptian pound	619	48
Euro currency unit	20,345	9,097
Hong Kong dollar	19,041	7,001
Indian rupee	7,549	176
Indonesian rupiah	748	76
Israeli shekel	572	546
Japanese yen	38,296	44,286
Kenyan shilling	178	628
Malaysian ringgit	2,034	314
Mexican new peso	694	2,181
Moroccan dirham	320	131
New Zealand dollar	316	50
Norwegian krone	1,643	1,190
Philippines peso	360	96
Qatari riyal	562	—
Singapore dollar	1,701	24
South African rand	2,028	144
South Korean won	1,813	569
Swedish krona	2,583	495
Swiss franc	10,490	1,445
Taiwan new dollar	26,487	12,684
Thailand baht	1,857	2,043
Turkish new lira	2,514	1,285
Other	179	263
Total deposits subject to foreign currency risk	<u>\$ 182,303</u>	<u>\$ 102,651</u>

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments

The SBA has the authority and responsibility for the investment of the Trust assets pursuant to Section 215.47, Florida Statutes, in a range of instruments including, but not limited to, federally-guaranteed obligations, certain state bonds, corporate bonds, commercial paper, banker's acceptances, short-term obligations purchased individually or in pooled accounts, interests in certain open-end and closed-end management type investment companies or investment trusts, common and preferred stock, repurchase and reverse repurchase agreements and real estate. The SBA may also buy and sell futures contracts, option contracts and domestic or foreign notional principal contracts.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

The schedule below discloses the Trust's investments, by type, at June 30, 2011 and 2010.

	Fair Value	
	2011	2010
	<i>(In Thousands)</i>	
Investment type:		
Certificates of deposit	\$ 415,029	\$ 584,932
Commercial paper	6,948,138	3,656,140
Money market funds	6,444	4,652
Repurchase agreements	1,000,000	1,565,763
U.S. guaranteed obligations	7,962,851	6,448,166
Federal agencies	10,133,810	7,969,768
Domestic corporate and municipal bonds and notes ¹	9,114,050	14,289,373
Domestic fixed income commingled funds	-	177,152
International bonds and notes ¹	3,202,165	3,354,160
Domestic stocks ¹	35,120,466	40,179,374
Domestic equity group trust	1,235	2,082
International stocks ¹	35,455,575	17,066,866
International equity commingled funds	8,073,939	4,958,217
Limited partnerships – domestic	8,266,251	5,859,263
Limited partnerships – international	775,358	513,046
Option contracts purchased	1,017	5,615
Swap contracts (debt related)	1,696	(10,981)
Real estate investments	7,285,791	6,160,289
Total investments excluding securities lending collateral	<u>133,763,815</u>	<u>112,783,877</u>
Securities lending collateral investments:		
Money market funds	-	3,876
Repurchase agreements	3,936,077	4,255,464
Domestic corporate bonds and notes ¹	414,588	673,046
International bonds and notes ¹	102,773	212,829
Total securities lending collateral investments	<u>4,453,438</u>	<u>5,145,215</u>
Total investments	<u>\$ 138,217,253</u>	<u>\$ 117,929,092</u>
Investments sold short:		
U.S. guaranteed obligations	\$ -	\$ (16,321)
Federal agencies	(562,711)	(73,536)
Domestic stocks ¹	(587,496)	(474,631)
International stocks ¹	(226,927)	(160,171)
Option contracts	(16)	(8,757)
Total investments sold short ²	<u>\$ (1,377,150)</u>	<u>\$ (733,416)</u>

¹ Bonds and notes were categorized as “Domestic” or “International” based on the country of issue. Stocks were categorized as “Domestic” or “International” based on the country of risk provided by the SBA's custodian bank. Any bond or note with a country of issue, or stock with a country of risk, other than the United States of America, was reported as “International”.

² Investments sold short are classified as liabilities on the statements of net assets.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

Certain investments included in the above schedule were pledged as collateral with the SBA's futures clearing broker. These investments are presented below:

Securities Pledged as Collateral for Futures Contracts

	Fair Value	
	2011	2010
	<i>(In Thousands)</i>	
Investment type:		
U.S. guaranteed obligations	\$ 1,994	\$ 8,532
Federal agencies	36,711	66,230
Domestic stocks	203,450	56,499
Total	\$ 242,155	\$ 131,261

Investment Risks

The Trust invests in a broad range of financial investments. Financial investments, in general, are exposed to various risks, including overall market volatility. Due to the level of risk associated with certain financial investments, it is reasonably possible that changes in the values of financial investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that certain risks be discussed in the financial statements. These risks include custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Each of these risks is discussed in more detail below.

A. Custodial Credit Risk

Custodial credit risk, as it relates to investments, is the risk that in the event of the failure of the counterparty to a transaction, the Trust will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

The Trust's custodial credit risk policy states that custodial credit risk will be minimized through the use of trust accounts maintained at top tier third-party custodian banks. To the extent possible, negotiated trust and custody contracts shall require that all deposits, investments and collateral be held in accounts in the SBA's name, separate and apart from the assets of the custodian banks. This policy applies to investments evidenced by cash or securities, and does not apply to investments evidenced by contractual agreements such as private equity or real estate investments.

As required by negotiated trust and custody contracts, many of the Trust's investments were held in the SBA's name by the custodial financial institutions. Presented below are investments that were uninsured and unregistered, with securities held by the counterparty, or by its trust department.

Custodial Credit Risk as of June 30, 2011

	<u>Fair Value</u> <u>2011</u> <i>(In Thousands)</i>
Invested security lending collateral:	
Repurchase agreements	\$ 2,059,570
Domestic corporate bonds and notes	365,216
International bonds and notes	58,899
Total investments exposed to custodial credit risk	<u><u>\$ 2,483,685</u></u>

B. Credit Risk and Concentration of Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of issuers and debt instruments is evaluated by nationally recognized statistical rating agencies such as Standard & Poor's Corporation (S&P), Moody's Investors Service, Inc. (Moody's), and Fitch Ratings (Fitch). Concentration of credit risk is the risk of loss attributed to the magnitude of the Trust's investment in a single issuer.

The SBA, in compliance with Section 215.47, Florida Statutes, has adopted certain investment policies with regard to credit risk of debt securities. Investment policies vary by portfolio. Below are the investment policies and credit risk disclosures for the Trust. Investments generally are managed through individual portfolios with various asset classes, as listed below. Some of the individual portfolios have slightly different restrictions on credit quality.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

Short-Term Portfolio

Securities must be investment grade at the time of purchase. For short-term investment ratings, this is defined as the highest applicable rating from one of the three Nationally Recognized Statistical Rating Organizations (NRSRO) – S&P A-1; Moody’s P-1; Fitch F1. For long-term investment ratings, this is defined as a minimum mid-single A rating from one of the three NRSROs – S&P A, Moody’s A2, Fitch A. Securities of a single issuer (excluding U.S. Treasuries and Agencies) should not represent more than 5% of portfolio amortized cost.

Mortgage Index Portfolio

Securities generally are limited to those issued by the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC). Swaps and/or Agency debentures may contribute no more than 25% to duration. No specific credit rating criteria are listed.

Aggregate Less MBS Index Portfolio

Securities should be rated investment grade by at least one of the three NRSROs at the time of purchase. Minimum ratings include S&P BBB-, Moody’s Baa3, and Fitch BBB-. This portfolio primarily contains U.S. Treasuries, Government Agencies, and Corporates.

Core portfolios

Securities should be rated investment grade by one of the three NRSROs at the time of purchase. Minimum ratings include S&P BBB-, Moody’s Baa3, and Fitch BBB-. Securities of a single issuer are generally limited to 5% of the market value of the portfolio (excluding U.S. Treasuries and Agencies). The State may own notes secured by first mortgages on Florida real property, insured or guaranteed by the Federal Housing Administration or the U.S. Department of Veterans Affairs, but exposure is limited to 10% of portfolio market value.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

Core Plus Portfolios

The strategic portion of the portfolio was invested in investment grade securities with a tactical weighting to the ‘plus’ sectors such as high yield, emerging markets, foreign governments, and preferred stock. Non-dollar obligations issued by foreign governments, foreign agencies, or supranationals were required to be rated investment grade by at least one NRSRO. The policies dictated no limitations on concentration of credit risk on investments for a single issuer. The Core Plus portfolios were terminated during the fiscal year ending June 30, 2011.

High Yield Portfolios

All securities should be rated single B or double B by one of the NRSROs at the time of purchase. If a security is no longer rated at least the equivalent of single B- by any of the NRSROs, the manager must provide written notification within 30 days and justify retaining such investment beyond 90 days. Also, no more than 5% of market value shall be invested in investment grade securities (BBB- or higher by two of the three NRSROs). Securities of a single issuer should not exceed 5% of portfolio market value. No more than 35% of market value may be in any one industry.

Lending Portfolios

Under the new investment policy guidelines, eligible investments must be tri-party Qualified Repurchase Agreement transactions in which the subject securities thereunder will be repurchased by the seller thereof no later than one business day from the purchase date, and such repurchase obligations are collateralized by U.S. Government Securities having a market value of at least 100% of the market value of securities subject to being repurchased. “U.S. Government Securities” means any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States, or any certificate of deposit for any of the foregoing, including without limitation notes, bonds and other debt securities issued by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). In addition to tri-party repurchase agreements, investments purchased prior to the effective date of the new investment policy guidelines are being held to maturity in existing lending portfolios. The previous investment policy guidelines contained short-term rating requirements that were similar to the

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

current short-term portfolio rating requirements. Repos were required to be fully collateralized. The Trust was allowed to hold up to the greater of \$5 million or 5% of its assets in securities by a single issuer (excluding U.S. Government guaranteed investments, its agencies or instrumentalities). For all lending programs, up to an additional 5% of the book value of the portfolio was allowed to be invested in the obligations of any single issuer, guarantor, or repo counterparty that matured on the next business day, that were redeemable upon demand, or that contained an unconditional put feature.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

The Trust did not hold any investments with a single issuer representing 5% or more of the Trust's fair value at June 30, 2011 or 2010. The schedules below disclose credit quality ratings on investments held in the Trust at June 30, 2011.

Credit Quality Ratings								
As of June 30, 2011								
S&P ¹	Moody ¹	Total ²	Certificates of Deposit	Commercial Paper	Money Market Funds	Federal Agencies	Domestic Bonds and Notes	International Bonds and Notes
<i>(Dollars in Thousands)</i>								
A-1/AAAm		\$ 6,954,582	\$ -	\$ 6,948,138	\$ 6,444	\$ -	\$ -	\$ -
AAA		3,738,031	-	-	-	1,594,750	1,613,001	530,280
AA		1,052,280	-	-	-	8,277	706,859	337,144
A		4,202,984	-	-	-	49,671	3,391,117	762,196
BBB		3,116,151	-	-	-	-	2,423,887	692,264
BB		231,339	-	-	-	-	227,005	4,334
B		112,059	-	-	-	-	105,012	7,047
CCC		70,272	-	-	-	-	70,272	-
CC		845	-	-	-	-	845	-
D		1,213	-	-	-	-	1,213	-
	Aaa	310,008	-	-	-	1,729	266,134	42,145
	Aa	208,769	49,997	-	-	-	6,586	152,186
	A	68,985	-	-	-	-	38,987	29,998
	Baa	56,121	-	-	-	-	22,566	33,555
Not rated	Not rated	10,213,358	365,032	-	-	8,479,383	655,154	713,789
		<u>30,336,997</u>	<u>\$ 415,029</u>	<u>\$ 6,948,138</u>	<u>\$ 6,444</u>	<u>\$10,133,810</u>	<u>\$ 9,528,638</u>	<u>\$ 3,304,938</u>
		4,936,077	Repurchase agreements					
		7,962,851	U.S. guaranteed obligations					
		35,120,466	Domestic stocks					
		1,235	Domestic equity group trust					
		35,455,575	International stocks					
		8,073,939	International equity commingled funds					
		8,266,251	Limited partnerships – domestic					
		775,358	Limited partnerships – international					
		1,017	Options purchased ³					
		1,696	Swap contracts ³					
		<u>7,285,791</u>	Real estate investments					
		<u>\$ 138,217,253</u>	Total investments					

¹ S&P Ratings were primarily used. If S&P did not rate a security, then Moody's ratings were used. If neither rating agency issued a rating, the security was listed as "Not rated." Long-term ratings are presented except for "A-1," which is a top tier short-term rating for S&P, and "AAAm," the top money market fund rating for S&P.

² All investments are included in this table, including security lending collateral investments.

³ Although option contracts and swap contracts do not have specific credit quality ratings, counterparty credit ratings are available and are disclosed in separate schedules.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

Counterparty credit ratings for option positions at June 30, 2011, are presented below.

Counterparty Credit Rating (Long/Short)¹			Fair Value
S&P	Moody	Fitch	2011
			<i>(In Thousands)</i>
Exchange traded	Exchange traded	Exchange traded	\$ 1,017
Total options purchased			<u>\$ 1,017</u>
Exchange traded	Exchange traded	Exchange traded	\$ (16)
Total options sold ²			<u>\$ (16)</u>

¹ If no rating exists, "NR" is reported.

² Options sold are reported as liabilities in the statement of net assets.

Counterparty credit ratings for swaps held at June 30, 2011, are presented below.

Counterparty Credit Rating (Long/Short)¹			Fair Value
S&P	Moody	Fitch	2011
			<i>(In Thousands)</i>
AA/A-1	Aa/P-1	NR/F1	\$ 183
A/A-1	A/P-1	NR/F1	356
NR/NR	NR/P-1	NR/NR	1,157
Total swaps			<u>\$ 1,696</u>

¹ If no rating exists, "NR" is reported.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

Counterparty credit ratings for forward currency contracts held at June 30, 2011 are presented below (in thousands).

Counterparty Credit Rating (Long/Short) ¹			Receivable Fair Value	Payable Fair Value	Net Unrealized Gain/(Loss)
S&P	Moody	Fitch			
AA/A-1	Aaa/P-1	NR/F1	\$ 74,706	\$ (74,760)	\$ (54)
AA/A-1	Aa/P-1	NR/F1	586	(583)	3
AA/A-1	Aa/P-1	NR/NR	3,697	(3,688)	9
AA/A-1	A/P-1	NR/F1	1,553	(1,555)	(2)
AA/A-1	NR/P-1	NR/F1	2,008	(1,995)	13
A/A-1	Aa/P-1	NR/F1	8,915	(8,913)	2
A/A-1	A/P-1	NR/F1	6,694	(6,699)	(5)
A/A-1	NR/P-1	NR/NR	23,642	(23,641)	1
NR/NR	NR/P-1	NR/NR	20,694	(21,018)	(324)
NR/NR	NR/NR	NR/F1	21,569	(21,575)	(6)
NR/NR	NR/NR	NR/NR	26,528	(26,452)	76
			<u>\$ 190,592</u>	<u>\$ (190,879)</u>	<u>\$ (287)</u>

¹ If no rating exists, "NR" is reported.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments.

The Trust manages its exposure to interest rate risk through various investment policies. Policies and interest rate risk disclosures for debt investments of the Trust are presented below. Investments authorized by Section 215.47, Florida Statutes, are managed through individual portfolios with various asset classes. The individual portfolios may have different policies regarding interest rate risk. Major types of debt portfolios are listed below.

Short-Term Portfolios

Weighted-average maturity to final maturity date (WAL) is limited to 120 days in the internally managed FRS Short-term Investment Pool (STIPFRS) portfolio and weighted average time to coupon reset (WAM) is limited to 60 days. For securities without a fixed interest rate, the next coupon reset date is used as the maturity for the reset WAM calculation. In STIPFRS, no individual security shall have a final maturity date longer than one year except for U.S. Treasury and Agency securities, which shall not exceed five years.

Mortgage Index Portfolio

Portfolio duration should be similar to the duration of the mortgage-related fixed income market and should remain within plus or minus 0.25 years of index duration. The index is the Barclays Capital U.S. MBS Index component of the Barclays Capital U.S. Aggregate Bond Index.

Aggregate Less MBS Index Portfolio

Portfolio duration should remain within plus or minus 0.25 years of the Barclays Capital U.S. Aggregate Bond Index less the MBS index component.

Core Portfolios

Portfolio duration should remain within plus or minus 0.50 – 1.50 years of the Barclays Capital U.S. Aggregate Bond Index duration.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

Core Plus Portfolios

Portfolio duration should remain within plus or minus 1.0 year of the Barclays Capital U.S. Aggregate Bond Index duration. The Core Plus portfolios were terminated during the fiscal year ended June 30, 2011.

High Yield Portfolios

Portfolio duration should remain within 2.5 years of the Barclays Capital Ba/B 2% Issuer Cap index duration.

Security Lending Portfolios

The new investment policy guidelines in effect for the fiscal year ended June 30, 2011, allow investment only in overnight repurchase agreements that are fully collateralized by U.S. government and/or agency securities. Investments that were purchased prior to the latest investment policy guidelines are still held in the lending programs, but are slowly paying down. Previous guidelines included a maximum WAM for a portfolio of 60 to 90 days, depending on the lending program. For investments that had floating interest rates, interest rate reset dates were used to calculate WAM.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

The interest rate risk tables for the Trust as of June 30, 2011 and 2010 follow. Investment types related to debt portfolios are presented using effective weighted duration. Investment types related to short-term and security lending collateral portfolios are presented using weighted average maturity.

Investment Type	June 30, 2011			
	Fair Value	Effective	Fair Value	Weighted
	(Duration)	Weighted	in thousands	Average
	(In Thousands)	Duration	(WAM)	Maturity
		(In Years)	(In Thousands)	(In Days)
Certificates of deposit	\$ —	NA	\$ 415,029	77
Commercial paper	—	NA	6,948,138	24
Money market funds	—	NA	6,444	1
Repurchase agreements	—	NA	4,936,077	1
U.S. guaranteed obligations:				
U.S. Treasury bonds and notes	5,766,575	5.29	—	NA
Index linked government bonds	251,773	5.53	—	NA
U.S. government guaranteed	182,483	2.95	—	NA
GNMA mortgage backed	723,973	3.03	—	NA
GNMA commitments to purchase (TBAs)	1,022,916	2.72	—	NA
GNMA collateralized mortgage obligations (CMOs)	13,929	7.44	—	NA
GNMA interest-only inverse floating CMOs	1,202	11.70	—	NA
Federal agencies:				
Discount notes	510,825	0.20	—	NA
Unsecured bonds and notes	1,659,952	3.51	—	NA
Agency strips	2,659	5.83	—	NA
Mortgage backed (FNMA, FHLMC)	4,439,993	3.66	—	NA
FNMA, FHLMC commitments to purchase (TBAs)	3,475,248	3.34	—	NA
Mortgage backed CMOs	17,556	2.51	—	NA
Interest-only CMOs	7,286	(7.86)	—	NA
Interest-only inverse floating CMOs	16,275	13.49	—	NA
Inverse floating CMOs	3,322	7.72	—	NA
Principal-only CMOs	694	3.80	—	NA
Domestic bond and notes:				
Corporate	6,206,252	5.61	—	NA
Non-government asset and mortgage backed	939,614	3.52	182,921	28
Non-government backed CMOs and CMBS	1,815,001	2.94	192,595	18
Municipal/provincial	174,516	10.89	—	NA
Real estate mortgage loans	17,739	6.16	—	NA
International bonds and notes:				
Government and regional	602,684	5.20	—	NA
Government agency	301,320	4.18	—	NA
Corporate	2,272,669	3.46	—	NA
Non-government backed CMOs and CMBS	25,492	2.00	102,773	42
Futures contracts – long ¹	—	4.79	—	NA
Futures contracts – short ¹	—	2.73	—	NA
Options purchased	1,017	(294.70)	—	NA
Swap contracts ¹	1,696	0.80	—	NA
Total debt investments	<u>\$ 30,454,661</u>		<u>\$ 12,783,977</u>	

¹ The futures and swap contracts effective weighted duration was calculated using notional values rather than fair values. For foreign futures, local notional value was converted to a U.S. \$ value based on foreign exchange rates at June 30, 2011.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

Investment Type	June 30, 2010			
	Fair Value	Effective	Fair Value	Weighted
	(Duration)	Weighted	(WAM)	Average
	<i>(In Thousands)</i>	<i>(In Years)</i>	<i>(In Thousands)</i>	<i>(In Days)</i>
Certificates of deposit	\$ —	NA	\$ 584,932	30
Commercial paper	—	NA	3,656,140	24
Money market funds	—	NA	8,528	1
Repurchase agreements	—	NA	5,821,227	1
U.S. guaranteed obligations:				
U.S. Treasury bonds and notes	4,233,740	6.82	—	NA
U.S. Treasury strips	127,937	11.88	—	NA
Index linked government bonds	539,667	4.66	—	NA
U.S. government guaranteed	495,510	2.57	—	NA
GNMA mortgage backed	525,737	2.19	—	NA
GNMA commitments to purchase (TBAs)	503,429	1.98	—	NA
GNMA collateralized mortgage obligations (CMOs)	20,559	2.51	—	NA
GNMA interest-only CMOs	1,138	(51.14)	—	NA
GNMA interest-only inverse floating CMOs	449	(1.46)	—	NA
Federal agencies:				
Discount notes	7,824	0.15	—	NA
Unsecured bonds and notes	1,035,915	4.23	—	NA
Agency strips	18,920	7.96	—	NA
Mortgage backed (FNMA, FHLMC)	4,082,564	2.21	—	NA
FNMA, FHLMC commitments to purchase (TBAs)	2,713,922	2.39	—	NA
Mortgage backed CMOs	47,580	1.34	—	NA
Interest-only CMOs	14,305	(16.87)	—	NA
Interest-only inverse floating CMOs	26,221	3.45	—	NA
Inverse floating CMOs	4,343	3.62	—	NA
Principal-only CMOs	18,174	5.97	—	NA
Domestic bond and notes:				
Corporate	9,578,122	4.74	24,609	16
Non-government asset and mortgage backed	1,256,599	2.97	402,317	25
Non-government backed CMOs and CMBS	3,311,919	2.90	246,120	19
Non-government backed interest-only CMOs	11,848	1.22	—	NA
Municipal/provincial	111,940	7.01	—	NA
Real estate mortgage loans	18,945	6.31	—	NA
Domestic fixed income commingled funds	177,152	2.92	—	NA
International bonds and notes:				
Government and regional	521,372	4.61	—	NA
Government agency	82,076	3.10	—	NA
Corporate	2,668,612	3.71	—	NA
Non-government asset and mortgage backed	82,100	(0.01)	29,183	46
Non-government backed CMOs and CMBS	—	NA	183,646	36
Futures contracts – long ¹	—	4.52	—	NA
Futures contracts – short ¹	—	2.27	—	NA
Options purchased	5,615	(334.29)	—	NA
Swap contracts ¹	(10,981)	1.09	—	NA
Total debt investments	<u>\$ 32,233,253</u>		<u>\$ 10,956,702</u>	

¹ The futures and swap contracts effective weighted duration was calculated using notional values rather than fair values. For foreign futures, local notional value was converted to a U.S. \$ value based on foreign exchange rates at June 30, 2010.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

Interest rate risk information for debt investments sold short is presented below for June 30, 2011 and 2010:

Investment Type	June 30, 2011		June 30, 2010	
	Fair Value	Effective Weighted Duration	Fair Value	Effective Weighted Duration
	<i>(In Thousands)</i>	<i>(In Years)</i>	<i>(In Thousands)</i>	<i>(In Days)</i>
GNMA commitments to sell (TBAs)	\$ —	NA	\$ (16,321)	1.01
FNMA, FHLMC commitments to sell (TBAs)	(562,711)	4.65	(73,536)	1.85
Options sold	(16)	NA	(8,757)	NA
Total debt investments sold short ¹	<u>\$ (562,727)</u>		<u>\$ (98,614)</u>	

¹ Investments sold short are reported as liabilities on the statements of net assets.

D. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

The Trust's foreign equity asset class range limits, as adopted in the Trust's Investment Policy Statement, were previously 11% to 25% of total Trust assets, with a target of 20%. During 2010, the SBA Trustees adopted a new Trust Investment Policy Statement that merged domestic and foreign equities into a global equity asset class. Therefore, the range of 11% to 25% is no longer applicable. Other asset classes may hold non-U.S. securities as well, depending on portfolio guidelines. A limited amount of exposure occurs in certain fixed income portfolios. In all cases, Florida law limits the total exposure to foreign securities held outside of commingled trusts to 35% of the total Trust. There is no requirement that this exposure to foreign currency be hedged through forward currency contracts, although the managers use them in many cases.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

Presented below, by currency, are the Trust's investments, at fair value, and short-sell obligations (in U.S. dollars), exposed to foreign currency risk as of June 30, 2011 and 2010 (in thousands).

Currency	June 30, 2011		
	Investment Type		
	Equity	Limited Partnerships ¹	Short-Sells Equity ²
Australian dollar	\$ 1,677,792	\$ —	\$ (2,933)
Brazilian real	574,736	—	—
British pound sterling	5,473,401	—	(14,679)
Canadian dollar	1,987,141	—	(25,114)
Danish krone	259,932	—	(5,807)
Egyptian pound	23,340	—	—
Euro currency unit	7,479,542	330,088	(70,815)
Hong Kong dollar	2,379,018	—	—
Hungarian forint	26,295	—	—
Indian rupee	450,725	—	—
Indonesian rupiah	163,278	—	—
Israeli shekel	120,120	—	—
Japanese yen	4,867,649	—	(38,481)
Malaysian ringgit	122,475	—	—
Mexican new peso	198,944	—	—
New Zealand dollar	29,229	—	—
Nigerian naira	34,968	—	—
Norwegian krone	180,230	—	(1,046)
Philippines peso	47,264	—	—
Polish zloty	114,768	—	—
Qatari riyal	27,891	—	—
Singapore dollar	602,582	—	(1,773)
South African rand	470,851	—	—
South Korean won	814,327	—	—
Swedish krona	690,350	—	(2,921)
Swiss franc	2,277,264	—	(9,845)
Taiwan new dollar	625,572	—	—
Thailand baht	247,253	—	—
Turkish new lira	242,921	—	—
Other	137,833	—	—
Equity linked notes (various currencies) ³	8,013	—	—
International equity commingled funds ¹	8,073,939	—	—
International private equity limited partnerships ¹	—	445,270	—
Total investments subject to foreign currency risk	<u>\$ 40,429,643</u>	<u>\$ 775,358</u>	<u>\$ (173,414)</u>

¹ International equity commingled funds and international private equity limited partnerships are commingled investments where the Fund owns only a portion of the overall investment. The overall investment is reported in U.S. dollars, but the underlying investments are exposed to foreign currency risk in various currencies. If the private equity limited partnership provided financial statements in Euro currency units, it was reported above as having foreign currency risk in Euro currency units.

² Equity securities sold short are reported as liabilities on the statements of net assets. They are included here since they do have exposure to foreign currency risk.

³ Equity linked notes are participatory notes that allow the holder to participate in certain foreign equity markets where direct participation is not possible due to local government regulations, tax policies, or other reasons. The notes themselves may be valued in U.S. dollars, but the underlying assets are subject to currency risk.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

Currency	June 30, 2010			
	Investment Type			Short-Sells Equity ²
	Bonds	Equity	Limited Partnerships ¹	
Australian dollar	\$ -	\$ 623,990	\$ -	\$ (1,699)
Brazilian real	-	266,868	-	-
British pound sterling	-	2,462,332	-	(18,236)
Canadian dollar	23,526	757,571	-	(18,117)
Czech koruna	-	45,195	-	-
Danish krone	-	153,317	-	(3,132)
Egyptian pound	-	36,711	-	-
Euro currency unit	3,035	3,437,071	154,928	(33,035)
Hong Kong dollar	-	1,132,921	-	(955)
Hungarian forint	-	17,920	-	-
Indian rupee	-	299,262	-	-
Indonesian rupiah	-	54,406	-	-
Israeli shekel	-	47,878	-	-
Japanese yen	-	2,444,831	-	(49,817)
Malaysian ringgit	-	74,603	-	-
Mexican new peso	26,127	120,660	-	-
Norwegian krone	-	85,787	-	(523)
Philippines peso	-	23,827	-	-
Polish zloty	-	46,757	-	-
Singapore dollar	-	309,628	-	(131)
South African rand	-	229,100	-	-
South Korean won	-	385,599	-	-
Swedish krona	-	279,415	-	(696)
Swiss franc	-	1,086,930	-	(1,380)
Taiwan new dollar	-	387,517	-	-
Thailand baht	-	147,429	-	-
Turkish new lira	-	166,667	-	-
Other	-	101,097	-	-
Equity linked notes (various currencies) ³	-	10,327	-	-
International equity commingled funds ¹	-	4,958,217	-	-
International private equity limited partnerships ¹	-	-	358,118	-
Total investments subject to foreign currency risk	\$ 52,688	\$ 20,193,833	\$ 513,046	\$ (127,721)

¹ International equity commingled funds and international private equity limited partnerships are commingled investments where the Fund owns only a portion of the overall investment. The overall investment is reported in U.S. dollars, but the underlying investments are exposed to foreign currency risk in various currencies. If the private equity limited partnership provided financial statements in Euro currency units, it was reported above as having foreign currency risk in Euro currency units.

² Equity securities sold short are reported as liabilities on the statements of net assets. They are included here since they do have exposure to foreign currency risk.

³ Equity linked notes are participatory notes that allow the holder to participate in certain foreign equity markets where direct participation is not possible due to local government regulations, tax policies, or other reasons. The notes themselves may be valued in U.S. dollars, but the underlying assets are subject to currency risk.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

In addition to the investments presented above, the Trust holds positions in futures contracts that are subject to foreign currency risk. A futures contract is an agreement between two parties, a buyer and a seller, to exchange a particular good for a particular price at a particular date in the future, all of which are specified in a contract common to all participants in a market on an organized futures exchange. Upon entering into a futures contract, collateral is deposited with the broker, in SBA's name, in accordance with the initial margin requirements of the broker. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. The frequency of cash flows depends upon specified collateral and margin limits mutually agreed upon by the SBA and third-party broker. The margin payments are exposed to foreign currency risk. The Trust's futures contract positions at June 30, 2011 and 2010 that were exposed to foreign currency risk are presented below:

Currency	Number of Contracts ¹	In Local Currency			Unrealized Gain/Loss (in U.S. \$)	
		Notional Traded Exposure	Notional Market Exposure	Unrealized Gain/(Loss) ²		
<i>(In Thousands)</i>						
As of June 30, 2011						
Stock Index Futures:						
GBP FTSE 100 Index	British pound sterling	217	12,497	12,808	311	\$ 500
Canada S&P/TSE 60 Index	Canadian dollar	77	11,430	11,738	308	319
DJ Euro STOXX 50	Euro currency unit	567	15,594	16,148	554	804
TOPIX Index Future	Japanese yen	139	1,129,723	1,180,805	51,082	633
As of June 30, 2010						
Bond Futures:						
UK Long Gilt	British pound sterling	26	3,093	3,147	54	\$ 81
Euro BOBL	Euro currency unit	490	58,888	59,246	358	438
Euro Bund	Euro currency unit	(46)	(5,951)	(5,952)	(1)	(1)
Japan 10 Year Bond	Japanese yen	(75)	(10,544,250)	(10,624,500)	(80,250)	(907)
Stock Index Futures:						
GBP FTSE 100 Index	British pound sterling	130	6,741	6,345	(396)	(593)
Canada S&P/TSE 60 Index	Canadian dollar	45	6,136	5,933	(203)	(191)
DJ Euro STOXX 50	Euro currency unit	465	12,436	11,941	(495)	(606)
TOPIX Index Future	Japanese yen	86	740,156	721,110	(19,046)	(215)

¹ Long positions are positive and short positions are negative.

² Margin receipts or payments are settled periodically in the respective local currency and are subject to foreign currency risk.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

In addition, the Trust holds positions in several interest rate swap agreements that are subject to foreign currency risk. The Trust either receives or pays a fixed interest rate and also pays or receives a variable three- or six-month LIBOR (London Inter-Bank Offered Rate) in each currency. Summaries of interest rate swaps with currency exposure held as of June 30, 2011 and 2010 are presented below (in thousands).

Currency	Notional Amount (Local Currency)	Receive ¹	Pay ¹	Maturity Dates	Fair Value in Local Currency	Fair Value in U.S. Dollars
As of June 30, 2011						
Euro Currency unit	113,000	2.737%	EURIBOR 6-month	4/29/2013	1,210	\$ 1,754
					<u>1,210</u>	<u>\$ 1,754</u>
As of June 30, 2010						
Euro Currency unit	11,510	EURIBOR 6-month	3.94%–4.055%	5/12/40–5/14/40	(526)	\$ (644)
Euro Currency unit	131,730	4.085%–4.36%	EURIBOR 6-month	4/23/20–4/23/40	448	549
British pound sterling	220,640	GBP 6-month LIBOR	3.41%–4.44%	8/4/15–8/16/25	(12,412)	(18,570)
British pound sterling	201,210	4.1331%–4.1926%	GBP 6-month LIBOR	8/4/20–8/16/20	12,693	18,990
South Korean won	112,867,158	3.262%–3.9%	KWDC 3-month LIBOR	6/12/11–7/8/11	683,023	559
					<u>683,226</u>	<u>\$ 884</u>

¹ If a range of interest rates are presented, they represent the lowest to highest fixed rates received or paid. The EURIBOR (Euro Interbank Offered Rate) is the rate at which euro wholesale money market (or interbank market) term deposits within the euro zone are offered by one prime bank to another prime bank. The “KWDC 3-month LIBOR” is the South Korean won 3-month LIBOR rate.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

The Trust also holds credit default swaps where it either buys or sells protection against default of an underlying debt security or basket of debt securities. If protection is purchased and the underlying debt security(s) go into default, the Trust would be made whole. If protection is sold and the underlying debt security(s) go into default, the Trust would be required to make the purchaser whole. The premiums are paid or received in foreign currency and are thus subject to foreign currency risk. No credit default swaps with currency exposure were held June 30, 2011. A summary of credit default swaps with currency exposure as of June 30, 2010, are presented below (in thousands).

Currency	Local Currency Notional Amount	Buying or Selling Protection	Payment Frequency	Annual Premium Rate ¹	Maturity Dates	Fair Value in Local Currency	Fair Value in U.S. Dollars
As of June 30, 2011							
None held							
As of June 30, 2010							
Euro currency unit	38,000	Buying	Quarterly	1.00%	6/20/2015	507	\$ 621

¹ The Trust pays an annual 1% premium on 38,000,000 euro currency units notional value. Premiums are paid quarterly.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

The Trust also enters into forward foreign currency exchange contracts. Forward foreign currency exchange contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. The contracts are subject to foreign currency risk. The contracts are recorded as receivables and payables on the statements of net assets. Schedules of all forward foreign currency exchange contracts outstanding at June 30, 2011 and 2010 are presented below, by currency (in thousands).

June 30, 2011						
Currency to Buy	Amount to Buy (Local Currency)	Currency to Sell	Amount to Sell (Local Currency)	Receivable Fair Value (In U.S. \$)	Payable Fair Value (In U.S. \$)	Net Unrealized Gain (Loss) (In U.S. \$)
Australian dollar	2,758	U.S. dollar	(2,919)	\$ 2,952	\$ (2,919)	\$ 33
Brazilian real	884	U.S. dollar	(564)	566	(564)	2
British pound sterling	70	Euro currency unit	(78)	112	(113)	(1)
British pound sterling	3,267	Swedish krona	(33,096)	5,246	(5,245)	1
British pound sterling	6,242	U.S. dollar	(9,995)	10,022	(9,995)	27
Canadian dollar	515	Japanese yen	(43,007)	534	(533)	1
Canadian dollar	3,491	U.S. dollar	(3,617)	3,617	(3,617)	-
Danish krone	3,125	U.S. dollar	(604)	607	(604)	3
Euro currency unit	1,245	Japanese yen	(145,623)	1,805	(1,803)	2
Euro currency unit	18,340	U.S. dollar	(26,441)	26,590	(26,441)	149
Euro currency unit	20	U.S. dollar	settled ¹	29	settled ¹	29
Hong Kong dollar	530	Japanese yen	(5,492)	68	(68)	-
Hong Kong dollar	17,795	U.S. dollar	(2,287)	2,287	(2,287)	-
Indian rupee	79,389	U.S. dollar	(1,782)	1,776	(1,782)	(6)
Indonesian rupiah	26,922,599	U.S. dollar	(3,144)	3,139	(3,143)	(4)
Israeli shekel	693	U.S. dollar	(204)	204	(204)	-
Japanese yen	1,341,876	U.S. dollar	(16,618)	16,616	(16,618)	(2)
Kenyan shilling	6,027	U.S. dollar	(68)	67	(68)	(1)
New Zealand dollars	settled ¹	U.S. dollar	(277)	settled ¹	(277)	(277)
Nigerian naira	1,213	U.S. dollar	(8)	8	(8)	-
Philippines peso	5,259	U.S. dollar	(121)	121	(121)	-
Qatari riyal	872	U.S. dollar	(240)	239	(240)	(1)
S. African rand	4,750	Hong Kong dollar	(5,465)	700	(702)	(2)
S. African rand	12,276	U.S. dollar	(1,800)	1,811	(1,800)	11
Singapore dollar	4,009	U.S. dollar	(3,254)	3,266	(3,254)	12
South Korean won	3,501,946	U.S. dollar	(3,286)	3,280	(3,286)	(6)
Swedish krona	2,233	U.S. dollar	(350)	354	(350)	4
Swiss franc	10,815	U.S. dollar	(12,954)	12,844	(12,954)	(110)

Continued on next page.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

June 30, 2011						
Currency to Buy	Amount to Buy (Local Currency)	Currency to Sell	Amount to Sell (Local Currency)	Receivable Fair Value (In U.S. \$)	Payable Fair Value (In U.S. \$)	Net Unrealized Gain (Loss) (In U.S. \$)
Thailand baht	4,004	U.S. dollar	(130)	\$ 130	\$ (130)	\$ –
U.S. dollar	15,402	Australian dollar	(14,488)	15,402	(15,464)	(62)
U.S. dollar	2,038	Brazil real	(3,209)	2,038	(2,054)	(16)
U.S. dollar	4,501	British pound sterling	(2,802)	4,501	(4,498)	3
U.S. dollar	3,623	Canadian dollar	(3,504)	3,623	(3,631)	(8)
U.S. dollar	89	Egyptian pound	(529)	89	(89)	–
U.S. dollar	13,442	Euro currency unit	(9,305)	13,442	(13,491)	(49)
U.S. dollar	1,271	Hong Kong dollar	(9,889)	1,270	(1,270)	–
U.S. dollar	333	Hungarian forint	(61,284)	333	(335)	(2)
U.S. dollar	4,909	Indian rupee	(219,166)	4,909	(4,903)	6
U.S. dollar	1,036	Indonesian rupiah	(8,909,500)	1,036	(1,038)	(2)
U.S. dollar	172	Israeli shekel	(609)	172	(179)	(7)
U.S. dollar	27,742	Japanese yen	(2,239,939)	27,742	(27,742)	–
U.S. dollar	165	Kenyan shilling	(14,917)	165	(167)	(2)
U.S. dollar	1,428	Mexican new peso	(16,805)	1,428	(1,433)	(5)
U.S. dollar	83	Nigerian naira	(12,623)	83	(83)	–
U.S. dollar	313	Norwegian krone	(1,684)	313	(314)	(1)
U.S. dollar	425	Pakistan rupee	(36,605)	425	(426)	(1)
U.S. dollar	61	Philippines peso	(2,679)	61	(62)	(1)
U.S. dollar	395	Polish zloty	(1,105)	395	(402)	(7)
U.S. dollar	1,061	Qatari riyal	(3,865)	1,061	(1,061)	–
U.S. dollar	712	Singapore dollar	(876)	712	(714)	(2)
U.S. dollar	3,567	South Korean won	(3,822,788)	3,567	(3,581)	(14)
U.S. dollar	424	Swedish krona	(2,680)	424	(425)	(1)
U.S. dollar	6,109	Swiss franc	(5,121)	6,109	(6,082)	27
U.S. dollar	1,334	Taiwan new dollar	(38,565)	1,334	(1,343)	(9)
U.S. dollar	496	Thailand baht	(15,170)	496	(494)	2
U.S. dollar	472	Turkish new lira	(767)	472	(472)	–
Total				\$ 190,592	\$ (190,879)	\$ (287)

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

June 30, 2010						
Currency to Buy	Amount to Buy (Local Currency)	Currency to Sell	Amount to Sell (Local Currency)	Receivable Fair Value (In U.S. \$)	Payable Fair Value (In U.S. \$)	Net Unrealized Gain (Loss) (In U.S. \$)
Australian dollar	8,257	Swiss franc	(7,700)	\$ 6,914	\$ (7,150)	\$ (236)
Australian dollar	7,680	U.S. dollar	(6,669)	6,442	(6,669)	(227)
Brazilian real	1,227	U.S. dollar	(685)	681	(685)	(4)
British pound sterling	4,771	Euro currency unit	(5,784)	7,137	(7,088)	49
British pound sterling	7,482	U.S. dollar	(11,224)	11,194	(11,224)	(30)
Canadian dollar	7,295	Euro currency unit	(5,745)	6,861	(7,040)	(179)
Canadian dollar	41,695	U.S. dollar	(39,824)	39,232	(39,824)	(592)
Egyptian pound	1	U.S. dollar	-	-	-	-
Euro currency unit	2,908	Australian dollar	(4,317)	3,563	(3,614)	(51)
Euro currency unit	2,875	British pound sterling	(2,349)	3,523	(3,515)	8
Euro currency unit	2,875	Canadian dollar	(3,607)	3,523	(3,392)	131
Euro currency unit	2,908	Japanese yen	(319,927)	3,564	(3,620)	(56)
Euro currency unit	8,524	Norwegian krone	(68,106)	10,445	(10,433)	12
Euro currency unit	5,630	Swedish krona	(54,034)	6,899	(6,943)	(44)
Euro currency unit	5,670	Swiss franc	(7,656)	6,948	(7,110)	(162)
Euro currency unit	58,084	U.S. dollar	(72,071)	71,163	(72,071)	(908)
Hong Kong dollar	17,605	U.S. dollar	(2,262)	2,261	(2,262)	(1)
Indonesian rupiah	9,330,686	U.S. dollar	(1,028)	1,029	(1,028)	1
Israeli shekel	181	U.S. dollar	(47)	47	(47)	-
Japanese yen	318,052	Euro currency unit	(2,868)	3,599	(3,514)	85
Japanese yen	771,785	U.S. dollar	(8,685)	8,726	(8,685)	41
Kenyan shilling	3,769	U.S. dollar	(47)	46	(47)	(1)
New Zealand dollar	12,916	U.S. dollar	(8,873)	8,833	(8,873)	(40)
Nigerian naira	23,875	U.S. dollar	(160)	159	(160)	(1)
Norwegian krone	57,201	Euro currency unit	(7,213)	8,763	(8,839)	(76)
Norwegian krone	22,972	Japanese yen	(316,529)	3,519	(3,581)	(62)
Norwegian krone	2,335	U.S. dollar	(360)	359	(360)	(1)
S. African rand	2,049	U.S. dollar	(268)	267	(268)	(1)
Singapore dollar	605	U.S. dollar	(434)	433	(434)	(1)
South Korean won	29	U.S. dollar	-	-	-	-
Swedish krona	24,556	Euro currency unit	(2,577)	3,156	(3,158)	(2)
Swedish krona	86,785	U.S. dollar	(11,114)	11,152	(11,114)	38
Swiss franc	3,992	Australian dollar	(4,173)	3,707	(3,494)	213
Swiss franc	14,553	Euro currency unit	(10,418)	13,513	(12,767)	746
Swiss franc	4,973	U.S. dollar	(4,603)	4,611	(4,603)	8
Turkish new lira	1,621	U.S. dollar	(1,024)	1,024	(1,024)	-
UAE dirham	74	U.S. dollar	(20)	20	(20)	-

Continued on next page.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

June 30, 2010						
Currency to Buy	Amount to Buy (Local Currency)	Currency to Sell	Amount to Sell (Local Currency)	Receivable Fair Value (In U.S. \$)	Payable Fair Value (In U.S. \$)	Net Unrealized Gain (Loss) (In U.S. \$)
U.S. dollar	15,308	Australian dollar	(18,401)	\$ 15,308	\$ (15,418)	\$ (110)
U.S. dollar	931	British pound sterling	(618)	931	(925)	6
U.S. dollar	54,135	Canadian dollar	(56,569)	54,135	(53,232)	903
U.S. dollar	3	Croatian kuna	(17)	3	(3)	-
U.S. dollar	1,102	Danish krone	(6,730)	1,102	(1,107)	(5)
U.S. dollar	135,260	Euro currency unit	(107,290)	135,260	(131,453)	3,807
U.S. dollar	2,048	Hong Kong dollar	(15,950)	2,049	(2,048)	1
U.S. dollar	667	Indian rupee	(31,280)	667	(673)	(6)
U.S. dollar	2,682	Indonesian rupiah	(24,407,934)	2,682	(2,692)	(10)
U.S. dollar	515	Israeli shekel	(1,944)	515	(501)	14
U.S. dollar	66,763	Japanese yen	(6,009,396)	66,763	(67,944)	(1,181)
U.S. dollar	1,100	Mexican new peso	(14,139)	1,100	(1,097)	3
U.S. dollar	3,475	New Zealand dollar	(4,937)	3,475	(3,376)	99
U.S. dollar	72	Singapore dollar	(101)	72	(72)	-
U.S. dollar	621	South Korean won	(770,158)	621	(630)	(9)
U.S. dollar	12,442	Swedish krona	(99,523)	12,442	(12,789)	(347)
U.S. dollar	1,729	Swiss franc	(1,867)	1,729	(1,731)	(2)
U.S. dollar	2,462	Thailand baht	(80,045)	2,462	(2,471)	(9)
Total				\$ 564,629	\$ (562,818)	\$ 1,811

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

E. Security Lending

The Trust participates in security lending programs. Initial collateral requirements for securities on loan range from 100% to 105%, depending on the lending agent, the type of security lent and the type of collateral received. The Trust had received and invested \$4.6 billion in cash and \$5.3 million in U.S. government securities as collateral for the lending programs as of June 30, 2011. At June 30, 2011, the collateral held for the security lending transactions exceeded the fair value of the securities underlying the agreement (including accrued interest). The SBA does not have the ability to pledge or sell the non-cash collateral securities, so the non-cash portion is not reported on the statements of net assets, in accordance with GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions*. All security lending programs have indemnity clauses requiring the lending agent to assume borrower's risk from default. Maturities of investments made with cash collateral generally are not matched to maturities of the securities loaned, because security loan agreements generally are open-ended with no fixed expiration date. As such, investments made with cash collateral are primarily in short-term investments. However, investments purchased for some security lending programs included investments with final maturities of six months or more representing a range of approximately 5% to 13% of total collateral invested at June 30, 2011. There are no restrictions on the amount of securities that can be loaned at one time to one borrower.

In July 2009, following a third-party study of current practices in securities lending, the SBA began transitioning from a general collateral/cash re-investment program to an intrinsic/repo-only lending model. The latter model recognizes and monetizes only the demand driven lending value of securities held in the portfolio and avoids the credit and liquidity risk of a credit oriented re-investment portfolio.

Existing re-investment portfolios contained legacy non-repo securities, which will be supported by lending until they are either sold or mature. All new lending will be done using one-day repurchase agreements of U.S. Government guaranteed securities as re-investment.

The expectation was that both lending revenue and utilization would drop substantially, resulting in the need to reduce the number of lending agents in the program. By the end of June 2011, two lending agents remained, including the Trust's custodian and one third-party agent. As of June 30, 2011, approximately 94% of the lending program was intrinsic.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

The schedules below disclose the fair value and carrying value of investments on loan at June 30, 2011 and 2010 (in thousands):

Securities on Loan for Cash Collateral, by Security Type	Fair Value of Securities on Loan¹	
	2011	2010
U.S. guaranteed obligations	\$ 1,011,744	\$ 788,956
Federal agencies	298,149	239,701
Domestic corporate bonds and notes	227,208	538,976
International bonds and notes	24,851	146,134
Domestic stocks	1,123,437	2,228,136
International stocks	1,666,055	1,178,119
Total securities on loan for cash collateral	4,351,444	5,120,022
Securities on Loan for Non-Cash Collateral, by Security Type		
Domestic stocks	1,007	17,010
International stocks	4,024	-
Total securities on loan for non-cash collateral	5,031	17,010
Total securities on loan	\$ 4,356,475	\$ 5,137,032

¹ Fair value includes accrued interest on debt securities.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

F. Derivatives

Effective July 1, 2009, the Trust adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). Per GASB 53, a derivative instrument is defined as a financial instrument or other contract that has all of the following characteristics:

- a. Settlement factors. It has (1) one or more reference rates and (2) one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements and, in some cases, whether or not a settlement is required.
- b. Leverage. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- c. Net settlement. Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Derivative instruments in the Trust as of June 30, 2011 and 2010 consisted of futures, options, forward currency contracts, and swaps.

The SBA has established investment policy guidelines for each investment portfolio. Pursuant to these guidelines, derivative investment instruments are authorized to be used as tools for managing risk or executing investment strategies more efficiently than could otherwise be done in cash markets. Derivative instruments shall only be used as part of a prudent investment process. Various derivative investment instruments are used as part of the investment strategy to hedge against interest rate risk, currency risk in foreign markets, default risk, and mortgage-backed security prepayment risk, as well as to cost effectively manage exposure to domestic and international equities and bond and real estate markets.

A futures contract is an agreement between two parties, a buyer and a seller, to exchange a particular good for a particular price at a particular date in the future, all of which are specified in a contract common to all participants in a market on an organized futures exchange. Upon entering into a futures contract, collateral is deposited with the broker, in SBA's name, in

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

accordance with the initial margin requirements of the broker. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. The frequency of cash flows depends upon specified collateral and margin limits mutually agreed upon by the SBA and third-party broker. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the statements of net assets. Losses may arise from future changes in the value of the underlying instrument.

An option gives the buyer a stipulated privilege of buying or selling a stated property, security, or commodity at a given price (strike price) within a specified time (for an American-style option, at any time prior to or on the expiration date). A securities option is a negotiable contract in which the seller (writer), for a certain sum of money called the option premium, gives the buyer the right to demand within a specified time the purchase (call) from or sale (put) to the option seller of a specified number of bonds, currency units, index units, or shares of stock, at a fixed price or rate, called the strike price.

A forward contract is a contractual obligation, typically over-the-counter, traded between two parties to exchange a particular good or instrument at a set price on a future date. The buyer of the forward agrees to pay the price and take delivery of the good or instrument and is said to be “long” the forward contract, while the seller of the forward, or “short,” agrees to deliver the good or instrument at the agreed price on the agreed date.

A swap is a contractual agreement to exchange a stream of periodic payments with a counterparty. Swaps are available in and between all active financial markets, including, but not limited to, interest rate swaps and credit default swaps. A credit default swap is an agreement that allows one party to “buy” protection from another party for losses that might be incurred as a result of default by a specified reference credit (or credits). The “buyer” of protection pays a premium for the protection, and the “seller” of protection agrees to make a payment to compensate the buyer for losses incurred if a defined credit event occurs.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

A summary of investment derivatives traded in the Trust during the fiscal year ended June 30, 2011 is presented below (in thousands):

Investment Derivatives	Increase/(Decrease) in Fair Value		Fair Value at June 30, 2011		Notional (in US \$)
	Classification	Amount (in US \$)	Classification	Amount (in US \$)	
Futures ¹	Investment Income	\$ 109,977	Receivable/Payable	\$ 5,594	\$ 4,852,959
Options	Investment Income	236	Investment/Liability ²	1,001	468,800
Forward currency exchange contracts	Investment Income	14,536	Receivable/Payable ³	(287)	(287)
Interest rate swaps	Investment Income	6,706	Investment	1,593	357,833
Credit default swaps	Investment Income	2,598	Investment	103	110,434
Total return swaps	Investment Income	6,896	Not applicable ⁴	–	–

¹ The total unrealized gain for open futures contracts at June 30, 2011 was \$5,593,791. However, the majority of this gain has been settled with cash received from the futures clearing broker on or before June 30, 2011. Outstanding remaining net futures trade equity at June 30, 2011 totaled \$1,460,000, which is reported on the statements of net assets as “Futures trade equity receivable” and “Futures trade equity payable”. The total notional values on long and short futures positions were \$5,689,458,648 and \$(836,500,000), respectively.

² Purchased options are reported as investments and short sales of options are reported as liabilities on the statements of net assets. This schedule includes both long and short positions.

³ The total Receivable and Payable notional and fair values (in U.S. \$) for forward currency exchange contracts were \$190,592,000 and \$(190,879,194) as of June 30, 2011. These amounts are reported as “Forward currency contracts receivable” and “Forward currency contracts payable” on the statements of net assets.

⁴ The total return swaps were closed prior to the end of the fiscal year.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

4. Investments (continued)

A summary of investment derivatives traded in the Trust during the fiscal year ended June 30, 2010 is presented below (in thousands):

Investment Derivatives	Increase/(Decrease) in Fair Value		Fair Value at June 30, 2010		Notional (in US \$)
	Classification	Amount (in US \$)	Classification	Amount (in US \$)	
Futures ¹	Investment Income	\$ 204,635	Receivable/Payable	\$ (29,335)	\$ 236,776
Options	Investment Income	3,486	Investment/Liability ²	(3,142)	(1,226,880)
Forward currency exchange contracts	Investment Income	(11,108)	Receivable/Payable ³	1,811	1,811
Interest rate swaps	Investment Income	(11,577)	Investment	(6,853)	1,024,840
Credit default swaps	Investment Income	41,954	Investment	(8,286)	386,636
Total return swaps	Investment Income	37,555	Investment	4,157	377,665
Equity index swaps	Investment Income	515,033	Not applicable ⁴	–	–

¹ The total unrealized loss for open futures contracts at June 30, 2010 was \$(29,335,153). However, the majority of this loss has been settled with cash payments totaling \$26,881,788 sent to the futures clearing broker on or before June 30, 2010. Outstanding remaining net futures trade equity at June 30, 2010 totaled \$(2,453,365), which is reported on the statements of net assets as “Futures trade equity receivable” and “Futures trade equity payable”. The total notional values on long and short futures positions were \$5,512,165,847 and \$(5,275,389,880), respectively.

² Purchased options are reported as investments and short sales of options are reported as liabilities on the statements of net assets. This schedule includes both long and short positions.

³ The total Receivable and Payable notional and fair values (in U.S. \$) for forward currency exchange contracts were \$564,628,863 and \$(562,818,119) as of June 30, 2010. These amounts are reported as “Forward currency contracts receivable” and “Forward currency contracts payable” on the statements of net assets.

⁴ The equity index swaps were closed prior to the end of the fiscal year.

G. Commitments

Each year, the Trust enters into a number of agreements that commit the Trust, upon request, to make additional investment purchases (i.e., capital commitments) up to predetermined amounts. The unfunded capital commitments that are not reported on the Trust’s statements of net assets totaled \$6,554,375,017 as of June 30, 2011, and \$6,646,037,305 as of June 30, 2010.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

5. Litigation

During the ordinary course of its operations, the Trust may be party to various claims, legal actions, and class action lawsuits. The SBA's General Counsel Office handles these matters or the SBA may seek outside legal counsel. In the opinion of the SBA's management and legal counsel, these matters are not anticipated to have a material financial impact on the Trust.

The Trustees of the SBA and the Secretary of the Department of Management Services have been served complaints challenging the constitutionality of Senate Bill 2100 (SB2100), codified as Chapter 2011-68, Laws of Florida, (the legislation mandating the deduction of 3% of employees' salaries for contribution into the Florida Retirement System), which became effective July 1, 2011. The Court has yet to issue an opinion on this matter. Because the law became effective on July 1, 2011, the Court's ruling will have no effect on the financial statements of the Trust for the fiscal year ended June 30, 2011. However, the SBA cannot speculate regarding whether the Florida courts (and ultimately the Florida Supreme Court) will find SB 2100 to be unconstitutional and whether such a conclusion will affect the financial statements of the Trust in future periods.

6. Related Parties

The DMS, the PEORPTF and the SBA are considered to be related parties for the purpose of the Trust's financial statements. The Trust has a variety of transactions with the DMS, PEORPTF and SBA. The DMS administers the Plan, including collecting employer contributions, remitting those contributions to SBA for investment in the Trust, requesting withdrawals from the Trust for benefit payments, and then paying those benefit payments to participants. The SBA administers the PEORPTF, including working with DMS to collect employer contributions and processing participant-directed transfers between the Trust and the PEORPTF. The SBA provides investment services to the Trust and charges a management fee equal to 1.5 basis points (annualized) on the Trust's net asset value each month-end.

State Board of Administration
Florida Retirement System Trust Fund

Notes to Financial Statements (continued)

June 30, 2011 and 2010

6. Related Parties (continued)

Significant transactions between the Trust, the DMS, PEORPTF and the SBA in fiscal years 2011 and 2010 were as follows:

	2011	2010
	<i>(In Thousands)</i>	
Transfers from the DMS:		
Related to member employer contributions	\$ 3,083,840	\$ 2,733,277
Transfers from the PEORPTF:		
Related to participant-directed transfers from PEORPTF	\$ 33,494	\$ 21,002
Transfers to the DMS:		
Related to member benefits and other transfers	\$ 6,473,773	\$ 6,197,430
Transfers to the PEORPTF:		
Related to participant-directed transfers to PEORPTF	\$ 1,183,161	\$ 674,731
Investment service charges to the SBA:		
Based on month-end net asset values	\$ 18,476	\$ 16,680
Receivables:		
Due from the DMS	\$ 357,170	\$ 265,299
Payables:		
Due to the DMS	\$ 301,274	\$ 313,784
Due to the SBA for investment service charges	3,244	2,774
Total payables	\$ 304,518	\$ 316,558

Other Report

Report of Independent Certified Public Accountants on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in Accordance With
Government Auditing Standards

Board of Trustees
State Board of Administration of Florida

We have audited the financial statements of the Florida Retirement System Trust Fund (the Trust) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

In planning and performing our audits, we considered the Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees of the State Board of Administration of Florida, the State of Florida and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

November 11, 2011

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