SBA FLORIDA
STATE BOARD OF ADMINISTRATION

QUARTERLY PERFORMANCE REPORT TO THE TRUSTEES

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Office of Investment Policy & Economics

STATE BOARD OF ADMINISTRATION
OF FLORIDA

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MEMORANDUM

To: ***MEMBERS, STATE BOARD OF ADMINISTRATION***
Governor Rick Scott, Chairman
Chief Financial Officer Jeff Atwater
Attorney General Pam Bondi

From: *Ash Williams* Lamar Taylor for AW

Date: *May 8, 2014*

Subject: *Quarterly Performance Report as of March 31, 2014*

Geo-political events and signs of economic slowing caused equities to sell off early this year, but markets quickly recovered and a custom version of the MSCI All Country World Investable Market Index was up 1.36 percent for the first quarter. U.S. fixed income markets posted gains as the expected start of Fed rate increases receded. The Barclays U.S. Intermediate Aggregate Index rose 1.20 percent in the first quarter.

For the 12 months ending March 31, 2014, performance for the SBA's three multi-asset class mandates was as follows.

	Actual Return	Benchmark Return	Actual Minus Benchmark
FRS Pension Plan	13.19%	12.25%	0.95%
FRS Investment Plan	11.77%	11.08%	0.69%
Lawton Chiles Endowment	13.48%	11.61%	1.88%

Florida Statutes, Section 215.47(6), the "basket clause," requires the Executive Director to report to the Investment Advisory Council any proposed plans to invest in certain investments that are not explicitly authorized. During the month of March 2014, no proposed plans for such investments were reported to the Investment Advisory Council.

Please find attached the SBA's Quarterly Performance Report for periods ending March 31, 2014. The report also contains performance information on Florida PRIME and the Florida Hurricane Catastrophe Fund. More detailed information on Florida PRIME can be found on the SBA website at www.sbafla.com/prime.

Other Items of Note

- On April 4, 2014, the SBA transferred $2.19 million from Fund B to Florida PRIME. Cash will be transferred to Florida PRIME participants in proportion to their original adjusted Fund B balances. Since the inception of Fund B in December 2007, the total accumulated distribution has amounted to approximately $1.92 billion, or 95.9 percent of the original Fund B principal.

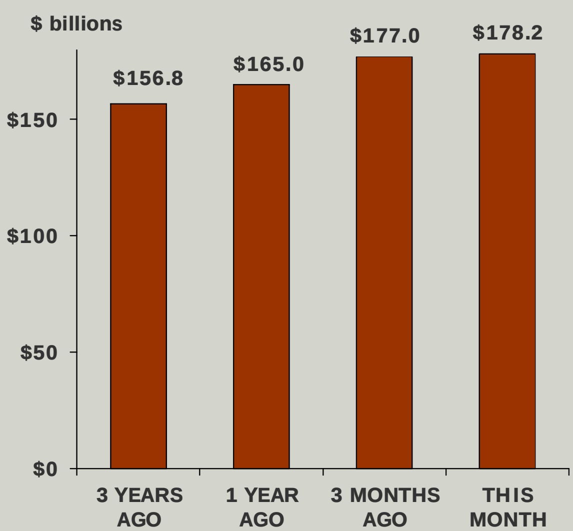
If you have any questions or need additional information, please contact me.

AW/bm

cc: IAC Members
Karl Rasmussen
Robert Tornillo
Rob Johnson

On March 31, 2014, the State Board of Administration (SBA) had $178.2 billion under management. The Florida Retirement System (FRS) continues to be the largest mandate under the Board's supervision, with a current net asset value (NAV) of $153.6 billion split between its Pension Plan (PP) and Investment Plan (IP). The chart below provides an overview of funds under management. A summary of all individual funds under management is included on page 17.

Total Funds Under Management



Breakdown of Funds Under Management

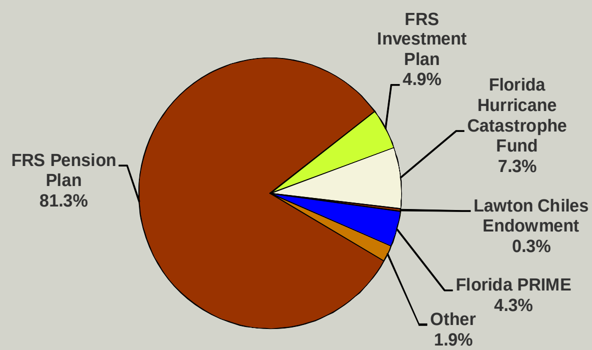


Table of Contents

ECONOMIC OVERVIEW

The U.S. Commerce Department 'advance' (i.e., initial) estimate is that real Gross Domestic Product (GDP) rose at a surprisingly low 0.1 percent annual rate in the first quarter of 2014. This was the economy's worst showing in over a year, but the weak result is believed to have been caused by special factors. In particular, adverse weather conditions are blamed for faltering activity in many sectors, and slower inventory accumulation also subtracted from growth. The chart below shows expected real GDP growth in the rest of 2014 and 2015 from the April 2014 **Blue Chip Survey**.The weaker-than-expected initial estimate should not degrade expectations meaningfully.

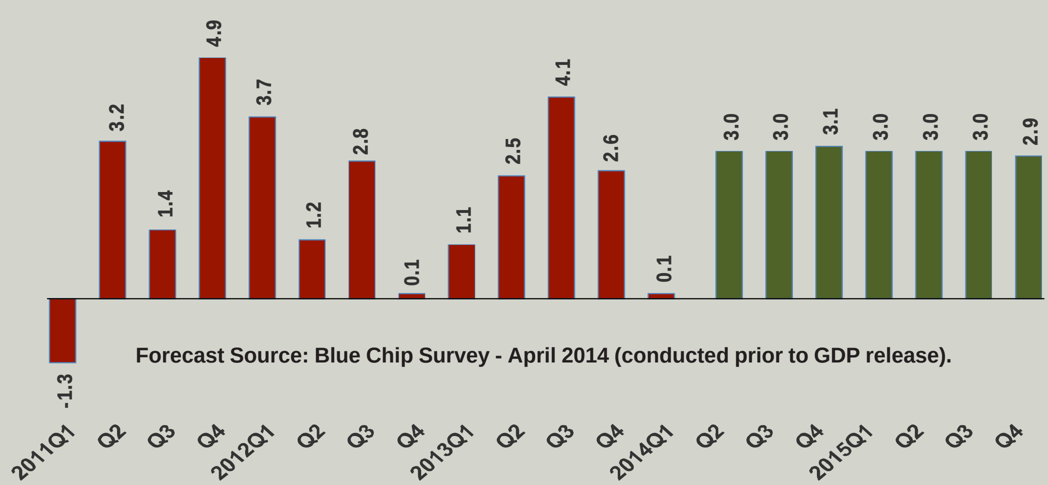
Real personal consumption expenditures rose at a respectable 3.3 percent annual rate in the first quarter. However, most of the growth was in the service area where the rollout of the Affordable Care Act gave health care spending a temporary lift. Spending on non-durable goods rose just 0.1 percent and spending on durable goods was up only 0.8 percent. The latter includes auto purchases, and nasty winter weather cut new car sales sharply. However, the **University of Michigan's** index of consumer sentiment was up in April, and employment growth in April was a solid 288,000 jobs. This should help ensure a correction in all areas of household spending.

Business spending was decidedly weak in the first quarter. Non-residential fixed investment declined at a 2.1 percent annual rate as equipment spending fell 5.5 percent. Equipment spending had risen 10.9 percent in the fourth quarter of 2013, fueling hopes that businesses were ready to loosen their purse strings. Possibly, the harsh winter made for an inhospitable investment climate, and spring will see gains in this area. Recent strong data on durable goods orders corroborates that view.

The trade and government sectors both detracted from growth. There is evidence that weather broadly hampered the ability to ship goods and helped cut exports. If so, that could imply a quick bounce back. Trade data are estimated for the last month of a quarter in the initial GDP report, so if a rebound started in March, the hit from trade could be revised lower. State and local governments subtracted from growth last quarter, offsetting a small positive from the Federal government.

The Fed was unfazed, announcing another $10 billion cut in its monthly bond purchases shortly after the GDP report was released. That reduced the monthly amount to $45 billion and kept the unwinding of QE3 on pace to be complete this fall. Past that, it is unclear when the Fed might start raising interest rates, but the evolution of employment and inflation will be key. At this point, the latter may matter more. Employment is showing signs of vigor in terms of job count, but that has not yet translated into upward pressure on wages (the average wage was unchanged in April despite the robust payroll gain). Some commodity prices have been rising for supply related reasons, but inflation typically requires a surge in aggregate demand. There is scant evidence that any such thing is imminent.

U.S. Real GDP Growth (% Change)
Actual and Projected



Economic and Market Conditions

MARKET SUMMARY

For the quarter, the Global Equity's benchmark, a custom version of the of the Morgan-Stanley Capital International All Country World Investable Market Index, returned 1.36 percent. The modest gain during the quarter masked a rollercoaster ride as markets were buffeted by several events; softer economic data from the U.S., growing concern over the low level of Eurozone inflation, Fed tapering, and political unrest in the Ukraine spooked investors. U.S. stocks fell almost 6 percent to start the quarter before closing at an all-time high as belief spread that economic softness was largely weather-related. Eurozone stocks outpaced other regions despite being held back by the situation in Ukraine. Japanese equities sold off during the quarter on weaker economic data from China and fears that the consumption tax increase slated to take effect April 1, 2014 will harm growth. China was the worst-performing emerging Asian market over slowing economic growth and debt concerns. Markets such as India and Indonesia rallied, lifted by hopes for reform and improving current account deficits. Russia sold off as tensions in the Ukraine escalated.

Long-term interest rates fell during the first quarter with the yield on 10-year Treasuries falling from the 3 percent range to just over 2.7 percent. Rates had risen for much of 2013, but retrenched as perceptions grew that the Fed would refrain from raising its target for the fed funds rate longer than had been anticipated. Federal Open Market Committee (FOMC) adjusted its forward interest rate guidance by removing quantitative thresholds for triggering rate increases. They had previously stated that short-term interest rates would increase if inflation rose above 2.5 percent and the unemployment rate dropped below 6.5 percent. In April, the Fed purchased $25 billion of mortgage-backed securities and $30 billion of Treasury securities and is expected to end its asset buying this year.

The private equity market is off to a hot start in 2014. U.S. firms closed 370 acquisitions during the first quarter, the largest number of first-quarter deals since 2007. This level of activity continues to be fueled by very receptive debt markets and a large number of funds nearing the end of their investment period. Forward looking deal statistics point toward this trend continuing throughout the year. The fundraising market was not as kind during the quarter. Globally, firms raised $51.5 billion, up 6 percent from the first quarter of 2013, but down almost 50 percent from the prior quarter. Fundraising should increase over the remainder of the year as limited partners seek to increase their allocation to the asset class.

Pricing for core real estate in the primary market continues to be aggressive. Pricing appears to be well-supported by large amounts of capital being committed to U.S. real estate markets, both by established participants and new players in the space, evidenced by an increase in foreign capital seeking U.S. real estate assets. As a result of this pricing environment, it appears that the spread in expected returns between primary markets and secondary markets is tightening. Additional support for current pricing is coming from an improving economic climate which is leading to stronger fundamentals. The sector continues to benefit from low interest rates which could continue for several years. The U.S. and global markets for real estate securities posted returns of 10 percent and 4 percent, respectively, in the first quarter, outperforming the broader equity markets. Asian markets struggled due to concerns about slowing GDP growth and a potential credit crunch in China. Capital continued to flow into European real estate, where economic growth has accelerated.

Global Equity

In general, active strategies struggled to keep pace with the gyrating performance of the markets. The U.S. Active Aggregate underperformed by 39 basis points. Good performance by the U.S. Small Cap Active Aggregate could not mitigate the underperformance of the U.S. Large Cap Active Aggregate. The Foreign Equity Aggregate underperformed, giving up 10 basis points compared to its aggregate benchmark. The Developed Active Aggregate, which represents 53 percent of exposure to foreign equities, was the primary driver of underperformance, swamping the modest outperformance of the Emerging Markets Aggregate. The dedicated Global Equity Aggregate modestly underperformed its benchmark. Overall, passive strategies added modest value, benefitting primarily from the receipt of securities lending income and advantageous tax treatment of foreign dividends. A one-percent cash position held primarily for transactional purposes had a small negative impact on performance.

Fixed Income

Fixed income outperformed the Barclays U.S. Intermediate Aggregate Bond Index in the first quarter by 12 basis points, returning 1.32 percent versus the index's 1.20 percent. Excess returns (versus 10-year U.S. Treasuries) for the quarter included intermediate corporates with an excess return of 0.77 percent, followed by CMBS at 0.65 percent and the intermediate Government Related sector at 0.35 percent. Lower rated securities of the Intermediate Aggregate Index continued to outperform as Baa's had an excess return of 1.21 percent, and single A's returned 0.46 percent, while the AAA sector lagged at -0.07 percent.

Private Equity

The private equity portfolio recorded a net cash inflow of $96 million for the quarter. Exits from Thoma Bravo and EnerVest Ltd. highlighted the quarter. Thoma Bravo returned $35.7 million in proceeds from its sale of Digital Insight, a leading provider of digital banking capabilities to financial institutions, while EnerVest returned $24.8 million from its sale of oil and gas assets located in the Laredo Granite Wash and Permian Basin.

Strategic Investments

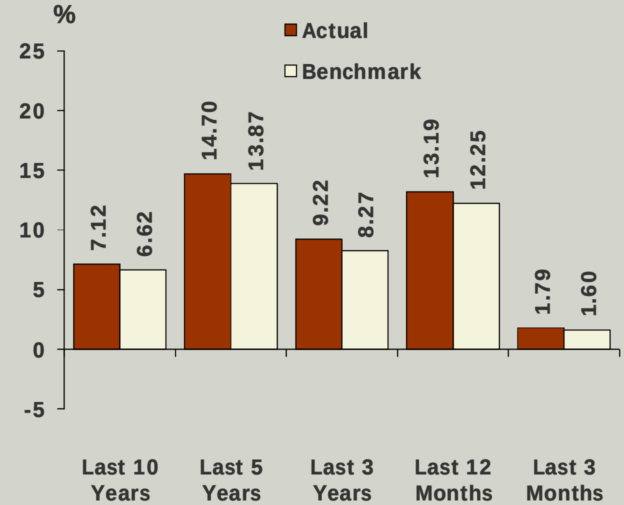
The Strategic Investments asset class generated net investment cash inflows of $15.6 million during the first quarter of 2014. Fiscal year-to-date, net investment cash outflows have been $388 million. The primary driver of the first quarter's net cash inflow was the liquidation of Scout Capital Partners II, an equity long/short hedge fund, which returned $231.6 million to the SBA. Two new hedge funds were funded during the quarter, each with an outflow of $100 million. At the end of 2013, 49 percent of Strategic Investments' net asset value was in Debt strategies, with Distressed Debt 23 percent of the asset class, Mezzanine 12 percent, Performing Debt 8 percent and other debt-related strategies 6 percent. Equity was 22 percent of Strategic Investments, Flexible Mandates was 20 percent, Special Situations was 5 percent and Real Assets was 4 percent. New areas of focus include managed futures and global macro strategies.

Real Estate

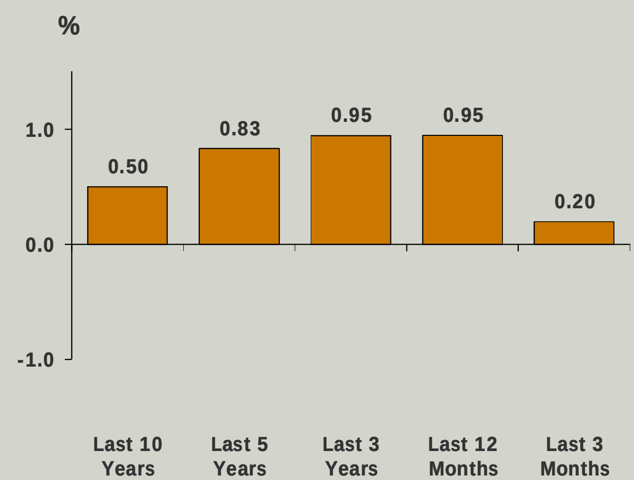
Real Estate committed $175 million total to two pan-European opportunistic commingled funds in the first quarter. These represent Real Estate's first commitments to dedicated European funds and are intended to capitalize on the deleveraging and distress in the European markets. Additional new investments included the acquisition of a three-property student housing portfolio for $59 million, utilizing $30 million of equity through an established programmatic joint venture, the acquisition of an office building for $186 million, utilizing $75 million of debt, the acquisition of a multifamily property for $76.5 million, free and clear, and the formation of a joint venture to develop a multifamily project with a best-in-class developer for a total capitalization of $182.5 million. The SBA's equity contribution for this development is scheduled to be $57.5 million.

Over the 12 months ending in March, the FRS Pension Plan had a Total Fund return of 13.19 percent, beating its performance benchmark by 95 basis points. Effective June 1, 2007, the Trustees adopted a long-term real return objective based on an actuarial assessment that FRS Pension Plan investments must on average appreciate by 5.0 percent per year in excess of the rate of inflation in order to ensure the timely payment of promised benefits and keep plan cost at a reasonable level. The SBA's record in meeting that long-term standard can be seen in the lower chart at left.

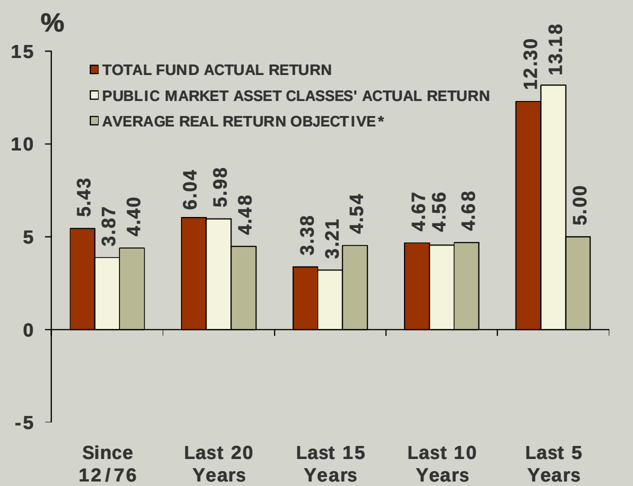
Total Fund Returns



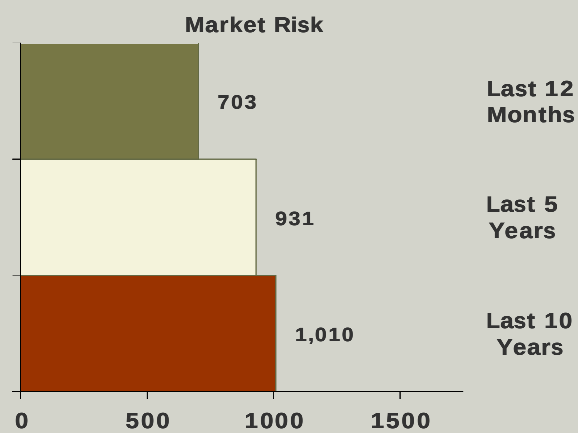
Actual Minus Benchmark Return

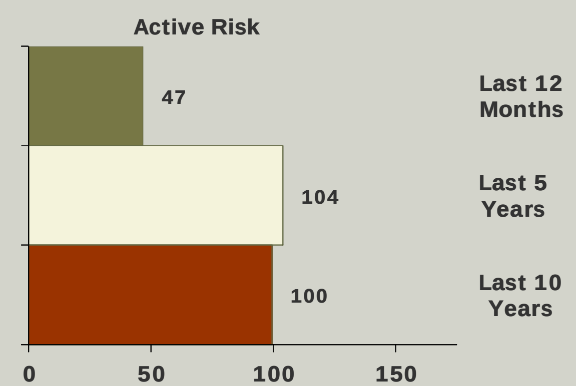


Total Fund Real Returns



Total Fund Risk (basis points)#





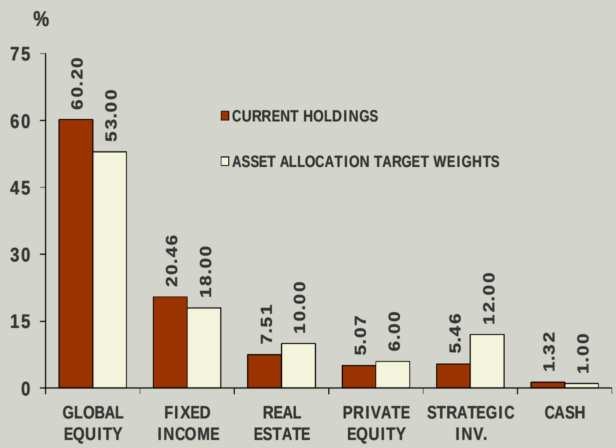
* The FRS's real return objective was 4.3% prior to June 2003, and 4% from June 2003 to May 2007. It has been 5% since June 1, 2007.

Risk is a measure of the expected volatility of total and active returns based on their historical standard deviations. In any given year (and for a given horizon), both total and active returns are expected to vary less than their risk measure around their average return with 67 percent probability. They are expected to deviate from their average return by more than twice their risk measure with only 5 percent probability.

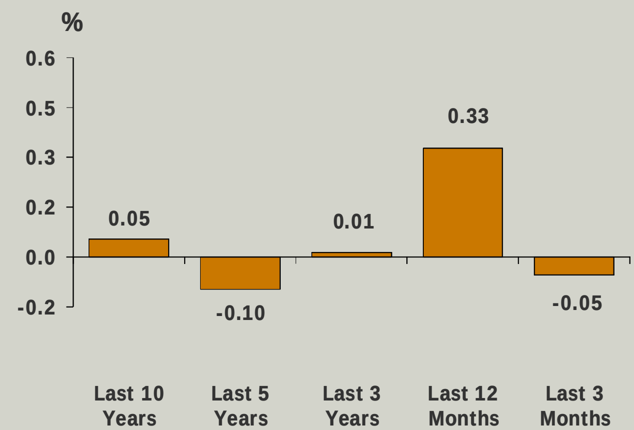
ASSET ALLOCATION

Returns to Asset Allocation arise from differences between asset class actual allocations and target allocations as percentages of the Total Fund (see upper chart at left). In the first quarter of 2014, returns to Asset Allocation lagged the benchmark return by 5 basis points. During the twelve-month period ending March 31, returns to Asset Allocation beat the benchmark return by 33 basis points. Rebalancing activity was suspended throughout most of the quarter pending the adoption of revised policy weights and policy ranges. These changes were approved by the Trustees in early February 2014 and took effect on March 1, 2014.

FRS Pension Plan Asset Allocation



Returns to Asset Allocation



FRS Pension Plan Asset Allocation Ranges

	Policy Low	Policy High	Actual Low	Actual High
Global Equity	45.0%	65.0%	59.4%	60.9%
Fixed Income	10.0%	26.0%	20.4%	21.4%
Real Estate	4.0%	16.0%	7.2%	7.5%
Private Equity	2.0%	9.0%	4.8%	5.1%
Strategic Investments	0.0%	16.0%	5.3%	5.6%
Cash	0.8%	5.0%	0.9%	1.7%

CASH FLOWS AND INVESTMENT GAIN/LOSS

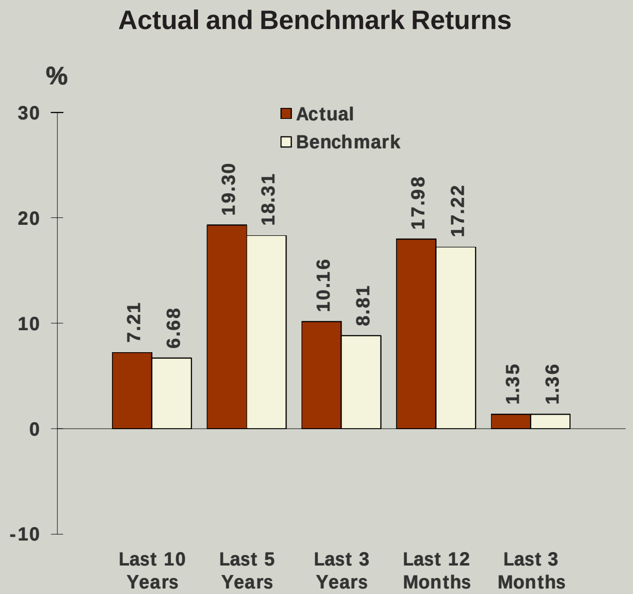
During the first quarter of 2014, the market value of the FRS Pension Plan increased by $1,116.3 million, resulting from net benefit payments (payments minus contributions) out of the FRS Trust Fund of $1,481.8 million and an investment gain of $2,598.2 million.

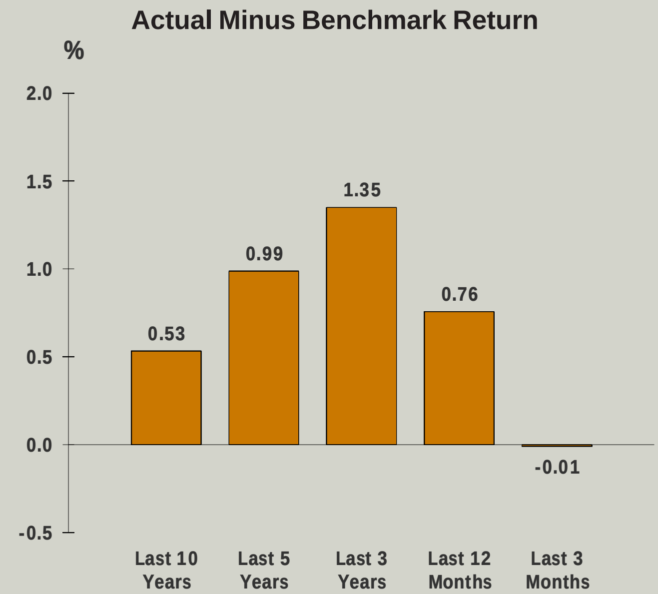
PERFORMANCE OVER LAST 3 MOS.				PERFORMANCE OVER LAST 12 MOS.			
ASSET CLASS[1]	TRANSFERS & CONTRIB.[2]	RETURNS	CHANGE IN NET ASSET VALUE	ASSET CLASS[1]	TRANSFERS & CONTRIB.[2]	RETURNS[2]	CHANGE IN NET ASSET VALUE
Global Equity	($1,504.9)	$1,151.8	($353.1)	Global Equity	($5,904.4)	$13,757.9	$7,853.6
Fixed Income	($9.1)	$384.2	$375.1	Fixed Income	$0.0	($173.5)	($173.5)
Real Estate	$188.2	$379.2	$567.4	Real Estate	($563.2)	$1,382.4	$819.2
Private Equity	($140.0)	$378.6	$238.6	Private Equity	($495.0)	$1,186.6	$691.6
Strategic Investments	($5.0)	$265.8	$260.8	Strategic Investments	$395.0	$1,057.4	$1,452.4
Cash	($11.1)	$38.6	$27.4	Cash	$630.0	($12.5)	$617.5
Total	**($1,481.8)**	**$2,598.2**	**$1,116.3**	**Total**	**($5,937.6)**	**$17,198.4**	**$11,260.8**

1. Based on available figures as of report time. Unless otherwise stated, all figures are in millions of dollars.
2. For all asset classes other than Cash, these figures reflect only inter-asset class transfers. The figure for Cash includes flows external to the fund.

GLOBAL EQUITY

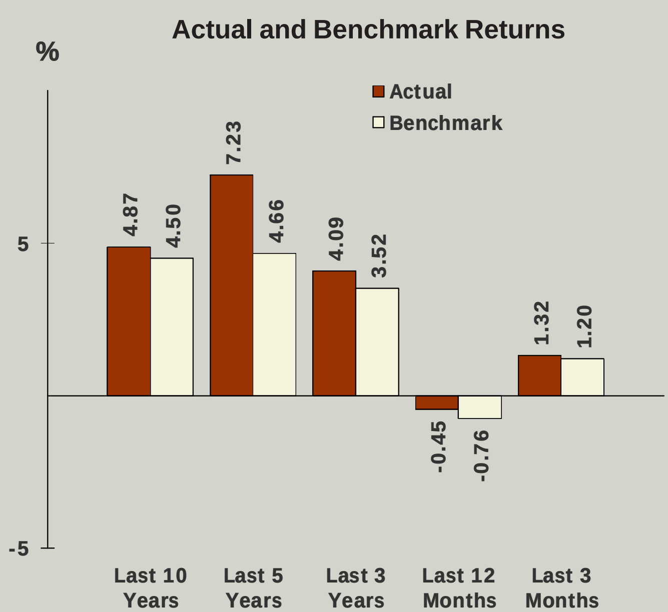
The quarter-end market value for Global Equity (including transition accounts) was $87.2 billion. After accounting for external management fees and transaction costs, the asset class lagged its benchmark (a customized version of the Morgan Stanley Capital International All Country World Index Investable Market Index) by 1 basis point over the last quarter but beat it by 76 basis points over the last year.

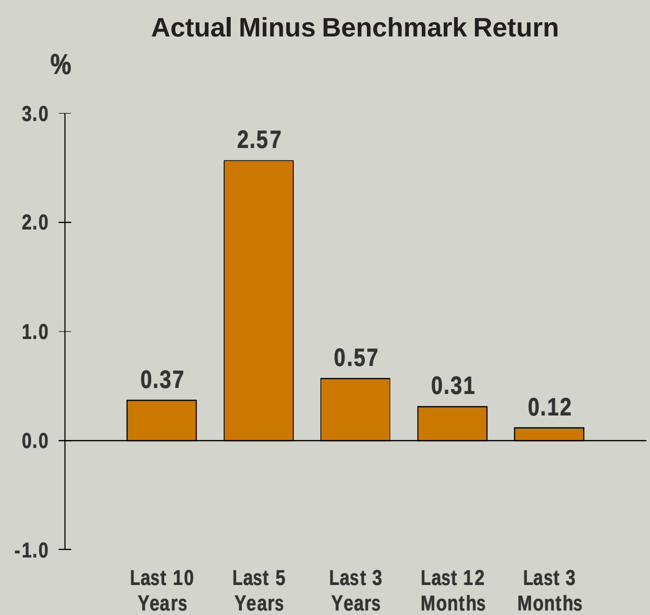




FIXED INCOME

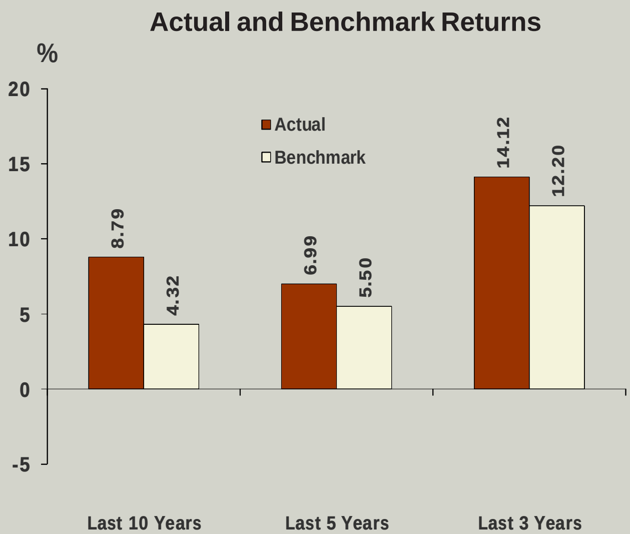
The quarter-end market value for Fixed Income was $29.7 billion. After accounting for external management fees and transaction costs, Fixed Income beat its benchmark (the Barclays U.S. Intermediate Aggregate Bond Index since November 1, 2013 and the Barclays U.S. Aggregate Bond Index prior to that) by 12 basis points last quarter and by 31 basis points over the past year.

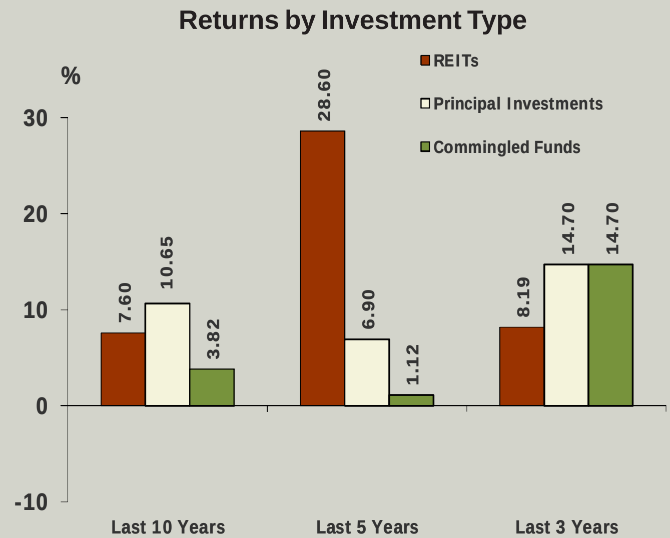




REAL ESTATE

The quarter-end market value for Real Estate was $10.9 billion, all of which was actively managed. After accounting for external management fees and transaction costs, the asset class has had favorable results versus its benchmark over periods ending March 2014. The chart at left shows performance versus benchmark (currently a blend of the National Council of Real Estate Investment Fiduciaries Open-ended Diversified Core Equity Index and the FTSE European Public Real Estate Association/National Association of Real Estate Investment Trusts Developed Index) for trailing 3-year, 5-year and 10-year periods. The chart at right shows the returns of Real Estate Investment Trusts (REITs), principal investments and commingled funds over those same periods.

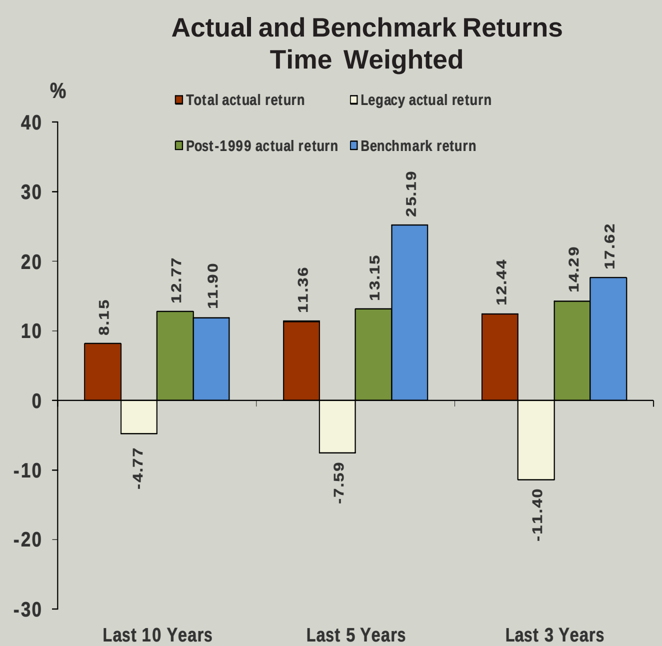


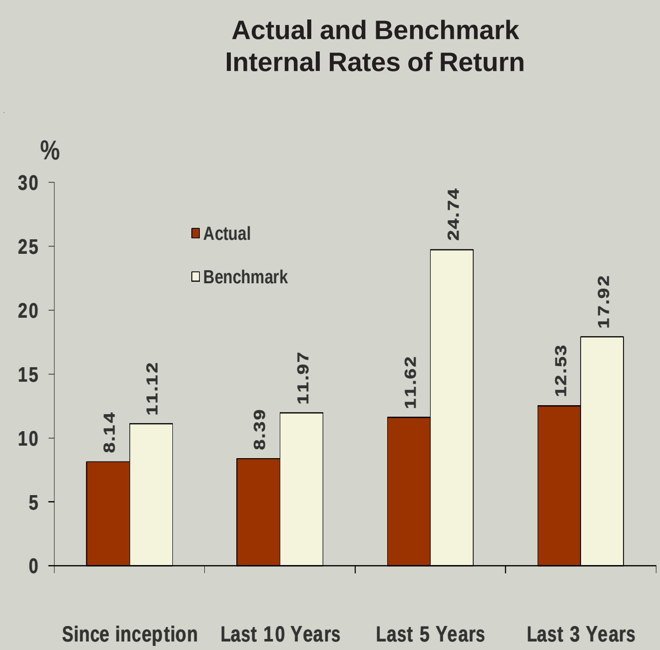


Private-market real estate valuations are subject to significant delays relative to the reporting period.

PRIVATE EQUITY VS. PRIMARY BENCHMARK[1]

The quarter-end market value for Private Equity was $7.3 billion, all of which was actively managed. Overall, the total asset class has lagged its primary benchmark. Investments made since Private Equity became a separate asset class in 1999 (i.e., post-1999) have beaten the benchmark over the 10-year period, but lagged it over 5 years and 3 years.

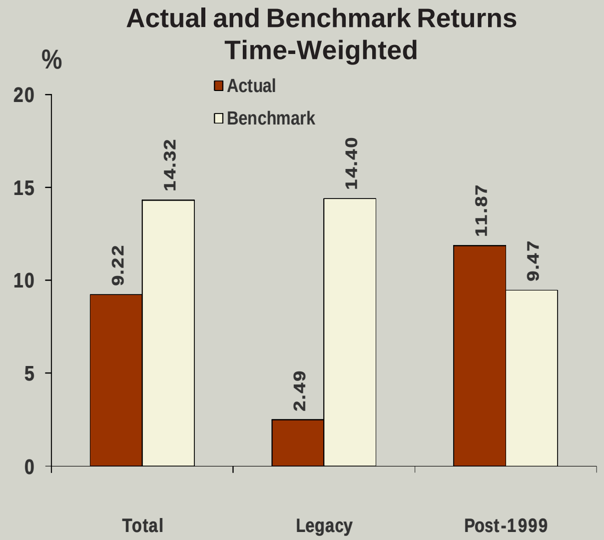


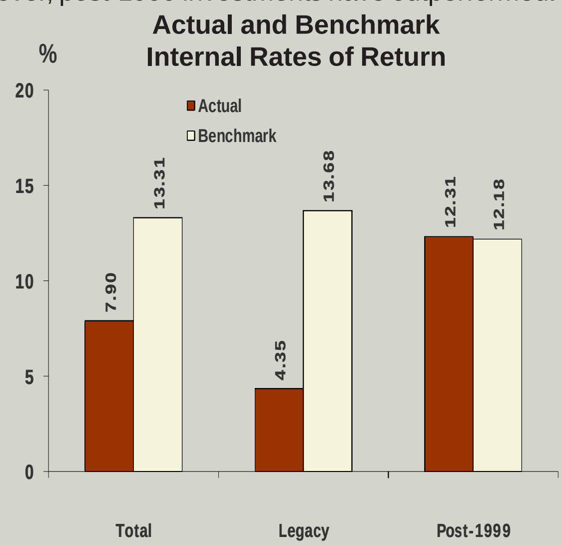


[1] Returns based on data through March 31, 2014. Currently, the primary benchmark is the Russell 3000 Index plus 300 basis points.

PRIVATE EQUITY VS. SECONDARY BENCHMARK[2]

The total asset class has lagged its secondary benchmark since inception due to legacy investments made prior to 1999, when Private Equity became a separate asset class. However, post-1999 investments have outperformed.



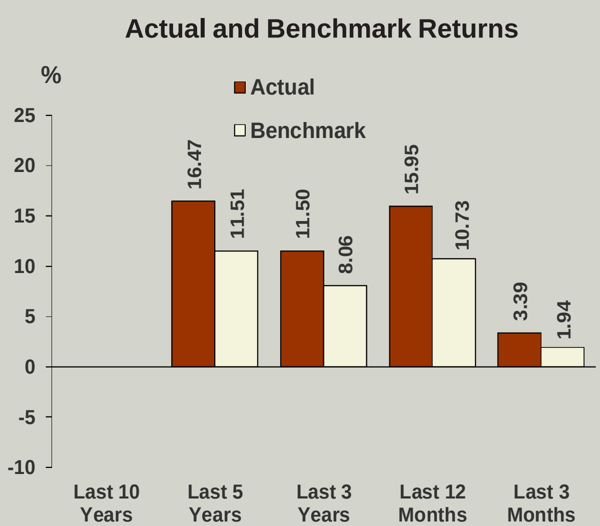


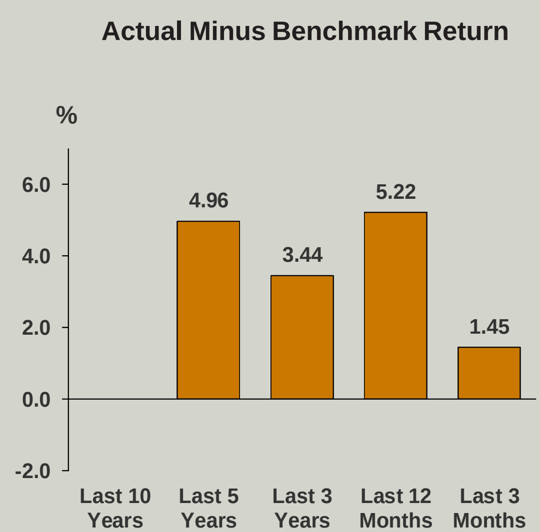
[2] The results above are based on data through December 31, 2013. The secondary benchmark is a weighted average of Cambridge Associates' Private Equity and Venture Capital indexes.

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

STRATEGIC INVESTMENTS

The quarter-end market value for Strategic Investments was $7.9 billion, all of which was actively managed. Over the past three months, Strategic Investments beat its short-term benchmark (an average of individual portfolio level benchmark returns) by 50 basis points. It beat its benchmark by 5.22 percent over the last twelve months and by 3.44 percent over the last three years.



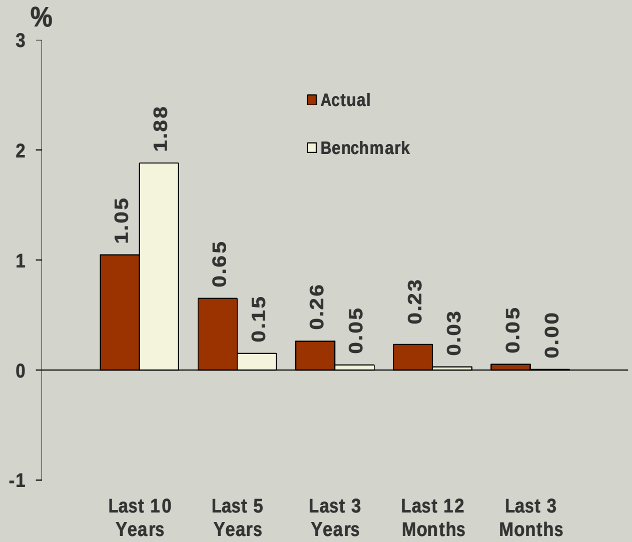


Strategic investments includes some private market assets whose valuations are subject to significant delays relative to the reporting period.

CASH EQUIVALENTS

The quarter-end market value for Cash was $1,857.9 million, all of which was actively managed. Cash beat its benchmark (the iMoneyNet First Tier Institutional Money Market Funds Net Index) over all periods shown except the last ten years. Its performance over the 10-year period is adversely affected by realized losses on Lehman and Washington Mutual securities, and unrealized losses on defaulted and restructured asset-backed commercial paper. From a long-run perspective, cash is the least attractive asset because its historic return has fallen short of inflation. However, it does act as a buffer against market turbulence, and liquidity is required to meet monthly expenses, benefit obligations, and capital commitments.

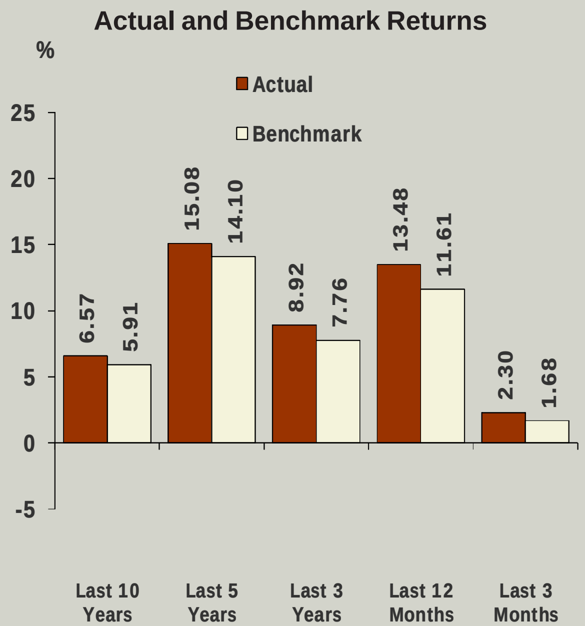
Actual and Benchmark Returns

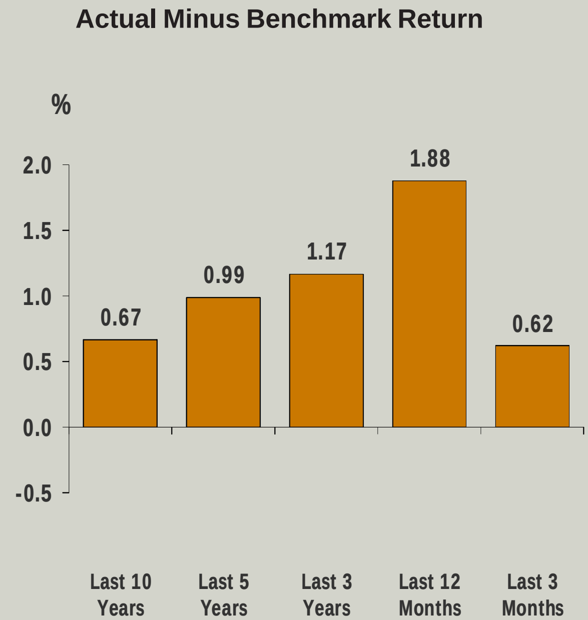


Actual Minus Benchmark Return

LAWTON CHILES ENDOWMENT FUND

The Lawton Chiles Endowment Fund (LCEF) had an end-of-quarter market value of $602.7 million, representing an increase of $13.6 million for the quarter. Over the last three months, the Endowment returned 2.30 percent, beating the return on its performance benchmark by 62 basis points. The return on the Endowment was 13.48 percent over the past year, beating its benchmark return by 188 basis points. The Endowment finished the quarter with overweights to Global Equity and Cash, and underweights to Fixed Income and TIPS. There were no rebalancings during the quarter.





LCEF Asset Allocation vs. Target

	Current	Target
Global Equity	74.0%	71.0%
Fixed Income	14.5%	17.0%
Treasury Inflation-Protected Securities	9.2%	11.0%
Cash	2.3%	1.0%

LCEF Asset Allocation Ranges

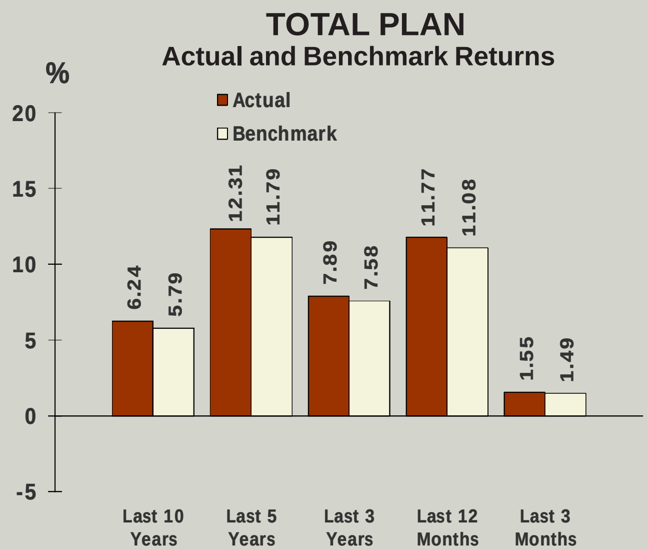
	Policy Low	Policy High	Actual Low	Actual High
Global Equity	61.0%	81.0%	73.4%	74.2%
Fixed Income	12.0%	22.0%	14.4%	14.9%
Treasury Inflation-Protected Securities	6.0%	16.0%	9.2%	9.4%
Cash	0.0%	10.0%	2.3%	2.3%

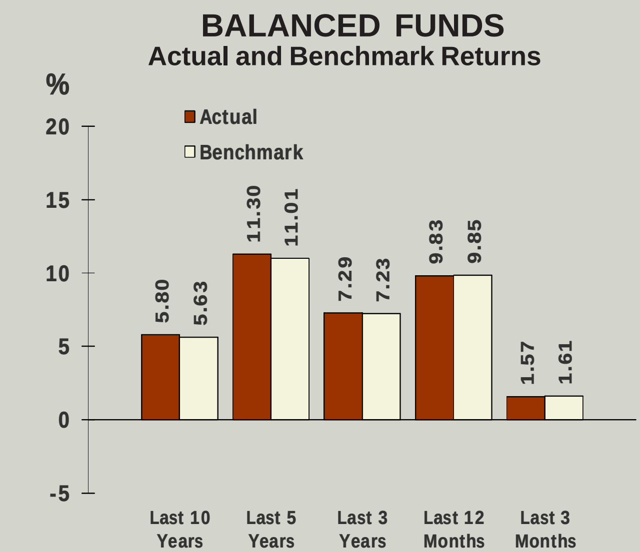
LCEF Returns by Asset Class

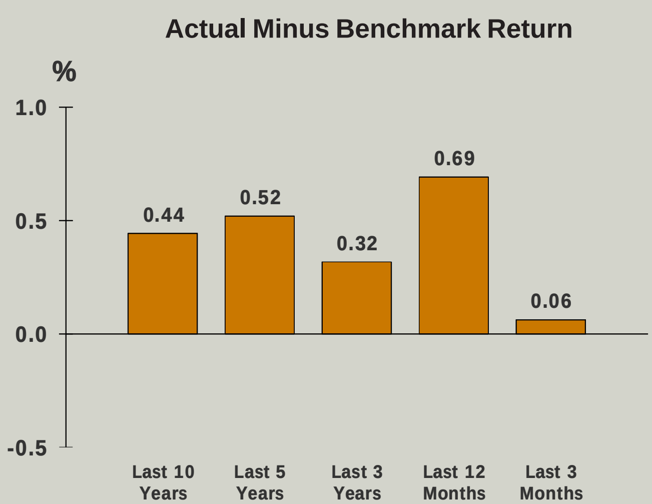
	Last 3 Months			Last 12 Months		
	Actual	Benchmark	Actual Minus Benchmark	Actual	Benchmark	Actual Minus Benchmark
Asset Allocation	1.59%	1.68%	-0.09%	12.04%	11.61%	0.43%
Global Equity	2.54%	1.44%	1.10%	20.39%	17.78%	2.61%
Fixed Income	1.81%	1.84%	-0.04%	-0.14%	-0.10%	-0.05%
Treasury Inflation-Protected Securities	1.89%	1.95%	-0.05%	-6.59%	-6.49%	-0.10%
Cash	0.07%	0.01%	0.06%	0.20%	0.05%	0.15%
Total Net Return	2.30%	1.68%	0.62%	13.48%	11.61%	1.88%

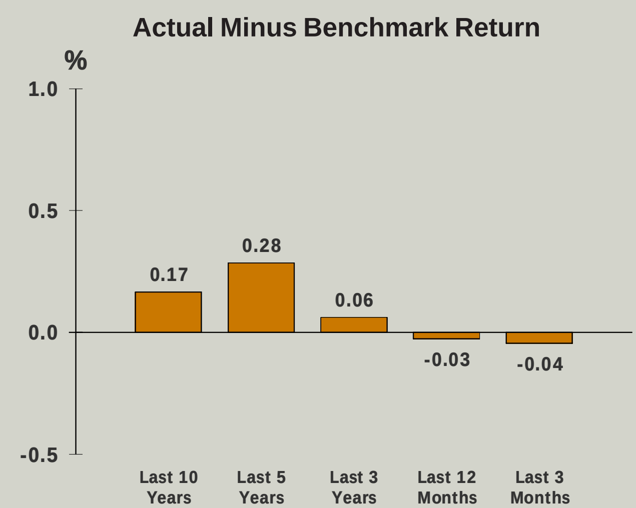
PERFORMANCE

Over the past quarter, the total Investment Plan return was 1.55 percent, outperforming the Plan's target return by 6 basis points. Domestic Equity funds outperformed their benchmarks by 20 basis points and the Money Market fund outperformed its benchmark by 4 basis points. Foreign Equity funds underperformed their benchmarks by 6 basis points. The TIPS Fund underperformed its benchmark by 2 basis points and the Fixed Income funds underperformed by 1 basis point. The Balanced Funds underperformed their aggregate benchmarks by 4 basis points.









Investment Plan Asset Allocation and Returns by Asset Type

		Last 3 Months			Last 12 Months		
	Percent Allocation	Actual	Benchmark	Actual Minus Benchmark	Actual	Benchmark	Actual Minus Benchmark
Domestic Equity	43.3%	2.18%	1.98%	0.20%	24.02%	22.66%	1.36%
Foreign Equity	17.1%	0.72%	0.78%	-0.06%	17.51%	15.97%	1.54%
Fixed Income	24.2%	1.78%	1.79%	-0.01%	0.37%	0.45%	-0.08%
Treasury Inflation-Protected Securities	2.7%	1.93%	1.95%	-0.02%	-6.42%	-6.49%	0.07%
Money Market	12.8%	0.04%	0.00%	0.04%	0.22%	0.03%	0.19%

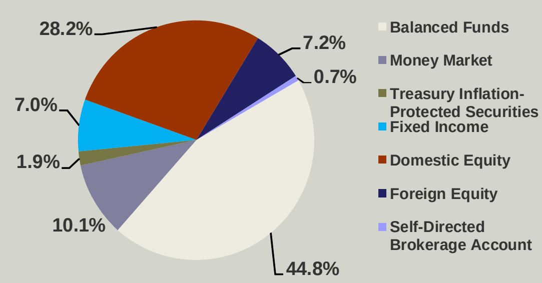
FLORIDA RETIREMENT SYSTEM INVESTMENT PLAN

PARTICIPANT DATA

At the end of the first quarter, FRS Investment Plan assets were $8.74 billion in 155,417 member accounts, an increase of 2.1 percent (3,245 accounts) from the prior quarter. During the quarter, transfers from the Pension Plan to the Investment Plan totaled $205.7 million, employer contributions were $54.0 million, and $36.5 million in employee contributions were received. First-quarter total distributions of $272.2 million were 24 percent lower than those of the fourth quarter. There were 1,363 requests for rollovers and 10,740 for lump sum distributions. While the number of rollovers was much lower than lump sum distributions, the sums involved were very close ($135.6 million versus $136.6 million). Also, in the first quarter, the Investment Plan received qualified plan rollovers of $1.8 million and DROP rollovers totaling $16.6 million.

Total IP Net Asset Value ($ billions)

Participant Selection Data*
First Quarter 2014



*Percent of total assets under management.

Participant Election Data

	New Employee Elections						Second Elections			
Fiscal Year	Default to Pension		Pension Plan		Investment Plan/Hybrid		Pension Plan		Investment Plan/Hybrid	
2009-10	21,501	(55.5%)	8,158	(21.1%)	9,071	(23.4%)	289	(6.1%)	4,420	(93.9%)
2010-11	21,049	(52.6%)	9,042	(22.6%)	9,960	(24.8%)	381	(4.4%)	8,330	(95.6%)
2011-12	20,064	(52.8%)	6,976	(18.4%)	10,937	(28.8%)	351	(5.2%)	6,443	(94.8%)
2012-13	26,105	(57.6%)	7,345	(16.2%)	11,895	(26.2%)	547	(8.7%)	5,741	(91.3%)
2013-2014*	23,277	(58.4%)	6,467	(16.2%)	10,102	(25.4%)	418	(9.5%)	4,004	(90.5%)
Total	111,996	(55.5%)	37,988	(18.8%)	51,965	(25.7%)	1,986	(6.4%)	28,938	(93.6%)

* Percentages are shares of FY Totals as of 3/31/14

First Quarter Cash Flows and Market Values[1]

	Participant Selections	Contributions[2]	Distributions[3]	Transfers[4]	Investment Gain/Loss[5]	Change in Net Asset Value	Market Value
Balanced Funds	149,160	$57.7	-$43.2	-$5.8	$2.9	$11.7	$3,917.0
Cash	15,754	$17.2	-$24.2	$4.9	-$2.6	-$4.7	$882.3
Treasury Inflation-Protected Securities	10,376	$0.4	-$1.6	-$0.9	-$1.0	-$3.1	$164.8
Fixed Income	34,655	$2.7	-$4.0	$3.5	-$3.1	-$0.9	$613.2
Domestic Equity	126,815	$10.6	-$12.5	-$8.7	$0.3	-$10.2	$2,466.4
Foreign Equity	48,749	$2.8	-$3.4	-$4.3	-$5.2	-$10.1	$629.6
Self-Directed Brokerage Account	599	$0.0	$0.0	$11.2	-$2.7	$8.6	$62.0

1. Based on figures provided by the Investment Plan's third-party administrator as of report time. Dollar values are in millions.
2. Contributions reflect rollovers in, employer and employee contributions, conversions in (Accumulated Benefit Obligation Transfers, true ups) and account adjustments.
3. Distributions reflect withdrawals and terminations made by participants.
4. Transfers reflect transactions that do not require funding and capture movement from one fund to another.
5. Reflect the difference of Investment Gains / Losses less contributions, distributions, and transfers.
Reflect the appreciation / depreciation of unit price over the given time period.

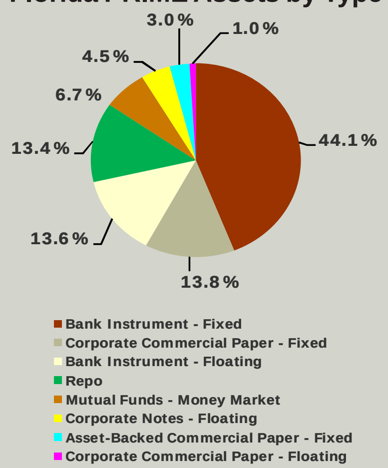
Participant Education Data

Use of MyFRS Financial Guidance Line			Use of MyFRS.com		
Last 12 months		Annual Growth	Last 12 months		Annual Growth
Total Calls	290,208	22%	Total Visits	2,168,459	24%
Choice Calls	195,441	22%	Online 2nd Election & Advisor Service	127,775	13%
Planning Calls	93,252	21%			
Employer Calls	619	4%			

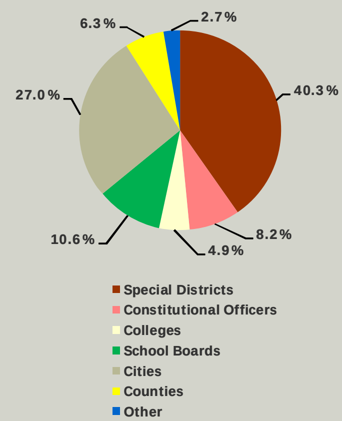
FLORIDA PRIME

Florida PRIME had 853 participants at the end of March 2014 and a market value of $7.91 billion. Fund B Surplus Funds Trust Fund (Fund B) had a market value of $107.9 million. During the first quarter, Florida PRIME earned a return of 0.04 percent and beat its benchmark [the Standard & Poor's (S&P) AAA/AA Rated Government Investment Pool (GIP) All 30-Day Net Index] by 3 basis points. Over the 12-month period ending March 31, 2014, Florida PRIME returned 0.18 percent and beat its benchmark by 13 basis points. As of March 31, 2014, $1.92 billion, or 95.8 percent of original participant balances in Fund B, had been returned to clients. The SBA continues to manage Fund B to maximize the present value of cash distributions to participants.

Florida PRIME Assets by Type



Florida PRIME Participants by Type

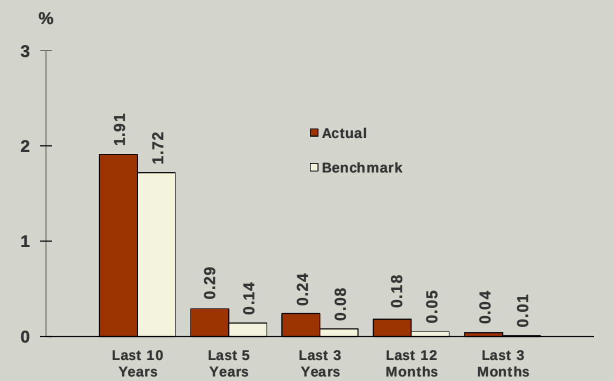


Florida PRIME Final Maturity Schedule

	Percent of Assets	Cumulative Percent
Jan-14	35.7%	35.7%
Feb-14	12.5%	48.2%
Mar-14	19.8%	68.0%
Apr-14	5.7%	73.7%
May-14	2.7%	76.4%
Jun-14	14.5%	90.9%
Jul-14	1.6%	92.5%
Aug-14	1.2%	93.7%
Sep-14	0.2%	94.0%
Nov-14	0.1%	94.0%
Dec-14	1.2%	95.2%
Jan-15	4.2%	99.4%
*Other	0.6%	100.0%

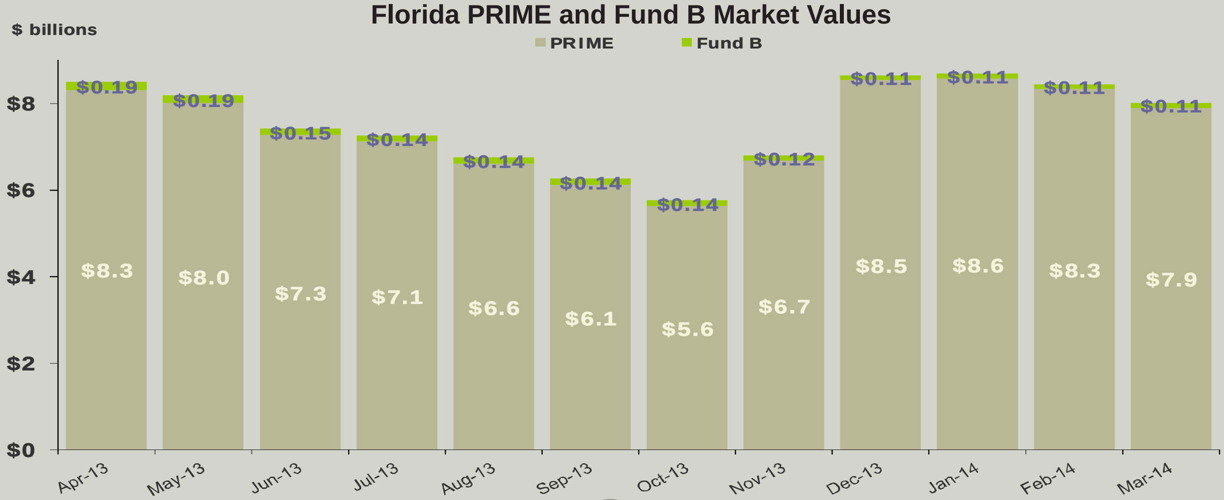
* Consists of six variable-rate notes with longer-term final maturities and periodic rate resets.

Florida PRIME Actual and Benchmark* Returns



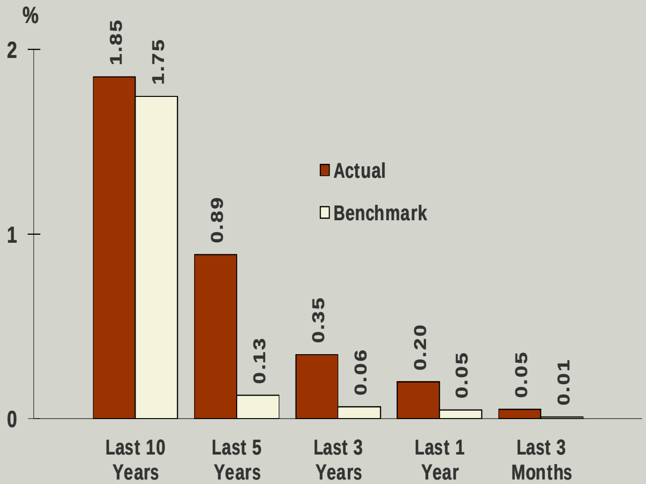
* Benchmark is the S&P AAA/AA Rated GIP All 30-Day Net Index for all time periods. Three-month returns are not annualized.

Florida PRIME and Fund B Market Values

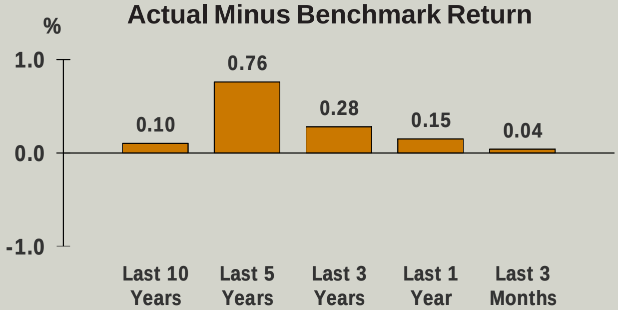


OPERATING FUND

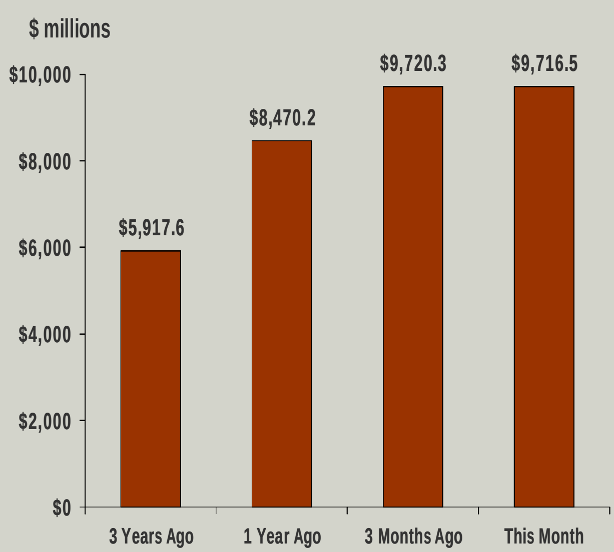
Actual and Benchmark Returns



Actual Minus Benchmark Return

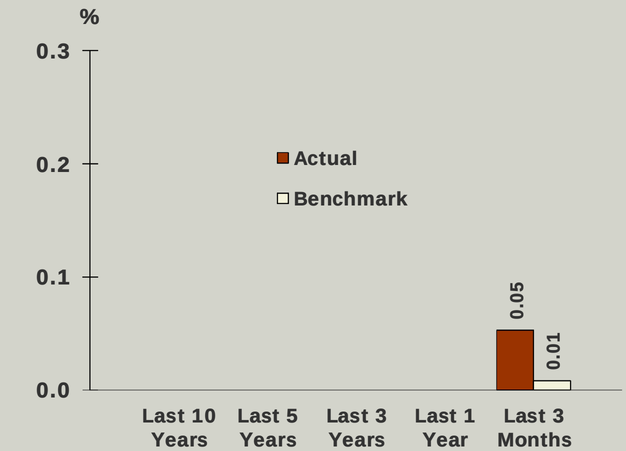


Net Asset Values

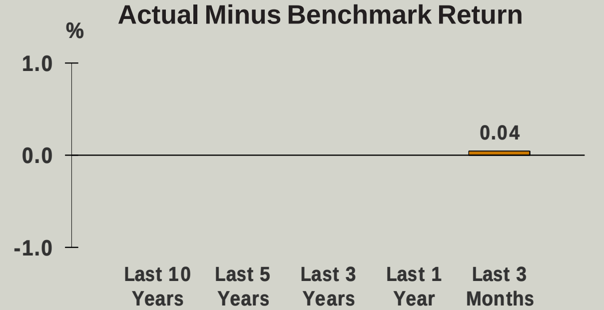


2013A NOTE PROCEEDS

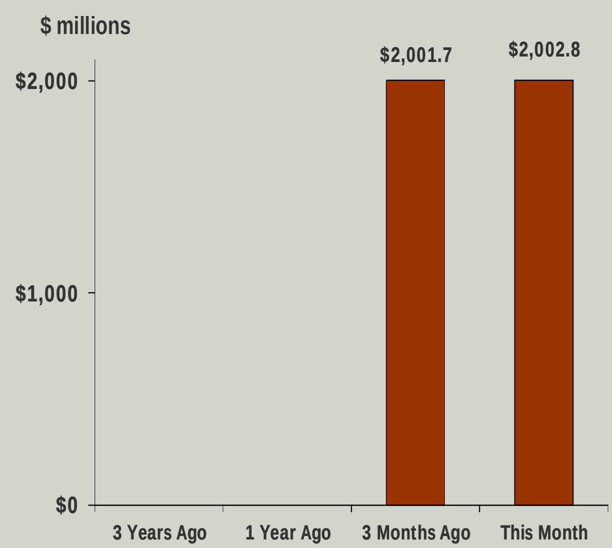
Actual and Benchmark Returns



Actual Minus Benchmark Return



Net Asset Values



SBA SECURITIES LENDING*

This is a summary of earnings for third-party agent security lending programs. Additional lending activity within commingled vehicles is not reflected. The SBA lends securities and receives cash and securities as collateral. The cash is reinvested. Earnings on the investments, net of broker rebates, are split between the lending agent and the SBA. When security loans mature and the borrowed securities are returned to the SBA, the cash and securities received as collateral are returned to the borrower. The SBA conducted a review of its securities lending program in 2009, which led to the phasing in of low-risk reinvestment vehicles such as overnight repurchase agreements (repos). As of March 31, 2014, the SBA had 86.1 percent of its reinvested collateral for the FRS Pension Plan in repos. Also, as of March 31, 2014, there is an unrealized loss of $59,634,220 in the FRS Pension Plan's collateral reinvestment portfolio. As of March 31, 2014, the Lawton Chiles Endowment Fund's collateral reinvestment portfolio had an unrealized gain of $14,672 and the Florida Lottery's collateral reinvestment portfolio had an unrealized gain of $77,942.

FRS Pension Plan

Net Income			Returns (annualized basis points)		
March 2014	Fiscal Year to Date	Calendar Year to Date	March 2014	Fiscal Year to Date	Calendar Year to Date
$3,422,961	$27,057,252	$9,130,140	88	80	82

Lawton Chiles Endowment Fund

Net Income			Returns (annualized basis points)		
March 2014	Fiscal Year to Date	Calendar Year to Date	March 2014	Fiscal Year to Date	Calendar Year to Date
$47,676	$148,698	$79,730	116	67	74

Florida Lottery

Net Income			Returns (annualized basis points)		
March 2014	Fiscal Year to Date	Calendar Year to Date	March 2014	Fiscal Year to Date	Calendar Year to Date
$72,342	$744,560	$252,804	24	26	27

* This information does not include non-cash security loans, interest receivable on investments or other receivables or payables that may be associated with securities lending. Unrealized gain/(loss) on the collateral reinvestment portfolios is included once per year in the SBA's financial statements, but is not reflected in investment returns.

SUMMARY OF SBA MANDATES

FLORIDA RETIREMENT SYSTEM (IN THOUSANDS)	March 31, 2014 MARKET VALUE	December 31, 2013 MARKET VALUE
FRS PENSION PLAN ASSET CLASSES		
GLOBAL EQUITY	$87,243,855	$87,596,908
FIXED INCOME	$29,656,860	$29,281,719
REAL ESTATE	$10,890,167	$10,322,765
PRIVATE EQUITY	$7,344,848	$7,106,293
STRATEGIC INVESTMENTS	$7,917,879	$7,657,056
CASH	$1,857,840	$1,830,398
TOTAL FRS PENSION PLAN	**$144,911,450**	**$143,795,139**
TOTAL FRS INVESTMENT PLAN	**$8,741,303**	**$8,584,512**
LAWTON CHILES ENDOWMENT FUND (IN THOUSANDS)		
LCEF ASSET CLASSES		
GLOBAL EQUITY	$55,641	$52,708
FIXED INCOME	$87,573	$83,526
TREASURY INFLATION-PROTECTED SECURITIES	$445,764	$439,175
CASH	$13,697	$13,700
TOTAL	**$602,674**	**$589,114**
OTHER FUNDS (IN THOUSANDS)		
DEBT SERVICE NONESCROW	$1,037,330	$787,045
DEBT SERVICE ESCROW	$1,250,145	$935,352
GAS TAX	$1,907	$2,180
RETIREE HEALTH INSURANCE SUBSIDY	$75,962	$87,807
POLICE AND FIREFIGHTERS	$109,406	$112,779
FLORIDA ENDOWMENT FOR VOCATIONAL REHABILITATION	$18	$19
FLORIDA PRIME	$7,578,306	$8,198,380
FUND B SURPLUS FUNDS TRUST FUND	$107,944	$114,624
DEPARTMENT OF THE LOTTERY	$461,545	$468,618
PENSION PLAN ADMINISTRATIVE EXPENSE	$38,917	$37,136
INVESTMENT PLAN ADMINISTRATIVE EXPENSE	$33,886	$35,870
FLORIDA HURRICANE CATASTROPHE FUND	$9,716,509	$9,720,300
STATE BOARD OF ADMINISTRATION FINANCE CORPORATION	$3,248,475	$3,181,231
FLORIDA PREPAID COLLEGE PROGRAM	$253,809	$246,361
BOND PROCEEDS	$2,158	$0
ARBITRAGE COMPLIANCE	$2,708	$2,689
REVENUE BOND FEE	$6,590	$6,251
INLAND PROTECTION FINANCING CORPORATION	$2	$2
BLIND SERVICES	$4,631	$4,547
MCKNIGHT EDUCATION FUND	$1,581	$1,552
SCRIPPS	$0	$0
FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION	$103	$105
INSURANCE CAPITAL BUILD-UP PROGRAM	$6,651	$5,930
BURNHAM INSTITUTE	$18,219	$18,221
TORREY PINES INSTITUTE	$3,552	$4,783
PINELLAS SUN COAST TRANSIT AUTHORITY	$16	$16
SRI INTERNATIONAL	$330	$328
UNIVERSITY OF MIAMI	$20,870	$20,862
MAX PLANCK	$3,391	$3,390
OREGON HEALTH AND SCIENCE	$2,573	$2,572
CHARLES STARK DRAPER LABORATORY	$1,112	$1,112
PAYING BANK RECALLS	$0	$0
OTHER FUNDS TOTAL	**$23,988,648**	**$24,000,060**
ALL FUNDS	**$178,244,075**	**$176,968,825**

GLOSSARY

MARKET INDEXES

Barclays U.S. Intermediate Aggregate Index - A market value-weighted index consisting of government bonds, SEC-registered corporate bonds and mortgage-related and asset-backed securities with between one year and ten years to maturity and an outstanding par value of $200 million or greater.

Consumer Price Index (CPI) - The CPI is an index of prices for a fixed basket of goods bought by a representative household and is used to measure consumer inflation.

FTSE European Public Real Estate Association/National Association of Real Estate Investment Trusts Developed Index (FTSE EPRA/NAREIT Developed Index) - Designed to represent general trends in eligible real estate equities worldwide. Relevant real estate activities are defined as the ownership, disposure and development of income-producing real estate. This index covers the four primary core property types (Industrial, Retail, Office, and Apartment).

iMoneyNet First Tier Institutional Money Market Funds Net Index - An average of non-governmental institutional funds that do not hold any second tier securities. It includes money market mutual funds, net of fees, that invest in commercial paper, bank obligations and short-term investments in the highest ratings category and is open to corporations and fiduciaries only.

Morgan Stanley Capital International All Country World Index Investable Market Index (MSCI ACWI IMI) - A free float-adjusted market capitalization-weighted index that is designed to measure the performance of developed and emerging equity markets. This investable market index contains constituents from the large, mid, and small cap size segments and targets a coverage range around 99 percent of free-float adjusted market capitalization.

National Council of Real Estate Investment Fiduciaries Open-ended Diversified Core Equity Index (NCREIF-ODCE) - A capitalization-weighted, gross of fee, time-weighted return index for open-ended funds, defined as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, subject to contribution and/or redemption requests.

National Council of Real Estate Investment Fiduciaries Property Index (NCREIF Property Index or NPI) - A capitalization-weighted, time-weighted return index for a pool of individual commercial properties held primarily by large, tax-exempt institutional investors.

Russell 3000 Index - A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This represents most publicly traded, liquid U.S. stocks.

PERFORMANCE BENCHMARKS

Global Equity - A custom version of the MSCI ACWI IMI adjusted to exclude companies divested under the provisions of the Protecting Florida's Investments Act (PFIA). Prior to July 1, 2010, the benchmark was a weighted average of the Domestic Equity and Foreign Equity benchmarks.

Fixed Income - As of November 1, 2013, the Barclays U.S. Intermediate Aggregate Index. From June 1, 2007 to October 31, 2013, it was the Barclays U.S. Aggregate Index. Prior to June 1, 2007, it was the Fixed Income Management Aggregate (FIMA). Prior to July 1, 1999, the benchmark was the Florida High Yield Extended Duration Index. Prior to July 31, 1997, the benchmark was the Florida Extended Duration Index. Prior to July 1, 1989, the Salomon Brothers Broad Investment-Grade Bond Index was the benchmark. For calendar year 1985, the performance benchmark was the Shearson Lehman Extended Duration Index with a 70 percent weight and the Salomon Brothers Mortgage Index with a 30 percent weight.

Private Equity - The Russell 3000 Index plus a fixed premium of 300 basis points per annum. Prior to July 1, 2010, it was the Domestic Equity target index return plus a fixed premium of 450 basis points per annum. Prior to November 1, 1999, Private Equity was part of the Domestic Equity asset class and its benchmark was the Domestic

Equity target index return plus 750 basis points.

Real Estate - A combination of the NCREIF-ODCE Index, net of fees, with a 90 percent weight, and the FTSE EPRA/ NAREIT Developed Index, net of fees, with a 10 percent weight. Prior to July 1, 2010, it was a combination NCREIF-ODCE Index, gross of fees, with a weight of 90 percent and the Dow Jones U.S. Select Real Estate Securities Index with a weight of 10 percent. Prior to June 1, 2007, it was the CPI plus 450 basis points annually. Prior to July 1, 2003, the benchmark was the Dow Jones U.S. Select Real Estate Securities Index Un-Levered. Prior to November 1, 1999, the benchmark was the Russell-NCREIF Property Index.

Strategic Investments - Long term, 5 percent plus the contemporaneous rate of CPI inflation. Short term, a weighted aggregation of individual portfolio level benchmarks.

Cash - The iMoneyNet First Tier Institutional Money Market Funds Net Index. Prior to June 1, 2007, it was the return of the Merrill Lynch 90-Day (Auction Average) Treasury Bill Yield Index.

Total Fund - A weighted combination of the MSCI ACWI IMI, the Barclays U.S. Intermediate Aggregate Index, the Private Equity benchmark, the Real Estate benchmark, the Strategic Investments benchmark, and the iMoneyNet First Tier Institutional Money Market Funds Net Index. The short-term target policy allocations to the Strategic Investments, Real Estate and Private Equity asset classes are floating and based on the actual average monthly balance of the Global Equity asset class. Prior to July 2010, the benchmark was a combination of the Domestic Equity and Foreign Equity benchmarks, the Strategic Investments benchmark, the Barclays Aggregate Bond Index, the Real Estate benchmark, the Private Equity benchmark, the Barclays U.S. High Yield Ba/B 2% Issuer Capped Index, and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. During this time, the short-term target policy allocations to the Strategic Investments, Real Estate and Private Equity asset classes were floating and based on the actual average monthly balance of the Strategic Investments, Real Estate and Private Equity asset classes.

State Board of Administration
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