

State Board of Administration Performance Report to the Trustees

Performance Through December 31, 2015

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STATE BOARD OF ADMINISTRATION
OF FLORIDA

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

POST OFFICE BOX 13300
32317-3300

RICK SCOTT
GOVERNOR
CHAIR

JEFF ATWATER
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

TO: Members, State Board of Administration
Governor Rick Scott, Chair
Chief Financial Officer Jeff Atwater
Attorney General Pam Bondi

FROM: Ash Williams

DATE: February 10, 2016

SUBJECT: Performance Report to the Trustees for the Month Ending December 31, 2015

Please find attached the SBA's Performance Report to the Trustees for the month ending December 31, 2015. For the 12 months ending December 31, 2015, performance for the SBA's three multi-asset class mandates was as follows.

	Actual Return	Benchmark Return	Value Added
FRS Pension Plan	1.48%	0.35%	1.13%
FRS Investment Plan	(0.88%)	(1.35%)	0.47%
Lawton Chiles Endowment	(1.42%)	(1.57%)	0.15%

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 ending December 31, 2015, no proposed plans for such investments were reported to the Investment Advisory Council.

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

AW/jk

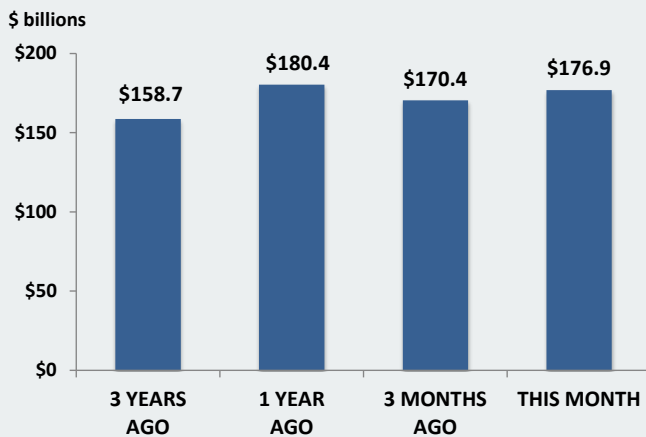
cc: IAC Members
Kristin Olson
Jeff Woodburn
Amanda Carey
Michelle Winokur
Robert Tornillo
Rob Johnson
Andrew Fay

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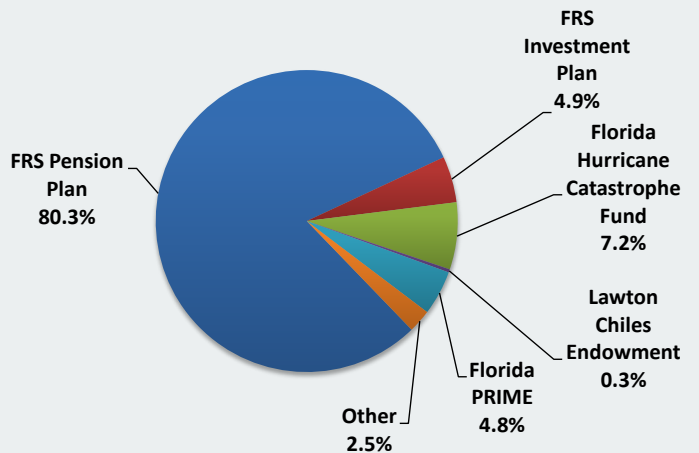
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SUMMARY OF MANDATES

TOTAL FUNDS UNDER MANAGEMENT



BREAKDOWN OF FUNDS UNDER MANAGEMENT

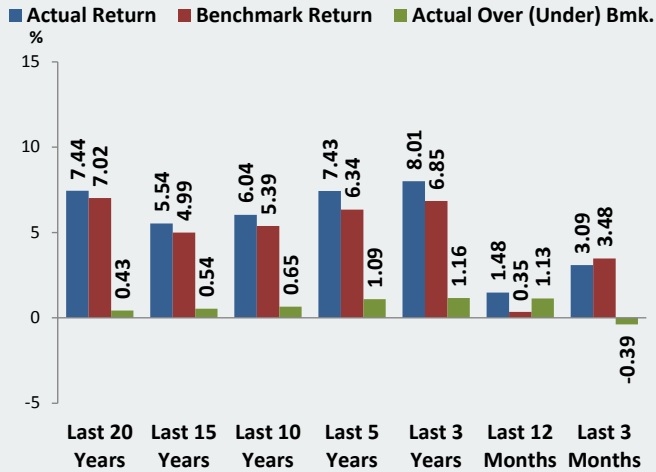


SUMMARY OF MANDATES

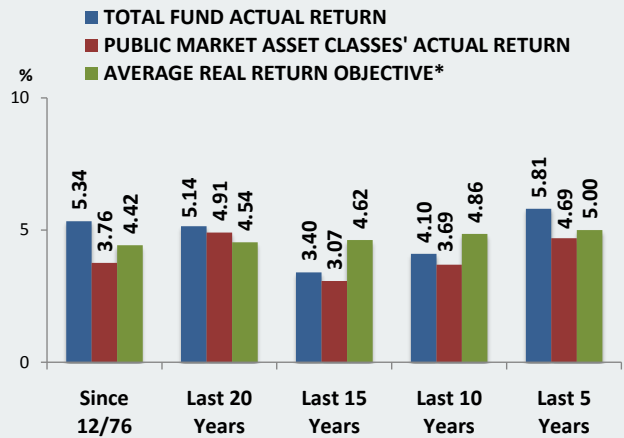
	December 31, 2015 MARKET VALUE (IN THOUSANDS)	November 30, 2015 MARKET VALUE (IN THOUSANDS)
FLORIDA RETIREMENT SYSTEM PENSION PLAN		
FRS PENSION PLAN ASSET CLASSES		
GLOBAL EQUITY	\$81,060,883	\$82,989,344
FIXED INCOME	\$27,705,840	\$28,108,636
REAL ESTATE	\$12,696,800	\$12,653,149
PRIVATE EQUITY	\$8,576,782	\$8,444,111
STRATEGIC INVESTMENTS	\$11,032,050	\$10,750,403
CASH	\$950,597	\$1,027,465
TOTAL FRS PENSION PLAN	\$142,022,952	\$143,973,107
FLORIDA RETIREMENT SYSTEM INVESTMENT PLAN	\$8,735,631	\$8,919,181
LAWTON CHILES ENDOWMENT FUND (IN THOUSANDS)		
LCEF ASSET CLASSES		
GLOBAL EQUITY	\$434,538	\$444,104
FIXED INCOME	\$98,225	\$98,547
TIPS	\$59,881	\$60,358
CASH	\$8,171	\$8,180
TOTAL LCEF	\$600,815	\$611,189
OTHER FUNDS		
DEBT SERVICE NONESCROW	\$794,514	\$949,844
DEBT SERVICE ESCROW	\$810,485	\$814,992
GAS TAX	\$15,911	\$1,676
RETIREE HEALTH INSURANCE SUBSIDY	\$37,496	\$32,922
POLICE AND FIREFIGHTERS	\$121,310	\$121,460
FLORIDA PRIME	\$8,459,623	\$7,132,820
Less Florida PRIME holdings in SBA funds	(\$298,545)	(\$293,620)
FUND B SURPLUS FUNDS TRUST FUND	\$0	\$0
DEPARTMENT OF THE LOTTERY	\$340,062	\$342,162
SBA ADMINISTRATIVE EXPENSE	\$46,111	\$45,579
PEORP ADMINISTRATIVE TRUST FUND	\$22,691	\$22,807
FLORIDA HURRICANE CATASTROPHE FUND	\$12,703,184	\$12,354,584
STATE BOARD OF ADMINISTRATION FINANCE CORPORATION	\$2,086,128	\$2,086,018
FLORIDA PREPAID COLLEGE PROGRAM	\$342,815	\$356,164
BOND PROCEEDS	\$1,616	\$0
ARBITRAGE COMPLIANCE	\$2,687	\$2,722
REVENUE BOND FEE	\$6,156	\$6,374
INLAND PROTECTION FINANCING CORPORATION	\$2	\$2
BLIND SERVICES	\$4,992	\$5,055
ICB PROGRAM	\$5,825	\$1,807
BURNHAM INSTITUTE	\$1,496	\$1,496
TORREY PINES INSTITUTE	\$3,572	\$3,572
SRI INTERNATIONAL	\$116	\$116
UNIVERSITY OF MIAMI	\$20,943	\$20,937
OREGON HEALTH AND SCIENCE	\$2,576	\$2,575
CHARLES STARK DRAPER LABORATORY	\$1,113	\$1,113
PAYING BANK RECALLS	\$0	\$0
OTHER FUNDS TOTAL	\$25,532,879	\$24,013,176
TOTAL ASSETS UNDER MANAGEMENT	\$176,892,277	\$177,516,653

FLORIDA RETIREMENT SYSTEM PENSION PLAN TOTAL FUND PERFORMANCE & NET ASSET VALUE CHARTS

ACTUAL RETURNS, BENCHMARK RETURNS, AND VALUE ADDED



REAL RETURNS (RETURNS NET OF INFLATION)

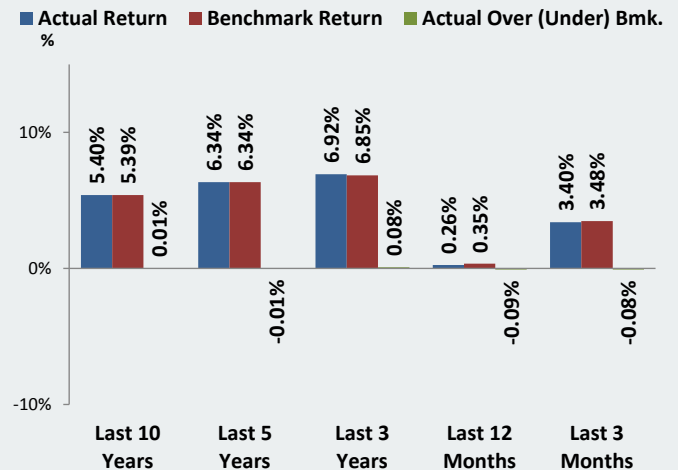


* The FRS's real return objective was 4.3% prior to June 2003, and 4% from June 2003 to May 2007. It has been 5% since June 1, 2007.

NET ASSET VALUES



RETURNS TO ASSET ALLOCATION



FLORIDA RETIREMENT SYSTEM PENSION PLAN

ASSET CLASS BENCHMARKS, ALLOCATION & CASH FLOWS

ASSET CLASS BENCHMARKS

Asset Class	Index
Global Equity	A custom version of the MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect the provisions of the Protecting Florida's Investments Act
Fixed Income	The Barclays Capital U.S. Intermediate Aggregate Index
Real Estate	The core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 76.5%, and the non-core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 13.5%, plus a fixed return premium of 150 basis points per annum, and the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on non-resident institutional investors, weighted at 10%
Private Equity	The MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect the provisions of the Protecting Florida's Investments Act, plus a fixed premium return of 300 basis points per annum
Strategic Investments	A weighted-average of individual portfolio level benchmark returns
Cash & Cash Equivalents	iMoneyNet First Tier Institutional Money Market Funds Net Index

CURRENT ASSET ALLOCATION, TARGET AND RANGES

	Current Weight	Policy Weight	Policy Low	Policy High	Actual Low	Actual High
Global Equity	57.1%	53.0%	45.0%	70.0%	56.7%	57.9%
Fixed Income	19.5%	18.0%	10.0%	26.0%	19.2%	20.0%
Real Estate	8.9%	10.0%	4.0%	16.0%	8.7%	9.0%
Private Equity	6.0%	6.0%	2.0%	9.0%	5.9%	6.1%
Strategic Investments	7.8%	12.0%	0.0%	16.0%	7.4%	7.8%
Cash & Cash Equivalents	0.7%	1.0%	0.25%	5.0%	0.7%	1.3%

CASH FLOWS AND INVESTMENT GAIN/LOSS

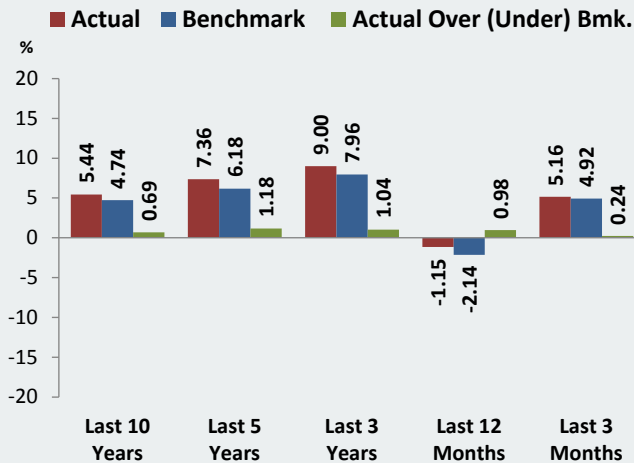
ASSET CLASS ¹	PERFORMANCE OVER LAST 3 MOS.			PERFORMANCE OVER LAST 12 MOS.		
	TRANSFERS & CONTRIB. ²	RETURNS	CHANGE IN NET ASSET VALUE	TRANSFERS & CONTRIB. ²	RETURNS	CHANGE IN NET ASSET VALUE
Global Equity	(\$1,089.5)	\$4,265.9	\$3,176.4	(\$5,512.6)	\$33.8	(\$5,478.8)
Fixed Income	(\$1,678.8)	\$235.8	(\$1,443.0)	(\$3,203.7)	\$1,394.8	(\$1,808.9)
Real Estate	(\$273.0)	\$449.8	\$176.8	(\$319.5)	\$1,400.0	\$1,080.5
Private Equity	\$100.0	(\$111.4)	(\$11.4)	(\$530.0)	\$887.5	\$357.5
Strategic Investments	\$585.0	\$35.5	\$620.5	\$1,145.0	\$314.4	\$1,459.4
Cash & Cash Equivalents	\$2.1	\$270.3	\$272.5	(\$403.4)	\$254.8	(\$148.5)
Total	(\$2,354.1)	\$5,145.9	\$2,791.8	(\$8,824.2)	\$4,285.4	(\$4,538.7)

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

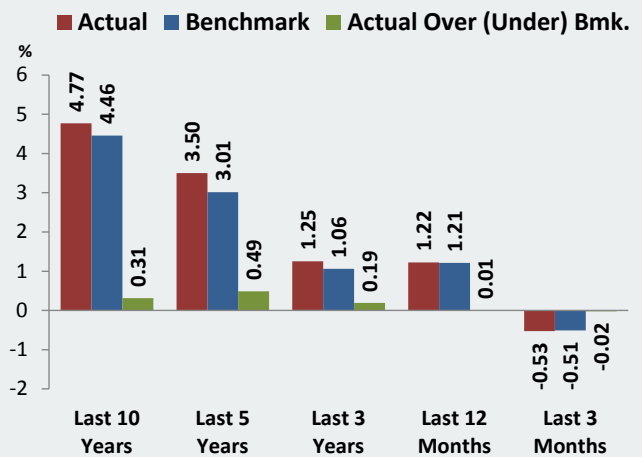
² For all asset classes other than Cash, these figures reflect only inter-asset class transfers. The figure for Cash includes flows external to the fund.

FLORIDA RETIREMENT SYSTEM PENSION PLAN ASSET CLASS PERFORMANCE CHARTS

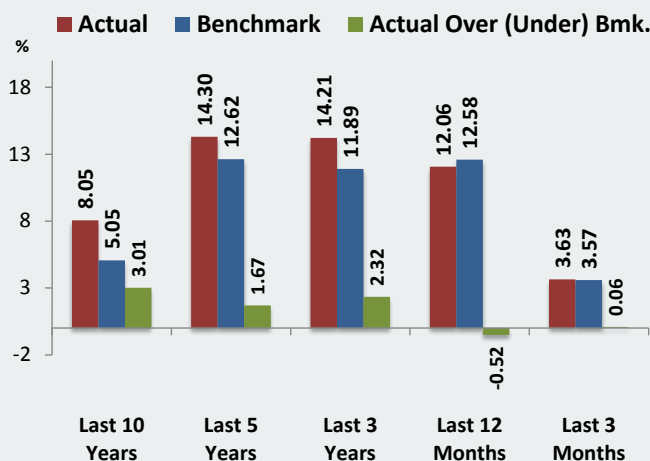
GLOBAL EQUITY



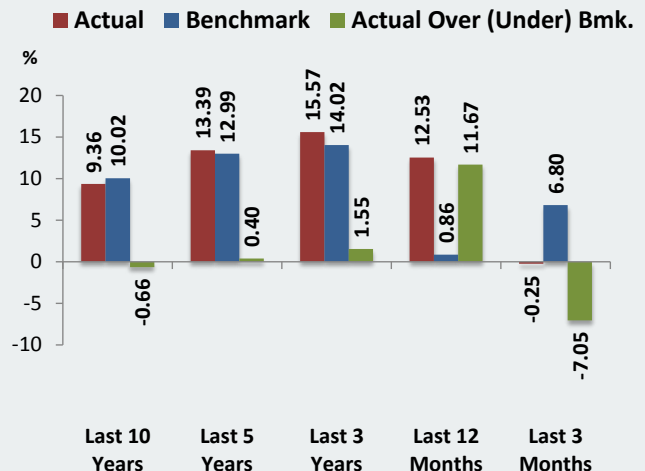
FIXED INCOME



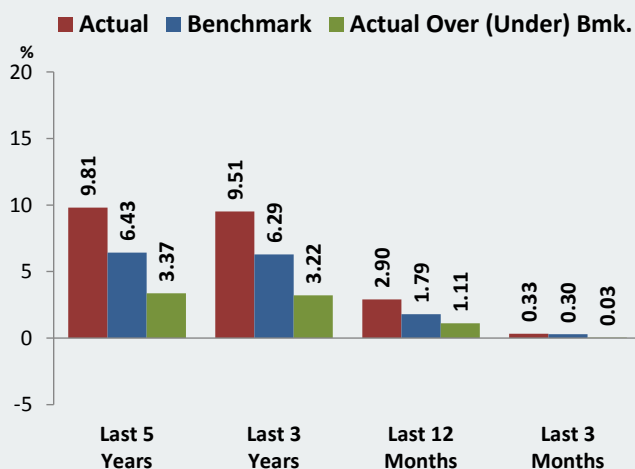
REAL ESTATE



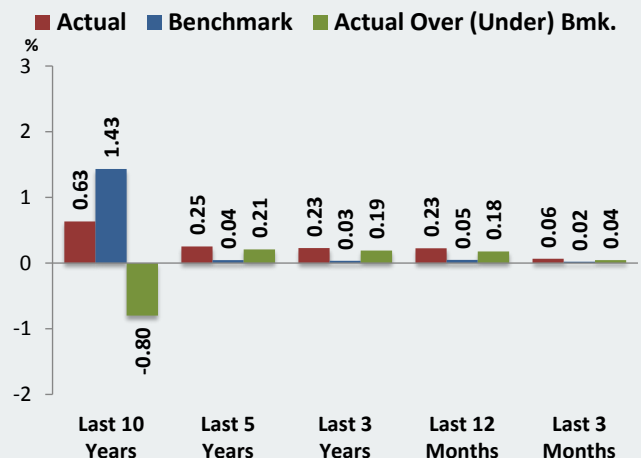
PRIVATE EQUITY



STRATEGIC INVESTMENTS



CASH & CASH EQUIVALENTS



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

FLORIDA RETIREMENT SYSTEM PENSION PLAN

TOTAL FUND & ASSET CLASS ACTIVE RISK

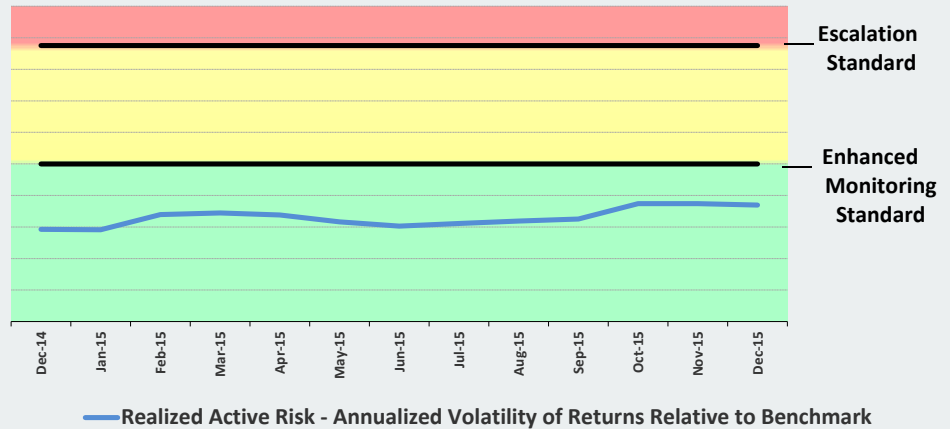
The SBA monitors investment risks relative to established targets. This is referred to as active risk.

Realized active risk represents the volatility of investment performance returns achieved relative to the target benchmark on a 36 month rolling basis.

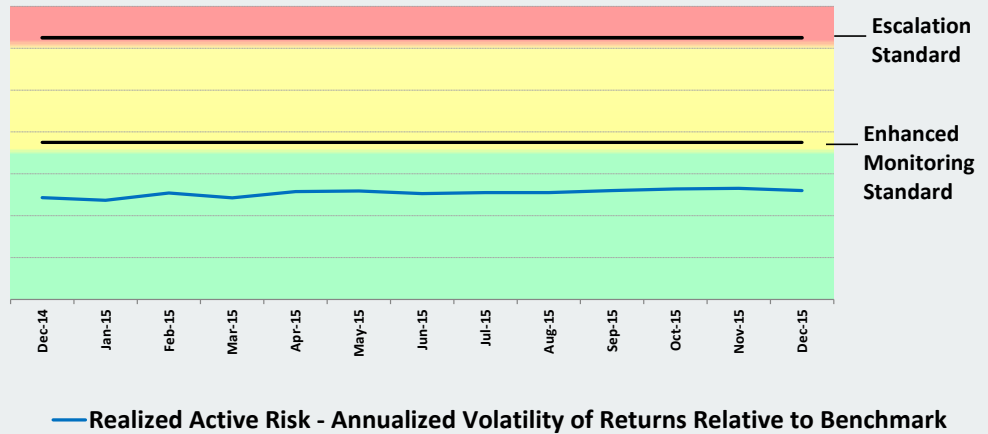
The enhanced monitoring and escalation standards in these charts reflect bands of acceptable active risk levels as established in SBA policy.

Sources, levels, and trends in active risk are regularly evaluated by the SBA Senior Investment Group.

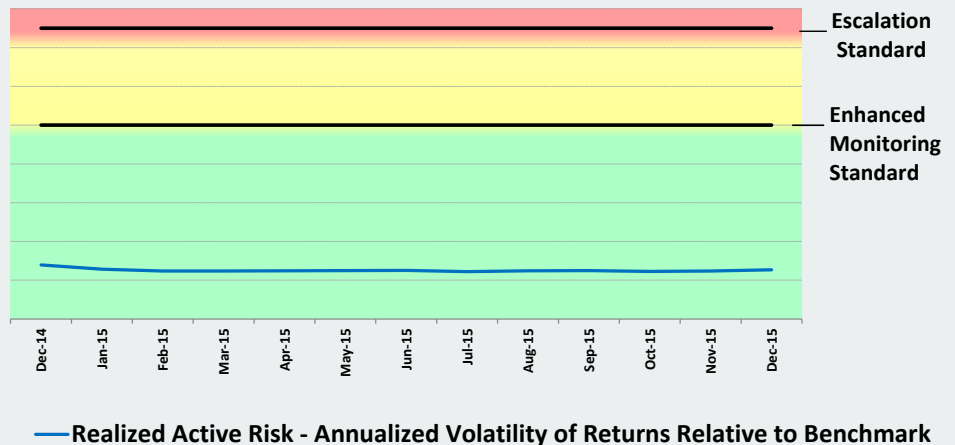
TOTAL FUND RISK



GLOBAL EQUITY RISK

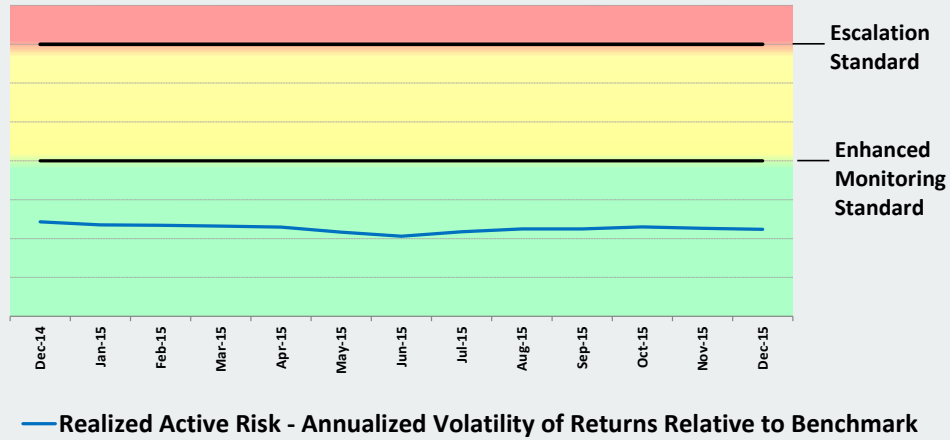


FIXED INCOME RISK

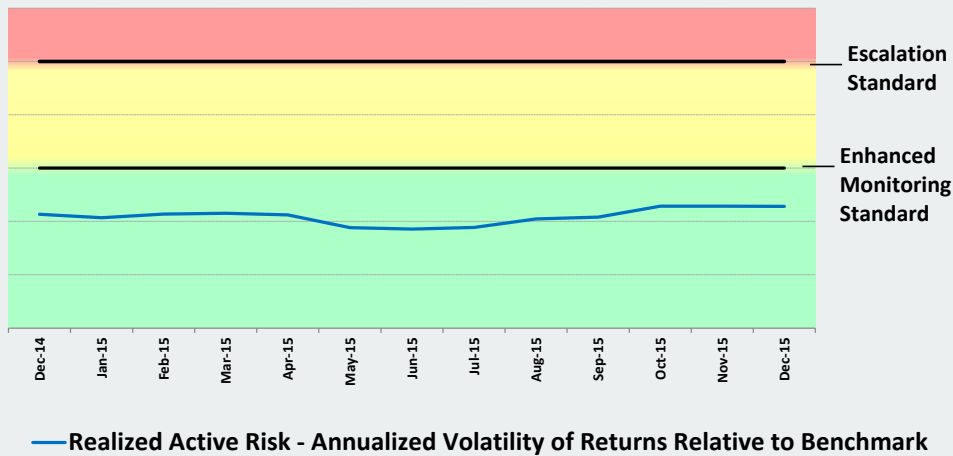


FLORIDA RETIREMENT SYSTEM PENSION PLAN TOTAL FUND & ASSET CLASS ACTIVE RISK

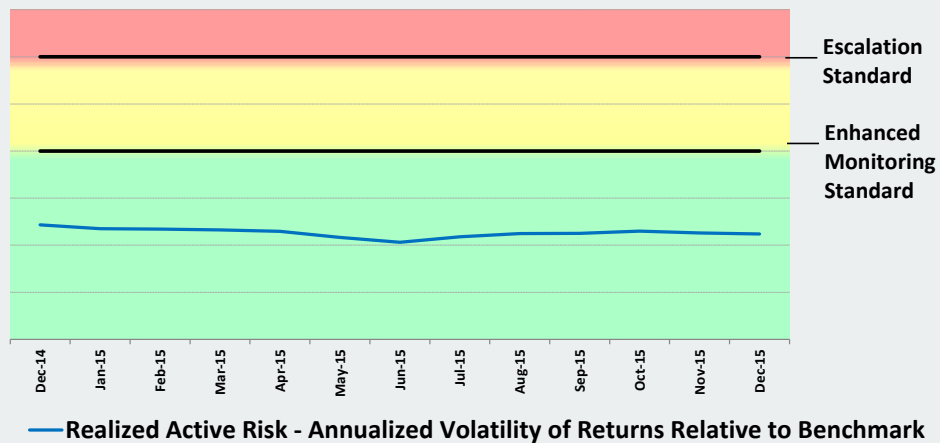
REAL ESTATE RISK



PRIVATE EQUITY RISK

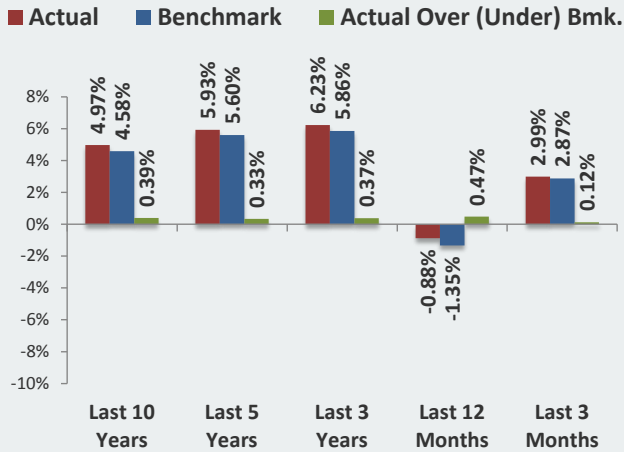


STRATEGIC INVESTMENTS RISK



FLORIDA RETIREMENT SYSTEM INVESTMENT PLAN

TOTAL FUND ACTUAL RETURNS, BENCHMARK RETURNS, AND VALUE ADDED



TOTAL FUND NET ASSET VALUES



FRS INVESTMENT PLAN ASSET ALLOCATION AND NET RETURNS BY ASSET TYPE

	PERCENT ALLOCATION	PAST 3 MONTHS			PAST 12 MONTHS		
		ACTUAL	BENCHMARK	ACTUAL MINUS BENCHMARK	ACTUAL	BENCHMARK	ACTUAL MINUS BENCHMARK
TOTAL FRS Investment Plan	100.0%	2.99%	2.87%	0.12%	-0.88%	-1.35%	0.47%
Domestic Equity	43.1%	5.93%	5.48%	0.45%	0.70%	-0.52%	1.22%
Foreign Equity	19.9%	3.52%	3.72%	-0.20%	-2.57%	-4.35%	1.79%
Fixed Income	19.6%	-0.60%	-0.65%	0.05%	0.33%	0.14%	0.19%
Real Assets and TIPS	6.4%	-0.78%	-0.43%	-0.34%	-7.44%	-3.94%	-3.50%
Money Market Funds	11.0%	0.07%	0.02%	0.05%	0.21%	0.05%	0.17%

Performance figures and totals presented for the FRS Investment Plan do not include balances held in member Self Directed Brokerage Accounts, but they are reflected in total fund figures presented elsewhere in this report.

FLORIDA RETIREMENT SYSTEM INVESTMENT PLAN

CASH FLOWS AND MARKET VALUES¹

	Participant Selections	Contributions ²	Distributions ³	Transfers ⁴	Investment Gain/Loss ⁵	Change in Net Asset Value ⁶	Market Value	Percent of Assets
Retirement Date Funds	132,385	\$39.7	-\$37.3	-\$17.7	-\$64.8	-\$80.2	\$3,709.2	42.52%
Money Market	16,383	\$20.5	-\$40.6	\$13.5	-\$0.3	-\$6.9	\$921.7	10.57%
Real Assets and TIPS	8,914	\$0.4	-\$0.9	-\$0.5	-\$2.0	-\$2.9	\$96.6	1.11%
Fixed Income	33,293	\$3.5	-\$7.8	\$4.7	-\$4.1	-\$3.8	\$645.2	7.40%
Domestic Equity	95,025	\$10.6	-\$16.6	-\$6.2	-\$68.4	-\$80.5	\$2,385.1	27.34%
Foreign Equity	51,872	\$2.8	-\$4.9	\$0.0	-\$12.6	-\$14.7	\$650.2	7.45%
Self-Directed Brokerage Account	2,014	\$0.0	\$0.0	\$6.1	-\$8.5	-\$2.3	\$315.3	3.61%

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 Net Gains / Losses less contributions, distributions, and transfers.

⁶ Reflect the appreciation / depreciation of unit price over the given time period.

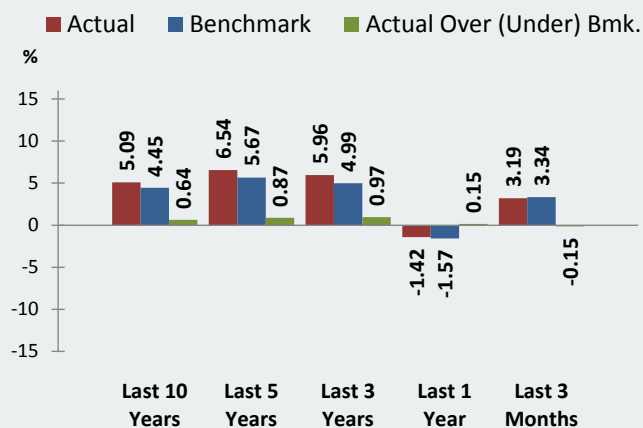
FRS PLAN ELECTIONS

	New Employee				Second Elections							
	Defaults (Pension)		Pension Plan		Investment Plan/Hybrid		FY Totals	Pension Plan		Investment Plan/Hybrid		FY Totals
FY 10-11	21,049	52.6%	9,042	22.6%	9,960	24.9%	40,051	381	4.4%	8,330	95.6%	8,711
FY 11-12	20,064	52.8%	6,976	18.4%	10,937	28.8%	37,977	351	5.2%	6,443	94.8%	6,794
FY 12-13	26,105	57.6%	7,345	16.2%	11,895	26.2%	45,345	547	8.7%	5,741	91.3%	6,288
FY 13-14	30,400	58.6%	8,499	16.4%	13,025	25.1%	51,924	583	9.2%	5,721	90.8%	6,304
FY 14-15	33,876	59.9%	9,250	16.3%	13,459	23.8%	56,585	662	11.5%	5,077	88.5%	5,739
FY 15-16*	12,579	59.6%	3,906	18.5%	4,626	21.9%	21,111	322	13.2%	2,118	86.8%	2,440
Total	144,073	56.9%	45,018	17.8%	63,902	25.3%	252,993	2,846	7.8%	33,430	92.2%	36,276

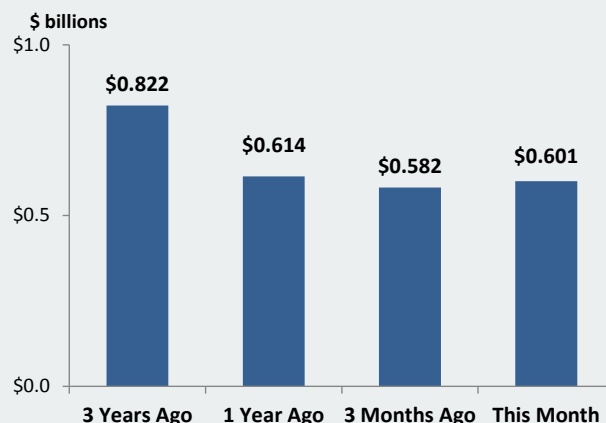
* Fiscal Year percentages are as of month end, and may not total due to rounding.

LAWTON CHILES ENDOWMENT FUND

ACTUAL RETURNS, BENCHMARK RETURNS, AND VALUE ADDED



NET ASSET VALUE



CURRENT ASSET ALLOCATION, TARGET AND RANGES

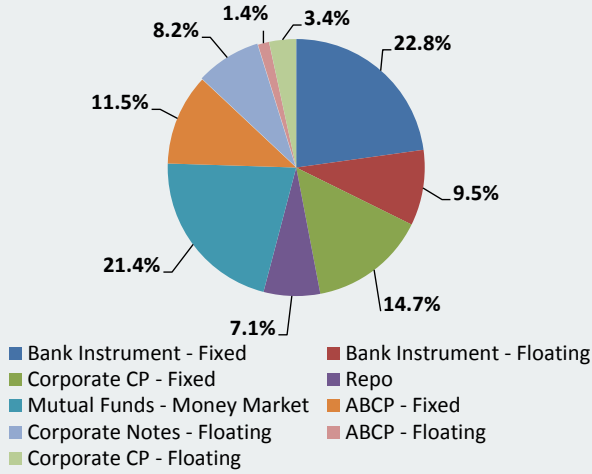
Asset Class	Current Weight	Policy Weight	Policy Low	Policy High	Actual Low	Actual High
Global Equity	72.3%	71.0%	61.0%	81.0%	71.9%	72.8%
Fixed Income	16.3%	17.0%	12.0%	22.0%	16.1%	16.6%
TIPS	10.0%	11.0%	6.0%	16.0%	9.8%	10.1%
Cash & Cash Equivalents	1.4%	1.0%	0.0%	10.0%	1.3%	1.4%

CHILES ENDOWMENT NET RETURNS BY ASSET CLASS

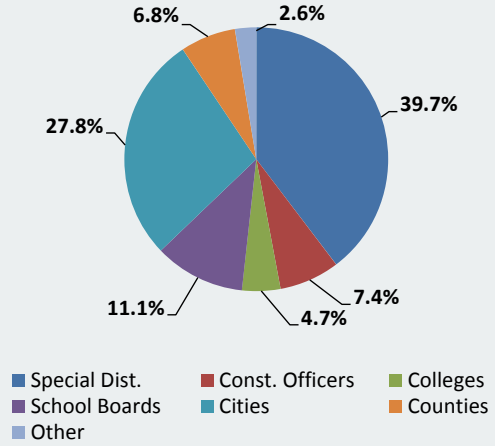
	PAST 3 MONTHS			PAST 12 MONTHS		
	ACTUAL	BENCHMARK	ACTUAL MINUS BENCHMARK	ACTUAL	BENCHMARK	ACTUAL MINUS BENCHMARK
TOTAL LCEF	3.19%	3.34%	-0.15%	-1.42%	-1.57%	0.15%
Asset Allocation	3.33%	3.34%	-0.01%	-1.76%	-1.57%	-0.19%
Global Equity	4.71%	4.90%	-0.19%	-1.94%	-2.37%	0.43%
Fixed Income	-0.61%	-0.57%	-0.04%	0.65%	0.55%	0.10%
TIPS	-0.56%	-0.64%	0.08%	-1.23%	-1.44%	0.21%
Cash & Cash Equivalents	0.07%	0.03%	0.05%	0.47%	0.08%	0.39%

FLORIDA PRIME AND FUND B

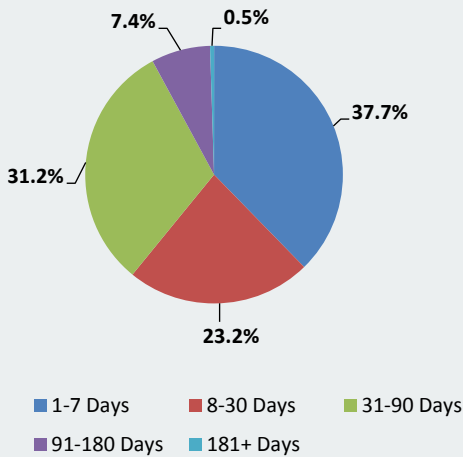
PORTFOLIO COMPOSITION



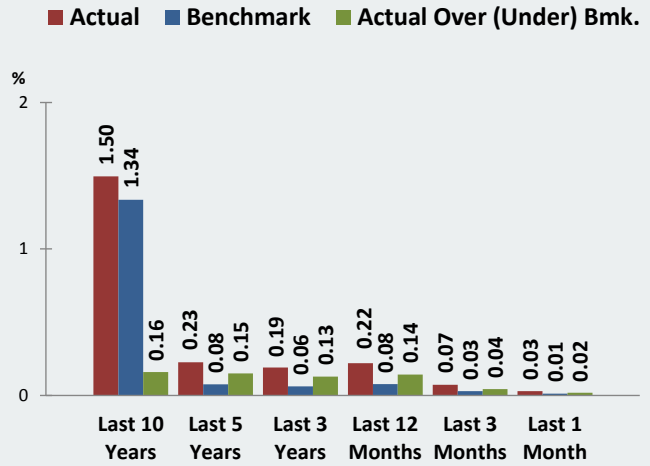
PARTICIPANTS BY TYPE - 769 TOTAL



EFFECTIVE MATURITY SCHEDULE

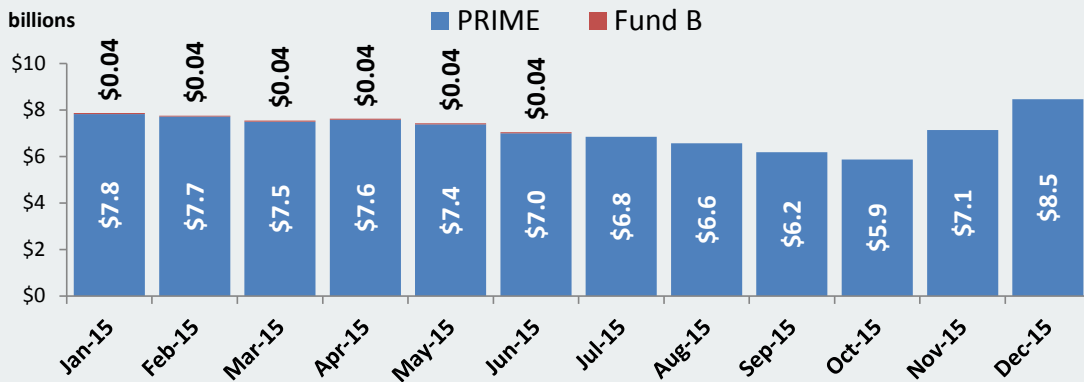


FLORIDA PRIME PERFORMANCE RETURNS, BENCHMARK RETURNS, AND VALUE ADDED



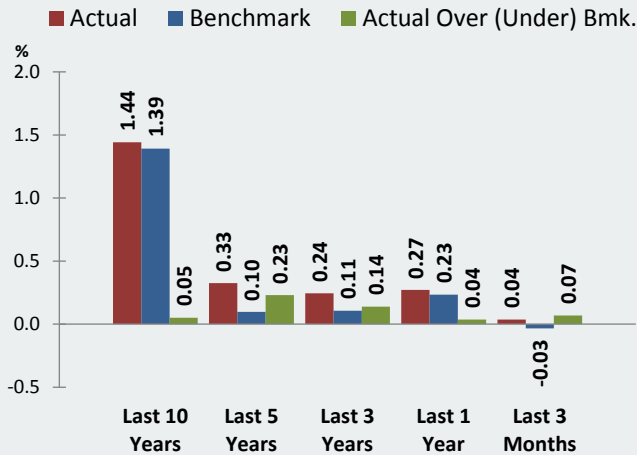
* Return calculated pursuant to Chapter 19-7.011, Florida Administrative Code
Returns less than 1-year are not annualized

FLORIDA PRIME AND FUND B MARKET VALUES



FLORIDA HURRICANE CATASTROPHE FUND

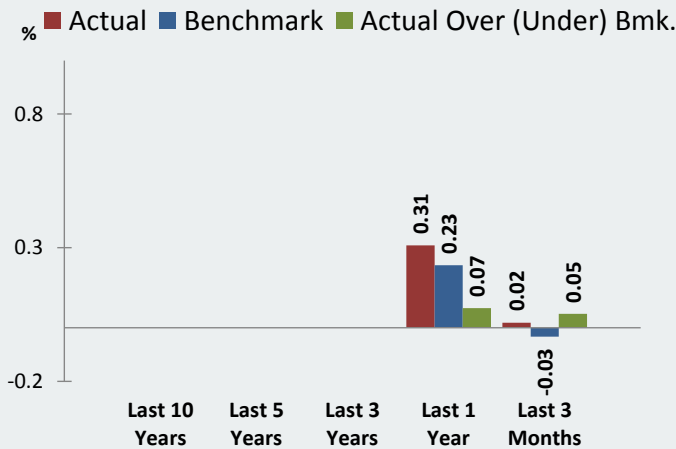
OPERATING FUND ACTUAL RETURNS, BENCHMARK RETURNS, AND VALUE ADDED



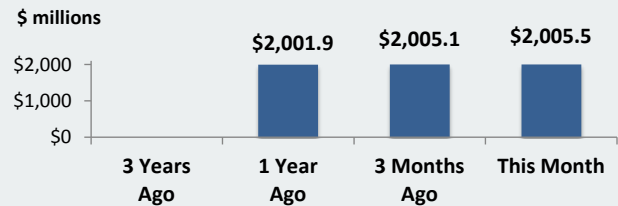
OPERATING FUND NET ASSET VALUES



2013A NOTE PROCEEDS ACTUAL RETURNS, BENCHMARK RETURNS, AND VALUE ADDED



2013A NOTE PROCEEDS NET ASSET VALUES



**State Board of Administration
1801 Hermitage Boulevard, Suite 100
Tallahassee, Florida 32308
(850) 488-4406
www.sbafla.com**