



**STATE BOARD OF ADMINISTRATION
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Dear FRS Member:

The purpose of this letter is to provide you with a performance update on the FRS Pension and Investment Plans. After a very challenging 2008-09 in the financial markets, it appears we are seeing some broad-based recovery. While we should expect some continued near-term volatility, you should find comfort in knowing that your retirement funds are being prudently managed for long-term performance.

FRS Pension Plan

For the fiscal year ended June 30, 2009, the net asset value of the FRS Pension Plan was \$99.6 billion, compared with \$126.9 billion a year earlier. Reflecting the worst market downturn since the Great Depression, the return of the FRS Pension Plan portfolio for the year was a loss of 19.03%. However, in the 6 months ending December 31, 2009, the Pension Plan experienced an investment gain of 16.3% and increased the net asset value from \$99.6 billion to \$113.5 billion.

The FRS Pension Fund performed well relative to its peer group of public pension funds over the past calendar year. Wilshire Associates, an investment consulting firm with the largest database of peer comparisons in the industry, determined that the FRS was the top performing fund in its peer group of the 10 largest defined benefit pension plans in the United States for the year ended December 2009. Florida's annual return was 21% compared to the median of 19%. A separate study released in February 2010 by the Pew Center on the States offered an additional accolade, saying that the FRS stood out as a "solid performer" among public pension funds and praised Florida for its strong actuarial position and history of solid funding.

FRS Investment Plan

In the fiscal year ended June 30, 2009, total assets in the FRS Investment Plan were \$4.08 billion, compared to \$4.37 a year earlier. The composite total return for all FRS Investment Plan assets was a loss of 15.16%, but the Plan outperformed its benchmark. In the 6 months ending December 31, 2009, the Investment Plan experienced an investment gain of 13.46% and grew to an all-time high of \$4.81 billion.

Free Planning Resources

The SBA provides planning resources to all FRS members through our award-winning MyFRS Financial Guidance Program, which offers workshops, educational print materials and videos, free and confidential telephone access to financial planners from Ernst & Young and the Florida Division of Retirement, and access to online resources through MyFRS.com. During calendar year 2009, the 350 financial planning workshops drew 12,700 participants; expert financial advisers answered 197,000 calls; and the MyFRS.com website logged 1.5 million visits.

I want to thank the SBA Trustees for their strong leadership and guidance and the Florida Legislature for their commitment to supporting initiatives that safeguard the state's assets and investments.

For a copy of the 2008-2009 investment report and a recent investment update, go to www.sbafla.com and click "Annual Investment Reports" and "An Update on FRS Investments" on the home page.

Sincerely,

Ashbel C. Williams
Executive Director & CIO