SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Agenda
Investment Advisory Council (IAC)

Monday, September 16, 2024, 11:00 A.M.*

Hermitage Room, First Floor
1801 Hermitage Blvd., Tallahassee, FL 32308

11:00 – 11:05 A.M.	**1.**	**Welcome/Call to Order/Approval of Minutes** *(See Attachments 1A – 1B)* ***(Action Required)***	*Ken Jones, Chair*
11:05 – 11:15 A.M.	**2.**	**Opening Remarks/Reports** *(See Attachments 2A – 2E)*	*Chris Spencer,* *Executive Director* *Lamar Taylor,* *Chief Investment Officer*
11:15 – 12:15 P.M.	**3.**	**Global Equity Asset Class Review** *(See Attachments 3A – 3B)*	*Tim Taylor, SIO* *Global Equity* *Dustin Heintz,* *Senior Portfolio Manager* *Ryan Morris,* *Jay Love,* *Mercer*
12:15 – 12:30 P.M.	**4.**	**China Portfolio Exposure Evaluation** *(See Attachments 4A – 4B)*	*Katie Comstock,* *Aon*
12:30 – 1:15 P.M.	**5.**	**Florida Growth Fund Review** *(See Attachment 5)*	*Sheila Ryan,* *Cambridge Associates*
1:15 – 2:00 P.M.	**6.**	**Asset Class SIO Updates** *(See Attachments 6A – 6G)*	*John Bradley, SIO* *Private Equity* *Trent Webster, SIO* *Strategic Investments* *Todd Ludgate, SIO* *Fixed Income*

			Lynne Gray, SIO *Real Estate* *John Mogg, SIO* *Active Credit* *Allison Olson, Director of Educational Services* *Defined Contribution Programs* *Mike McCauley, Senior Officer* *Investment Programs & Governance*
2:00 – 2:15 P.M.	**7.**	**Major Mandate Performance Review** *(See Attachment 7)*	*Katie Comstock,* *Aon*
2:15 – 2:30 P.M.	**8.**	**IAC Compensation Subcommittee Update** *(See Attachment 8)*	*Vinny Olmstead,* *IAC Compensation Subcommittee Chair*
2:30 – 2:35 P.M.	**9.**	**Audience Comments/Closing Remarks/Adjourn** *(See Attachment 9)*	*Ken Jones, Chair*

***All agenda items and times are subject to change.**

MINUTES
INVESTMENT ADVISORY COUNCIL
June 10, 2024

A hybrid meeting of the Investment Advisory Council (IAC) was held on Monday, June 10, 2024, via Microsoft Teams. The attached transcript of the June 10, 2024, meeting is hereby incorporated into these minutes by this reference.

Members Present:

Attended In Person:	**Attended Virtually:**	**Not In Attendance**
Ken Jones	Jeff Jackson	Tere Canida
Peter Jones	Vinny Olmstead	Gary Wendt
Peter Collins	John Goetz	
Freddie Figgers		

SBA Employees:	Chris Spencer	Lamar Taylor
	Paul Groom	Jim Treanor
	John Benton	John Bradley
	Mike McCauley	Dan Beard
	Tim Taylor	Trent Webster
	Todd Ludgate	Lynne Gray
	Mini Watson	Walter Kelleher
Consultants:	Sheila Ryan, Cambridge Associates	Heather Froehlich, Federated Hermes
	Dan Aylott, Cambridge Associates	Paige Wilhelm, Federated Hermes
	Katie Comstock, Aon	Luke Raffa, Federated Hermes
	Kile Williams, Aon	

WELCOME/CALL TO ORDER/APPROVAL OF MINUTES

Ken Jones, Chair, called the meeting to order at 11:00am. Ken requested a motion to approve the March 12, 2024, IAC meeting minutes. Peter Collins moved to approve the minutes. Peter Jones seconded the motion. All in favor. The March 12, 2024, IAC meeting minutes were approved.

Ken welcomed the SBA's new Executive Director, Chris Spencer. Chris thanked Ken and explained that he will begin his new role full-time once his responsibility as the State Budget Director is complete. He then provided a brief overview of how the Executive Director and Chief Investment Officer roles will be split between him and Lamar Taylor going forward. Chris reminded all present to state their name before speaking and requested that those joining remotely mute their microphones when not speaking. Chris then discussed how the modernization of the SBA's systems will remain a priority; the budgetary focus on recruitment and retention; new position requests; and major policy issues.

Ken thanked Chris and commented on how Chris' background would benefit the SBA. Ken invited Sam McCall, Chair of the Audit Committee, to comment on the committee's previous meeting. Sam provided some background on the committee and discussed Kim Stirner's recently combined role of Chief

Audit Executive and Inspector General. He then requested that any audit recommendations from the IAC be sent to him.

OPENING REMARKS/REPORTS

Lamar Taylor, Chief Investment Officer, discussed the performance of each asset class, referencing the attribution report included in the IAC materials. He explained that Private Equity is the largest contributor to the relative underperformance of the Total Fund due to lags in valuations. Lamar also noted that the CAT Fund closed on $1 billion of pre-event bonds on April 17th.

Lamar provided an update on the asset allocation changes, explaining that $8 billion has been moved from Global Equity to Fixed Income, including $2 billion in liquidated REITs. As of June 7th, market close, Global Equity made up 49% of the Total Fund with Fixed Income just under 20%. He then discussed Active Credit, explaining that the Private Credit allocation in Strategic Investments will be moved over before Multi-Asset Credit exposures are added.

Lamar announced that Chad Foote, Chief Operating and Financial Officer, would be leaving the SBA, with his role being split between Marcia Main, as the Chief Financial Officer, and Kelly Skelton, as the Chief Operating Officer. Lamar also explained that an internal search had begun for the head of the new Active Credit asset class. Peter Collins thanked Lamar for his guidance of the SBA during his time as the Interim Executive Director & CIO.

PRIVATE EQUITY ASSET CLASS REVIEW

John Bradley, Senior Investment Officer – Private Equity, provided an overview of Private Equity's policy, team, and investment process. John discussed performance since inception, explaining that Private Equity has a value creation to date of $23.2 billion. As of December 31, 2023, Private Equity underperformed over the 1-year period, but outperformed over all other time periods. John noted that Private Equity has outperformed Cambridge Associates' peer benchmark in 21 out of the program's 25 years. He also explained that 2023 was the 7th consecutive year that the asset class was self-funding.

John discussed Private Equity's sub-strategy allocations, noting that Venture Capital is trending back down to its target allocation. He provided an overview of Private Equity's portfolio composition as of the end of 2023, before focusing in on the composition and performance of each sub-strategy. Buyout/Growth Equity and Distressed have had strong performance relative to the benchmarks; Venture Capital underperformed the public market benchmark over the 1-year period but outperformed the benchmarks over all other time periods; and the Secondary portfolio has generally been in line with the benchmarks. John then explained how the asset class has evolved over the years and answered questions from IAC members.

Sheila Ryan, Cambridge Associates, began by discussing Private Equity's strong performance in relation to Cambridge Associate's other clients. She noted that while the SBA ranked in the 2nd quartile over the short-term periods, it generally ranks in the top quartile.

Dan Aylott, Cambridge Associates, explained that the market environment is normalizing after a peak in deal activity during 2021 and 2022. He discussed the relationship between declining distribution yields, deal activity, and a slower fundraising market. Dan then explained how declining revenue growth in the technology sector is affecting Venture Capital. Sheila concluded by emphasizing the long-term benefits and returns of Private Equity.

CORPORATE GOVERNANCE REVIEW/PROXY VOTING GUIDELINES

Mike McCauley, Senior Officer of Investment Programs & Governance, provided some background on corporate governance and discussed 2023 proxy voting activity, noting that annual meetings reached an all-time high in 2023 at nearly 13,000. Mike stated that there were currently no proposed changes to the SBA's Proxy Voting Guidelines, though a few amendments are expected later this year. He then briefly discussed the role of the SBA Proxy Committee and provided an overview of 2023 voting statistics, noting that though China is one of the top markets when ranked by meetings, the number of investments is much smaller. Mike discussed proxy advisors, investor advocacy organizations, and data providers used. He then provided an update on some of 2023 's ballot item categories and referenced the Proxy Voting Dashboard to highlight the SBA's transparency. Mike then reviewed May 2024 shareowner proposal data, noting that US shareowner proposals only accounted for 3.2% of overall voting activity. Mike, Lamar Taylor, and Trent Webster answered questions from IAC members.

REVIEW CHANGES TO THE FRS PENSION PLAN INVESTMENT POLICY STATEMENT

Lamar Taylor, Chief Investment Officer, reviewed the changes made to the FRS Pension Plan Investment Policy Statement. Language was added to reflect the most recent statute regarding state-owned Chinese entities. Other minor changes include language in the Global Equity index description stating it will conform to both law and SBA policy, and the addition of U.S. jurisdiction to Active Credit's high yield index. There being no questions or comments, the IAC unanimously voted to approve the FRS Pension Plan Investment Policy Statement.

FRS INVESTMENT PLAN PROGRAM REVIEW

Dan Beard, Chief of Defined Contribution Programs, provided background on the FRS Investment Plan. He noted that Walter Kelleher would be retiring from his position as the Director of Educational Services at the end of June, with Allison Olson as his successor. Dan thanked Walter for his service at the SBA and wished him well. He then discussed FRS participating employers.

Mini Watson, Director of Administration, provided an overview of the FRS Investment Plan as of March 31st, noting that members and retirees have since increased to 337,000 and 209,000 respectively. Mini discussed service providers, plan choice statistics, and membership growth. Lamar Taylor answered a question from Peter Collins. Mini then reviewed second election statistics and requests for intervention.

Walter Kelleher, Director of Educational Services, reviewed the MyFRS Financial Guidance Program, its service providers, and resources. He discussed annuities purchased each fiscal year, noting that FY22-23 set a record at nearly $7 million. Walter then discussed highlights of the last year.

As of March 31st, performance over the quarter was 5.79% (39 bps above benchmark), while FYTD was 11.58% (15 bps below benchmark). Dan discussed the 20 investment options available to members and how assets are distributed among the funds, noting that more than half of assets are in the retirement date funds. He then explained how the retirement date funds are allocated among managers and answered a question from Peter Jones. He closed by discussing initiatives for the next fiscal year.

Katie Comstock, Aon, discussed the 3 topics covered in the annual Investment Plan structure review: investment structure, fees, and performance. She stated that the Investment Plan is doing well and aligns with best practices.

Kile Williams, Aon, briefly discussed recent changes made to the Investment Plan, including the addition of foreign stock to global stock and the renaming of the Core Plus Fund to the Diversified Income Fund. Kile summarized the takeaways of the structure review: the structure is aligned with best practices, the FRS has been able to reduce costs for participants, and active management has added value over both the short and long-term. Kile discussed the Investment Plan's ongoing review process, the options available to participants, and performance. He then reviewed potential enhancements, including integration of the Pension Plan with retirement date funds and the inclusion of multi-asset credit within the white label funds. Kile, Katie, Dan Beard, and Lamar Taylor answered questions from IAC members.

REVIEW CHANGES TO THE FRS INVESTMENT PLAN INVESTMENT POLICY STATEMENT

Lamar Taylor, Chief Investment Officer, wished Walter Kelleher well in retirement and acknowledged his work on the Investment Plan's educational services. Ken Jones, Chair, echoed Lamar's well wishes.

Lamar summarized minor changes made to the FRS Investment Plan Investment Policy Statement, which include removing "CIO" from references of "Executive Director & CIO" to reflect the recent separation of the roles, and the renaming of the Core Plus Bond Fund to the Diversified Income Fund. There being no questions or comments, the FRS Investment Plan Investment Policy Statement was unanimously approved by the IAC.

FLORIDA PRIME™ REVIEW

Mike McCauley, Senior Officer of Investment Programs & Governance, briefly discussed the Florida PRIME Legal Compliance Review in lieu of Glenn Thomas from Lewis, Longman, & Walker. He stated that Florida PRIME was in complete compliance with Part IV of Chapter 218.

Katie Comstock, Aon, provided a brief overview of the Florida Prime best practices review. She stated that the participant survey produced strong results and that there were no changes to the Florida PRIME Investment Policy Statement. Katie discussed the money market reforms announced in July 2023, explaining that though they are monitoring them, they do not expect it to affect the management of the pool. Katie then explained that while there are currently no recommendations, some enhancements to consider relate to participant concentration and investment risk disclosures. Katie and Paige Wilhelm, Federated Hermes, answered questions from Ken Jones, Chair.

Heather Froehlich, Federated Hermes, gave a brief overview of the investment pool and services provided by Federated Hermes. She also discussed how Florida PRIME's yield has increased to 5.5% over the past two years as rates were increased.

Luke Raffa, Federated Hermes, discussed participant outreach and noted that a prevalent topic in conversations has been rates. Over the last year, there have been 32 new participants including some higher education institutions. Luke also discussed advertisement activity, progress towards redesigning the Florida PRIME logo, and event attendance. He then compared Florida PRIME with competitors, stating that Florida PRIME leads in transparency, yield, assets, and lower fees.

Paige Wilhelm, Federated Hermes, discussed inflation and the expectation for the Fed to cut rates. She then explained the affect of inflation and rates on the pool. Paige provided an overview of the portfolio and its outperformance over the 1-month and 1-year period by 41 bps and 38 bps respectfully. She noted that the portfolio also outperformed the iMoneyNet index, which is a closer representation of

Florida PRIME's portfolio. Paige then reviewed the stress testing they perform on a monthly and as-needed basis, noting that they regularly re-evaluate the assumptions used. Paige and Luke answered questions from IAC members.

REVIEW OF FLORIDA PRIME^{TM} INVESTMENT POLICY STATEMENT

Lamar Taylor, Chief Investment Officer, stated that there were no changes to the Florida PRIME Investment Policy Statement. With no objections, the Florida PRIME Investment Policy Statement was unanimously approved by the IAC.

ASSET CLASS SIO UPDATES

Tim Taylor, Senior Investment Officer – Global Equity, explained that the markets were up another 8% over the first quarter with US markets continuing to lead the way. Regarding performance, Global Equity outperformed the benchmark over the quarter by 34 bps. Tim noted the 1-year return of 23% and attributed the underperformance over the 3-year period to a difficult Q1 2022. He then discussed the active aggregates' outperformance over the quarter and provided an update on initiatives.

Trent Webster, Senior Investment Officer – Strategic Investments, provided an overview of performance, noting that the underperformance is due to lags. Trent reviewed recent activity and the portfolio. He then explained that the Private Credit allocation will be moved to the new Active Credit asset class. Trent answered a question from Peter Collins.

Todd Ludgate, Senior Investment Officer – Fixed Income, discussed Fixed Income's outperformance over all time periods and portfolio positioning. He explained that corporates drove excess returns over the quarter. Todd then discussed expectations regarding Fed rate cuts and provided an update on asset allocation changes, asset class construction, and Multi-Asset Credit.

Lynne Gray, Senior Investment Officer – Real Estate, provided an overview of the Real Estate portfolio, noting the recent change in target allocation to 12% and the removal of REITs from the portfolio. Lynne discussed the market, Real Estate's outperformance over all time periods, opportunities, and recent activity. She noted that the core portfolio has driven performance over the 5-year period, and then reviewed leverage and the credit facility. Lynne and Lamar Taylor answered questions from IAC members.

MAJOR MANDATE PERFORMANCE REVIEW

Katie Comstock, Aon, provided a brief overview of the performance of the FRS Pension Plan and the Florida Hurricane Catastrophe Fund.

AUDIENCE COMMENTS/CLOSING REMARKS/ADJOURN

Ken Jones, Chair, stated that there were a few audience members who wished to speak, and comments would be limited to 3 minutes per person. Melissa Jackson, an employee of Marion County Public Schools, discussed the workers on strike at Gemtron following Gemtron's decision to replace a pension plan with a 401(k). Melissa requested that the SBA use it's influence as an investor in Trive to call for a fair resolution. Ken Jones and John Bradley explained that while the SBA is an investor in Trive Funds IV and V, the SBA is not an investor in the fund that owns Gemtron; therefore, the SBA does not have any financial exposure to Gemtron. Jordan Scott, a member of the FRS Pension Plan, expressed concern with investments in Trive and requested that the SBA investigate and act if needed. Colton Wells and Greg Webb, employees of Gemtron, echoed the request that the SBA use its influence to tell Gemtron to bargain in good faith with their union. Ken Jones thanked the audience members for their comments.

There being no further questions or items for discussion, the meeting was adjourned at 3:11pm.

Ken Jones

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Ken Jones, Chair

September 5, 2024

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Date

STATE OF FLORIDA

STATE BOARD OF ADMINISTRATION

INVESTMENT ADVISORY COUNCIL

PUBLIC MEETING

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Monday, June 10, 2024

11:00 a.m. - 3:11 p.m.

LOCATION:
1801 Hermitage Blvd.
Tallahassee, FL

Stenographically Reported By:

TRACY BROWN

APPEARANCES:

Ken Jones, Chair
Vinny Olmstead (appearing remotely)
John Goetz (appearing remotely)
Peter Collins
Tim Taylor
Lamar Taylor
Peter Jones
Paul Groom
Jim Treanor
Chris Spencer
Freddie Figgers
John Benton
Trent Webster
Lynne Gray
Mike McCauley
Walter Kelleher
Mini Watson
Daniel Beard
Todd Ludgate
John Bradley
Amy Walker
Audrey Milnes
Marissa Hicks

Thereupon,

The following proceedings began at 11:00 a.m.:

MR. CHAIR: Good morning, everybody. In the spirit of this being my first meeting as Chair, I do like to start on time. My old boss used to tell me, if you show up on time, you're actually late, so 11:00 a.m., here we go.

Welcome, everybody. I'd like to call the meeting to order. First order of business is we're going to approve the minutes from the last meeting.

Do we have a motion to approve the minutes?

MR. COLLINS: Motion.

MR. CHAIR: Motion by Collins.

MR. JONES: Second.

MR. CHAIR: Second by Jones.

Is there any discussion?

All those in favor, signify by saying aye.

(Members reply aye.)

MR. CHAIR: All opposed, like sign.

(No response.)

MR. CHAIR: Minutes are approved.

Before we get going, I do want to welcome

our new executive director, Chris Spencer. I've have the pleasure of knowing Chris for a long time and I know he knows a lot of people on this Board as well very well. He's served the State of Florida in a lot of different capacities and we're fortunate to have him.

I know this has been a discussion we've had for a long time at this Board, you know, between Lamar being the chief investment officer and the executive director and looking at the different roles of those two different positions and really trying to figure out how do you define them so that we become a more efficient Board? And I think that the result that we came up with, that we're about to come up with, I think, is a very good result. And I'm excited.

I've gotten to spend some time with Chris, like I said, even before he was here. And I've known Lamar for a long time as well, and many of you on this Board. So I'm excited about it. I'm really, really glad to have Chris. I think he's hit the ground running, kind of. I think he might actually leave a little early today to go deal with his other responsibilities until he's really fully here for the first time.

So, Chris, I don't know if you want to make any remarks now or if you want to wait.

MR. SPENCER: Sure. No, Chairman, thank you so much. And as Chair Jones said, Chris Spencer, incoming executive director. Governor appointed me back in March. I was confirmed by the trustees in March as well, although conditioned on having to finish my current responsibility as the State budget director with the governor as he's working on finishing the budget, which is why I will be leaving early today from this meeting. So my apologies for that. My first IAC meeting, I'm setting a great example. I will be leaving early to go finish that with the governor.

Anticipating being here full time in the position very, very soon. As the governor said, he anticipates acting on the budget very, very soon.

I don't want to speak for too long. I wanted to kind of give a little bit of an overview on, as Chair Jones was alluding to, this new arrangement of how we're going to be splitting out the positions and what that looks

like, at least from my perspective, on -- as executive director and then Lamar as a permanent chief investment officer.

You know, the executive director role, as historically has been the case, responsible for the overall governance of the organization, responsible for the administration of the organization, all administrative and professional staff management. And then really then Lamar, as the chief investment officer, responsible for managing the investment activities of our asset classes to strive for the highest return for our plan beneficiaries. And so that will be the movement going forward here in our arrangement.

I feel very lucky that I've had a great, long working relationship with Lamar back in my current role in the governor's office and then before that with Lamar and Ash when Ash Williams was here prior to that. So really excited for this dynamic. And I will start also with a little bit of some ground rules since we do have some members joining via phone. Just a reminder, if you are going to speak, we have a court reporter here, so it's very, very helpful -- before you speak, please say your name so that we can indicate for the record who is speaking. Also, please make sure you mute your phone so that we can minimize any background noise.

One thing that I want to highlight I think is really important, and this may be more so just for the professional staff that we have here at the SBA, what my vision, going into this role, looks like when it comes to a lot of the priorities that we've had prior to my entering this position. You know, there's a big -- I think a significant importance here on maintaining the work and the momentum that we've been doing around systems, around modernizing our systems for efficiency, really getting our IT and cyber security to be following the trends that are happening in the financial markets as more information technology systems are being integrated in financial operations is something that we need to make sure that the SBA is on the leading edge of.

And then really there's a lot of modernization that we're doing, a lot of cloud

migrations for some of our more legacy systems that is going to need to be a continued priority. And for those of you who want to read through the proposed budget that the trustees are going to act on on Wednesday at the cabinet meeting, you'll see a continued focus on resources for those ongoing major system initiatives. That's going to be a continued priority for me.

I won't dig into the entire budget, but just to highlight a couple of things that I know have come up in discussions here in IAC meetings before. This budget will continue on year two of what our priority has been for recruitment and retention for employees here at the SBA. And then secondly, there will be some new positions that we're requesting that we anticipate being adopted at the trustees' meeting on Wednesday. Particularly, the biggest focus around corporate governance as over the last several years, policy changes made by the legislature and at the direction of the trustees have pulled a lot more responsibility in house for corporate governance, adding some more positions there, as Mike's team continues to do a great job, and then building up that team over there.

Real quick, just highlights, major policy issues that have happened this year. Obviously, I think at the last discussion for the IAC, we were discussing China and Iran. Obviously, the legislature enacted legislation this year on Iran sanctions and China divestment. The implementation of both of those bills have gone very smoothly. We do anticipate adding 13 companies to the continued examination list as a result of implementation of the Iran sanctions legislation. As we continue to move forward over the year and into next year and get more annual financial information on investment activities of various companies that may be in that scope, we'll continue to update that list. But that's, I think, a good start for us as we are implementing that legislation.

And then when the governor signed the China divestment legislation earlier in May, we implemented that legislation, added about 500 companies that were state-owned enterprises onto the investment list. That went very

smoothly thanks to our systems folks here and our operation. So that went very well.

Today, you've got a pretty stacked agenda. You're doing deep dives of private equity with the corporate governance and with investment plans, so I expect you guys will have a lot of fun today, so -- and thank you for my first IAC meeting here.

MR. CHAIR: Thank you, Chris. We appreciate it.

I would like to reiterate the idea that having somebody with Chris' background, especially on the budget side, is going to be very helpful as we go into, what I would think, is going to be a technology transformation. I mean, I know all of us or a lot of us on this Board are in the investment and finance business and I -- just the changes that I've seen in the last five years have been remarkable. I think the used to be sea changes every seven to ten years. It seems like they're every six to nine months now. So even just the inputting of data from private equity funds where you're lagging one or two or, God forbid, three quarters, that can all be done now with programming, right. There's optical character recognition that can read statements and put data in so you don't have somebody sitting there hunting and pecking, you know, for hours on end. So I think we are going to get a lot more efficient in the next six to nine months. I know Chris is going to hit the ground running and do that. So I'm excited to hear it.

I did overlook one person that I was supposed to mention and I forgot, so I apologize. We have Sam McCall here who's -- Hello, Sam -- chair-person of the audit committee. And I think he wanted to make a comment about the last audit committee meeting.

So, Sam, the floor's yours, please.

MR. McCALL: Good morning, everyone. I'm Sam McCall. I'm the chair of the audit committee. And just to give you an idea of what we do, we have three members on our audit committee. We are approved by the governor, the attorney general, and the CFO for the State. Our members are myself, as Chair -- I worked 30 years for the auditor general. This audit was under my supervision, for many of

those years. I worked 13 years with the City of Tallahassee, which has its own retirement program. And the last nine years, I was with FSU as the chief audit officer, so I know Trustee Collins and Mr. Jennings over there very well.

Our second member is Mark Thompson, he was with Orlando Utility. Our third member is Erin Sjostrom. She's the COO for Volunteer Florida.

We meet four times a year. Our responsibility is to review the financial statements and operational audits done of the SBA. We look at all the funds. We look at the financial statements. We discuss those. We talk about risk management, control and governance processes. Those audits are done by CRO, by the auditor general. And OPPAGA does some performance audits.

We have oversight over the internal audit function, review the audit plans, audits that are conducted and audit follow-ups. We also look at the risk management control and governance processes.

Since I've been with the Board since last summer, and because of some changes in appointments, I became the chair after about six months, so that was quite an adjustment there. And -- but we're managing very well with our members.

But since joining the committee, we have approved the position of the chief audit executive and inspector general. Previously that was two positions, now it's one position. Kim Sterner is the chief audit executive and inspector general. By adding the inspector general, we also added to the audit charter that we will follow the standards issued by the Association of Government Accountants. And to Kim's credit, she took the examination as a certified inspector general this past spring and passed that examination. And that covers fraud, if we were to have fraud in the organization. I hope we're never involved in any fraud issues, but Kim is now a certified inspector general and understands all those standards.

We added a committee member to the audit selection process.

And the last thing is we now provide input to the executive director on the chief audit

executive's performance and remunerations. So I think we've made some good changes and some good changes are yet to come.

I would just invite any of the members of the audit advisory committee, that if there are any audits you think we should be conducting, suggesting getting on the audit plan, feel free to contact me and we'll certainly take every one of your recommendations into consideration.

So good luck on your meeting today. I looked at the agenda last night. I thought about printing out the materials, but I think it was about 400 pages, so I chose not to do that. But good luck with your meeting today. Thank you very much.

MR. CHAIR: Thank you, Sam.

For the record, it's 519 pages. I was shocked by that as well.

Thank you. I love the fact that you're looking for more audit work as well, that's good. Always good to see that.

Well, again, Chris, thank you again for the remarks. We really appreciate it. I'm going to turn it over to Lamar now for some opening remarks as well.

Lamar.

MR. L. TAYLOR: Great. Thank you. And welcome, everyone. And glad to see everybody here.

I've got just a few brief comments, just kind of sort of summarizing performance over the last quarter with the pension fund and other major mandates, along with an update on our asset allocation transition and some staffing changes.

Hoping this is not too loud.

So, John, I don't know if we included the attribution report in the slide deck. So we -- there should be one of these at everybody's -- it's either in the books or it should be passing around. So this is what I'm going to work from in terms of the brief update.

And on the public markets, global equity and fixed income, I'm going to look at and talk about the quarter performance, three-month performance. In the private markets, I'm going to discuss the one year performance.

So if we start up at the top, global equity. For the three months ending March 31st, global equity's up 8.06 percent,

which is 34 basis points ahead of benchmark. And that was driven largely by good performance from the developed and emerging market equity managers, with some additional help from domestic small and large-cap equity managers. Absolute performance is still driven largely by passive exposures, but we've generated some good relative outperformance in those foreign market sectors.

Fixed income is next in line. So we're down on absolute basis but up on our relative basis. So absolute performance down 23 basis points. Relevant performance compared to benchmark, up 27. In a nutshell, that's a little bit of a function of the fact that we're neutral to slightly overweight duration. And we're significantly more overweight spread duration. So we saw an increase in rates over the quarter that generated the absolute negative performance. But because we were sort of overweight spread duration when credit spreads came in, that generated positive outperformance on a relative basis.

So switching to the one-year numbers, which is on the far right, and starting with real estate. So real estate continues to do well on a relative basis, but we're down on absolute basis. Relevant outperformance was driven by strong performance in REITs as well as some student housing properties. Negative absolute performance continues to be driven by office and multifamily.

We expect valuations to continue to adjust downward over the next few quarters as appraisal activity catches up to transactions. Despite these market value adjustments, the core focus of real estate -- so core real estate is the primary focus of the real estate asset class. That means we should be generating good, strong income performance in spite of the market valuations.

And I would note that since inception, more than half of overall returns in real estate have come from current income.

So moving to private equity. And private equity is the largest contributor to relative underperformance, and that continues to be a function of lags in valuations. And so -- again, so it's not only just the fact of the lags, as you see strong equity performance, but

it's lags with a premium. So it's a very fast rabbit to try to track.

Performance through December 31 shows significant performance over 9/30 numbers. So we would expect to see a chipping away at some of this relative underperformance over time.

Short-term absolute performance is driven largely by performance in the buyout areas and secondaries, while venture continues to remain challenged. John is going to go into more detail today in a deep dive in private equity. So we'll be hearing about each of these areas.

Finally, in strategic investments, solid absolute performance but underperforming on a relative basis. That's in large part a function of the fact that since 2018, we changed the number of our benchmark to be public market comps and we still have a relative -- a real return benchmark associated with some of the asset classes. And so, again, as you've seen, particularly credit spreads come in and then over the last quarter or so, it's sort of generated a bit of a headwind in terms of relative performance.

So that's it for performance with respect to the pension fund. I would note that the other major mandates performed well over the last quarter as well with prime and the investment plan beating their respective benchmarks over the last quarter. And CAT fund generating strong, positive returns over the quarter. And Katie will have a little bit more information on the performance of the rest of the major market mandates at the Aon presentation.

One item of note with respect to the CAT fund, on April 17th, the CAT fund closed on another billion dollars of pre-event bonds to add to the funding for the CAT fund for this hurricane season and future hurricane seasons. It was a billion dollar ten-year note at a true interest cost of 5.55 percent.

Sort of switching to an update on asset allocation. Recall that we went through a pretty significant allocation exercise about a year ago. We continue to execute on this new asset allocation. To date, we've moved about $8 billion from global equity into fixed income, and including about $2 billion of REITs that were liquidated as well.

Today we sit at approximately 49 percent global equity and just under 20 percent fixed income. It feels a little bit like we're treading water, but that's largely a function of the fact that equity markets continued to rally over this first quarter. And so it's been a good market to settle into in order to effectuate this transition.

As part of this transition, fixed income has continued to expand their base of core fixed income managers. We've identified three managers in that space and expect to be finalizing those agreements soon.

In terms active credit, we continue to build that out as well. So at the next IAC meeting, my attribution slide will include an active credit attribution on it as well. As you recall, we're going to take the bulk of that initially starting out is going to be moving from the private credit exposures from strategic investments into active credit. And then we will add additional managers and exposures to the liquid multi-asset credit space.

Some staffing changes to note: Sad to

note that our chief operating financial officer, Chad Foot, will be leaving us in a couple of weeks. He has been recruited away to a family office in Minneapolis. So we are sad to see him go. But over the last couple of years, he's provided some very strong leadership to the fantastic team that we already have here. And so instead of sort of seeking a replacement for that single position, what we decided to do is split the role into two. We had a deputy chief financial officer, Marcia Main. She will move up into the chief financial officer role. We had a very strong candidate in the financial operations area, Kelly Skelton. She will move up into the chief operating officer role. And both of those physicians will report to Paul Groom as the deputy executive director. And, of course, Paul will report to Chris.

In addition, we will also be -- and we have initiated an internal search for head of active credit -- the active credit asset class. So when we started out, the asset allocation, the initial plan was to kind of work it as a joint venture between fixed income and

strategic. I think that's been working very well. It's gotten us to this point with all of their excellent work. But on a go-forward basis, it's going to be much more sustainable if we have a dedicated head and staffing to that asset class. And so we're going to start by looking for a head of active credit. Again, we're under an internal search there and we'll keep the IAC updated as that develops.

Those are all my comments. I'm happy to answer any questions.

MR. CHAIR: Do any members have any questions for Lamar?

Peter?

MR. COLLINS: Can I just -- I just want to thank Lamar for guiding the Board through the period where he was interim executive director. And just say that having been here a long time, I'm excited about this role being split, the executive director and the CIO being split and you all working really well together. I think it's gonna be a great partnership, but I do want to thank Lamar for guiding the organization through what turned out to be an extended interim executive director period.

But really appreciate it.

MR. L. TAYLOR: Well, thank you. It was an honor and a pleasure and I appreciate it. Thank you.

MR. CHAIR: Any other comments or questions from the Board?

Okay. Great. Because we do have a packed agenda. We've got three really, really deep-dive items, that I was actually surprised. And this meeting could probably go until midnight if we wanted it to. You guys will probably kill us, though. But we will dive right into it.

And so, John -- John, there you are. Sorry.

We're going to start off on private equity and we can dig right in.

MR. BRADLEY: Sounds good.

So good morning. I'm John Bradley, senior investment officer of private equity. It's my pleasure to present the private equity asset class today. And I am joined down at the end of the table by Sheila Ryan and Dan Aylott, both members of our consultant team with Cambridge Associates.

All right. So here's the agenda. And I'm going to try and quickly take us through the asset class policy and process sections. We'll look at overall performance, composition of the asset class. I'll walk you through the various substrategies in the portfolio, and then new this year, I though we would end with a few examples of how our team has managed and evolved the portfolio over time. And then what opportunities might be ahead for us in the future.

And then after, Sheila and Dan will wrap us up with a few slides and a few comments.

So the private equity asset class, we have a policy target of 10 percent with an operating range of 6 percent to 20 percent. As of the end of May, our allocation was approximately 9.2 percent. So a hair under target.

And then per policy, we're tasked with the prudent process, maximizing access to top partners with appropriate experience, alignment and transparency.

Our asset class goals are to create a portfolio that outperforms our benchmarks, to avoid concentrated exposure to any particular vintage, manager, strategy or geography, and then to focus on prudent diversification or keeping the number of managers in the program at an appropriate level.

The asset class has both a primary and a secondary benchmark. Our primary benchmark is the global equity asset class benchmark plus a 250 basis point premium. This is an opportunity cost benchmark and this measures the decision to allocate to private equity.

Our secondary benchmark is the Cambridge Associates' global private equity and venture capital index, and this is a peer benchmark. And this measures our effectiveness as a team in managing the PE program and selecting managers.

The asset class, we're currently staffed with eight investment professionals. There's myself, three senior portfolio managers, one portfolio manager, and three analysts. And then as I mentioned, Cambridge Associates is the asset class consultant.

So now I'm going to shift to the investment process. We have four components to that process which I will take us through on

the next slides.

The first step in the process is creation of our annual investment plan. We look at this as the road map for the coming year. Here we're trying to focus our efforts on areas of need within the portfolio or the most attractive areas in the market.

We use a number of tools when putting this together each year, including our portfolio construction model. We create a heat map, which is shown here. We're trying to rank areas of the portfolio by both exposure and attractiveness. We're creating a focus list of GPs that are coming back to market over the coming years, and then we're incorporating insights from our twice-a-year strategy on-site with Cambridge.

Next is sourcing, which is absolutely one of the most important elements of what we do. In addition to revesting with our existing roster, we're constantly trying to identify, form relationships, and access top GPs around the globe. Forming these relationships and then gaining access to those funds often takes years. And so the funnel here shows the work that went into finding four fund commitments to GPs that were new to our program in 2023. So these are the non-re-ups. We reviewed over 130 new funds. We moved 25 to full diligence, and ultimately closed on four.

This actually was a very active year for us for new GP relationships. But as we will discuss later in the presentation, we think we're in a moment that we'll see a lot more GP turnover in our portfolio.

We have a very detailed and process-oriented due diligence process. And our ultimate goal here has always been consistency. And so from the initial screening to the due diligence process to negotiations to legal closing, how we review fund opportunities, our process and its stages are consistent.

So here are the stages in that process. At each stage here, our team is going to debate and decide if an opportunity merits moving on. Most funds don't make it past our preliminary diligence phase. Those that do move to full diligence -- where we produce an interim diligence summary. From there, opportunities

that receive a final yes vote from the team then move to the final approval stage. And I'd say on average, this process, start to finish, takes about three to four months.

Then lastly, just here are some examples of our monitoring efforts. I'll just say we're very active with your GPs. And we are also very active participants on the advisory boards of the majority of funds that we invested in.

All right. So now I'm going to move into the overall asset class portfolio. And we'll start here with performance.

So since inception, the asset class has committed over $39 billion to 358 funds. Our cumulative paid-in capital was 35.5 billion. And we've received distributions to date back from our GPs of 41.3 billion, so giving the program a DPI of 1.2x. The program still has 18 billion in remaining value, which gives us a TVPI or total value of paid in of 1.7x, which translates to value creation in dollar terms of $23.2 billion.

Performance as of 12/31 is seen here. We ended calendar year 2023 up 6.3 percent. And while our one-year performance has shifted positive, as Lamar mentioned, we still do trail the public market benchmark. But despite this short-term weakness, the portfolio has outperformed its public market benchmark over all other time periods.

All right. So this chart is going to compare the performance of our funds by vintage year versus the corresponding Cambridge vintage year benchmark. So the green bar would be our IRR for those vintages. And the blue square is the Cambridge benchmark return. And so I'm just trying to say, we're very proud that we have outperformed our Cambridge Associates' peer benchmark in 21 out of the program's 25 years. So an 84 percent success rate.

Cash flow history is seen on this chart. So despite 2023 being a very slow year across the industry for distributions, our program ended 2023 with slightly positive cash flow. So our distributions exceeded our contributions. And that's something I don't think most institutional investors could say in 2023.

2023 also marked the seventh straight year that our asset class was self-funding. And ten

out of the last 11 years that that happened. So the program is mature and it is and it has been in a place where our new investments have been funded by assets and cash distributions from the portfolio.

So here's a look at our current allocations to our four substrategies as well as our targets. And so the targets are on the right and in the red column. The blue column shows our current allocation at 12/31 using net asset values and the total exposure column in the middle of the green column also incorporates our unfunded commitments to that NAV, and kind of us gives us a sense of where our dry powder sits.

Relative to target allocations, venture exposure does remain elevated. However, it's weighting is trending back to target. I think we are actually pushing 30 percent of the portfolio in venture at one point in 2021. So it's nice to see that come back down. And then other strategies are close to target.

Here's just another look at the composition of the portfolio at year end. We have 243 funds managed by 71 GPs. Forty-five of those GPs are ones that we would consider active or core. So these are GPs that are currently making new investments and are GPs that we would expect to continue investing with going forward.

And the bottom of the slide shows the geographic and sector breakdown of those 45 core GPs in the portfolio.

Here are our largest exposures by GP or firm. 53 percent of our portfolio is NAV. It's concentrated in these ten firms. And then in terms of commitments, these ten firms represent about 32 percent of our committed capital to date.

Looking at overall geographic exposure, the portfolio remained slightly overweight in North America, slightly overweight Europe and Asia relative to our Cambridge peer benchmark. And we are overweight North America and Europe, and underweight Asia relative to our public market benchmark.

Looking at sector exposures, technology continues to be the largest overweight, although our absolute exposure to tech has come down a bit. Health care and industrials remain

our largest underweights, but that is also correcting and trending a bit back closer to benchmark.

So I'm now going to shift into the four portfolio substrategies. We'll start with buyout and growth equity. So our target allocation to buyout in growth equity funds is 55 percent, of which 75 percent of that is targeted to small and middle market buyout funds.

So here's the breakdown. And it's a bit hard to see. But there's the breakdown of our buyout and growth equity portfolio by firm, geography and sector focus. And on this page, I would note that when we categorize our funds into small, medium and large, we do not look at fund size, we look at the enterprise value of the companies that they invest in. And so for us, small buyouts would be enterprise values under 250 million.

Middle market is EVs between 250 and 750 million. And large buyout would be enterprise values greater than 750 million.

So this slide shows the exposures by sector size and geography in our buyout and growth equity portfolio. Similar to the overall portfolio, technology is the largest exposure, while the bulk of the remaining exposure is in health care, consumer and industrials.

By stage, we have leaned much more heavily into control buy-out strategies. They currently make up 68 percent of the portfolio today with growth strategies making up about 20 percent. And then in terms of geographies, there's a nice mix of exposures, with the US making up the bulk of the portfolio.

So performance of the buyout and growth equity perform- -- portfolio remains strong relative to benchmarks. Within the strategies, our US growth portfolio has slightly out performed the others while our non-US growth portfolio has been the worst performer.

Benchmark in this portfolio on a public market equivalent or a PME basis shows an annualized outperformance over the public market benchmark of 650 basis points. This buyout and growth equity portfolios at DBI of 1.2x, and a TVPI of 1.7x.

We'll now switch to our venture portfolio.

I guess here I would like to say, we have always been and we will continue to remain focused on the early stage. And so for us, that's seed and series A rounds. Today that makes up about two-thirds of the portfolio. And that bias remains and will continue into the future.

The problem with this portfolio, not surprisingly, the majority of the portfolio's focused on IT. About half of that exposure is classified as software. And then geographically it's a portfolio largely centered around Silicone Valley, New York City, and Boston.

And here's the performance of the venture portfolio. The portfolio was down 2.2 percent in 2023, but it has outperformed its Cambridge peer benchmarks over all time periods. It did underperform at its public market equivalent over the past year. But it does show annualized outperformance since inception over that public market benchmark of 830 basis points. I'd also note, you know, venture continues to be our strongest performing substrategy from a TVPI and a DPI perspective.

It has a TVPI of 2.7x, and a DPI of 1.3x.

So this slide's going to highlight our distressed portfolio. And as a reminder, the focus of this strategy is on control. And so this is not a trading strategy, and it's not a distressed debt portfolio, it's a control portfolio that drives value through operational improvements. I would think of this as our value portfolio.

US companies account for about three-quarters of the portfolio and the industrials, health care and consumer sectors make up roughly 75 percent of the portfolio.

Our distressed portfolio has exhibited strong performance relative to the Cambridge Associates' benchmark and our public market benchmark. It's outperformed its public market equivalent benchmark on an annualized basis by over a thousand basis points. The portfolio also has a DPI of 1.2x and a TVPI of 1.7x.

And then the final substrategy is secondary. So our secondary portfolio today consists of two active relationships, Lexington Partners and Aegon Asset Management. This portfolio was up slightly in 2023 and has been

generally in line with benchmarks over the other measurement periods.

And then I thought we would end today with a look back at some of the things our SBA private equity team has done to actively manage and position this portfolio over the years. And then we'll give a few examples of what we're currently doing to drive value over the next ten years.

As one of the longest durations in least liquid asset classes, you know, change and repositioning does not occur instantly, but it does happen. And sometimes that's hard to see on a quarter-to-quarter basis. Those moves take multiple quarters or even years to implement. And then the impact of those moves usually isn't felt until years after that. You know, our team is constantly looking at the environment and looking at our portfolio and asking ourselves if we're positioned correctly. And when we see opportunity, we act.

So on this slide are a few examples of active decisions that have and will continue to drive value in outperformance in the asset class.

So to start, you know, we took advantage of a 13-year bull market and an ever increasing appetite for private equity and completed six secondary sales from the portfolio over the past ten years. These six sales generated over $5 billion in proceeds and were done at par-plus pricing.

Reasons for selling range from selling tail-end assets to clean up the books. We sold to reposition our European portfolio. We'll go through that in a slide or two. We sold to realize value in the face of extreme valuations. Our last sale is an example of exactly that. In September 2021, we sold a portfolio worth over $1.8 billion of largely technology and venture assets.

So, you know, we've also had to be creative with some of our partners to realize opportunities. Venture, which I'll also go through in a few slides as a great example of an opportunity identified in 2009 and 2010 that required creative approaches and partnerships to capitalize on. We used SMAs, we used fund-of-one structures to gain meaningful access to elite venture funds at a moment in

time when others were largely uninterested. Most had thrown in the towel in venture capital.

Secondaries is another area we've used created partnerships to access opportunities.

And then lastly, you know, our team has always had a contrarian culture. You know, when everyone loves something, our tendency is think maybe we shouldn't. And when things are hated, our tendency is to jump in and look for value. And nothing better exemplifies this than our venture program and our activity and energy.

In 2010, we increased venture exposure and repositioned the portfolio at a moment when most were headed for the doors. It turns out, venture was not dead and those of us who continued to commit reaped huge rewards ten years later. And then in 2021, we took some exposure off the table.

In 2020, we dug deep into energy, which for us, would be traditional oil and gas E&P. LPs hated it and we began searching for secondaries from sellers that were selling for ESG reasons and not financial ones. And so over the last few years, we've been active buyers in the secondary market and energy. We've been active investors in energy funds and we've been active co-investors in energy deals.

So I'll shift to just two quick examples, both I just touched on. So first is Europe. Europe is a great example of recognizing a market shift as we reposition this portfolio from a largely large-cap pan-European manager roster to one that was regional and country-focused today. We've done numerous trips over the years, many with Dan, to Europe to help identify how we want this portfolio to look.

Over the last ten years, we added ten new mangers and dropped nine. We sped this process up via secondary sale in 2014 where we sold over 400 million of exposure and eight pan-European funds, fully exiting all of them. And I think I'd just add that this portfolio is going to continue to evolve. I was in London a few weeks ago with Dan and his team discussing the next evolution in European PE, sector-focused funds. And so we're continuing to see more and more sector-focused managers

emerge in Europe, and they will likely represent the next phase of our European portfolio.

And so here we see performance of our European portfolio. And so the result of all this has been an increase in performance. This was jump-started by our secondary sale in 2014. And since then, we've seen the performance of this portfolio since inception, you know, nearly double.

And then venture is another example where a shift in focus and execution added long-term value. Over the last ten years, and really this started in 2010, we increased our exposure and concentrated our manager roster. As with Europe, we sold positions in the secondary market along the way when it was possible. Then we further reduced our exposure via the secondary market at the end of 2021.

And as with Europe, the venture portfolio has performed well since. And all those active decisions have paid.

And then I will end and say that we are going to continue to look for opportunities, whether they be defensive or offensive.

Looking forward, I think you will see our GP turnover increase over the short term. And so I do not think how value is generally created by GPs over the last ten years is how value will be created over the next ten years. And so we're going to make sure that our partners are positioned to succeed in the future. If they aren't, they will be replaced.

We will continue to be active in the secondary market as both buyers and sellers. We've also begun moving some of our co-investment program in house. We've now dedicated two staff members solely to co-investments. We think this will be a big driver of value for the asset class and will continue to aid our efforts to lessen the cost of the private equity program.

The new co-investment effort is just getting off the ground. And I look forward to digging in deeper at future meetings on this in the coming quarters, and then at our next private equity deep dive.

And then finally, you know, we're continuing to review the alternative liquidity options for the asset class. While we have

historically used the secondary market for liquidity and repositioning, there are other options for LPs today, such as CFOs, which are collateralized fund obligations, and NAV loans. Both of have become much more common over the past five years. You know, we came to look at these options a few years ago. We were going through a liquidity exercise at a time when selling via the traditional secondary market meant taking very massive discounts. And I'd point out that that is, to a large extent, still the case today. So these other options were a much more attractive way to sell exposure or reposition portfolios, if you needed to or if you had to.

When looking into these options, it was determined that we would not have statutory authority to use them as they involve issuing securities. And so we've had some talks with the legislature about this and to try to have this authority granted. It has not been changed yet, but we will likely go back and ask again -- ask next year.

So this ends my presentation. I'm happy to answer questions before we turn it over to

Cambridge. Or I can answer questions after.

MR. CHAIR: Does anybody have any questions? I've got a couple, but I'll defer to everybody else first before we --

Peter.

MR. COLLINS: I've got a couple, but go ahead.

MR. CHAIR: You made a comment at the end, you said the way the GPs are going to create value over the next ten years versus the way they created value over the prior ten years. What did you mean by that? Because we do a lot of private equity investing, too, so I'm just curious. I probably share the same view, but I'm curious to hear your answer.

MR. BRADLEY: So I think when we look back over the past ten years, it was an environment of historically low interest rates, high growth and massive multiple expansion. I think as we look forward to the next ten years, I think we think that that interest rate environment's changed. We're going to have higher for longer rates. We're going to see slower growth. And so our focus is on GPs that can add value through operations. And so it's no longer --

it will still probably work in some instances, but it's no longer a game of just borrowing, borrowing, doing MNA, doing add-ons, growing EBITDA that way and then getting multiple expansion. It's going to be a much more, who are good owners of business who can drive value of those businesses through operations. I think that's what's going to be -- at least in our mind, that's what's going to be most important.

MR. CHAIR: Okay. And then you also mentioned -- you did some secondary sales, right? In one case, 5 billion. Another case, 400 million. Do you track what ultimately happened with the position that you sold to make a determination if it was actually a good sale or not? Because it's one thing to say, you know what, we were taking chips off the -- you're kind of laughing. You probably thought about this question already, so good.

We took chips off the table. You know, we made a 24 percent IRR. And, you know, do we write it up a little bit more, try and get 30 or do we take it off and then try to redeploy, you know, the 24? But sort of on a relative basis, have you figured out, if we would have not sold the 5 billion in tech investments in 2021 and kept them, maybe we would have ultimately done as good or better than what we redeployed the capital with? Is that an analysis that you guys think about?

MR. BRADLEY: We do it anecdotally. And so, you know, we go through -- and I have -- I actually pulled our sheet of our sales to see kind of how they've performed since. And so the tough part is once we exit the relationship, it's hard to know how that fund does, right, if they're not an LP. But we will go scrape performance from other public pension funds --

MR. CHAIR: I think that data's probably --

MR. BRADLEY: -- they are still out there.

MR. CHAIR: And Cambridge is really smart. Those guys can figure that out, too.

MR. BRADLEY: We can see, hey, we sold -- the IRR that we locked in at our sale was a 30, is this fund now a 40? You know, how much did we give up? I'd say we are almost uniformly, like, positive still on our sales that we've

done. I think the tech example is an easy one. I mean, that was a great decision sitting here today. You know, whether that's a great decision five years from now? We'll see. But, you know, those assets were all sold at par-plus pricing. A year later, they're probably worth, you know, 20, 30 percent less. And so that was a good decision.

You know, the interesting one is Europe. And so we repositioned our European portfolio. We sold 400 million of Euro denominated fund exposure in 2014. We took those Euros, translated them to US dollars, right, and reused those assets. I think a month later, the Euro fell 20 percent. And so just from a valuation perspective, that was an extremely successful sale. The underlying funds actually performed better than our underwriting case. And so that was a positive sale because the 4x offset with the funds did, but --

MR. CHAIR: It was more FX, though, than actual -- operational performance --

MR. BRADLEY: -- it was more FX. Those funds, they beat our base case when we sold them, so --

MR. CHAIR: Okay.

MR. BRADLEY: So we do the analysis. It's something we constantly think about. I think our team is -- takes pride when we do these things and make these decisions, so we're always trying to see, were we right? Were we wrong? What can we do different?

MR. CHAIR: Yeah. Just the thing that strikes me is I have a lot of folks I know that owned NVIDIA and sold it at 500 and just did cartwheels. And I think they'll hit three and a half trillion probably by the end of the year market cap, so stocks -- so I think about that analysis, right?

MR. BRADLEY: You mentioned, it's an opportunity-cost decision, too, right?

MR. CHAIR: Yes, it is.

MR. BRADLEY: So if we want to -- if we want to reposition this European portfolio, how do we do that? Do we do it now? Do we do it over ten years? And so it's something, at least anecdotally, we're absolutely looking at.

MR. CHAIR: I think it's just something to be mindful of. I mean, it's one thing to look at the numbers on paper, but to ultimately take

it to its logical final conclusion as to where you ended up on an absolute basis, that would be interesting data to know.

Trustee Collins.

MR. COLLINS: So how has our relationship with Lexington changed over the years from sort of the beginning to today? Is it any different? I know we've -- I think we've sold some; is that right?

MR. BRADLEY: So in strategic, they had the GP stake which was sold. In private equity, I mean, I think it's actually -- it's grown over the years. I think it's a much more collaborative kind of partnership approach. You know, I had mentioned we have started to pull some co-invest internal, but we still have the Lexington relationship. They've been instrumental with us and our team and how we look at these deals. Like how we're processing them internally. And so, you know, they're the core of our co-investment program and they're the core of our secondary program. So it's remained a great partnership.

MR. COLLINS: So a little bit along the lines of what Ken was saying, it's sort of like transfer portal today, right, co-investments? Give me a junior who's played three years of college and I know what I'm looking at versus a five-star recruit who's a freshman who's never played, right. You get a look at these investments. You get a look at how they're doing. So on a risk adjusted basis, Lexington's got to be -- you know, their returns, even, you know while they're listed out the same as everybody else, it's -- on a risk adjustment basis, they've got to be better, right?

MR. BRADLEY: -- talking secondaries or --

MR. COLLINS: Secondaries.

MR. BRADLEY: Yeah, so secondaries.

MR. COLLINS: Secondaries.

MR. BRADLEY: So you get a look at how they're performing, but your analysis is all based off of where you think it's going, right. And so I think that's the trick to get right.

MR. COLLINS: At least you know what you have.

MR. BRADLEY: You know what you have --

MR. COLLINS: Right?

MR. BRADLEY: -- yeah. You know what you

have. I think the other aspect is it's a competitive market. And so groups like Lexington and other secondary buyers, they're competing for these portfolios versus others. And I know when we sell something, we're trying to create a competitive dynamic to push prices up and ultimately get the most for our portfolio. And so, you know, while you know what you have, you're still trying to see what you're gonna get or forecast what you're gonna get. Sometimes those forecasts go five to seven years. In those intervening time periods, market change. Things happen.

And so, you know, secondaries, I think, historically it's just such a diversified portfolio, there might be 5,000 companies in there and --

MR. COLLINS: Right.

MR. BRADLEY: -- so you're trying to get a market return hopefully at some discount to then give you some added value.

MR. COLLINS: Then on the -- walk me through the CFO product.

MR. BRADLEY: So the CFO product would be -- LPs and NAV loans work system. I think some of the people that buy them are different in how you might structure them. But it would be -- you could take a portfolio -- let's use a billion dollar portfolio, you could contribute it an SPV. You could take that billion dollar portfolio in that SPV and you would tranche it. So you think of it as like securitizing cash flows. You would have a senior piece -- which in the term -- in the case of NAV loans, might be a senior lender would maybe give 30 percent loan-to-value. You could get 300 million for that portfolio. The cost of capital there is probably six and a half, 7 percent. And then that senior holder is just a contractual sharing of cash flows until they get their return back.

The CFO is a bit more structured and you can tranche it differently. It's a bit higher cost of capital. Those are probably in the 8 to 9 to 10 percent range. But the comparison would always be against the secondary sale, which would be if a secondary sale is trading at a 30 percent discount, that 6 to 7 percent might be a better cost of capital if you needed liquidity or if you had to reposition.

There's always -- we never have to do anything. Back when we were selling stuff on the secondary market, we would never consider those options because we were selling things at a premium to what they were worth and we would never -- you know, we didn't think we were giving up a 10 percent return so we would never finance something or finance liquidity through a 10 percent --

MR. COLLINS: And would we ever get in that business? Would Trent ever get in that?

MR. WEBSTER: I'm out, Peter.

MR. COLLINS: You're out?

MR. WEBSTER: Yeah.

MR. BRADLEY: In the business of investing in them?

MR. COLLINS: Yeah. I mean --

MR. WEBSTER: Yeah. We've looked at -- we do some NAV loans currently. We're not doing anything on the CFO side, but we are -- we have one fund that does do the NAV loans.

MR. COLLINS: Okay. All right, Mr. Chairman.

MR. CHAIR: Yeah, Trustee Jones.

MR. OLMSTEAD: Vinny Olmstead here. If I could ask a question.

MR. CHAIR: Sure. Go ahead, Vinny.

MR. OLMSTEAD: Thanks, Mr. Chairman.

John, just real quick, like when you talked about the previous ten and the ten ahead of us, obviously AI is beyond cliché, it's a reality. Just curious how your team, from a, you know, diligence standpoint, is evaluating that, whether you're going into, you know, the PE, the fund to funds VCs or co-invest- -- I think a lot of folks are -- you know, that are in this world right now are sort of nervous in thinking about existential threats to current companies and every company going forward. And I would venture to state that you want to be on the forefront of making certain that they -- your investments are also taking that into account. Just curious how you're adjusting based on there is going to be -- the next ten years are going to be a wild ride and hard sometimes to predict what impact is going to happen.

MR. BRADLEY: Yeah, I mean, so I think it's all the above. I think from a -- I'll take venture last. From every other segment in

the portfolio, it's the single biggest thing our GP's talk about with their companies, which is how we're using AI to be more productive, to lower costs, to drive value. So it's on the top of everyone's mind.

From an actual investment standpoint, you know, it's a huge topic within our venture funds. And it's something that we're investing in. We have exposure probably to every large AI company that's been formed to date. We have not yet seen VCs focus specifically on venture -- or on AI. I think most have that as a subset of what they do. But we absolutely see it. We see it coming. I think we have VCs in the portfolio that have done a great job of investing in it and forming great relationships. And we would agree with you a hundred percent, Vinny, it's here to stay and it's going to be a huge driver of disruption and dislocation. And so we want to make sure we're in the right spot.

MR. CHAIR: Thanks, John.

Vice Chair Jones.

MR. JONES: Yeah, thank you. You were talking about Lexington earlier. And I think they were acquired, like, three or four years ago.

MR. BRADLEY: Correct, yeah. Franklin --

MR. JONES: Yeah. Has anything changed in your relationship? You were saying it very complementary that they --

MR. BRADLEY: Yeah. No, it's been -- it's remained a good relationship. We haven't seen any -- from our perspective and from the private equity team and the secondary team, we've seen no impact. I think it's been a positive for them for the organization. I think it was a good transition. I think there's better alignment, frankly, today within the GP, so --

MR. JONES: Okay. I was just wondering if they lost some senior people because of that or --

MR. BRADLEY: To date, no.

MR. JONES: Okay.

MR. TREANOR: That transaction was largely to cash out the founder who was no longer active in the business.

MR. WEBSTER: It will ultimately be a 10 to 12x for the Board.

MR. JONES: Thank you.

MR. CHAIR: Great. Thank you.

You know, in the interest to make sure Sheila and Dan get some time, you guys have 410 slides in seven minutes, so get after it.

MS. RYAN: Well, we just have a few slides.

MR. CHAIR: Okay. Good.

MS. RYAN: Okay. Great. So I just wanted to touch on -- John, could you go to 186? Do you still have the --

There it is. Perfect.

Okay. Just -- I'll touch on this real quickly and then Dan and I will just spend a few minutes going through some market environment update on what's been going on generally speaking in the private asset class. But before we do that, this is an update we provide each quarter or every time that we meet -- I would say annually, actually -- on how the Board's performance has done relative to roughly 700 Cambridge Associates' client portfolios that we track through our performance reporting systems.

The takeaway here is, generally speaking, the Board's portfolio has performed above median over time. And over longer periods of time, in the top quartile. And you can see that here in the green box, the quartile ranking over five years and ten years in the top quartile. And over more recent periods, more in the second quartile. And that's being driven largely to a fairly significant overweight to ventures. So we expect that to kind of normalize a bit over time.

You can see some of the historical tracking in that bottom sort of orange box. Generally speaking, the portfolio has been in that top quartile relative to the Cambridge client universe. So very, very strong performance overall.

I'm going to turn it to Dan, let's see if we can page forward here. What page are you going to, Dan? 119?

MR. AYLOTT: 190.

MS. RYAN: 190.

MR. AYLOTT: Just a few comments here around sort of what John alluded to earlier. The markets have really been resetting so this shows you some data on both annual fundraising

and invested capital. So essentially deal activity. And you can see here that really the years of 2021 and 2022 were peak years. So the idea being that we're going back to somewhat of a more normalized environment and a little bit more depressed, I guess, in 2023. And we'll see where 2024 comes out. We're seeing some signs of more activity in 2024. It was a bit of a slow start to the year, but we are seeing a pick up in activity across asset class -- sub-asset classes in 2024. So we don't expect it to be another sort of stellar year, but a bit more active perhaps than 2023 overall.

The next slide.

MS. RYAN: There it is. It's working now.

MR. AYLOTT: This just shows, as a result of the slow-down activity, what we've seen is distribution yields drop. So distribution yields, just to explain what that is, is a measure of capital flowing back to portfolios as a percentage of the beginning period and AV of those portfolios. So essentially kind of how much money you're getting back as a percentage of your exposure. And we've really seen that fall in 2022. So even in the peak year of 2021, those levels remained relatively high and that was because NAVs were high as well as distributions were high in those years as well. So it's relatively constant.

And those higher levels actually represent similar levels to the long-term averages. So we've actually seen that drop in 2022 and a continual slight decline into 2023. And that's meant the LPs have really come under some pressure in terms of allocations and also having capital to deploy, which is then in turn translated into a slower fundraising market that you saw on the prior slide.

On the right-hand side here as well, it's just an illustration of how public market returns have been eclipsing private market returns in the short term. So we've seen that really strong rebound in public market returns that you can see here on the gray line. And private market returns are really a bit slower to recover.

We use the analogy of, like, the express train versus the regional train for these types of assets classes. And we can see the -- you know, while we've seen a little bit of a

turn -- turning point in private markets and they've started to recover slowly, the venture capital returns are still relatively low and are taking a little bit more time to recover.

And on the next slide, you can see a little bit of why that is.

MS. RYAN: 192.

MR. AYLOTT: Yeah. There you go.

So we've seen a real slow down in -- we've seen a slow down in annual average revenue growth across technology companies on a number of metrics. We include here, also our operating metrics, which tracks companies in our database within the IT sector. And so we've really seen a decline and slowing of revenue growth. It's still in positive territory, of course, but it's not as strong as it was in those -- you know, the height of the market in 2021.

And that's translating into, on the venture capital side, we're seeing an increase in down-rounds, which is where venture capital funds that have raised money previously have to come back to market to raise subsequent rounds. And those rounds are being raised, evaluations are lower than the prior round. And so that's impacting returns, and impacting valuations across the asset class.

And the blue line here also represents layoffs that we're seeing across the tech sector which clearly have been increasing materially as the growth in those technology companies has really slowed down. And those companies are having to really focus very hard on costs and expenses. And so there's some of the dynamics that we're seeing here in the technology space.

MS. RYAN: I was just going to touch on two more slides real quickly.

Can't get it to change.

One more.

There it is. Perfect.

So this kind of all trickles down at the end of the day. On the left-hand side in the blue is private equity. The right-hand side in the green is venture capital. And we took a snapshot at different points in time. And you'll see on the left-hand side, as of 2021 and then versus 2022 and 2023, you'll see returns have really come down. And this just

reflects a lot of the dynamics that we mentioned earlier. Lofty valuations, a lot of fundraising, a lot of exit activity. Things have much more normalized here, as you can see, with the more recent marks.

And that translates kind of on the next page -- just want to touch on this one. You know, the point here is don't lose sight of the long-term benefits of investing in this asset class. If you're looking over ten years and 15 years, these are really sort of, like, the average kind of returns. And we're generating additional alpha above these based on the strong manager selection of John and his team and our collaboration on that front. But, you know, the one-year numbers have been disappointing, but over the long term, it's still a very attractive asset class and generating some nice outperformance relative to public markets.

So those were our comments. And I didn't want to delay any further with the agenda. Thank you.

MR. CHAIR: No, thank you, Sheila and Dan. We appreciate it.

Does anybody else have any questions?

No.

John, any other comments from you? All set?

MR. BRADLEY: No. Thank you.

MR. CHAIR: Okay. Great.

Okay. We're going to move on to corporate governance -- corporate governance review and proxy voting guidelines right now. I think it's attachment four in the binder.

Michael.

MR. McCAULEY: Thank you. Good morning. I'm Mike McCauley. I'm senior officer over investment programs and governance. And I think I've got 15 minutes and 13 slides, so we should be in good shape.

MR. CHAIR: You're good.

MR. McCAULEY: Yeah. We are -- just some kind of organizational background. I've got the org chart on the right. I report to Paul. I've got two folks, Jacob Williams and Angie, Dees, that report to me. Chris alluded to earlier in his opening remarks, we're going to get a new position here in the fiscal year, so we look forward to that. So we'll be working

to kind of onboard a new person well ahead of the '25 proxy season.

But essentially the box on the left just kind of details our primary responsibilities, more or less in order of magnitude. Most of our time is spent in either directly voting proxies or related engagement, regulatory issues. We do quite a bit of research related to the Protecting Florida's Investments Act. Chris also allude to some of the new industry scope related to Iran and China. We do all the company research related to that. That's gone very smoothly, but still in process because it literally just started in Q1.

To a lesser degree, but not insignificant, we oversee Florida PRIME from a managerial perspective. So the liaison with Federated Hermes will be doing the deeper dive later on in the agenda. Related participant outreach, et cetera. And then some kind of ancillary client service functions, which is relatively minor.

So just, you know, this slide just basically lays out, you know, kind of what corporate governance is. We take a fiduciary perspective and really try to focus on things that are -- you've heard me say this before -- linked to value. So how does that governance practice either reduce risks or enhance the company's financial performance by giving investors, you know, added protections, added rights. And that can involve just maintaining those rights, not necessarily advancing them.

Really just kind of the orientation overall is one on financial and economic value. We don't, you know, really go too far astray from that, to be honest with you. We try to, you know, structure our policies, our voting, engagement that supports the voting. Everything that we do is really with that underscored aim at improving performance from the company's perspective, to the extent that we can.

We're one of, you know, many investors. We own a -- even though we may own, you know, hundreds of millions or even in the billions of individual companies, we're still relatively small when you look at the shareowner roster. We're typically, you know, outside of the top 20 or 25. But not insignificant.

So like I said, most of the activity is focused on voting. Through the end of last calendar year, through the end of '23, we had a little under 13,000 annual meetings. That was kind of an all-time high. That was a reflection of some of the additional volume related to pass-through voting, or what's called voting choice. We talked about that in the past. We're trying to, whenever possible, utilize that voting authority on any internal or externally managed portfolio.

Prior to the kind of implementation of the pass-through, we voted about ten and a half thousand -- 10,500. So it's a pretty good amp-up, which is, again, a reason for some additional staff.

Voting globally in 70 markets. Chiefly in the US, but, again, all of our analysis research, engagement is really focused on some of the drivers of company performance and kind of investor protection. We get into, you know, some of the things like director elections, audit firms, audit firm ratification, long-term incentive plans, so how executive compensation is incentivizing management to perform. A variety of shareowner proposals, just really anything that comes before shareowners to vote on. Mergers, recapitalization, share buybacks, that sort of thing. Wide variety of issues.

The main document that we use to assist us is our corporate governance principles and proxy voting guidelines. These are kind of reviewed by the IAC, goes on to the trustees for formal approval. This year we do not have any proposed amendments. I think it's been a little over a year, probably about two years now since we've had any. We will have probably at least three or four proposed either new guidelines or amendments later in the year, so just kind of head-up on that. Some AI related, some director liability related items that we've kind of seen on ballots that we don't have specific policy coverage for.

And just to kind of -- might be straightforward, but the principles are very -- the very highest level country code, best practice oriented. The guidelines are much more granular and we hope telegraph the actual dimensions and characteristics that we look at in order to make a vote. So we when can't be

as granular to explain everything, you know, kind of ad nauseam, we do like to provide the companies, beneficiaries, other stakeholders, you know, an idea of what are we looking at, what are we, you know, weighting -- overweighting, underweighting or what are some of the things that we utilized to impact and ultimately make that voting decision.

We also have a -- one of the many SBA investment oversight groups is the corporate governance and proxy voting oversight group, otherwise known as the proxy committee. This is a pretty common approach in the private sector from an asset management perspective. We have the ten-level policy. And this group meets quarterly, and, you know, essentially reviews policy, voting activity, divestment-related, any kind of, you know, hot topics, regulatory proposals, et cetera.

This just gives a breakdown of some of the voting statistics. You know, like I said earlier, we have a global footprint and it, you know, essentially mimics what Tim's shop structures in global equity. So if we own, you know, the Russell 3000 and we have an internal and external portfolio structure, all of those accounts are going to roll up and we're going to vote those underlying securities. And that is also true from a global perspective.

The main focus and the main kind of day-to-day activity, particular in the second quarter, is on US companies. But we also deal with a lot of other developed and emerging markets.

Try to be -- we try to be very transparent in some of our disclosures. I'll get to that in a minute. I thought it was the next slide. But this just gives you a breakdown of some of the top markets.

China, just to kind of make a note on this, is -- even though it's the second largest from a meeting count perspective, it's much lower from an investment perspective. And the reason for that is Chinese companies typically have multiple meetings every year. So instead of having one meeting with four, five, six ballot items on it, it will have, you know, maybe two, three, four meetings. So their ranking is a little bit outsized compared to the investment exposure.

And then the pie chart on the right is just -- you've kind of seen this before maybe because it was the fiscal year data we have -- we'll update it here shortly for -- through the end of the fiscal year '24, but gives a breakdown of the primary ballot items. Most of the activity is board related, audit, financial, comp, kind of core voting items. That little kind of tan or orange sliver, which is, you know, further broken out, are shareowner proposals. I'll go into a little more detail here in a minute. But it's just to kind of underscore that those make up a very small proportion of the overall voting, both in US markets as well as outside of the US.

We use a couple of -- and have utilized a couple of proxy advisers over the years to help us make voting decisions. They provide modeling, various qualitative, quantitative analysis. Glass Lewis and ISS are institutional shareholder services. We've used Glass Lewis since late '02. And we've used ISS way back in the late '80s. We've been clients of theirs for quite some time.

They both provide kind of global coverage across all the portfolios. So any proxy that we're voting, they provide proxy research for. There's no gaps whatsoever. We are in the process of trialing a -- or kind of beta testing a new service from Egan-Jones, which is the third largest proxy adviser in the US. S&P 500 large cap names in the US, we're going to -- we plan to use them for proxy research through the end of the year and then see what we want to do. If we want to keep them on as a, you know, formal input to the voting, we will.

We also work with a lot of kind of investor-oriented organizations, primarily the Council of Intuitional Investors or CII. I'm on the Board of CII. Very active over the years, again, going back to late '80s after it was started. You know, a number of other organizations that either will do collaborative initiatives and anything that's investor-oriented or might have a tie-in to regulatory proposals that relate to voting, investor engagements, et cetera. Groups like CFA Institute. And Harvard Law School has a program.

And then just on the right are some of the data providers: ISS; Glass Lewis, we don't have in there, but from the proxy adviser perspective; Equilar we use for compensation modeling. MSCI, ISS and Eiris are -- provide us with a variety of divestment-related research, so either Iran, Sudan, various other countries. But we've utilized many of these for long time frames and many, many years in a row.

This is just a breakdown of the last proxy season. We'll, again, update this going forward. But it gives you an idea of some of the individual ballot items, the main categories for ballot items and where we fall from a voting perspective. We'll provide updates through the end of the year.

Year-to-year, it doesn't change dramatically. It does go up and down in different areas depending on just kind of the events that are on the ballot, but it's pretty stable. It's not -- doesn't change dramatically.

And like I said earlier, we kind of pride ourselves on being transparent. We try to be open with, you know, all the voting decisions once they're cast. So we have a couple of items on our website where you can -- one avenue is where you look up individual companies. As soon as the vote is made, it's recorded. Another one, which this is a little thumbnail of, allows you to do a lot more. It's interactive. You can do time frames, geographic markets, that sort of thing.

And that was it. I will kind of just end on, we've got an appendix with kind of a variety of slides, but I will just make a couple notes on shareowner proposals because they're just of interest, even though they're a fairly small portion of all of our voting activity. They're kind of the tail that wags the dog. Get a lot of media attention, et cetera.

So just, you know, some -- maybe some general background. You know, like I said, they're the smallest proportion of the overall voting activity. They typically make about 1 to 2 percent of all of our votes. I pulled the May statistic, you know, May 2024, just last month. And for US proposals, it was about

3.2 percent, so a little north of the 1 to 2 percent, but still very, very small. There's no standard market convention to how general proposals are categorized. They typically are -- they fall in the ESG or environmental social and governance categories. Like how it's broken out on the charts here, the governance receives the most volume and most support from our perspective as well as the market as a whole.

Shareowner proposals are almost always advisory. You can have a binding proposal, but it's very, very rare, you know that kind of going in. And those are typically related to a governance item.

Management typically will oppose shareowner proposals and the caveat there, I always like to point out, that management can propose the same issue that a shareowner proposal -- shareowner proponent can submit. It doesn't necessarily mean from our perspective they're any different. And things like super majority voting thresholds, other governance practices, it's not -- it's less -- it's more rare for us to see it as a management proposal, but we do see it on both sides and we'll typically support it regardless of who the -- who has submitted it.

And a little further, in terms the ES&G, we could have, you know, support for -- we can support -- we could vote for a governance proposal because it's warranted because it's -- again, it might be something that's policy-driven, like, you know, declassify a board. Anything having to do with a market for control, we generally are supportive of because we think that protects our rights as a shareowner.

You could also have a for-vote for an environmental shareowner proposal. Even though it's much more narrow and less applied, it's possible. For example, you could have enhanced -- proposal to enhanced reporting tied to the company's own strategic environmental goals and programs. And essentially the thesis is, company's doing it, it's part of management, it's part of their strategic strategy, we want to have information to kind of provide some accountability and know what they're doing, what is the company doing with

respect to some of those environmental practices.

And similar to that on the social side, we could have -- we could vote for a proposal that asks the company to enhance reporting for geopolitical risks. We see a lot of those related to China. What kind of operational risks do you have in China, whether it's, you know, labor oriented, human rights, a variety of issues. But there are instances where we would support an ESG proposal or a shareowner proposal for valid reasons that would be warranted. But it's predominantly in the GE category, as you can kind of see from the statistics.

And we did have -- you know, we've touched on this before, but you see the sharp rise, you know, beginning in '21, '22. This was post-SEC policy change that is staff -- made it very relatively easy for proposals to get through their no-action process. That's since started to kind of plateau and even reverse it, I touched on that in the trustee memo a little bit where the rates are kind of going back to historical. And so you could see a little bit of a decline in terms of the overall volume and maybe a recasting of the type of proposals and potentially higher levels of support from the market, but we'll see.

I'll stop there. Happy to answer any questions.

MR. CHAIR: Thanks, Mike. Appreciate it.

Any questions?

MR. COLLINS: I do have one. Some of it's maybe for Mike to answer, but maybe Lamar.

It's a pretty sharp turnaround. I tend to think we live in sort of a bubble in the DEI or ESG world, you know, because we have some outspoken leadership on this very issue. But there are some good governance. You know, it's ES&G, right?

MR. McCAULEY: Right.

MR. COLLINS: And the governance is always -- extra governance is good.

But there's clearly a trend, right, going the other way. And as we think about, like, John, they were stepping in on private equity when everybody was, you know, getting out of these ESG investments, right, because it was viewed as sort of a bad thing. I'm not sure

who was -- I think it's like 5 percent on either side. You know, 5 percent thinks it's really, really the best thing in the world and 5 percent thinks it's the worst thing on the planet. Everybody else is sort of in the middle, I think. Maybe it's ten and ten. I don't know what the exact distribution is, but how do we think about that at the Board level as you allocate capital across the world? And you just saw the elections in France, you saw the elections in Germany, and that was a very anti-green, anti-ESG, anti-whatever vote. And it seems like that shift is happening over there and it's not just here, right? But is that right? Because I just don't want to get caught up in our bubble and think, oh, yeah, all of this is ending when it's really not. But it just seems like it is. And so how do we position the Board, how do they think about that?

MR. L. TAYLOR: No, it's a great question. So certainly the -- I think -- and maybe this is kind of what you're getting at. I think you have seen a significant change in United States around institutional investors and even companies themselves around a more measured view with respect to some of the issues that had historically been characterized as an E or an S. And so I think that is kind of a -- working itself through the system, so to speak. I think a lot of -- you know, as Mike pointed out, after 2021, it was easier for various interest groups to kind of just sort of make proposals in a way to kind of try to steer policy. And we'll see how that, you know, works longer term. For us, it's always been about what are the economics? Does this make sense? How does this tie to the value ultimately to the beneficiaries in the United States?

Europe is a different animal, that -- there's regulations in Europe that require certain policy stances. And that market runs completely differently.

But our focus is a hundred percent the same in terms of how we're looking at onboard managers and what the managers, in terms of their investment process are. It's ultimately about what are the economics to the portfolio? And how does whatever your process is, how does

it contribute to the risk and return parameters of your performance?

And so I think you're right in the sense that it is a little bit of -- and it's the extremes that seem to kind of govern the discourse. The rest of us are just really trying to just do the daily blocking and tackling of generating good performance. I think that's kind of universal across managers and clients. And of those managers, et cetera. And then you get the extremes that sort of drive it.

So I think by and large, we kind of look and -- just sort of on the sidelines and just stick to the general performance is what we're seeking. Geopolitics, which is kind of also embedded in this is something that I think we are seeing a big -- more pronounced today than we have over the last 20 years. And I think more pronounced going forward than we have over the last 20 years. The geopolitics and the implications of geopolitics and conflict in one form or another is likely to be themes that we will have to continue to revisit, and risks that we will probably have to be more proactive in managing than we have in the past.

It's a long-winded answer. But I think that's kind of where we -- how we look at it.

MR. WEBSTER: Peter, can I comment?

MR. COLLINS: Yeah, please.

MR. WEBSTER: So I would tell you that we are not seeing it on the ground. So in private credit -- I don't know if John in private equity, in a hedge fund world, we're not seeing much demand for capital coming back into energy and commodities in general. You're starting to hear there's, like, little tippy toes and little discussion, but we're not seeing it thus far. Now we hope to see it because that will raise our value of our investments and that's often how commodity cycles work.

And as far as we're concerned, the ESG part, we're focused on what the E is doing in the commodities markets because that's where the opportunities are. But when we talked to these commodity funds, we're just not seeing a whole lot of demand, at least not yet.

There's two sides to it. First of all, there's the oil and gas. It's also the metals. Like if you're on the E on the metals, we just

don't have enough metals in the world to do all the things we're supposed to do. Our -- the way we're looking at it is that we -- our take on it is there's no way in heck we're going to hit our net zero targets but we're sure as heck going to try.

And so that's a great thing for copper, nickel, you know, just all these types of base metals that we need. Because we have nowhere near what we have to have to get to this -- you know, to these goals, so --

MR. COLLINS: Right.

MR. WEBSTER: -- we're trying to take advantage of that. And we think it's a great opportunity in my group.

MR. COLLINS: You step in while people aren't stepping in.

MR. WEBSTER: Exactly. Yeah, yeah. And that's what John's doing in private equity. But we're seeing some just incredible opportunities in some of the things that we're doing, so we're going to keep trying to exploit them.

MR. CHAIR: Thank you.

I just have two quick questions. One is, how much do we pay ISS and Glass Lewis for their consulting every year?

MR. McCAULEY: We can provide you the specifics, but --

MR. CHAIR: Do you have a ballpark?

MR. McCAULEY: Yeah, I can give you a ballpark. And Glass Lewis, we use for proxy voting agency, too. So they actually cast our votes so we get the research as well as -- it's called Viewpoint, the platform that we utilize. They're both around 200,000.

MR. CHAIR: Okay.

MR. McCAULEY: Both those contracts.

And then some of the other divestment-related research is much lower than that, but it can range from, you know, 10 to 50,000, depending on the type of research that we have.

MR. CHAIR: And you've got a handful of people doing this internally here on our staff? You've got --

MR. McCAULEY: Yes.

MR. CHAIR: -- three or four people?

MR. McCAULEY: Jacob's in the audience. I think Angie's upstairs right now, but, yeah.

MR. CHAIR: So the follow-up question to that is, and I think Chris alluded to it earlier, when we start to think about technology advancements and sort of how we evaluate data, what does that look like? And I guess -- I know we're a little bit over time here, so I don't want to go too deep into it, but just a quick minute or so. Are we looking at additional AI software, algos that can really take all this data and prevent -- not trying to have anybody over here not have a job, not saying that, but I do think that, to the extent that there is software out there that really can make your lives easier, maybe it's not taking jobs away, but maybe it's not adding more. You know, what are you doing in that field to look at that?

MR. McCAULEY: Well, we're kind of actively exploring it. A lot of the vendors are implementing that right now.

MR. CHAIR: Who's really good at it? I mean, have you found somebody that you look at and you say, jeez, we want to be -- we want to do it the way they do it because that's the best practice?

MR. McCAULEY: There are a couple of governance data providers that we don't utilize that have, like, the old Arabesque, and some -- you know, Diligent is very good from a data perspective. Faxa has added a lot of services. The proxy advisers, I think, are relatively slower to uptake some of the new AI functionality, but they're working on it.

MR. CHAIR: Okay.

MR. McCAULEY: And they have -- really, they're in the best position from a data perspective who utilize it for their clients, so --

MR. CHAIR: I would just encourage you to really lean in on this. Because I think -- and you may already be leaning in so you can tell me to shut up. But I really think that this is an area that it's going to continue to grow, right. It's going to get better. And, again, it's not every three to five years, it's every six to 12 months. And we see it, too. We have lots of investments in public companies. We have to look at all this stuff. It's a real pain in the butt. If we could automate that process and not have humans doing it, to a

certain degree, I think the data gets more reliable. I think your standard deviations of error get a little bit smaller. And that's a better thing for you, frees you up to do more. Not that this isn't important or relevant, but other things that, you know, can be more useful with your time. So as you lean into tech, as Chris comes on, I know he'll work with Lamar on this, you know, kind of lockstep. Really lean into it because there's some really great stuff out there. I mean, we're evaluating it all the time. And it's always surprising to see the newest mousetrap. And some are just garbage and some of it's really good, but please do lean into it. I think you'll find some good stuff out there these days.

MR. L. TAYLOR: And I -- I don't know if you want to take a minute -- a couple of things I wanted to say. You had mentioned that you used the Glass Lewis platform. It is truly a platform. We are casting our votes, it's through a platform, but there's a good chunk of that platform that's automated in the sense that we feed our guidelines into it. And then because it's 12,000 meetings. We have three people, we can't cover 12,000 meetings. So there's quite a bit of automation that's associated with it already. But, yes, it's a continued evolution and we'll certainly focus --

MR. McCAULEY: We do -- I mean, that's largely why there are proxy advisers is to synthesize the large volume of data, not just the proxy statement, but annual filings, just a variety of issuer filings, other market data, distill that, apply modeling for, like, executive compensation plans, a variety of issues. So that's kind of one layer that speeds up and provides us a lot of -- otherwise we'd have to have a team of, you know, dozens of people to do the same thing.

And then below that, you know, like Lamar mentioned, we do use the electronic platform to help us cast the vote. Some of that is automated to an extent, depending on the level of materiality, the level of investment that we have, what's actually on the ballot, just kind of the routine, non-routine nature of some of the ballot items. So we kind of speed up the more routine application, if you will, to spend

more of our time on the stuff that really matters.

MR. CHAIR: Yeah. That's --

MR. McCAULEY: -- past elections, et cetera.

MR. CHAIR: I just think as technology gets better, the implementation of what we do should get cheaper. And I've never seen a consultant contract go down every year, always goes the other way, even though technology gets better, faster or smarter, which is always kind of a head-scratcher to me. So as we do get better technology, you know, let's really lean into it so that, no offense to Glass Lewis and ISS, we don't want to see costs continue to rise as things get cheaper and more efficient. That should not -- I mean, that's a dichotomy that should not exist, so -- chew on that for a minute.

Okay. I think -- yeah, Vice Chair Jones, please.

MR. JONES: On pass-through voting, are most of your external managers allowing it, providing it? And if not, why are they not?

MR. McCAULEY: Well, it really only

applies to comingled fund structures. So that's, you know, kind of a narrow band. It's large but it's a narrow structure, so any separately managed portfolio where we have traditionally had the voting authority and the structural features, we just voted ourselves.

MR. JONES: Okay. So we are doing those?

MR. McCAULEY: Yeah. We do -- and as, you know, the vast majority of kind of the portfolio count, if you will. BlackRock was the main -- they were the first one in the market to offer that. We took advantage of it right out of the gate as soon as we could, and have since seen SSGA, some others, roll it out, either kind of akin to what BlackRock did or very close, or they will get to it very soon.

So like I said, if we do onboard a new manager that offers that, we will definitely take them up on that and vote. And we are voting a hundred percent of the securities that we can vote. A hundred percent of the votable shares are being voted internally by us. We have total control over it.

MR. JONES: Thank you.

MR. CHAIR: Thanks.

Mike -- Mike, thanks for the presentation. We appreciate it.

I know everybody probably wants to grab a bite to eat. We're going to do one more quick thing before we do that, then we'll break for a quick bite.

Lamar, you want to talk about the review, changes to the FRS IPS statement?

MR. L. TAYLOR: Sure. Thank you.

And it's under tab five in your book. These are -- the primary change is incorporating this most recent statutory change relating to state-owned Chinese entities. So there's a provision in that statute that required -- like some of the other -- Protecting Florida's Investment statutes include a statement in the investment policy statement. So it's on page 231, the redline statement there. There's a couple of other very minor changes on pages 227 that just -- that really reflect the facts that exist that everything will be implemented in accordance with SBA policy as well as laws. And then we're -- the jurisdiction on the high yield index is US.

But the primary change is this statutorily required change here. I'm happy to answer any questions. If not, I would request the IAC approve the investment policy statement.

MR. CHAIR: Any questions or comments from the trustees?

No.

Okay. I think action is required on this. So we'll go ahead and take a vote.

All in favor, please signify by saying aye.

(Members reply aye.)

MR. CHAIR: All opposed, like sign.

(No response.)

MR. CHAIR: Motion passes. Okay.

Okay. With that, I will take -- Lamar, how long for lunch?

MR. L. TAYLOR: Maybe 30 minutes at the most. 15, 20 minutes.

MR. CHAIR: Okay. Great. We'll be back in just a few. Thanks.

(Recess from 12:32 p.m. to 12:56 p.m.)

MR. CHAIR: Okay, everybody. We're going to go ahead and get started again.

It's item six on the agenda. It's the FRS

investment plan program review.

And, Dan, I think you are up.

MR. BEARD: Great. Thank you.

MR. CHAIR: You're welcome. Thank you.

MR. BEARD: So, again, today we're going to do a little deeper dive into our -- the data we provide you, a little bit longer than our normal presentation.

With me presenting today, to my right, is Mini Watson. Mini Watson is the director of administration. And then Walter Kelleher, who is the director of educational services.

So the FRS has two plans that public employees can choose from. There's the traditional defined benefit plan or pension plan, as it's called. It's been around since 1970. And then there's the defined contribution plan or FRS investment plan, which has been around since July 2002. When it was first open to members back in 2002, you may remember it called PEORP, Public Employees Optional Retirement Plan, was what it was called back then.

So all new hires at the time they're hired have an option to choose between the pension plan and investment plan. If they do not make a choice, an active choice, then they will default into the investment plan. This changed back January 1 of 2018. Prior to that, they defaulted into the pension plan. So all classes, with the exception of the special risk class -- special risk will be your firefighters, your policemen, your state troopers -- they all will default into the pension plan if they do not make an active choice. And they have approximately eight months to make that choice after hire.

The Division of Retirement, which is part of the Department of Management Services, they administer the pension plan, the day-to-day administration of that plan. They also do certain things for us. They still enroll employees in the FRS. They enroll employers in the FRS. They, you know, do everything as far as the -- collect the contributions. And they also calculate the service credit as well as in-line-of-duty death benefits and disability benefits for investment plan members.

The State Board of Administration has day-to-day administration of the investment

plan. That's all components, recordkeeping, custodian, benefit payments, all that's handled by us for the investment plan.

In 2000, the Florida legislature passed the law creating the investment plan. And, again, at that time, it was called the Public Employees Optional Retirement Plan. So it passed in 2000. Actually opened up for membership in 2002. The trustees delegated the authority for running -- or were directed to run the investment plan. They delegated authority to the executive director to oversee the implementation and ongoing oversight. And then the deputy executive director and chief investment officer, they provide guidance and input on the investment plan administration and education component.

The executive director delegates authority to the chief of defined contribution programs, which is me. I have the overall oversight of the day-to-day operations of the plan. And then the advisory council, this body, so your role is to assist the SBA with administering the investment plan. You can provide comments on recommendations, on providers and investment products, and then you review any changes to the FRS investment policy statement and present those results to the trustees for review.

So we are a small staff. It's eight of us. I report directly up to Chris. So you see those eight -- or seven other names down there. I will point out one name, Walter Kelleher. So after 35 years of service to the State of Florida, Walter will be retiring the end of June. Walter started in 1989 with the Division of Retirement. He moved over to the SBA in 2000. So he was on that very first implementation team. He was one of two that's still here at the SBA, the other one being Mr. McCauley, he was also on that complementation team.

So we just want to wish Walter well as he sails, and I truly mean sails off into the sunset. He's been a great asset to the SBA, asset to me. Walter and I have worked together for probably over 20 years. So just want to publicly acknowledge that and just thank him for his services.

When Walter retires, Allison Olson, who is sitting out in the audience, she has already

moved into the role of director of educational service. So, Allison, raise your hand. So Allison will move into that role.

This next slide just shows there's 990 participating employers in the Florida Retirement System, with the State just being one of those 990. And you can see it's spread across State agencies, state universities, school boards, all the way down to special districts, charter schools and some cities and then county agencies.

As of March 31, 2024, we had 335 (sic) participants in the FRS investment plan. And then there was 433,000 active members in the pension plan.

Next I'll hand it off to Mini as she's going go through some other information for you.

MS. WATSON: Thank you, Dan.

As Dan stated, I am Mini Watson. I'm the director of administration in the Office of Defined Contribution Programs. We're going to go over some of the day-to-day operations that occur in the investment plan.

This is a snapshot of what the investment plan looked like March 31st, 2024. We still have about 16 billion as of -- under asset as of today. That number didn't change much. Distributions remain about the same. Members have increased a little bit. As of today, we have 337,000. And retirees, 209,000. So we're trending upwards in those numbers.

The Office of Defined Contributions is responsible for the day-to-day administration over the investment plan. The Florida statutes mandate that all components be outsourced. This includes the recordkeeping services, custodian services and benefit payments.

Also, you'll see the Division of Retirement. They are the plan administrators over the pension plan. Retirement contributions reporting, health insurance subsidy program, disability and in-line-of-duty benefits for both pension plan and investment plan are administered by the Division of Retirement.

As Dan previously stated, when an employee is hired, they have eight months to select a retirement plan, either the investment plan or the pension plan. If there is not a selection,

then the employee defaults to the investment plan. Unless that's a high-risk, special-risk position, they will default to the pension plan. We consider this election a person's initial election. This chart shows a history of the initial elections since 2019. I will note that the -- now the default is the investment plan. Previously to 2018, the default actually was the pension plan.

After numerous reminders during that eight-month period, you can still see the trend is for 52 -- 52, 53 percent of members still do not make an election and they do default into the investment plan. We have done studies and surveys, and most of the time the reason for the default is the members know they want to be in the plan they're defaulting to, so they just don't make an election and they trust the system, that that's where they want to be. They don't want to mess up so they just default.

As you can see, the numbers of the investment plan membership growth are continuing and we do apply this due to the default of the investment plan. The number here says the count was 335,000, it is now at 337.

MR. COLLINS: Can I ask one question there, Mr. Chairman?

MR. CHAIR: Please.

MR. COLLINS: So how -- you look at that from a State standpoint. We've hired 90,000 new employees or there's been new hires plus people have switched?

MR. L. TAYLOR: There's several -- there's many, many other employers. So there's a thousand employer systems. So there's several -- so a lot of those come from school districts as primarily --

MR. COLLINS: Got you. Thank you.

MS. WATSON: All right. We talked about the first election. So all members get two elections in the Florida Retirement System, the first one being that initial election within their eight months. After that initial election, they have a remaining election.

So this is the second election stats. So we do see that more members make an election from the pension plan to the investment plan. We do have the opposite, the investment to

pension plan, and they -- this trend's about the same each year.

This is just some administration statistics from our recordkeeper and our custodian.

And another portion that we have is our complaint process. So the Florida statutes do allow for a complaint process for members if they're not satisfied with one of our service providers and they -- or they do not agree with the outcome, they can submit a complaint or a request for intervention. These are the top five reasons for the complaints, and most of time, those that you see, most of the time, we can't give them what they want based on Florida statute, based on what the law is. They may not be happy, but we can't -- we have to do what the law allows us to do.

All right. I'm going to hand it off to Walter.

MR. KELLEHER: All right. Thank you, Mini.

So I administer the -- or assist with the education program. And as part of that big program that helps educate the 90,000 new hires coming in the door, we have a number of providers that assist us. For example, Ernst & Young, EY, they're the financial planners. A member can call with any financial question. They also provide unbiased financial planning information. You know, which plan would be best for me if I work 30 years or 25 years. They also do financial planning workshops all over the state from Pensacola to Key West.

We also have an online personal adviser service to assist members. How do I choose the funds within the program? And currently it's Guided Choice. Effective July 1st, it will be Alight Financial Advisers.

We also have a contract with Alight Communication. They assist us with designing, printing, focus groups that we conduct. They also administer a first and a second election choice service. It's an online tool. Brand-new hire can come in, log in and say, okay, which retirement plan should I utilize? And they can -- it will determine, based upon how long they're going to work, which plan may be the best choice. Also, the second election choice. And those tools are also utilized by

Ernst & Young.

We also have a contract with MetLife to provide lifetime guaranteed annuities in QLAC which are deferred annuities.

And this is the program. We have over roughly 300,000 calls come into the financial guidance program per year. MyFRS.com is available. Print, resources, videos, workshops, webcasts.

These are some stats. So for example, last year we had 287,000 calls come through, 586 workshops held, a number of people coming onto the website.

These are the annuities that were purchased last year. Set an all-time record, roughly 7 million. And next year, I think we'll probably be -- this year, I think we're on track, 8 to $9 million with members purchasing those. To date since inception, 318 annuities purchased for $38.3 million.

Some highlights: We enabled multifactor authentication for all members. We have a new online asset guidance provider that's coming on board July 1st. And we also started sending out additional election reminders to school board employees that have an election deadline of April 30th or May 31st.

MR. BEARD: Okay. So I'll close us out here and talk about the investment fund options. So our performance -- so this is as of March 31. And Katie will go in a little bit more details on this when she goes through her presentation.

But for quarter date through March, it was 5.79 percent, which was 39 basis points above the benchmark for the year. 11.58 -- although that was 15 basis points below the benchmark.

So investment plan available options. So we have 20 investment options available for our members, nine are core funds and then the other 11 are retirement date funds. Everything is white labeled. And most of them are fund of funds meaning there's multiple managers within those funds.

So what you see is how our assets on the management is broken down. Again, over half our assets are in the retirement date funds. One of the reasons for that is that when a person defaults, they go into the retirement date fund. Years ago, back in 2014, we used to

have -- prior to that, we had what is called balance funds. You know, moderate, conservative, aggressive. What we found is that when members went into, at that time it was the moderate that they defaulted to, they never took any action. So in 2014, we changed to retirement date funds really because we saw members not taking action. As you know, a retirement date fund, over time, it's going to adjust as they get closer to retirement. So these members are going into the retirement date fund and they're not taking any action. So, again, we go back to about 50 percent defaulting. They're not taking any action there. So most do not take any action once they default and go into a fund.

This is just how our retirement date funds are broken up between the 11 retirement date funds.

And then our retirement date funds are made up of our underlying managers. So they're custom retirement date fund. So every year, Aon will do what is called a glide path review, and then they'll make recommendations on how the glide path needs to be adjusted. So this year is just a regular roll down due to another year of age for members. And so what you see there is how it's going to be broken out among our underlying managers as well as what the fees will be for those funds.

MR. JONES: Question, if I may.

MR. CHAIR: Please.

MR. JONES: Yeah, the fees, the bottom line, why do they vary -- if it's the same underlying funds for each target date, they range from $1.20 to 2.20, why would the fees vary just because the target date changed?

MR. BEARD: So if you see there, and Katie and her group can go into more details on it, but if you see the 2065, 2060 and 2055 and 2050, those are roughly the same. That's because the allocations are pretty much the same for those ones.

MR. JONES: Oh, okay. All right. So allocation in the funds will cause that price to vary?

MR. BEARD: That's correct, yes.

MR. JONES: That particular fund that's more weighted would have a higher fee or a lower fee or --

MR. BEARD: That's correct.

MR. JONES: I see. Okay. Great. Thanks.

MR. BEARD: Again, this is, again, a break out of those retirement date funds and how they're going to be allocated effective July 1.

So some initiatives for this coming fiscal year, again, we are going to update that glide path, that's effective July 1. We're also going to continue to evaluate the SBA managing investments for the FRS investment plan. A couple years ago, the legislature passed a law that allowed the SBA to invest or to manage money for the investment plan or to create products for the investment plan. So we're going to continue to evaluate that as we move along and hopefully sometime in the near future, you'll hear that one of our managers is the SBA managing money for the investment plan.

Then we're also going to do, for a multifactor authentication, we're going to do notifications. So when a member logs in, we're going to send a notification to them saying, hey, someone logged into your account. I think we're all used to them, either by getting emails when we log into other accounts or get a text. So we're going to do that.

And then we're going to -- right now we have something where we're reaching out to our members who have -- per Florida law, has their beneficiary designation.

So let's go back to the default. So if they're defaulting into the plan, they're not taking any action, they're also not taking any action to name a beneficiary for their account. Florida law already says per -- it's that they don't -- if you don't name a beneficiary -- and this is under both plans, pension plan and investment plan -- it's per Florida law. Per Florida law has it going to children -- I'm sorry, to spouse, children, parents and then estate. For us, the investment plan, if that happens then, you know, it's per Florida law and they pass away, then we have to do a search to try to find out who that should go to.

I think we had, when we started this project, about 190,000 of our members that was per Florida law. So this outreach is hard copy mails where we mail them out a hard copy saying, hey, you didn't -- you don't have a designation on file. And then a couple months

later, we follow up with two emails. We've seen a pretty good response so far. We started this April 1. Because of the 190, we are staggering it, so it will go into the next fiscal year.

And we're happy to answer any questions you may have.

MR. JONES: I have one other --

MR. CHAIR: Vice Chair Jones, please.

MR. JONES: Thank you. Back on those fees, sorry. I would think the long dated targets, like 2065, 2060 and so on, would have the higher fee because it's mostly equity for the long term and less in bonds. And the shorter term target date would be more bonds. And my assumption is that the bond fees would be lower than the equity, would typically be the case. So the outcome is just kind of reverse of what I would have guessed.

MR. BEARD: So, again, not to step on Katie's group, and I think they'll step in. So the 2065, 2060, when you see those further out retirement date funds, the key part that makes those fees so low is they're index funds.

MR. JONES: Okay.

MR. BEARD: Equities, both the -- you look at that, you see 47.7 percent is the US stock market index fund.

MR. JONES: Okay.

MR. BEARD: And then if you look at -- I'm looking at the 2065, the next highest is the foreign stock index fund.

MR. JONES: Oh, okay. Those are the -- that's the allocation.

MR. BEARD: That's right. So, as you know, index funds are lower than active management. As you get closer in to the 2020, 2025 where you talk about the fund, the bond -- so, yes, we do have an index fund for bonds but you also have a lot more active management as you get closer, especially when you look at, like, the inflation sensitive fund. If you look at the real estate, that's more active management.

MR. JONES: Okay. Thank you.

MR. CHAIR: Okay. Great.

Any other questions? Forgetting we have Vinny on the line, too. Vinny, if you're still there, if you have any questions, feel free to jump in.

At this point, I think we'll turn it over to Katie and Kile at Aon. So, guys.

MS. COMSTOCK: Great. Thank you very much. Good afternoon, everyone.

Just quick introductions, Katie Comstock with Aon Investments. And one of -- the investment plan is one of the major mandates that we partner with the SBA on. I have with me Kile Williams. He is our defined contribution dedicated resource to the SBA. He also leads the retirement date custom glide path work that we do for you all and the recent deep dive into structure as well.

So he'll be doing most of the talking on this topic. But just really quickly here, as a reminder, on an annual basis, we do an investment structure review on the investment plan. And that covers three main topics: One is structure, which primarily refers to the core lineup. Do you have the right number of funds, the right types of funds? Do they cover the risk/reward spectrum? Are there low-cost options? And also refer to, are there new trends, new best practices in the industry that the SBA should be considering.

Second part are the fees. And so we'll go -- we'll look at the fees for each of the investment options. We want to make sure that they're competitive for what they're offering as well as to -- relative to an appropriate universe.

And then the third is performance. Are the options performing as we would expect them to, and meet or exceeding their investment objectives?

So those are the three things that we'll cover. I also want to remind you all that we do do on -- roughly every three years, an even deeper dive that looks at each of the white label options and the underlying construction. We just wrapped that up about -- a little bit ago. So there's been a lot of change -- not a lot of changes, but a few modest changes over the years to enhance the lineup as well as the white label funds. And right now, we think the plan is in a really good spot and does align with best practices and is offering the participants a good retirement plan.

So with that, I will turn it over to Kile. But, please, do interrupt with questions or

comments.

MR. WILLIAMS: Great. Thank you.

And just to kind of put a finer point on what Katie had noted there, some of those modest changes, those went into effect earlier this quarter as of April 1, so there were some changes to the foreign stock and global stock, as well as what was historically called the core-plus fund is now named the diversified income fund, so you'll see that throughout the presentation.

Overall, when we look at the plan itself, as Dan noted, over half of the plan assets are within the retirement date funds. We think that's a very strong trend compared to what we're seeing in the market place. A multi-asset solution that de-risk as participants near retirement. I think it's a great option vehicle for those who want something to be done for them as well as the other options within the plan.

It's a very sophisticated plan. And across the board, the utilization of white label funds is in alignment, in our opinion, with best practice in terms of, for instance, focusing on, overall, what the objective of the strategy is rather than focusing on investment manager running the strategy underneath the hood.

When it gets gown to plan costs, you'll see there, the plan size now, just over 16 billion. Using the size and the reach of the plan to be able to reduce fees for participants, one of those was a reduction with the FRS US stock market index fund cut in half with fees here earlier this year. So, again, using that scale to benefit participants.

And then performance. You're going to see across the board, very strong performance. Active management has done its job, especially over the near term. And you're going to see long term, all of the options are performing in line or ahead of benchmark.

MR. CHAIR: Kile, just real quick. Can you repeat the part where you said fees were cut in half?

MR. WILLIAMS: Certainly.

MR. CHAIR: As of when?

MR. WILLIAMS: Dan, do you recall the timing exactly there --

MR. BEARD: I want to say March or April, our index fund was -- went from, like, two basis points to one basis point. They cut it in half. So that was reflected when you see those fees, back to what Peter Jones was asking, those fees sort of longer term is made up of index funds which are the lowest --

MR. CHAIR: And so did we materially increase the size of the ticket? Is that why or was it, we just negotiated --

MR. L. TAYLOR: Well, so it was in part because we were -- we were looking at managing that book internally simply because on the pension fund side, we have -- the same strategy we return internally. And so we had seriously -- once we had the legislative authority to do that, we undertook that effort.

And so I think this was, in a way, in response to that, I think it -- at this point, the fees are such that it -- not sure that we could run it as inexpensively in house as what they were charging us.

MR. CHAIR: No, I don't think you could either. I guess my thinking on this would be, you know, why didn't we do it sooner, one? Or, two, are there other areas where you sort of throw that on the table to say, hey, you know what, we'll just go build it versus buy it and therefore, you know, you just kind of scare the you-know-what out of people and they come back and they give you lower fees. I mean, look, we do it in the private sector all the time. Should be no different for the State.

MR. L. TAYLOR: The answer to why we didn't do it sooner is we didn't have the legislative authority to do it sooner. And so we knew that we -- that was one of things I wanted to really execute on. We'd known for a long time we've had the ability to very effectively manage money internally on the pension fund side. And we wanted to look at more cost effective ways to expand that to our investment plan beneficiaries, in part because it's the part of the book that's growing.

And sort of my view had been for a while, the future of the Florida Retirement System is a defined contribution plan because of that growth in those assets. And so to that very point, let's leverage our scale and see where we can drive additional benefits. And so that

was one area. And we're not done. We will continue to look at areas where we can make those -- leverage our scale.

MR. CHAIR: Yeah, I wish I had the scale on negotiating my own fees, we would take this for a ride. That would be a lot of fun.

So -- no, I want to make sure I -- I thought that's what the answer was, but I just wanted to be sure that we just continue that same line of thinking. It just makes a lot of sense when you're this hefty of a player in the global market, you have the ability to swing it around a little bit.

MS. COMSTOCK: That's right. And part of the future considerations is to do just that, is to consider where else can we leverage pension plan management for the defined contribution plans.

MR. CHAIR: One more question from Vice Chair Jones.

MR. JONES: Thank you. I see the comment here that actively managed options have added value over both short and long term. So how do you decide how much to allocate to the active versus the passive? I mean, what -- how did you arrive at this allocation?

MR. WILLIAMS: Ultimately that decision's made in the retirement date funds, but in terms of the core menu options of the active or passive options, those are ultimately decided upon by the participants. So that's their decision whether they want to use active or passive. And then they have the option with advice and other tools in the plan to help aid them in that decision.

MR. JONES: Within the target date --

MR. WILLIAMS: Oh, within the target date funds? So a little bit of a trade-off in terms of what we think makes the most sense. And maybe -- if we go back to that page that Dan had up earlier in terms of the asset allocation, in terms of where we think markets are most efficient. So for one basis point a fee for the US equity index, we think US equity's a pretty efficient marketplace --

MR. JONES: Right.

MR. WILLIAMS: -- over the long term.

MR. JONES: That's your judgment. If it's going to be US market, you'll go to the index?

MR. WILLIAMS: Traditionally, yes. And

then within the international equity space, it's split half active, half passive.

MR. JONES: All right. Thank you.

MR. WILLIAMS: So maybe with that, just overall a kind of guiding principle of how we looked at the investment program, there's kind of four strategic steps that we think continue to make a successful retirement program. So today, we're talking about the structure on the top right-hand side. Always going through implementation and monitoring with Dan and team, and then ultimately codifying that within the policy, which will happen after this discussion as well. So it's an ongoing governance process to continue to make sure that participants are getting the best value out of the plan.

Within that, we look at the options relative to what we see in the marketplace. This SBA continues to offer a very broad number of options. But also to streamline -- in a streamlined way to make sure participants are making good decisions.

So today, ten options are offered within the plan. If we look at the, I'd say the top four options, those would be the retirement date funds, the stable value, and then the two US index and US actively managed. Those make up 83 percent of plan assets, so we're really seeing participants go towards options that have done the best. That said, the other six are still things that we think are good to have within a defined contribution plan.

Just to show -- and structurally what the plan looks like, tier one, those are more what we call do-it-for-you or for our participant with the retirement date funds. And then tier two is going to be the passive options with a mirrored tier three active option. The only exceptions there being capital preservation and global equity where there's not a passive equivalent. So that's where the ten options come from as well as the inflation protected option that is down more in the spending phase to help participants as they approach retirement.

When we look at fees, as we talked about earlier, eight of the ten options within the plan are well below peer group median. The two exceptions in this exhibit here are going to be

the inflation sensitive fund and the diversified income fund. And the reason for it is there's not necessarily an apples to apples peer group to compare it to. What we mean by that is the inflation sensitive fund has tips in that peer group, whereas this is much more of a diversified -- it's going to use a lot more commodities, real estate. And it will have tips in there as well. So benchmark is not always as applicable when comparing fees there. That said, they are very competitive given the use of diversifiers there.

And similarly, within the diversified income fund, the addition of real estate had those fees go up slightly. That said, when we look at outlook in real estate, we think it's going to be very positive in terms of where it's been and what it adds in terms of diversified income to the traditional core-plus fund. So having a diversified income source for the fee, we think is a very modest improvement in terms of the outcomes going forward there.

MS. COMSTOCK: Just to pause real quick here just to make sure everyone understands what we're doing here. The current fee that the FRS is offering is that third column. As you can see the index funds at that one basis -- the US index fund's at one basis point, the foreign stock is at three basis points. That's where some of those lower fees are coming from in the later date target date funds.

And then we looked at various universes with similar investment strategies to see where the FRS fees fits. So overall, a competitive picture here on what you're offering the participants from a fee perspective.

MR. WILLIAMS: As for performance, so this is an aggregate level. Again, these are ultimately made by participants about where they would like to go within the plan. But just to exemplify how the plan's been doing, long term continues to do very well. It's outperforming over the one, five and ten. Slightly behind on the three year. A lot of the function in the fact that markets did sell off in 2022 and that has reflected as such in the overall performance.

When we look at the underlying plan

performance, a lot of green in terms of relative performance for the options compared to their respective benchmarks. Here, the target date funds, you'll notice the only underperforming being the three and the five year, and, again, only underneath by ten basis points.

The other thing I'll call to the committee's attention is you'll notice there is the peer group rankings in the parentheses there. And those peer group rankings.

MR. COLLINS: Sorry. Is that net of fees or gross?

MR. WILLIAMS: Always net of fees.

MR. COLLINS: Always net of fees. So if we're -- okay. Thank you.

MR. WILLIAMS: The peer group rankings here, just wanted to call to your attention, you'll notice some of those are -- one is going to be best in the peer group, 100 is going to be the worst. You'll see some that are slightly behind. And the reason for that is the use of diversification. So that diversification in a risk on market is not going to be as advantageous when markets are tepid. And so you'll see years like 2022, it was very valuable for the investment plan.

As we started 2024, and during 2023 as well, risk on environment equities really were driving the cheap beta, so the target date funds here -- or the retirement date funds have slightly trailed relative to peers, albeit ahead of their respective benchmarks.

And then moving on to the active options in the plan and the passive options. You'll see strong performance across the board all outperforming their respective benchmarks, with the exception of the stable value fund, which we'll get to in a few moments, as well as the inflation sensitive fund, a function of where real estate has been historically.

That said, very strong performance from core-plus bond as well as US stock fund and foreign stock fund. So some of those active components that are making their way and they already have added value.

With capital preservation, just wanted to remind the committee about where we're at today given what the Fed has done with interest rates, money market tends to be much more

responsive here on page 302. In terms of when rates go up, those underlying issuances continue to be responsive to what market rates are.

Stable value's a little bit longer term in terms of investment horizon. And they're smoothing the returns because of the insurance wrap around it. You're going to see a little bit of a lagged effect. So when rates go down, like you saw at the beginning the pandemic, stable value maintained a higher crediting rate. Rates have shot up since 2022. You'll see money market has since surpassed stable value. Again, continue to reinforce that stable value is the right option long term as it gives a participant stable and steady returns there over the long term instead of the fluctuation that we see with the money market.

MR. CHAIR: Kile, Katie, one question I've got is when you think about fees that we pay -- and everybody's kind of, you know, allergic to fees, I know I certainly am. Are we looking at it from the perspective of relative outperformance or underperformance relative to the fees that you're paying? Meaning that are there some that you're paying more fees for but the performance is worth it, right? So have we taken a look at that? You know, and maybe you've already covered it and I wasn't listening. But I want to be sure that, you know, if we're paying -- like in a public stock when you're paying one basis point, right. Hard to argue that you're going to pay less or more and get better performance because they're index funds anyway. But if you're picking other managers that you say -- say we're going to save five basis points but lose 40 basis of alpha, right, I mean, are those the types of things that you've looked at with a really deep dive to figure out, maybe it is worth it to pay, you know, the seven more basis points because we're gonna get 35 basis points of outperformance. Is that -- have you guys looked at that? Or do we look at that as a fund?

MS. COMSTOCK: Yeah. As part of the three -- roughly every three years when we look at the underlying white label instructions, we're looking at those managers that are selecting. And that -- part of that due

diligence is going be to performance, is going to be the terms, the fees, there's other factors, the team's structure. But fees are definitely a consideration there.

MR. CHAIR: Right.

MS. COMSTOCK: And we want -- we want to be paying for what you're getting ultimately, we want them to be competitive fees. It's not always a race to the bottom. We want to make sure they're competitive and that they're appropriate. But the lowest fee's not always the best option as you're talking about.

So that is part of our -- the deep dive that we do. We look at the underlying investment strategies and the terms and the alpha and the expected return for their strategy. That's all part of the consideration when looking at the white label funds investment managers. So it's -- yeah, it's that and then also, how do they compare to other -- you know, are they within the realm of what we would want for a competitive basis for that investment strategy.

MR. CHAIR: And you think that we are on a competitive basis --

MS. COMSTOCK: Yeah.

MR. CHAIR: -- relative to our peers, what we pay in funds versus our performance relative to peer group, their fees and their performance? Where we're better, we're worse, we're the same?

MS. COMSTOCK: We would say you're more competitive. You're better. You also subscribe to CEM benchmarking, which does another analysis of this as well and looks at -- has a more customized peer group for larger investment plans, public plans. And you're competitive there as well. It looks at the investment options and what you're paying. It looks for the alpha that you're receiving for those funds as well. And that's something that's on an annual basis. And we can bring that upfront as well. But, yes, you are ahead of your peers and more competitive. So that's something we look at from multiple angles.

MR. CHAIR: Yeah. Okay.

Please.

MR. WILLIAMS: Great. We'll go ahead and conclude on page 304 here. Again, reiterating what Katie said from the top, the plan is in a

very good spot. Very sophisticated in terms of the options and how participants are engaging with those options. Dan and team has done a tremendous amount of work over the last year, following the deep dive that we did do in late 2022, into 2023, in terms of implementing some of those items that we had discussed. And there's a few other items that are on the horizon that Dan and team are partnering with us on in terms of reviewing.

The first one is around the pension unitization, goes back to the fact that Florida law now allows for internal management. And so there's consideration about potentially integrating portions of the pension plan within the retirement date funds. If you think about how pension plans and target date funds work, they have a glide path, you're having a long investment horizon, and so it makes a lot of sense to integrate many of those components that are within a pension plan. Also within the RDFs to allow participants to gain from the scale as well as the potential asset classes that we traditionally don't see in the defined contribution space.

Then the other component that's top of mind is the white label fund construction. You'll notice that multi-asset credit, I know it's been discussed within the pension plan, also being considered within the defined contribution plan as well a few other tweaks within the white label funds.

With that, I'll pause.

Any questions from the committee?

MR. CHAIR: Any questions?

MR. COLLINS: I have one question.

MR. CHAIR: Trustee Collins.

MR. COLLINS: So there was a lot of consternation when the State first came up with the defined contribution plan, all right, that it would really harm the defined benefit plan because you didn't have as many people paying. Now we've got one out of every two people that's joining is going into the defined contribution plan.

I know when you look forward and do your macro forecasting for our liability, overall liability, is there a date where that really comes to roost or was it much ado about nothing?

MS. COMSTOCK: Yeah, do you have --

MR. L. TAYLOR: Well, I guess he's asking -- I mean, if you have a view, I don't want to step on that. I can respond to at least what we're seeing.

MS. COMSTOCK: I don't -- I would have to go pull up that material on when, you know, we looked at your liabilities and funding. I don't have that in front of me. I can come back to you.

MR. COLLINS: It would just be interesting for this Board -- you know, we do the actuary study every year, right? And it determines not only our rate, but it determines how much the legislature's going to have to put in. And I think if there is going to be a date coming down somewhere, in 10 or 15 or 20 years, we need to start talking about that now, right? So they can take maybe bite sizes out of it. But if it's much ado about nothing, we should know that, too.

MR. CHAIR: I couldn't agree with you more. I actually asked you this question five minutes ago before you asked it. You just didn't hear me ask it. But it's the same thing. At some point, there's got to be an inflection point where the scale tips the wrong way and you have a massive gap, right? You've got more people in the cart than people pulling the cart, I think is the analogy. And so at that point, you know, taking bites out of it along the way makes a lot of sense.

Yeah, I'd love to hear the answer.

MR. L. TAYLOR: So the great thing about it is the way the plan is set up overall, and this was set up when the investment plan was brought in, it's -- the way the contributions work in terms of specifically where you're from, active members and retirees and those that are going into the investment plan, so the -- all the contributions are sort of divvied up among all the employers and each -- and ultimately it's sort of looking at the ratios of who's going into which plans. How many people are going into the defined contribution plan, how many people are going into the defined benefit plan?

There's normal costs that's attributed to the defined benefit folks. There's -- kind of know what you're going to contribute for the

investment plan people. But ultimately, it's a blended uniform rate across all classes. So you've got your regular class and you've got special risk, you've got elected officials. And it really doesn't matter where they end up in terms of which plan. There's a uniform blended rate that is charged to the employers for that contribution.

And in particular, if there's an unfunded liability -- so if the pension plan -- if the liability of the pension -- the liability of the -- the projected liability of the pension plan members exceed the value of those assets, that's an unfunded liability. That -- there's a contribution strip associated for that unfunded liability that is spread across everybody so -- regardless of what plan you're in so that you avoid the -- one of the big problems is that you would have -- you could have people sort of selecting the investment plan and sort of structurally defunding the pension plan by virtue of the contributions.

And so I think structurally, the way the plan was designed by the legislature, it's to prevent that. So that's one area that is at least a mitigant in terms of the concerns. The plan is significantly cash flow negative today. It's going to continue to get more cash flow negative. There's nothing in and of itself wrong with that. We're a mature pension plan. And, again, the structure takes that into account in terms of contributions and payoffs.

It's something we monitor from a liquidity standpoint, though, because we pay $12 billion in benefits, we get $5 billion in contributions, we've got to come up with the other $7 billion in annual liquidity. So that factors into the asset allocation. And so as we talk about the asset allocation exercises and the asset liability reviews, that's where all of that kind of comes into play.

MR. CHAIR: Lamar, is that standard? If I think about 7 billion, which sounds like a big number, and it is, but relative as a percentage of our overall assets, it's, what, 4 percent, call it-ish. Is that peer group comparative or are we out of whack, over or under?

MR. L. TAYLOR: There's a chart that we include in the annual assumptions conference that has that very statistic on there and I

think we are in the middle of the pack or we are in within our peer groups. You're not really stressing a plan until you're above 7, 8, 10 percent of payments sort of generated. If you've got to pay out more than 8 to 10 percent of your plan, you're going to stress the liquidity of your plan.

MR. CHAIR: Who's in that bucket, do you know? I mean, maybe that's a question for you guys. You probably consult for more than just Florida. I mean, is that -- no offense here. Is that Illinois? Is that New York? Is that California? Or other states?

MS. COMSTOCK: We can look to get more specifics.

MR. CHAIR: I'd be curious to see that, you know, from a --

MR. COLLINS: Katie doesn't want to say that in a public meeting.

MR. CHAIR: I'm sure she doesn't. That's why I asked the question.

MR. COLLINS: They pay her, too.

MR. CHAIR: You know the answer, you just don't want to say it.

I'd be curious to know, like, I mean, are we really -- are we in that bucket of what is considered to be rational.

MR. L. TAYLOR: Yeah. I --

MR. CHAIR: -- the rational side of that equation? Is it California? Is it Illinois? Which I suspect are probably maybe double digits in negative cash flow.

MR. L. TAYLOR: California's fine, actually.

MR. CHAIR: Really?

MR. L. TAYLOR: Yeah. So the California and the New York plans are actually currently fine in terms of their liquidity. But there are plans that are not. And so -- and we're not one of them. And 4 percent, you know, my understanding is three and a half, 4 percent is pretty standard.

MS. COMSTOCK: It's pretty standard, yeah. And the other thing that factors into it is your contribution policy. Those that are responsive to your funded ratio and to changes --

MR. CHAIR: Sure.

MS. COMSTOCK: -- that plays a big factor into your ability -- your liquidity -- your

ability to take a liquidity risk and concerns around that.

MR. COLLINS: When this Board writes its annual letter to the legislature and says, hey, this is what you should assume the return's going to be, this is how much cash you need to, you know, put in to keep us at least at the level we're at.

Interesting statistic, I think I've been on this Board for ten years and we used to -- when I joined the Board, we paid about $550 million a month in benefits. Today, it's a billion. So the other thing that we don't talk about is the growth in benefits, right? Yeah, you're growing people, but you're also growing in the value of the benefits. And we never opined on that. I'm not saying we should, but it's something that I think that we should comment on and how it impacts the amount of money that they're going to have to put in each year.

MR. L. TAYLOR: That's certainly the committee's prerogative there. I mean, a couple of points to keep in mind, and I think the value of the benefits is a very apt one.

In 2011, the -- a lot of the benefit reforms that were passed, one of them was suspension of cost of living adjustment for all members in the plan. And so anybody hired after 2011 does not get a cost of living adjustment to their pension benefit. So in that regard, it's somewhat of a wasting asset to the extent you think inflation's actually going to be, you know, around in 50 years.

And those that were in the plan, their cost of living adjustment sort of averages down over time. So what's driving the liability is it's going to be a function of salaries and longevity. Both longevity in terms of longevity risk, once a benefit -- a member retires, if that kicks out in the present value of that liability. There's a number of things that take that into account. They do experience studies every five years. I think they're about to do one now. So it would be a good time to just kind of remind folks that these -- all these factors will have an impact in the cost of the overall delivery of those benefits. And it's something the legislature can keep in mind.

The last point -- and y'all have been very active in -- going back to the cash flows -- in terms of the assumptions because that what's critical is they have to have reasonable assumptions in the contribution process. Because that's another way you can game the system is to have these very unreasonable assumptions, like on an expected return or something. And y'all have been very, very active in helping us keep them focused on being very reasonable and conservative on the assumptions. And that will be tremendously sustained to the plans because the more conservative those assumptions are, the more contributions are placed in the plan. It helps it sustain that volatility down the road.

MR. CHAIR: Okay. Any other questions, comments?

No.

Okay. Thank you, guys, we appreciate it very much.

Lamar, I think we're on agenda item seven; is that right?

MR. L. TAYLOR: We have the investment approval -- I mean, the investment policy statement.

MR. CHAIR: Yes. FRS IPS changes.

MR. L. TAYLOR: So real brief -- and first of all, before I do that, if I could just sort of echo Dan's comments on Walter, wish him the best in retirement. He has certainly been a staple of this organization and the education services, which I think is sort of a shining star. As I look across peers, that our education services are far and away superior. And so Walter's done a fantastic job with that. So I wish you the best in retirement.

MR. CHAIR: Congratulations.

MR. KELLEHER: Thank you.

MR. CHAIR: Good luck sailing off into the sunset.

MR. COLLINS: Yes.

MR. L. TAYLOR: So the investment policy statement, the changes to the investment policy, they're included in tab seven. Pretty -- very minimal changes. One of the things that we're doing is we're just acknowledging the fact the role is now split so everywhere it says executive director and CIO, we're saying executive director.

And then we are incorporating in, as was mentioned, the inclusion or the changing of the core-plus bond fund. We're changing the name to Diversified Income Fund, which is a function of including -- I believe it's about a 10 percent allocation to core real estate.

And so that's what the changes are. I think -- anything else, Dan? Is that pretty much it?

MR. BEARD: That covers it all.

MR. L. TAYLOR: So any questions?

MR. CHAIR: Any questions or comments?

Okay. There is action required on this, so all those in favor, please signify by saying aye.

(Members reply aye.)

MR. CHAIR: All opposed, like sign.

(No response.)

MR. CHAIR: Okay. Adoption is passed.

We're going to move on to item agenda eight, which is the Florida PRIME review.

Mike, I think we're -- not to encourage you to move quicker, I think we're slightly behind schedule now. That's probably my fault for taking a longer lunch, but let's see if we can make up a few minutes.

MR. McCAULEY: Yeah, the first agenda item -- I'll act as kind of MC for some of the folks that are presenting. The first one is Glenn Thomas, but I don't see him. I don't know if Glenn is on the line.

Jim, do we have anybody on the line?

UNIDENTIFIED SPEAKER: Yeah, we do. I don't know --

MR. McCAULEY: Okay. Usually he comes in person. The copy of the statutory compliance review is in the meeting materials. And to steal his thunder, there were no statutory compliance issues. So it's pretty straightforward.

MR. CHAIR: Yeah, if we could forebear with reading the 16-page legal document, that would be great.

MR. McCAULEY: Absolutely. So with that, I will turn it over to Katie, who will do some review items for the best practices review.

MS. COMSTOCK: Great. Thank you, Mike. So I can keep this brief. But annually we do a best practices review of Florida PRIME to ensure that the management aligns with best

practices.

On an annual basis, there are a few staples that we cover in this report. One, is participant survey, which continues to have very strong responses across the board. The response rate is about 10 percent, give or take. That's pretty consistent with what we've seen over the past few years.

And then the investment policy statement review, that's a very comprehensive document, well written. There were no changes.

The two items that we want to call out this year are related to money market reforms that were announced in July of 2023. And then a discussion around some potential risk management enhancements.

So just really quickly on the SEC money market reforms. The SEC announced these back in July 2023, really with a goal similar to past years in 2010 and 2014 when they came out with other reforms of really enhancing transparency and resiliency of money market funds.

Quick reminder on Florida PRIME, GASB, the Governmental Accounting Standards Board, is the guiding regulatory body that provides guidance for how to manage local government investment pools. Historically, they had provided guidance of managing them as a 2a-7-like, so although they are not registered with the SEC, they are managed in accordance with 2a-7 rules.

GASB in 2015, I believe it was, removed that kind of link to the 2a-7, recognizing that local government investment pools are different than the money market funds and they don't necessarily need to abide by these reforms on a one-for-one basis.

That said, Federated, Mike and team and the SBA and Aon, have continued to monitor these reforms over time and the portfolio has stayed in compliance per GASB's rules over time and the IPS has been updated accordingly. Thus far, we don't see any indication that GASB's going to provide guidance that local government investment pools need to make changes related to the 2023 reforms. We are aware of them; however, there are very strong compliance rules for Florida PRIME. It continues to be managed appropriately, and again, according to the GASB standards. So no changes, but just want to

communicate that we're aware of these reforms, they have been well-vetted and understood, but we don't anticipate any changes to the management of the pool due to them.

The second topic of discussion is related to additional risk management. Enhancements I will call them. No recommendations at this time, but just more of a foreshadowing of what might to come as these are discussed coming out over the next few years. The SBA has been very proactive in providing compliance and stress testing and governance procedures around the management of this portfolio.

Recent discussions have kind of more shifted towards communication with participants and, really, transparency of both participants into the pool as well as SBA's, you know, communication with the participants. And there were two main topics that I'm bucketing these potential enhancements in. One is related to participant concentration. What we've highlighted here are some of the tools and the risk management practices that are currently in place and then some of the potential enhancements that are being discussed.

So currently in the reporting in the monthly summary reports, the SBA reports on the largest ten participants. They make up about 30 percent of the pool. And that's disclosed every month on the website, very clear to anyone who wants to go and see what the participant -- the types of plans and participants that make up the pool as well as the weight of the largest ten.

There's also stress testing that Federated does. And they'll -- I think they will be going over this here shortly, but they look at what were to happen if 40 percent of the pool is redeemed very quickly. What will happen to the ability to maintain a dollar NAV, N-A-V, and the liquidity requirements on the portfolio. And the pool holds up in those stress testing --

MR. CHAIR: Is that the threshold, 40 percent?

MS. COMSTOCK: No. I wouldn't say that's the threshold, that's just a significant portion. That would be more than the top ten participants.

MR. CHAIR: So where would that attachment

point be? I mean, is it really 20? Is it 60? I mean, you picked 40. It sounds like a rational number --

MS. COMSTOCK: -- higher than --

MR. CHAIR: -- but, like, is it just a guess?

MS. WILHELM: It's not. You know, we look at what the participant flows have been over --

MR. CHAIR: Right.

MS. WILHELM: -- years and years and years of running this product. And then when -- I'll cover stress testing in a bit, but if you flip ahead you'll see we stress for different redemption events: 0 percent, 10 percent, 20, 30, 40, all in one day.

MR. CHAIR: At what point does it fall below one?

MS. WILHELM: It doesn't.

MR. CHAIR: Even at 60?

MS. WILHELM: It might at 60.

MR. CHAIR: Okay.

MS. WILHELM: But, you know, we stress for other events, too, because redemptions aren't the only thing that could impact the price of the pool, right, or the liquidity. If the Fed raised rates by a hundred basis points all in one day --

MR. CHAIR: They would never do that.

MS. WILHELM: Not in my lifetime, they're not going to.

MR. CHAIR: Okay.

MS. COMSTOCK: And as Paige mentioned, it's not only they do redemptions in other events, but they also do it all at once. So what if all of these stressors were to happen at the same time? And the pool holds up.

And the point here is that this is something that is monitored. On a monthly basis, they run this. So they're very well aware of the stresses that could potentially impact the pool.

And then the last thing, which is also really important, is the open line of communication with these participants. Oftentimes when there is a large contribution or a distribution that's needed, Federated has the -- participants will communicate that so they can manage the portfolio to handle that cash flow optimally.

So some of the things that are being

discussed to potentially enhance this, right, because you always want to do this proactively rather than retroactively, is: One, just additional communication and transparency into the top ten. So, for instance, the largest participant holds roughly five and a half percent of the pool. Breaking that out a little bit further is another idea.

Additional outreach maybe to those top three, top five participants, again, just to get a better familiarity with their inactivities and potential cash flows coming up.

And then lastly is considering maximum participant limits. That could come in the form of a percentage of the pool, say one participant cannot be any larger than 10 percent or 15 percent. Or a dollar limit on the pool, and those are things that are being considered. And here, again, the balance is intended to be enhanced transparency, enhanced education without negatively impacting the participants' ability to invest their surplus cash funds.

The second area of discussion that we're having was around investment risk disclosures. There are a lot of documents on the website that do have these disclosures. Luke will talk about how they go out and do webinars and (audio disruption) shows and talk about the risks of investing in PRIME. And so there's a lot of documentation that goes to educate participants on what they're investing in.

However, we do think there could be some room to improve the investment risk disclosure. So right now in the enrollment forms and other education documents, it talks about the risks to a stable NAV interest rate risk, credit risk. There is room to add other risks that could potentially impact the management of PRIME, whether that be yield curve movement, issuer risk, management risk, political risk, regulatory risk. Just build that out, similar to what you would say on other fund documentation.

So, again, the idea here is to further enhance transparency, education, both for Florida PRIME on the participants, but for potential participants and existing ones on the make up of the pool, and overall just risk

control. Again, the SBA has been very proactive and has a very comprehensive governance structure. So just some things that are being considered for potential enhancements down the road.

We did include here a snapshot of the participant concentration. Most of this is already on the website. And we break out the top ten participates. There is about 30 -- just north of 30 percent. And, again, the largest is about five and a half percent of the total pool.

So all in all, the portfolio and the pool continue to be managed according to best practices. We have no recommended changes for this annual review.

I'll pause and take questions before I hand it over to Federated.

MR. CHAIR: Any questions from committee members?

Okay. Please.

MS. FROEHLICH: Good afternoon, everyone. Thank you for having us here today. My name is Heather Froehlich for those of you who I've not met. I was here a couple years ago, so some of your faces look familiar.

I am the head of the State treasury pool business development and relationship management efforts on behalf of Federated Hermes. And with me today, I have Paige Wilhelm, who I believe you all know, senior vice president and senior portfolio manager at Federated. As well as Luke Raffa, vice president and senior sales representative at Federated as well.

This slide provides you a brief overview of the Federated Hermes partnership with Florida PRIME and with the SBA. Whole summary showing about 27 and a half billion in assets under management as of 3-31-24, 792 participants across 1468 accounts.

And a brief reminder of the services that Federated Hermes provides to the pool and to the SBA is portfolio management, participant outreach and marketing support as well.

This slide simply shows you how the yield on Florida PRIME, which is represented in the navy solid line on that graph, has risen steadily and maintained its high level over the last two years as the Fed has increased rates

and now has paused rates. The Fed line being the lime green stepping line there. This is all shown relative to the three-month US bank CD average, which is that orangish line towards the bottom.

Paige will address this more later.

The current yield of the pool is five and a half percent.

And my portion was very brief as I'm going to turn the presentation over to Luke Raffa, who is really out in the field representing Florida PRIME at conferences, one-on-one meetings. He was at meetings this morning prior to this meeting.

And go ahead, Luke.

MR. RAFFA: Well, good afternoon. It's nice to see everybody again. As Heather mentioned, I provide sales relationship management for the pool participants throughout the state. And so I'm just going to cover a few slides about some of our outreach efforts. Here's just sort of a general overview of some of the different ways that we engage with our nearly 800 participants in the pool.

The first one you'll see is tried and

true, that's, you know, just direct conversations, a targeted calling effort to participants and prospective participants all across the state. Just this year, we've held meetings around several metro areas, including Tallahassee, Central Florida, South Florida and Jacksonville. And I would say, just one of the large themes so far this year has been a lot of inquiries about what the direction of rates is. You know, where the next move is going to be. And I think -- you know, I won't steal Paige's thunder, right, but we do believe, you know, the next move is going to be one that's down. And I think it's an opportunity to sort of discuss with participants and highlight the active management of the fund and talk about, you know, even in a declining rate environment, you know, we can still pull certain levers to maintain some of that attractive yield that we have today.

Another method that we use, and this one is helpful to reach a large amount of participants all at once, that would be some of our webcasts that we host. We had one on April 30th of this year in which we had 75

participants attend the live session. Historically, that's really a good turnout for those types of events. And we also did make the replay available through the public Florida PRIME website, so folks can either rewatch or watch at their convenience as well.

And it I would say just in the follow-up effort after the webcast, participants are very appreciative of this type of event. You know, the opportunity to hear directly from the pool and on behalf of the pool, and it's something that we have the intention of doing more frequently in the future, maybe twice a year for webcasts, and perhaps mixing in some email campaigns with updates as well.

Over on the right-hand side, you'll see that we've listed just a few notable new participants. You know, we've had a couple of higher education participants enter the pool in a meaningful way. But overall, over the last 12 months, we've had 32 net new participants enter the pool. And these are accounts of all different sizes, so, you know, we're very happy about that. You know, we want to grow the pool, not just at the top but also from the bottom as well. And that will also help us address some of these concentration conversations that we were just having.

Next slide.

So this is just some of our advertising that we do on behalf of the pool. So at the top there, you'll see we advertise in several different publications. Some of these are conferences that we can't actually get to in person, but we're still making sure that the pool is present and in front of their participants.

You know, what you'll see also there at the bottom is we are working on a redesigned logo, or I should say, maybe a refreshed logo for Florida PRIME. We'll also enhance all the marketing collateral that we use as well. And this -- the goal is not to change anything, we want to keep it similar to the brand that is well recognized across the state, but just modernize a little bit and draw some new eyeballs to the brand.

Quickly here, this is all the events that we attend throughout the year. I'm actually headed down to Orlando after this meeting for

the Association of Special Districts conference. But in total, we'll attend eight events this year, either as a sponsor or exhibitors at all of them.

So this is a new slide that we've added this year. And what we really want to highlight is that Florida PRIME really is the gold standard for transparency when it comes to local government investment pools in the state.

And so just to give you an idea of the competitive landscape, there are several pools throughout the state, probably seven, eight different pools. What we've done here is just listed the two -- the second and the third largest after Florida PRIME. And so, you know, what you'll see is, you know, we disclose everything, put it all out there in the public domain. Not all of the pools do that. So Florida PALM, which is one of the largest pools, you know, they do an alright job with disclosure. FLCLASS does not disclose as much publicly. But this is something that often comes up in conversations with prospective participants for the pool. You know, I usually tell them, you know, there's three things you really should be looking at: You know, one is what is the expertise of the investment manager. Two is to make sure that you understand the fees that you're paying for the pool. And three is to take note of the transparency of the pool. Do you have all the information that you need or that your constituents might need?

MR. JONES: One question, if I may.

MR. RAFFA: Sure.

MR. JONES: Are the participants in Florida PALM and FLCLASS, are they similar to the participants in Florida PRIME?

They are.

MR. RAFFA: Yeah. Same type of participant.

MR. JONES: That's your target market?

MR. RAFFA: Yeah. And some even use multiple pools. So there are some who -- you know, they may use Florida PRIME, but they'll also have an allocation to FLCLASS. It just depends.

MR. CHAIR: Do you know if University of Florida is a participant?

MR. RAFFA: They are.

MR. CHAIR: They are, okay.

MR. McCAULEY: A large participant.

MR. CHAIR: Large participant. Okay.

MR. JONES: Look at your fees and your yield. Seems like they're --

MR. CHAIR: An easy sales job.

MR. JONES: Yeah, I could do that, I think. Maybe.

UNIDENTIFIED SPEAKER: Luke, how did you lose these other people?

MR. CHAIR: Yeah, exactly. That was going to be my question.

MR. JONES: You've got a good position.

MR. RAFFA: Yes, very lucky, right. So maybe that's a good segue --

MR. WILLIAMS: -- rate environment, yeah.

MR. RAFFA: We had many hard years, right, where it wasn't so easy. But maybe that's a good segue into the last slide here which is just a continuation of the competitor analysis. As you can see, we are leading the way on the yield. The pool also is by far the largest in terms of AUM. And that actually helps keep that fee low, right, because with Florida PRIME, we do have a tiered-free structure. So the larger the pool, the lower the fee. That can be, you know, passed on to all the participants.

And so, yes, people have been generally very pleased with the performance. And that concludes my comments, so I'll pass things over to Paige, unless there's any questions.

MR. CHAIR: Questions?

No.

Please, Paige, go ahead.

MS. WILHELM: Thank you, Luke and Heather. And good to see everybody.

Can you go back to slide three for a minute? I just want to -- sorry, I'm going to make you go back.

This is just the slide that Heather was talking about earlier that shows the movement from the Fed in the green step line versus the yield of the pool and then the bank CD rate, which we all know, if you go to your bank, they typically don't raise their rates like the Fed does, but if the Fed starts to cut rates, you know, the banks are going to cut their bank CD offerings pretty quickly. But this is just to tell you the story of what happened over the

last year since we all know the Fed raised rates significantly from the -- they started in March of 2022 all the way through July of last year where they took a pause. So we now have the Fed funds target rate at five and a quarter to five and a half percent.

And once we got to that level and the Feds stopped and took a pause last summer, the market started to believe, okay, the next move from the Fed is definitely going to be a cut. We've got these markets under control, inflation is backing off. And the market started to price in seven 25 basis points cuts from the Fed by the time we got to December of last year.

Obviously Chair Powell and the governors were pushing back on the market saying, look, we don't think we have inflation under control. We have a dual mandate of inflation target around 2 percent while we're keeping full employment and we're going to be data dependent and we're gonna watch all the economic numbers come out before we decide what we're going to do.

But if you flip ahead now to slide 11, we look at Fed fund's futures contract as an indication of what the market thinks the Fed is going to do. And this hold line here is showing you back in January of this year what were the expectations from the marketplace for the Fed funds target range. And you can see that it went from that five and a quarter to five and a half all the way down to, at year-end, looking for a three and a half to 3.75 percent target range.

And the Fed kept pushing back and saying, no, we don't -- we're not going to cut rates that quickly. And it actually took some numbers being released in January that finally got the market on board that the Fed didn't need to cut rates so quickly.

We still saw that GDP numbers were looking robust at the beginning of this year. The employment situation looked good. And inflation numbers looked very sticky. We still had very high inflation. We'll take a look at inflation in employment numbers in a minute. Not only on the consumer side, but also on the producer side. We also had respectable manufacturing numbers as well as the housing

sector continue to do well despite the fact that mortgage rates are getting higher.

So finally, at the end of the first quarter, we saw that the market expectations for cuts from the Fed was finally coming back in line with what the Fed was telling us. And that line at the top there in the blue bars are showing you what today's outlook is -- what today's outlook is for the expectations for Fed cuts. And that is one, possibly two, cuts this year from the Fed.

So remember, the Fed has their dual mandate. They look at inflation and they're targeting a 2 percent inflation target. This chart only goes through the end of March, the gold line there being what the core PCE number is year over year. This is the number that the -- you know, the Fed is targeting 2 percent as that inflation target. This number has been at 2.8 percent for the past couple of months. It was actually 2.8 percent for April, too, if you would extend that line. So still well ahead of what the Fed is looking for.

The inflation numbers are slowly coming down, but goods inflation is coming down faster than services inflation. You know everybody's -- go to the airport, everybody's going on vacations, planes are oversold. You can hardly get a hotel room. Everybody's back in restaurants. There's not -- it took me three hours to get dinner last in a restaurant because they don't have enough help. So the services inflation is still very, very strong. And that makes up 60 percent of this core PCE number.

So goods inflation coming down slowly, services inflation not so much. But they are kind of trending in the right direction. And that's what the Fed is looking for, but it's not coming down as quickly as the market was expecting earlier in the year.

The other part of the dual mandate is a full employment situation in the United States. And we are still seeing solid jobs growth. The bar chart here is showing you the non-farm payroll number that gets released each month. The Fed is kind of targeting 200,000 as a nice strong employment situation. And that gold line there is the unemployment rate, which was at 3.8 percent. It was at 3.8 percent for

April, and it went up to 4 percent in May.

However, if you looked at non-farm payrolls, if you look at the end of March there, we were adding about 300,000 jobs that month. In April, that dropped down to we only added 175,000 jobs. So people were feeling like maybe the employment situation was slowing down. Then we just had the employment numbers released last Friday and we added 272,000 jobs again. So the Fed has a very tough job. There's a Fed meeting this week on Wednesday. We don't expect them to make any kind of movements, but what will be important is this is their quarterly meeting where they release the dot plot, the summary of economic projections. We'll get a better indication from where the Fed governors think rates will be going, you know, as we head through the rest of the year.

Our outlook is for, as I mentioned, one to two cuts, maybe September, most likely later, maybe November or December.

How did all that impact the pool itself over the past year? First of all, this is just a look at the solid growth that we've seen in the pool assets. This goes back to 2021. And you can see we've had higher highs in assets and higher lows in assets. There's typically a seasonal pattern to the asset flows in the pool. And that's because when tax collection start in November, you see that spike in assets, so all the counties and cities, everyone collects their taxes, they put it into the pool. And then you see it slowly trickle out as we get into February, March and throughout the summer. And then you see that pattern repeat itself.

So the assets are looking very strong. The growth has been very strong. A lot of that has to do with where we are with interest rates, right? It's hard to beat five and a half percent return on your money today, so -- but even, you know, as Luke was mentioning, even if the Fed starts to cut rates, this average maturity of the portfolio -- if you want to go to the next slide, Heather -- we've lengthened that out during end of 2023 -- and actually the beginning of 2023 as we went through the year.

So when the Fed was in their quick

tightening cycle, hiking cycle, we had the average maturity of the portfolio very short, 20 days, 30 days, so that it was resetting constantly to keep up with those current rates. When we feel like we're getting close to the end of that tightening cycle, we're going to lengthen that average maturity so we can hang on to those higher yield securities as long as possible.

And when I say "lengthen," remember that we can't buy securities longer than one year. And the average maturity of the pool can't be greater than 60 days. But our target maturity right now is the 40- to 50-day range. You can see at the end of March we were at 43 days. And we're almost -- we're in the middle of the 40-day range right now.

The reason we don't go all the way to 60 is because we're in the outflow season and if money leaves, that could cause the average maturity to extend without us buying securities. So you'll never see it very close to 60.

From a composition standpoint, the most attractive security types in the market today are typically asset-backed commercial paper as well as bank CD issuance. Even though we looked at retail CDs and, you know, local CDs, they didn't look that great. But when you're buying negotiable CDs, hundreds of millions of dollars, those levels are very, very attractive. So those are the biggest portions of the portfolio, with bank assets represented in the blue pie. And the gold pie being asset-backed commercial paper.

Some of the most attractive names that we've seen over the past year are issuance from some of the foreign banks, like Canadian banks, the Japanese banks, the banks in the Netherlands. You can see the country exposure there in the middle. And then you can see the top ten holdings in the individual banks that we have exposure to there being Australia, the Netherlands, Canada, if you can recognize some of those bank names.

And then just as a reminder, the pool itself is rated AAA by Standard & Poor's. Every security we own has to have a short-term rating of A-1 or A-1+ by Standard & Poor's. And we have to have a minimum of 50 percent in

A-1+ rated paper. And you'll probably think, why does that number look so low on this chart, and that's because it's wrong. That A-1+ number was 54 percent. I think these numbers are flipped-flopped on here.

Sorry about that.

On the next page, this is just the performance of the portfolio. For the one-month, three-month, one-year, three-year versus its benchmark, the S&P, AAA rated local government index beating that index by 41 basis points for the month and 38 basis points for the year.

And then, because we talk about 2a-7 funds, which are kind of similar to state pools, we show the iMoney Net index there below, which is an average of all of the money market funds that invest in similar types of securities as the pool. So beating the index is pretty (audio distortion).

The next pages -- yes.

MR. CHAIR: Just a quick question. On -- just going back a slide, on top country exposure, are you getting premiums on some of these rates? Or I guess, number one, are you?

And then secondly, are you because they're looking for dollars versus --

MS. WILHELM: In their own home currency?

MR. CHAIR: Yeah. In Euros or whatever?

MS. WILHELM: Sometimes that's the case. Sometimes it's because of the size that we're buying. I mean, when we're trading with these banks, we're buying 500 million, a billion dollars worth of securities. And that's not specifically for the pool, but the other portfolios that I run total about 200 billion in assets. So --

MR. CHAIR: But are you seeing that specifically, though, that -- I mean, we're seeing that in the private sector, I'm saying -- we're printing CDs, but depositing the same amounts. We're seeing much, much higher rates for, for instance, Deutsche Bank. Now you could argue --

MS. WILHELM: That's credit, yeah.

MR. CHAIR: -- credit issues, not whatever, but are you seeing that? Where certain banks like that are actually paying an extra 25 basis points?

MS. WILHELM: Yes.

MR. CHAIR: Because it's a dollar versus --

MS. WILHELM: It's usually not 25, I think that probably depends on the country. And I will say that for this portfolio, because it's AAA rated, we're only dealing with the top, you know --

MR. CHAIR: Right.

MS. WILHELM: -- hundred banks in the world. And they're very, very highly rated. The German banks aren't on the approved list, not that there's anything wrong with them, but --

MR. CHAIR: -- 24 percent, yeah.

MS. WILHELM: -- for this portfolio, there's no Chinese bank, there's no, you know, Middle Eastern banks. Even when we buy the French banks, the maximum we will lend to them is three months. So we've got very tight constraints on this portfolio.

So when we look at one-year paper for the names and the countries that we have approved, sometimes you see a premium because they need dollars as opposed to Sterling or Euros. But it's not going to be 25 basis points. It might be two or three or four or five basis points on any given day --

MR. CHAIR: Okay.

MS. WILHELM: -- just because of the high credit quality --

MR. CHAIR: Yeah. Okay. Thank you.

MS. WILHELM: Uh-huh.

And now your other favorite topic, stress testing. We perform this on a monthly basis, as Katie was mentioning earlier. But we also do it on an as-needed basis.

So for example, last March when we had the Silicone Valley bank issues and the regional bank issues, we took a look at the portfolio and said, what -- and we talked to Lamar about this -- what would we do if all of the bank paper that we owned, if those prices widened out by 200 basis points? Very unlikely in the money market space, but we stress to see what would happen to the price, the $1 price, and would we still have 30 percent liquidity? Which is our weekly target for this portfolio.

So we do different stresses here. And the top box, the orange box, that's our stress for just redemptions. And that's when we were

talking about, you know, over time, we've -- the biggest redemptions, I think, we've had since Federated's been running the portfolio was maybe, you know, 6 percent redemptions all in one day. And we knew about that. So we stress for 10 percent increments. So 10 percent, 20, 30, 40 is the max that we look at today. But we're always analyzing these stresses to make sure we shouldn't change them.

In the pink box, it's there in the middle on the left, we're stressing for a change in interest rates from the Fed. As I mentioned, we think the fed's most likely move is going to be a cut, but what if we're wrong and what if they raise interest rates by 50 basis points all in one day? Then you see what happens to the price and the liquidity in conjunction with redemptions.

In the green box, we say, what's the riskiest sector that we're investing in? And it's the banking sector right now. So we say, if all of that paper widens out by 50 basis points, what happens to the price and liquidity?

We then own floating rate instruments, and they're all SOFR based today, the Secured Overnight Funding Rate. There's no more LIBOR-based floaters for this portfolio. We say, what happens if SOFR widens out by 50 basis points?

And then at the bottom in purple, we combine all of those events. We say, what happens to that price if you have 40 percent redemptions, Fed raises rates 50 basis points, the banking paper and the floaters widen up by 50 basis points? At the end of March, the $1 price would fall to .9965. So that still rounds to a dollar. Participants would still be redeemed at a dollar and you would still have 30 percent in weekly liquidity in the portfolio. So we do these, like I mentioned, these stresses monthly, but more frequently as --

MR. CHAIR: Is 50 basis points your assumption on these? I just didn't see it on here.

MS. WILHELM: It's on the -- it wouldn't all -- it would make this slide so tiny. It's on the next page --

MR. CHAIR: Oh, okay.

MS. WILHELM: -- are the footnotes. And we discuss these are our weekly trading meetings, these stress scenarios, to make sure they're still what we want -- you know, what we want to have in place.

Last year, we were stressing for an instantaneous hundred basis point increase in rates from the Fed. And obviously we've brought that down over the past few months as we think the next move is a cut.

MR. CHAIR: Okay.

MR. JONES: A question, if I may.

MR. CHAIR: Yes, please.

MR. JONES: I assume you have currency risks --

MS. WILHELM: No. No currency. Everything's dollar denominated here.

MR. JONES: Everything's a dollar.

MS. WILHELM: Yes. No currency risk.

MR. COLLINS: Other than the dollar.

I have two questions. One's sort of an economic question, going back to your discussion about your three-hour dinner. So unemployment going into the last election was relatively low -- well, going into COVID was relatively low.

MS. WILHELM: Right.

MR. COLLINS: Pretty close to what it is today.

MS. WILHELM: Uh-huh.

MR. CHAIR: Coming out of COVID, all those service jobs -- you know, I've seen the same signs. You know, you go to the restaurant, hey, we're closed today, couldn't find help or whatever. Where did all those people go? If the same relative number of people are employed today, where did all those people go?

MS. WILHELM: Where did they go? You know, I'm think -- I'm not an economist --

MR. COLLINS: Either that or we're lying about unemployment.

MS. WILHELM: Yeah, I mean, I'm not an economist, but, you know, you hear stories that people say, hey, I have to pay for daycare and the cost of daycare went up exponentially. It's not worth it for me to go to my job at the restaurant because it's not paying me. I'm not making any money.

MR. COLLINS: Well, wouldn't unemployment go up then? That's what I don't understand.

It's like --

(Crosstalk.)

MS. WILHELM: Well, the unemployment rate -- the unemployment rate, while there's been so much migration, right, there's been so many people coming into the country, that I think that's what keeping the unemployment rate lower.

MR. COLLINS: Yeah. Okay. That's right.

MS. WILHELM: Not an economist, but --

MR. COLLINS: So going back to the fee discussion, and when you were showing what the other partic- -- what the other vendors were paying, on a gross basis, they're pretty similar, on a gross basis, Florida PALM and the other one.

So I think about our benchmark, you guys kill the benchmark, which is pretty hard to do in something like this, but the benchmark is AAA/AA, and we are -- we have 44.6 in A-1+ and 55 in A-1. So is the benchmark right? Are we really testing you guys? Or is it pretty easy to beat that?

MS. WILHELM: Well, that's why we're showing you both benchmarks. We're showing you the S&P index for LGIPs and you can't get a breakdown of that. But we're also showing you iMoney Net, which is money market funds, but they have similar investment policies to this. That is on slide -- what's that slide? There you go. There you go.

The AAA/AA benchmark for the S&P LGIP, the problem there is we can't get a breakdown. Remember, some of these LGIPs might only be investing in government securities, some of them are investing in just PRIME securities, like commercial paper and bank CDs. Some of them don't have a stable price, that's why they're AA rated. Some of them have a price that can fluctuate. But S&P will not give us a breakdown of the individual portfolios.

The iMoney Net index does that. So there's 1100 money market funds that report to iMoney Net. And we're looking at the ones that are first tier institutional. That means they're buying the same securities that the LGIP is buying. There's not government money funds, you know, that are just buying government securities only in there, and there's not portfolios in there that can have a

fluctuating price.

So the iMoney Net index is probably more similar. And the reason that the S&P AAA/AA might be ahead of the iMoney Net index is probably because of the volatility that we saw in the treasury market.

MR. COLLINS: So --

MS. WILHELM: But that iMoney Net index is more indicative of what we invest in every day.

MR. COLLINS: So a -- I think your next slide or your previous side has 44.6 percent of --

MS. WILHELM: Yeah, those are flip-flopped.

MR. COLLINS: -- portfolios A-1+.

MS. WILHELM: Yeah, yeah. Those numbers got flip-flopped.

MR. COLLINS: They got flip-flopped.

MS. WILHELM: But it's 55 and 46 (audio distortion) --

MR. RAFFA: But those are, Paige, individual securities. The pool, as a whole, Florida PRIME is a AAA rated pool.

MS. WILHELM: AAA rated, yes. I'm sorry. I didn't know what you were asking.

MR. COLLINS: So how -- okay. That answered my question.

MS. WILHELM: Does that make sense? Because, remember --

MR. COLLINS: Okay.

MS. WILHELM: -- every issuer has a long-term rating and a short-term rating.

MR. COLLINS: That answered my question. Except the unemployment numbers.

MS. WILHELM: I know.

MR. CHAIR: The unemployment -- are you using U3 employment or U6 employment on that? You know, like the real rates use six, right, sort of the sanitized --

MS. WILHELM: On this slide?

MR. CHAIR: -- DOL numbers, U3, which is people that actually have looked for work in four years, not the ones that have decided that they don't want a job anymore, right.

MS. WILHELM: You have to be a lawyer.

MR. COLLINS: Or they're getting paid to stay home.

MR. CHAIR: Or that. Right. Or they're just marginally connected to the workforce, right? Those are two very -- in fact, it's --

I think it's almost double. I think, like, U3 is 3.8. U6 might be like seven and a half. I would just take a look at that, you know. Because it doesn't indicate here on slide --

MS. WILHELM: No, they didn't put it on there --

MR. CHAIR: -- 395.

MS. WILHELM: But it's definitely the -- it's definitely the -- it's -- you know, what did Bloomberg just report the other day? The U3.

MR. CHAIR: U3. Yeah.

MS. WILHELM: -- 4.0 --

MR. COLLINS: I guarantee you, going into the last election, U6 was much lower.

MR. CHAIR: Oh, yeah. About -- sure.

MR. COLLINS: That's where all the people went. They're just not looking for work.

MR. CHAIR: It will change as we get closer to November as well.

MR. COLLINS: Yeah. Okay.

MR. CHAIR: Okay. Great. Thank you. We appreciate it.

MS. WILHELM: Welcome.

MS. FROEHLICH: Thank you.

MR. CHAIR: Lamar, anything else? We good on this?

Okay. I think we're going to go to item agenda number nine now, which is the review of the Florida PRIME IPS statement, where it also requires a vote on this as well.

So, Lamar, you want to walk through this?

MR. L. TAYLOR: Well, this will be really easy because there are no recommended changes to the investment policy statement. We're submitting it for approval because statutorily we have to provide this for --

MR. CHAIR: So same as our prior one? Okay.

Okay. Why don't we -- if there's no option, we'll adopt it by unanimous consent. Does that work?

(Unanimous consent vote noted for the record.)

MR. CHAIR: Okay. So approved.

Okay. Item agenda number ten, asset class SIO updates. I think we're going to start with Tim.

MR. TAYLOR: Thank you, Mr. Chairman.

Good afternoon, everyone.

Equity markets started 2014 (sic) with a very strong first quarter, up a percent. Extended an already significant gain of 22 percent in the last calendar year. In what has become a common theme, US markets once again bested non-US developed countries and emerging markets was lagging.

As just mentioned, investors became more concerned with persistently high inflation measures and the corresponding direction of interest rates near the end of the quarter. So very, very strong equity markets for a very long time now.

The next page shows you then the first quarter of 2024, our managed return of 8.06 percent was above our benchmark of 7.72 by 34 basis points. So we had a very good quarter.

For the trailing one-year period, our managed return, very high at 23 percent and it's modestly above -- say, 12 basis points above our benchmark return. For the three years ending March, GE is marginally below the benchmark as we continue to be negatively impacted by a very challenging first quarter of

2022.

However, for all periods five years out -- five years and greater, our annualized returns are above the benchmark.

I'll mention, the little lower right-hand portion of the page are active rifts measured or defined as standard deviation of excess returns as decreased for the one- and three-year periods, but I think that's mainly due to declining market volatility.

The next page provides some detail about each of our active aggregates. It was a very good quarter for active management. We were positive in every active aggregate, outperformed. The biggest contributors were the large emerging markets and also the developed large cap aggregates. We have been restructuring the dedicated global aggregate for a couple years now to be more diversified. And recent manager additions led this aggregate to modest outperformance during an incredibly strong market for the quarter. The benchmark for the dedicated global aggregate was up almost 9 percent during the quarter.

The last page I'll share with you today is

an update on our initiatives. We continue, as Lamar mentioned early in the meeting, to support the implementation of the FRS asset allocate policy. At the lower portion of the page, you'll see we raised $5.9 billion just in the first quarter of 2024.

We're finalizing our emerging market search. We're going to restructure a portion of our emerging markets aggregate based on this search that we have completed.

And the last note on this page says that GE has provided over $86 billion of liquidity since 2010. When you think of the fact that our asset class was valued at 95 billion at the end of the quarter, it's just evidence that we've had impressive equity market strength for probably a decade and a half -- almost a decade and a half.

So those are my comments. I'm pleased to take any questions, if there are any.

MR. JONES: Any questions?

Okay. Thank you.

MR. TAYLOR: Thank you.

MR. JONES: Thank you, Tim.

MR. WEBSTER: Thanks, Tim.

So this is the performance of the strategic investment asset class. As Lamar said in his introductory remarks, the underperformance is due primarily to a lag effect. The good news is that the gray bars there for the near-term performance have come down as we've seen inflation come down.

But then the Fed expectations, you saw a pretty violent rally in risk assets over the last two quarters. Unfortunately, our -- many of our funds are still on fourth quarter marks, so we are expecting that to catch up in -- over the next few quarters.

We didn't throw off as much cash as what global equity did, but we did throw off $771 million back to the FRS, primarily because of the significant amount of hedge fund redemptions as we continue to restructure that asset class. We're now up to four funds having closed in the last quarter and plus two additional allocations to our insurance funds to take advantage of the June 1st renewals.

This is the strategic investments portfolio. It's currently 33 percent hedge funds, 22 percent infrastructure, 10 percent

insurance, and 35 percent what we call opportunistic, which is made of the three investment asset classes in the upper left quadrant of that graph.

So currently hedge funds, like I said, we were going through a significant restructuring. We expect there to be a lot of activity here over the next 18 months. We now have metrics for the first time in what we want to achieve for that. So we will go through our second phase of the significant restructuring.

Infrastructure's 1 percent. That's a little bit higher than -- we're a little bit higher above that. And our strategy and infrastructure's been focusing on smaller investment funds where we can take advantage of selling to larger, more global funds.

In insurance, we're currently underweight our 1 percent target. We continue to add to it. We think that this summer, there will be a lot of activity, at least what's what NOAA is forecasting. So we might have to dodge a few things. But it's as hard of a market as we've ever seen. So we added another $127 million to the June 1 renewal period.

Opportunistic. I've talk about this in the past, we're hoping to add at least Japanese activist this year. We added one firm recently to our newly created innovation portfolio, which is a land bank firm. We're bullish longer term on Timberland and legacy assets, which is what we used to call SI private equity and SI real estate. That will come down over time.

I won't talk much about private credit here, given that we have created the new active credit asset class, other than for the people who are relatively new here. When strategic investments was formed in 2007, one of the functions that asset class was meant to provide was to be an incubator for new investment strategies. And when we first started investing in private credit funds, private credit really wasn't a thing. But it's evolved over time. And we've got a pretty significant allocation of private credit. So for the first time, we will carve out part of strategic investments and make it into its own asset class. And that's absolutely what strategic investments was, in part, created for. So one

of our babies is grown up and leaving the house.

And that's the current portfolio. You'll learn more about those in the coming meetings.

I put a credit -- I put something here on multi-asset credit. Todd's been working more so on that and he'll give a brief update when he is -- when his turn is up.

Are there any questions?

MR. COLLINS: I have one. Sorry.

MR. CHAIR: Go ahead.

MR. COLLINS: What's the biggest -- you know, we could have had this same conversation probably 20 years ago about Timberland. And, you know, ten years ago it would have been, like, oh, you know, it's really bad.

Is it directly related to the economy? Is it housing? What drives the cyclical nature of Timberland?

MR. WEBSTER: Yes, that's a very good question. One of the reasons that we like is that much of the return comes from just the growth of the trees, which has nothing to do with it. But I don't know if we timed our entry well because I think we were on the back end of the big shift where a lot of the forestry companies were selling their land at the time the warehousers of the world, the Georgia Pacifics of the world, could get a higher multiple if it sold off its land to people like us where we don't have to worry about a multiple.

I think we were on the back end of that. And so we were probably buying at a price that was elevated. And I think that what's happened is that you had an oversupply, particularly in the south of timber, that is starting -- it was something like ten years in the making. We think that's probably gonna start working itself out over the next two or three years. The portfolio has underperformed our expectations. Because when we originally went into this, we thought it would be a CPI plus five, more like a CPI plus two or three.

But we think that some of the supply/demand dynamics with some of the growth and some of the new sawmills that are coming will benefit this asset class. It's possible we may exit it sometime this decade. We have those internal discussions. But we also think

that the higher and better use part of the Timberland, where you are selling portions -- it's small, but it is -- it's not insignificant -- portions of your land to fund things like solar farms has been bigger than what we thought.

And so, you know, like, I expressed skepticism earlier about some of the net zero targets, we're still going to be able to -- there's going to be a lot of build-out of solar farms. And so on the margin, that should help.

MR. COLLINS: Technology's had an impact on that, too, right? There's a lot less waste today, right, in the sawmill than there used to be?

MR. WEBSTER: Right.

MR. COLLINS: Right.

MR. WEBSTER: Right.

MR. COLLINS: So you're getting more yield --

MR. WEBSTER: Right.

MR. COLLINS: -- which is keeping prices down.

MR. WEBSTER: Right, right. And that's contributed to the over -- essentially the oversupply.

MR. COLLINS: Yeah.

MR. WEBSTER: But what we see is that two, three, four years, a lot of that should -- I'm not going to say you're not going to have shortages in timber but I think it will be more in balance --

MR. COLLINS: From a development standpoint, I mean, lumber's still ridiculous. The cost of lumber is still ridiculous. I'm always amazed, it's like, well, you know, I see it all over the place and I see the sawmills. Do we not have enough sawmills? It's like, oil, do we not have enough refineries, right? I mean, we haven't started a new refinery in a long time.

Are people investing -- it used to be a vertical, right, like Georgia Pacific owned the land, they owned the sawmills --

MR. WEBSTER: Right.

MR. CHAIR: -- they owned the pulp mill, they owned everything. And now it just seems like maybe that's -- there's some disconnect there.

MR. WEBSTER: Yeah, I would agree. Yeah,

I would agree. We think there's -- there's some Canadian money coming down, we know that. I know some of them personally.

MR. COLLINS: Right.

MR. WEBSTER: So it's been an asset class which has underperformed our expectations. Whether or not we're -- ten years from now, we're still in it? We don't know.

Anything else?

MR. LUDGATE: Good afternoon. I'll provide a quick fixed income update here in the interest of time.

So the story in fixed income continues to be good. Markets have been very strong in terms of the excess return we've been able to generate over the one-, three-, five- and ten-year time frame, our returns have been very good. I will point out that these metrics, as always, are sensitive to the beginning and end points. And because of the strength we've seen in the markets recently, you know, you'll note that the returns have been very positive. So the trend continues fiscal year-to-date where we have delivered a good amount of alpha.

Regarding positioning, we are -- in the

fixed income book -- biggest overweight we have right now is in securitized. You've seen a lot of dislocation in those markets with the interest rate volatility of recent years. And both the internal and external portfolios have shifted more of their risk relative to what I would call a normal kind of position than in the past into the securitized market at the expense, largely of the corporate markets.

Regarding the duration and curve positioning, those have largely come down to fairly neutral levels. You know, seems like everyone had a steepener on -- in recent time. That has largely come off as, frankly, a lot of folks got burned on that trade. So you don't see managers spending a lot of risk in interest rates when you're looking at our internal or external books.

As to where the excess returns came from in the first quarter, a lot of them came from the corporate space. And so that was a big driver of our relative outperformance. Corporates and mortgages, positive over the last three-, six- and 12-month lookback periods.

Risks, the volatility of the active return has been fairly muted of late with the market in active space being fairly stable. That's the chart on the left. The one on the right, the cautionary note, I will say is you will see that -- those active risk levels spike when we get to a market dislocation. It's pretty typical on fixed income investments to look very, very stable until you're very much not. So we will see that come around again.

Fed expectations. We entered the year, the market thought we were going to get six Fed rate cuts. Our team thought that implied a scenario that was more pessimistic than we were likely to get in terms of the economic outcome. And so as is the case every time I bring this chart, it's sort of somewhat outdated by the time we get to the IAC. So the chart on the right shows that the market had priced in two Fed rate cuts in the middle of May, by the end of the year. We're now at one and a half-ish using market implied pricing.

Most people think that you might get one to two. If you get one, you'll get one in September. They're going to avoid the appearance of being political and avoid the November Fed. And then maybe you get something in December. This is very much dependent upon, obviously, jobs and inflation. We got a very strong jobs number last week. CPI this week is going to be very interesting. And so it is seemingly the thing that people are keyed on at this point.

And then lastly, just some commentary. As Lamar mentioned earlier, we have processed the majority of the increase of the weight to the fixed income asset class. We will finish in this calendar year, so that's ongoing. As we onboard the new managers, that will give us the opportunity and the optionality to optimize and restructure the fixed income asset class to be even more efficient.

And then with respect to the multi-asset credit, the strategic and fixed income asset classes have been working -- had a working group convened for quite some time endeavoring to provide a good outcome and a solid foundation for that slice of the active credit asset class. We've done a lot of research on it. We're starting with passive investments.

We expect to get those in the ground in the not too distant future. That process is ongoing and we will hand that over to the active credit asset class.

That's the extent of my comments.

Are there any questions?

MS. GRAY: Good afternoon. And thank you. Just a few slides on real estate.

I'll start with a reminder of real estate in relation to total asset allocation. Real estate closed out the year just under 21 billion and was 11.2 percent of the total asset allocation.

On the right side, you'll see the objectives, allocation and benchmark for real estate. A couple things to note, at the beginning of the year, the allocation was increased to 12 percent with a range of 8 to 20 percent. Lamar commented earlier today about the divestment of the REIT portfolio. That portfolio was removed from real estate and we sold all those assets at the beginning of the year.

Touching on a few highlights for real estate, starting in the upper, left side, real estate headwinds persist with inflation, higher interest rates and tighter credit conditions. Private market values peaked the second quarter of 2022 and since have continued to decline. But that decline varies by property type. NCREIF is reporting for ODCE that from peak value to through first quarter of this year, office declined by 34 percent, but retail only 7 percent. What that means is NCREIF has had six consecutive quarters of negative return. And we think that values will continue to decline because of the lag with the appraisals.

To the right, you'll see a performance summary for real estate. And I'll say that real estate's outperformed over all time periods shown.

Focusing on the one year, outperformance was driven by that REIT portfolio that delivered strong returns of 11.1 percent.

The student housing portfolio also delivered a 13 percent return. But office and apartments were a drag, along with select fund investments.

So we had some property market commentary on the left. I won't go through all that

detail. I'll really focus on the opportunities and strategy that we see with real estate.

The top one, we have dry powder. And we have the ability to close all cash for investments that we find interesting. Also, I think the credit facility gives us a competitive advantage being able to lend to those direct investments and close on construction activity.

From a sector perspective, we're really focused on increasing our allocation to the property types that you see with the green arrows on the bottom of the chart. And that's industrial, residential, retail and other. And in the other category, those are the specialty or niche sectors, which are data centers, self-storage, single-family homes, manufactured housing and even student housing.

This slide shows our recent activity since the last IAC meeting.

In principal investments, shown on the left, we closed on 410 million in equity for direct acquisitions. Our credit facility closed 472 million in loans. And we sold one ag investment.

For externally managed, our fund platform, we committed 100 million to a value-add fund. We started redemption of two open-end funds. And, again, we sold the REIT portfolio, which was $2.1 billion.

We have a number of slides I won't touch on in detail, but just, this is another portfolio performance slide that shows total portfolio at the top, principal investments and externally managed below.

Briefly on this slide, I'll showcase it because it shows a breakdown of, on the left, the income return and the appreciation return. And Lamar had mentioned earlier, again, that we've had strong cash returns with the portfolio.

On the lower right, you'll see the contribution by risk type. And the core portfolio, which is shown on the lower left, has been the driver of performance over that five-year period of time.

I'm gonna fast forward to leverage and just touch on that.

Investment portfolio guidelines limit leverage to 40 percent for the total portfolio.

Principal investments, 35 percent. And if you look at the left, you'll see that both the total portfolio and principal investments are within policy guidelines.

And this slide should be familiar to most. This showcases the principal investments leverage. On the left, you'll see the historical five-year leverage for principal investments relative to ODCE.

Adjacent to that, debt maturities. We, at maturity, or prior to maturity, will evaluate it if we have the ability to refinance and if leverage is created for any maturity. What we're finding today is that if leverage is available or new debt is available, it's rarely accreted to the investment. So we've found that we've had to pay off a lot of the maturities.

You will note that most of those maturities are fixed inc- -- fixed rate maturities. In the lower left, our weighted average costs of debt is 3.93 percent.

MR. COLLINS: Lynne, what was the gap, do you think, in -- what do you think the gap is going to be in '25 on those maturities relative to what interest rates would be?

MS. GRAY: So in '25, we've got a number of things. One, we've got medical office and student housing. So those rates, right now we're seeing SOFR plus 200 for floating rate debt.

MR. COLLINS: And what's your average rate today in that?

MS. GRAY: Oh, for fixed, I would have to look that up. The average --

MR. COLLINS: I'm just curious about the spread.

MS. GRAY: Yeah. It's going to be significant.

MR. COLLINS: 200 basis points?

MS. GRAY: Yeah, I think, at least.

MR. COLLINS: Okay.

MS. GRAY: And finally, landing on the credit facility, as a reminder, we have a revolving credit agreement of $750 million which allows us to also have an accordion feature of 250 million. With this, we lend to our direct investments that are construction deals. The center chart shows the activity to date, whether we've closed, in progress, or

what is in the pipeline.

This chart looks a little complicated, but let me break it down and simplify it. So the blue line with the blue boxes, light blue, those are the cumulative draws over time for all the loans that we have in place. And the gold line is the dry powder of the credit facility. So as we draw down, that gold line will reduce. And so one of the things that we monitor is the amount of dry powder that we have over the life or expected draws that we have. And you'll see that our low point is 54 million in September of '25.

So at that point, or prior to that, we'll have to make a decision on whether we exercise that accordion feature or continue business as usual.

Any questions?

MR. CHAIR: When you said the spread was 200 -- sorry, I didn't hear that completely. It was -- spread was 200 in what context? You mentioned --

MS. GRAY: Oh, going back to principal investments leverage? That was just -- I would have to look up the actual rate of those loans that are maturing and just guess based on what we're seeing today in the market.

MR. CHAIR: Okay. And the rate on the facility is SOFR plus --

MS. GRAY: So the rate on the facility that we charge downstream is SOFR plus 125.

MR. CHAIR: 125. Okay.

MS. GRAY: And what we're seeing in the market today, if you were to go out for a loan on an industrial development, you'd see SOFR plus 300 or higher.

MR. CHAIR: Higher.

MS. GRAY: Depending on the --

MR. CHAIR: Depending on the market --

MS. GRAY: -- market.

MR. CHAIR: -- depending on the equity, amount of leverage, depending on -- yeah. But it's typically been higher than 300.

MS. GRAY: Right.

MR. L. TAYLOR: And just to kind of remind y'all -- very helpful and we had gotten some legislative authority a session ago to basically take this credit facility and apply it at more of a fund level, the real estate asset class level, to sort of have the ability

to access more cost effective financing for the total portfolio. So that is in the works in terms of what -- one of the things that's on our plate for the next year is to build out that larger credit facility, which would be available for more permanent financing, for more fixed rate financing, in a pool basis, it will allow us the flexibility to move capital in and out of that pool. So more to come there to maybe try to also help, as we look at the nature of the credit markets over the next year or so, to try to do what we can do to be as cost effective as possible.

MR. CHAIR: Any other questions, members of the Board?

No.

Okay. Lynne, thank you very much. Appreciate it. Good information.

I think we're on to item 11, so we're going to go back to Aon. And, Katie, you're up.

MS. COMSTOCK: Great. So we already covered two of the major mandates so my comments will be brief here. I have two more to cover and then I include the pension plan and the hurricane catastrophe funds.

And this is all, as a reminder, through the first quarter of 2024. So through March 31st. But at the end of the quarter, the plan had over $196 billion in assets under management. As you just heard, it was a strong quarter for -- particularly for public equity, and the fund grew over 6 billion for the quarter. And for the fiscal year-to-date period, the fund grew over $10 billion. And this was the result of over 15 billion in investment earnings.

Really quickly in asset allocation -- this, again, is as of the end of March. And the main takeaway here is that the portfolio is managed -- is in compliance with its policy. If you can read these numbers, they're rather small, but as you've heard, the asset allocation is continuing to make its way towards that newly approved long-term policy. So the global equity portfolio has moved from its long term previous target of 53 percent moving towards 45 percent. And it stands at the end of the quarter at around 49 percent of the portfolio.

Fixed income is increasing from what was an 18 percent target to 21. It is now at about 19 percent. And then just going down, private equity's at 9. We're looking to get it to 10 percent. Real estate, you just heard from Lynne, is looking to move up to 12 percent. And then strategic will be broken out to have active credit separately, a long-term target of 7 percent there and 4 percent for strategic.

So at the next quarterly report, we'll have the new asset class. But you can see the shift in assets has started, as you've heard earlier in this meeting.

On to performance here. Again, this is all net of fees. The first column there shows the total plan's returns through the end of March relative to the two benchmarks. The primary benchmark and then the absolute nominal target rate of return, which as a reminder, is CPI plus a range of 4 to 5 percent over time.

A strong quarter. And I'll focus on the fiscal year to date there. A strong period. This reflects July 23 through the end of March. The total fund are at 8.7 percent. Again, driven by the strong absolute returns across the public equity market.

You can see, longer term, how that's helped trailing performance. Over the five years, the portfolio earned 8.6 percent annualized return. 7.6 over the ten-year. And 9.9 percent annualized over the 15-year period. So really strong performance on an absolute basis.

Some modest underperformance here for the near term over the quarter of the fiscal year on the one year. As Lamar went over earlier on that performance attribution, that is largely driven by the mismatch in private equity relative to that public equity benchmark plus a premium. That's largely masking some outperformance of the other asset classes here. We understand that performance, but it is quite notable.

I would also highlight, as John did earlier, that long-term private equity has added value to the overall plan on the absolute basis and a relative basis. And that's how we want to look at private equity.

Longer term, though, the plan continues to outperform. And we would expect that. You

know, that mismatch works both ways for private equity. And over the long term, the plan has outperformed net performance benchmark over the five-, ten- and 15-year period. And over the long term, each of the asset classes has contributed to that outperformance over that ten-year period. So it's a good story all around.

And then looking at it relative to the absolute nominal target rate of return, again, the plan, given the strong performance across global equity markets in that over 50 percent of the plan has exposure there. That has really driven much of the outperformance of that benchmark. You can see, we tend to prefer to look at this over long term periods as well.

So on the following page, you can see the total plan performance relative to that long-term benchmark has outperformed over the 20, in the last 30 years. That 25-year period includes the dot com as well as the global financial crisis. So some modest outperformance for that one-year period for that 25-year period.

I would also note here, as we sit in the early parts of June, bonds are slightly flat to negative. Global equity was up about 1.5 percent. So we reported an 8.7 percent fiscal year-to-date return. And if we look at just public markets, we expect that to be a little bit higher as we sit here in the early parts of June.

MR. COLLINS: What is our current assumed rate of return, again, that we gave to the estimating conference?

MR. L. TAYLOR: 6.7.

MR. COLLINS: 6.7.

MS. COMSTOCK: When we did this report, we didn't have the updated TUCS pure information. I did get that in this morning, so I'll just speak to the numbers that I received really quickly here.

The asset allocation doesn't tend to change, and similar to comments in the past, the FRS had a bit more exposure to public equity at the expense of alternatives. That has been beneficial when we look at performance relative to peers given how well public equity has done.

Again, these are stale numbers. But if we

look at the updated numbers that just came in, the FRS ranks in the top quartile over that one-year period. Again, largely driven, probably, by its additional exposure to public equities relative to peers, and then as ranked at the median for the three- and five-year periods. So strong performance relative to peers.

And we'll see that allocation kind of shift more in line with peers, not that that's a goal, but as you reduce the public equity exposure, that's where the median plan is in this universe.

I'm going to move on to the Hurricane Catastrophe Funds unless there's any questions on the full pension plan.

All right. Just really quickly here. Here you can see performance, again, through March. As rates have increased, we're starting to see that flow through the returns here. You can see the one year is about 4.6 percent, which is nice to see. As rates stay where they're at, we'll start to see that trickle into the longer term performance. But just as a reminder, this is managed in a very short term, high quality liquid fashion, with the goals of preserving capital, providing liquidity, and then to earn a competitive return. And this mandate is achieving those objectives.

With that, I'll pause to see if there are any questions.

Okay. I'll hand it back over to you. Thank you.

MR. CHAIR: Thank you, Katie. Appreciate it.

Lamar, I think we're up to number 12. I believe we have some audience for public comment today. So just a reminder, I think we've got a handful of people. Public comment is limited to, I believe, three minutes per person. If we've got multiple people representing the same organization, I would ask you to maybe consolidate your comments within a spokesperson.

If you've just got a few people from the same organization, that's fine. But in some cases, you get a lot of people saying the same exact thing 80 times. We understand that this is a public forum and happy to hear the

comments because I know it's important. I know the message is very important. But we would ask you to try and limit the commentary to new information during each speaker. That would be more helpful for the Board to hear.

So with that, do we have registration for public comments?

Okay. Why don't you go ahead and call the first person.

And who's going to keep the time clock?

MS. WALKER: I'm going to do it.

MR. CHAIR: You're going to do it. Okay. Good.

MS. WALKER: Melissa, and I can't read your last name.

MR. COLLINS: If you want, you could give them a seat so they don't have to hold the microphone.

MR. CHAIR: Yeah, that might be easier.

MR. COLLINS: Sorry, Chairman.

MR. CHAIR: No, no. Good suggestion.

MS. JACKSON: Good afternoon. My name is Melissa Jackson and I am proud to be a bus driver for Marion County Public Schools.

Before joining the school district, I was an employee at the Marion County Sheriff's Department. I'm also a dedicated wife, mother, grandmother. And I'm devoted to my community.

Today I stand before you in solidarity in my union -- with my union brothers and sisters who are on strike at Gemtron. We are here to demand fairness and justice not only for the workers of Gemtron, but for all working people whose livelihoods depend on their pension. We work hard for our pensions and it's deeply troubling to see our pension dollars being used in ways that undermine not just our union but other pension funds and working people across the board.

Gemtron's decision is to replace a defined benefit pension plan with a 401(k) plan is not only unfair to the workers but also a bad decision -- business decision. This move will likely lead to higher employee turnover which means long-term cost for the company and its investors.

A stable and satisfied workplace is essential for any business's success and dismantling this pension plan threatens that stability. As an investor in Gemtron's parent

company, SSW Advanced Technologies through Trive, the Florida State Board of Administration has a financial interest in seeing this labor dispute resolved in a way that benefits everyone involved. We're not asking the Board to stop investing with Trive, instead, we urge the Board to use the influence as a limited partner to contract Trive and push for a fair resolution.

The State Board of Administration Investment Advisory Council should instruct Trive to ensure that Gemtron bargains in good faith with its workplace. Workers deserve respect, fair treatment and the security of their hard-earned pension. By taking this step, the Board can secure a positive outcome for the workers and safeguard the investment of all the stakeholders.

Thank you.

MR. CHAIR: Thank you.

MS. WALKER: Jordan Scott.

MR. COLLINS: Mr. Chairman, can I ask a question?

MR. CHAIR: Yes.

MR. COLLINS: So I'm assuming this is a private equity investment; is that right? That we're investing in a private equity fund that owns a company?

MR. CHAIR: I believe that we are an investor in fund four, but not fund two which is the fund that has an investment in Gemtron; is that correct?

MR. BRADLEY: That's correct. So we're --

MR. COLLINS: So we're not an investor in Gemtron or Gemtron --

MR. BRADLEY: Not in this fund that owns it, correct.

MR. SCOTT: The company is Trive, T-R-I-V-E.

MR. BRADLEY: We are an investor with Trive. Trive's a general partner. We're an investor in Trive fund four and recently committed to Trive fund five.

MR. COLLINS: But not an investor in the fund that has this?

MR. BRADLEY: Correct. Gemtron's and Trive's fund two, which we're not --

MR. COLLINS: Okay. Thanks.

MR. CHAIR: Yeah, I just wanted to be sure that that information was out there. The way

these funds are structured, you know, if we're in fund four, we've got no financial exposure whatsoever to this business and have no investments and no financial stake in the performance or the outcome of Gemtron whatsoever.

MR. SCOTT: -- no --

MR. CHAIR: It doesn't matter, no. So even if -- take a liberty here for a second, even if Gemtron were to go bankrupt, let's just say, right, they go bankrupt today at 3 o'clock, it doesn't affect the performance of the investment that the State Board of Administration has in fund four because none of the money that we've allocated to fund four is used whatsoever for fund two investments in any portfolio companies that fund two has. So I'm not trying to detract --

MR. SCOTT: Sure.

MR. CHAIR: -- or minimize what you're saying. Not saying I agree or disagree with the underlying sentiment, very valid points. Just for the record, the State Board of Administration has no financial interest whatsoever in Gemtron, which is in fund two.

We didn't start investing until the vintage of fund four, which would have been at least probably three or four years later. But please.

MR. SCOTT: Yeah. No. Absolutely. I'm just going to be very brief. My name's Jordan Scott. Both my girlfriend and I have FRS pensions. We're FRS pension members. I also spent two years working for the Division of Retirement. There were two other people here to speak, but they would have just mirrored what I said. They're also retired in the -- with FRS pensions.

And, you know, barring what you said -- barring what you just said and new information -- but I just want to express concern with the investments in Trive Capital as someone who's vested in the solvency of the FRS pension, who has a vested interest in the solvency of FRS pension, I fear there might be -- might not be a stable investment.

So I just want you to -- encourage you to take a look at it. And if it is something that could be at risk for the solvency of the FRS pension plan, you may want to give Trive a call

and, you know, express to them that -- express to them that it's in their interest and it's in the interest of the FRS pension plan to bargain in good faith. And I'll take that as it.

Thanks.

MR. CHAIR: Thank you. Appreciate it.

MS. WALKER: Colton Wells.

MR. WELLS: Ladies and gentlemen, my name's Colton Wells. My wife and I have four children. I am here representing my fellow union members and our families from Gemtron SSW Corporation in Vincennes, Indiana who are currently on strike due to an unfair labor practice. SSW has refused to bargain in good faith leading us to go on strike in order to protect our pensions.

By only affecting -- by only offering a take-it-or-leave-it offer, our union members will not be eligible to take early retirement, will no longer be able to add to any additional pension credits, while new employees will be left without a pension entirely.

As an employee of 32 years, having a defined pension plan has always been a huge benefit for working for this company. My coworkers depend on the IUPAT, Industry Pension Fund, for the retirement security just as Florida's public employees depend on the Florida Retirement System pension plan. I, along, with my other coworkers fear that replacing this pension with a 401(k) will lead to a turnover of employees leading to long-term costs for the company and its investors, which include the Florida State Board of Administration and other members of Trive.

I am here today to ask the State Board of Administration Investment Advisory Council to tell Trive, Gemtron's parent company, to come back to the table and bargain in good faith with our union.

Thanks for allowing me to speak on behalf of myself and my fellow union members at Gemtron SSW.

MR. CHAIR: Thank you.

MS. WALKER: Greg Webb.

MR. WEBB: One second.

Hello, my name's Greg Webb. I was -- I've been employed for 16 years at Gemtron. I just wanted to speak about the people that are there striking. There's dozens of people that were

going to retire, that since they put a hold on the pensions, they can't touch them till they're 65.

I have a friend whose name is Cindy. She's been working there for over 20 years. And she was going to retire at 58 because she has health issues, and she's been battling congestive heart failure, among other health issues. And she's 58 now and I just don't think that she would make it till she's 65 years old, seven more years, and she's battling congestive heart failure right now.

So that's just one story out of dozens that are there fighting and have been since.

I just want to say Gemtron did not negotiate with our union until the last day of the contract when the CBA ran out. Their final offer was increasing insurance costs by 5 percent, taking away our seniority, and freezing our pensions, which I considered to be a hostile negotiation.

I just wanted to get that point across that they're telling news medias that they're negotiating in good faith and they haven't and they're not. They haven't even started.

So that's all I wanted to say.

MR. CHAIR: Thank you.

MR. WEBB: Thank you.

MS. WALKER: David Jacobson.

UNIDENTIFIED SPEAKER: He left. He's --

MS. WALKER: Okay. That's it then.

MR. CHAIR: That's it? Okay.

Well, thank you all for the public comment today. We appreciate it.

Lamar, do you have any final closing comments?

MR. L. TAYLOR: No.

MR. CHAIR: Well, thank you all. Appreciate all the hard work that goes into this. I know these things just don't happen spontaneously. They take weeks and months of work. So we really appreciate it.

And any Board comments before we close?

Okay. Meeting adjourned. Thank you.

(Meeting concluded at 3:11 p.m.)

* * *

CERTIFICATE OF REPORTER

STATE OF FLORIDA

COUNTY OF LEON

I, Tracy Brown, certify that I was authorized to and did stenographically report the foregoing proceedings, and that the transcript is a true and complete record of my stenographic notes.

Dated this 10th day of July, 2024.

TRACY BROWN
Tallahassee, FL
Tbrown567@comcast.net

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INVESTMENT ADVISORY COUNCIL

IAC Prepared Comments

Lamar Taylor, Chief Investment Officer

State Board of Administration
September 16, 2024

SBA Major Mandate Performance

Official Performance Through: June 30, 2024

Managed Return

Mandate	1 Mo	3 Mo	1-Yr	3-Yr	5-Yr	10-Yr
FRS Investment Plan	1.30%	1.35%	13.09%	3.21%	7.69%	6.77%
Florida PRIME	0.46%	1.38%	5.71%	3.33%	2.37%	1.74%
Cat Fund	0.41%	1.27%	5.35%	1.55%	1.67%	1.48%
FRS Pension Plan	1.15%	1.65%	10.52%	3.65%	8.24%	7.39%
Asset Allocation	1.25%	1.40%	11.13%	3.58%	7.68%	6.67%
Global Equity xTrans	1.85%	2.36%	18.61%	4.57%	10.59%	8.63%
Fixed Income xTrans	1.08%	0.22%	3.83%	-1.62%	0.54%	1.58%
Real Estate	0.13%	-0.79%	-5.71%	4.15%	4.50%	6.97%
Private Equity	0.30%	3.38%	6.77%	7.75%	16.85%	15.53%
Strategic Investments	-0.03%	1.35%	8.10%	6.94%	7.45%	6.84%
Active Credit	0.20%	2.74%	0.00%	0.00%	0.00%	0.00%
Cash & Central Custody + Enhanced Cash	0.48%	1.29%	5.33%	2.31%	1.72%	1.35%

SBA Major Mandate Performance

Official Performance Through: June 30, 2024

Active Return

Mandate	1 Mo	3 Mo	1-Yr	3-Yr	5-Yr	10-Yr
FRS Investment Plan	-0.20%	-0.24%	-0.43%	-0.46%	0.01%	0.15%
Florida PRIME	0.03%	0.08%	0.38%	0.31%	0.24%	0.23%
Cat Fund	N/A	N/A	N/A	N/A	N/A	N/A
FRS Pension Plan	-0.08%	0.28%	-0.58%	0.03%	0.58%	0.72%
Asset Allocation	0.01%	0.03%	0.04%	-0.04%	0.02%	0.00%
Global Equity xTrans	-0.01%	0.00%	0.19%	-0.14%	0.21%	0.43%
Fixed Income xTrans	0.13%	0.15%	0.77%	0.31%	0.41%	0.30%
Real Estate	0.97%	1.72%	4.77%	2.15%	1.93%	1.24%
Private Equity	-1.73%	0.45%	-13.76%	0.26%	3.59%	4.39%
Strategic Investments	-0.32%	0.12%	-0.98%	-0.18%	-0.22%	0.79%
Active Credit	-0.29%	0.40%	0.00%	0.00%	0.00%	0.00%
Cash & Central Custody + Enhanced Cash	0.07%	-0.05%	-0.16%	-0.80%	-0.48%	-0.18%

FRS Pension Plan Asset Allocation

As of September 2, 2024 Market Close

($ millions)

	Global Equity	Fixed Income	Active Credit	Real Estate	Private Equity	Strategic Investments	Cash	Total
A. Current Position								
Current Portfolio Value (excl. pending tsfrs.)	$98,162	$43,077	$9,696	$18,693	$18,486	$12,523	$2,119.2	$202,756
Amount Over (Under) Tactical Policy Weight#	$1,297	($1,389)	--	--	--	--	$92	$0
Current % of Total Fund	**48.41%**	**21.25%**	**4.78%**	**9.22%**	**9.12%**	**6.18%**	**1.05%**	**100.00%**
Current Position Abv (Bel) Tactical Wgt. (in % pts)#	0.64%	-0.68%	0.00%	0.00%	0.00%	0.00%	0.05%	0.00%
B. Policy Target Weights & Ranges								
Policy High	60.00%	30.00%	12.00%	20.00%	20.00%	14.00%	5.00%	--
PW1: Fixed Policy Weights	**45.00%**	**21.00%**	**5.00%**	**12.00%**	**10.00%**	**6.00%**	**1.00%**	**100.00%**
PW3: Floating Policy Weights (per box C below)	47.77%	21.93%	4.78%	9.22%	9.12%	6.18%	1.00%	100.00%
PW4: Tactical Policy Weights (per box D below)#	**47.77%**	**21.93%**	**4.78%**	**9.22%**	**9.12%**	**6.18%**	**1.00%**	**100.00%**
Policy Low	35.00%	12.00%	2.00%	8.00%	6.00%	2.00%	0.25%	--
C. Private Market Reallocations								
Reallocation of Active Credit difference from PW1	0.15%	0.07%	0%	0%	0%	0%	0%	0.22%
Reallocation of Real Estate difference from PW1	1.81%	0.97%	0%	0%	0%	0%	0%	2.78%
Reallocation of Private Equity difference from PW1	0.88%	0%	0%	0%	0%	0%	0%	0.88%
Reallocation of Strategic Investments difference from PW1	-0.06%	-0.11%	0%	0%	0%	0%	0%	-0.18%
Totals reallocated to GE & FI	2.77%	0.93%	0%	0%	0%	0%	0%	3.70%
D. Target Weight Increment From TAA Tilt(s)								
	0%	0%	0%	0%	0%	0%	0%	0.00%
E. Pending But Unexecuted Transfers								-
These amounts are not reflected in the top row	$(33.9)	--	--				$33.9	$0.0
F. Private Market Asset Class Cash Holdings								
	--	--	--	$6.8	$87.2	$106.6	--	$200.6
G. Private Market Asset Class versus Fixed Policy Weights								
Amount Over (Under) Fixed Policy Weight	--	--	$(442.0)	$(5,637.9)	$(1,789.9)	$357.8	--	$(7,512.0)

"Tactical policy weight" refers to the row in blue in box B, labeled PW4, which is inclusive of the private market floating weights and any TAA tilt that may be in place.

FRS Pension Plan: Performance Contribution and Attribution Report for IAC

June 30, 2024

Name	Market Value (In Millions)	1 Month	3 Months	1 Year
Total Fund Return	**$ 198,229**	**1.15%**	**1.65%**	**10.52%**
Total Fund Policy Benchmark		1.24%	1.37%	11.09%
Total Fund Value Added		***-0.08%***	***0.28%***	***-0.58%***
Global Equity Asset Class xTrans Return	$ 93,929	1.85%	2.36%	18.61%
Global Equity Policy Benchmark		1.86%	2.36%	18.42%
Asset Class Value Added		**-0.01%**	**0.00%**	**0.19%**
Asset Class Contribution to Total Fund Return		***0.91%***	***1.16%***	***8.86%***
Attribution to Total Fund Value Added		***-0.01%***	***0.00%***	***0.09%***
Fixed Income Asset Class xTrans Return	$ 34,769	1.08%	0.22%	3.83%
Fixed Income Policy Benchmark		0.95%	0.07%	3.06%
Asset Class Value Added		**0.13%**	**0.15%**	**0.77%**
Asset Class Contribution to Total Fund Return		***0.20%***	***0.05%***	***0.62%***
Attribution to Total Fund Value Added		***0.02%***	***0.03%***	***0.13%***
Real Estate Asset Class Actual Return	$ 18,837	0.13%	-0.79%	-5.71%
Real Estate Policy Benchmark		-0.84%	-2.51%	-10.49%
Asset Class Value Added		**0.97%**	**1.72%**	**4.77%**
Asset Class Contribution to Total Fund Return		***0.01%***	***-0.08%***	***-0.67%***
Attribution to Total Fund Value Added		***0.10%***	***0.17%***	***0.58%***
Private Equity Asset Class Return	$ 18,386	0.30%	3.38%	6.77%
Private Equity Policy Benchmark		2.03%	2.93%	20.54%
Asset Class Value Added		**-1.73%**	**0.45%**	**-13.76%**
Asset Class Contribution to Total Fund Return		***0.03%***	***0.32%***	***0.63%***
Attribution to Total Fund Value Added		***-0.17%***	***0.03%***	***-1.33%***
Strategic Investments Asset Class Return	$ 12,553	-0.03%	1.35%	8.10%
Strategic Investments Policy Benchmark		0.29%	1.23%	9.08%
Asset Class Value Added		**-0.32%**	**0.12%**	**-0.98%**
Asset Class Contribution to Total Fund Return		***0.00%***	***0.09%***	***0.86%***
Attribution to Total Fund Value Added		***0.02%***	***0.04%***	***-0.08%***
Active Credit	$ 9,599	0.20%	2.74%	0.00%
Active Credit: Policy Benchmark		0.49%	2.34%	0.00%
Active Credit: Value Added		**-0.29%**	**0.40%**	**0.00%**
Asset Class Contribution to Total Fund Return		***0.01%***	***0.13%***	***0.00%***
Attribution to Total Fund Value Added		***-0.02%***	***0.01%***	***0.00%***
Cash CC + Enhanced Cash	$ 1,708	0.48%	1.29%	5.33%
Cash CC + Enhanced Cash: Policy Benchmark		0.41%	1.34%	5.50%
Cash CC + Enhanced: Value Added		**0.07%**	**-0.05%**	**-0.16%**
Asset Class Contribution to Total Fund Return		***0.01%***	***0.02%***	***0.07%***
Attribution to Total Fund Value Added		***0.00%***	***0.00%***	***0.00%***
Other**	$ 8,447			
Other Contribution to Total Fund Return		***-0.01%***	***-0.08%***	***0.10%***
Other Attribution to Total Fund Value Added		***-0.03%***	***-0.04%***	***0.00%***
Asset Allocation Contribution to Total Fund Return		***0.01%***	***0.03%***	***0.04%***
Asset Allocation Attribution to Total Fund Value Added		***0.01%***	***0.03%***	***0.04%***

* Totals might not add due to methodology and rounding

** Captures transition accounts, liquidity portfolios, and unexplained differences due to methodology.

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STATE BOARD OF ADMINISTRATION
OF FLORIDA

1801 HERMITAGE BOULEVARD, SUITE 100
TALLAHASSEE, FLORIDA 32308
(850) 488-4406

POST OFFICE BOX 13300
32317-3300

Date:	August 12, 2024
To:	Board of Trustees
From:	Sam McCall, Audit Committee Chair
Subject:	Quarterly Audit Committee Report

The State Board of Administration's Audit Committee met on August 12, 2024. Please see the attached agenda for the items discussed. Also please see the attached Office of Internal Audit & Inspector General Quarterly Report presented to the Audit Committee at the meeting.

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STATE BOARD OF ADMINISTRATION

Office of Internal Audit & Inspector General (OIA&IG) Quarterly Report to the Audit Committee

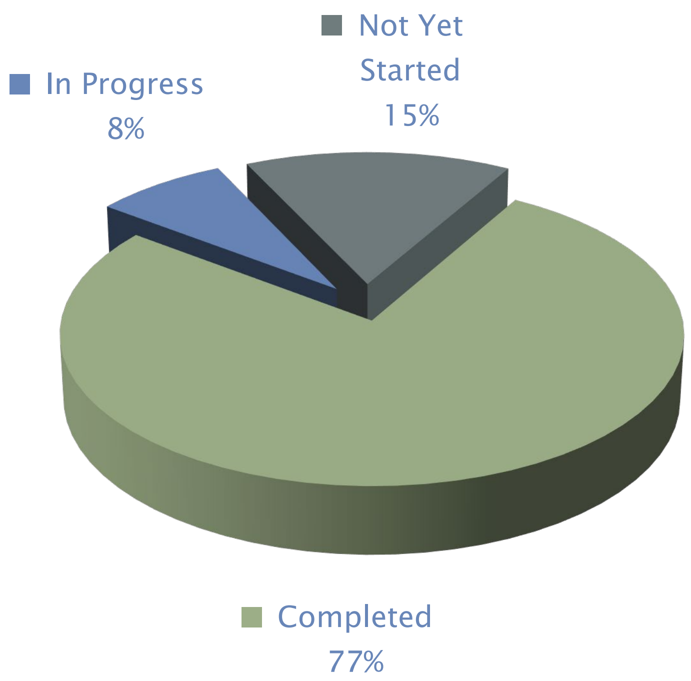
August 12, 2024

Table of Contents

Status of the FY 2023-2024 Annual Audit Plan

Status of the FY 2023-24 Annual Audit Plan

Internal Audit and Advisory Engagements



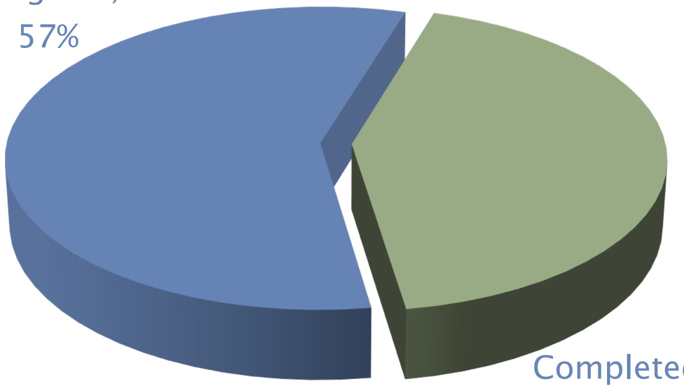
Highlighted: Completed since prior quarterly report.

Projects Status	Type	Planned Timing
Completed		
Public Market Manager Search/Selection (GE/FI/)	OIA&IG Operational Audit	Q1
Periodic Follow-up	OIA&IG Follow-up Audit	Q1-Q2
Periodic Follow-up	OIA&IG Follow-up Audit	Q2-Q3
Vendor Management	OIA&IG Operational Audit	Q1
Real Estate Credit Facility Program	OIA&IG Operational Audit	Q1/Q2
Cloud Computing	OIA&IG Advisory	Q1-Q3
Incentive Compensation	OIA&IG Operational Audit	Q4
Futures Rolling	OIA&IG Flash Audit	Q3
Human Resources and Payroll	OIA&IG Operational Audit	Q1-Q3
CIS/CSC Framework	OIA&IG Advisory	Q3/Q4
In Progress		
Critical Programming/Shadow IT (Carryforward)	OIA&IG Advisory	Q3
Not Started		
Account Opening Workflow	OIA&IG Advisory	Q3
Securities Settlement, Clearing, Corp Actions	OIA&IG Operational Audit	Q4

The Fixed Income Credit Monitoring Audit is also in progress. It is part of the FY24-25 AAP.

Status of the FY 2023-24 Annual Audit Plan

- Special Projects, Risk Assessments, Annual Audit Plan and QAR

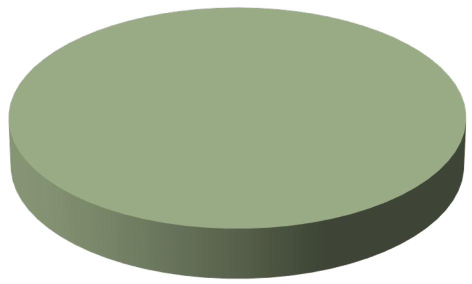


Project Status	Type	Planned Timing
Completed		
Annual Risk Assessment	OIA&IG Risk Assessment	Q3-Q4
Annual Audit Plan	OIA&IG Risk Assessment	Q4
Annual Quality Assessment Review - Self-Assessment	OIA&IG Quality Assurance	Q4
In Progress		
Meradia Phase 4 - Middle Office Modernization Project	OIA&IG Special Projects	Q1-Q4
AuditBoard Configuration Updates and New Templates	OIA&IG Special Projects	Q1-Q4
Continuous Risk Assessment	OIA&IG Risk Assessment	Q1-Q4
Complimentary User Entity Control Testing Validation	OIA&IG Special Projects	Q1-Q4
Not Started		
None		

Highlighted: Completed since prior quarterly report.

Status of the FY 2023-24 Annual Audit Plan

- External Engagement Oversight



Project Status	Service Provider	Type	Planned Timing
Completed			
AG Financial Systems – PSFS, Eagle, PRIME	Auditor General	External Operational Audit	Q2/Q3
Florida Retirement System (FRS) Trust Fund	Crowe	External Financial Statement Audit for FY22-23	Q1/Q2
FRS Investment Plan Trust Fund	Crowe	External Financial Statement Audit for FY22-23	Q1/Q2
Florida Hurricane Catastrophe Fund	Crowe	External Financial Statement Audit for FY22-23	Q1/Q2
Network Security Assessment, outsourced	Peraton	External IT Assessment	Q1/Q2
Florida PRIME Financial Statement Audit	Auditor General	External Financial Statement Audit for FY22-23	Q1/Q2
Florida Growth Fund Initiative	OPPAGA	External Review	Q1/Q3
AG Operational Audit – FHCF	Auditor General	External Operational Audit	Q1/Q2
AG Statewide Financial Statement Audit	Auditor General	External Financial Statement Audit for FY21-22	Q1/Q3
In Progress			
None			
Not Started			
None			

The following projects on the FY24-25 AAP are in progress: The External Financial Statement Audits for FY23-24 by Crowe and the Auditor General and the Network Security Assessment by Peraton.

Completed Projects & Status of Management Action Plans/Recommendations

Payroll and Human Resources Operational Audit

Executive Summary: Our risk-based Payroll and Human Resources audit assessed the existence, adequacy and effectiveness of key internal controls, the efficiency of selected processes, and compliance with relevant policies and procedures for the processes indicated below for the period July 1, 2022, through October 31, 202. In certain cases, we reviewed information subsequent to our cut-off date to provide updated information.

- Recruitment including compensation and benefits
- Onboarding programs
- Retention, training and development including succession planning
- Payroll processing
- Employee terminations and transfer
- Access authorizations, reviews, and removals for relevant above areas and employees' tenure at the SBA

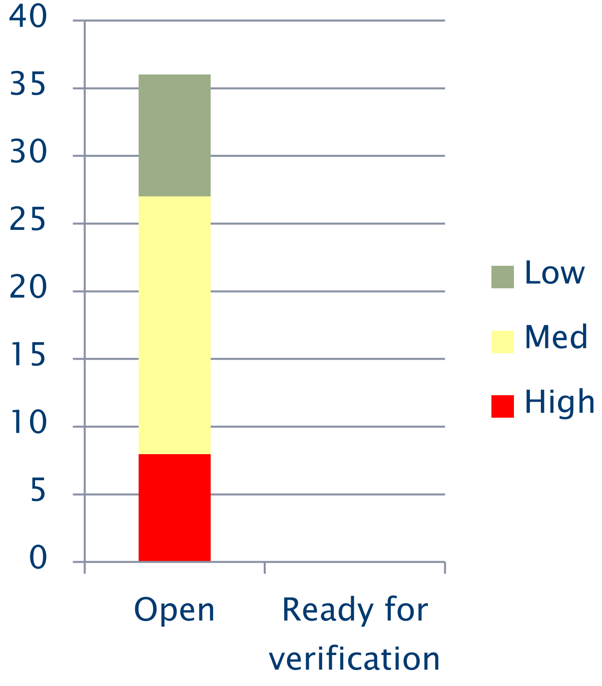
Legend for Control Effectiveness Rating	Key Controls
Effective	61
Improvement Needed	9
Not Effective	0
Not Tested (tested in other audits, etc.)	0
Total Key Controls	**70**

Based on the procedures performed, we are of the opinion that processes are in place, operational, and provide reasonable assurance that Payroll and Human Resources processes are in compliance with applicable SBA policies and guidelines. However, the review did result in one high-risk finding detailed below where processes or controls could be strengthened:

Reportable Findings			
Risk	**Description**	**Status**	**Target Date**
High	Inappropriate, unnecessary, or excessive access given to FinOps shared drives	In progress	09/30/2024

Additionally, the Audit resulted in three medium observations and one low risk observation. Management has agreed to all recommendations except for one low-risk observation, to which Management believes that the current process adequately addresses the risk identified and has accepted the risk. Management is working to implement appropriate process changes to mitigate the risks identified for other observations.

Status of Management Action Plans–Audits



Report Title	Report Date	Risk Rating for Open Recs: High	Risk Rating for Open Recs: Med	Risk Rating for Open Recs: Low	Status: Open	Status: Ready for verification	Status: *Verified during Qtr*
Private Equity Operational Audit 2021	9/9/2021		1	1	2		
Derivatives Collateral and Cash Management Operational Audit	3/31/2022			1	1		
Performance Reports for Alternative Investments Operational Audit	9/19/2022	2	1		3		
Cybersecurity Incident Response Plan Operational Audit	5/10/2023		2	1	3		
Real Estate Externally Managed Portfolios Search and Selection Audit	5/31/2023		1		1		
Public Market Manager Search and Selection Audit	9/8/2023			1	1		
AG IT Operational Audit 2023	11/1/2023		1		1		*1*
AG IT Operational Audit 2023 – Confidential	11/1/2023		4		4		*1*
AG FHCF Operational Audit and Follow-up 2023	11/20/2023						*1*
Vendor Management Operational Audit	12/19/2023		1		1		*1*
Real Estate Credit Facility Operational Audit	4/30/2024	1	1	2	4		
Futures Rolling Flash Audit	4/30/2024			1	1		
Incentive Compensation Operational Audit	5/3/2024	4	4	2	10		*1*
Payroll and Human Resources Operational Audit	7/17/2024	1	3		4		
		8	19	9	36	0	
		22%	53%	25%	100%	0%	

For details, see Appendix A.

Changes highlighted in yellow

Management Action Plans relate to findings from audits performed by internal or external auditors. The OIA&IG monitors and performs follow-up procedures on the management action plans in accordance with the IIA Standard 2500. A1. In certain cases, follow-up procedures are performed by external auditors.

Status of Recommendations – Advisory Projects

Report Title	Report Date	Status: Open	Status: Closed per Mgmt	Status: *Closed by Peraton*[2]	Status: *Closed per OIA&IG Risk Assessment*[1]
Security Configuration and Vulnerability Management Advisory[1]	8/3/2021	2			*1*
Identity and Access Management Advisory[1]	9/27/2022	3			
Network Security Assessment 2022 (Peraton)[2]	11/14/2022		26		
Governance, Risk Management, and Compliance Assessment (Funston)[1]	6/26/2023	16	1		*11*
Network Security Assessment 2023 (Peraton)[2]	11/9/2023	7	22		
Cloud Computing Advisory[1]	5/6/2024	2			*1*
CIS/CSC Advisory[1]	7/25/2024	20			
		50	49		

Changes highlighted in yellow

Advisory Recommendations made by OIA&IG or external consultants resulting from an assessment of a program or activity such as governance, risk management, compliance, ethics, etc. The OIA&IG monitors the disposition of these recommendations in accordance with the IIA Standard 2500.C1."

[1]At the advice of the Audit Committee, the OIA&IG closes Advisory Recommendations that management represented as "complete" once the OIA&IG has considered those in the risk assessment, which is reviewed quarterly by the OIA&IG.

[2]Recommendations will be reviewed for remediation and closure as part of the subsequent Network Security Assessment.

Data Analytics

OIA&IG Data Analytics Strategic Goals

1. Risk Assessments	2. Engagement Planning and Execution	3. Continuous Monitoring or Auditing
A. Use data analytics to identify high risk areas to include in OIA&IG's annual audit plan B. Refine continuous monitoring of key risk indicators to determine if changes to the annual audit plan are needed (continuous risk assessment)	A. Utilize existing continuous analytics across the program to further support engagement planning and execution	A. Evaluate old dashboards to determine opportunities to update and/or incorporate into OIA&IG's internal assessments

4. Overall Program Goals
A. Continue to support sustainability of continuous analytics through additional automation, live connections, and support of SBA's use of data analytics tools and data governance. B. Support the SBA's data governance efforts, which will have a trickle-down effect to enterprise-wide data, including OIA&IG's data analytics.

Data Analytics Key Accomplishments from FY 2023 – 2024

Key Accomplishments

- OIA&IG staff have attended at least one Power BI training.
- Expanded the coverage of monitored processes in continuous risk assessment program by developing an additional Power BI report and enhancing existing reports.
- Transitioned one continuous monitoring report from Tableau to Power BI and streamlined the report refresh process with direct data connections.
- Created two Power BI reports to support investment audit engagements.
- Tested more than 50% of the key controls using data analytics in the Vendor Management audit
- Streamlined the Recommendation Monitoring report generation process by utilizing Power BI Paginated Report
- Developed a prioritization exercise on transitioning more reports from Tableau to Power BI

Power BI reports developed in FY2023-2024

Data Analytics Opportunities for FY 2024 – 2025

Opportunities
• Develop more data analytics reports using Power BI for the Continuous Risk Assessment to continually expand its coverage. • Enhance the Fixed Income Power BI report by incorporating additional analysis and improvements during the Fixed Income Internal Trading audit • Transition at least one more continuous monitoring report to the Power BI platform • Further streamline the data source and report update process with increased automation or direct connections • Stay alert for more opportunities to leverage data analytics in audit engagements

Inspector General Report

Inspector General Update

- The Chief Audit Executive & Inspector General is responsible for investigations regarding the following:
  - Fraud
  - Theft
  - Internal control failures
  - Allegations of non-compliance with laws and/or policies

- Through an 800 number, SBA employees, service providers, and others may anonymously report tips or information related to fraud, theft, or financial misconduct. The telephone number and information is prominently displayed on the SBA intranet home page. Online reporting is also available. Additionally, the hotline information is available on the SBA internet site as part of the SBA contact page.

- Any complaint, including whistleblower complaints, received through the anonymous hotline or other means, will be documented in a log of all complaints received through the OIA&IG Office or the General Counsel & Chief Ethics Office. The log will indicate which complaints, if any, are considered whistleblower complaints. As of December 2023, pertinent investigable complaints made to the Senior Operating Officer-HR will also be logged in accordance with the change in the Discrimination and Harassment Prevention and Complaint Process (Policy 10-254) to include "***Upon receipt of the complaint, the SOO-HR or Director of HR will notify General Counsel & Chief Ethics Officer and Chief Audit Executive & Inspector General. The Chief Audit Executive & Inspector General will maintain a log of all complaints.***"

- During the quarter, no complaints were received via the hotline. One complaint was received by HR; however, the complaint was not relevant to the SBA. *(See the next slide for the complaint log statistics.)*

Complaint Log Statistics (For fiscal year 2023-24)

# Received via hotline	# Received via other means	# Relevant to the SBA with investigations conducted	# Considered whistleblower complaints	# Closed with violations	# Closed with no violations
2	2	2	0	0	2

Confirmed with the General Counsel & Chief Ethics Officer and the Senior Operating Officer – Human Resources that no other complaints were received in their respective areas of responsibilities.

OIA&IG Strategic Plan

Status of OIA&IG FY23-24 Strategic Plan

SBA Goals	OIA Strategic Objectives	Supporting Initiatives	Expected Timing
Cultivate Talent and Leadership	Attract, retain, and develop highly effective audit professionals.	Each staff member to obtain at least one of the certifications listed as preferred in their respective position description.	Varies by staff
		Staff who have not attended SBA's Toastmasters become members and attend meetings. *(Also ties to the results from the SBA employee survey)*	Monthly
		All staff attend IIA training on the new Global Internal Audit Standards.	Closed
		Request a new FTE for a Senior IT Auditor during budgeting process for FY24-25. *Not approved for FY24-25.*	N/A
	Enhance OIA staff understanding of the SBA and the financial services industry.	Attend all SBA offered informational sessions.	Various dates
		Attend SBA sponsored ITCI trainings, including Understanding Investments & Derivatives and Emerging Issues.	Nov & Feb each year
Enhance SBA Brand Value	Sustain strong relationships with peers in the financial services industry and auditing profession.	At least two members of OIA attend each APPFA conference.	May & Nov each year
		Attend audit-related conferences/lunch trainings.	Various dates
		During pre-planning for projects, utilize the new template to consider stakeholders communication preferences.	Closed
		Add introduction section to the entrance conference agenda for stakeholders and OIA to provide their backgrounds.	Closed
Enhance Operating Effectiveness	Enhance use of technology internal and external to the OIA.	OIA to attend training on Microsoft Power BI. (Also ties to the SBA goal – Increase Quantitative-driven Decisions)	Closed
		Transition recommendation monitoring from Tableau to AuditBoard. (QAR Self-Assessment)	Closed
		Use AuditBoard to develop dashboards for reporting to the Audit Committee. (Funston GRC Assessment)	Closed
		Utilize AuditBoard to document the self-assessment components (both with and without the independent validation) of the QAIP program as a separate audit in the system. (QAR Self-Assessment)	Closed
		Utilize AuditBoard for performing consulting projects. (QAR Self-Assessment)	Closed
		Develop a template within AuditBoard for "Flash Audits".	Closed
		Budget for and acquire the AuditBoard risk module to cease use of the ERM module in Logic Manager.	Acquisition Complete
		Contribute to SBA's Data Modernization through participation in the Meradia project throughout the life of the project.	End of FY2024-25
	Enhance the risk assessment process.	Develop a risk assurance map, a graphical representation of risks and coverage, covering all high-risk areas in the annual audit plan for presentation to the Audit Committee. *(Funston GRC Assessment)*	In process
		Broaden staff input on risk assessment beyond senior management and conduct personal interviews in high-risk areas during risk assessments. *(Funston GRC Assessment)*	Closed
		Obtain input from the Senior Management group on the annual audit plan for inclusion in the presentation prior to Audit Committee approval. *(Funston GRC Assessment)*	Closed

Proposed OIA&IG FY24-25 Strategic Plan

SBA Goals	OIA Strategic Objectives	Supporting Initiatives	Expected Timing
Cultivate Talent and Leadership	Attract, retain, and develop highly effective audit professionals.	Each staff member to obtain at least one of the certifications listed as preferred in their respective position description.	Varies by staff
		Staff who have not attended SBA's Toastmasters become members and attend meetings. *(Also ties to the results from the SBA employee survey)*	Monthly
		Include training in staff meetings on various audit topics, e.g. WP effectiveness, AB refresher, flowcharting, quality review of WPs and reports, etc.	Various dates
		Request a new FTE for a Senior IT Auditor during budgeting process for FY25-26.	May 2025
	Enhance OIA staff understanding of the SBA and the financial services industry.	Attend all SBA offered informational sessions.	Various dates
		After projects are complete, conduct a teach back session at the OIA&IG staff meetings to inform the group about the related project. Also provide the final reports to the team.	Various dates
		Attend SBA sponsored ITCI trainings, including Understanding Investments & Derivatives and Emerging Issues.	Nov & Feb each year
Enhance SBA Brand Value	Sustain strong relationships with peers in the financial services industry and auditing profession.	At least two members of OIA attend each APPFA conference.	May & Nov each year
		Attend audit-related conferences/lunch trainings.	Various dates
Enhance Operating Effectiveness	Enhance use of technology internal and external to the OIA.	Transition the risk assessment process from LogicManager to AuditBoard now that the risk module has been acquired.	By December 2024
		Move selected dashboards from Tableau to Power BI.	FY2024-25
		Contribute to SBA's Data Modernization through participation in the Meradia project throughout the life of the project.	End of FY2024-25
	Enhance the risk assessment process.	Develop a risk assurance map, a graphical representation of risks and coverage, covering all high-risk areas in the annual audit plan for presentation to the Audit Committee. *(Funston GRC Assessment)*	By December 2024
		Develop a matrix of projects and which businesses units will be impacted including the timing of the projects.	July 2024
		Include the OIA&IG standard for review comments to be included within AuditBoard, either the workpaper or AB comment section.	July 2024
		Transition to the Global Internal Audit Standards (manuals, templates, etc.). Note: Effective date of new Standards is February 2025.	By August 2024
		Enhance quality review of reports by having a grammatical review performed prior to CAE&IG review and overall QAR.	July 2024

FY 2022-23 OIA Metrics

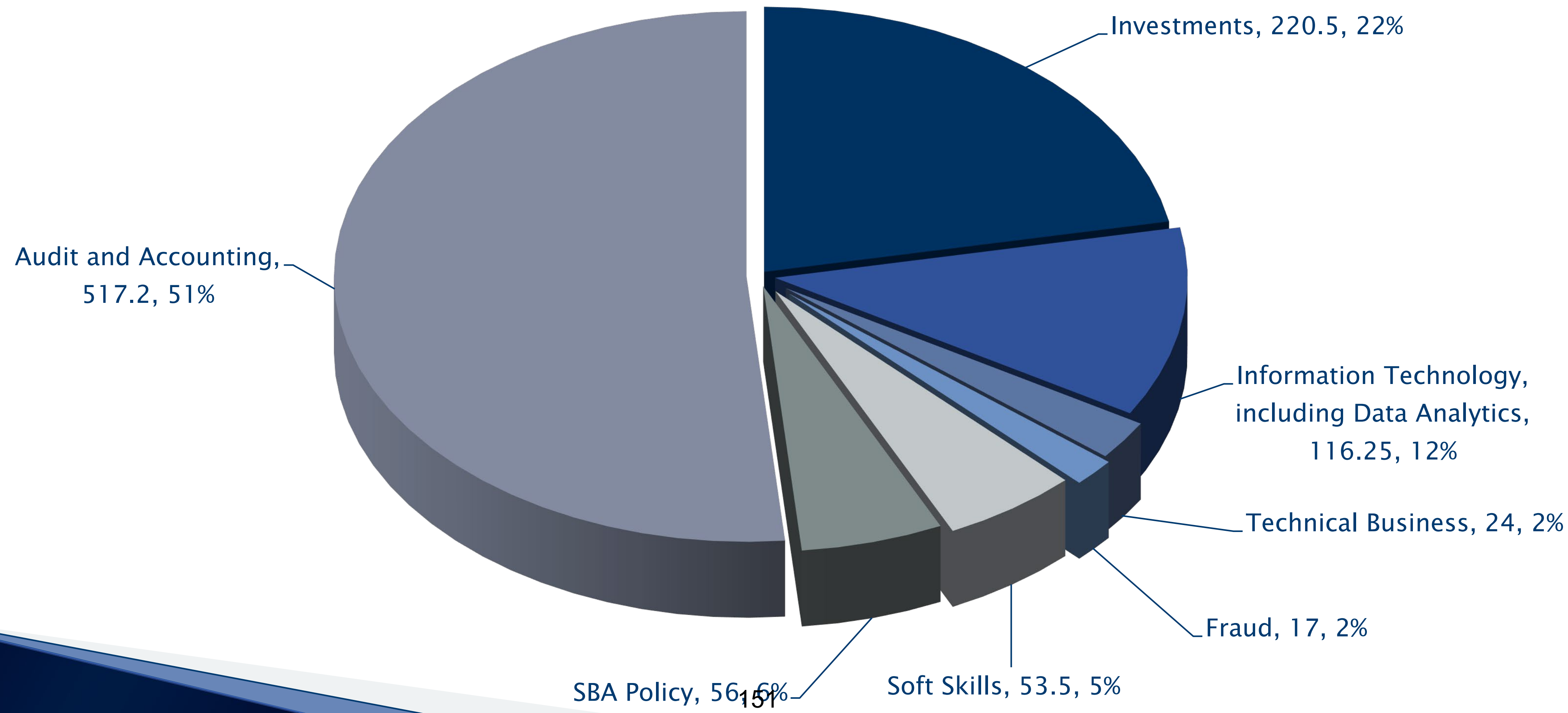
Budget to Actual Comparison FY 2023-24

Category	Budget	Percent	Actual	Percent	Budget to Actual Over / Under	Explanation for any difference greater than 2%
Audit/Advisory Projects	7,051	44.61%	6,906	42.30%	2.31%	Less internal staff time spent on the projects co-sourced with Weaver than anticipated
Quality Assessment Review	128	0.81%	204	1.25%	-0.44%	
Oversight of External Auditors	410	2.59%	360	2.20%	0.39%	
Inspector General Activities	0	0%	119	0.73%	-0.73%	
Special Projects	612	3.87%	301	1.84%	2.03%	Less time spent on the Meradia project than anticipated
Risk Assessment	474	3.00%	579	3.55%	-0.55%	
Audit Committee	338	2.14%	400	2.45%	-0.31%	
Leave and Holidays	3,720	23.53%	4,000	24.50%	-0.97%	
Continuing Education	1,328	8.40%	1,483	9.08%	-0.68%	
Administrative	1,746	11.05%	1,976	12.10%	-1.05%	
Total	**15,807**	**100%**	**16,328**	**100%**		

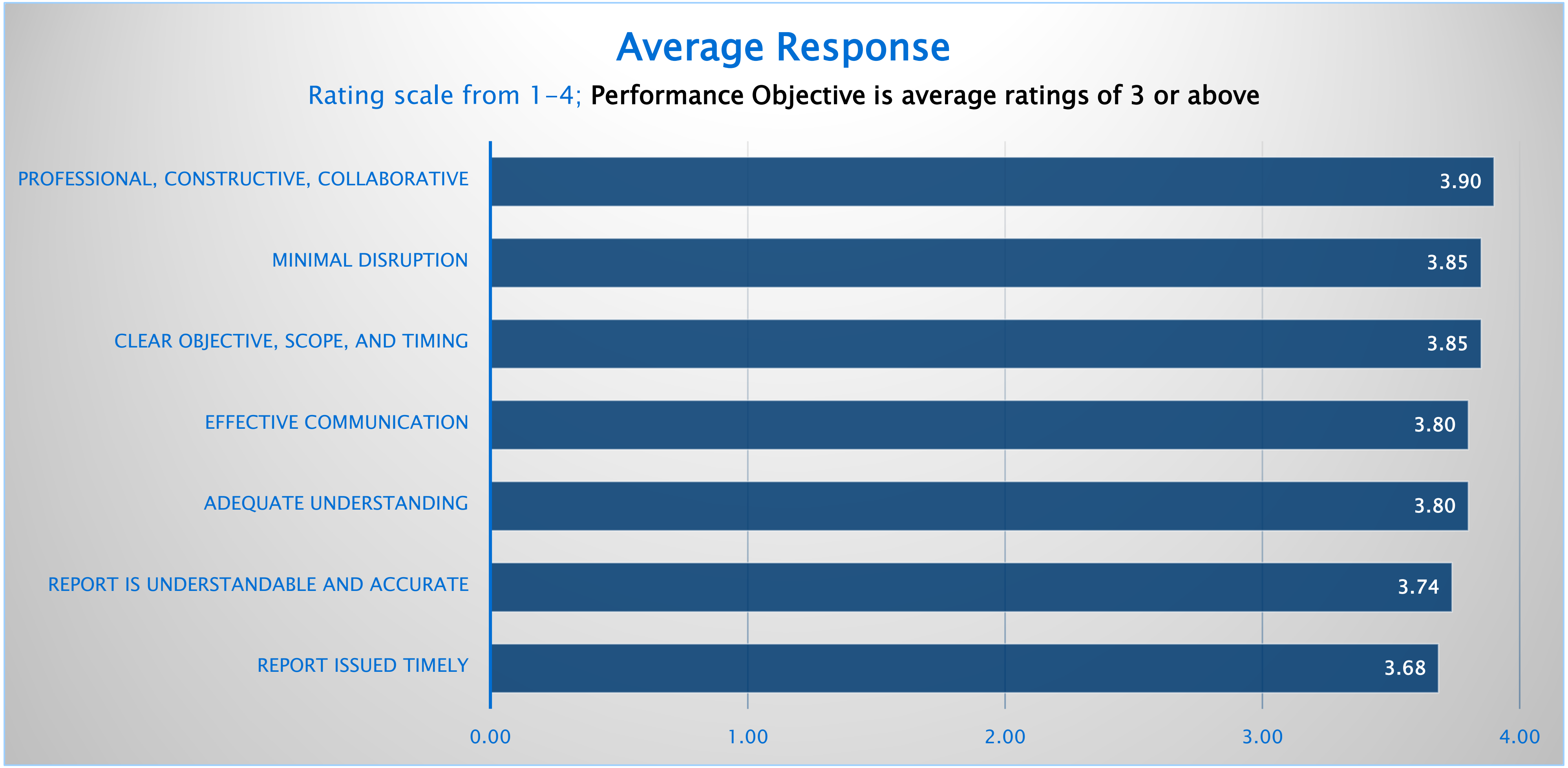
Professional Staff Training FY 2023-24

Training Hours by Type

Performance Objective is to obtain at least 40 hours of training per person

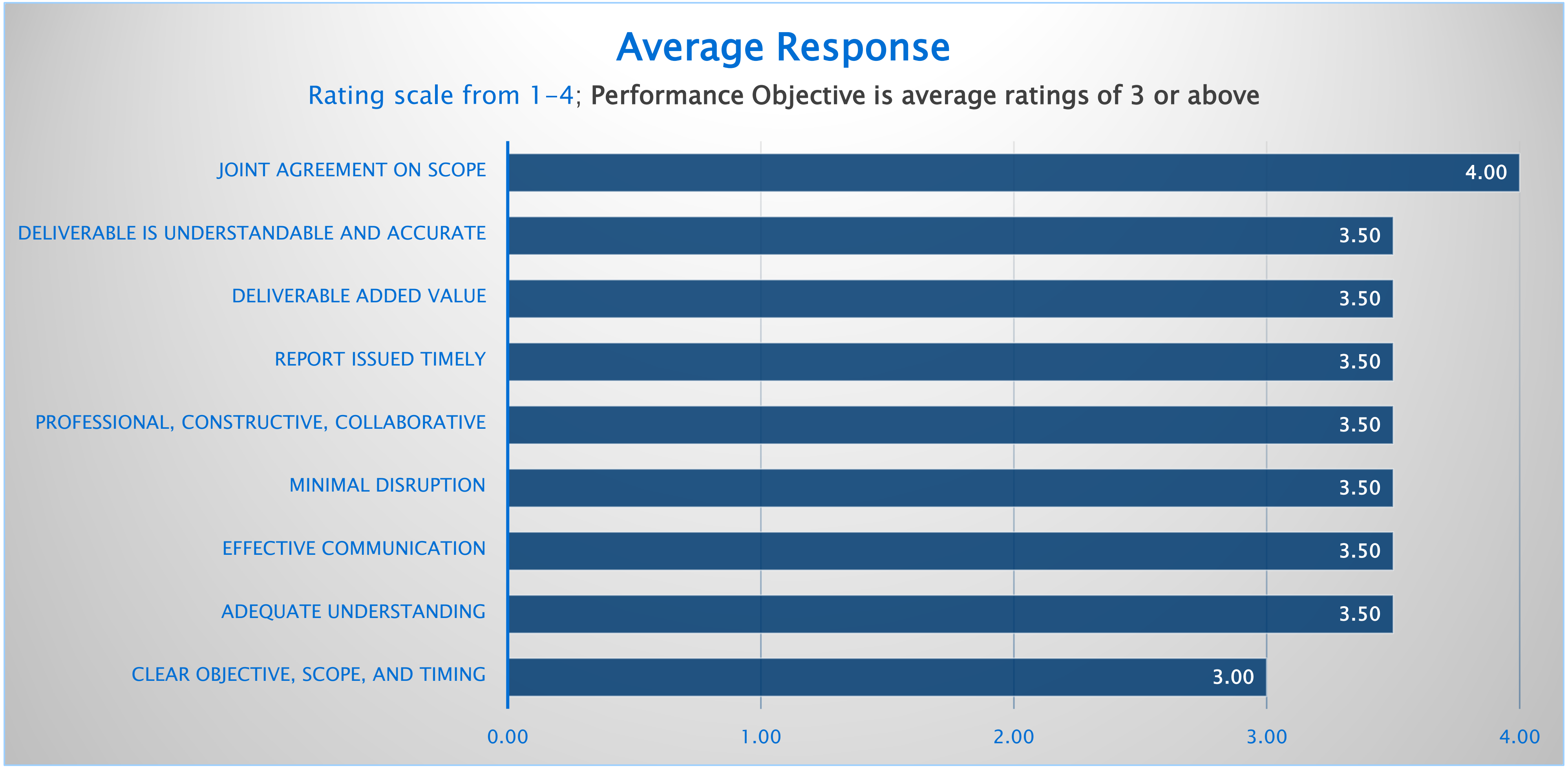


2023-24 Client Survey Results: Audit



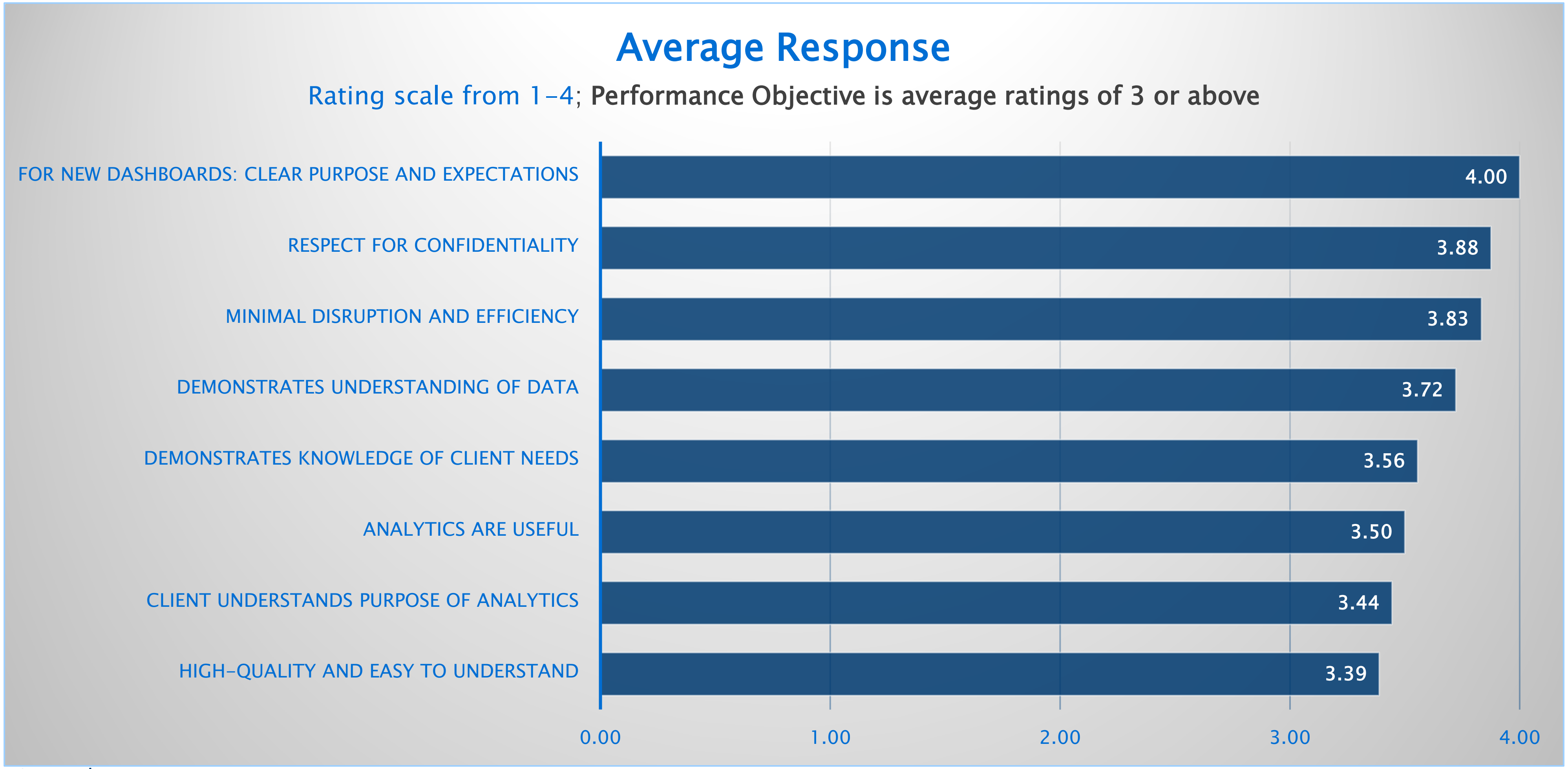
<u>Legend</u>:
4 – Excellent
3 – Good
2 – Fair
1 – Poor

2023-24 Client Survey Results: Advisory



Legend:
4 – Excellent
3 – Good
2 – Fair
1 – Poor

2022-23 Client Survey Results: Data Analytics



Legend:
4 – Strongly Agree
3 – Agree
2 – Disagree
1 – Strongly Disagree

Note: Surveys for all continuous analytics are sent annually. Continuous analytics that were put into production after completion of the annual survey, if any, will be reflected in the following year survey results.

Other OIA&IG Activities

Other Items for Discussion

- Remaining Audit Committee 2024 Meeting Date
  - November 18

- Proposed Audit Committee Dates for 2025
  - February 24
  - May 19
  - August 18
  - November 24

- Upcoming in 2024 - APPFA conference in Tallahassee
  - Conference will be held at the AC Hotel Nov 4-7, 2024

Questions/Comments

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

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STATE BOARD OF ADMINISTRATION
OF FLORIDA

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MEMORANDUM

To: Chris Spencer
From: Michael McCauley
Date: August 26, 2024
Subject: Quarterly Standing Report - Investment Programs & Governance (IP&G)

GLOBAL PROXY VOTING & OPERATIONS

During the ***second quarter of 2024***, SBA staff cast votes at 6,943 meetings worldwide, voting on ballot items including director elections, audit firm ratification, executive compensation plans, mergers & acquisitions, and a variety of other management and shareowner proposals. These votes involved 76,634 distinct voting items—voting 82.2% "For'' and 15.3% "Against/Withheld," with the remaining 2.5% involving abstentions. Of all votes cast, 15.1% were "Against" the management-recommended vote. SBA proxy voting occurred in sixty-three countries, with the top five by meeting volume comprised of the United States (2,167), Japan (964), China (891), India (278), and South Korea (22).

In ***FY2024***, SBA staff cast votes at 12,584 meetings worldwide, voting on ballot items including director elections, audit firm ratification, executive compensation plans, mergers & acquisitions, and a variety of other management and shareowner proposals. These votes, which represent an 3.2% increase over FY2023 levels, involved 9,289 companies with 114,660 distinct ballot items—voting 82.3% "For'' and 15.6% "Against or Withheld," with the remaining 2.1% involving abstentions. Of all votes cast, 15.4% were "Against" the management-recommended vote. In FY2024, SBA proxy voting occurred in sixty-seven countries, with the top five by meeting volume comprised of the United States (2,747), China (2,387), India (1,424), Japan (1,306), and South Korea (609). See the section below titled "Proxy Season Review" for more detailed statistics on SBA voting activities.

CORPORATE GOVERNANCE & PROXY VOTING OVERSIGHT GROUP

The most recent meeting of the Corporate Governance & Proxy Voting Oversight Group (Proxy Committee) occurred on June 25, 2024, and the next meeting will be held on September 26, 2024. The Proxy Committee continues to review ongoing governance issues including the volume and trends for recent SBA proxy votes, company-specific voting scenarios, corporate governance policies, governance-related investment factors, major regulatory developments and individual company research related to the Protecting Florida's Investments Act (PFIA), and other statutory investment restrictions related to China, Israel and Venezuela.

NEW SEC FILING N-PX

On August 13, 2024, SBA staff completed the inaugural filing of proxy voting data as required by the Securities and Exchange Commission (SEC) Form N-PX. The SEC adopted amendments to Form N-PX on November 2, 2022. Form N-PX has been used for over two decades by institutional investors to report their proxy voting with respect to securities of public companies that they hold. The SEC's amendments to Form N-PX, effective July 1, 2024, extend the proxy voting reporting requirements to institutional investment managers who are required to file Form 13F. These managers, including the SBA, must now file Form N-PX to report how they voted on executive compensation issues, such as say-on-pay, say-on-frequency, and golden parachutes. The SEC adopted the following two-part test to determine whether a manager “exercises voting power” -- the manager both (1) has the power to vote, or direct the voting of, a security, and (2) “exercises” this power to influence a voting decision for the security.

Previously, Form N-PX was only required for registered investment companies like mutual funds and ETFs. Key points of the new requirements include: 1) Scope expansion—institutional investment managers subject to Section 13(f) of the Securities Exchange Act of 1934 are now required to file Form N-PX to disclose proxy votes related to executive compensation (approval of executive compensation (“say-on-pay”), executive compensation vote frequency (“say-on-frequency”), and votes on compensation agreements for departing executives following an extraordinary transaction (“golden parachutes”); 2) Initial filing period—the first filing will cover the period from July 1, 2023, to June 30, 2024, and is due by August 31, 2024; 3) Electronic filing—reports must be submitted electronically in extensible markup language (XML) format; 4) Two-part test for voting power—managers must report only if they have voting power over a security and have exercised that power; and 5) Simplified reporting—in cases where all votes are reported by others or the manager did not exercise any voting power, simplified reporting is allowed.

The amendments to Form N-PX were proposed to “enhance the information” funds currently report and to make that information “easier to analyze.” Specifically, the new requirement that institutional investment managers report on say-on-pay votes was proposed to “complet[e] implementation” of section 951 of the Dodd-Frank Act which requires disclosure of votes on executive compensation. Form N-PX includes numerous proxy voting dimensions including: the issuer of the security; the shareholder meeting date; identification of the matter voted on; the number of shares voted (or zero if no shares were voted); the number of shares that the reporting entity loaned and did not recall; how the shares were voted (including if votes were cast in multiple manners); and whether the votes were for or against management’s recommendation. The SBA utilized the services of Glass, Lewis & Co., its proxy voting agent, to assist in the development of the XML file that was filed directly with the SEC.

LEADERSHIP & SPEAKING EVENTS

Staff periodically participates in investor and corporate governance conferences and other meetings. Typically, these events include significant involvement by the largest asset owners and managers, corporate directors, senior members of management, and other key investor or regulatory stakeholders. The following items detail involvement at events that occurred most recently:

- In late June, SBA staff participated in the 2024 Corporate Governance Roundtable sponsored by Pomerantz LLP. Staff spoke on a panel touching on key corporate governance topics and lessons learned from historical governance failures. Additional event topics included greenwashing and corporate engagement strategy.

- In July, SBA staff participated in a quarterly Board of Directors meeting with the Council of Institutional Investors (CII), covering a variety of organizational issues.

- In August, SBA staff participated in the Summer Teleconference of the Independent Steering Committee of Broadridge Financial, covering a number of governance and proxy vote tabulation issues.

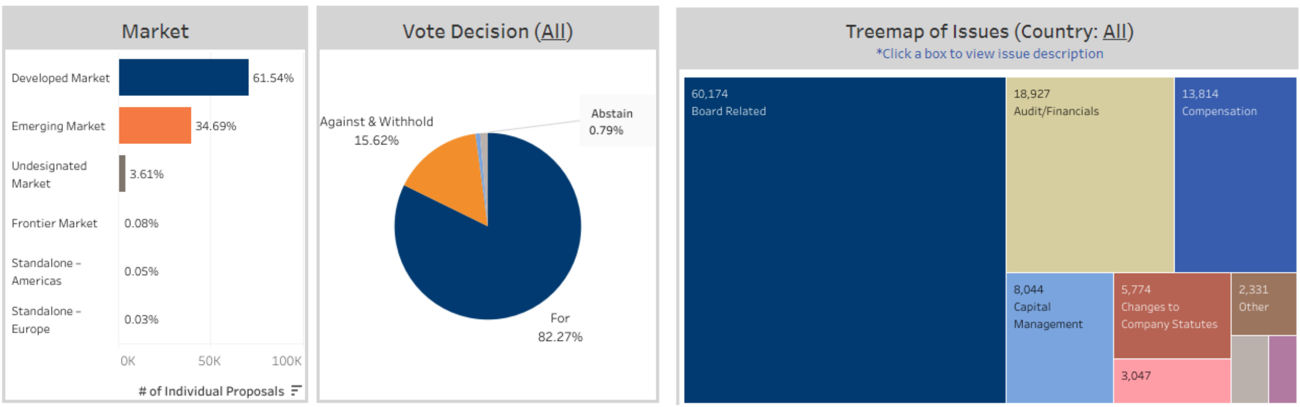
- In early September, SBA staff participated in CII's Spring Conference, which covered a wide variety of corporate governance and proxy voting topics. Staff participated in a quarterly Board of Directors meeting and attended numerous panel discussions and breakout sessions during the event, including the Fall meeting of its Proxy Voter Group. The SBA has been an active member of CII for over 35 years.

ACTIVE OWNERSHIP & CORPORATE ENGAGEMENT
The SBA actively engages portfolio companies throughout the year, addressing corporate governance concerns, reviewing forthcoming proxy voting items, and seeking opportunities to improve alignment with the interests of our beneficiaries. Since early March 2024, SBA staff conducted engagement meetings with several companies owned (or with investor groups owning companies) within Florida Retirement System (FRS) portfolios, including MSCI, and a dozen companies under examination with potentially scrutinized business operations in Iran.

2024 PROXY SEASON REVIEW
The SBA actively casts proxy votes and also engages portfolio companies throughout the year, addressing corporate governance concerns and seeking opportunities to improve alignment with the interests of our beneficiaries. The SBA's corporate governance activities are solely focused on enhancing share value and ensuring that public companies are accountable to their shareowners, with effective boards of directors, transparent company disclosures, accurate financial reporting, and policies that serve to protect and enhance the value of SBA investments. The SBA's focus is on the bottom line, and we gear all companies in which we invest towards policies and practices that lead to improved financial performance. Greater transparency of data and information is supported when possible and all votes are cast as a link to shareowner value.

The SBA's proxy voting decisions are based on pecuniary factors to promote the best risk adjusted returns for its beneficiaries. The SBA's corporate governance principles and proxy voting guidelines are applied consistently across all types of investment strategies, accounts, and fund assets that have a proxy voting component. To ensure returns for our beneficiaries, we support the adoption of internationally recognized governance structures for public companies. This includes a basic and unabridged set of shareowner rights, strong independent boards, performance-based executive compensation, accurate accounting and audit practices, and transparent board procedures and policies covering issues such as succession planning and meaningful shareowner participation.

The charts below detail the market segment and summary breakdown of all proxy votes made between July 1, 2023, and June 30, 2024:



Highlights from the 2024 U.S. proxy season included high settlement rates among contested board elections since the introduction of the universal proxy card (UPC), continued investor opposition to "over-boarded" directors, the emergence of artificial intelligence (AI) governance, and further year-over-year declines in shareowner support for some types of environmental and social topic proposals.

According to Broadridge Financial, an average 87% of each U.S. company's shares were voted (including 69.4% that were "instructed" and 17.6% "broker-votes"), up from 86.6% during the same period in 2023. Broadridge also reported that since the SEC's universal proxy card (UPC) rule went into effect more than forty meetings (including settled proxy contests) have been conducted using the UPC ballot—including The Walt Disney Co.'s contested election in the Spring of this year. Lastly, Broadridge reported that every shareowner meeting in the U.S. was provided with end-to-end vote confirmation. Year-to-date through June 30, 2024, 99.93% of all shares were processed and accepted on a straight-through basis, which significantly reduces the instance of "under voting" of duly entitled shares.

The voting categories detailed below pertain to SBA proxy voting at all U.S. shareowner meetings conducted from July 1, 2023, through June 30, 2024:

Director Elections—the SBA supported 82.6% of 17,719 individual board nominees at U.S. companies within the Russell 3000 stock index, a slight decrease of 0.8% from last fiscal year. For comparison, GLC recommended their clients support 89.3% of all similar directors. The largest driver of the SBA's withheld (against) votes were board nominees serving on too many boards simultaneously ("over-boarded" directors), poor board practices and related disclosures, as well as related-party transactions.

FY2024 Corporate Governance Voting Categories	# of Individual Items Voted by SBA Staff	% of Total SBA Proxy Votes
Board Related	60,042	52.48%
Audit/Financials	18,916	16.53%
Compensation	13,797	12.06%
Capital Management	8,047	7.03%
Changes to Company Statutes	5,766	5.04%
Meeting Administration	3,046	2.66%
Other	2,331	2.04%
M&A	1,100	0.96%
SHP: Governance	713	0.62%
SHP: Social	305	0.27%
SHP: Environment	199	0.17%
SHP: Compensation	129	0.11%
SHP: Miscellaneous	19	0.02%

Investors increased their support for directors this year, with board members at S&P 500 companies receiving an average of 96.3% support, up one half of a percent from 2023. Directors at small and mid-capitalization companies averaged approximately 96% support. One consultant noted that directors serving as Chair of the nominating and governance committee drew the least support among all nominees. Where a committee is charged with specific corporate governance responsibilities, investors typically hold that committee chair or members accountable for firm performance and are more likely to vote against (or withhold support from) the board chair or lead director. Among S&P 500 directors who received more than 15% opposition votes this year, 34% are nominating and governance committee chairs.

Auditor Ratification—the SBA ratified 99.2% of all external auditors among U.S. companies within the Russell 3000 stock index, a slight increase of 0.1% from last fiscal year. Although the ratification of auditors is viewed as a routine voting decision, typically receiving over 95% support from investors, lately some audit firms have failed to receive majority levels of support. Many investors, including the SBA, review the split between audit and non-audit fees charged by external auditors to gauge the type and breakdown of work performed by audit firms. When there are high non-audit charges, especially when the non-audit work pertains to general (non-audit) accounting services, an external auditor's independence and objectivity can be impaired.

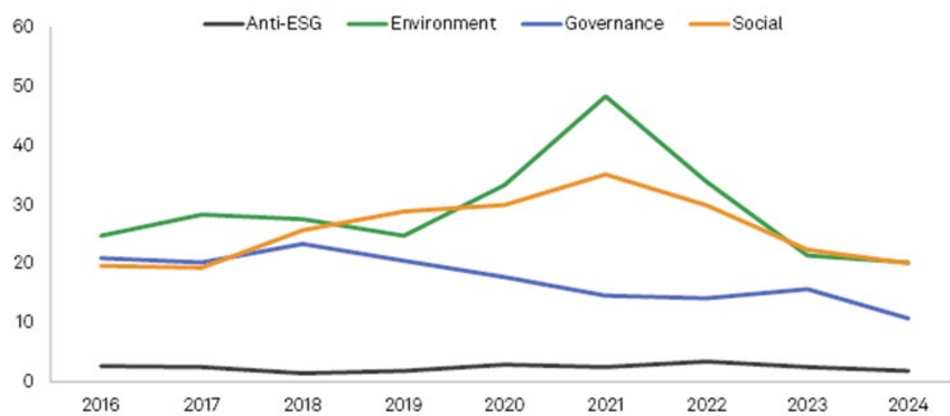
Mergers & Acquisitions—the SBA supported 95.6% of all U.S. merger/acquisition proposals, a decrease of 4.4% from last fiscal year.

Executive Compensation & Say-on-Pay (SOP)—the SBA supported 46.6% of all compensation related ballot items at U.S. companies within the Russell 3000 stock index, an increase of 10.2% from last fiscal year. Across all voted markets, the SBA supported 58% of all advisory say-on-pay (SOP) ballot items. Investor support for both SOP and individual equity compensation plan proposals were strong, with the number of failed SOP votes declining by almost half.

Proxy Contests—during the fiscal year, SBA staff voted on a total of fifteen contested board elections globally, supporting management board proposals 67% of the time. Other ballot items received mixed SBA support, with the highest support for mergers and acquisition and issues involving shareholder meeting administration.

Shareowner Resolutions—on a year-over-year fiscal basis, the SBA's voting support for all U.S. shareholder proposals (SHPs) declined by approximately 7%. This decline in support for U.S. SHPs continues the trend over the last five fiscal years, in which voting opposition has steadily increased from a trough of 16% voted against in FY2016 to 67% voted against in FY2024. The SBA supported 24.6% of shareowner-proposed ballot resolutions at U.S. companies within the Russell 3000 stock index.

Percentage of ESG-related proposals shareholders voted on 2016–2024 (%)



Data accessed July 29, 2024.
Resolutions voted on as of July 29, 2024.
Sources: Sustainable Investments Institute (Si2), Proxy Preview.

In 2024, U.S. companies faced a record number of shareholder proposals, with a notable rise in those opposing environmental, social, and governance (ESG) policies. These so-called "anti-ESG" proposals, which grew from 79 in 2023 to 102 in 2024, received minimal backing—averaging only 1.9% of the shares cast in support. Climate change remained the most popular topic for shareholder proposals, although support for such measures has waned as they have become more prescriptive. Governance-related proposals saw increased support, while environmental and social proposals saw declines. Additionally, there was a notable rise in no-action requests and exempt solicitations as tools to influence shareowner votes.

There was a strong rise in the number of U.S. “Governance” category SHP votes that the SBA voted against in FY2024—equal to about a 10% change at the margin within that voting segment. During Q2-2024, within the “G” segment, there were 299 SHPs in the U.S. market, of which the SBA supported 137. There was a strong rise in the number of U.S. “Environmental” category SHP votes that the SBA voted against in FY2024, rising by about 8%. During Q2-2024, within the “E” segment, there were 95 SHPs in the U.S. market, of which the SBA only supported three. There was a small decline in the number of U.S. “Social” category SHP votes that the SBA voted against in FY2024—equal to about a 3% change at the margin within that voting segment. This was due to the variety of “S” SHPs we encountered in the U.S. market during the year, with a few novel types of SHPs (e.g., Artificial Intelligence AI and a few so-called anti-ESG resolutions). During Q2-2024, within the “S” segment, there were 231 SHPs in the U.S. market, of which the SBA supported only fifty-three.

Market convention is to classify resolutions by topic, into “environmental” issues (e.g., corporate water use, emissions goal setting, etc.), “social” issues (e.g., human capital, lobbying activity, geopolitical risks, etc.), and “governance” issues (e.g., board structure, anti-takeover devices, shareowner rights, etc.). When all shareowner resolutions are broken down into the environmental, social, and governance (E, S, and G) proposal categories, the SBA supported 3.4%, 22.5%, and 50.3% of all global SHPs, respectively. Shareowner resolutions, as opposed to management resolutions, typically represent about 1% of total SBA proxy voting actions each year. Virtually all shareowner proposals are “precatory,” or advisory in nature, and are therefore not legally binding on corporate boards or management. As well, a sizable proportion of all filed proposals are withdrawn by proponents and not actually voted on by all a company’s shareowners. This can result from acceptable engagement activities and company commitments regarding the issues presented by the resolution. In 2024, approximately 55% of all shareowner proposals that were submitted were actually voted on by investors, compared with 54% of submitted proposals voted on in 2023.

SHPs aimed at improving shareholder rights increased their average support during the first half of the year, gaining about 5% in marginal support (growing from 30% in the 2023 proxy year to 35% in 2024). Corresponding declines in both environmental and social SHPs continued in 2024 but the rate of decline did begin to slow modestly. Average support for environmental and social resolutions fell to 16% this year from 19% in the 2023 proxy year.

HIGHLIGHTED PROXY VOTE(S)

Tesla Motors Inc—for their June 13, 2024, annual shareowner meeting, the SBA voted 2,888,189 shares on several items, including a management proposal to re-approve the 2018 compensation structure, a management proposal to reincorporate from Delaware to Texas, and seven SHPs. SBA staff voted FOR all management recommended items with the exception of the following ballot items: 1) director nominee (Kimball Musk) due to independence concerns; 2) the proposal to move the company’s domicile from Delaware to Texas due to the associated legal risks and relatively poor corporate legal infrastructure; and 3) submitted (SHPs) numbered 6, 7, 8, and 9, which appeared to be either supported by SBA proxy voting guidelines (annual board elections and majority vote requirements), represent warranted enhancements to existing company disclosures, and/or are likely to significantly impact the company’s financial profile and improve shareowner rights. SBA staff held an engagement call with company representatives on May 23, 2024, discussing all ballot items up for a vote.

The court's decision to void the prior compensation package had questioned the independence of Tesla's board and the disclosure process when the package was originally approved. The new vote showed strong shareowner support for Musk's pay package, despite ongoing legal uncertainties. Additionally, shareowners voted in favor of relocating Tesla's state of incorporation from Delaware to Texas. Two other shareholder proposals were also approved, one to limit directors' terms to one year and another to require a simple majority vote on the company's governing documents. Although these votes are advisory, they reflect shareholder sentiment on Tesla's governance.

Historical SBA proxy voting at Tesla has been supportive, with notable against/withhold votes for several director nominees due to concerns around independence (affiliate/insider serving on subcommittee), over-boarding, as well as support for several shareholder proposals focused on corporate governance and disclosure topics. Also, we voted against the 2016 special meeting merger proposal combining Tesla with SolarCity.
In 2018, SBA staff voted in support of Tesla's performance stock option agreement with Chief Executive Officer Elon Musk as part of a special meeting. As one of the largest compensation arrangements in history—with a potential value more than $50 billion—the plan included a series of increasingly higher market capitalization award thresholds. If all performance goals were met during the plan's 10-year life, the company's value would increase more than ten-fold and exhibit significant gains in both corporate revenues and earnings. At the time, both leading proxy advisors recommended their clients vote against the compensation plan. Excluding insider-held shares, approximately 73% of voting shareowners supported the pay package. Seth Goldstein, equity strategist at Morningstar, stated "since 2018, it [Tesla] went from a high-end automaker with negative cash flow to a prominent major automaker that sold 1.8 million vehicles last year. That's a wild success story by any measure."

Salesforce—as part of its June 27, 2024, annual meeting, shareowners rejected the say-on-pay (SOP) ballot item covering CEO Marc Benioff and other top executives' compensation practices. The SOP vote is a non-binding item, with 404.8 million votes AGAINST the plan and 339.3 million investor shares voting FOR. SBA staff voted AGAINST the company's SOP item due to concerns with excessive equity grant size and poor pay-for-performance characteristics. Investor opposition to the company's pay design was undoubtedly influenced by the two major proxy advisors, Glass Lewis & Co. and Institutional Shareholder Services, who raised concerns about a substantial equity grant given to Benioff. Despite Benioff's base salary remaining unchanged at $1.55 million for fiscal 2024, his total compensation increased to $39.6 million, up from $29.9 million the previous year.

Salesforce's board justified the compensation by citing strong financial performance, which led the compensation committee to award Benioff two long-term equity incentives valued at $15 million and $20 million, respectively. These awards were meant to place his compensation within the 50th to 75th percentile of CEO equity awards at comparable companies. Salesforce emphasized its leading position in enterprise AI following strong fourth-quarter earnings, but the company faced challenges shortly after, with its shares experiencing a significant drop due to disappointing earnings and a reduced revenue outlook. Although Salesforce shares lag index and peer group firms' year to date, though they have risen by over 25% over the last year. The board indicated that it would consider shareowner feedback when making future decisions on executive compensation.

REGULATORY AND MARKET DEVELOPMENTS

Study on Artificial Intelligence (AI) and Corporate Governance

A recent analysis by ISS-Corporate, a provider of governance and risk monitoring services to companies, examined board oversight of artificial intelligence (AI) among S&P 500 companies, revealing that only about 15% disclosed some level of board oversight of AI in their proxy statements between September 2022 and September 2023. The study defined AI oversight as the presence of board or committee responsibility, directors with AI expertise, or an AI ethics board. The Information Technology sector led in AI oversight disclosures, with 38% of companies revealing some level of oversight or expertise, followed by the Health Care sector at 18%. The most common indicator of AI oversight was board members' skills, with 13% of companies having at least one director with AI expertise. However, explicit board or committee oversight was rare, present in just 1.6% of companies, and AI ethics boards were even less common at 0.8%. When AI oversight is assigned to a committee, it is typically integrated into the responsibilities of existing committees, such as expanding the Audit Committee's role to include AI risks, rather than creating new committees. The growing importance of AI in corporate governance is highlighted by rising investor interest, as evidenced by significant support for AI-related shareholder resolutions, such as the 40% backing for a proposal at Apple.

Japanese Company Financial Performance

Activist investors in Japan are increasingly focusing on the book value of companies to drive changes, particularly during the current proxy season. This focus has intensified following the Tokyo Stock Exchange's (TSE) 2023 directive urging companies with a price-to-book (P/B) ratio below one to take action to improve their valuations. The TSE noted that a sizable number of Japanese companies have low P/B ratios compared to their counterparts in Europe and the U.S., with the average P/B ratio in Japan's Prime Market at 1.3 and the Standard Market at 0.8, much lower than the 4.7 average for S&P 500 companies. The TSE has warned that it may publicly identify companies that fail to address low P/B ratios, though it has so far only highlighted companies taking positive steps. In contrast, shareholder activists are actively calling out underperforming companies. For example, Dalton Investments has criticized the discount to book value at Ezaki Glico, and Strategic Capital has highlighted Wakita's stock trading 40% below its book value, urging the company to present a plan to improve its valuation. Other companies like Keihanshin, Yodogawa Steel Works, and Hachijuni Bank are also facing pressure from activists to address their low valuations. The TSE's directive has strengthened activist demands for better capital allocation practices, such as increasing stock buybacks and dividends. In 2023, stock buybacks in the TOPIX index reached a record 9.39 trillion yen, more than double the amount in 2017. Activists are also pushing for compensation reforms, linking executive pay to adjusted P/B ratios. The impact of these actions in Japan is significant, and financial regulators in Korea are considering similar "name and shame" policies to encourage companies to enhance shareholder value.

Change in Control Put

The concept of a "change of control put" in corporate debt agreements is one which allows creditors to demand immediate repayment, often at a premium, if the company undergoes a meaningful change in ownership or control. This is particularly important when a company is acquired in a way that could increase the risk for bondholders, such as in a leveraged buyout. This can occur in various scenarios, like cash mergers or hostile takeovers, typically triggering such provisions. An interesting point is that even losing a proxy fight, where new directors aligned with an activist or hostile bidder take control, can be considered a change of control, potentially triggering the put. However, this situation can be manipulated by the company's management during a proxy fight. Management might threaten that a change in control would force the company into bankruptcy due to immediate debt repayment obligations, thus discouraging shareholders from voting for an alternative board. To avoid this, incumbent directors could simply approve the activist's candidates as "continuing directors," thus avoiding the triggering of the change of control put. For example, Macy's Inc. was accused of "weaponizing" its debt agreements to fend off a proxy fight with investment firms. The firms involved, Arkhouse Management and Brigade Capital Management, were pushing for board changes, which could have forced Macy's to repay over $1.5 billion in debt, potentially jeopardizing its financial stability. However, the situation was resolved when Macy's agreed to add directors nominated by Arkhouse to its board, avoiding triggering the change of control put and a contested election entirely.

SEC Proxy Advisory Rule Nullified

A U.S. federal appeals court vacated part of a 2022 decision of the SEC to rescind a 2020 rule requiring proxy advisory firms to: (1) notify interested companies of the firm's voting advice at or prior to the time the advice is distributed; and (2) provide clients with the companies' responses to the advice before voting. The court ruled that the SEC's decision to rescind its 2020 rule was "arbitrary and capricious," because the agency failed to adequately explain its departure from previous factual findings regarding the rule's impact on the timeliness and independence of proxy advisory firm advice. This ruling supports the role of the APA and the courts as checks on administrative action and specifically underscores that federal agencies must provide detailed justifications when reversing previous decisions based on contradictory factual findings.

Changes to Delaware General Corporation Law (DGCL)

In response to a Delaware Court of Chancery ruling in *West Palm Beach Firefighters' Pension Fund v. Moelis & Co.*, Delaware has amended its DGCL. The court had invalidated a stockholder agreement that restricted board powers, asserting it violated Section 141(a) of the DGCL, which mandates that corporate affairs be managed by the board of directors. To address this, the Delaware legislature passed Senate Bill 313, effective August 1, 2024. This amendment allows corporations to enter into agreements with stockholders that delegate significant governance rights traditionally reserved for the board. Critics argue that this law undermines the board-centric governance model of Delaware law and could lead to greater conflicts of interest and legal uncertainties. Proponents believe it offers necessary flexibility for corporate governance. Additionally, an alternative legal path seen in the *Wagner v. BRP Group* case, where a stockholder agreement was upheld due to safeguards, suggests that boards might still protect their authority through similar arrangements. The new law might increase stockholder agreements and challenge traditional governance practices.

United Kingdom Changes Public Company Listing Rules
On July 11, 2024, the Financial Conduct Authority (FCA) introduced new UK Listing Rules effective July 29, 2024. Key changes include: 1) abolishing the distinction between 'premium' and 'standard' listings, replacing them with an 'Equity shares (commercial companies)' category; 2) allowing multiple class share structures at admission, with enhanced voting rights limited to specified individuals and subject to a ten-year sunset period for pre-IPO investors; 3) removing the requirement for two years of historical financial information for significant transactions and not requiring shareholder votes for significant or related-party transactions; 4) increases the threshold for defining a 'substantial shareholder' from 10% to 20%; and 5) eliminating the need for a relationship agreement between controlling shareholders and issuers, while introducing a mechanism for directors to address resolutions from controlling shareholders that may bypass listing rules.

The introduction of multiple class share structures has faced criticism from institutional investors and governance advocates who argue it undermines the UK's "one share, one vote" principle and may hurt the market's attractiveness. Critics include the International Corporate Governance Network (ICGN), the International Coalition for Equal Votes (ICEV) and several UK pension funds, which worry it might diminish shareowner rights and appeal to long-term investors. Supporters argue that these changes could enhance the UK's competitiveness, particularly in attracting technology IPOs. The debate continues as stakeholders assess whether these reforms will revitalize the UK capital markets or weaken its governance standards.

Stealth Dual Class Stock
A recent publication by CII's Research and Education Fund, "Misalignment Under the Radar: Stealth Dual-Class Stock," reveals that companies are employing various non-traditional methods to replicate the effects of dual-class stock structures. These "stealth dual-class stock" arrangements allow insiders to retain disproportionate control without the usual dual-class frameworks. The report outlines nine such arrangements: 1) identity-based voting power; 2) side agreements with select shareowners; 3) stock pyramiding/cross-ownership; 4) umbrella partnerships; 5) employees transferring irrevocable proxy voting rights to insiders; 6) Golden shares; 7) situational super-class issuances; 8) non-equity votes; and 9) vote caps. These mechanisms are noted for being less transparent and more complex than traditional dual-class structures.

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STATE BOARD OF ADMINISTRATION
OF FLORIDA

1801 HERMITAGE BOULEVARD, SUITE 100
TALLAHASSEE, FLORIDA 32308
(850) 488-4406

POST OFFICE BOX 13300
32317-3300

MEMORANDUM

To: SBA Trustees
Chris Spencer, Executive Director

From: Maureen M. Hazen, General Counsel & Chief Ethics Officer Maureen M Hazen

Date: August 26, 2024

Subject: Office of General Counsel: Standing Report
For Period May 18 – August 21, 2024

SBA Agreements.

During the period covered by this report, the General Counsel's Office drafted, reviewed and negotiated: (i) 55 new agreements – including 4 new Investment Management Agreements for the new Active Credit asset class; 2 new Investment Management Agreements and 5 new Master Forward Agreements for the Fixed Income asset class; 3 new Global Equity investment manager agreements; 12 new Private Equity investments (including 6 co-investments); 6 new Strategic Investments; 9 Real Estate investment transactions (including 5 loans under the Master Credit Facility); and 1 new Clearing Agreement for derivatives clearing; (ii) 252 contract amendments, addenda or renewals; and (iii) 1 termination.

SBA Litigation.

(a) Passive. As of August 21, 2024, the SBA was monitoring (as an actual or putative passive member of the class) 671 securities class actions. During the period from May 1 – July 31, 2024, the SBA collected recoveries in the amount of $1,017,729.46 as a passive member in 30 securities class actions.

(b) FRS Investment Plan. During the period covered by this report, the General Counsel's Office monitored and/or managed the following cases for the Florida Retirement System Investment Plan (the "Investment Plan"). The SBA issued 6 Final Orders, received notice of filing of 4 new cases and continued to litigate 12 cases that were pending during the periods covered by previous reports.

Other Matters.

(a) Public Records. During the period covered by this report, the General Counsel's Office received 48 new public records requests and provided responses to 46 requests and continues to work on 4 open requests.

(b) SBA Rule Activities. During the period covered by this report, the SBA engage din the following rules activities only for the Florida Hurricane Catastrophe Fund (the "Cat Fund"):

(i) Rule 19-8.028 (Reimbursement Premium Formula).

A Notice of Proposed Rule was filed on June 13, 2024, to amend Rule 19-8.028 to state that for the 2024/2025 Contract Year, the Formula developed by the SBA's Independent Consultant, "Florida Hurricane Catastrophe Fund 2024 Ratemaking Formula Report Presented to the State Board of Administration of Florida March 21, 2024," as approved by the SBA, is adopted and incorporated by reference into the rule. The premium rates are developed in accordance with the Premium Formula methodology approved by the SBA.

(ii) Rule 19-8.010 (Reimbursement Contract)

On July 31, 2024, a Notice of Development of Rulemaking was filed to indicate that a rule development workshop was going to be held on August 15, 2024, to discuss proposed amendments to Rule 19-8.010, F.A.C., Reimbursement Contract, setting forth the Reimbursement Contract requirements for the 2025-2026 Contract Year

(c) Ethics & Gifts. During the period covered by this report, the General Counsel's Office reviewed ethics and gifts issues in the ordinary course.

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OF FLORIDA

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POST OFFICE BOX 13300
32317-3300

MEMORANDUM

DATE: August 2, 2024

TO: Chris Spencer, Executive Director

FROM: Sooni Raymaker, Chief Risk & Compliance Officer *SR*

SUBJECT: Trustee and Audit Committee Report – August 2024

The following is a summary report of Risk Management and Compliance (RMC) activities and initiatives completed or in progress since the last dated report of May 2024 to the current period. All RMC activities, reviews, controls, and processes are continuing to operate effectively and as expected during this reporting period.

The role of the RMC unit is to assist the Executive Director in maintaining an appropriate and effective risk management and compliance program to identify, monitor and mitigate key investment and operational risks. RMC plays a critical role in developing and enhancing the enterprise-wide system of internal controls. RMC proactively works with the Executive Director and designees to ensure issues are promptly and thoroughly addressed by management.

SBA senior management has created a culture of risk management and compliance through the governance structure, allocation of budgetary resources, policies and associated training and awareness. Management is committed to ethical practices and to serving the best interests of the SBA's clients.

Compliance Exceptions
No material compliance exceptions were reported during the period.

Enterprise Risk Management (ERM)
Response Plans and associated performance and risk metrics developed by designated risk owners and ERM from the last quarter have been updated. All metrics are as expected with no observed concerns. Plans are based on the major business model functions of Enterprise Oversight & Governance, Investment Management, and Organizational Operations. Plans include vital functions for each high-level process, vital signs (metrics), risk assessment results, risk tolerance levels, and current controls or activity to help mitigate those risks.

Additionally, ERM has completed control validations on a majority of enterprise controls and related policies. The Risk and Compliance Committee convened on July 31 and reviewed the risk metrics and assurance map in preparation for the Fall 2024 risk assessment, along with reports from Internal Audit, General Counsel, and Operational Due Diligence.

Trading and Investment Oversight Group (TOG)
On July 26, 2024, TOG conducted its quarterly oversight meeting and reviewed internal trading activity, compliance reports, trading counterparty oversight updates and other standard trading information reports. In addition, the annual review and approval of the SBA Designated Futures, Options and Swap Exchanges list was completed this quarter.

Additional topics at this quarter's TOG meeting included review of restricted China State Owned Entities securities for pre-trade compliance and custom benchmarks, the status of updating the Authorized/Permitted Securities List, MSFTA and ISDA Counterparty Identification process, a review of T+1 on Spot FX settlement, and an update from the Regulatory and Collateral Management Working Group on future U.S. Treasury central clearing requirements.

External Manager Operational Due Diligence (ODD)
During this reporting period, the ODD team reviewed and commented on sixteen consultant operational due diligence reports on investment managers as part of the investment approval process, which represents approximately $5.6 billion in potential investments. The team reviewed five real estate property acquisitions which represents approximately $255 million in new investments. Sixteen new consultant ODD reports were added to the Manager Operational Risk Oversight page for use by the asset classes since the last meeting.

All but one annual certification for external investment managers were received during the period.

Mercer conducted six ODD reviews during this period.

Public Market Compliance (PMC)
During the reporting period, PMC reviewed and onboarded investment guidelines for ten new internal and external public market portfolios and automated compliance rules and reports were created to monitor Florida Statute 215.4737 (Chinese companies).

The team also reviewed and responded to the annual Bloomberg OMS System and Organization Controls (SOC) and mid-year Bank of New York Securities Lending SOC reviews. In addition, the annual review of Florida PRIME Compliance Risk Rankings was presented and approved by the Fixed Income-Investment Oversight Group.

PMC is currently involved with the Florida PRIME Financial Audit conducted by the Auditor General's Office and the Fixed Income Asset Credit Monitoring Audit conducted by the Office of Internal Audit. PMC has responded to audit requests by participating in process walk-throughs and providing documentation such as internal procedures, compliance reviews, and exception reports.

Performance Reporting & Analytics (PRA)

All asset allocation changes outlined in last quarter's report have been successfully implemented.

As reported previously, the SBA has enlisted the services of a consultant (Meradia) to assess investment performance, performance attribution, and risk analytics processes, among other items, to support the organization's strategic goals. The purpose of this engagement is to identify areas of improvement and opportunities within the SBA architecture to bolster investment performance and analytics. Another objective of this project is to enhance quantitative decision-making by expanding analytics for portfolio construction, monitoring, and refining core key performance indicators. In addition, the project aims to improve operating effectiveness by evaluating the systems architecture, enhancing data management practice, and reducing technical debt.

This quarter, The PRA team has refocused its efforts on the Meradia project while ensuring all reconciliation processes related to the asset allocation project were executed successfully. The team has dedicated significant time to developing composite rules withing the new PACE environment, ensuring compliance with GIPS standards. Additionally, the team is identifying all portfolios, composites, and indices (including custom benchmarks) that will need to be migrated from the on-premises environment to the Eagle Access cloud environment

Validations for complex calculations, such as policy weights and other reconciliation rules, have commenced. More comprehensive validations will be undertaken in the coming months to ensure a seamless migration of all portfolios, composites, and benchmarks. These validation efforts are extensive. Performance conversions requires a large amount of historical data being moved from an on-premises environment to the Eagle Access cloud environment. The PRA team is set to conduct over 5 million data comparisons across various databases. This will include, but is not limited to, entity setup, cross references, GIPS composite membership rules, and numerous other data points.

Policy Administration

A major focus during the review period was the implementation of a revised policy framework. The new framework is aimed at being more intuitive and user friendly, with policies grouped by functional subject matter such as Governance, Accounting and Administrative Services, Human Resources, and Information Technology, rather than by numbered policy levels. Based on these functional categories, the compendium is under revision to formally designate policy owners, who will be primarily responsible for the ongoing maintenance of policies, to ensure continued relevance and accuracy. The Policy Development and Management policy was revised to incorporate the new framework and to standardize the staffing Review Committees.

In conjunction with the implementation of the new policy framework, the process was initiated to revise policies for changes in the roles of the Executive Director & CIO and the Chief Operating/Financial Officer. Ninety-six policies were reviewed and revised to update the responsibilities of the Executive Director and to delineate those for the new positions of Chief Investment Officer, Chief Financial Officer, and Chief Operating Officer. Policy revisions for these changes in roles and responsibilities remain in process.

Thirteen additional policy updates were completed during the review period, covering the areas of Risk Budget Implementation, Financial Statement Review and Approval, Custodial Credit, and Strategic Planning. Several Human Resources policies were also among those revised, including Telework, Family Medical Leave, Employment Verification Requests and Reference Checks, and Recruitment, Selection, and Appointments. The Harassment Prevention policy was combined with the Complaint policy and renamed Discrimination and Harassment Prevention and Complaint Process. The Communications, External Affairs, and Social Media policy was also revised for clarification regarding social media posts. Among Information Technology policies, Acceptable Use was revised to include a statutory provision concerning application downloads, and the Building Security and Identification Cards policy was revised to clarify the requirement that all employees must prominently wear identification badges. The Stale Dated Checks policy for the Defined Contribution Programs was also revised to conform with governing statutes and current processes.

Two new policies were implemented regarding Information Security. The Information Security Oversight Group policy codifies the role and responsibilities of the ISOG as a subcommittee of the Senior Leaders Group, and the Information Security Awareness and Training policy defines the requirements for users with access to the SBA network, data, and information systems.

Policy Administration continued to work with the Project Management and Information Technology teams to redesign the policy and investment guideline staffing workflow, in order to incorporate the new policy framework and to streamline the review and staffing process for greater efficiency. The redesigned workflow is still under development, with testing slated to begin in the near future.

Regulatory and Statutory Reporting

The *SBA Statutory and Regulatory Reporting Requirements with Calendar Due Dates* spreadsheet was further developed and distributed to affected business units monthly for responses to demonstrate compliance with each reporting or disclosure obligation. During this reporting period, RMC and eighteen other SBA teams reviewed and confirmed the completion of 40 regulatory and statutory obligations. Many of the obligations are derived from Florida Statutes and Administrative Code and the remaining obligations are primarily derived from regulatory bodies such as the Securities Exchange Commission, Commodity Futures Trading Commission, and other foreign regulatory bodies.

A summary of some major statutory reporting activity includes: SBA Operating Budget approval; Annual Best Practices Review of Investment Policy for Florida PRIME; the Trustee Quarterly Report; Reinsurance to Assist Policyholders Program (RAP) Quarterly Report; and Statement of CAT Fund Estimated Borrowing Capacity, estimated Claims Paying Capacity and Balance of the Fund. Other reports include quarterly 13F and 13H forms filed with the SEC, which include holdings in certain public equity securities and disclosure as a large investment market participant, respectively.

Personal Investment Activity (PIA)

During the period (April 30 – July 31), there were 249 requests for pre-clearance by SBA employees, with 168 being approved, 69 being denied (due to blackout restrictions), and 12 being retracted (not traded). There were 3 violations during the period. One violation was the result of a trade being executed in a different account than what was approved on the pre-clearance request; one violation was the result of an employee buying more shares than the amount pre-cleared and approved; the other violation was the result of an employee failing to pre-clear prior to transacting with their broker.

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INVESTMENT ADVISORY COUNCIL

Global Equity Asset Class Update

Dustin Heintz, Senior Portfolio Manager
Tim Taylor, Senior Investment Officer

State Board of Administration
September 16, 2024

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

INVESTMENT TEAM OVERVIEW

- **Senior Investment Officer**
  - Tim Taylor
- **Administration**
  - Whitney Harrell
- **External Manager Oversight**
  - Daniel Gold
  - Dustin Heintz
  - Jeff Smithson
  - Luke Tucker
- **Internal Management**
  - Ted Nation
  - Brian Staverosky
  - James Wells
  - Joe Wnuk
- **Trading**
  - Sam Kane
  - Burk Moffett
  - Jennifer Myers
- **Analytics & Reporting**
  - Denise Hale
  - Hayden O’Connor

- Experienced staff with complementary skills
- 13 average years of experience at the SBA
- Significant overlap and collaboration

INVESTMENT POLICY STATEMENT

Invest to achieve or exceed the return of the benchmark over a long period of time

- Remain well-diversified relative to the benchmark
- Maintain a reliance on low-cost passive strategies scaled according to:
  - The degree of efficiency in underlying securities markets
  - Capacity in effective active strategies
  - Ongoing total fund liquidity requirements

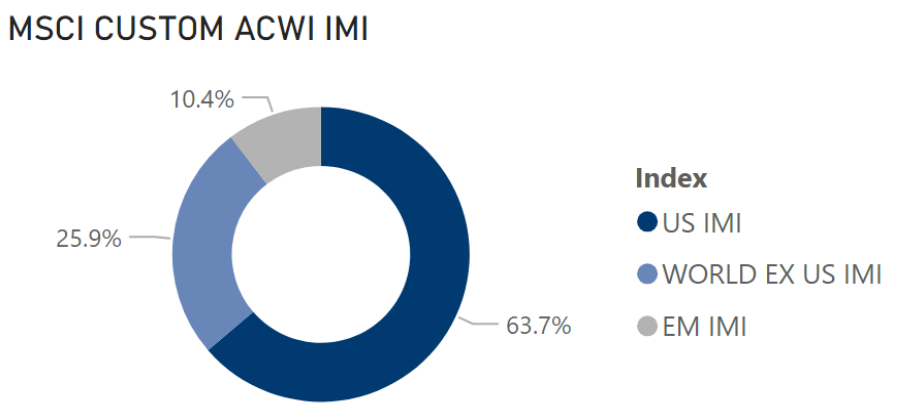
Source: DB Plan Investment Policy Statement

SBA FLORIDA STATE BOARD OF ADMINISTRATION

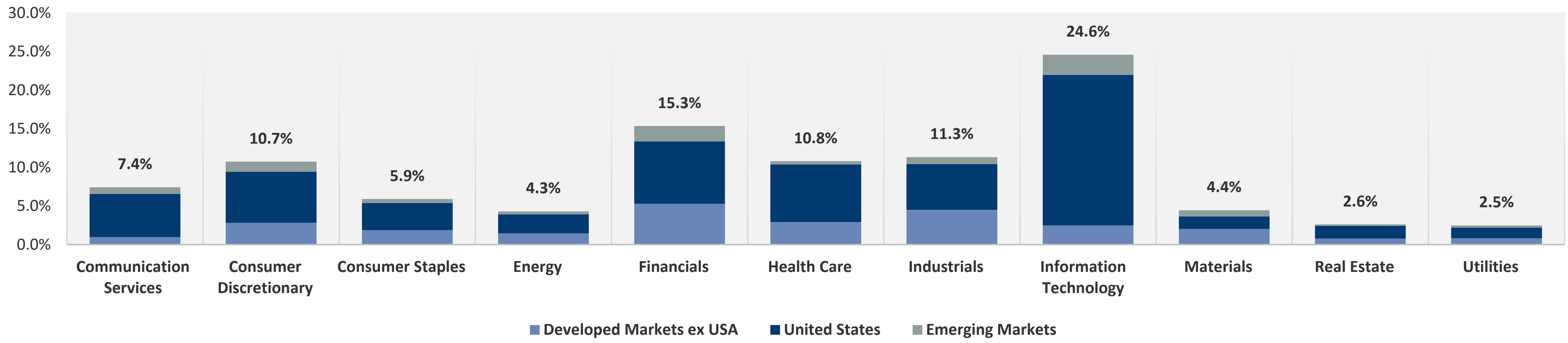
INVESTMENT POLICY: BENCHMARK

MSCI FRS Custom ACWI IMI

- Large, mid and small capitalization
- In US dollar terms
- Reflects provisions of Protecting Florida's Investments Act (PFIA) and other Florida Legislation
- Includes 47 countries and over 8,800 securities



Benchmark Global Sector Weights



Note: Source MSCI, FactSet. As of June 30, 2024

INVESTMENT POLICY: IMPLEMENTATION SNAPSHOT

Well Diversified versus Benchmark

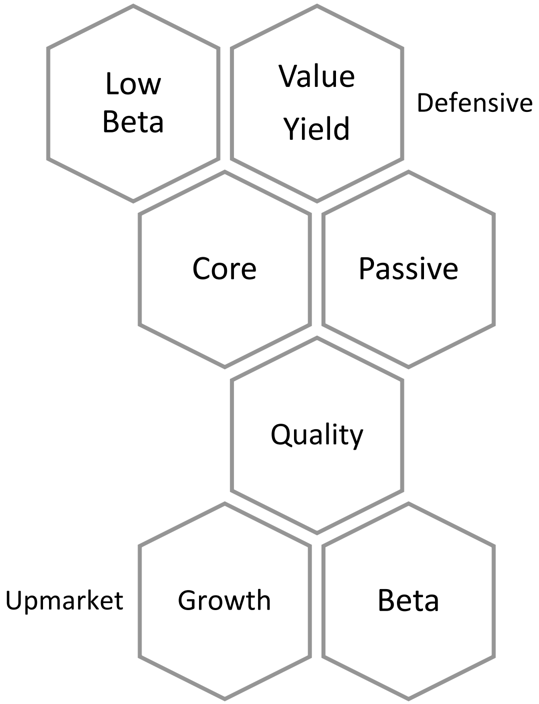
$93.9 bn
USD assets under management

8500+
unique securities

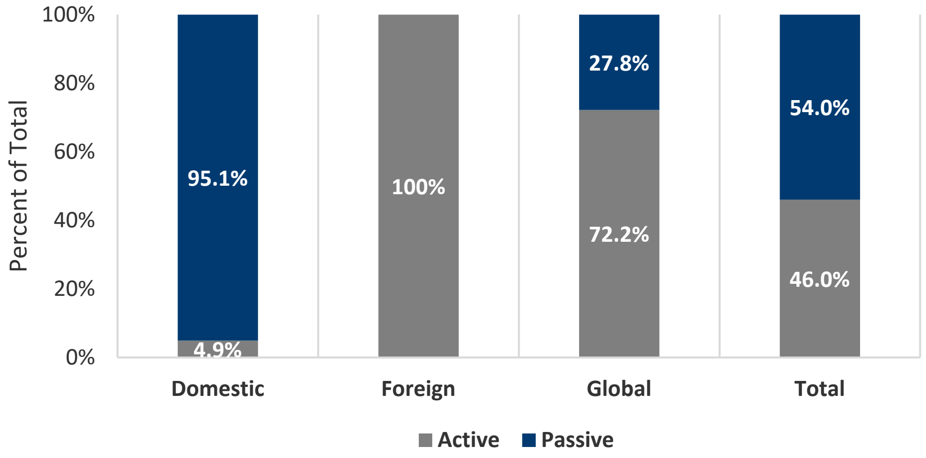
55
countries

53
externally managed strategies

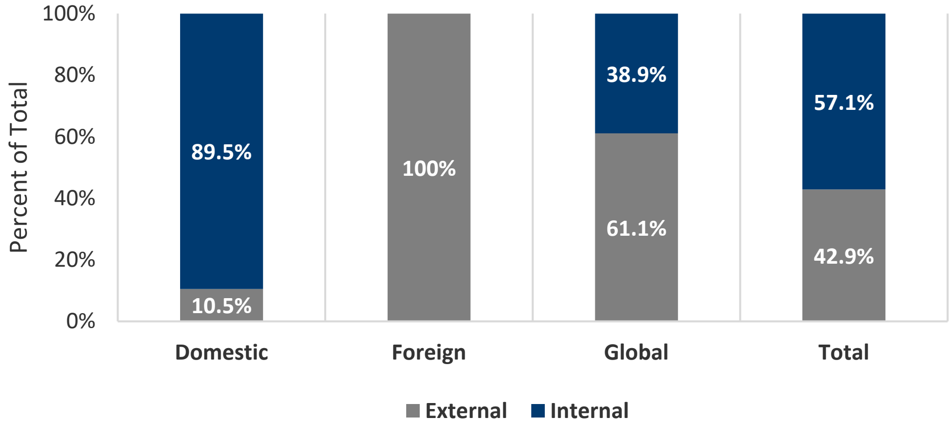
7
internally managed strategies
(4 passive / 3 active)



Reliance on Low-Cost Passive Strategies



Invest to Achieve or Exceed Benchmark



As of June 30, 2024

OBJECTIVES DRIVE WHAT WE DO

	What We Do	Pitfalls We Strive to Avoid
Provide Beta	Manage 54% of assets passively.	Becoming an index fund.
Manage Costs	For external mandates aggressively, and fairly, negotiate fees. Research/run internal solutions that provide fee advantages while not sacrificing alpha.	Overpaying for non-unique beta and alpha.
Diversify Sources of Alpha	Invest in strategies with varying philosophies, processes, geographic focus and sector exposures.	Relying on a specific market condition or environment to drive relative performance.
Manage Low Active Risk	Manage relative to a risk budget of 75 bps (3-year active risk standard). Focus on aggregate construction using multiple risk lenses.	Taking uncompensated or concentrated risks, or not identifying a notable risk (unintended risk).
Use Risk Budget Strategically	Deliberately allocate risk budget across a variety of regions based on market efficiency, and selectively invest in non-traditional strategies.	Allowing large scale to dampen opportunism.
Provide Liquidity	Consistently raise funds with emphasis on enhancing risk/return profile, maintaining benchmark characteristics, and minimizing transaction costs.	Sacrificing excess return potential by not funding, or limiting, less liquid strategies (GE has raised over $10 Billion CYTD 2024 for liquidity and asset allocation changes; and roughly $90 billion since July 2010.)

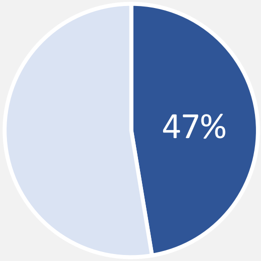
MEETING OBJECTIVES: LOOKING FORWARD

	Selected Elements of FY 2024/2025 Work Plan
Provide Beta	• Continue to strive for effective management and best execution in internally managed passive and active strategies; support staff development and resources related to this important function.
Manage Costs	• Further research opportunities to manage strategies internally (active and factor index solutions). • Continue to review, negotiate and (as appropriate) renegotiate fees.
Diversify Sources of Alpha	• Maintain focus on monitoring and structuring active aggregates while identifying external managers with excellent potential.
Manage Low Active Risk	• Continue to build Analytics capabilities by investing in human capital and systems, enhancing the framework for evaluating risks at the total asset class and sub-aggregate levels.
Use Risk Budget Strategically	• Identify and evaluate the most promising non-traditional strategies that may add value to the GE aggregate by improving the risk/return profile of the asset class (e.g. currency, industry funds, international microcap).
Provide Liquidity	• Use liquidity draws to rebalance / reposition the GE aggregate and address modest structural biases. • Maintain significant exposure to liquid portfolios while selectively adding to less-liquid strategies.

GLOBAL EQUITY BY THE NUMBERS

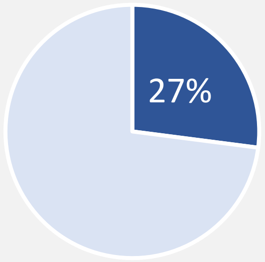
TOP DOWN VIEW: GLOBAL EQUITY'S ROLE IN THE TOTAL FUND

% of Total FRS Assets



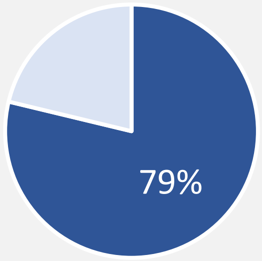
Policy Range:
35% - 60%, With 45% Target

% of Total FRS Assets Internally Managed by GE



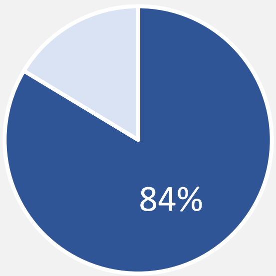
Policy Goal:
Reliance on Low Cost (Passive) Strategies

% of Liquidity Provided by GE in Last 3 Years



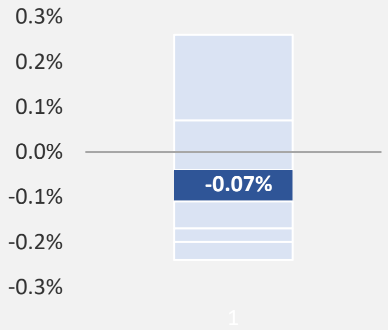
Policy Goal:
Meet Ongoing Funding Requirements
Amount Raised in 3 Years: $17bn

Contribution to Total FRS 3-Yr Absolute Return



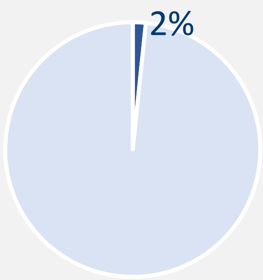
Policy Goal:
Seek Absolute Returns

Contribution to Total FRS 3-Yr Excess Return



Policy Goal:
Exceed Returns of Benchmark

% Contribution to Total FRS Active Risk



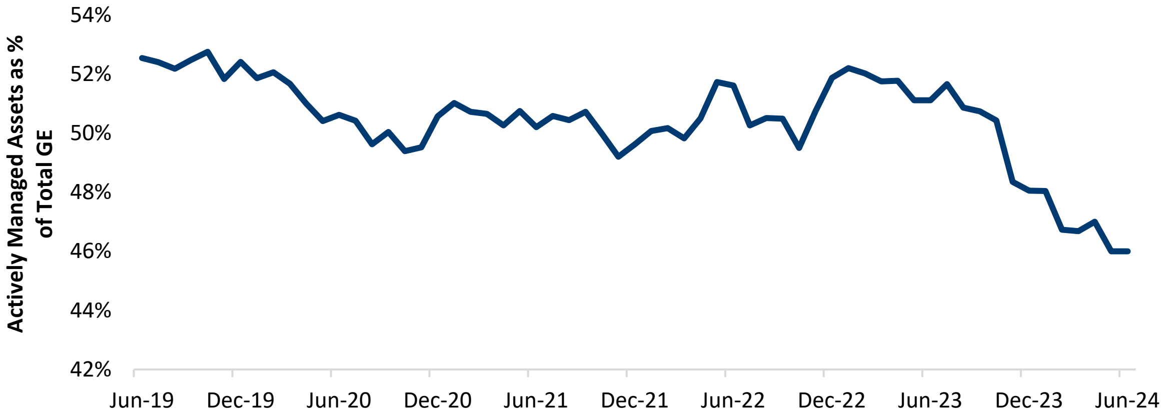
Policy Goal:
Passive with Active Risk in Less Efficient Markets

■ GE ■ Rest of Fund

Note: As of June 30, 2024. Three-year returns include GE Liquidity and Cash Equitization accounts. % of Active Risk is a measure of GE contribution to total fund, based on 1 year predicted risk.

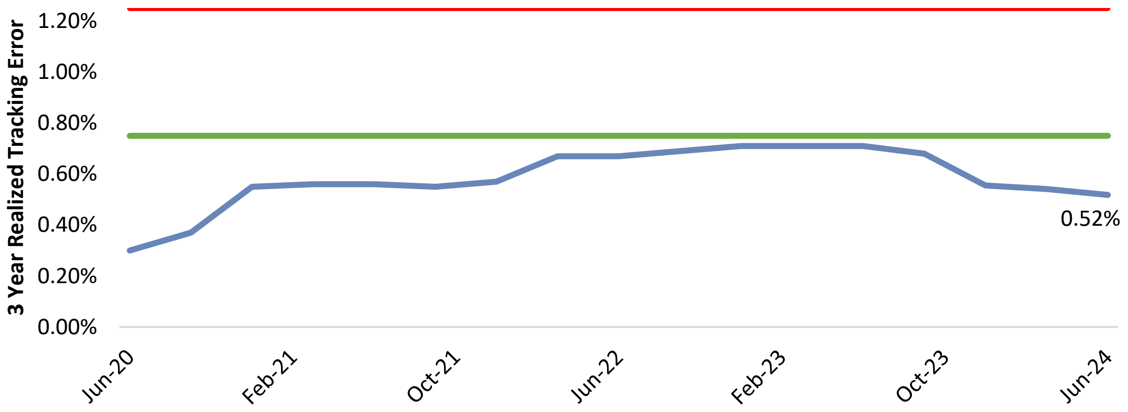
DELIVERING ON OBJECTIVES

Provide Beta and Alpha: % Actively Managed



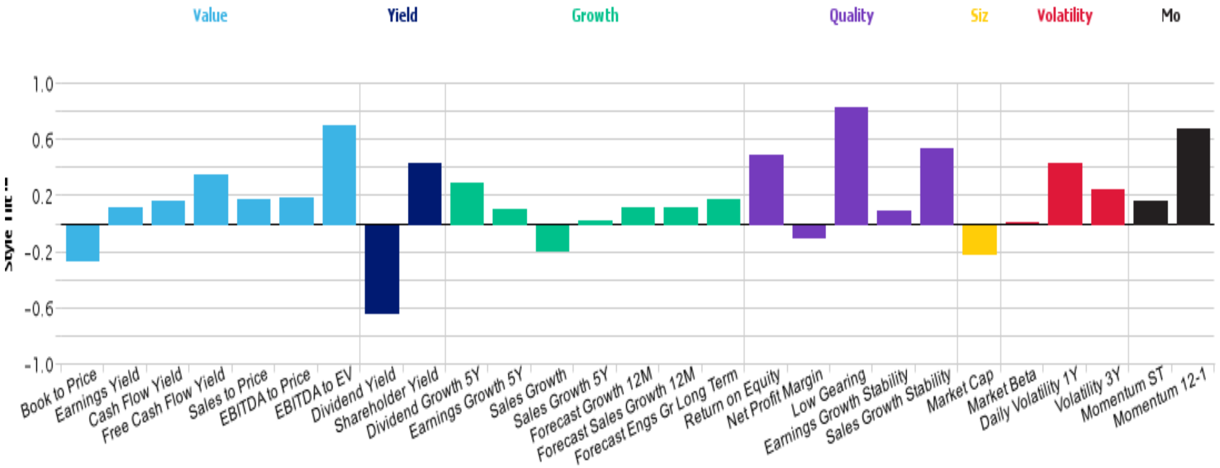
Policy Range: 40% - 60%
Current Aggregate Beta: 0.99

Manage Low Active Risk: Tracking Error Over Time

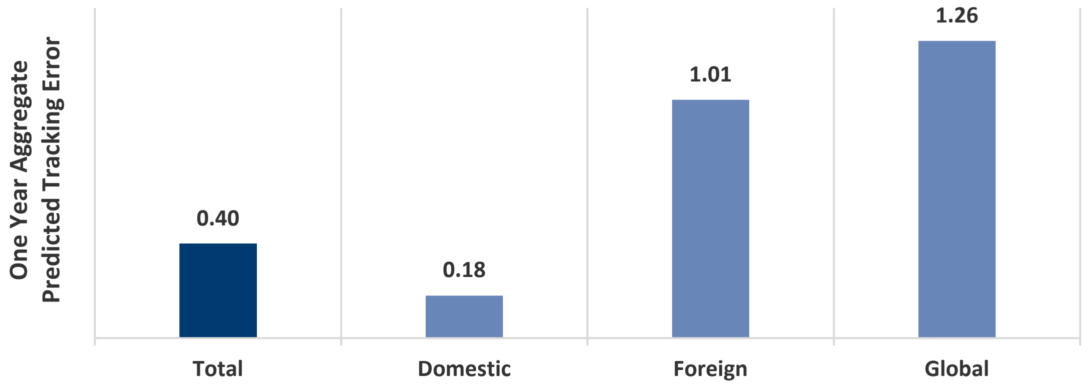


Policy: 0.75% Monitoring Standard and 1.25% Escalation Standard

Diversify Sources of Alpha: Style Tilts Relative to Benchmark



Risk Budget: Take Tracking Error Where Rewarded

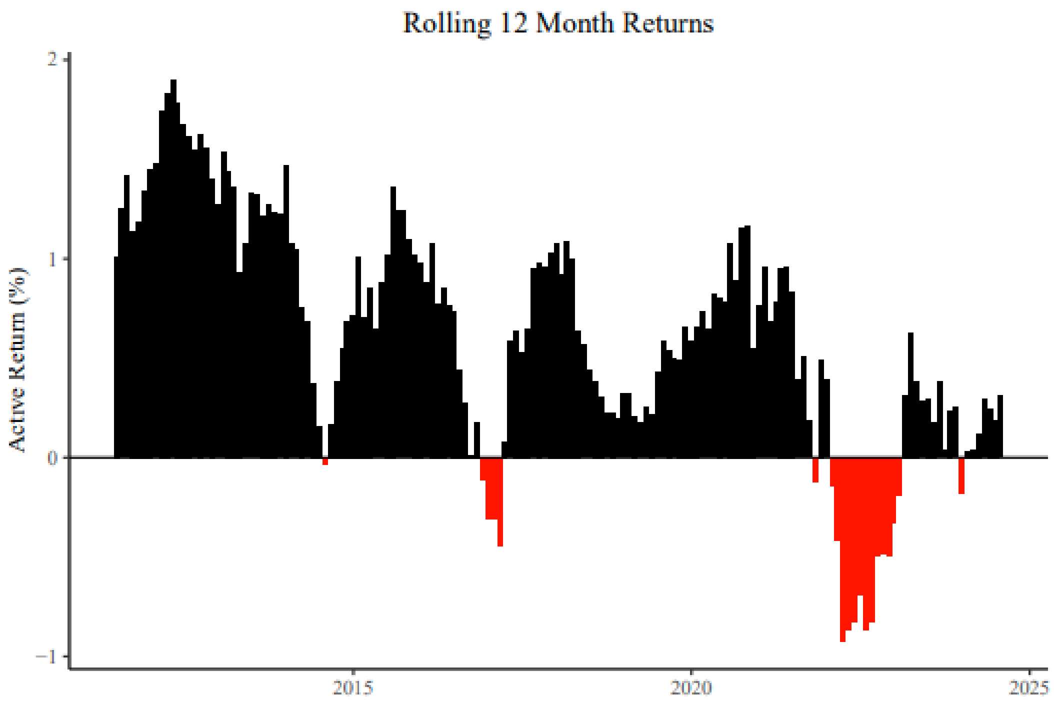


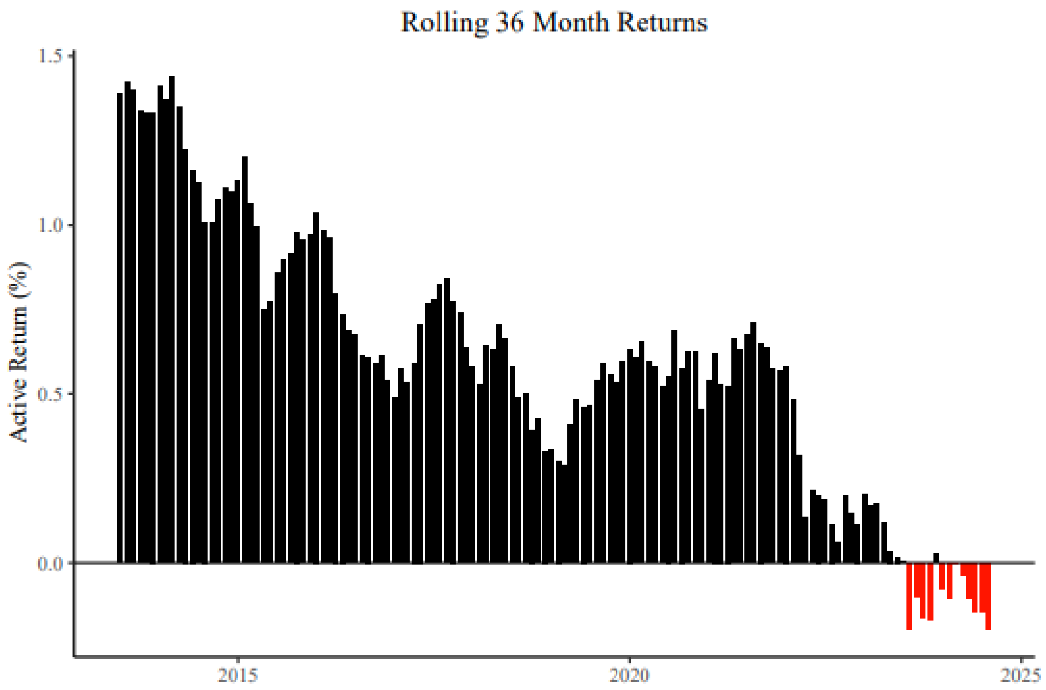
Range Tracking Error for Individual Strategies: 0.07% to 11.13%

Note: As of June 30, 2024. Active Risk Budget is measured over rolling 3-year periods. Source: Style Analytics

STRUCTURED FOR PERFORMANCE CONSISTENCY

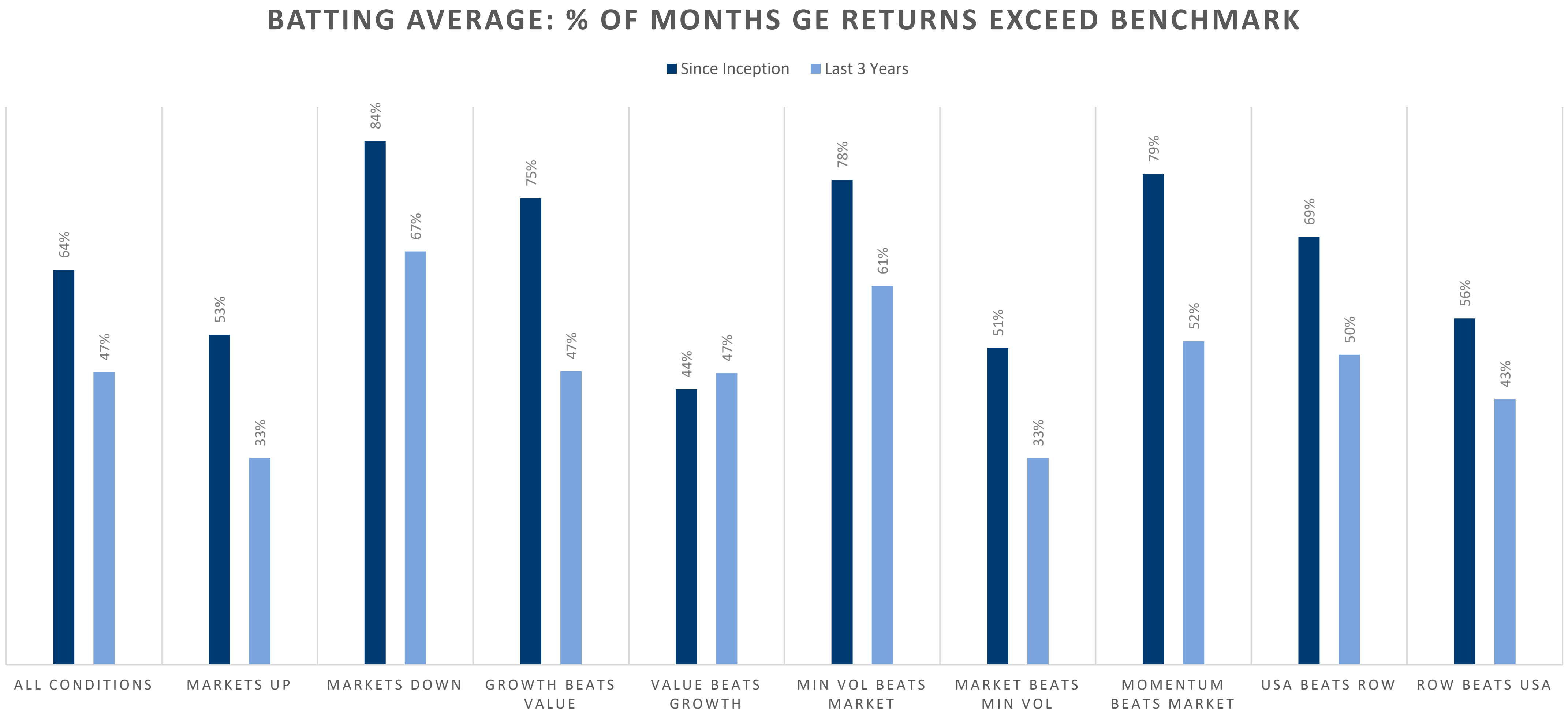
Global Equity Outperformed Benchmark, net of fees, in 138 of 158 Rolling One-Year Periods and 122 of 134 Three-Year Periods





Note: Based on official performance numbers through July 31, 2024. Each date or bar represents a one-year or three-year period based on rolling monthly returns.

STRUCTURED TO PERFORM IN A VARIETY OF MARKET CONDITIONS



Note: Based on Global Equity monthly returns since inception (July 2010) and MSCI indices.

DIVERSIFY ALPHA: ACTIVE MANAGEMENT STRUCTURE

Higher Active Percentages in Less Efficient Segments

	Total AUM ($mm)	% Active	Average Active Mandate Size ($mm)	# of Active Strategies
US LC	$46,585	0.0%	$0	0
Developed LC	$17,733	100%	$1,770	10
Global	$12,191	72.2%	$1,255	7
Emerging	$8,416	100%	$601	14
Developed SC	$3,308	100%	$413	8
US SC	$3,079	79.5%	$222	11
Non-Traditional	$1,437	100%	$479	3

	US Large Cap	US Small Cap	Developed LC	Developed SC	Emerging	Dedicated Global
Min		2.7	1.6	2.1	1.3	3.0
Max		5.8	9.9	4.7	7.7	5.8
◆ Current		2.2	1.5	1.6	1.6	1.3

Note: As of June 30, 2024. US All Cap passive strategy assets allocated to the US LC and US SC groups in line with the benchmark large cap/small cap split. US SC includes microcap. Emerging includes EM SC strategies. Excludes terminated strategies.

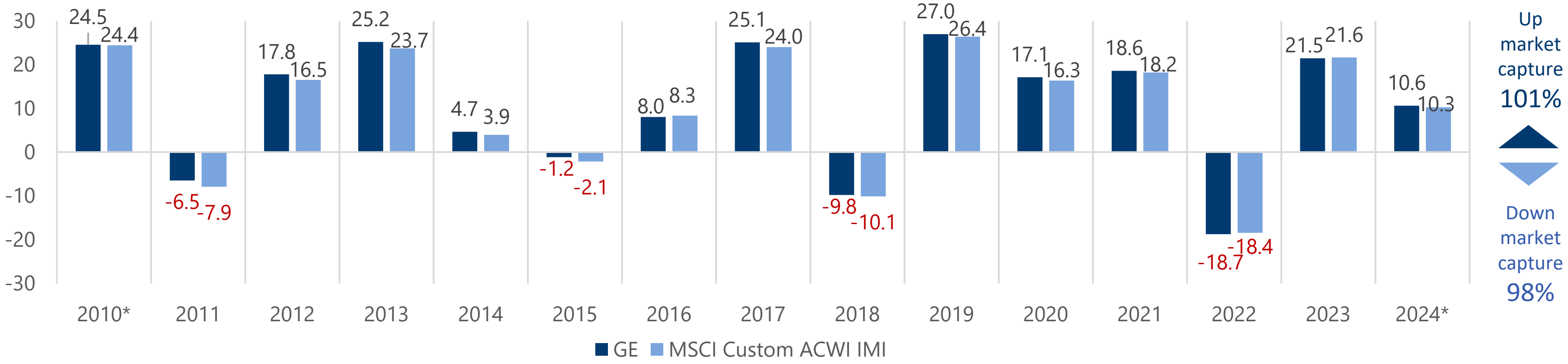
PERFORMANCE REVIEW

PERFORMANCE: TOTAL GLOBAL EQUITY

Performance Summary

	Market Value ($M)	Inception Date	Qtr	CYTD	1 Year	3 Year	5 Year	10 Year	SI
Global Equity	$93,792	Jul-10	2.36%	10.61%	18.61%	4.57%	10.59%	8.63%	10.74%
MSCI FRS Custom ACWI IMI			2.36%	10.27%	18.42%	4.71%	10.38%	8.20%	10.12%
Excess Return			**-0.00%**	**0.35%**	**0.19%**	**-0.14%**	**0.21%**	**0.43%**	**0.61%**
Tracking Error					0.36%	0.52%	0.58%	0.54%	0.53%
Information Ratio					0.42%	-0.32%	0.27%	0.69%	1.01%

Calendar Year Returns – Solid Absolute Returns in Up Markets and Protection on Downside



Note: Returns as of June 30, 2024. GE Inception July 2010. *CYTD 2010 and 2024.

PERFORMANCE: RETURNS BY APPROACH AND REGION

	Weight (% of Asset Class)	One Year Excess Return	Three Year Excess Return	Five Year Excess Return
By Approach				
Passively Managed Strategies	54%	0.09%	0.09%	0.06%
Actively Managed Strategies	46%	0.15%	-0.55%	0.14%
By Region				
Domestic (US)	52.9%	0.00%	0.14%	-0.05%
Foreign	31.4%	0.58%	-0.72%	0.58%
Global	13.0%	-1.05%	-0.68%	-1.40%

Note: Returns as of June 30, 2024. GE Inception July 2010.

PERFORMANCE: BY ACTIVE AGGREGATE

Active Strategy Group	Weight (% of Asset Class)	Q2 2024 Excess Return	One Year Excess Return	Three Year Excess Return	Five Year Excess Return	Key Drivers of Q2 Excess Returns
Foreign Developed Large Cap	19%	0.82%	0.28%	-1.14%	0.72%	The aggregate benefited from strong stock selection in information technology and consumer discretionary, which more than offset negative selection in materials and health care. An underweight to Financials detracted. An opportunistic allocation to emerging markets was beneficial, particularly to Taiwan.
Dedicated Global	9%	-1.12%	-1.62%	-1.06%	-2.03%	The aggregate underperformed in Q2 as being underweight the largest and most profitable names in the index proved the primary detractor. Managers were underweight Nvidia and Apple on valuation concerns driven by lofty investor expectations.
Emerging	9%	-0.27%	1.51%	0.36%	1.23%	Weakness in China, Brazil and Mexico was nearly offset by strong performance in India, South Korea, Taiwan and Saudi. Consumer Discretionary and Cash detracted from performance, and rate sensitive sectors also struggled (Real Estate, Financials and Energy).
Foreign Developed Small Cap	4%	0.18%	1.03%	0.77%	0.68%	Strong active performance continued to be driven by value-oriented managers, who outperformed the benchmark by large margins. Performance was also boosted by the large index-enhanced strategy anchoring the aggregate.
US Small Cap	3%	0.58%	0.26%	3.08%	1.87%	Lower volatility approaches tended to work in all areas as small caps sold off, with strong results from internally managed strategies. The largest single contributor to alpha was the microcap program.

Note: Returns as of June 30, 2024

Thank You

Florida State Board of Administration

Review of Public Equity

September 16, 2024

Agenda

- SBA's Public Markets Investment Program
- Review of Equities
- Recent Activity

SBA's Public Markets Investment Program

SBA’s Public Markets Investment Program

Guiding Principles

- All asset classes shall be invested to achieve or exceed the return on their respective benchmarks over a long period of time. To obtain appropriate compensation for associated performance risks:
  - Public market asset classes shall be well diversified with respect to their benchmarks and have a reliance on low-cost passive strategies scaled according to the degree of efficiency in underlying securities markets, capacity in effective active strategies, and ongoing total fund liquidity requirements.

SBA's Global Equity Investment Program

Mercer's General Observations

- FRS is very intensive in its manager due diligence, selection and monitoring
- The global equity asset class is managed in a prudent, risk-controlled fashion
- Appropriate levels of delegation are given to the staff
- FRS is a significant user of passive management, albeit slightly less than peers (~50% of Portfolio vs. 54% of peers[1]
- Active risk levels are monitored against predetermined ranges
- The Plan effectively uses internal resources to keep costs low (~52% of Portfolio vs. 43% of peers[1])
- Results have been favorable relative to peers

[1] Source: Data as of 12/31/2022 – CEM 2023 Survey

Review of Equities
Asset Allocation – Passive versus Active

- The SBA uses more internal passive management and external active management relative to peers
  - SBA does not utilize external passive management

	FRS[1]	Peers
Internal Passive	49.5%	29.7%
Internal Active	2.1%	13.3%
External Passive	0%	24.6%
External Active	48.3%	32.4%

[1] May not add to 100% due to rounding.

Source: Data as of 12/31/2022 – CEM 2023 Survey

SBA's Public Markets Investment Programs
Guiding Principles

- In 2016, Mercer conducted a structural review of Global Equity and concluded that staff incorporates many of the best practices in institutional fund management and is appropriate given the FRS's size and negative cash flow position.
  - Active/ Passive Allocations: SBA is utilizing active/ passive management across sub-asset classes effectively
  - Internal Management: The SBA has been cost effective in their use of internal passive management within US and Global Equities, unlike peers
  - Active Risk Budget: The risk budgeting monitoring standards for the FRS Pension Plan for the Global Equity asset class is a monitoring standard of 0.75% and an escalation standard of 1.25% and staff has stayed well within these bounds over time
  - Investment Manager Review: Overall, we believe the sub-asset classes to be well diversified in terms of manager style and risk
  - Benchmarking/ Market-Capitalization Weighted Exposures: Except in unique circumstances, the staff has incurred very little misfit risk relative to its asset class benchmarks
  - Potential Alpha Opportunities: The Global Equity staff continually researches and capitalizes on potential alpha opportunities which has included exposures to China A-shares, frontier markets, emerging markets small cap, US microcap, and a currency overlay program
  - Performance Summary: The SBA has realized strong risk-adjusted returns historically and these strong risk-adjusted returns are attributable to the SBA's thoughtful approach to portfolio construction through employing passive mandates in more efficient markets, allocating assets to a diversified yet high conviction active manager base, and deploying assets in higher alpha potential market segments

- However, subsequent reviews have been undertaken by staff in conjunction with external vendors

Mercer

Review of Equities

Review of Equities
Asset Allocation – Region

- In July 2010 the SBA consolidated its separate allocations to US and Foreign Equity asset classes into a single Global Equity asset class benchmarked to the MSCI FRS Custom ACWI IMI
- Compared to peers, the SBA has a smaller direct allocation to dedicated global equity

Product[1]	FRS	Large Plan Peers	US Public Plans	MSCI ACWI IMI
US Equity	52.1%	44.4%	47.7%	63.2%
Developed Market ex US	24.5%	22.3%	24.2%	27.7%
Emerging Markets	10.6%	10.1%	9.9%	9.1%
Global Equity[2]	12.7%	22.8%	15.8%	-
Other	0.0%	0.2%	2.4%	-

[1] May not add to 100% due to rounding
[2] The lower allocation to global equities is due to a greater use of dedicated strategies.
Source: Data as of 12/31/2022 – CEM 2023 Survey

Review of Equities
Asset Allocation – Passive vs. Active

- Compared to peers, the SBA uses more passive management for its US Equity allocation and more active management for its Non-US, Emerging Markets, and Global Equity allocations
  - The majority of dedicated Global Equity mandates are fully active and all Emerging Market mandates are fully active

Product	FRS	Peers[1]
US Equity		
Passive	89.4%	77.8%
Active	10.6%	22.2%
Developed Market ex US		
Passive	0.2%	21.6%
Active	99.8%	78.5%
Emerging Markets		
Passive	0.0%	21.7%
Active	100.0%	78.3%
Global Equity		
Passive	23.2%	55.8%
Active	76.7%	44.2%

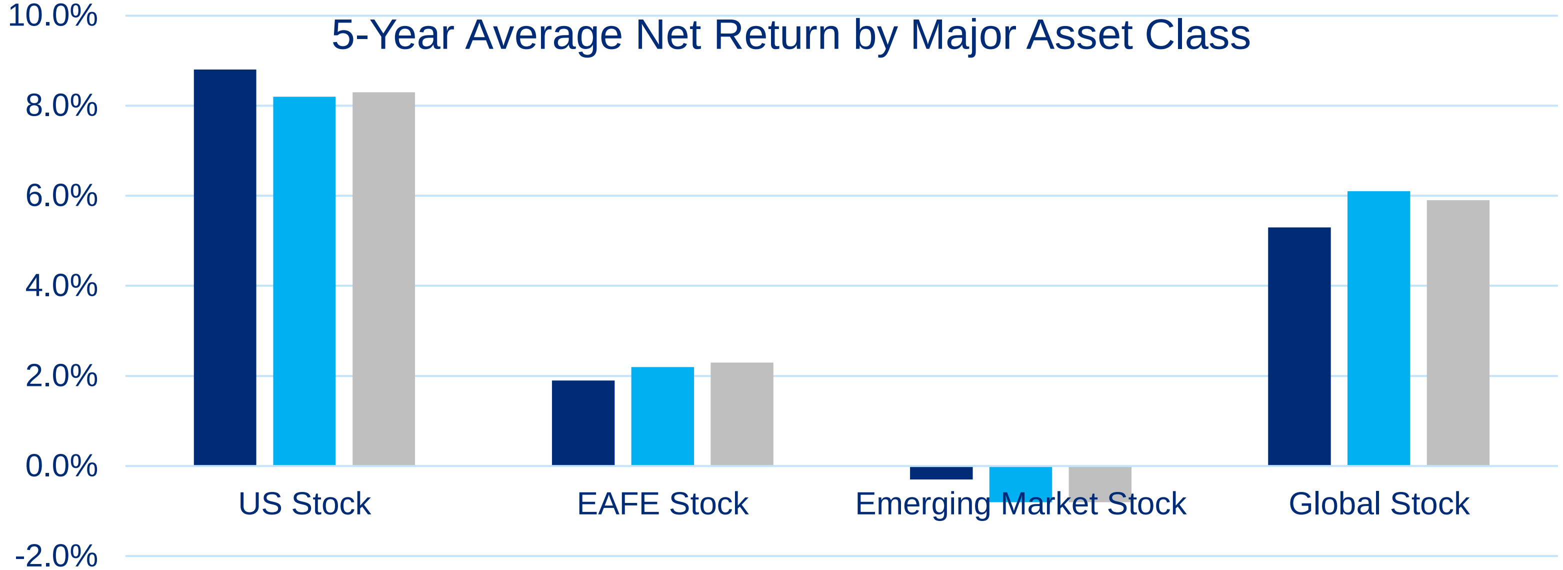
[1] May not add to 100% due to rounding

Source: Data as of 12/31/2022 – CEM 2023 Survey

Review of Equities

Performance: Global Equity vs. Peers

- Relative to peers, the SBA has outperformed in Domestic and Emerging Markets and has underperformed within Global Equity and International (Non-US/ EAFE) Equity



	US Stock	EAFE Stock	Emerging Market Stock	Global Stock
Your Fund	8.8%	1.9%	-0.3%	5.3%
US Public Average	8.2%	2.2%	-0.8%	6.1%
Peer Average	8.3%	2.3%	-0.8%	5.9%
Your % of Assets	26.5%	14.9%	5.9%	5.0%

Source: Data as of 12/31/2022 – CEM 2023 Survey

Review of Equities

Fees: Global Equity vs. Peers

- Since the CEM 2022 Survey, FRS' absolute fees have come down and/or stayed flat
  - On a relative basis, FRS' fees in Emerging Markets and Global Equity have become less competitive as peers have reduced fees
- Relative to peers, FRS' fees are cheaper than the median for external active management for Developed Market ex-US and Emerging Markets; however, slightly higher for external active US Equity and in line with external active management for Global Equity

Product	FRS	Median Peer
US Equity		
External Active	33.9	33.1
External Passive	N/A	1.0
Developed Market ex-US		
External Active	25.6	39.1
External Passive	3.4	3.4
Emerging Markets		
External Active	44.0	46.2
External Passive	N/A	5.1
Global Equity		
External Active	37.1	37.1
External Passive	N/A	3.8

Fees in basis points

Source: Data as of 12/31/2022 – CEM 2023 Survey

Review of Equities
Performance: US, Non-US, & Dedicated Global Equity

- Over the 3- and 5-year periods, the FRS US Equity and the FRD Non-US Equity allocations have delivered mixed results relative to its respective benchmarks; however, performance relative to peers ranks favorably over all periods
- On the other hand, the FRS Global Equity allocation has trailed its custom benchmark on a relative basis; however, peer rankings remain strong

Periods Ending 6/30/2023	Year to Date Return (Rank)	1 Year Return (Rank)	3 Years Return (Rank)	5 Years Return (Rank)	Inception (April 1988) Return
FRS US Equity [1, 2]	13.54% (17)	23.13% (19)	8.19% (18)	14.09% (20)	11.00%
Benchmark	13.56%	23.12%	8.05%	14.14%	10.95%
Value Added	-0.02%	0.01%	0.14%	-0.05%	0.05%
Information Ratio[3]	--	--	0.61	-0.19	--
Tracking Error[3]	--	--	0.23%	0.29%	--
	Year to Date Return (Rank)	**1 Year Return (Rank)**	**3 Years Return (Rank)**	**5 Years Return (Rank)**	**Inception (October 1992) Return**
FRS Non-US Equity [2, 4]	6.33% (32)	12.13% (35)	-0.54% (59)	6.22% (64)	7.04%
Benchmark	5.20%	11.54%	0.18%	5.64%	6.11%
Value Added	1.14%	0.58%	-0.72%	0.58%	0.93%
Information Ratio[3]	--	--	-0.60	0.41	--
Tracking Error[3]	--	--	1.19%	1.42%	--
	Year to Date Return (Rank)	**1 Year Return (Rank)**	**3 Years Return (Rank)**	**5 Years Return (Rank)**	**Inception (June 2003) Return**
FRS Dedicated Global Equity [2, 5]	10.83% (13)	18.86% (18)	5.62% (10)	9.99% (57)	8.61%
Benchmark	11.58%	19.91%	6.30%	11.39%	9.30%
Value Added	-0.76%	-1.05%	-0.68%	-1.40%	-0.69%
Information Ratio[3]	--	--	-0.44	-0.75	--
Tracking Error[3]	--	--	1.53%	1.88%	--

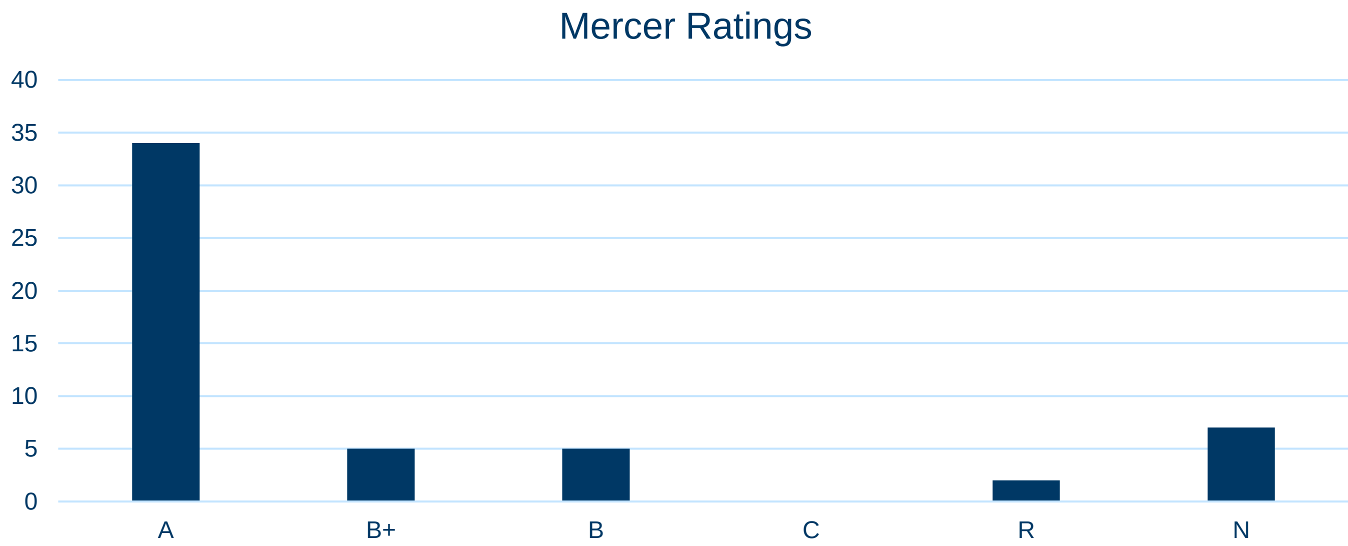
[1] Compared to the Public Funds >$1B – US Equity universe; rankings are based on gross-of-fees FRS performance.
[2] Returns are shown net of fees.
[3] Calculated using monthly returns
[4] Compared to the Public Funds >$1B – Non-US Equity universe; rankings are based on gross-of-fees FRS performance.
[5] Compared to the Public Funds >$1B – Global Equity universe; rankings are based on gross-of-fees FRS performance

Recent Activity

Mercer Research Rating Review

Breakdown of Strategies by Rating

- Of the 53 external public equity strategies in the Plan, 39 strategies (~74%) are rated “B+” or better



Mercer Ratings:

A = “Above Average" prospects of outperformance

B+ = “Above Average" prospects of outperformance, but there are strategies in which Mercer has greater conviction

B = “Average" prospects of outperformance

C = “Below Average" prospects of outperformance

N = Not Rated

R = Mercer does not maintain formal ratings, but has reviewed the strategy

Recent Activity

- YTD 2024:
  - Global Quantitative Core Equity Search (1Q2024)

- 2023:
  - Emerging Markets Large Cap Equity Search (4Q2023)
  - Global Defensive Equity Search (2Q2023)

- Quarterly: Regularly working with staff conducting ongoing performance and manager monitoring

- Increased focus on operational due diligence, including in manager monitoring reports

Mercer

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China Investment Exposure Evaluation Project

Florida State Board of Administration

September 16, 2024

Investment advice and consulting services provided by Aon Investments USA, Inc.

Introduction

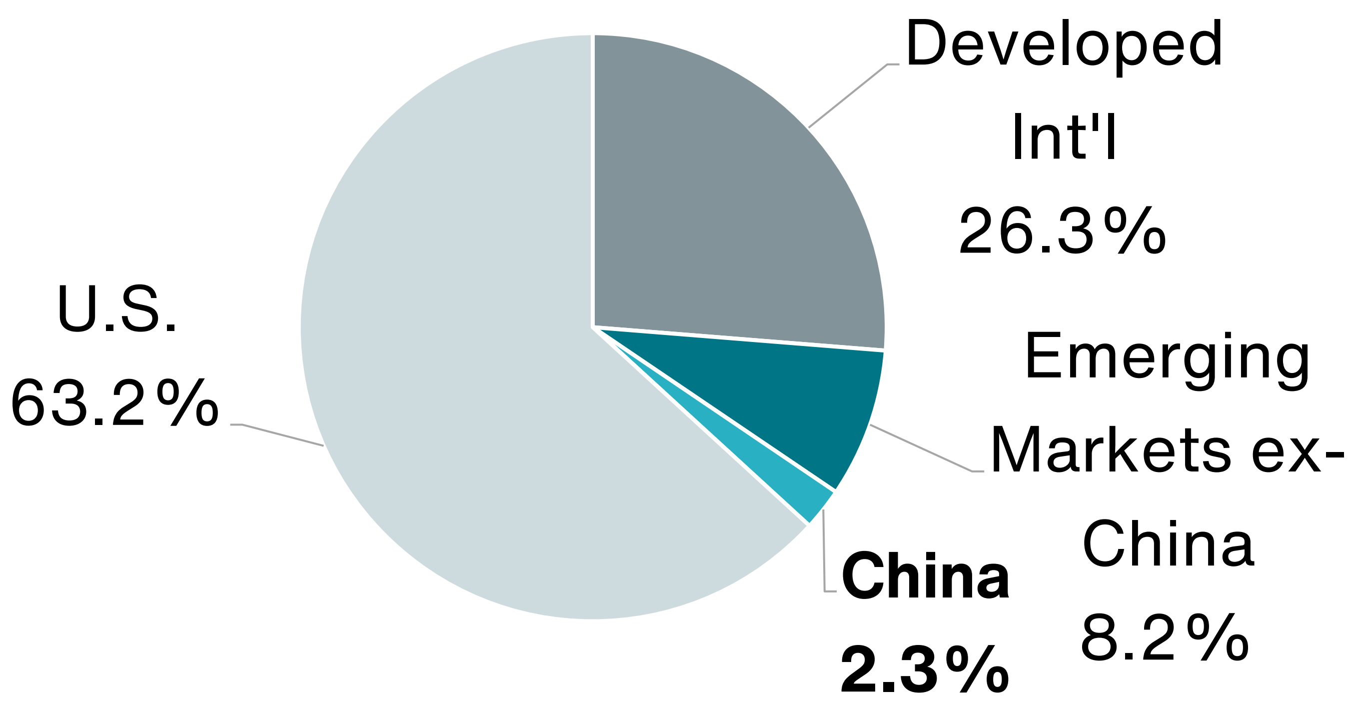
- Investing in China has become a frequent discussion over the past few years across institutional investors
- As economic and political risks have risen, and accelerated due to the ongoing Russia-Ukraine war and consequential market impact, investment risks and opportunities across emerging markets, and China in-particular, are being re-evaluated
- The SBA asked Aon to assist in an evaluation of whether forward-looking expected returns are in line with heightened investment risks, particularly in light of competing investment opportunities
- The following material provides background and next steps for the proposed analysis

AON

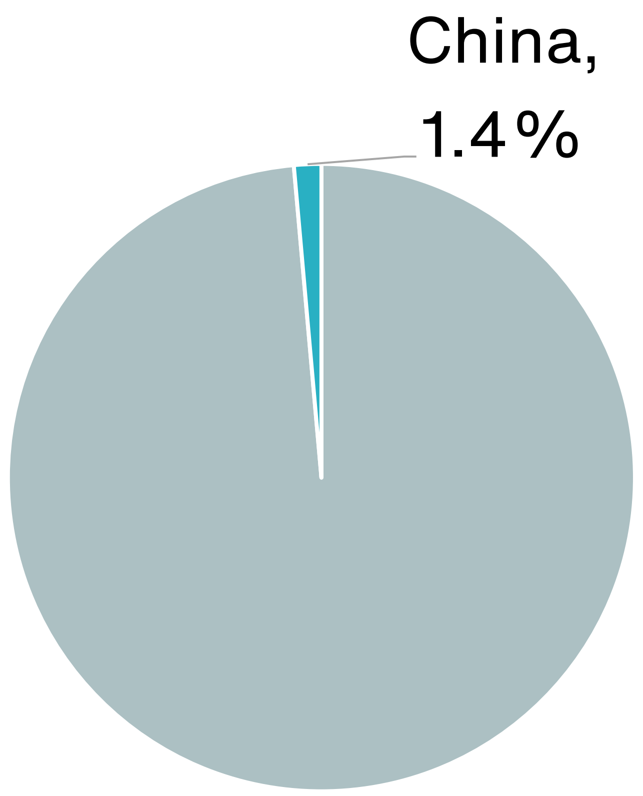
Investment Exposure to China
Background

- Institutional investors primarily gain exposure to China's economic growth via common stock or ADRs/GDRs; however, exposure can also come from fixed income securities and across private markets
- The bulk of the FRS's exposure to China is via common stock
  - China is the largest emerging market, comprising 22% of the emerging market equity market and 2.3% of the global equity market
  - In 2023, the Florida Legislature prohibited the SBA from investing in State-owned Chinese public securities
  - Currently, the FRS Chinese public equity *policy* exposure is roughly in-line, to slightly below, the global equity market
- Currently, FRS's long-term Total Fund Policy[2] exposure to China is approximately 1.4%
  - Actual FRS exposure will differ from Policy based on the active management of the portfolio

MSCI All Country World Investable Market Index[1] (MSIC ACWI IMI)



FRS Total Fund Policy Exposure to China[2]



[1]As of 7/31/2024.
[2] Based on the FRS long-term policy exposure, across both equity and debt, as represented by the Target Allocations and Indices written in the Investment Policy Statement

Investment Exposure to China

Looking Ahead

What has changed?

- Political and economic risks of investing in China have risen
  - Geopolitical concerns
  - Economic growth outlook has declined relative to expectations and past growth
  - Restrictions of investment
  - Chinese policy risks
- Some peers have taken action to reduce or eliminate exposure to emerging markets and/or China

What has stayed the same?

- China's GDP is the 2nd largest in the world
- China's weight across global equity indices is disproportionate to its GDP
- Risks of investing in China and other emerging markets are elevated compared to developed markets
- Exposure to China can be accessed via active or passive management and there are merits and considerations to both

- Consistent with any investment, and particularly with emerging market countries, all potential risks need to be evaluated alongside potential compensation (return)
- Any decision to change current practice should be supported by sound analysis and be in line with the SBA's investment objectives

AON

Next Steps

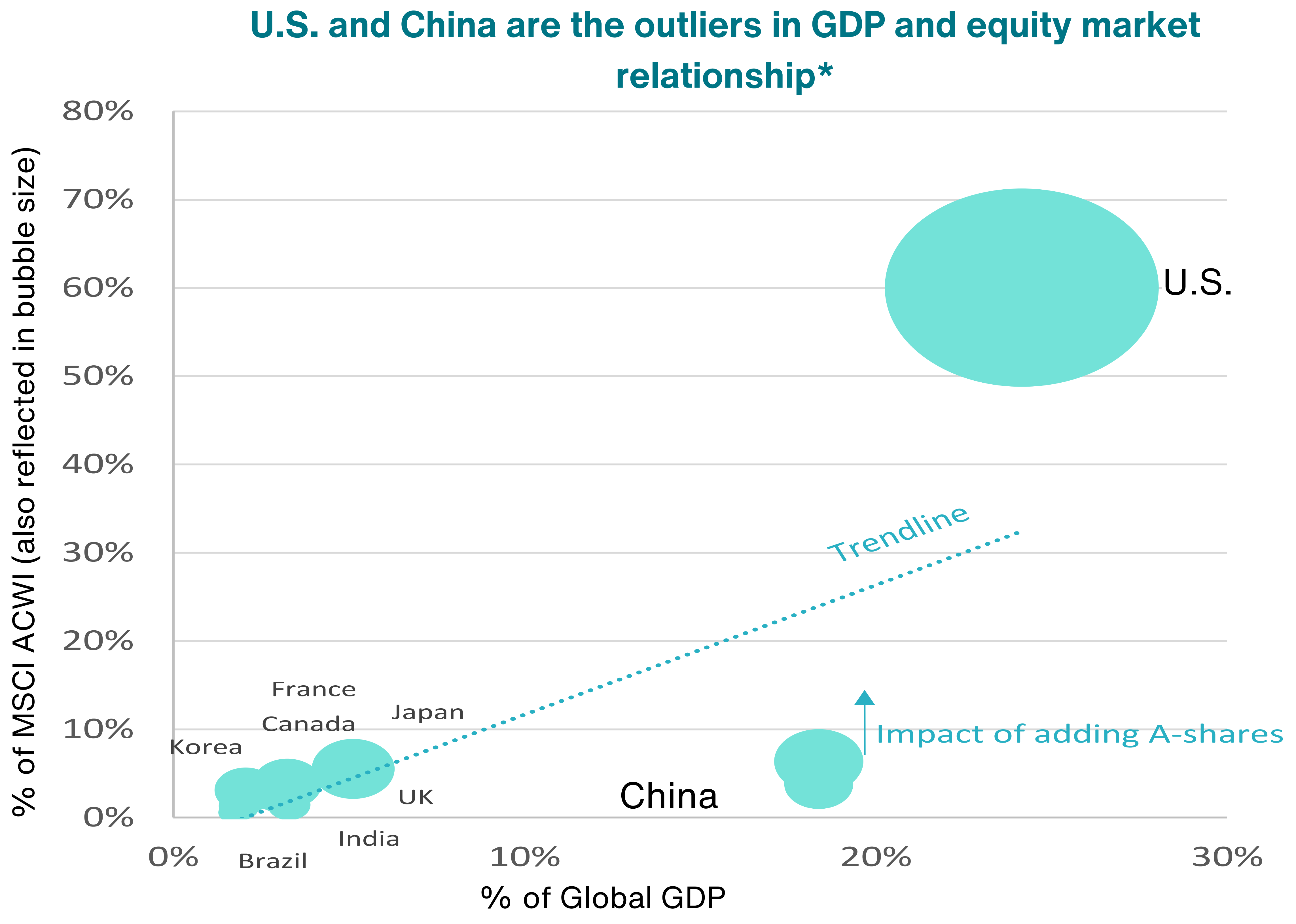
The SBA and Aon will engage in analysis to evaluate any expected impact of a potential reduction in exposure to China

Analysis		Target Timeline
Policy	▪ Study impact on expected long-term risk and return ▪ Study both partial and full exposure reduction ▪ Depending on the result of the analysis, assist SBA in implementation considerations regarding active vs. passive exposures, managers and benchmarking	December 2024
Monitoring	▪ Performance reporting ▪ Changes to risk / return trade-off expectations	Ongoing, formally during A-L analysis

AON

Appendix

GDP and Equity Market Relationship



*Source: World Bank 2021 (GDP measured in current US$)

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Chicago, IL 60601
ATTN: Aon Investments Compliance Officer

M E M O R A N D U M

TO: Chris Spencer, Executive Director

FROM: Lamar Taylor, Chief Investment Officer

DATE: August 6, 2024

RE: Exposure reduction to China

In March of 2022, after Russia invaded Ukraine, the SBA paused new investment strategies in China and in Emerging Markets involving China. This policy stance was based on the significantly increased geopolitical risk relating to China, given its support of Russia and the numerous trade and strategic disagreements between China and the United States. Since that period of time, little has improved in the geopolitical arena. The Biden Administration has proposed rules restricting investments with Chinese entities involving artificial intelligence, quantum computing and microchips. Further, China's economy and stock markets have become stressed under the weight of policy decisions and a highly levered real estate market.

More ominously, China remains committed to reunifying Taiwan with mainland China and refuses to rule out force to do so. While the US does not have official diplomatic relations with Taiwan, the US "opposes any unilateral changes to the status quo from either side . . . [, and] [c]onsistent with the Taiwan Relations Act, the United States makes available defense articles and service as necessary to enable Taiwan to maintain a self-sufficient defense capability."[1] The US's diplomatic stance on this point is understandable, given the significance of Taiwan's semi-conductor industry to the global economy. Any aggression by China against Taiwan would presumably be met with similar economic sanctions as those imposed on Russia, but with likely far greater impacts in financial markets. Prior to February 2022, Russia's weight in global emerging market indices stood at approximately 4%[2]; currently China represents approximately 25%[3] of those same indices.

The question from an investment standpoint is whether the FRS can be expected to be compensated for these geopolitical risks and if not, how should those risks be mitigated in the portfolio.

From a historical perspective, the returns on Emerging Markets (which includes China) generally, have not lived up to expectations. In 2014, the 10-year forward looking expected returns for Emerging Markets ranged from 7.25% - 9.30%,[4] with expected volatilities ranging from 26.00% to 28.50%. Actual 10-year returns and volatilities on the MSCI Emerging Market were far more muted, at 2.80% and 17.20%, respectively. Moreover, the 2014 EM projected returns were significantly higher than the projected returns on US large cap equities, which ranged from 5.90% to 7.25% at the time. Actual returns on US large cap were approximately 12% over the last 10 years, depending on the index referenced.

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[1] US Relations with Taiwan, Fact Sheet, Bureau of East Asian and Pacific Affairs, May 28, 2022, US Department of State, available at U.S. Relations With Taiwan - United States Department of State

[2] From Crisis to Crisis, Russia's Diminished Role in Emerging Markets, available at From Crisis to Crisis: Russia's Diminished Role in Emerging Markets - MSCI

[3] China's Index Weight in Emerging-Market Index Drops to Record Low, available at China's Weight in Emerging-Market Index Drops to Record Low - Bloomberg

[4] Returns and volatilities for 2014 and 2024 were obtained from SBA's consultants, Aon, Mercer, Callan and Wilshire. Not all consultants provided data for each market and in each year, although in every case, returns and volatilities from more than one consultant were provided.

Clearly, forward looking capital market projections are volatile and represent expectations based on information available at the time. The point, however, is that actual returns in EM (including China) ultimately proved to be much worse on a relative basis to US large cap, during a time when the relative return advantage was expected to reset heavily in favor of Emerging Markets.

Unlike in 2014, projected forward looking returns for EM and China today are much closer to the projected returns for US large cap stocks, although projected volatilities are much higher on a relative basis. Projected returns for EM today range from 6.80% to 7.70%, with volatilities ranging from 22.00% to 26.40%. Projected returns for China specifically range from 6.80% to 7.90% and from 27.50% to 29.80%, respectively. Projected returns for US large cap equities range from 5.90% to 7.50%, with volatilities ranging from 17.00% to 18.00%.

While it may be the case that the significant difference in projected volatilities reflect to some degree current geopolitical risk assessments, the case for that is weakened by the fact that the current projected volatilities for EM (which includes China) are actually lower than the 2014 projected volatilities for EM, despite the more pronounced geopolitical tensions today. Projected volatilities for EM stood at between 26.00% and 28.50%, and today they stand at between 22.00% and 26.40%.

These facts point out two things. First, current projections of return volatilities for EM might not be factoring in the current geopolitical risks with China. Given the example of the returns on Russian securities subsequent to Russia's invasion of Ukraine, those risks can result in total losses. Second, given the significant reduction in the spread between projected EM (including China) vs US large cap returns from 2014 to 2024, any return premium associated with those geopolitical risks has actually *decreased* since 2014, despite the worsening relationship between China and US over that period of time. This suggests that on a relative basis, the FRS Pension Plan may not be ultimately compensated for taking market weight exposure to EM as compared to other, less geopolitically sensitive investment options. At a minimum, it calls into question the extent to which current capital market assumptions, which are used in the asset allocation process, have correctly priced in a geopolitical risk associated with EM (including China) today.

For these reasons, I recommend engaging the SBA's total fund consultant, Aon, to provide an analysis of the potential risk and return impacts of mitigating the FRS Pension Plan's market weight exposure to EM (including China). I am aware that other large US public Pension Plans, such as Texas Teachers and Wisconsin have undertaken similar reviews that have resulted in their underweighting EM (including China) relative to standard global indices from an asset allocation perspective. I would also note that conducting a review on this matter is timely in light of increasing Federal and State interest in regulating investments in this space. As you are aware, last session the Florida Legislature prohibited the SBA from investing in State-owned Chinese public securities, and the Biden Administration has recently published rules prohibiting certain outbound US investments in certain technology sectors in China. Future regulatory events could impact existing investments in ways that are currently unpredictable. Accordingly, I recommend engaging Aon to provide an analysis of reducing market exposure to EM (including China). Please let me know if you concur with this recommendation or have any questions.

Exhibit A

Capital Market Assumptions					
China (10-year)					
Source	**Source Date**	**Expected Geometric Nominal Return**	**Volatility**	**Correlation to Global Equity**	**Forward Period**
Aon	6/30/2024	6.80%	27.50%	0.72	10-year
Mercer	6/30/2024	7.90%	29.80%	0.72	20-year
Emerging Markets	**Source Date**	**Expected Geometric Nominal Return**	**Volatility**	**Correlation to Global Equity**	**Forward Period**
Aon	6/30/2024	6.80%	22.00%	0.88	10-year
Callan	6/30/2024	7.70%	25.60%		10-year
Mercer	6/30/2024	7.00%	26.40%	0.86	20-year
Callan	3/31/2014	7.90%	28.00%	0.93	10-year
Mercer	9/30/2014	9.30%	26.30%	0.89	20-year
Wilshire	1/28/2014	7.25%	26.00%	0.88	10-year
Aon	9/30/2014	8.40%	28.50%		10-year
US Large Cap	**Source Date**	**Expected Geometric Nominal Return**	**Volatility**	**Correlation to Global Equity**	**Forward Period**
Callan	6/30/2024	7.50%	17.00%		10-year
Aon	3/31/2024	6.60%	18.00%	0.98	10-year
Mercer	6/30/2024	5.90%	18.00%	0.97	20-year
Callan	3/31/2014	7.50%	18.30%	0.88	10-year
Mercer	9/30/2014	6.60%	18.10%	0.91	20-year
Wilshire	1/28/2014	7.25%	17.00%	0.94	10-year

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FLORIDA GROWTH FUND PROGRAM REVIEW

FSBA IAC MEETING

CAMBRIDGE ASSOCIATES

SEPTEMBER 2024

- SBA authorized to invest up to 1.5% of net trust fund assets in technology and growth businesses either domiciled in Florida or having a principal address in Florida
- Investments can be in the form of private equity funds and/or direct co-investments
  - Fund investments require either the GP to be based in FL or investing significantly in FL
  - For co-investments, companies must be either based in or have a significant portion of their business in FL
- To date, the program is comprised of 3 funds across 7 tranches managed by 2 managers:

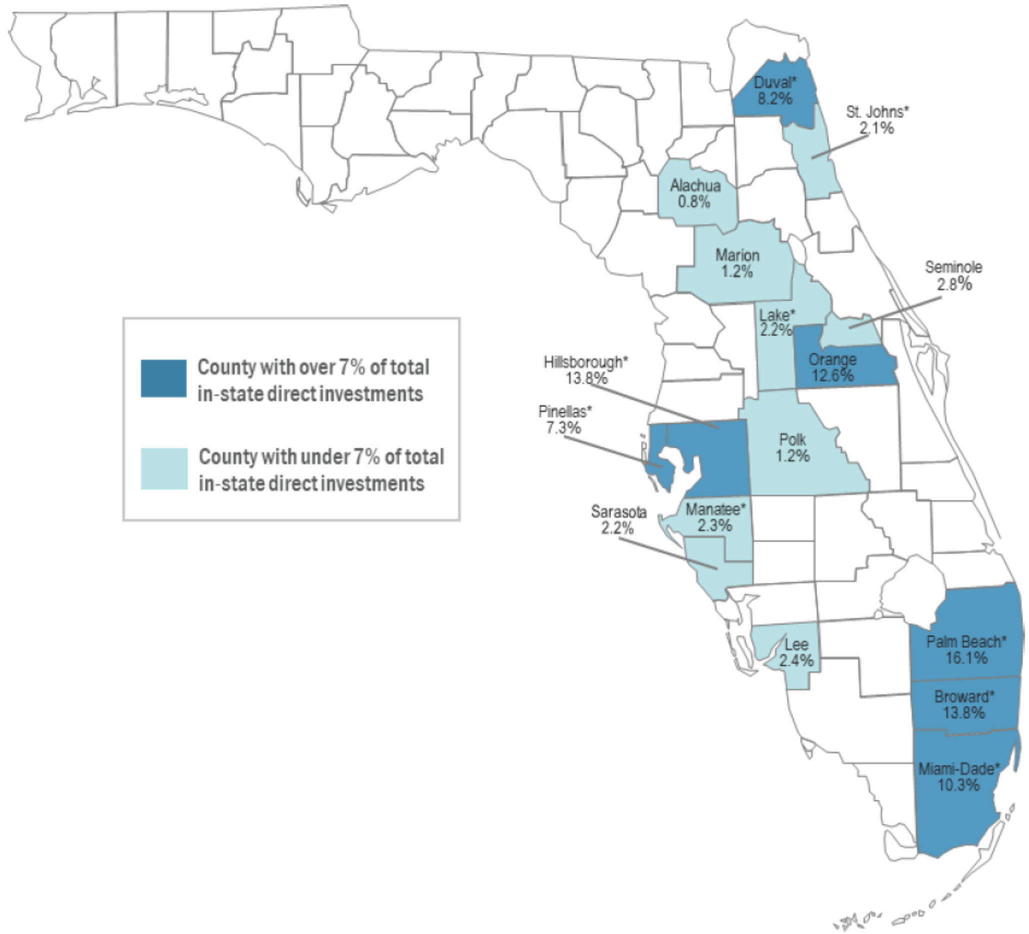
	Year Established	Fund Commitment at Program Inception (millions)	Investment Manager
Florida Growth Fund I			
Tranche I	2009	$250	Hamilton Lane
Tranche II	2012	$150	Hamilton Lane
Credit Tranche	2014	$100	Hamilton Lane
Sub-total		**$500**	
Florida Growth Fund II			
Tranche I	2015	$250	Hamilton Lane
Tranche II	2019	$125	Hamilton Lane
Sub-total		**$375**	
Florida Sunshine State Fund			
Tranche I	2019	$125	J.P. Morgan Asset Management
Tranche II	2022	$250	J.P. Morgan Asset Management
Sub-total		**$375**	
Total		**$1,250**	

Source: State Board of Administration of Florida

Positive impact of the FGF program to date

- Results as outlined in the Jan 2024 OPPAGA report (reflective of data as of 6/30/23):
  - Since program inception:
    - $1,140.8M in commitments
    - $998M of invested capital in 145 investments across 84 technology & growth companies and 61 private equity funds
    - $965.7M in distributions
    - 96.5% of investments in companies/funds with a FL presence
  - Direct investments of $605.4M span 16 Florida counties (graphic)
    - Wide range from $4.8M in Alachua County to $97.5M in Palm Beach County
  - For the fiscal year ending June 30, 2023:
    - $75.4 million invested
    - $135M in distributions
    - 6,783 jobs created
    - $703.4M in capital expenditures
    - 80% of total investments had a FL presence

Since Inception, the Majority of the $605.4 Million in Florida Growth Fund Program Direct Investments Have Been Located in Seven Counties[1]



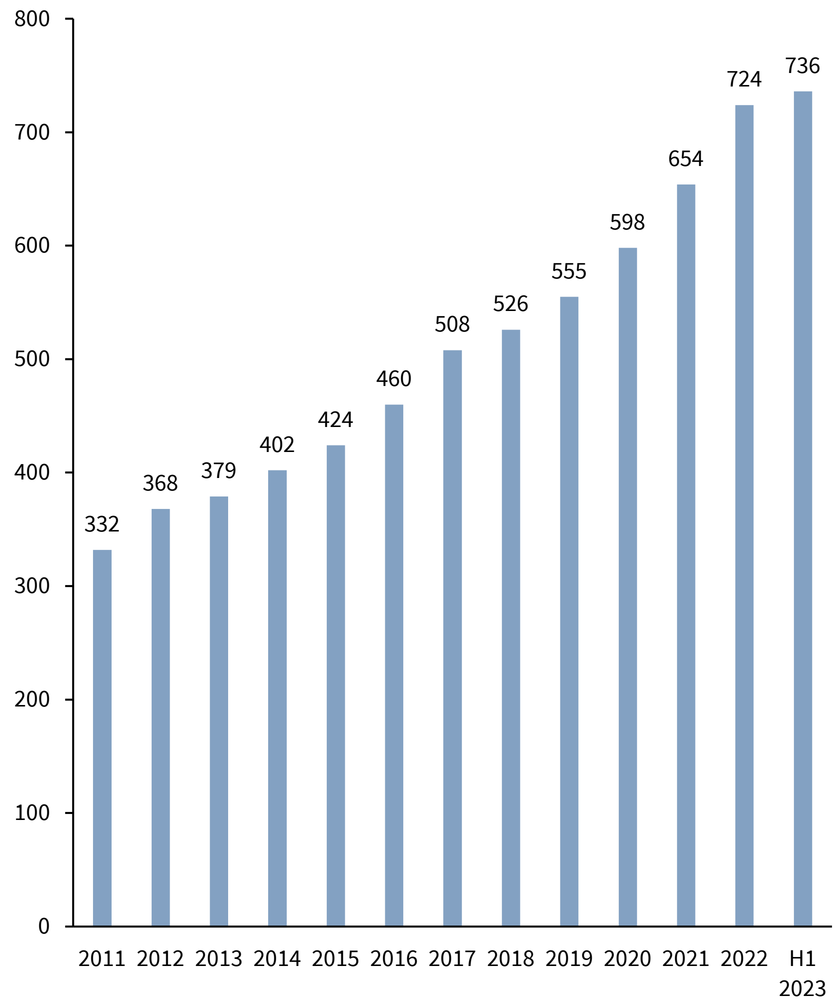
[1] Counties with asterisks received investments during the review period. The percentages reported for each county does not equal the total amount because one investment (0.8% of total investments) was made in Ohio.

Source: OPPAGA analysis of Hamilton Lane and J.P. Morgan Asset Management data.

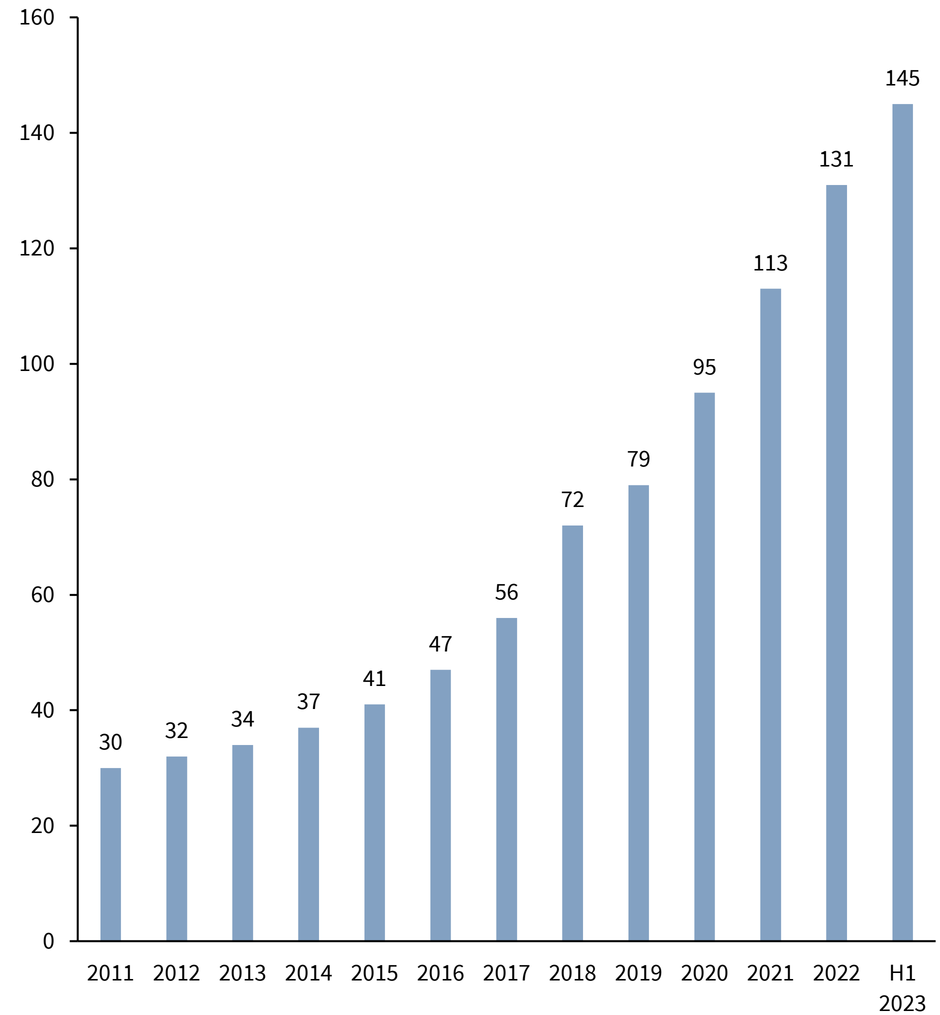
Notes: Commitment data provided by JP Morgan and Hamilton Lane as of July 31, 2024. Invested capital in Alachua and Palm Beach County equals the % of FGF program direct investments in those counties multiplied by the amount of direct investments made by the program since inception ($605.4 million).

Opportunity set in FL continues to grow

Sponsor-Backed Florida Companies



Florida-Based PE Firms



Source: Cassel Salpeter & Co 1H 2023 Report and Pitchbook.
"Sponsor" includes buyout, growth, recapitalization, and add-on investments, excluding real estate investments.
Sponsor-backed Florida Companies incudes companies headquartered in Florida that are in part or in whole backed by sponsor firms.
Florida-Based Sponsor firms includes sponsor firms with headquarters in Florida that were either actively investing or raising funds during the reported periods.

Performance

- **Hamilton Lane/Florida Growth Fund (FGF)**
  - Each tranche has outperformed the public equivalent benchmark, however FGF I - Tranche I and FGF II - Tranche I have fallen short of return objectives (250+bps over public equivalents)
  - Overall, the FGF program has become cash flow positive, with realizations of $1,014M on $834M of invested capital.
  - Performance for FGF II - Tranche II is strong, meaningfully outperforming the benchmark
- **JP Morgan Asset Management/Sunshine State Fund (FSSF)**
  - Performance for Tranche I has been strong, meaningfully outperforming the benchmark; Tranche II remains immature

AS OF 3/31/2024

	COMMITTED	INVESTED	REALIZED	NET MOIC	DPI	NET IRR	PME[1]	OUT/UNDER PERFORMANCE	CA MEDIAN
FGF I - TRANCHE I (2009)	$238.6	$236.0	$366.1	1.7	1.6	10.6%	10.5%	0.1%	21.4%
FGF I - TRANCHE II (2012)	$146.0	$152.6	$215.8	1.9	1.4	11.9%	9.1%	2.8%	15.2%
CREDIT TRANCHE (2014)	$107.6	$105.0	$125.5	1.2	1.2	7.2%	3.9%	3.3%	7.1%*
COMBINED RESULTS - FGF I	**$492.2**	**$493.6**	**$707.4**	**1.6**	**1.4**	**10.7%**			
FGF II - TRANCHE I (2015)	$240.7	$243.3	$256.3	1.5	1.1	11.2%	10.3%	0.9%	18.2%
FGF II - TRANCHE II (2019)	$110.6	$97.1	$50.1	1.7	0.5	22.1%	5.8%	16.3%	16.5%
COMBINED RESULTS - FGF II	**$351.3**	**$340.4**	**$306.4**	**1.6**	**0.9**	**12.9%**			
COMBINED EXPOSURE	$843.5	$834.0	$1,013.8						
FLORIDA SUNSHINE STATE FUND									
TRANCHE I (2019)	$126.9	$111.1	$66.2	1.5	0.5	17.0%	5.6%	11.4%	16.5%
TRANCHE II (2022)	$170.4	$109.5	$1.2	1.2	0.0	29.0%	28.9%	0.1%	7.9%

[1]Public Market Equivalent provided by Hamilton Lane and JP Morgan. FGF Tranches I, II vs. Russell 2000/Bison & FSSF Tranches I, II vs. Russell 2000 and Credit Tranche vs. CS Lev Loan Index. Out/Under Performance represents the over or underperformance of the PME. CA Median represents the Cambridge Associates US Private Equity benchmark median for each respective vintage year, *apart from the median for the FGF I Credit tranche which represents the median for the Cambridge Associates US Private Credit benchmark. FSSF committed, invested, and realized data is as of July 31, 2024.

- Hamilton Lane was the sole manager of the program until 12/2018 when JP Morgan Asset Management (JPMAM) was added.
  - Adding a second manager allowed the SBA to diversify the manager exposure, broaden the pipeline of opportunities and resulted in more competitive fees.
- Hamilton Lane has invested $834M to date, across FGF I-II, realized $1,014M, resulting in current net cash flows of $180M, as of March 31, 2024. The manager has no remaining capital available for deployment.
  - HL committed client capital alongside 10.4% of deals in FGF I, 42.9% of deals in FGF Credit, and 38.6% of deals in FGF II.
- JPMAM invested $111M of the $125M ($127M including GP commitment) Tranche I from 2019 to 2021 and distributed $66M, resulting in current net cash flows of ($45M), as of July 31, 2024. The manager began investing Tranche II in April 2022 and has invested $109M of the $250M ($253M including GP commitment). As of August 2024, Tranche II was 67% deployed (including reserves).
  - JPMAM committed client capital alongside 78.3% of deals in FSSF I and 34.6% of deals in FSSF II.

Note: Percent of deals HL and JPMAM committed capital alongside FGF and FSSF was calculated based on deal count.

- Program has been successful at achieving strategic objectives
- The combined FGF and FSSF exposures represent 0.32%[1] of trust assets vs. target of 1.5%, as of March 31, 2024
  - Including additional exposure to Florida-based companies across the SBA's private equity portfolio, total exposure accounts for 0.60%[2] of trust assets, as of March 31, 2024.
- The market opportunity set continues to grow as more PE firms relocate to FL. Covid provided strong tailwinds for this trend.
- Performance for the early tranches has been mixed, driven by a combination of some weak venture results and some lower risk credit investments. As the focus moved away from venture and credit to more direct deals and buyouts, performance has improved.
- HL is out of capital to deploy while JPM has roughly 1/3 of Tranche II remaining.
- Diversifying exposure across 2 managers has been beneficial in terms of widening exposures, providing access to differentiated deal flow, increasing GP/LP alignment, and improving fee structures.

Source: Cambridge Associates and the State Board of Administration of Florida
[1]Data is based on FSBA's reported Total Portfolio Market Value as of March 31, 2024, and The Florida Growth Fund's total NAV as of March 31, 2024, as reported by Cambridge Associates.
[2]Value excludes FSBA's exposure through Fund of Funds.

INVESTMENT ADVISORY COUNCIL

Private Equity Asset Class Update

John Bradley, SIO Private Equity

State Board of Administration
September 16, 2024

SBA FLORIDA STATE BOARD OF ADMINISTRATION

Market/Portfolio Update

- Market
  - Private equity market continues to rebound in 2024…slowly
    - Deal activity up in the first half of the year
      - U.S. buyout activity in the first half of 2024 totaled over $130 billion
      - Exit activity steadily increasing – both M&A and IPO exits up during 1st half
  - Purchase price multiples showed a slight increase, 1st half avg. 11.1x EBITDA
  - Leverage multiples also ticked up, 1st half avg. 5.1x EBITDA

- Portfolio
  - PE portfolio up 2.0% for Q1 2024
  - 2024 net cash flow (as of 8/31/24): $240.5 million
    - $1.16 billion in GP distributions
    - $921 million of contributions

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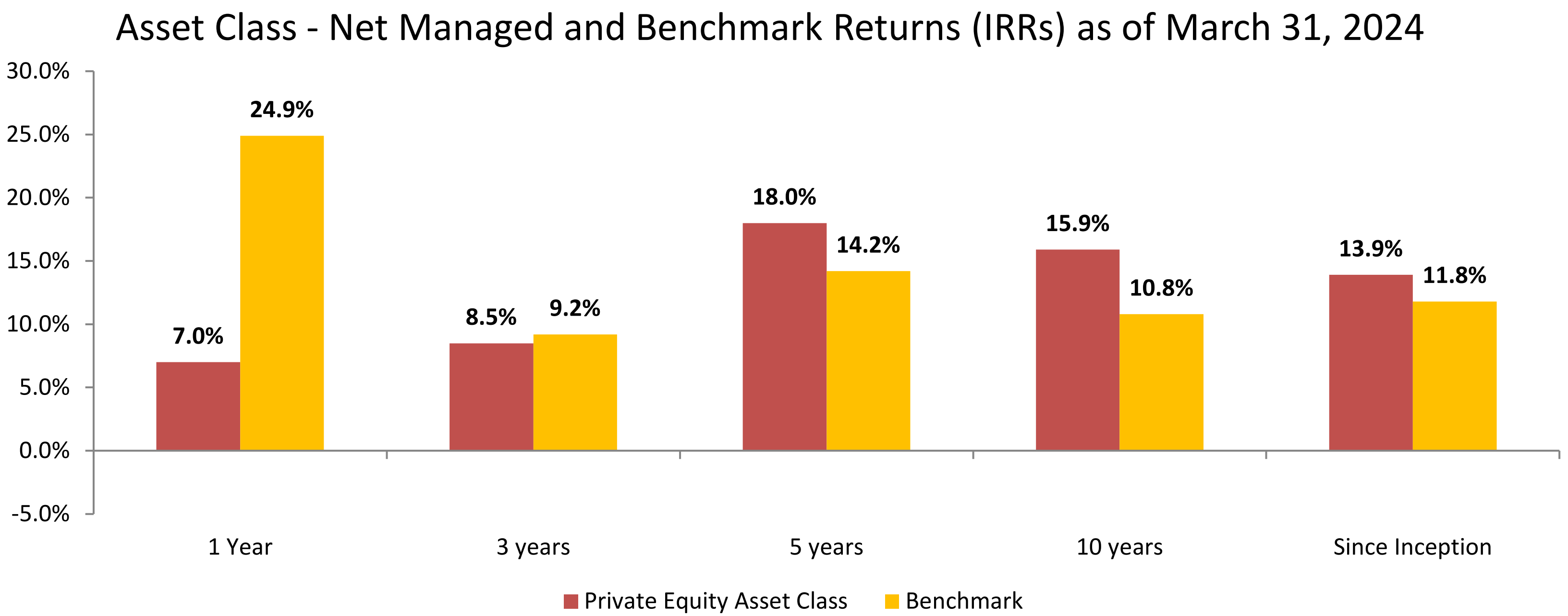
Private Equity Performance



Note: Asset class IRR performance data is provided by Cambridge Associates. The PE benchmark is currently the Custom Iran- and Sudan-free ACWI IMI + 250bps. From July 2014 through December 2023 the benchmark was the Russell 3000 + 300 bps. From July 2010 through June 2014 the benchmark was the Russell 3000 + 300 bps. Prior to July 2010 , the benchmark was the Russell 3000 + 450 bps. Prior to November 1999, Private Equity was part of the Domestic Equities asset class and its benchmark was the Domestic Equities target index + 750 bps.

Please see Appendix for performance of the Legacy or pre-asset class portfolio.

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Sub-Strategy Performance

As of March 31, 2024

	1yr	3yr	5yr	10yr	Since Inception	S.I. PME Benchmark
U.S. Buyouts	11.0%	11.8%	16.2%	15.7%	13.0%	7.5%
Non-U.S. Buyouts	7.1%	8.8%	15.6%	14.5%	12.7%	9.4%
U.S. Venture	2.2%	2.3%	24.9%	18.8%	15.3%	7.3%
U.S. Growth Equity	2.8%	8.6%	19.4%	17.9%	15.2%	8.7%
Non-U.S. Growth Equity	-3.2%	0.3%	7.0%	7.7%	7.4%	9.9%
Distressed/Turnaround	8.5%	15.5%	18.1%	14.1%	18.2%	8.4%
Secondaries	6.5%	10.9%	13.9%	11.9%	15.3%	8.8%
Total PE Asset Class	7.0%	8.5%	18.0%	15.9%	13.9%	7.9%

Sub-strategy returns and benchmark returns provided by Cambridge Associates and are calculated net of all fees and expenses. The benchmark is a public market equivalent (PME) benchmark and evaluates what a portfolio's return would have been had it been invested in a public market index. The index used for all strategies except for U.S. Venture is the MSCI ACWI IMI. The benchmark used for U.S. Venture is the Russell Microcap Growth Index.

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2024 Commitment Activity

- Commitments totaling $1.0 billion to 14 funds and 12 co-investments through June 30, 2023
  - $550 million to 7 buyout funds
    - Small 50%, Middle-Market 50%, Large 0%
  - $114 million to 3 venture funds
  - $175 million to 2 distressed/turnaround funds
  - $75 million to 2 secondary funds
  - $105 million to 12 co-investments

  - Geographic Focus
    - US 83%, Europe 17%, Asia 0%

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Appendix

Private Equity Aggregates

Dollar-Weighted Performance (IRRs) as of March 31, 2024

	Inception Date	Market Value (in Millions)	1yr	3yr	5yr	10yr	Since Inception
Total Private Equity	1/27/1989	$17,627	7.0%	8.5%	18.0%	15.8%	10.8%
Custom Iran- and Sudan-free ACWI IMI +300bps			24.9%	9.2%	14.2%	10.8%	10.7%
Private Equity Legacy Portfolio	1/27/1989	$0	0.0%	0.0%	0.9%	-4.6%	3.7%
Custom Iran- and Sudan-free ACWI IMI +300bps			24.4%	-7.6%	11.4%	9.7%	9.5%
Private Equity Asset Class Portfolio	8/31/2000	$17,627	7.0%	8.5%	18.0%	15.9%	13.9%
Custom Iran- and Sudan-free ACWI IMI +300bps			24.9%	9.2%	14.2%	10.8%	11.8%

Note: Asset class IRR performance data is provided by Cambridge Associates. The PE benchmark is currently the Custom Iran- and Sudan-free ACWI IMI + 250bps. From July 2014 through December 2023 the benchmark was the Russell 3000 + 300 bps. From July 2010 through June 2014 the benchmark was the Russell 3000 + 300 bps. Prior to July 2010 , the benchmark was the Russell 3000 + 450 bps. Prior to November 1999, Private Equity was part of the Domestic Equities asset class and its benchmark was the Domestic Equities target index + 750 bps.

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INVESTMENT ADVISORY COUNCIL

Strategic Investments Update

Trent Webster, Senior Investment Officer – Strategic Investments

State Board of Administration
September 16, 2024

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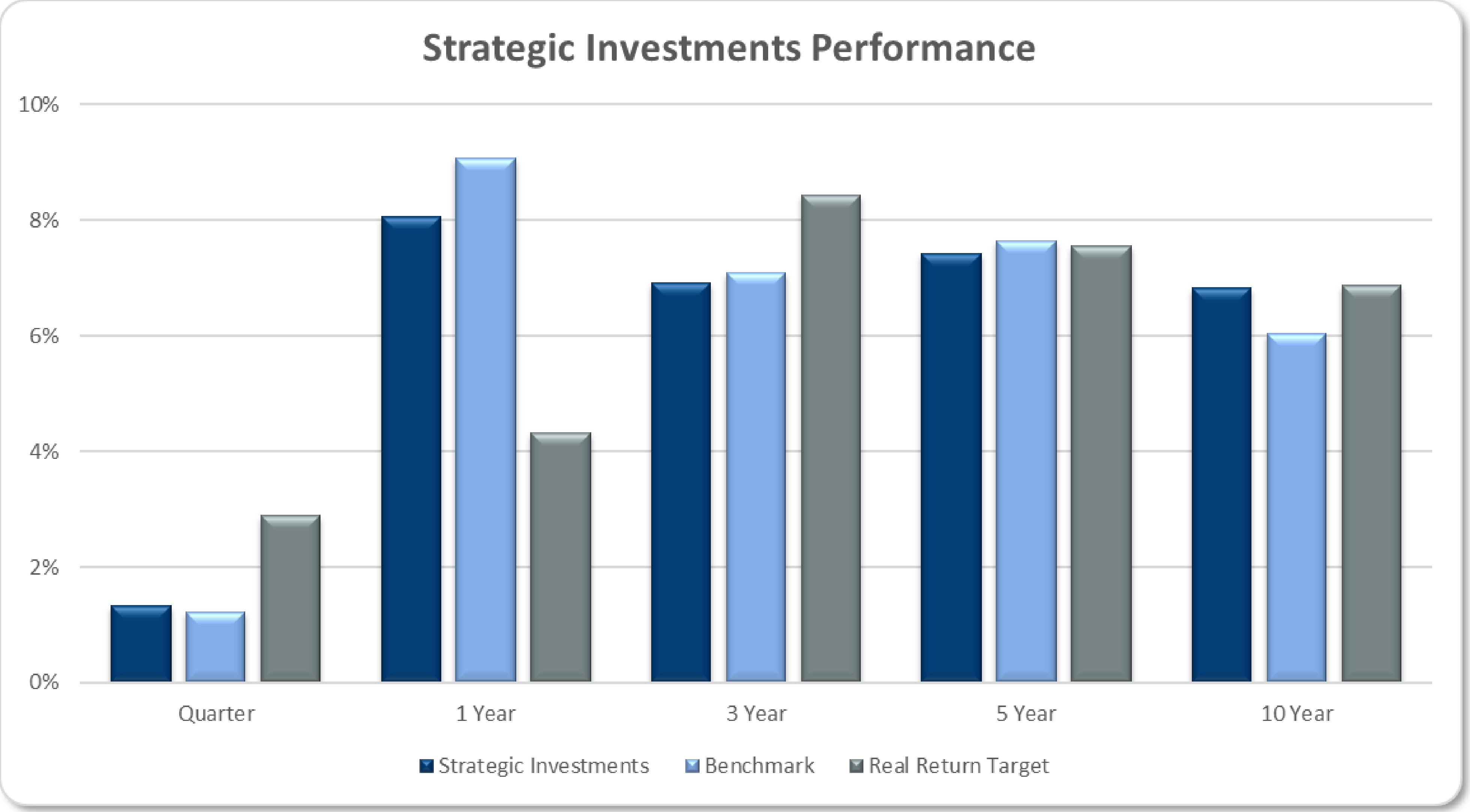
STATE BOARD OF ADMINISTRATION

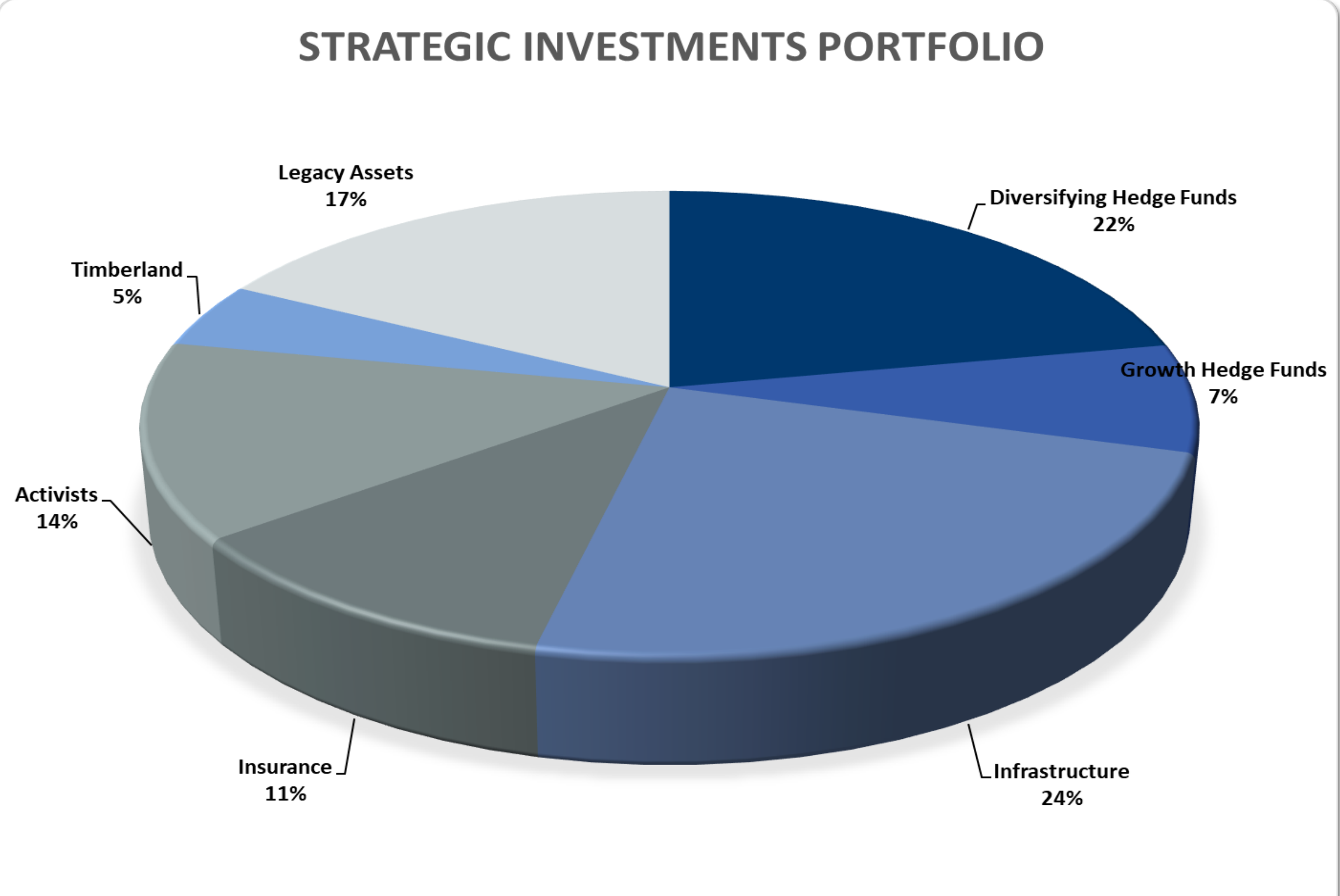
PERFORMANCE



RECENT ACTIVITY

- Quarterly cash inflow was $164 million
- Cash inflow for the fiscal year has been $789 million
- In SI 2.0, four funds totaling $302 million closed in the last quarter
- No funds have closed in this quarter
- Four funds in the Pipeline

STRATEGIC INVESTMENTS PORTFOLIO



HEDGE FUNDS

- Target up to 2% of the FRS
- Currently 1.9% of the Total Fund
- Allocation – 75% Diversifying / 25% Growth Hedge Funds
- Hedge fund restructuring almost complete
- Looking to add funds that diversify away from equity and credit risk

INFRASTRUCTURE

- Target 1% of the FRS
- Currently 1.5% of the Total Fund
- Focus more on smaller, opportunistic investments
- Includes Transportation assets

INSURANCE

- Target up to 1% of the FRS
- Currently 0.7% of the Total Fund
- Hard market but rate increases beginning to decline
- Will assess market before making any new allocations for the Jan 1 renewal period
- Researching Lloyd’s of London

OPPORTUNISTIC

- Activists – 0.9% of the FRS
  - Hoping to close at least one Japanese activist this year
- Innovation Portfolio
  - Added a land banking fund
- Timberland – 0.3% of the FRS
  - Bullish longer-term
- Legacy Assets – 1.1% of the FRS

Q&A

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Email: Trent.Webster@sbafla.com
PH: 850-413-1049

Thank You

CONTACT: Trent Webster
Email: Trent.Webster@sbafla.com
PH: 850-413-1049

INVESTMENT ADVISORY COUNCIL

Fixed Income Asset Class Update

Todd Ludgate, Senior Investment Officer Fixed Income

State Board of Administration
September 16, 2024

Asset Class Portfolio Performance

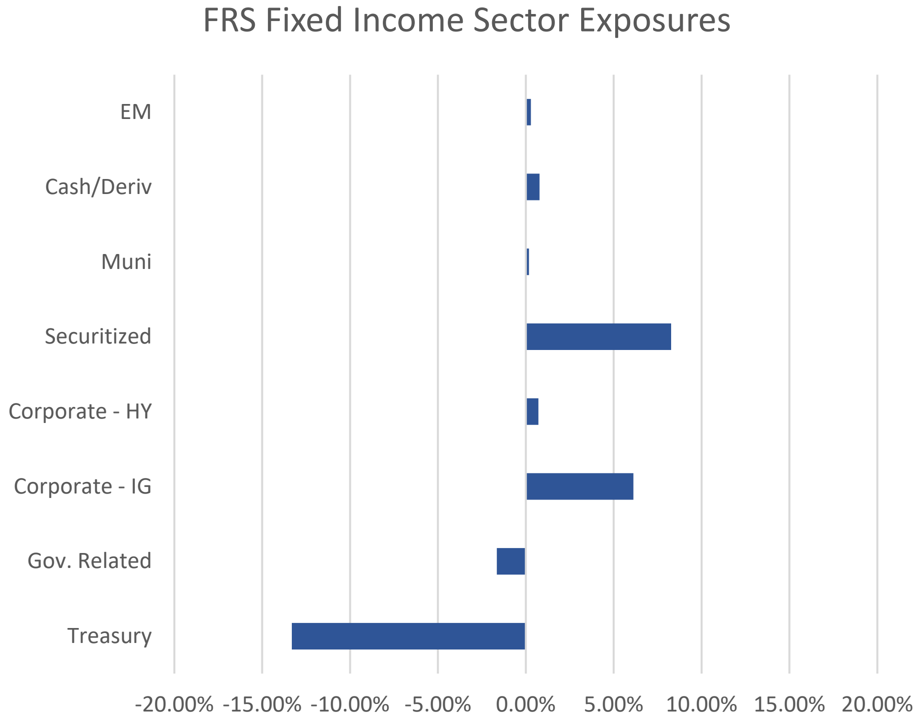
- Asset class outperformed benchmark fiscal YTD and over 1-year, 3-year, 5-year and 10-year time periods with well-controlled active risk and a strong Information Ratio.

- For FYTD through 6/30/2024, FI outperformed by 0.77%.

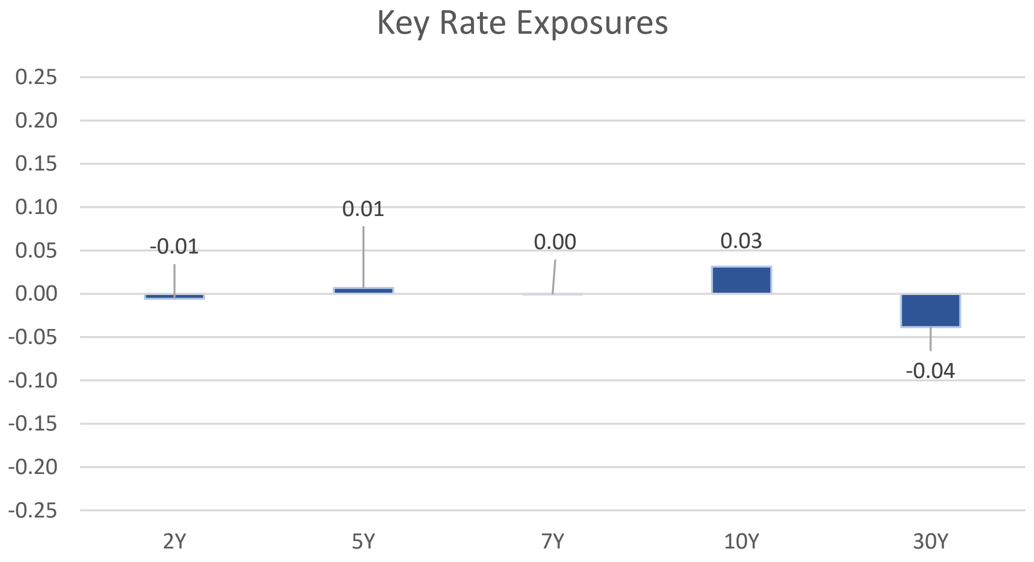
Fixed Income ex Transition	EMV ($M)	1 Yr	3 Yr	5 Yr	10 Yr
Asset Class Return	$34,769	3.83%	-1.62%	0.54%	1.58%
vs Target		3.06%	-1.92%	0.12%	1.29%
Excess Return		**0.77%**	**0.31%**	**0.41%**	**0.30%**
Tracking Error			0.31%	0.53%	0.40%
Return/Risk (IR)			0.99	0.75	0.73

Total Fixed Income Portfolio Positioning

The portfolio is overweight spread product.



The portfolio is close to neutral both overall duration and curve position.



Source: Bloomberg Finance, L.P./Aladdin/BNY Mellon/Manager Provided, as of 06/30/2024

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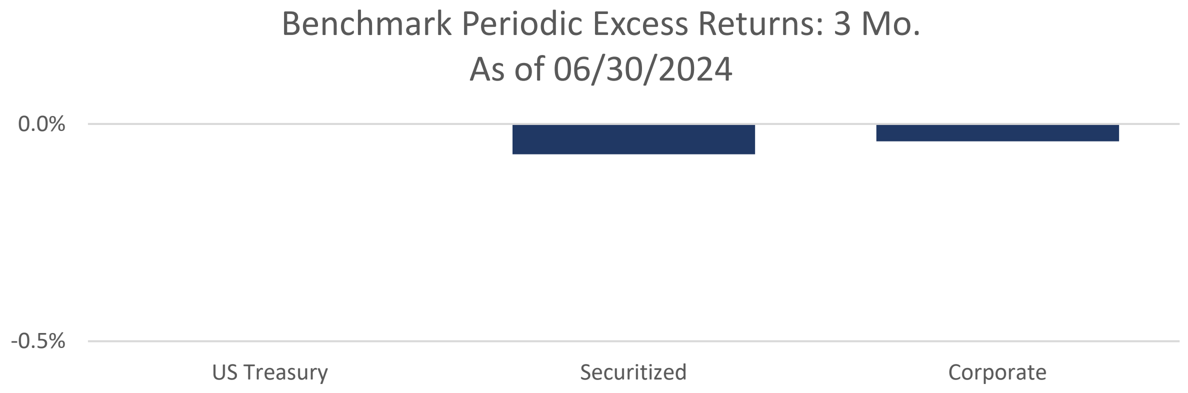
Fixed Income Excess Returns

- Fixed Income spread sectors slightly underperformed for the quarter.
- Corporates and mortgages have produced positive returns over the prior 12 months.



Source: Bloomberg, as of 6/30/2024

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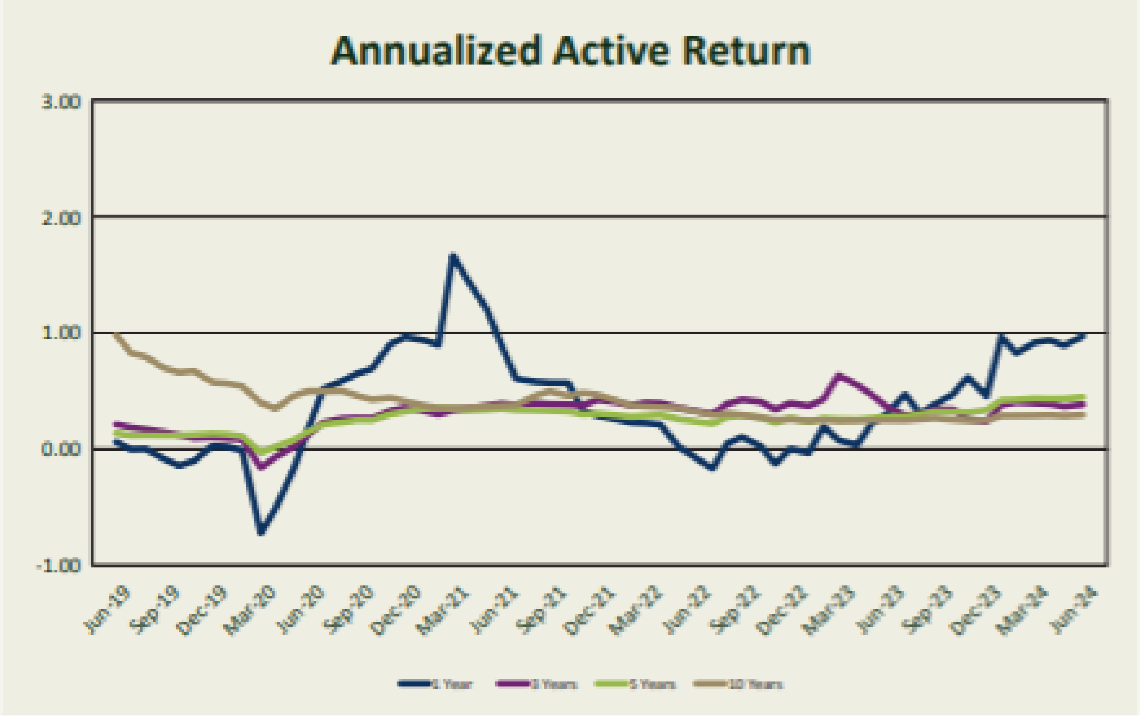
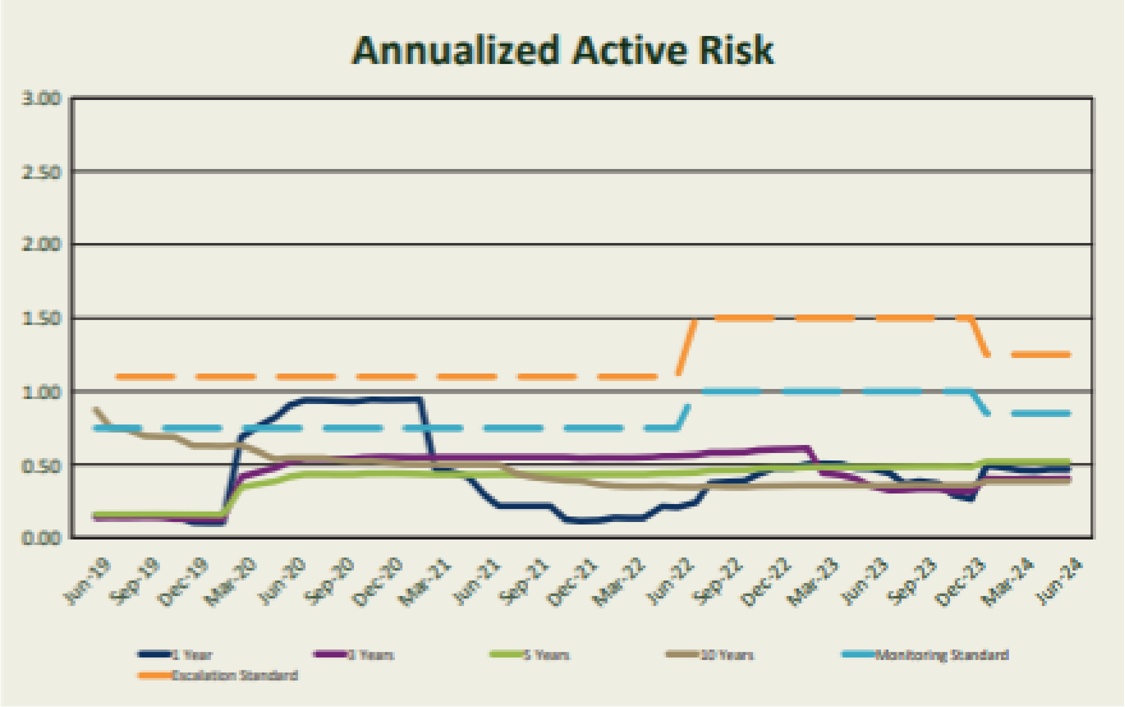
Total Fixed Income Portfolio Risk

Volatility of active return remains modest compared to recent peaks.



Active risk stable at levels below what will be seen in a market disruption.



Source: SBA Investment Policy and Asset Allocation Area, as of 06/30/2024

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STATE BOARD OF ADMINISTRATION

Fed 2024 Cut Expectations Have Increased, Repricing Treasury Rates

Expectations as of 5/15/2024:

Region: United States » | Instrument: Fed Funds Futures »

Target Rate	5.50	Pricing Date	05/15/2024
Effective Rate	5.33	Cur. Imp. O/N Rate	5.338

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
06/12/2024	-0.100	-10.0%	-0.025	5.313	0.250
07/31/2024	-0.380	-28.0%	-0.095	5.243	0.250
09/18/2024	-0.990	-61.0%	-0.248	5.090	0.250
11/07/2024	-1.391	-40.1%	-0.348	4.990	0.250
12/18/2024	-2.089	-69.7%	-0.522	4.815	0.250

Expectations as of 8/20/2024:

Region: United States » | Instrument: Fed Funds Futures »

Target Rate	5.50	Pricing Date	08/20/2024
Effective Rate	5.33	Cur. Imp. O/N Rate	5.329

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
09/18/2024	-1.299	-129.9%	-0.325	5.004	0.250
11/07/2024	-2.537	-123.8%	-0.634	4.694	0.250
12/18/2024	-3.894	-135.7%	-0.974	4.355	0.250

Treasury Curve 5/15/2024 vs. 08/20/2024:

Source: Bloomberg

SBA FLORIDA STATE BOARD OF ADMINISTRATION

Fixed Income Review and Outlook, September 2024

- **Implementation of asset allocation changes:**
  - We are in the final stages of implementing the asset allocation increase to fixed income. We expect to finish in calendar 2024.

- **Continuing to refine asset class construction:**
  - Core External Manager search in final stages.

Thank You

CONTACT: Todd Ludgate
Email: todd.ludgate@sbafla.com

INVESTMENT ADVISORY COUNCIL

Real Estate Asset Class Update

Lynne Gray, Senior Investment Officer

State Board of Administration
September 2024

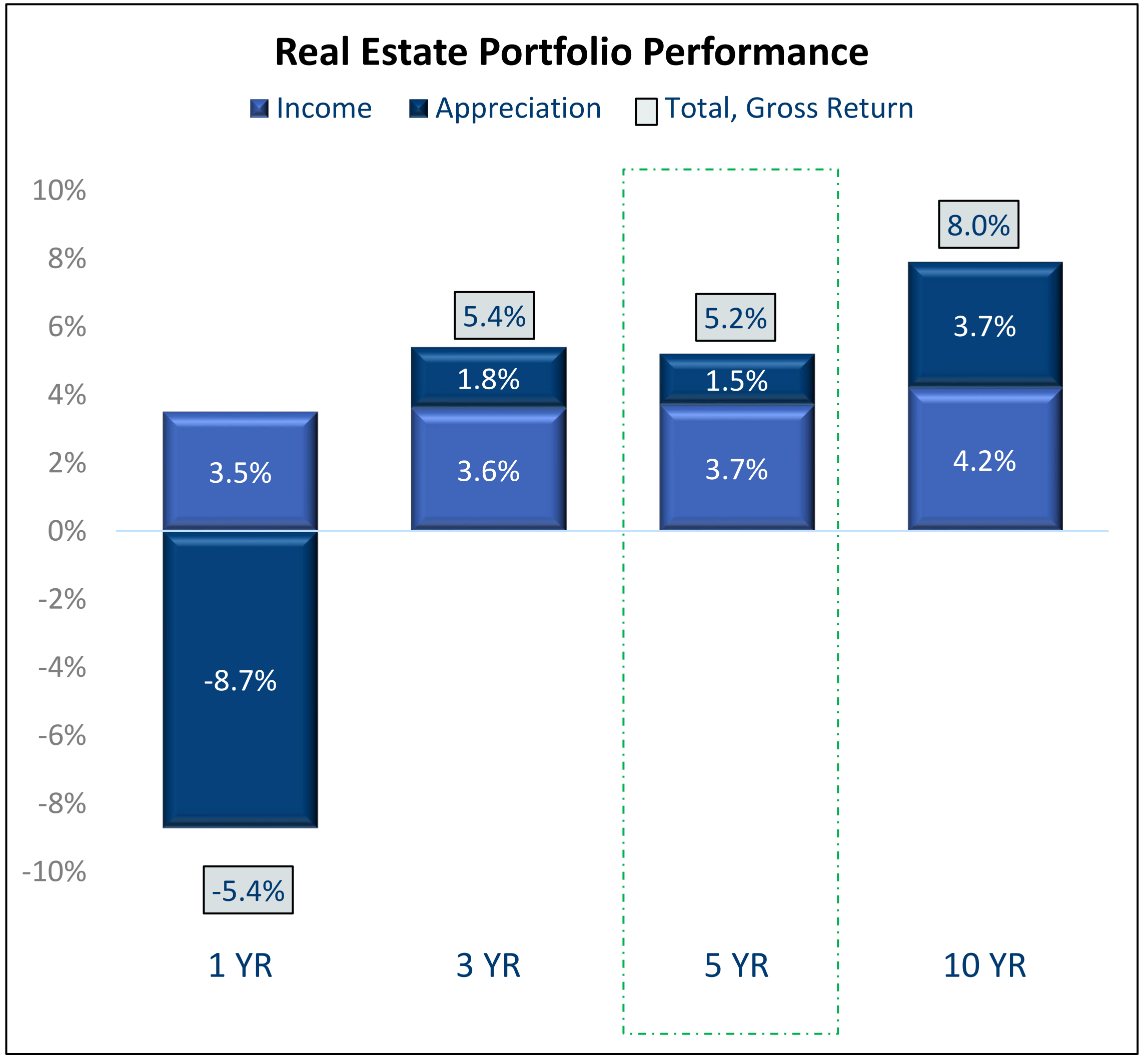
REAL ESTATE PORTFOLIO PERFORMANCE

as of 03/31/2024

	1 YR		3 YR		5 YR		10 YR	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Real Estate Portfolio	**-5.4**	**-5.8**	**5.4**	**4.7**	**5.2**	**4.5**	**8.0**	**7.2**
Primary Benchmark	-10.0		2.5		2.7		5.9	
NFI ODCE	-11.3	-12.0	3.4	2.5	3.5	2.6	6.8	5.8

TGRS - total gross return; TNET - total net return

- The portfolio seeks to outperform a weighted benchmark comprised of 83.3% NFI-ODCE (net of fees) and 16.7% NFI ODCE (net of fees) +150 bps over a rolling five-year periods.
- Despite negative performance for the one-year period, the portfolio continues to outperform the benchmark across all time periods shown above, on both a gross and net basis.
- The Core sub-portfolio continues to be the driver of performance due to its weight within the Total Real Estate Portfolio and its consistent returns across the longer-term.



Source: The Townsend Group

REAL ESTATE TRANSACTION ACTIVITY

(Since Last IAC Report)

Principal Investments

Acquisitions (Equity)

❑ Industrial	$ 52.5 million
❑ Residential	$ 148.3 million
❑ Self-Storage	$ 115.1 million

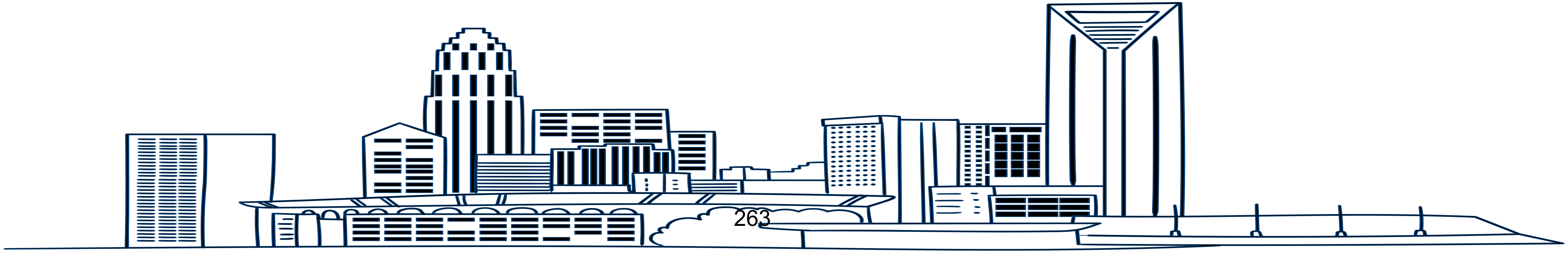
Credit Facility Loans

❑ Credit Facility	$ 92.3 million

Externally Managed

New Commitments

❑ US Non-Core Opportunistic Funds	$ 250 million
❑ Global Non-Core Opportunistic Fund	$ 150 million

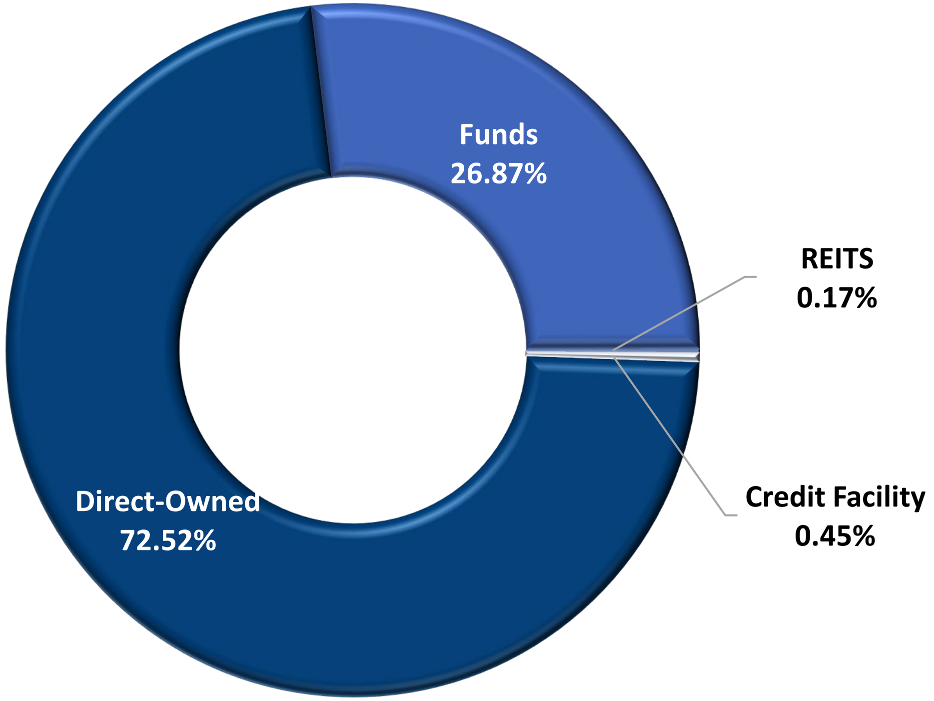


REAL ESTATE PORTFOLIO COMPOSITION

as of 03/31/2024

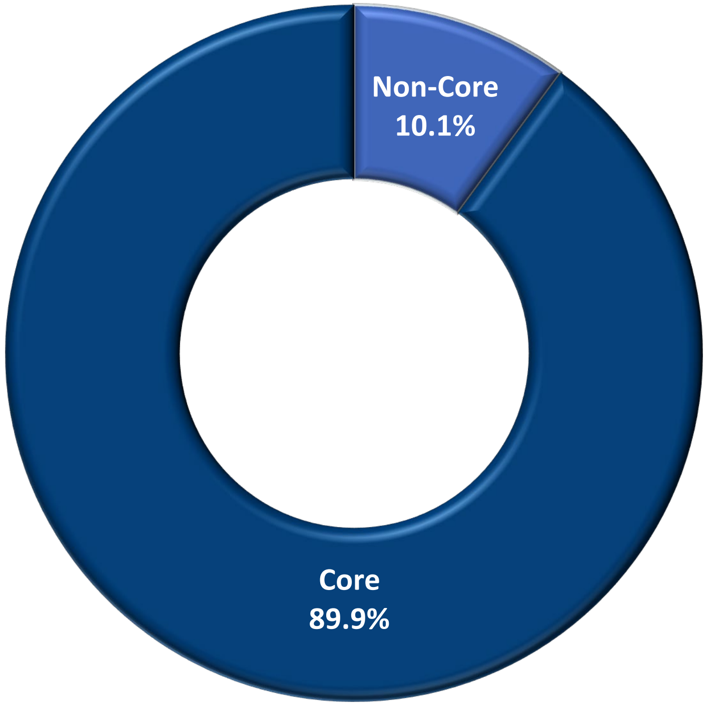
Investment Vehicle

Net Asset Value $18.8 B



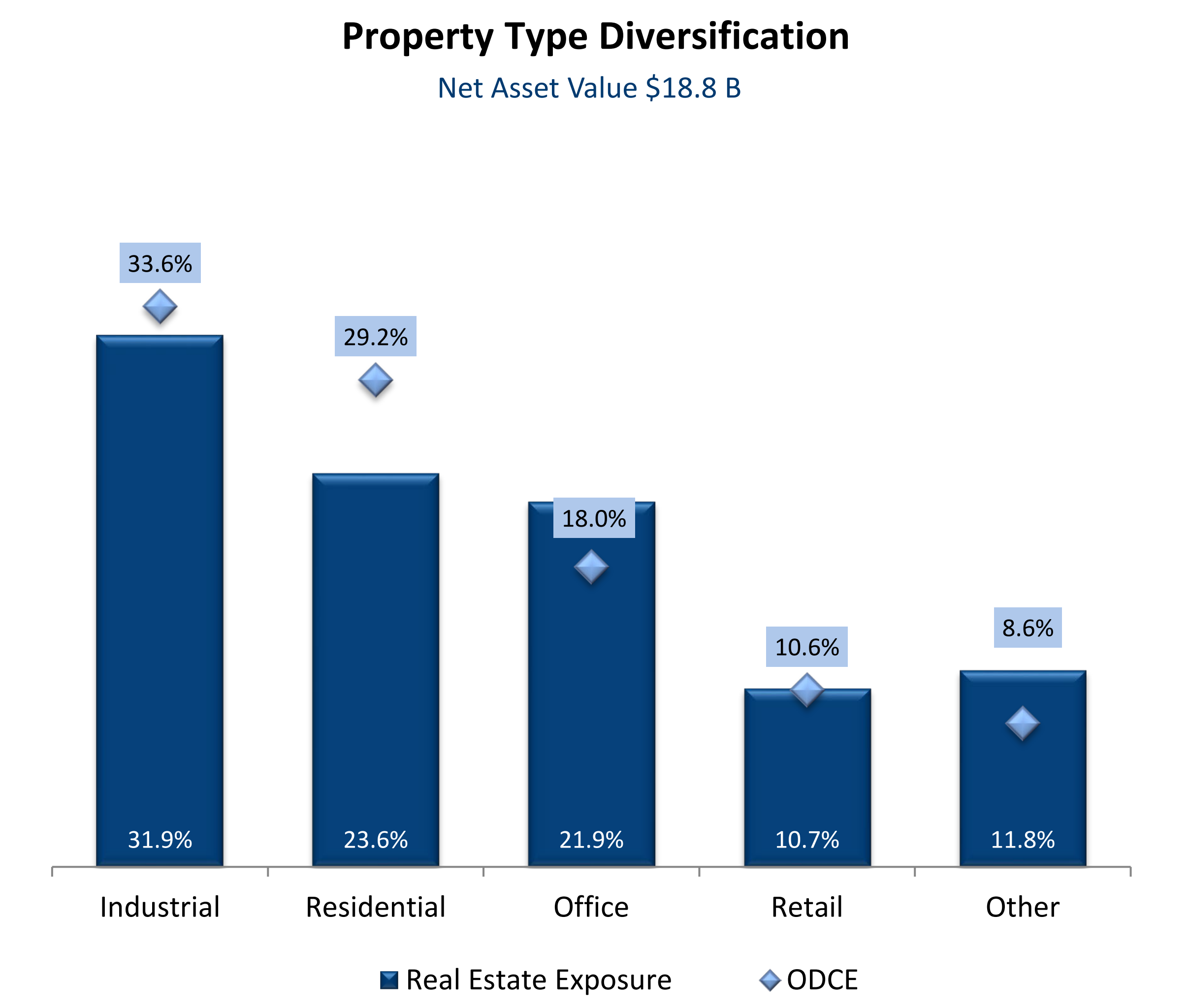
Risk Profile

Net Asset Value $18.8 B

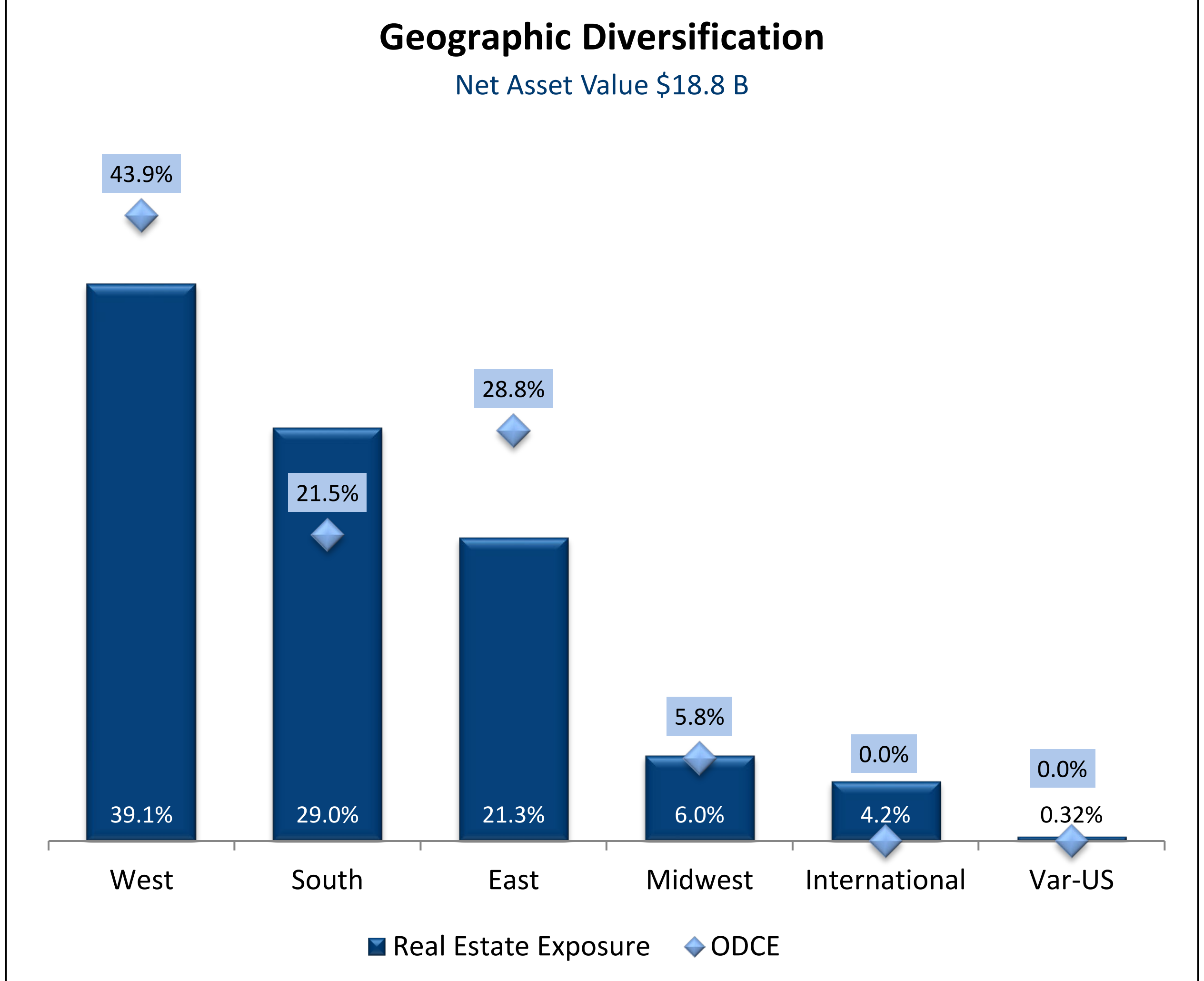


REAL ESTATE PORTFOLIO DIVERSIFICATION

as of 03/31/2024



Other includes Agriculture, Self Storage, Data Centers, Hotel, Land.



Source: The Townsend Group

REAL ESTATE PORTFOLIO LEVERAGE

as of 03/31/2024

Portfolio Leverage Percentages

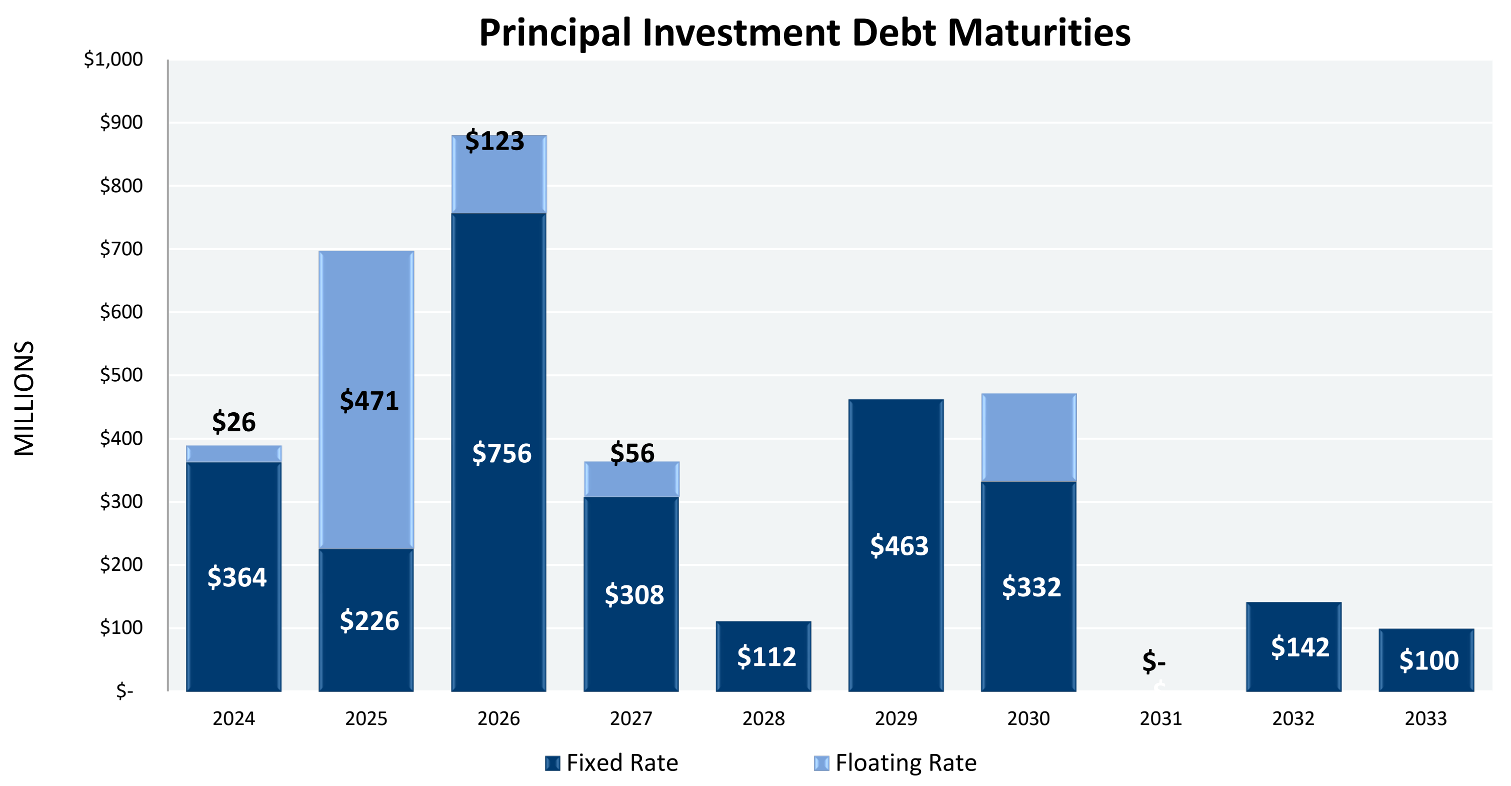
Total Portfolio Loan to Value ("LTV")	**27.44%**
Principal Investments	21.03%
Externally Managed	40.38%
NFI – ODCE LTV	**26.90%**

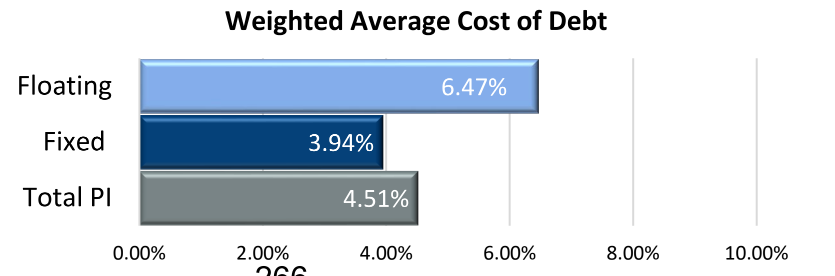
Investment Portfolio Guidelines

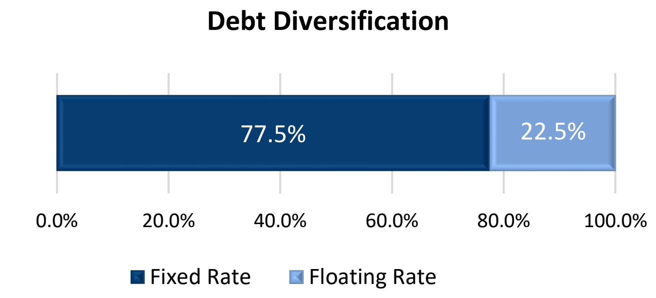
Total Portfolio Leverage is limited to **40% LTV**

Principal Investments

- ❑ Leverage is limited to 35% LTV
- ❑ Individual 100% Owned Asset Level limited to 50% LTV
- ❑ Joint Venture Individual Asset Level limited to 70% LTV
- ❑ All leverage nonrecourse to SBA





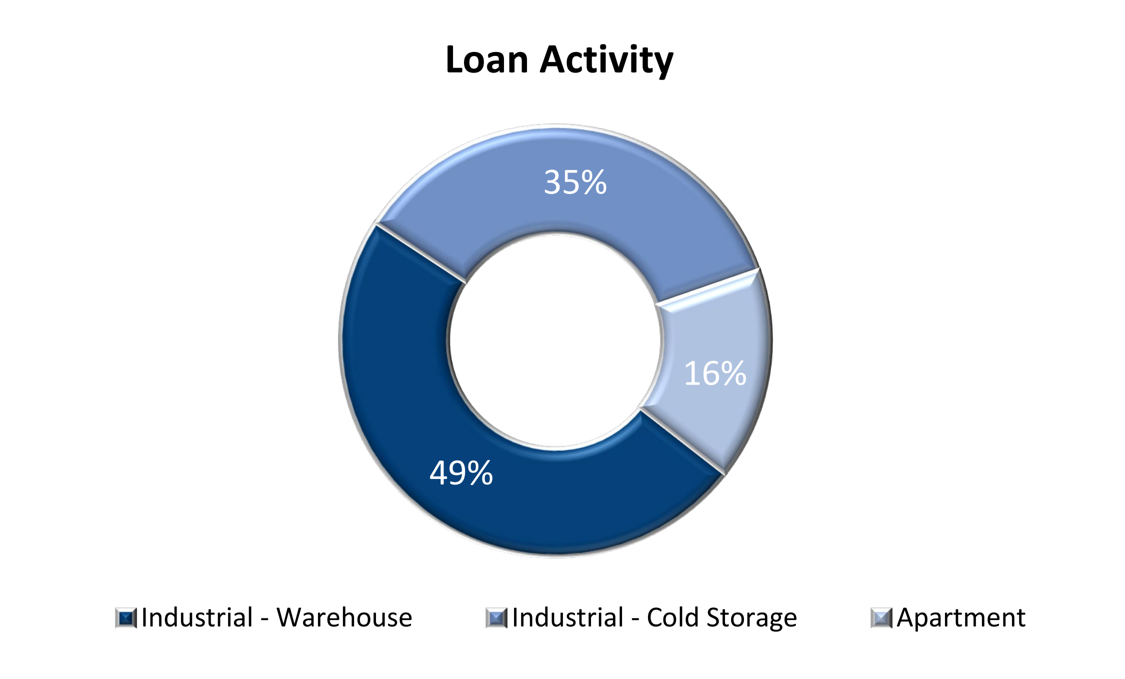


CREDIT FACILITY PROGRAM

Credit Type:	Revolving credit facility
Term:	3 years, Maturity March 2026
Extensions:	Two 1-year extension options
Rate:	SOFR + Spread
Amount:	$750,000,000
Accordion Feature:	$250,000,000

Status	Loan Amount	Average Loan-to-cost
Closed	$679,700,000	57.45%
In Progress	$102,300,000	57.52%
Pipeline	-	-
Total Activity	$782,000,000	57.46%

In March 2023, SBA entered into a Revolving Credit Agreement for the purpose of making downstream loans to the SBA's direct owned real estate investments. This program may provide financing for construction projects, major capital projects, and short-term bridge loans to wholly owned and joint venture investments.



Thank You

CONTACT: Lynne Gray
Email: lynne.gray@sbafla.com
PH: 850-413-1145

INVESTMENT ADVISORY COUNCIL

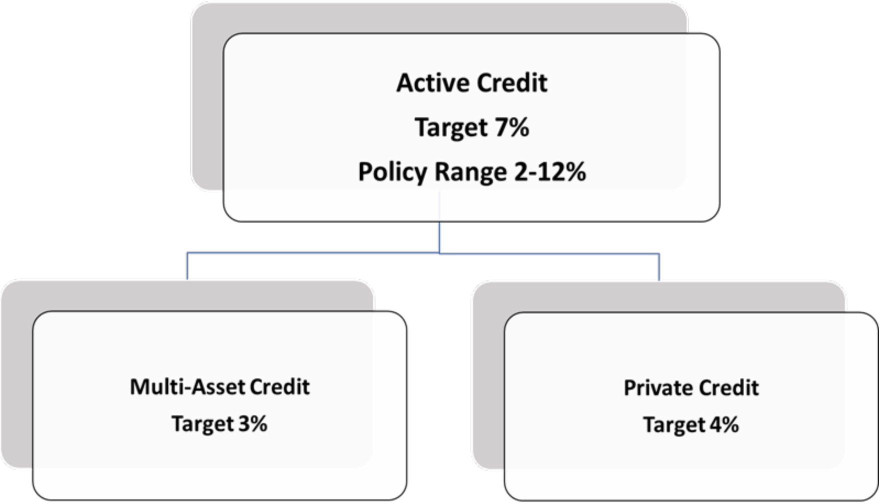
Active Credit Asset Class Update

John Mogg, SIO Active Credit

State Board of Administration
September 16, 2024

Active Credit Policy

- Policy target allocation: 7% of total fund
    - Private Credit target allocation: 4%
    - Multi-Asset Credit target allocation: 3%
- Allocation range: 2%-12% of total fund



- 06/30/24 allocation: 4.6% of total fund
    - Private Credit assets transferred over from Strategic Investments

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Active Credit Policy

- Per Policy:
  - Private Credit and Bank Loans (within the Active Credit asset class) shall utilize a prudent process to maximize long-term access to attractive risk-adjusted investment opportunities through use of business partners with appropriate:
    - Financial, operational and investment expertise and resources
    - Alignment of interests
    - Transparency and repeatability of investment process, and
    - Controls on leverage

Benchmarks

- Benchmarks
  - Active Credit – Floating based on public/private mix
    - Multi-Asset Credit
      - High Yield – Bloomberg High Yield Index
      - Emerging Market Debt, adjusted to reflect securities and other investments prohibited by Florida law and SBA policy
        - Bloomberg Emerging Market Local Currency Government 10% Country Capped
        - Bloomberg Emerging Market USD Sovereign
        - Bloomberg Emerging Market USD Corporate
      - Bank Loans – LSTA Leveraged Loan Index
    - Private Credit
      - LSTA Leveraged Loan Index + 1.75%

Staffing

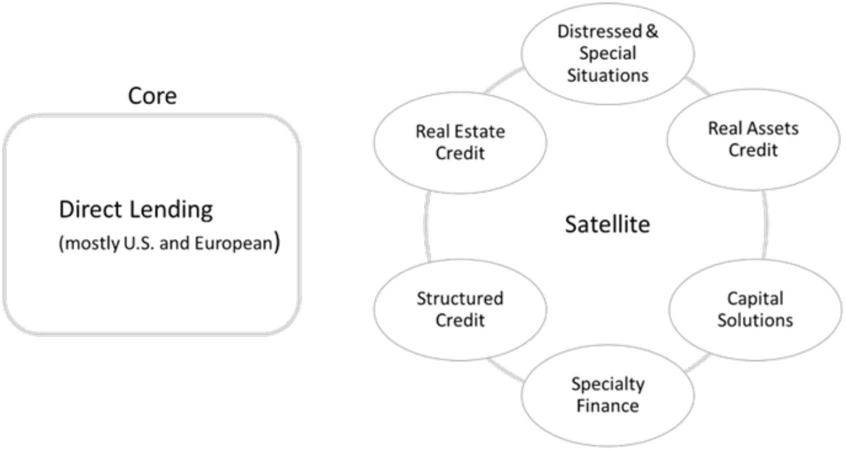
- Staff of five investment professionals
  - Senior Investment Officer
  - Two Portfolio Managers
  - One Assistant Portfolio Manager
  - One Intern
  - One Administrative Assistant (shared with Strategic Investments)

- Consultants
  - Cambridge Associates – Private Credit Consultant
    - Dedicated global team of 5 Investment Directors and 2 Analysts

  - Mercer Investments – Multi-Asset Credit Consultant
    - Senior Investment Consultant and support of global team

Active Credit Workplan

- Private Credit
  - Portfolio Construction Framework
    - Diversified “core/satellite” portfolio that can invest in a variety of private credit strategies

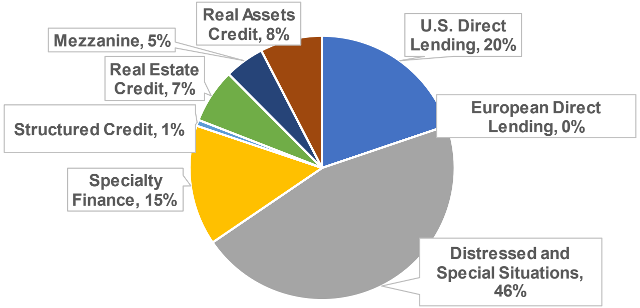


  - Exploring portfolio repositioning
  - Updating the private credit pacing model
  - Enhancing the monitoring and risk management through loan level detail

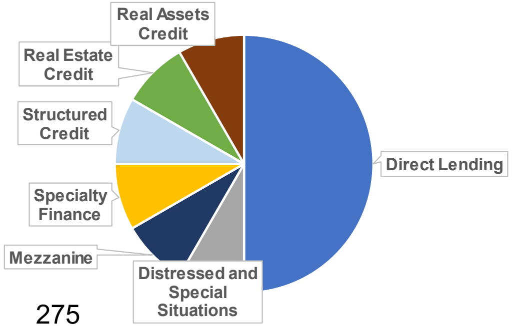
Active Credit Workplan

- Private Credit
  - Current strategy allocation and a hypothetical target allocation

		Strategy	Allocation %
Current Portfolio	Core	Direct Lending	
		U.S. Direct Lending	20%
		European Direct Lending	0%
	Satellite	Distressed and Special Situations	46%
		Specialty Finance	15%
		Structured Credit	1%
		Real Estate Credit	7%
		Mezzanine	5%
		Real Assets Credit	8%
		Total	**$9,224,151,351.47**



Target Portfolio	Core	Direct Lending	40-70%
		U.S. Direct Lending	
		European Direct Lending	
	Satellite	Distressed and Special Situations	0-20%
		Mezzanine	0-20%
		Specialty Finance	0-20%
		Structured Credit	0-20%
		Real Estate Credit	0-20%
		Real Assets Credit	0-20%



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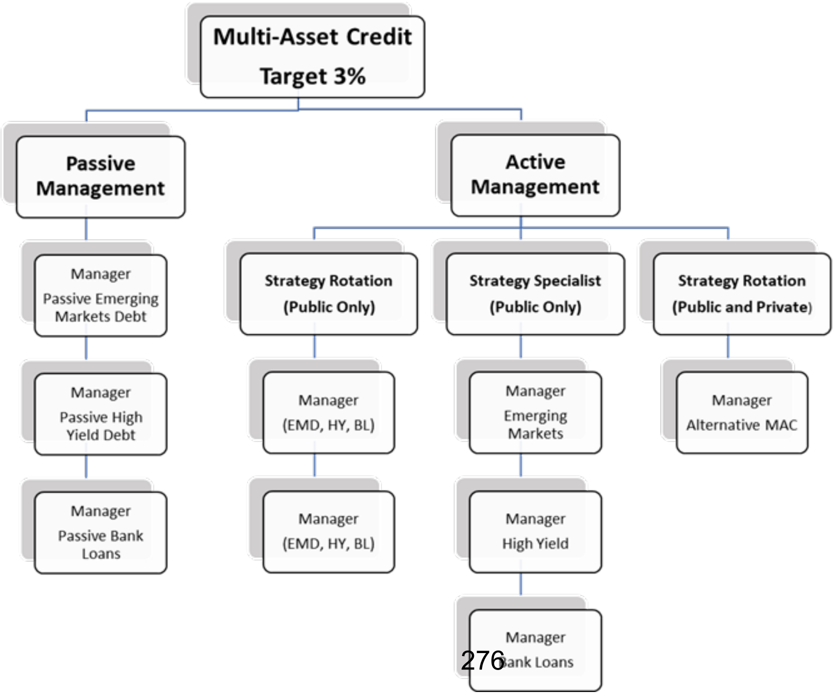
STATE BOARD OF ADMINISTRATION

Active Credit Workplan

- Multi-Asset Credit
  - Portfolio Construction Framework
    - Mercer Investments is conducting a risk budgeting study to assist in the design of a portfolio construction framework



Active Credit Workplan

- Multi-Asset Credit
  - Passive Implementation of High Yield and Emerging Markets Debt
    - Anticipated funding in September/October
  - Evaluation of passive loan product
  - Leveraged loan index evaluation
    - Morningstar LSTA Leveraged Loans Index with issues greater than $500 million in size
  - Active management searches

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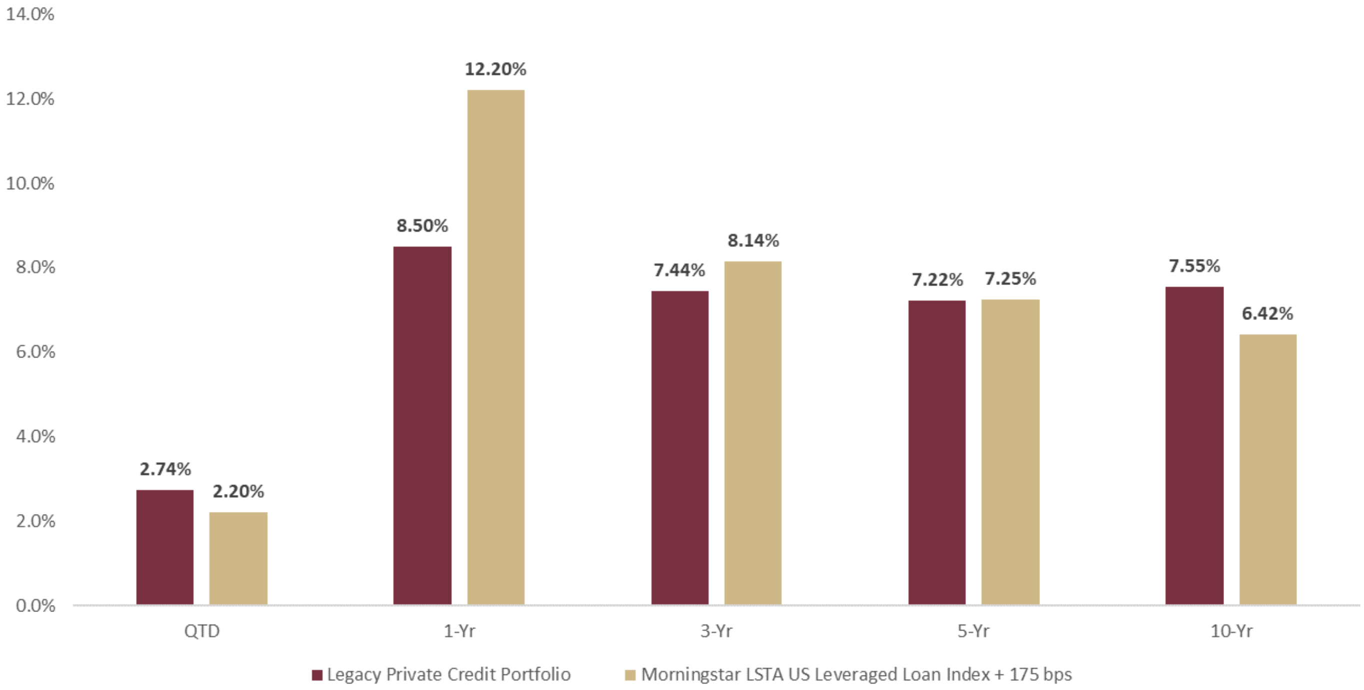
Active Credit

- Other Areas of Focus for the Year
  - Research Projects
    - US/European Direct Lending
    - Commercial Real Estate Lending
    - Private Credit Co-Investment Program

Private Credit Performance

Private Credit Legacy Portfolio– Time Weighted Returns as of June 30, 2024



Note: Time weighted performance data is provided by BoNYM. The PC benchmark is currently the Morningstar LSTA US Leveraged Loan Index + 175 bps. The legacy portfolio was constructed with a blend of various private credit benchmarks.

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INVESTMENT ADVISORY COUNCIL

FLORIDA RETIREMENT SYSTEM (FRS) INVESTMENT PLAN

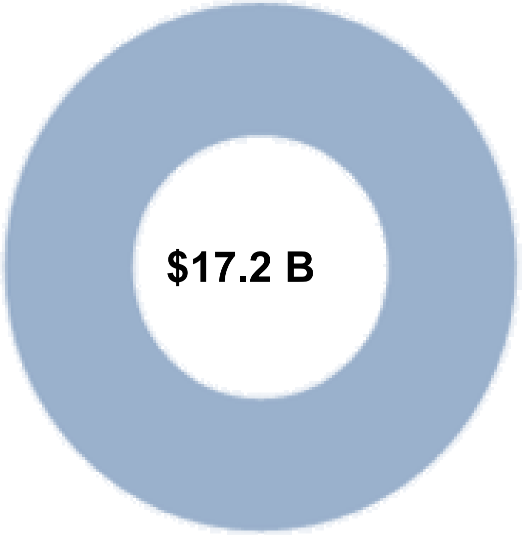
Allison Olson, Director of Educational Services

State Board of Administration
September 16, 2024

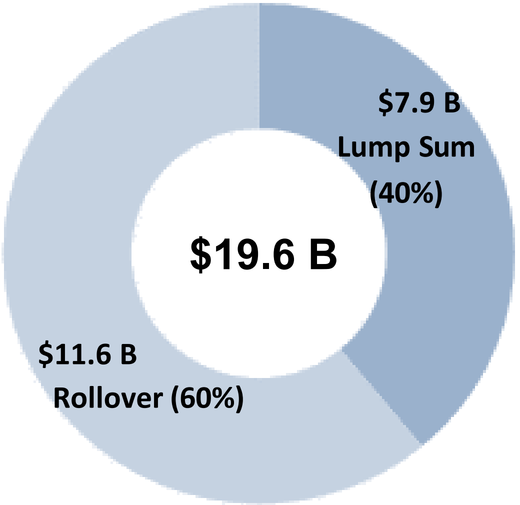
FRS INVESTMENT PLAN SNAPSHOT

(as of June 30, 2024)

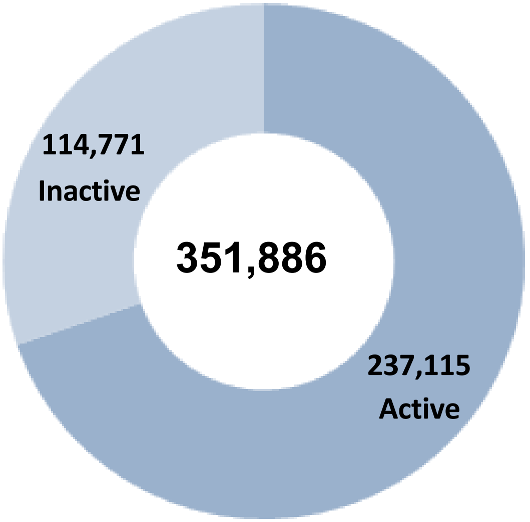
Assets



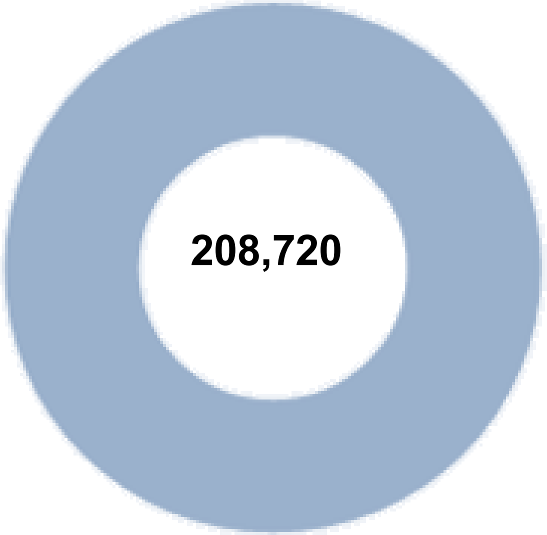
Distributions



Members



Retirees



Average Statistics

(Active Members)

Female 65% Male 35%

Age 45

$50,242 balance

5 years of service

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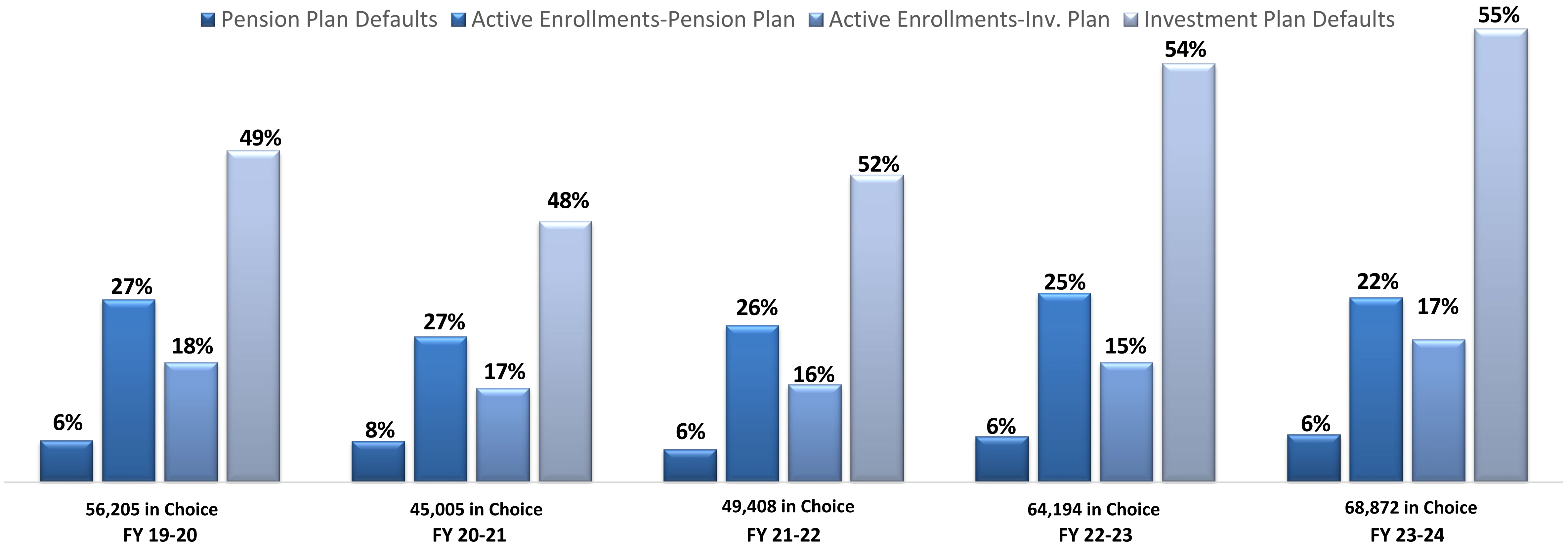
STATE BOARD OF ADMINISTRATION

PLAN CHOICE STATISTICS

(as of June 30, 2024)



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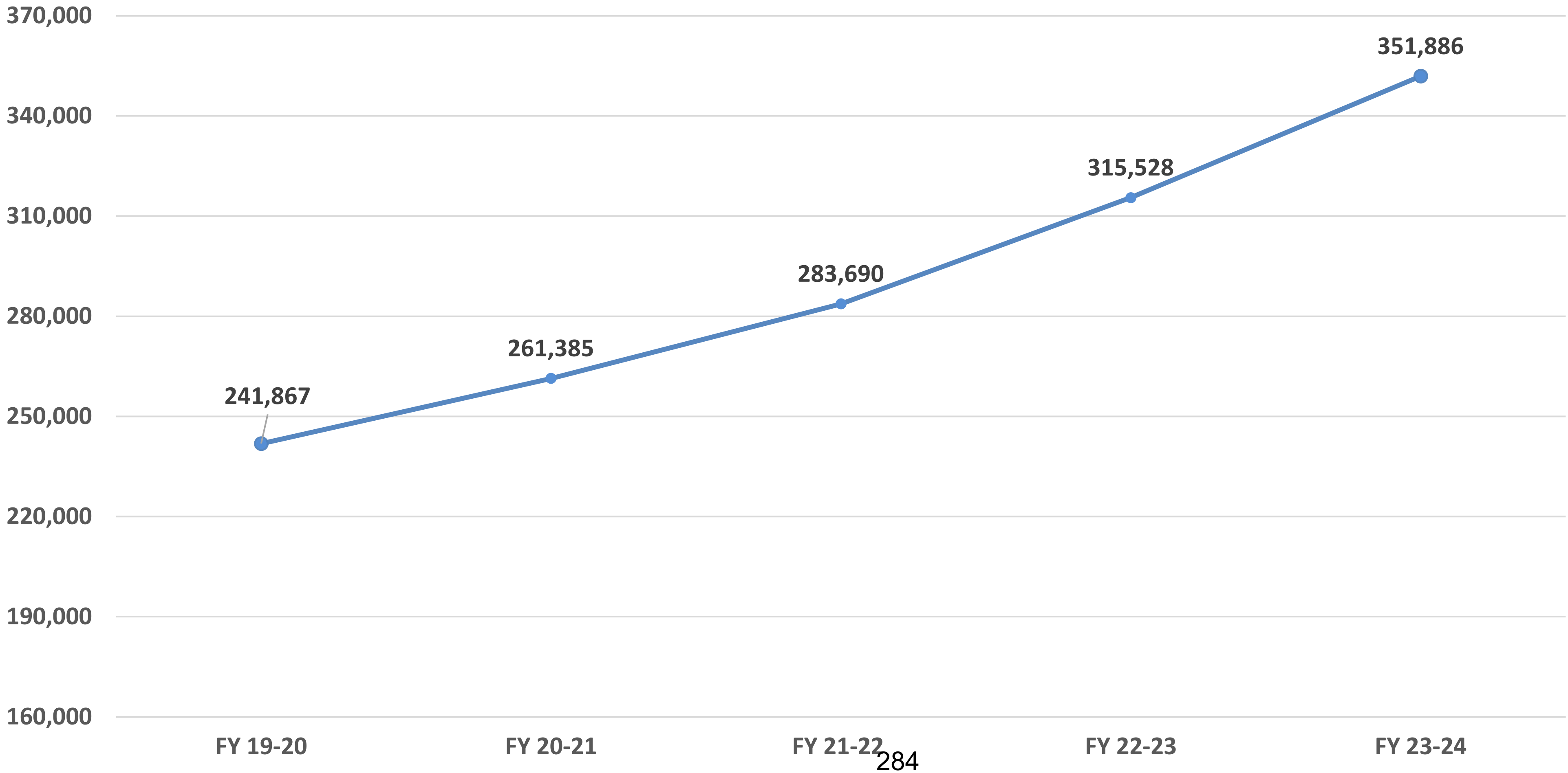
INVESTMENT PLAN MEMBERSHIP GROWTH



ASSET CLASS PERFORMANCE

(as of June 30, 2024)

	QTD	FYTD	1 Yr	3 Yr	5 Yr	Incept.
Total Fund	1.35%	13.09%	13.09%	3.21%	7.69%	7.12%
Stable Value	0.75%	2.91%	2.91%	2.28%	2.23%	2.15%
Inflation Protected Assets & TIPS*	0.07%	2.17%	2.17%	0.33%	2.97%	1.80%
Fixed Income	0.51%	5.00%	5.00%	-1.80%	0.89%	3.92%
Domestic Equities	2.34%	22.61%	22.61%	7.18%	13.32%	10.86%
Global & International Equities	1.03%	12.05%	12.05%	0.55%	6.70%	7.69%
Retirement Date Funds	1.21%	11.52%	11.52%	2.63%	7.07%	6.18%
Real Estate	-1.82%	-9.62%	-9.62%	0.82%	2.86%	3.89%
TF x RDFs	1.52%	14.97%	14.97%	3.92%	8.37%	7.34%

*Prior to 2014, TIPS only.
Retirement Date Funds Inception July 1, 2014
TF x RDFs Inception July 1, 2014
Real Estate was added January 1, 2018
Stable Value Fund Inception July 1, 2021

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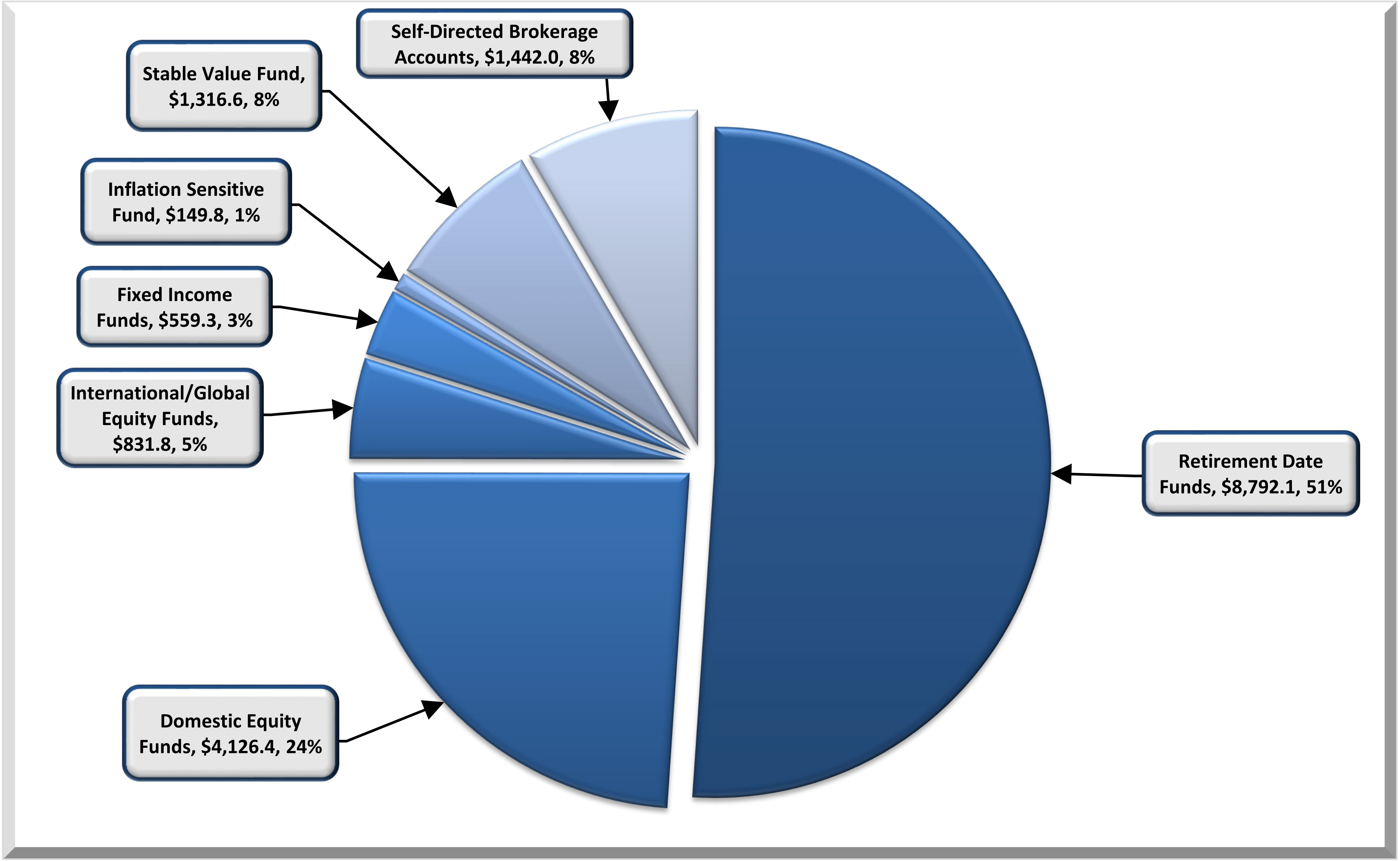
FRS INVESTMENT PLAN AUM

(by Asset Class—in $millions, as of June 30, 2024)

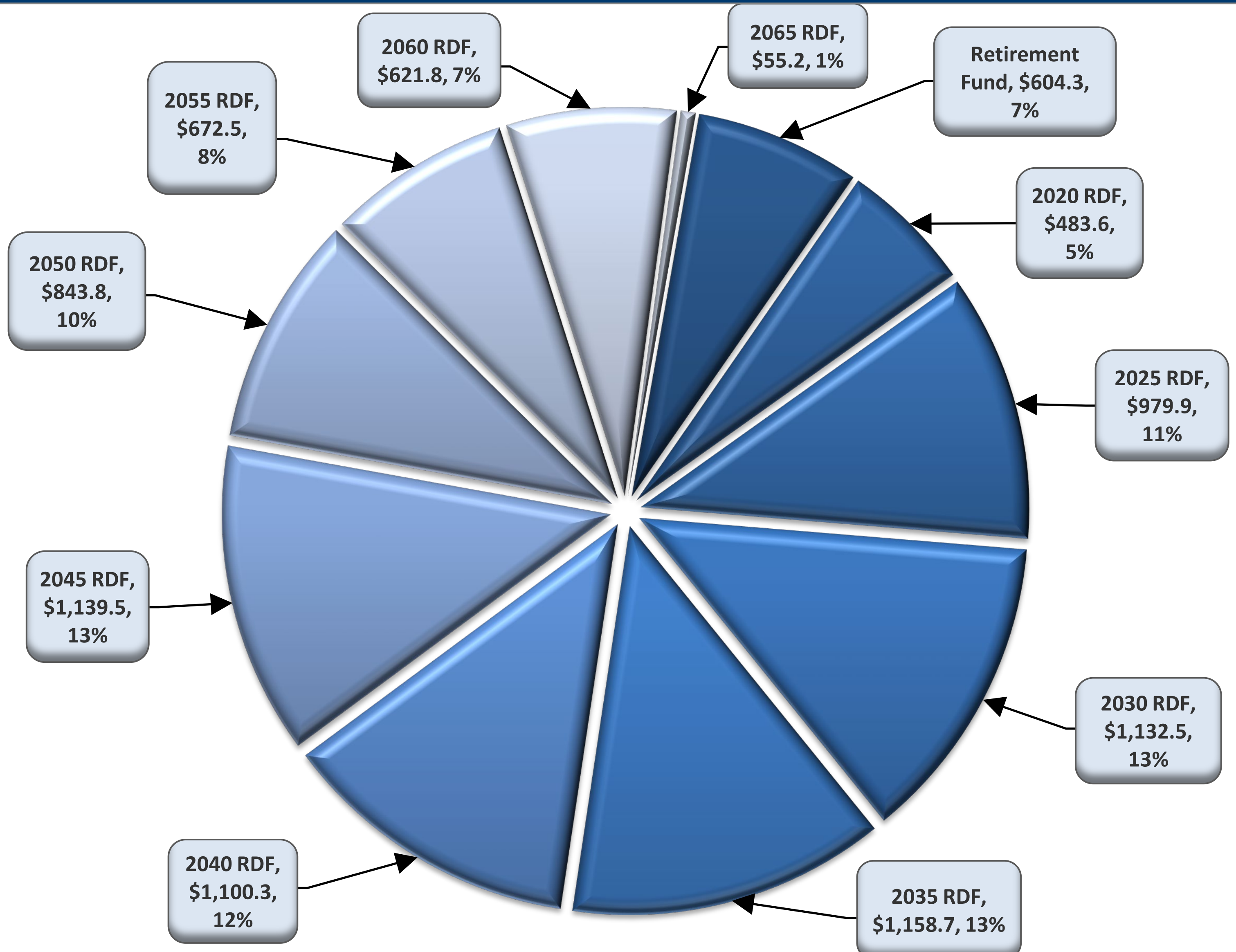


Asset alocation is a result of member investment selection

SBA FLORIDA STATE BOARD OF ADMINISTRATION

CURRENT RETIREMENT DATE FUNDS

($ RDF Assets in millions, % RDF Assets, as of June 30, 2024)



Assets in Each RDF and the Percentage of total RDF Assets in each RDF

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MyFRS FINANCIAL GUIDANCE PROGRAM

(July 1, 2023-June 30, 2024)

INVESTMENT EDUCATION

EY FINANCIAL PLANNER CALLS	FINANCIAL PLANNING WORKSHOPS	ATTENDANCE FINANCIAL WORKSHOPS	WEBSITE HITS	WEBSITE CHATS
291,172	535	24,046	2,786,371	115,444
-4%	-6%	-2%	+27%	+38%

(% change from previous 12 months)

77 Annuities purchased last 12 months - $9.5 million
346 Total Annuities purchased inception to date - $43.1 million

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STATE BOARD OF ADMINISTRATION

Q&A

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INVESTMENT ADVISORY COUNCIL

Investment Programs & Governance (IP&G)

Corporate Governance—Annual Proxy Voting Review

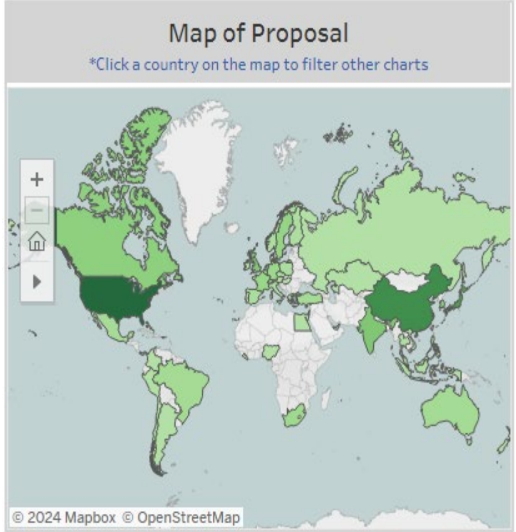
Michael McCauley, Senior Officer

State Board of Administration
September 16, 2024

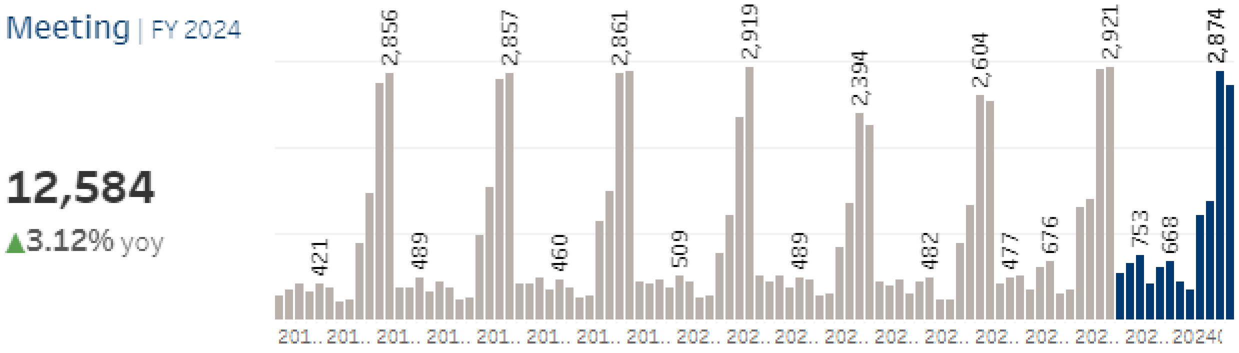
SBA FLORIDA
STATE BOARD OF ADMINISTRATION

FY24 Was a Record Year for SBA Global Proxy Votes

Voting Category	*FY2024*	*Q2 2024*
Total Meetings Voted	12,584	6,943
Individual Ballot Items Voted	114,660	76,634
Markets Voted	67	63
Total Companies Votes	9,289	6,353
% Total Votes “For”	82.3%	82.2%
% Total Votes “Against”	15.6%	15.3%
% Total Votes “Abstain” or Do Not Vote (DNV)	2.1%	2.5%
% Total Votes Against Management Recommended Vote (MRV)	15.4%	15.1%
% of Director Elections “For”	81.4%	82.7%
% of Compensation Items “For”	69.2%	67.3%
% of Merger-Acquisition Items “For”	95.0%	89.9%
% of All Shareowner Proposals (SHPs) “For”	21.1%	22.1%



- 3.12% FYOY increase in global voting driven by the increased use of “pass-through” voting
- Largest proportion of voting occurs in developed markets



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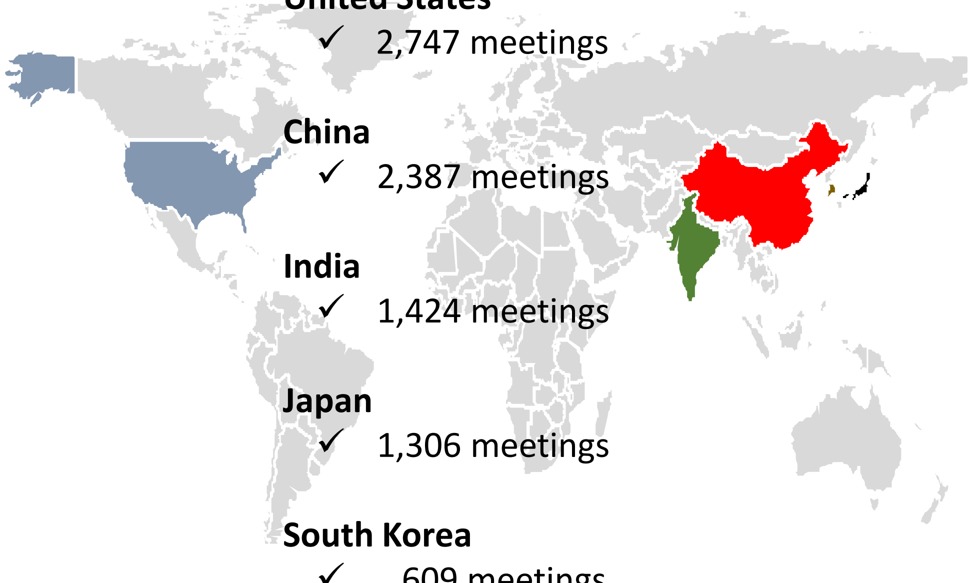
STATE BOARD OF ADMINISTRATION

Top Voted Equity Markets



United States
- ✓ 2,747 meetings

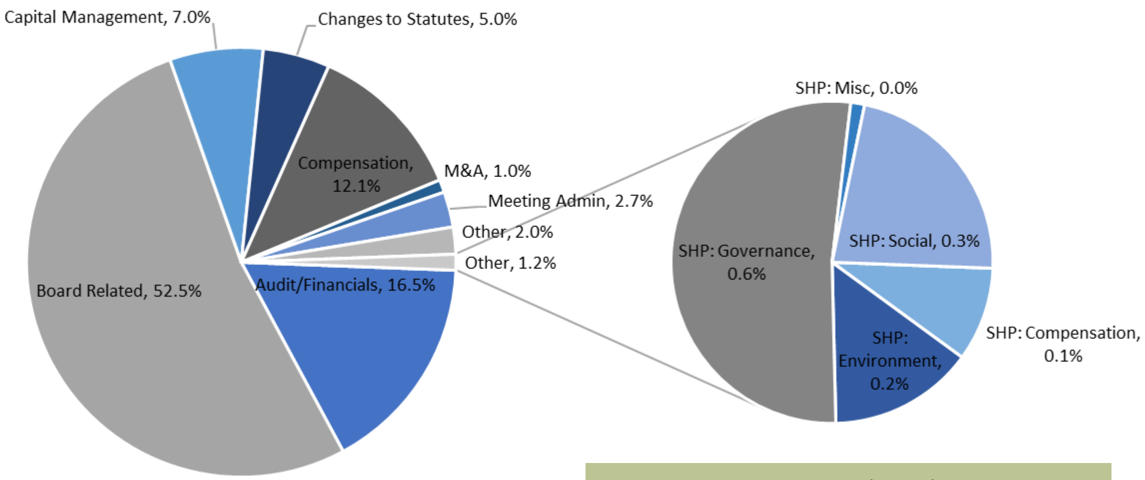
China
- ✓ 2,387 meetings

India
- ✓ 1,424 meetings

Japan
- ✓ 1,306 meetings

South Korea
- ✓ 609 meetings

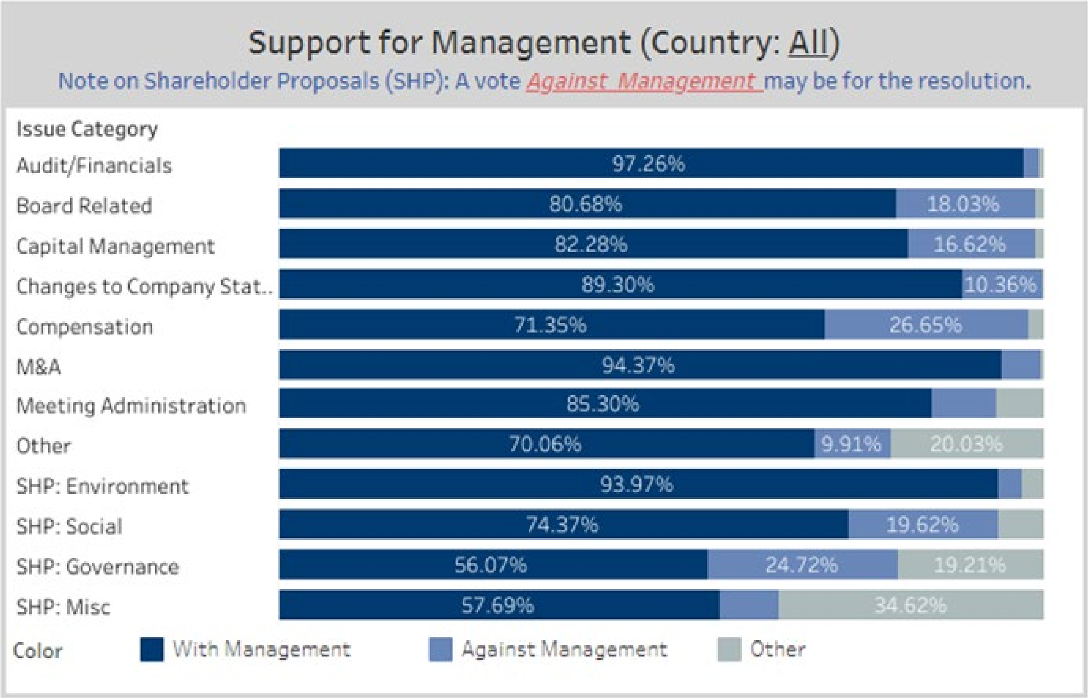
SBA Proxy Voting Primarily Focused on the Board of Directors, Audit Matters, and Executive Compensation

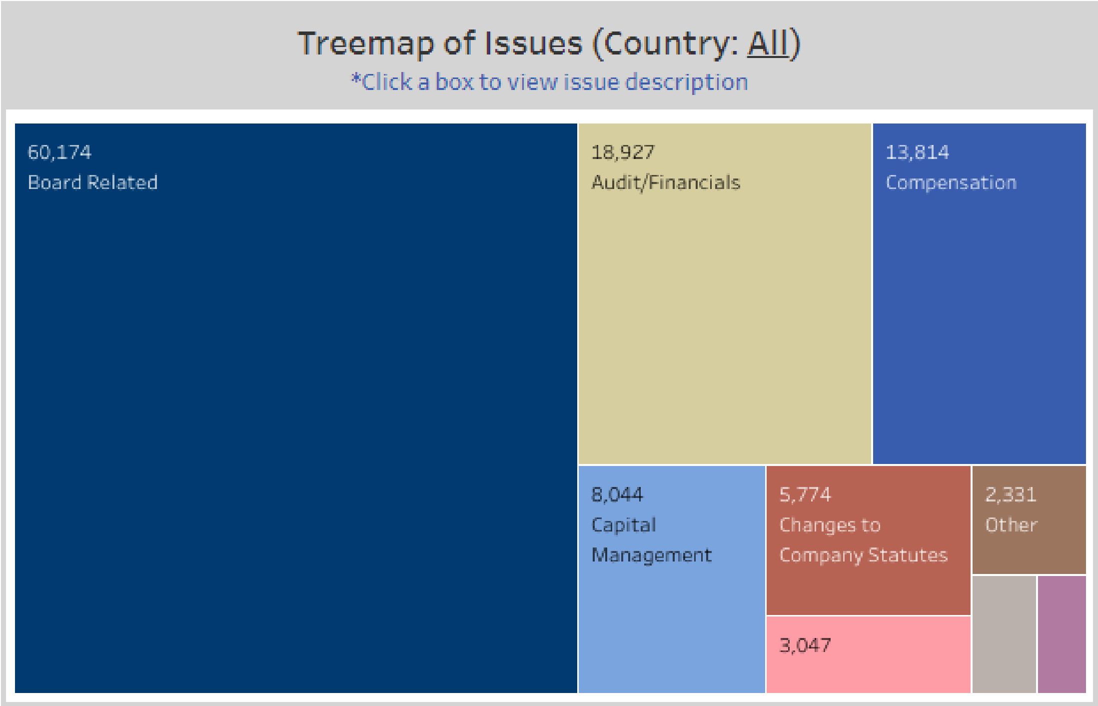


Shareowner Proposals (SHPs) Represented 1.2% of Total Global Proxy Votes

SBA FLORIDA STATE BOARD OF ADMINISTRATION

SBA Voting—Major Ballot Categories (All Markets)





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STATE BOARD OF ADMINISTRATION

SBA Voting—2024 U.S. Proxy Season Review

Director Elections—the SBA supported 83.3% of all board nominees at U.S. companies within the Russell 3000 stock index, a slight decrease of 0.1% from FY2023.

Auditor Ratification—the SBA ratified 99.2% of all external auditors among U.S. companies within the Russell 3000 stock index, a slight increase of 0.1% from last fiscal year.

Mergers & Acquisitions—the SBA supported 95.6% of all U.S. merger/acquisition proposals, a decrease of 4.4% from last fiscal year.

Executive Compensation & Say-on-Pay *(SOP)*—the SBA supported 46.6% of all compensation related ballot items at U.S. companies within the Russell 3000 stock index, an increase of 10.2% from last fiscal year. Across all voted markets, the SBA supported 58% of all advisory say-on-pay (SOP) ballot items.

Proxy Contests—during the fiscal year, SBA staff voted on a total of 8 contested board elections globally, supporting management board proposals 50% of the time, a decline of 17% from last fiscal year. SBA staff voted to support the full dissident slate of director nominees only 12.5% of the time.

Shareowner Resolutions—on a year-over-year fiscal basis, the SBA's voting support for all U.S. shareholder proposals (SHPs) declined by approximately 7%. This decline in support for U.S. SHPs continues the trend over the last 5 fiscal years, in which voting opposition has steadily increased from a trough of 16% voted against in FY2016 to 67% voted against in FY2024.

SBA Voting—Proposals Most Frequently Voted Against Management

Proposal	# Proposals	% Against
Approve/Amend Retirement Bonus for Statutory Auditor	136	97.1
Adopt the Jurisdiction of Incorporation as the Exclusive Forum for Certain Disputes	147	96.6
Extraordinary Motions	35	91.4
Approve/Amend Director Retirement Payments	770	78.2
Approve Re/Election of Censor	167	73.4
Advisory Vote on Golden Parachutes	1,272	67.4
Approve/Amend Option Exchange/Repricing	64	67.2
Approve/Amend Director Indemnification	689	62.8
Adopt/Amend Shareholder Rights Plan (Poison Pill)	767	62.3
Authorise Reissuance of Repurchased Shares	5,466	61.9

Source: Diligent/Insightia One, Full Voting Record from July 1, 2010, to June 30, 2024.

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

SBA Proxy Voting on Shareowner Proposals (U.S. Meetings only)

Key Metrics

Issue Category	FY2020 Proposal	FY2020 % of SHP	FY2020 SBA Support %	FY2021 Proposal	FY2021 % of SHP	FY2021 SBA Support %	FY2022 Proposal	FY2022 % of SHP	FY2022 SBA Support %	FY2023 Proposal	FY2023 % of SHP	FY2023 SBA Support %	FY2024 Proposal	FY2024 % of SHP	FY2024 SBA Support %
SHP: Environment	31	5.92%	70.97%	40	6.85%	55.00%	68	9.28%	29.41%	106	14.87%	11.32%	17	14.41%	5.88%
SHP: Social	118	22.52%	80.51%	111	19.01%	74.77%	215	29.33%	42.33%	224	31.42%	19.20%	36	30.51%	13.89%
SHP: Governance	371	70.80%	76.82%	427	73.12%	66.28%	438	59.75%	57.76%	361	50.63%	56.79%	58	49.15%	39.66%
SHP: Misc	4	0.76%	25.00%	6	1.03%	33.33%	12	1.64%	25.00%	22	3.09%	18.18%	7	5.93%	0.00%
Grand Total	**524**	**100.00%**	**76.91%**	**584**	**100.00%**	**66.78%**	**733**	**100.00%**	**50.07%**	**713**	**100.00%**	**37.03%**	**118**	**100.00%**	**24.58%**

Vote Decision

Issue Category	"For" FY2020	"For" FY2021	"For" FY2022	"For" FY2023	"For" FY2024	"Against&Withhold" FY2020	"Against&Withhold" FY2021	"Against&Withhold" FY2022	"Against&Withhold" FY2023	"Against&Withhold" FY2024	"Abstain" FY2020	"Abstain" FY2021	"Abstain" FY2022	"Abstain" FY2023	"Abstain" FY2024	"Other" FY2020	"Other" FY2021	"Other" FY2022	"Other" FY2023	"Other" FY2024
SHP: Environment	22	22	20	12	1	9	14	44	93	16	0	1	1	1	0	0	3	3	0	0
SHP: Social	95	83	91	43	5	23	25	119	177	29	0	1	1	4	0	0	2	4	0	2
SHP: Governance	285	283	253	205	23	65	72	84	104	20	6	5	3	2	1	15	67	98	50	14
SHP: Misc	1	2	3	4	0	2	1	6	15	6	0	0	1	0	0	1	3	2	3	1
Grand Total	**403**	**390**	**367**	**264**	**29**	**99**	**112**	**253**	**389**	**71**	**6**	**7**	**6**	**7**	**1**	**16**	**75**	**107**	**53**	**17**

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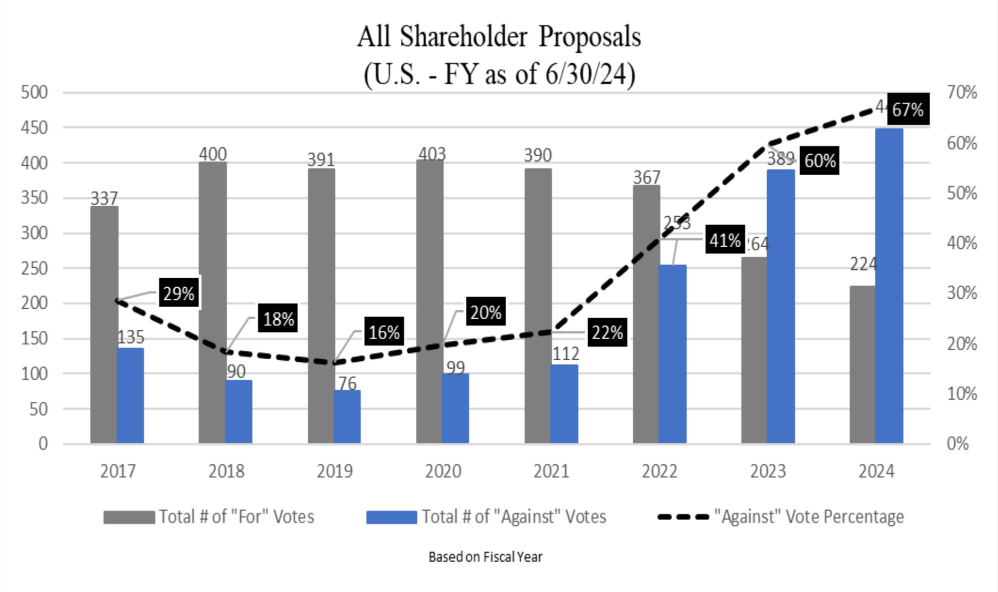
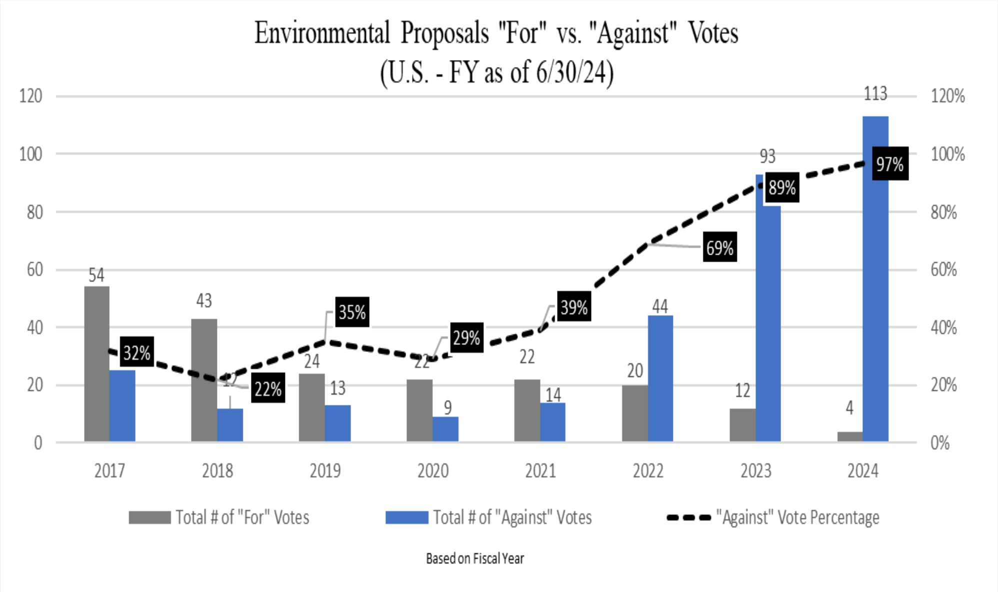
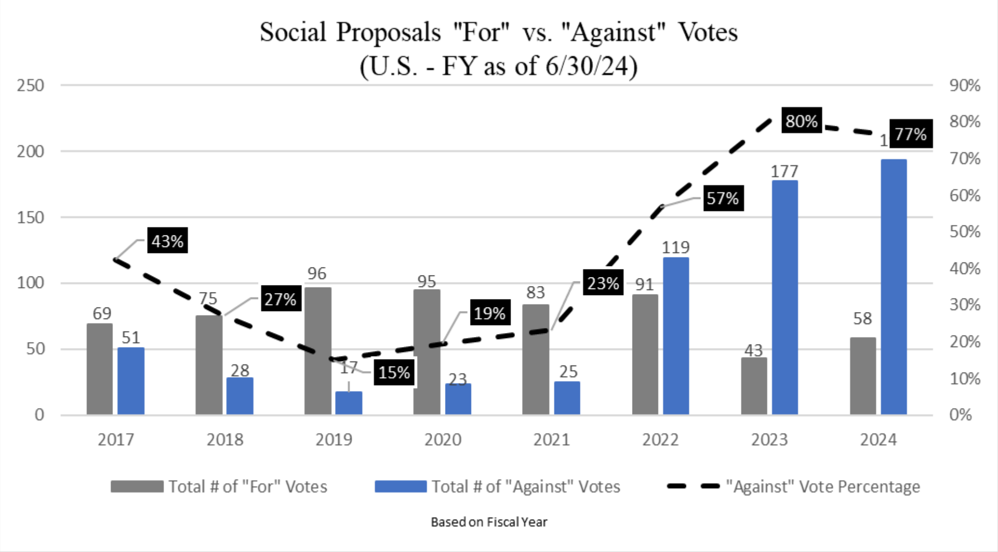
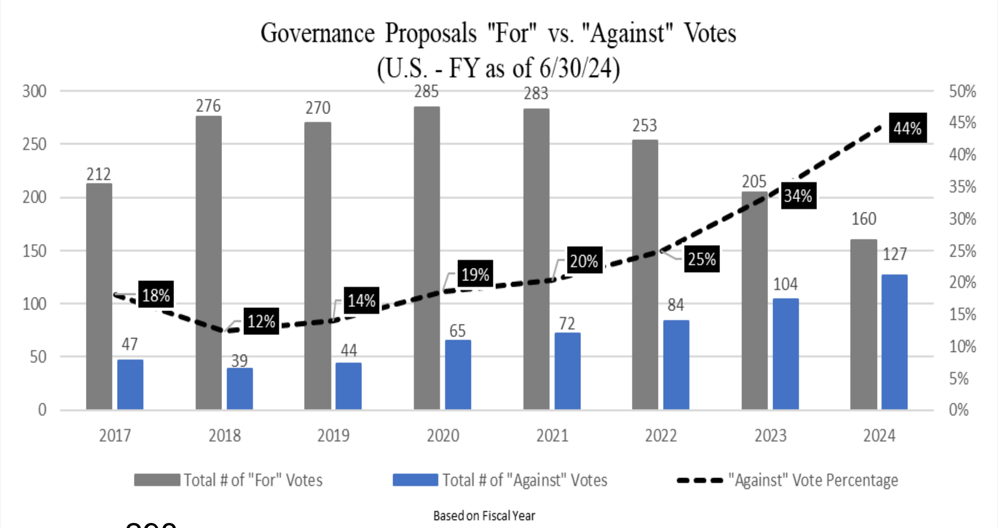
SBA Proxy Voting on Shareowner Proposals (US Meetings Only)









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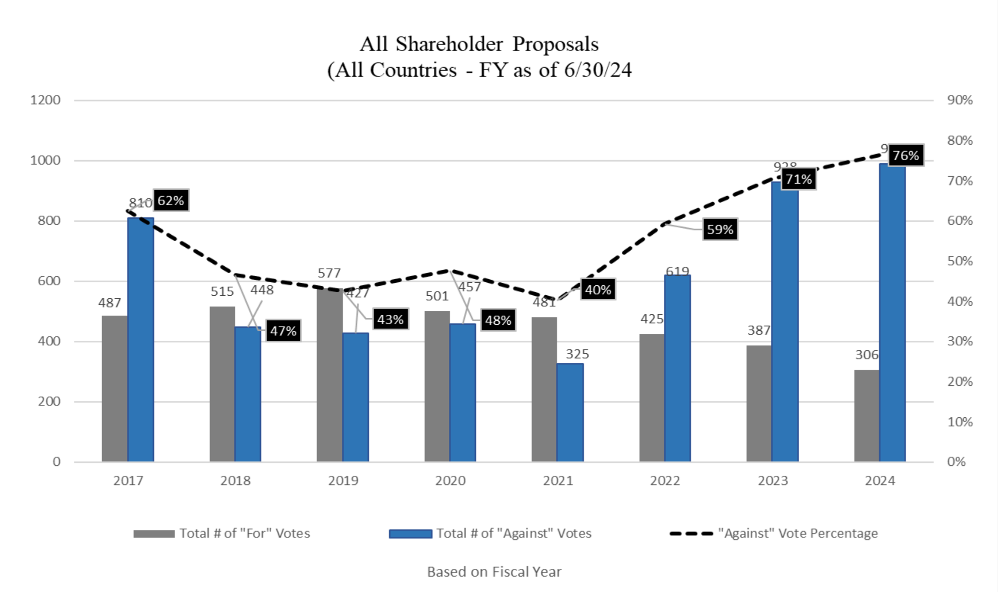
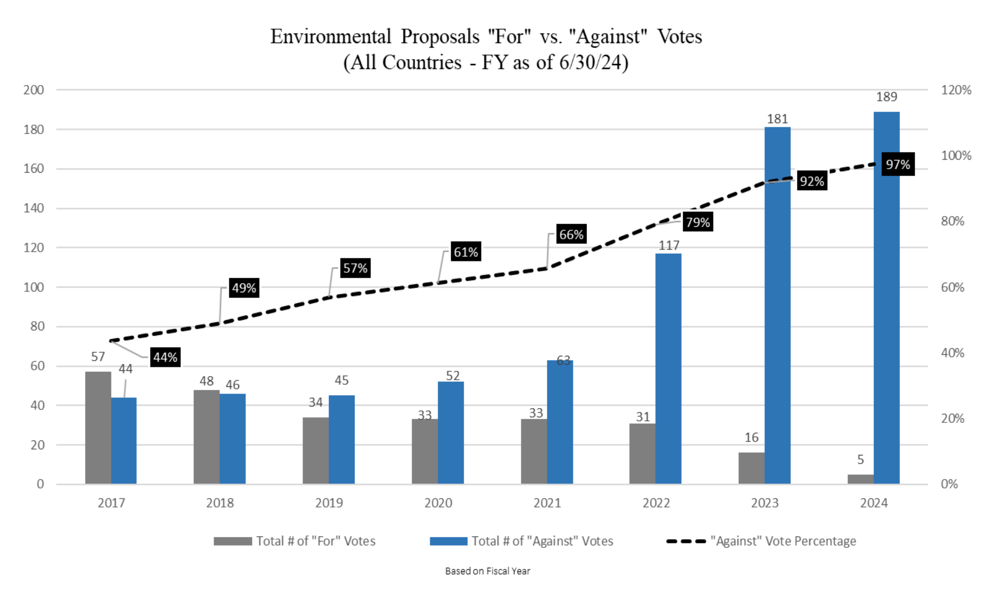
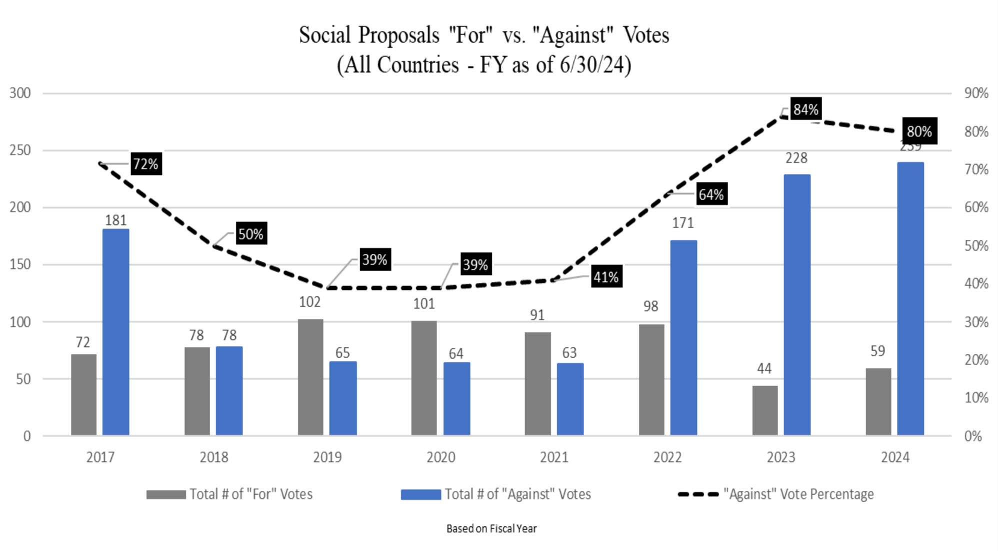
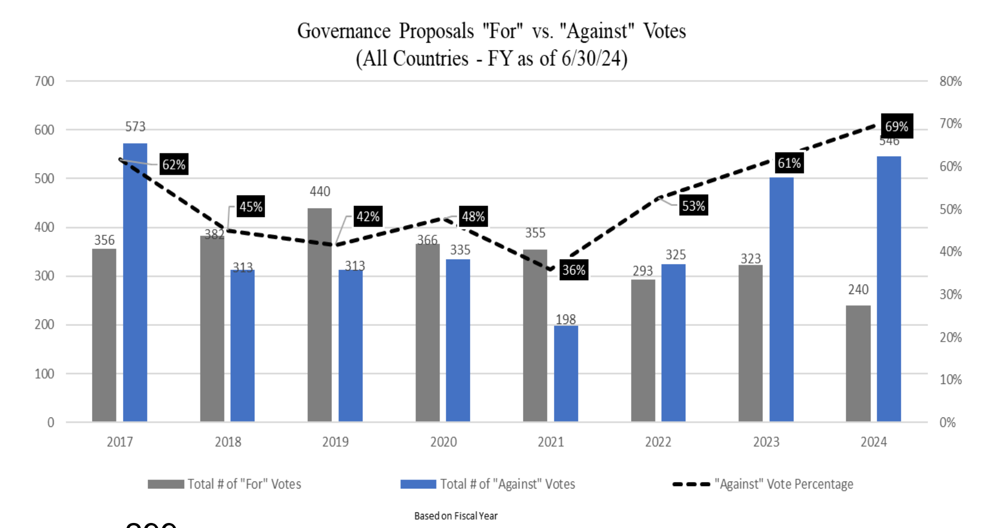
STATE BOARD OF ADMINISTRATION

SBA Proxy Voting on Shareowner Proposals (All Global Meetings)



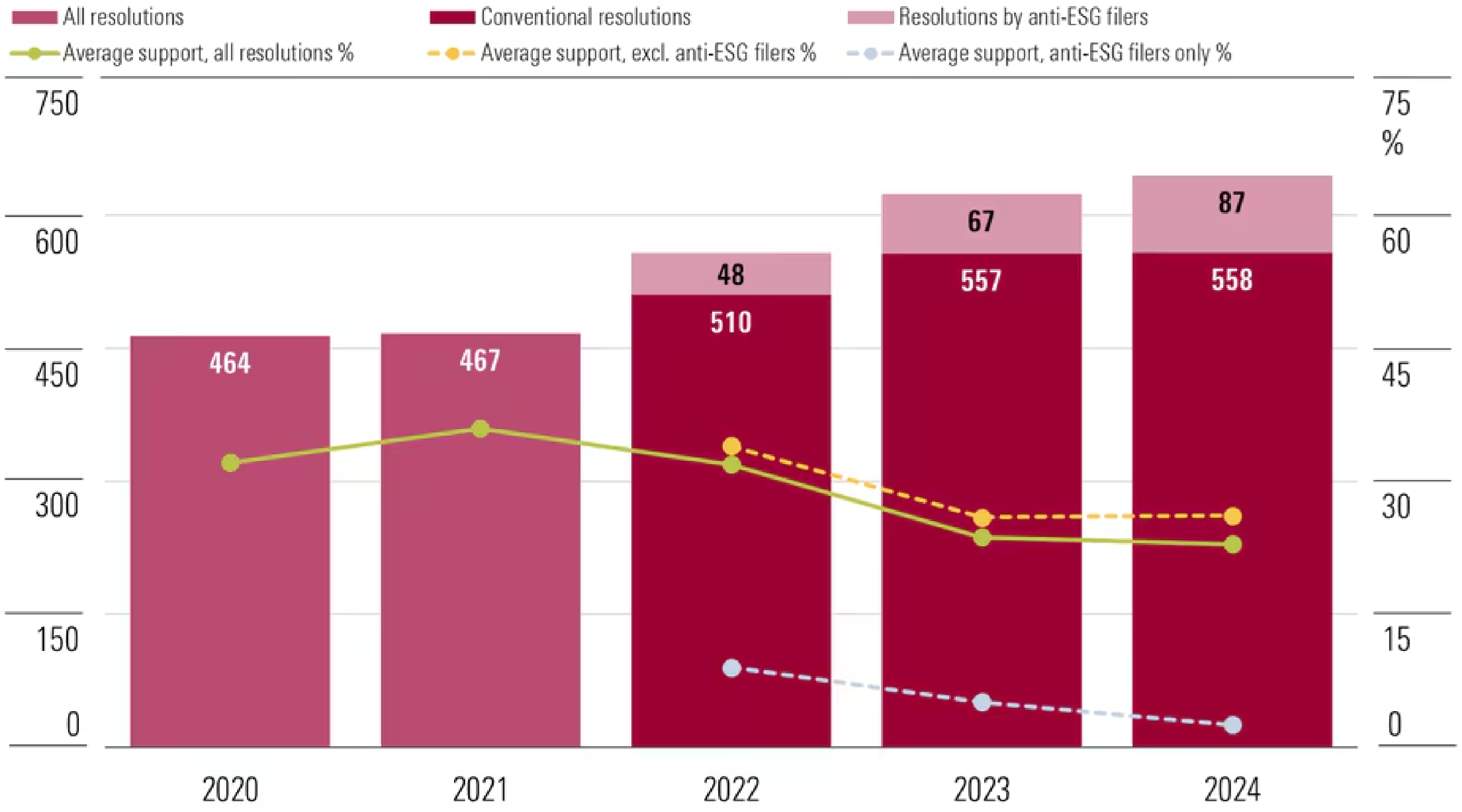






SBA FLORIDA
STATE BOARD OF ADMINISTRATION

All Shareholder Proposals (SHPs in U.S.)

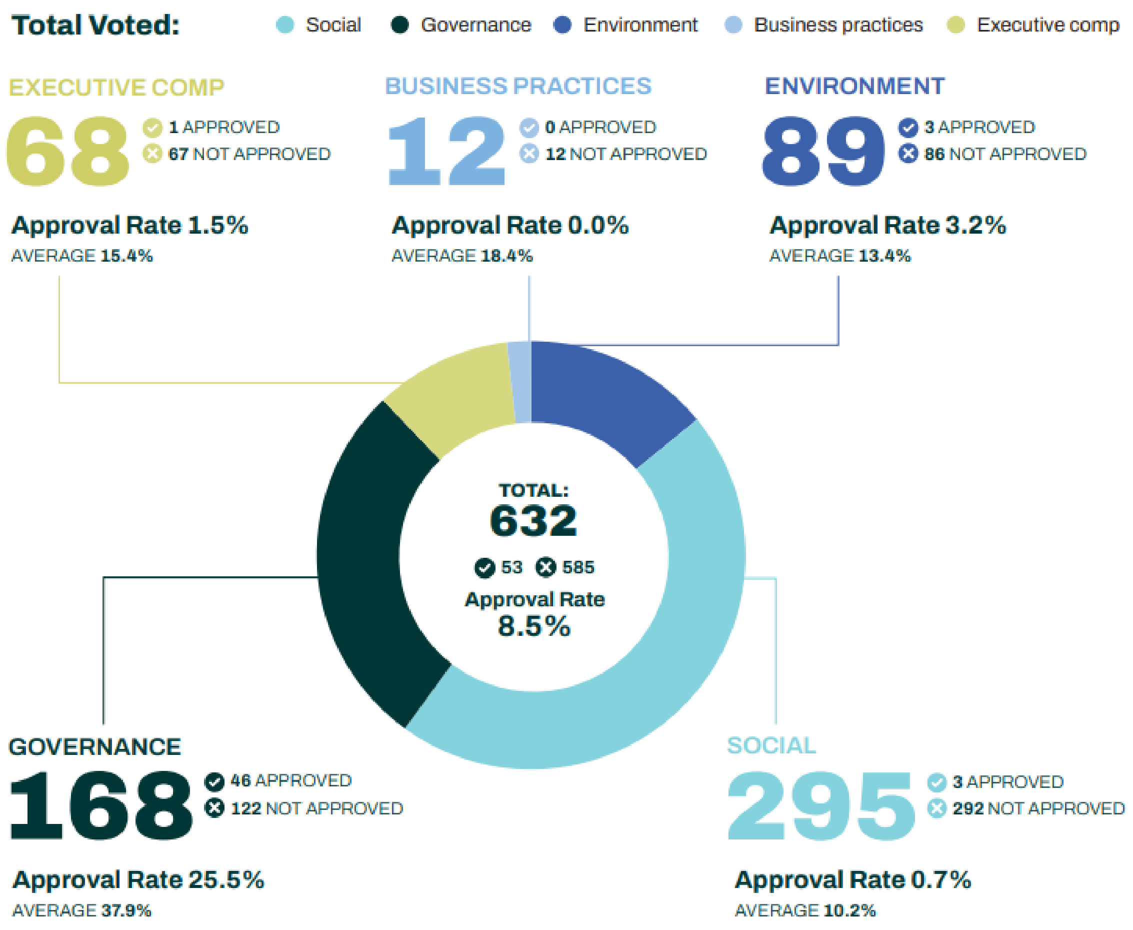


- 3% YOY increase in the number of SHPs, driven largely by “anti-ESG” resolutions
- Decline in average support YOY among all resolutions, but “G” SHPs received slightly higher average support in 2024

Source: Morningstar proxy voting database. Data as of August 5, 2024. Chart shows data for the five proxy years ended June 30, 2024

SBA FLORIDA STATE BOARD OF ADMINISTRATION

All Shareholder Proposals (SHPs in U.S.)



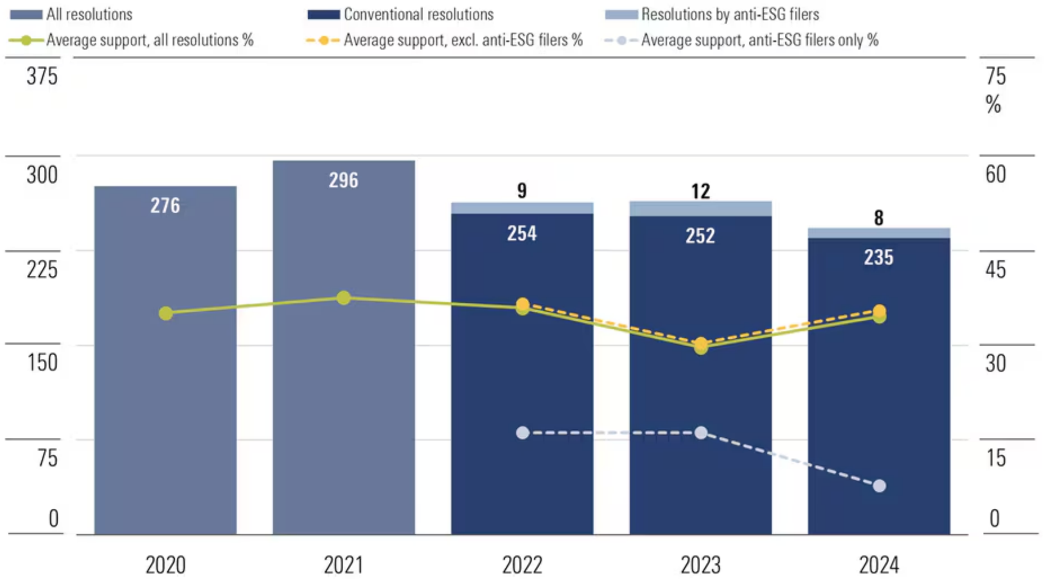
- FY2024 voting period
- Governance SHPs most highly supported
  - 46 Governance SHPs receive majority support
- Only 6 Environment/Social SHPs passed

Source: DragonGC. Data covers the period from July 1, 2023, to June 30, 2024

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

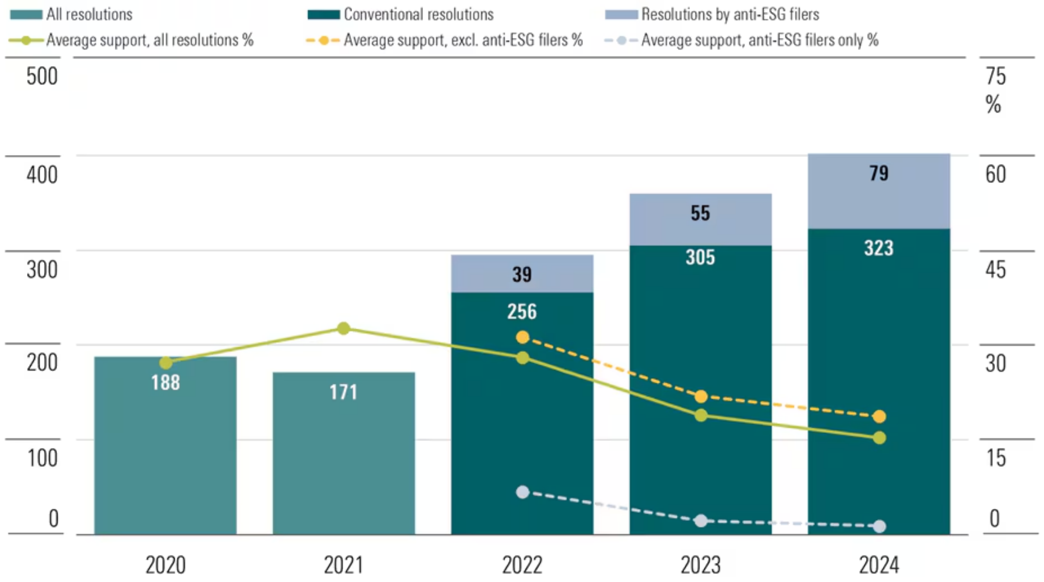
Category Shareholder Proposals (SHPs in U.S.)

Governance category SHPs



- Increase in average support for "G" SHPs, with several SHPs receiving high support aimed at protecting shareowner rights

Environmental and Social category SHPs



- Continued decline in average support for "E" and "S" SHPs, although the rate of decline slowed significantly
- Some investors' perspective is that many of these SHPs are unnecessary and/or not focused on drivers of economic value

Source: Morningstar proxy voting database. Data as of August 5, 2024. Charts show data for the five proxy years ended June 30, 2024

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Proxy Voting & Corporate Engagement

Less aggressive → *More aggressive*

Tactic	Shareholder engagement	Shareholder proposals	Vote "no" campaign	Proxy contest
What it is	A request to meet with management (and/or the board) to discuss the shareholder's concerns about the company	A non-binding resolution asking the company to pursue a course of action that appears on the proxy statement for shareholders to vote on	A campaign seeking to persuade shareholders to vote against members of a company's board or to withhold support on say on pay or other matters	An attempt to replace some or all of a company's board with directors nominated by the shareholder activist
Who is likely to use it	Everyone	Retail activists, advocacy groups	Institutional investors, hedge funds	Hedge funds, advocacy groups

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Q&A

CONTACT: Michael McCauley
Email: governance@sbafla.com

Second Quarter 2024 Major Mandates Performance Review

State Board of Administration of Florida

September 16, 2024

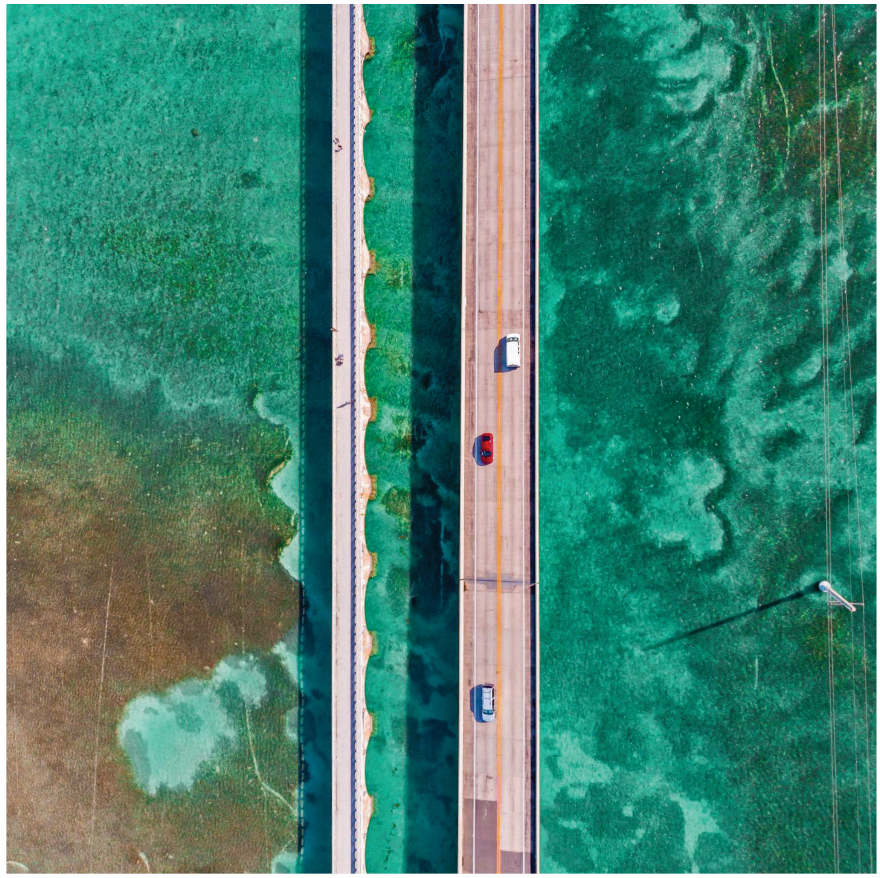


Table of Contents

Executive Summary
Quarter Ending June 30, 2024

- Each of the major mandates produced favorable returns relative to the respective benchmarks over the short- and long-term trailing periods as of June 30, 2024
- The Pension Fund outperformed the Performance Benchmark over the trailing quarter, three-, five-, and ten-year periods.
- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark over trailing five-, and ten-year periods.
- The CAT Funds' performance is strong over long-term periods
- Florida PRIME has continued to outperform its benchmark over both short- and long-term time periods.

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Pension Plan: Executive Summary

As of June 30, 2024

- The Pension Plan ended Fiscal Year 2024 at $198.2 billion, an increase of $12.5 billion over the trailing period.
- The Pension Plan trailed its benchmark over the FY 24, however it is ranked favorably among similar sized peers
- Relative to the Absolute Nominal Target Rate of Return, the Pension Plan outperformed over the fiscal year and ten-year and underperformed over the trailing three and five-year period.
- This quarter included the inception of the Active Credit Asset Class (4/1/24), making the total plan well diversified across seven broad asset classes.
  - Public market asset class investments do not significantly deviate from their broad market-based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
  - Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type, and investment strategy.
  - Asset allocation is monitored daily to ensure that the actual asset allocation of the Pension Plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Aon Investment Consulting and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

FRS Pension Plan Change in Market Value

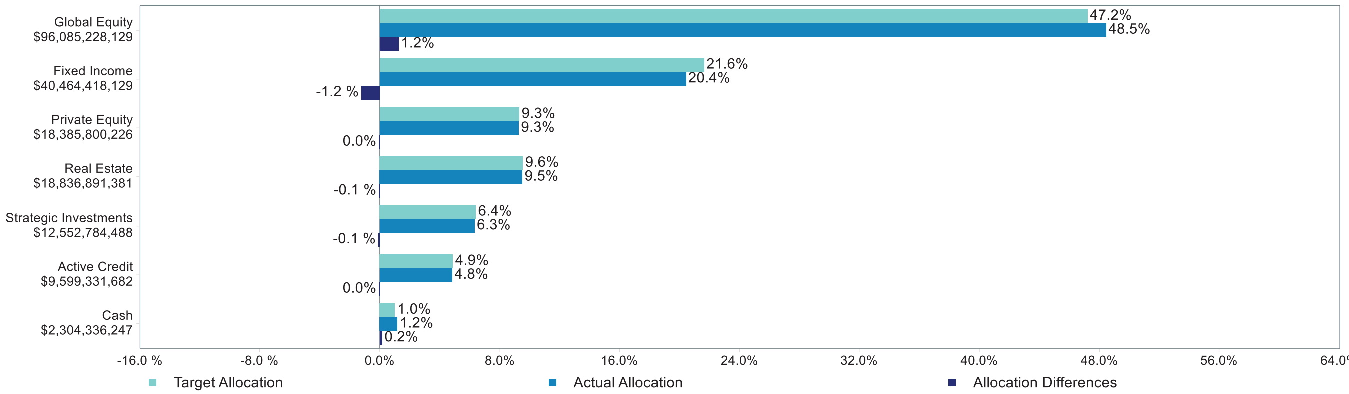
Periods Ending June 30, 2024

Summary of Cash Flows		
	Second Quarter	**Fiscal Year 2024**
Beginning Market Value	$196,525,624,636	$185,709,266,761
+/- Net Contributions/(Withdrawals)	-$1,517,391,052	-$6,604,019,074
Investment Earnings	$3,220,556,698	$19,123,542,595
= Ending Market Value	$198,228,790,282	$198,228,790,282
Net Change	$1,703,165,646	$12,519,523,521

Asset Allocation as of June 30, 2024

Total Fund Assets = $198.2 Billion

	Market Value $	Current Allocation %	Target Allocation %	Minimum Allocation %	Maximum Allocation %
Total Fund	**198,228,790,282**	**100.0**	**100.0**		
Global Equity	96,085,228,129	48.5	47.2	35.0	60.0
Fixed Income	40,464,418,129	20.4	21.6	12.0	30.0
Private Equity	18,385,800,226	9.3	9.3	6.0	20.0
Real Estate	18,836,891,381	9.5	9.6	8.0	20.0
Strategic Investments	12,552,784,488	6.3	6.4	2.0	14.0
Active Credit	9,599,331,682	4.8	4.9	2.0	12.0
Cash	2,304,336,247	1.2	1.0	0.3	5.0



AON

Investment advice and consulting services provided by Aon Investments USA Inc.

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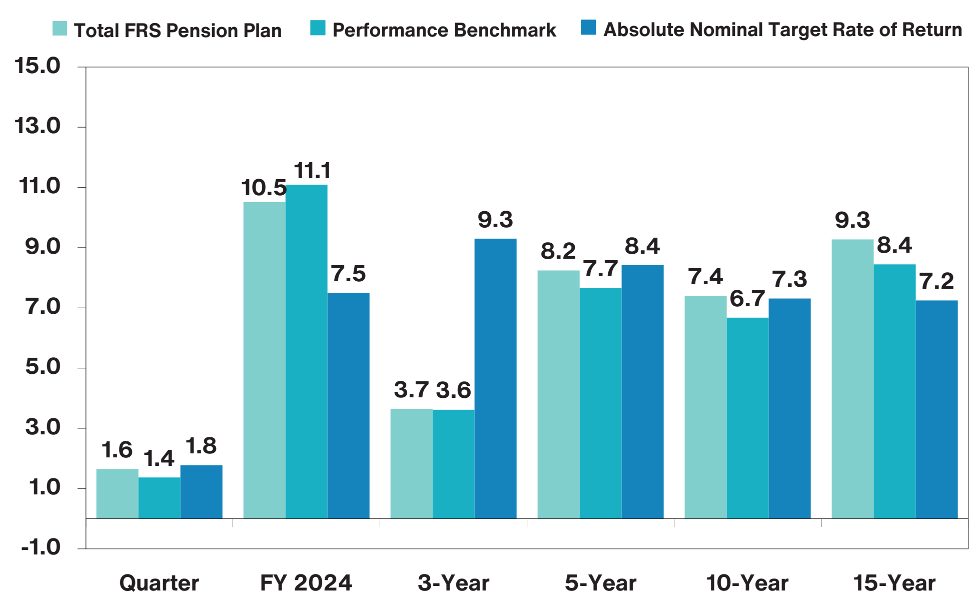
FRS Pension Plan Investment Results

Periods Ending June 30, 2024



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Investment advice and consulting services provided by Aon Investments USA Inc.

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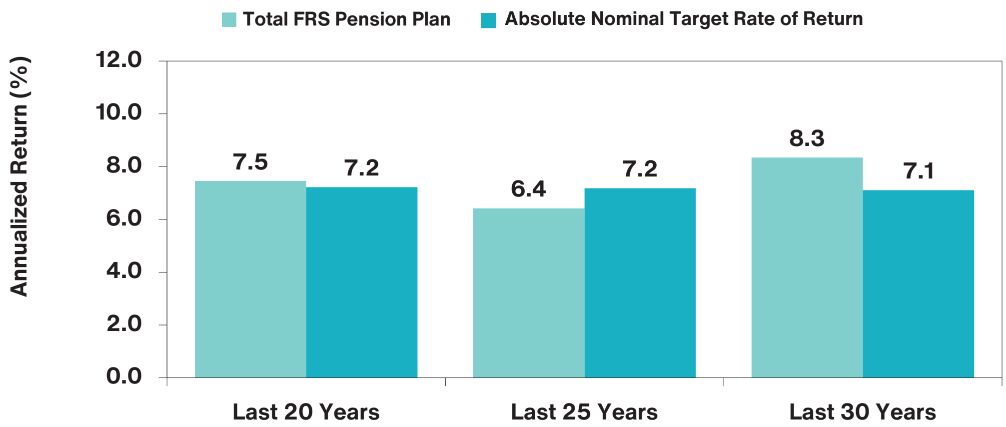
FRS Pension Plan Investment Results

Periods Ending June 30, 2024

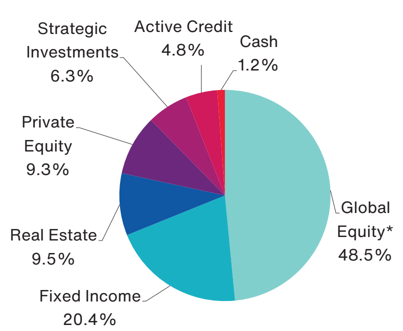
Long-Term FRS Pension Plan Performance Results vs. SBA's Long-Term Investment Objective



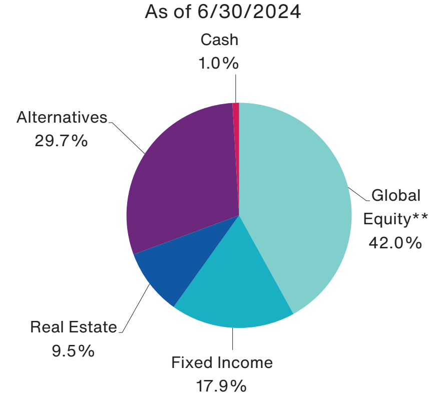
Comparison of Asset Allocation (TUCS Top Ten)[1]

FRS Pension Plan vs. Top Ten Defined Benefit Plans

FRS TOTAL FUND
As of 6/30/2024



TUCS TOP TEN
As of 6/30/2024

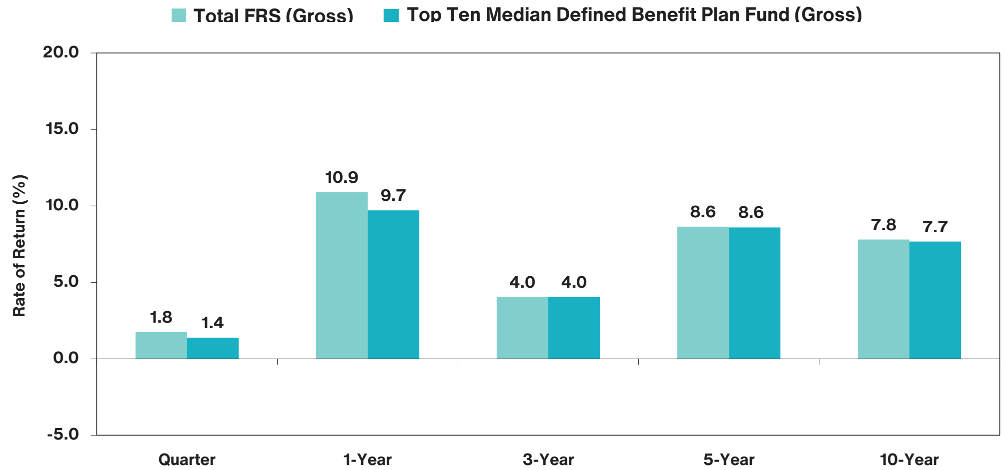


*Global Equity Allocation: 25.1% Domestic Equities; 14.9% Foreign Equities; 6.1% Global Equities; 1.4% Global Equity Cash; 1.0% Global Equity Liquidity Account. Percentages are of the Total FRS Fund.

**Global Equity Allocation: 26.5% Domestic Equities; 15.4% Foreign Equities.

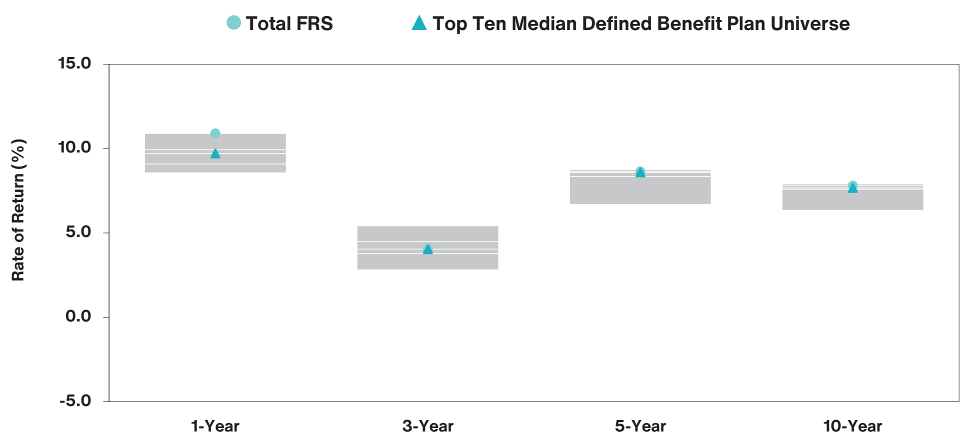
Note: The data set includes $2,129 billion in total assets. The median fund size was $198 billion, and the average fund size was $213 billion.
Note: Due to rounding, percentage totals displayed may not sum perfectly.

FRS Results Relative to TUCS Top Ten Defined Benefit Plans
Periods Ending June 30, 2024



Note: The data set includes $2,129 billion in total assets. The median fund size was $198 billion, and the average fund size was $212 billion.
Note: Due to rounding, percentage totals displayed may not sum perfectly.

Top Ten Defined Benefit Plans FRS Universe Comparison (TUCS)
Periods Ending June 30, 2024



	1-Year	3-Year	5-Year	10-Year
FRS Percentile Ranking	5	50	37	25

Note: The data set includes $2,129 billion in total assets. The median fund size was $198 billion, and the average fund size was $212 billion.
Note: Due to rounding, percentage totals displayed may not sum perfectly.

Investment Plan: Executive Summary

- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark over longer term trailing periods. This indicated strong relative performance of the underlying fund options in which participants are electing to invest in.

- The FRS Investment Plan's total expense ratio is in line with peer defined contribution plans, based on year-end 2022 data. The total FRS Investment Plan expense ratio includes investment management fees, as well as administration, communication and education costs. Communication and education costs are not charged to FRS Investment Plan members; however, these and similar costs may be charged to members of plans within the peer group.

- Management fees are lower than the median as represented by eVestment's mutual fund universe for every investment category except for Inflation Protected Securities.

- The FRS Investment Plan offers an appropriate number of fund options that span the risk and return spectrum.

- The Investment Policy Statement is revisited periodically to ensure that the structure and guidelines of the FRS Investment Plan are appropriate, taking into consideration the FRS Investment Plan's goals and objectives.

Total Investment Plan Returns & Cost

Periods Ending 6/30/24*

	One-Year	Three-Year	Five-Year	Ten-Year
FRS Investment Plan	**13.1%**	**3.2%**	**7.7%**	**6.8%**
*Total Plan Aggregate Benchmark***	13.5	3.7	7.7	6.6
FRS Investment Plan vs. Total Plan Aggregate Benchmark	-0.4	-0.5	0.0	0.2

Periods Ending 12/31/2022***

	Five-Year Average Return****	Five-Year Net Value Added	Expense Ratio
FRS Investment Plan	**4.4%**	**-0.3%**	**0.27%*******
Peer Group	*4.8*	*0.1*	*0.24*
FRS Investment Plan vs. Peer Group	-0.4	-0.2	0.00

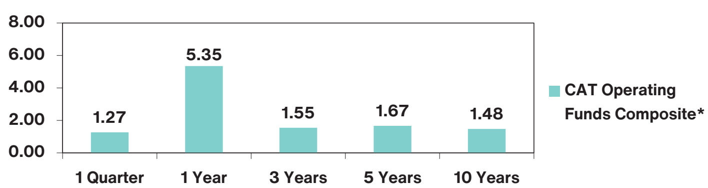
*Returns shown are net of fees.
**Aggregate benchmark returns are an average of the individual portfolio benchmark returns at their actual weights.
***Source: 2023 CEM Benchmarking Report. Peer group for the Five-Year Average Return and Value Added represents the U.S. Median plan return based on the CEM 2023 Survey that included 120 U.S. defined contribution plans with assets ranging from $114 million to $63.2 billion. Peer group for the Expense Ratio represents a custom peer group for FSBA of 18 DC plans including corporate and public plans with assets between $3.4 - $26.9 billion.
****Returns shown are gross of fees.
*****The total FRS Investment Plan expense ratio includes investment management fees, as well as administration, communication and education costs. These latter costs are not charged to FRS Investment Plan members; however, these and similar costs may be charged to members of plans within the peer group utilized above.

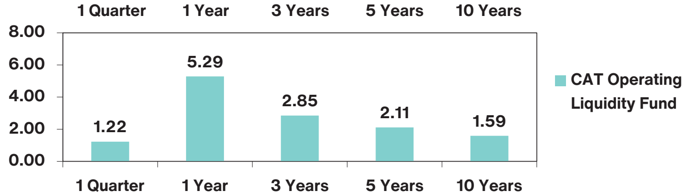
CAT Fund: Executive Summary

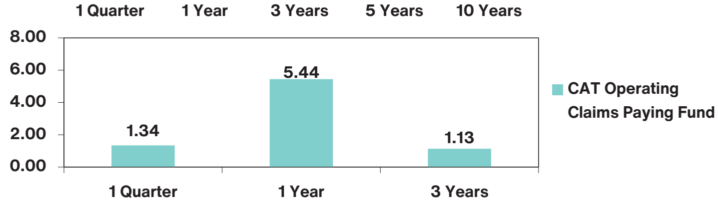
- Returns are modest given the current high-rate environment and previously low interest rate environment.
- All CAT Funds are adequately diversified across issuers within the short-term bond market.
- The Investment Portfolio Guidelines appropriately constrain the CAT Funds to invest in short-term and high-quality bonds to minimize both interest rate and credit risk.
- Adequate liquidity exists to address the cash flow obligations of the CAT Funds.
- The Investment Portfolio Guidelines are revisited periodically to ensure that the structure and guidelines of the CAT Funds are appropriate, taking into consideration the CAT Funds' goals and objectives.

CAT Operating Funds Investment Results

Periods Ending June 30, 2024





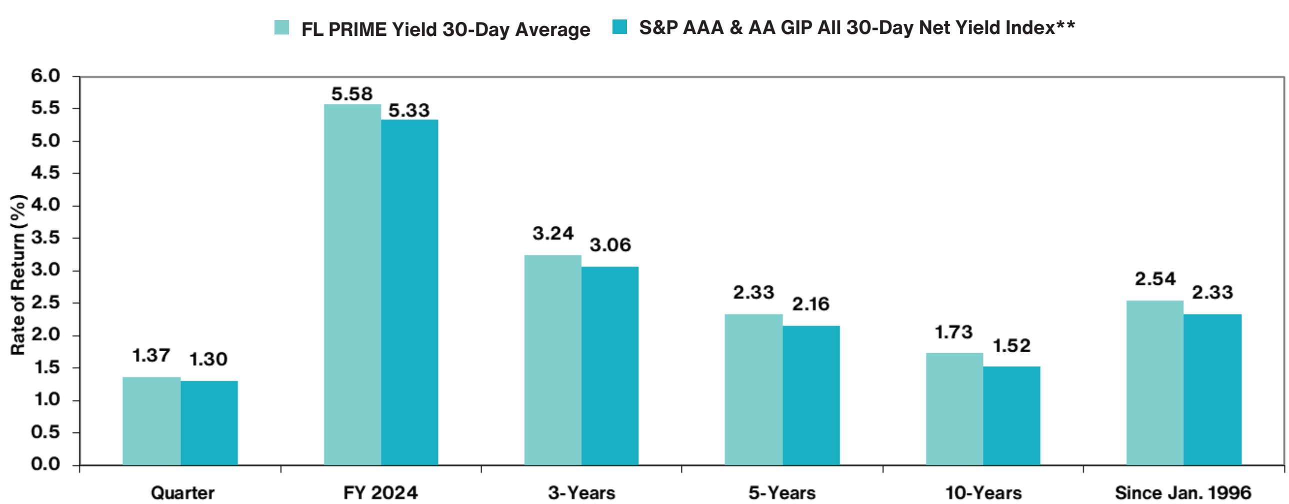


*CAT Operating Funds: Beginning March 2008, the returns for the CAT Operating Funds reflect marked-to-market returns. Prior to that time, cost-based returns are used. Beginning February 2018, the CAT Operating Funds were split into two different sub funds, the CAT Fund Operating Liquidity Fund and the CAT Fund Operating Claims Paying Fund. Performance for each sub fund is shown below.

Florida PRIME: Executive Summary

- The purpose of Florida PRIME is safety, liquidity, and competitive returns with minimal risk for participants.
- The Investment Policy Statement appropriately constrains Florida PRIME to invest in short-term and high-quality bonds to minimize both interest rate and credit risk.
- Florida PRIME is adequately diversified across issuers within the short-term bond market, and adequate liquidity exists to address the cash flow obligations of Florida PRIME.
- Performance of Florida PRIME has been strong over short- and long-term time periods, outperforming its performance benchmark over the trailing one-, three-, five-, and ten-year time periods.
- As of June 30, 2024, the total market value of Florida PRIME was $25.5 billion.
- Aon Investments USA Inc., in conjunction with SBA staff, compiles an annual best practices report that includes a full review of the Investment Policy Statement, operational items, and investment structure for Florida PRIME.

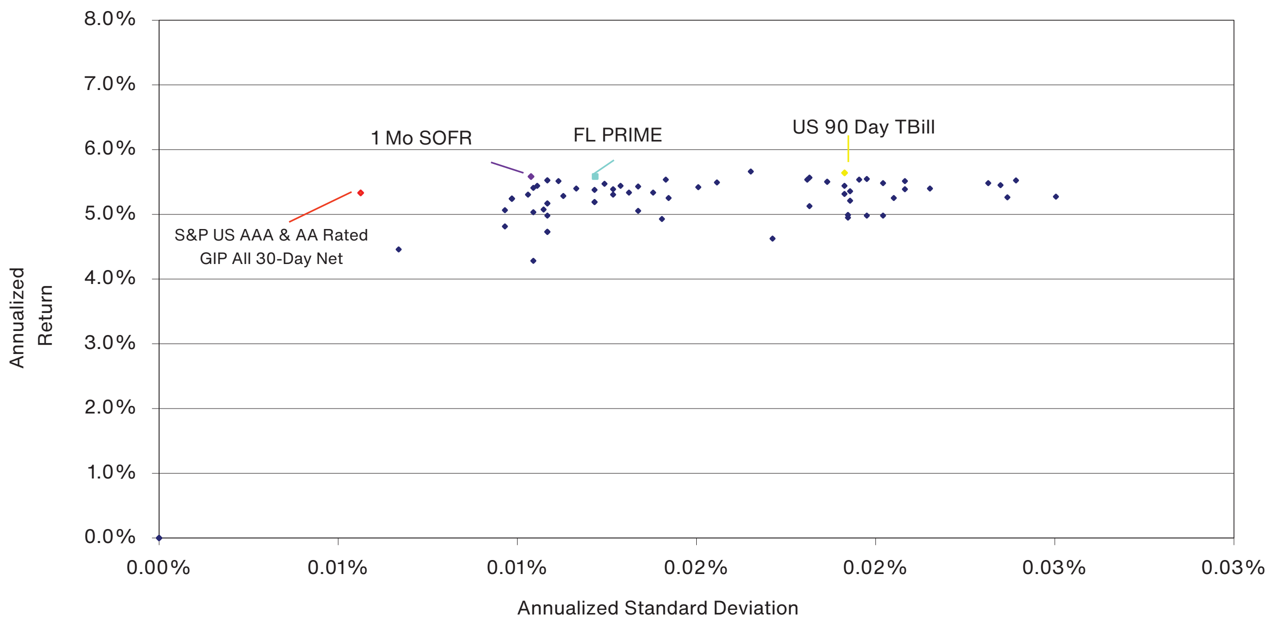
Florida PRIME Investment Results
Periods Ending June 30, 2024



*Returns less than one year are not annualized.
**S&P AAA & AA GIP All 30-Day Net Yield Index for all time periods shown.

Florida PRIME Risk vs. Return

1 Years Ending June 30, 2024



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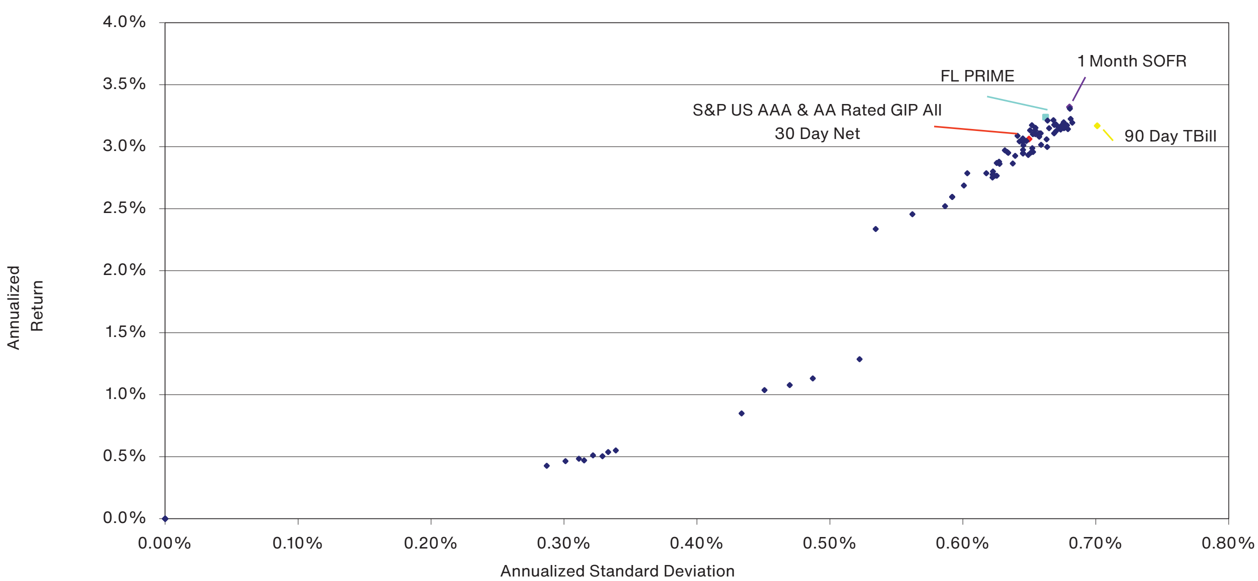
Florida PRIME Risk vs. Return

3 Years Ending June 30, 2024



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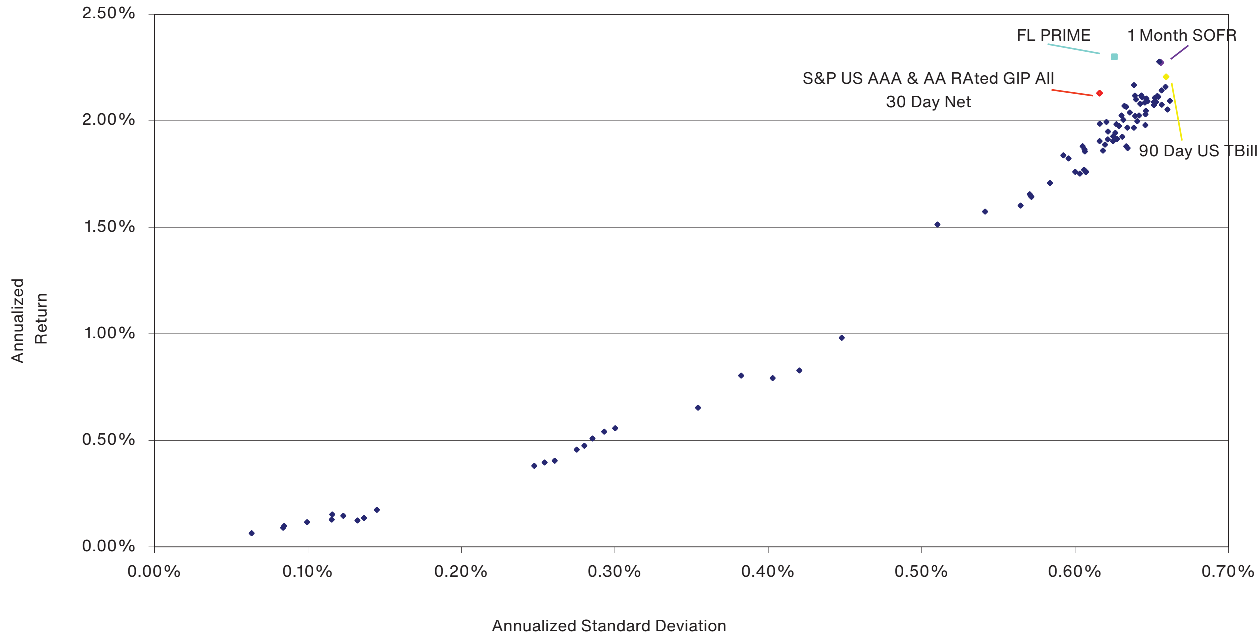
Florida PRIME Risk vs. Return

5 Years Ending June 30, 2024



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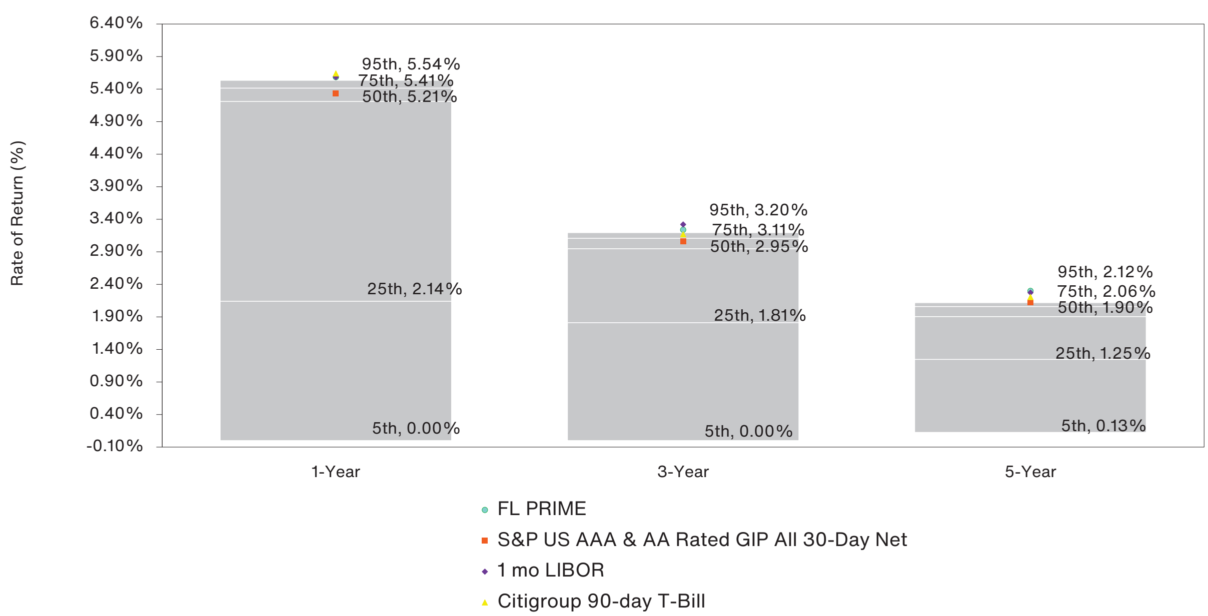
Return Distribution

Periods Ending June 30, 2024



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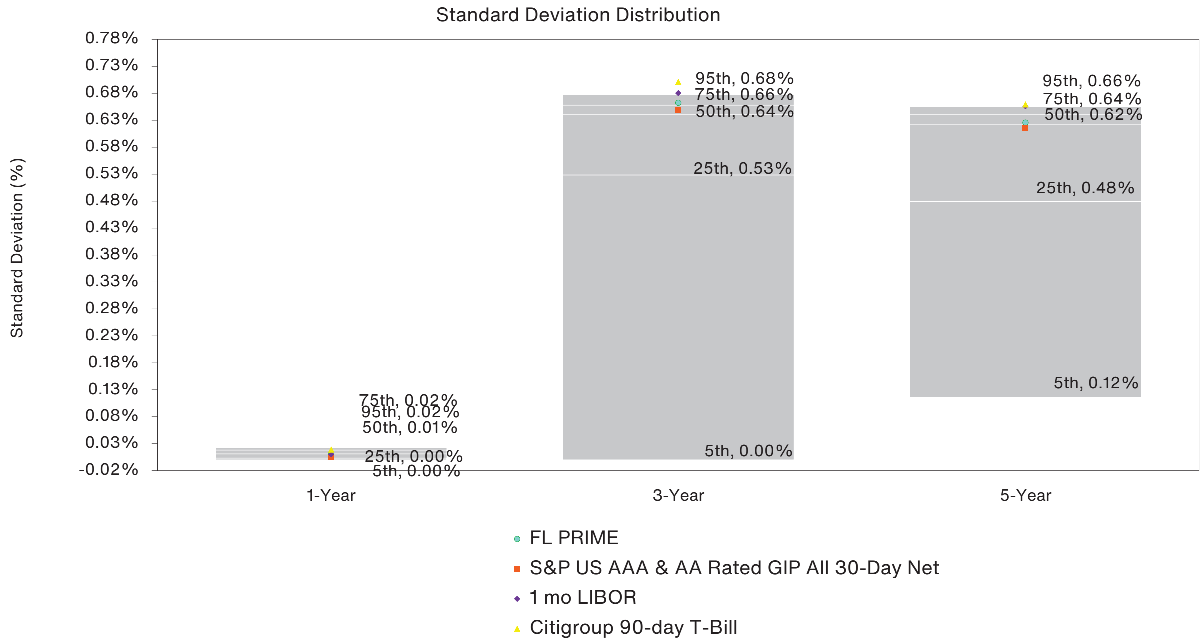
Standard Deviation Distribution
Periods Ending June 30, 2024



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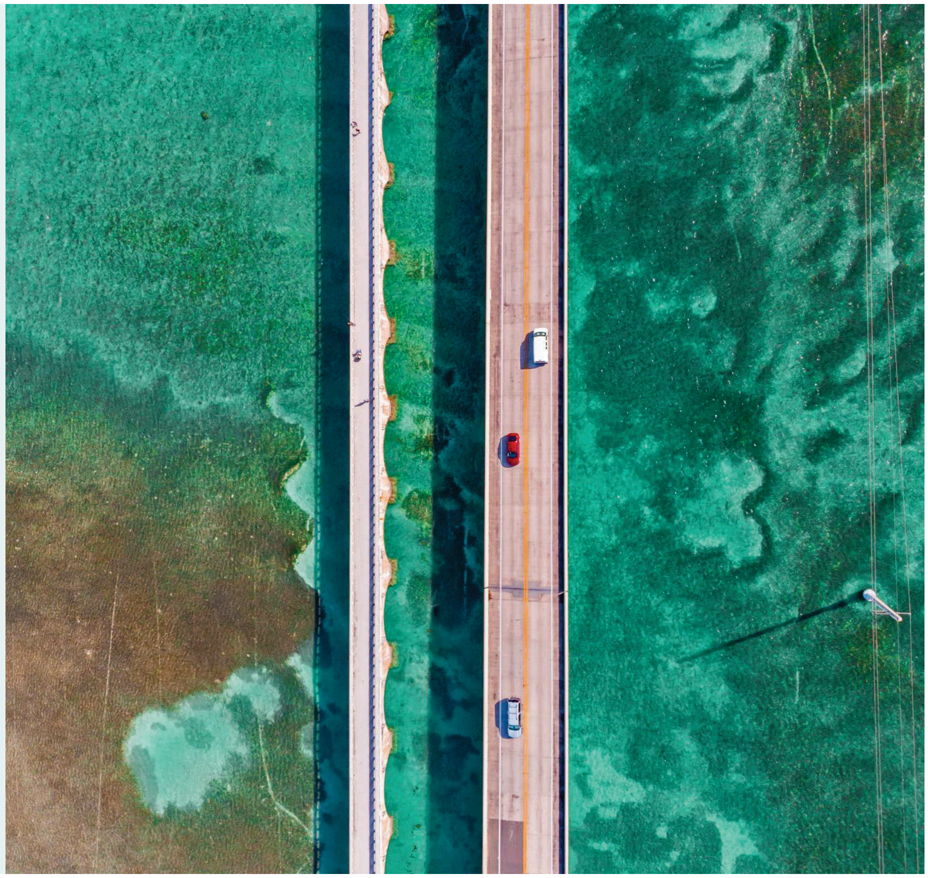
Appendix



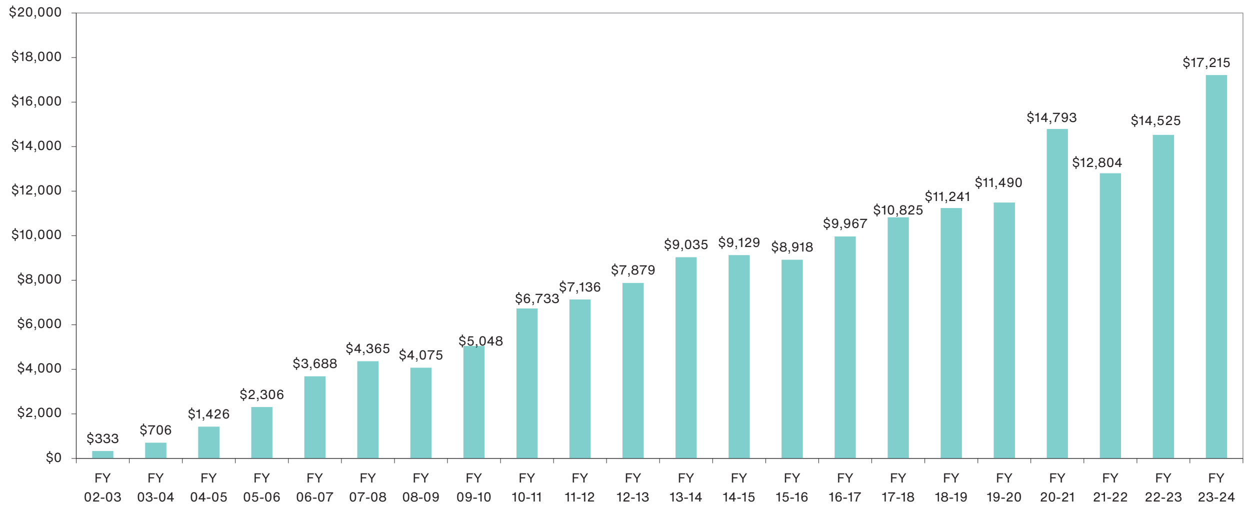
FRS Investment Plan Costs

Investment Category	Investment Plan Fee*	Median Mutual Fund Fee**
Domestic Equity	0.19%	0.85%
International & Global Equity	0.30%	0.85%
Diversified Bonds	0.17%	0.50%
Target Date	0.16%	0.26%
Stable Value	0.08%	0.47%
Inflation Protected Securities	0.36%	0.39%

*Average fee of multiple products in category as of 6/30/2024.

**Source: Aon's mutual fund expense analysis as of 6/30/2024.

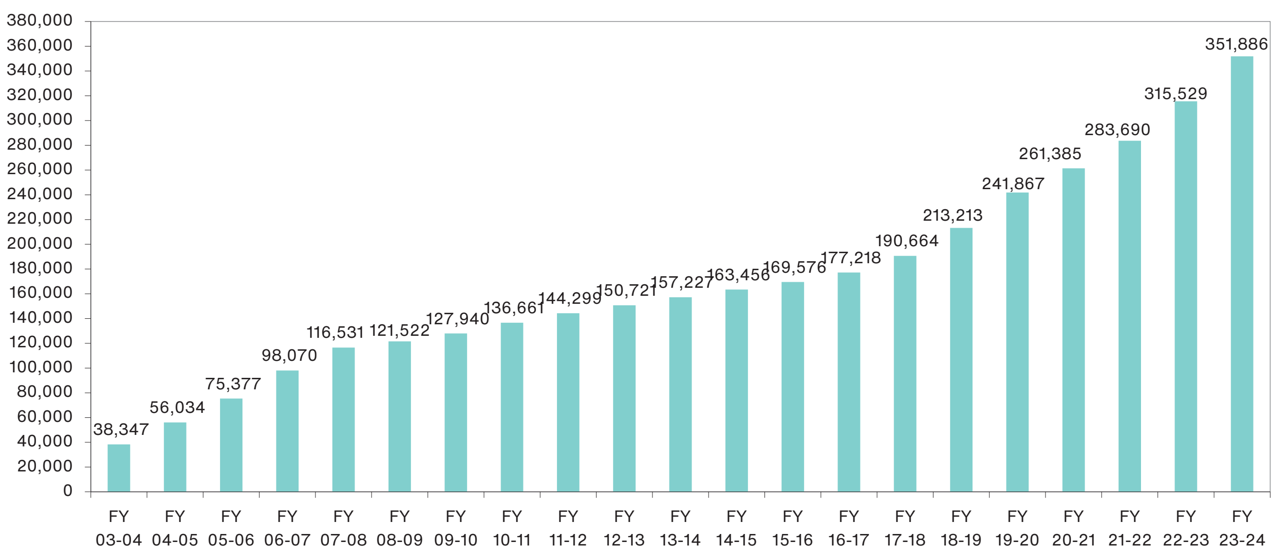
Investment Plan Fiscal Year End Assets Under Management



Source: Investment Plan Administrator

AON

Investment Plan Membership



Source: Investment Plan Administrator

AON

Florida Hurricane Catastrophe Funds Background and Details

- The purpose of the Florida Hurricane Catastrophe Fund (FHCF) is to provide a stable, ongoing and timely source of reimbursement to insurers for a portion of their hurricane losses.

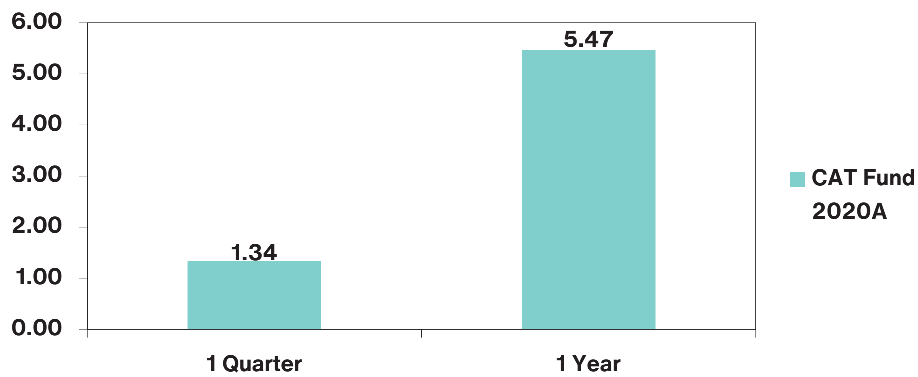
- The CAT Operating Funds, along CAT 2020 A and CAT 2024 A Fund are internally managed portfolios.
  - CAT 2013 A Fund was liquidated during 4Q 2020
  - CAT 2016 A Fund was liquidated during 3Q 2021

- As of June 30, 2024, the total value of:
  - The CAT Operating Funds was $11.3 billion
  - The CAT 2020 A Fund was $2.3 billion
  - The CAT 2024 A Fund was $1.0 billion

- History of the CAT Funds Benchmarks: *Beginning February 2018, the CAT Fund Operating Liquidity Fund was benchmarked to the B of A Merrill Lynch 3-6 Month U.S. Treasury Bill Index, and the CAT Fund Operating Claims Paying Fund benchmarked to a blend of 35% of the Bank of America Merrill Lynch 1-3 Year AA U.S. Corporate Bond Index and 65% of Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index. Beginning January 2021, the CAT Fund Operating Liquidity Fund was benchmarked to Bloomberg U.S. Treasuries Bills 3-6 Months & U.S. Treasury Bills 6-9 Months Custom Blend Index. This benchmark is comprised of 60% off the 3-6 month U.S. Treasury Bills and 40% 6-9 month U.S. Treasury Bills., and the CAT Fund Operating Claims Paying Fund is benchmarked Bloomberg U.S. Treasury 1-3 Years & Corporate AA+ ex 144A Reg S Custom Blend Index. This benchmark is comprised of 65% 1-3 year Treasury and 35% of 1-3 year Corporate AA or better excluding 144A and Reg S Securities.*

CAT 2020A Funds Investment Results

Period Ending June 30, 2024



CAT Operating Funds Characteristics

Period Ending June 30, 2024

CAT Operating Fund

Maturity Analysis	
1 to 30 Days	44.14%
31 to 60 Days	19.70
61 to 90 Days	2.65
91 to 120 Days	3.41
121 to 150 Days	5.43
151 to 180 Days	2.31
181 to 270 Days	8.60
271 to 365 Days	7.17
366 to 455 Days	6.59
>= 456 Days	0.00
Total % of Portfolio	100.00%

Bond Rating Analysis	
AAA	63.89%
AA	6.23
A	29.88
Baa	0.00
Other	0.00
Total % of Portfolio	100.00%

CAT 2020A Fund

Maturity Analysis	
1 to 30 Days	42.58%
31 to 60 Days	6.47
61 to 90 Days	31.41
91 to 120 Days	4.65
121 to 150 Days	5.39
151 to 180 Days	7.81
181 to 270 Days	0.00
271 to 365 Days	1.69
366 to 455 Days	0.00
>= 456 Days	0.00
Total % of Portfolio	100.00%

Bond Rating Analysis	
AAA	52.89%
AA	0.68
A	46.43
Baa	0.00
Other	0.00
Total % of Portfolio	100.00%

CAT 2024A Fund

Maturity Analysis	
1 to 30 Days	14.49%
31 to 60 Days	17.23
61 to 90 Days	17.38
91 to 120 Days	3.74
121 to 150 Days	25.28
151 to 180 Days	19.40
181 to 270 Days	2.48
271 to 365 Days	0.00
366 to 455 Days	0.00
>= 456 Days	0.00
Total % of Portfolio	100.00%

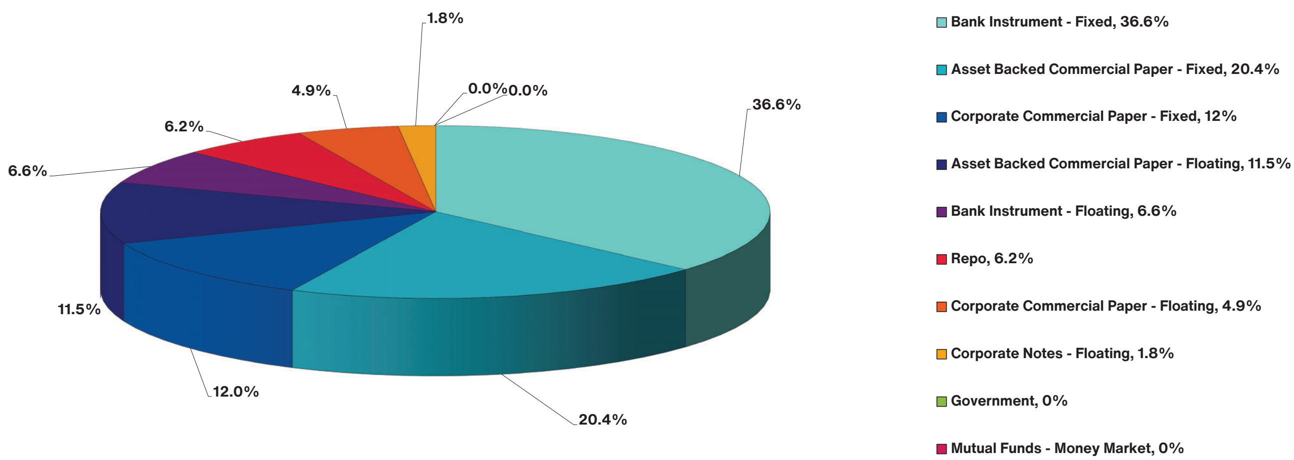
Bond Rating Analysis	
AAA	54.94%
AA	0.00
A	45.06
Baa	0.00
Other	0.00
Total % of Portfolio	100.00%

Florida PRIME Characteristics

Quarter Ending June 30, 2024

As of 6/30/24	Second Quarter	FY 2024
Opening Balance	$27,430,299,134	$21,469,384,429
Participant Deposits	$6,225,994,984	$39,526,693,425
Gross Earnings	$363,863,395	$1,358,115,169
Participant Withdrawals	($8,533,484,338)	(36,861,985,258)
Fees	($2,188,552)	(7,723,141)
Closing Balance	$25,484,484,623	$25,484,484,623
Change	**($1,945,814,511)**	**$4,015,100,194**

Florida PRIME Characteristics
Quarter Ending June 30, 2024



Florida PRIME Characteristics
Period Ending June 30, 2024

Effective Maturity Schedule	
1-7 Days	61.9%
8 - 30 Days	12.2%
31 - 90 Days	10.3%
91 - 180 Days	3.7%
181+ Days	11.9%
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
A-1+	56.7%
A-1	43.3%
Total % of Portfolio:	**100.0%**

Legal Disclosures and Disclaimers

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Aon Investments USA Inc.
200 E. Randolph Street
Suite 700
Chicago, IL 60601
ATTN: Aon Investments Compliance Officer

Quarterly Investment Review

FRS Pension Plan

Second Quarter 2024

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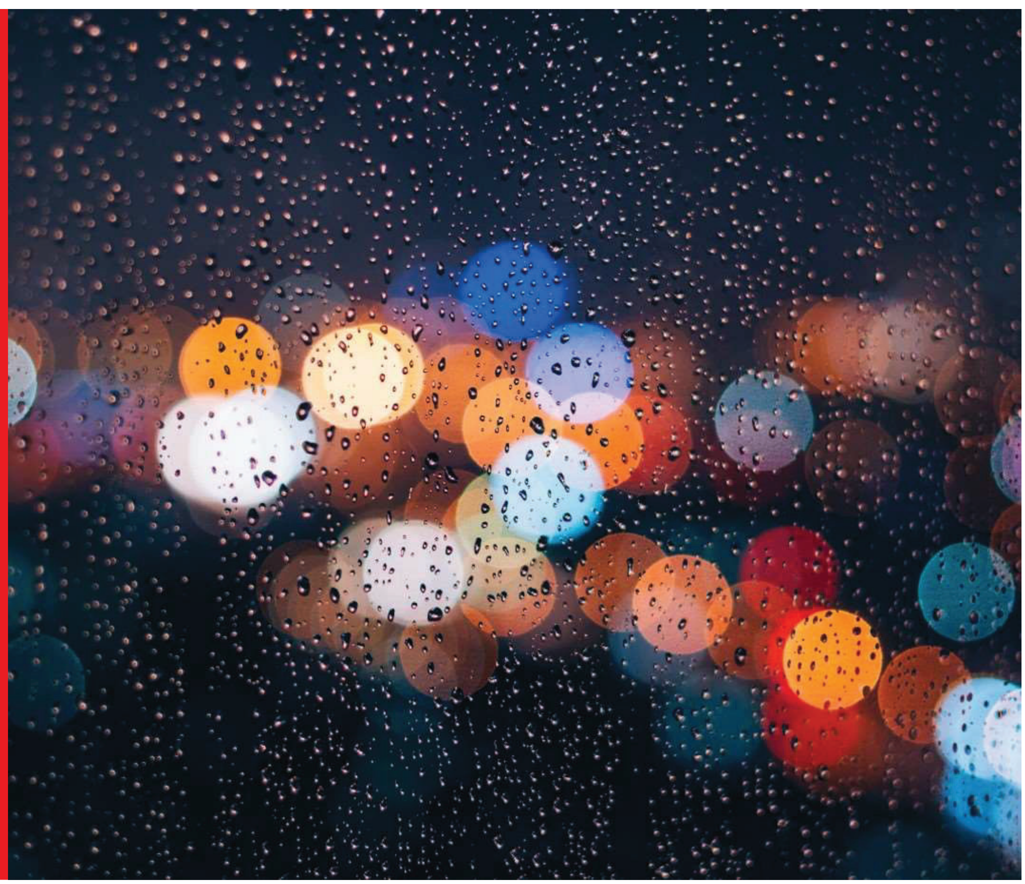

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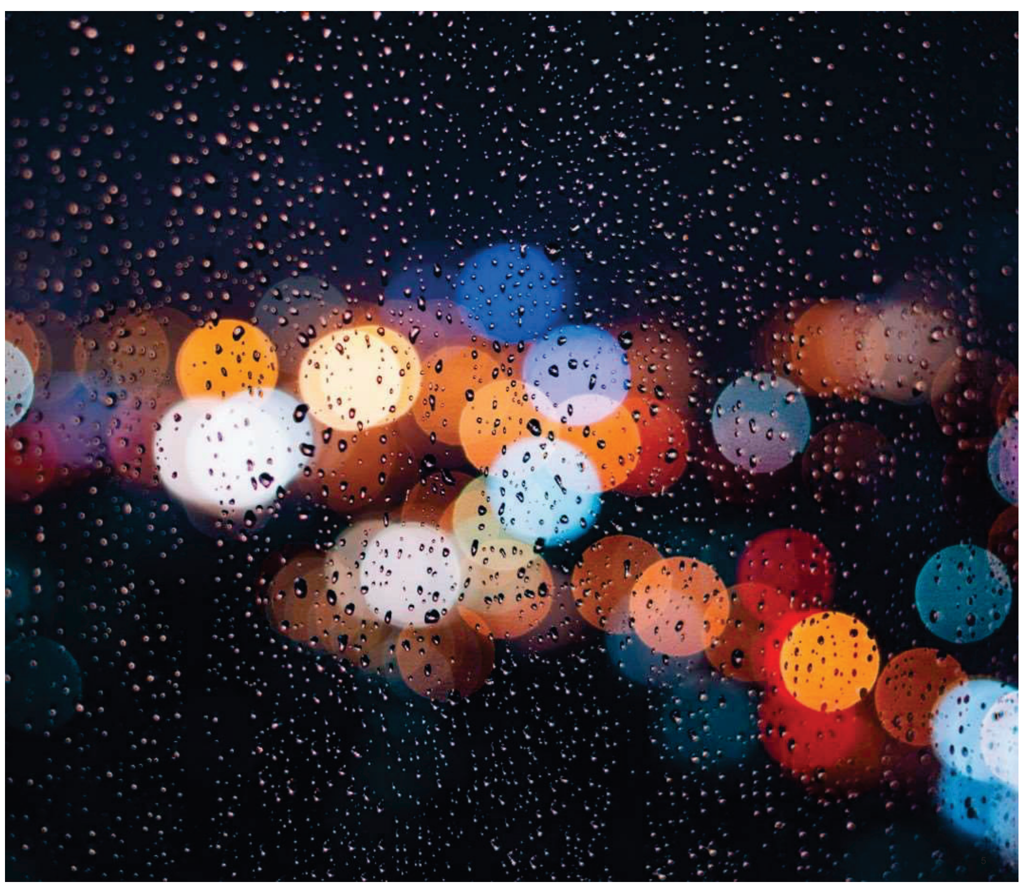
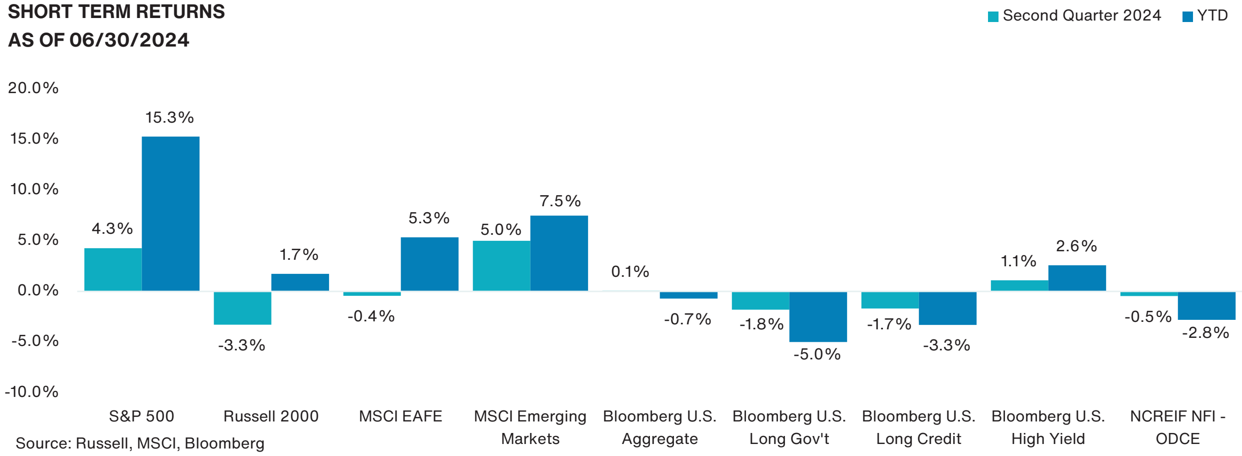
Market Environment



Market Highlights

SHORT TERM RETURNS
AS OF 06/30/2024



Source: Russell, MSCI, Bloomberg

MSCI Indices show net total returns throughout this report. All other indices show gross total returns.

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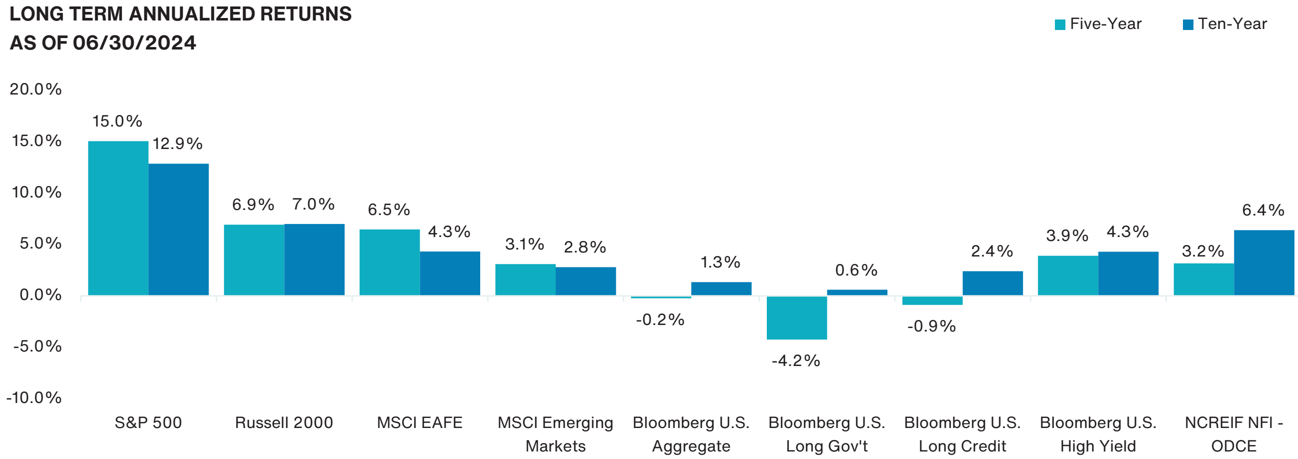
Market Highlights

LONG TERM ANNUALIZED RETURNS
AS OF 06/30/2024



Source: Russell, MSCI, Bloomberg

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Market Highlights

Returns of the Major Capital Markets						
					Period Ending 06/30/2024	
	Second Quarter	YTD	1-Year	3-Year[1]	5-Year[1]	10-Year[1]
Equity						
MSCI All Country World IMI	2.38%	10.28%	18.40%	4.70%	10.36%	8.17%
MSCI All Country World	2.87%	11.30%	19.38%	5.43%	10.76%	8.43%
Dow Jones U.S. Total Stock Market	3.24%	13.61%	23.20%	7.90%	14.04%	12.07%
Russell 3000	3.22%	13.56%	23.13%	8.05%	14.14%	12.15%
S&P 500	4.28%	15.29%	24.56%	10.01%	15.05%	12.86%
Russell 2000	-3.28%	1.73%	10.06%	-2.58%	6.94%	7.00%
MSCI All Country World ex-U.S. IMI	0.92%	5.28%	11.57%	0.19%	5.62%	3.92%
MSCI All Country World ex-U.S.	0.96%	5.69%	11.62%	0.46%	5.55%	3.84%
MSCI EAFE	-0.42%	5.34%	11.54%	2.89%	6.46%	4.33%
MSCI EAFE (Local Currency)	1.00%	11.06%	15.08%	8.10%	8.98%	7.40%
MSCI Emerging Markets	5.00%	7.49%	12.55%	-5.07%	3.10%	2.79%
Equity Factors						
MSCI World Minimum Volatility (USD)	-0.71%	5.05%	9.10%	3.28%	5.43%	7.74%
MSCI World High Dividend Yield	-1.21%	4.51%	10.31%	5.16%	7.22%	6.32%
MSCI World Quality	5.78%	18.16%	29.22%	10.67%	16.57%	13.45%
MSCI World Momentum	5.08%	26.32%	37.48%	7.83%	13.14%	12.41%
MSCI World Enhanced Value	-2.56%	4.29%	12.69%	5.58%	7.83%	5.63%
MSCI World Equal Weighted	-2.00%	3.01%	10.48%	1.24%	6.79%	6.18%
MSCI World Index Growth	6.42%	17.37%	26.63%	7.65%	15.53%	12.47%
MSCI USA Minimum Volatility (USD)	0.79%	8.54%	14.60%	6.20%	8.28%	10.66%
MSCI USA High Dividend Yield	-1.73%	6.27%	12.70%	5.93%	8.08%	9.18%
MSCI USA Quality	5.38%	18.99%	31.43%	11.65%	17.59%	15.38%
MSCI USA Momentum	4.50%	25.71%	37.74%	6.19%	12.19%	13.64%
MSCI USA Enhanced Value	-3.99%	3.54%	13.35%	2.52%	8.08%	7.86%
MSCI USA Equal Weighted	-2.68%	5.33%	13.92%	3.14%	10.11%	9.47%
MSCI USA Growth	9.37%	22.19%	34.11%	10.80%	19.84%	16.45%

Returns of the Major Capital Markets						
					Period Ending 06/30/2024	
	Second Quarter	YTD	1-Year	3-Year[1]	5-Year[1]	10-Year[1]
Fixed Income						
Bloomberg Global Aggregate	-1.10%	-3.16%	0.93%	-5.49%	-2.02%	-0.42%
Bloomberg U.S. Aggregate	0.07%	-0.71%	2.63%	-3.02%	-0.23%	1.35%
Bloomberg U.S. Long Gov't	-1.80%	-4.99%	-5.55%	-10.45%	-4.24%	0.60%
Bloomberg U.S. Long Credit	-1.68%	-3.30%	2.01%	-6.76%	-0.87%	2.40%
Bloomberg U.S. Long Gov't/Credit	-1.73%	-4.10%	-1.58%	-8.51%	-2.22%	1.65%
Bloomberg U.S. TIPS	0.79%	0.70%	2.71%	-1.33%	2.07%	1.91%
Bloomberg U.S. High Yield	1.09%	2.58%	10.44%	1.64%	3.92%	4.31%
Bloomberg Global Treasury ex U.S.	-3.07%	-6.76%	-2.89%	-8.80%	-4.68%	-2.25%
JP Morgan EMBI Global (Emerging Market	0.44%	1.84%	8.35%	-2.22%	0.27%	2.35%
Commodities						
Bloomberg Commodity Index	2.89%	5.14%	5.00%	5.65%	7.25%	-1.29%
Goldman Sachs Commodity Index	0.65%	11.08%	15.01%	12.69%	8.28%	-3.12%
Hedge Funds						
HFRI Fund-Weighted Composite[2]	0.54%	5.01%	9.80%	2.87%	6.67%	4.77%
HFRI Fund of Funds[2]	0.44%	4.63%	8.50%	2.06%	4.78%	3.48%
Real Estate						
NAREIT U.S. Equity REITS	0.06%	-0.13%	7.79%	0.30%	3.90%	5.90%
NCREIF NFI - ODCE	-0.45%	-2.81%	-9.26%	1.89%	3.16%	6.41%
FTSE Global Core Infrastructure Index	-0.12%	1.67%	4.31%	1.89%	3.98%	5.76%
Private Equity						
Burgiss Private iQ Global Private Equity[3]			6.43%	11.01%	15.07%	13.40%

MSCI Indices show net total returns throughout this report. All other indices show gross total returns.
[1] Periods are annualized.
[2] Latest 5 months of HFR data are estimated by HFR and may change in the future.
[3] Burgiss Private iQ Global Private Equity data is as at December 31, 2023

Source: Russell, MSCI, Bloomberg

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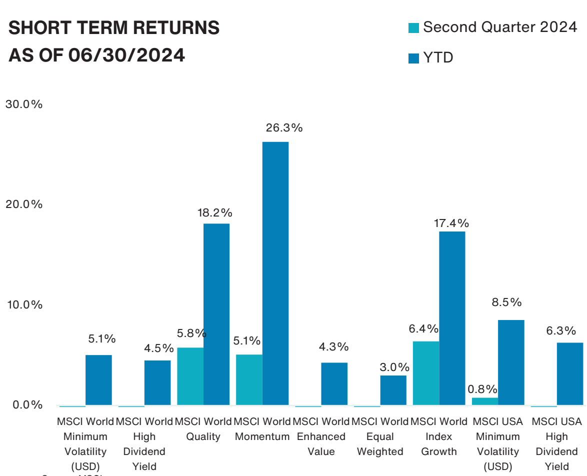
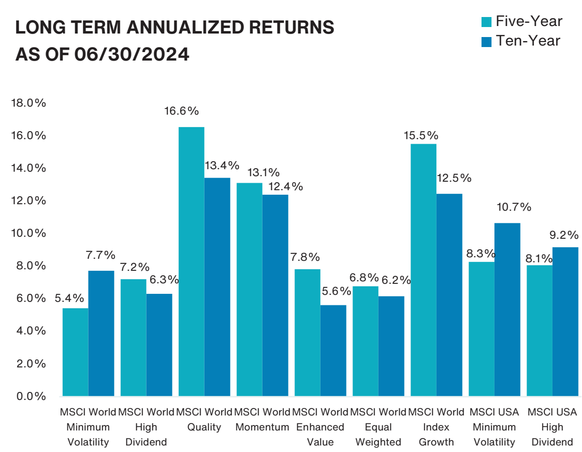
Factor Indices

SHORT TERM RETURNS AS OF 06/30/2024



Source: MSCI
MSCI Indices show net total returns throughout this report.
All other indices show gross total returns..

LONG TERM ANNUALIZED RETURNS AS OF 06/30/2024



Source: MSCI
MSCI Indices show net total returns throughout this report. All other indices show gross total returns..

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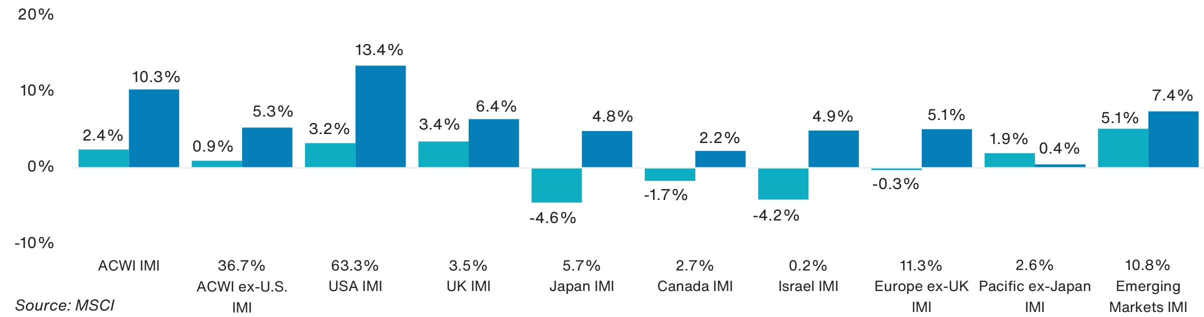
Global Equity Markets

GLOBAL MSCI IMI INDEX RETURNS (USD) AS OF 06/30/2024



Source: MSCI

- In Q2 2024, the global equity markets rose. The S&P 500 Index reached an all-time high, driven by a positive outlook on a solid earnings season, easing inflation data, signs of economic resilience, and rallies from the tech giants. Volatility fell slightly during the quarter as the CBOE Volatility Index (VIX) fell to 12.4 in Q2 from 13 in the previous quarter, staying well below its 20-year average of 19.1.
- Across international markets, all regions had a mixed performance over the quarter. Emerging Markets IMI equities were the best performer over the quarter with major contributions coming from MSCI Taiwan IMI (13.5%) and MSCI India IMI (12.0%).
- Japan IMI was the worst performer with a return of -4.6% over the quarter. Consumer Discretionary (-11.2%) and Materials (-8.5%) weighed over the Japanese equities.

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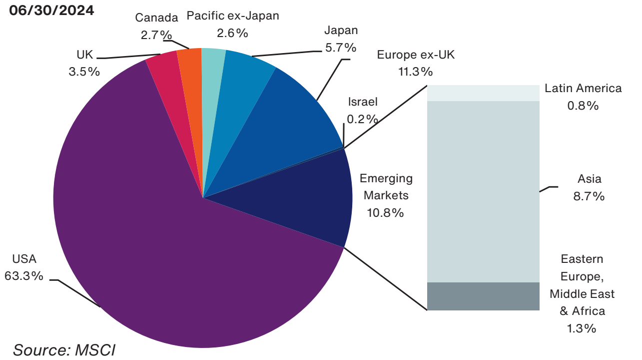
Global Equity Markets

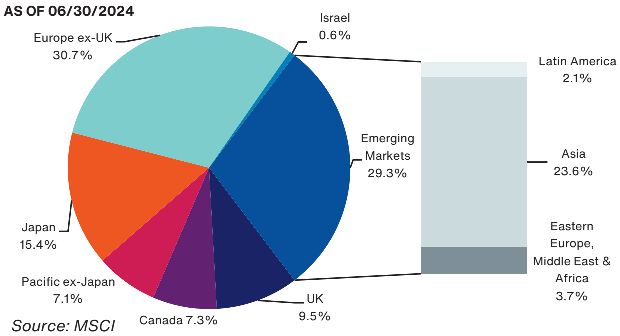
Below is the country/region breakdown of the global and international equity markets as measured by the MSCI All Country World IMI Index and the MSCI All Country World ex-U.S. IMI Index, respectively.

MSCI ALL COUNTRY WORLD IMI INDEX GEOGRAPHIC ALLOCATION AS OF 06/30/2024



Source: MSCI

MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX GEOGRAPHIC ALLOCATION AS OF 06/30/2024

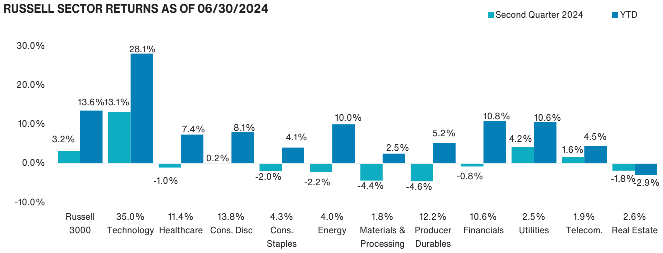


Source: MSCI

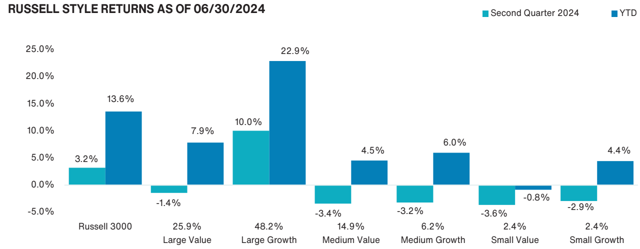
U.S. Equity Markets

- U.S. equities had a positive quarter with the S&P 500 Index rising by 4.3%. The Nasdaq Composite has outperformed over the quarter with a return of 8.5%.
- The United States House of Representatives has approved a military aid package valued at $95 billion. The package comprises $60 billion in military aid for Ukraine, $26 billion for Israel, $8 billion for U.S. allies in the Indo-Pacific region (including Taiwan), and $9 billion in humanitarian assistance for civilians in war zones (such as Gaza). The bill received a majority vote of 311 to 112, with 210 Democrats and 101 Republicans in favor.
- The U.S. economy grew at an annualized rate of 1.4% in the first quarter of 2024, slightly higher than the expected and previous quarter's annualized growth rate of 1.3%.
- The Russell 3000 Index rose 3.2% during the second quarter and 13.6% on a YTD basis. Technology (13.1%) and Utilities (4.2%) were the best performers while Producer Durables (-4.6%) and Materials & Processing (-4.4%) were the worst performers.
- On a style basis, growth outperformed value across market capitalizations over the quarter. Large-cap stocks outperformed Medium and Small-cap stocks in both growth and value styles over the quarter.

RUSSELL SECTOR RETURNS AS OF 06/30/2024



RUSSELL STYLE RETURNS AS OF 06/30/2024



Source: Russell Indexes

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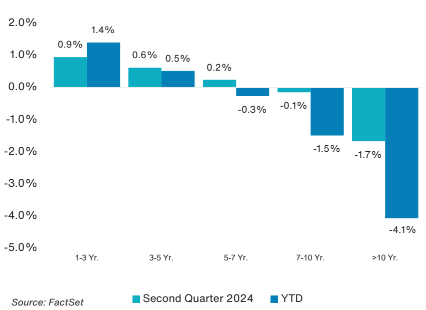
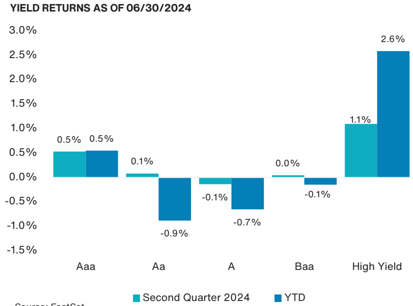
U.S. Fixed Income Markets

BLOOMBERG AGGREGATE RETURNS BY MATURITY AS OF 06/30/2024



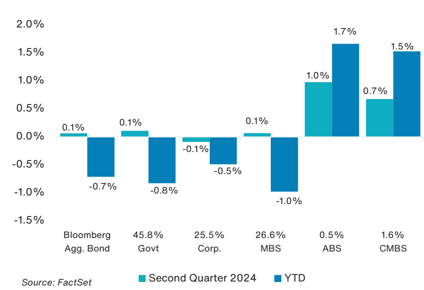
Source: FactSet

BLOOMBERG AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS AS OF 06/30/2024



Source: FactSet

BLOOMBERG AGGREGATE RETURNS BY SECTOR AS OF 06/30/2024



Source: FactSet

- The U.S. Federal Reserve (Fed) kept its interest rate unchanged at 5.25%-5.5%. According to the latest Fed "dot plot," the median FOMC member believes only one quarter-point cut this year is appropriate, compared to three rate cuts projected earlier in March. Meanwhile, the Fed plans to slow its pace of quantitative tightening starting in June, lowering the cap on the amount of treasury rolling off the balance sheet from $60 billion to $25 billion each month.
- The Bloomberg U.S. Aggregate Bond Index was up 0.1% over the quarter but was down 0.7% on a YTD basis.
- Across durations, all maturities (except for 7-10 Yr. and >10 Yr.) finished the quarter in positive territory with shorter maturities rising more.
- Within investment-grade bonds, higher-quality issues generally outperformed lower-quality issues, with Aaa-rated bonds returning 0.5% during the quarter. High-yield bonds rose by 1.1%. On a YTD basis, high-yield bonds outperformed indicating an increase in risk appetite.

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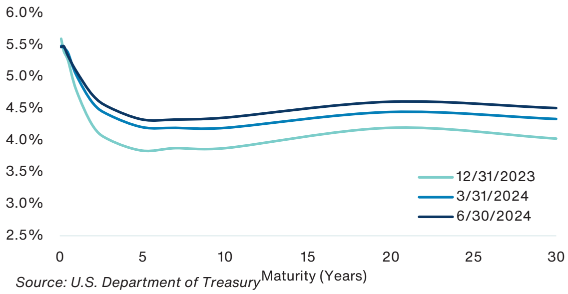
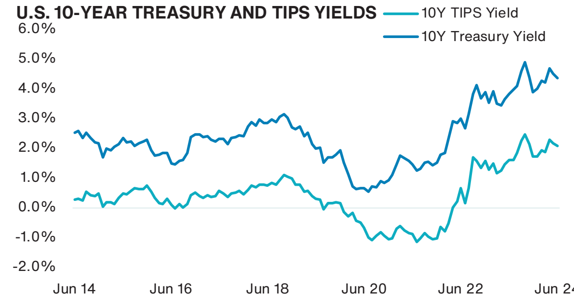
U.S. Fixed Income Markets

U.S. TREASURY YIELD CURVE



Source: U.S. Department of Treasury

U.S. 10-YEAR TREASURY AND TIPS YIELDS

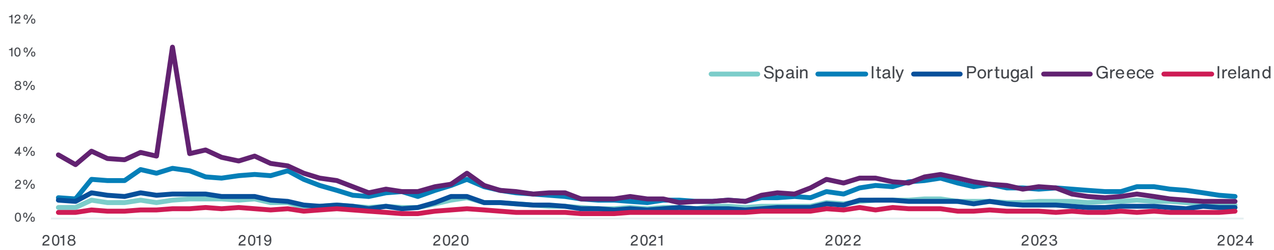


Source: U.S. Department of Treasury

- U.S. Treasury yields generally rose across maturities as the yield curve shifted upwards over the quarter. The 10-year Treasury yield rose by 16bps to 4.36%, and the 30-year Treasury yield rose by 17bps to 4.51% over the quarter.
- U.S. headline consumer price inflation slowed to 3.3% year-on-year in May. This was below economists' expectations and the previous month's reading of 3.4%. U.S. core inflation, which excludes energy and food prices, reduced to 3.4% year-on-year in May, down from the previous month's 3.6% and lower than economists' expectations of 3.5%.
- The 10-year TIPS yield rose by 20bps over the quarter to 2.08%.

European Fixed Income Markets

EUROZONE PERIPHERAL BOND SPREADS (10-YEAR SPREADS OVER GERMAN BUNDS)



Source: FactSet

- European government bond spreads over 10-year German bunds widened across the Euro Area. The European Central Bank (ECB) reduced the policy interest rate by 0.25% to 3.75% as a result of lower inflation. ECB president Christine Lagarde emphasized that further rate cuts 'depend on the data'. According to the Bank's latest projections, economic growth is expected to pick up to 0.9% in 2024, 1.4% in 2025 and 1.6% in 2026. Headline inflation is expected to rise by 2.5% in 2024, 2.2% in 2025 and 1.9% in 2026.
- Italian and Greek government bond yields rose by 40bps and 37bps to 4.07% and 3.74%, respectively over the quarter while Portugal government bond yields rose by 26bps to 3.24%. Spanish and Irish government bond yields rose by 23bps and 21bps to 3.38% and 2.94%, respectively over the quarter.
- German bund yields rose by 17bps to 2.47% over the quarter.
- Eurozone headline inflation rose by more than expected, as the consumer price index (CPI) increased 2.6% year-on-year in May, higher than the 2.4% increase recorded in April and above economists' expectations of 2.5%. Core inflation rose 2.9% year-on-year, up from April's 2.7% and beat economists' expectations.

Credit Spreads

Spread (bps)	6/30/2024	3/31/2024	12/31/2023	Quarterly Change (bps)	YTD
U.S. Aggregate	39	39	42	0	-3
Long Gov't	2	0	2	2	0
Long Credit	115	109	117	6	-2
Long Gov't/Credit	60	57	62	3	-2
MBS	48	49	47	-1	1
CMBS	97	96	126	1	-29
ABS	57	55	68	2	-11
Corporate	94	90	99	4	-5
High Yield	309	299	323	10	-14
Global Emerging Markets	258	260	294	-2	-36

Source: FactSet, Bloomberg

- Credit markets remained flat over the quarter with spreads generally widening.
- High Yield and Long Credit spreads widened by 10bps and 6bps, respectively. Meanwhile, Global Emerging Market spreads narrowed by 2bps.

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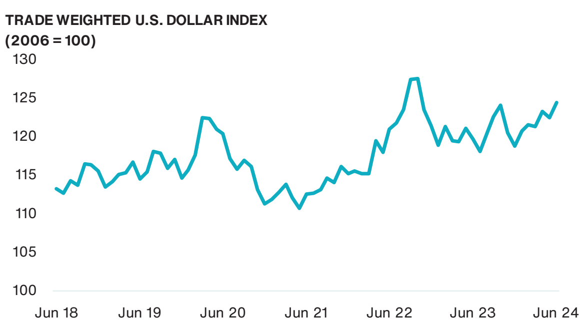
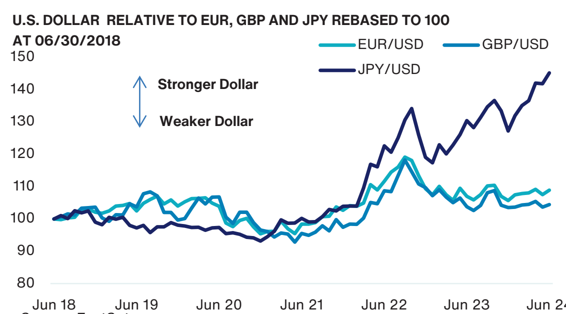
Currency



Source: Federal Reserve



Source: FactSet

- The U.S. Dollar appreciated against major currencies (except for sterling) over the quarter. On a trade-weighted basis, the U.S. dollar appreciated by 2.6%.
- Sterling appreciated by 0.1% against the U.S. dollar. The BoE kept its policy interest rate at 5.25%. The Monetary Policy Committee (MPC) voted 7–2 to maintain the current rate, with two members voting for a 25bps rate cut. The MPC stated that it is ready to adjust monetary policy based on economic data to sustainably return inflation to the 2% target. The BoE governor Andrew Bailey expressed optimism about recent encouraging inflation data, emphasising the need to ensure inflation remains low.
- The U.S. dollar appreciated by 0.8% against the euro and by 6.3% against the yen.

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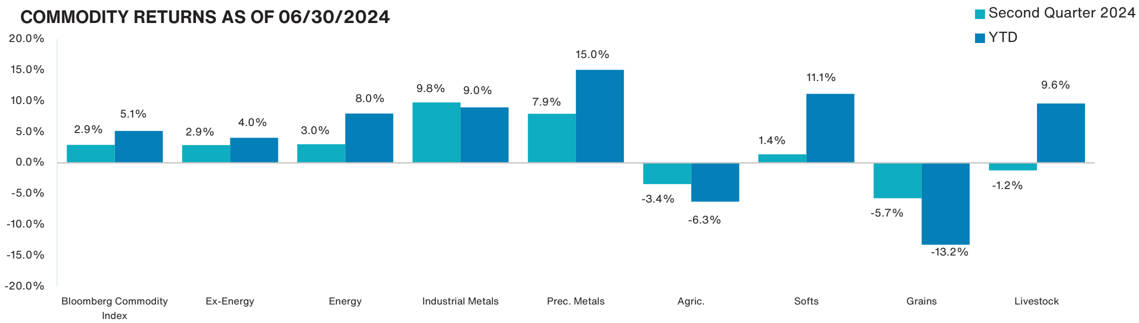
Commodities

COMMODITY RETURNS AS OF 06/30/2024



Source: Bloomberg Note: Softs and Grains are part of the wider Agriculture sector

- Commodity prices rose over the quarter with the Bloomberg Commodity Index rising by 2.9% for the quarter.
- The Energy sector was up by 3.0% over the quarter and 8.0% on a YTD basis. The price of WTI crude oil fell by 2.0% to U.S.$82/B.
- Industrial Metals rose the most over the quarter at 9.8%.
- The Grains subsector was the worst performer with a return of -5.7% over the quarter.

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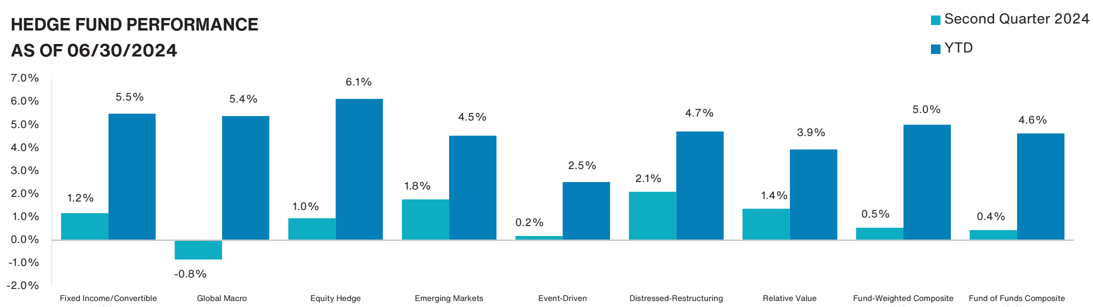
Hedge Funds Market Overview

HEDGE FUND PERFORMANCE AS OF 06/30/2024



Source: HFR Note: Latest 5 months of HFR data are estimated by HFR and may change in the future.

- Hedge fund performance was generally positive over the quarter.
- The HFRI Fund-Weighted Composite produced a return of 0.5% and the HFRI Fund of Funds Composite Index produced a return of 0.4% over the quarter.
- Over the quarter, Distressed Restructuring was the best performer with a return of 2.1%.
- Global Macro was the worst performer with a return of -0.8% over the quarter.
- On a YTD basis, Equity Hedge has outperformed all other strategies while Event-Driven has performed the worst.

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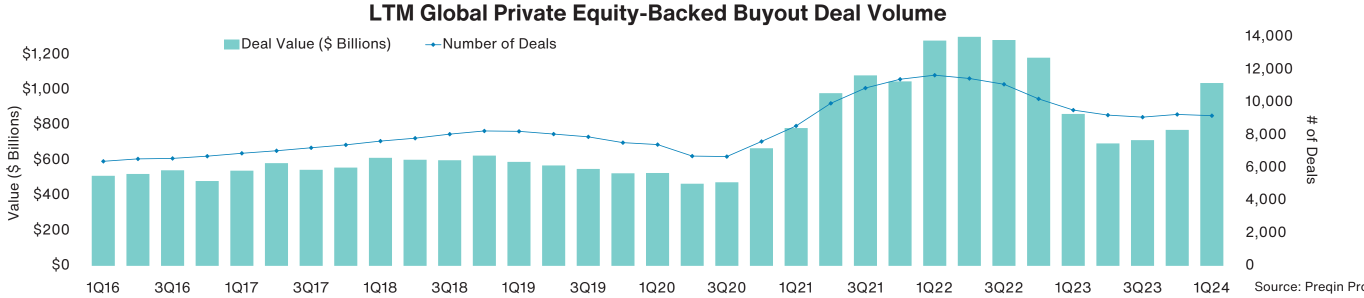
Private Equity Overview

First Quarter 2024

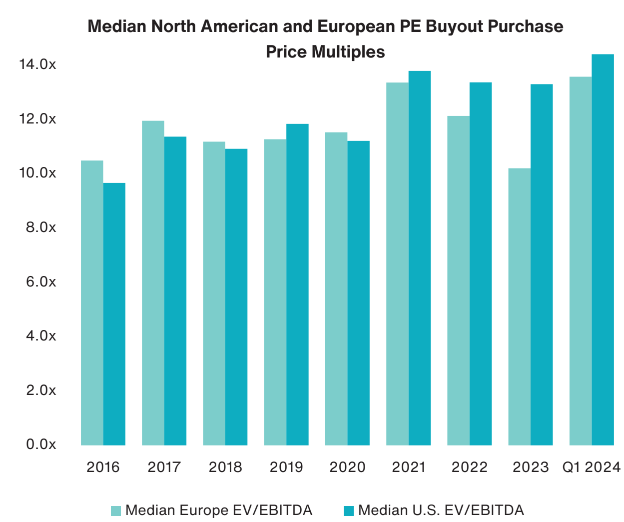


Source: Preqin Pro

- **Fundraising**: In Q1 2024, $244.6 billion was raised by 484 funds, which was a decrease of 30.6% on a capital basis and a decrease of 32.8% by number of funds over the prior quarter. Dry powder stood at $3.2 trillion at the end of the quarter, a slight decrease of 1.0% compared to Q4 2023, but an increase of 23.3% compared the five-year average.[1]
- **Buyout**: Global private equity-backed buyout deals totaled $425.4 billion in Q1 2024, which was an increase on a capital basis of 70.8% compared to Q4 2023 and 102.9% higher than the five-year quarterly average. Deal value was driven by a large PIPE investment in Aramco by Public Investment Fund (estimated at $163.3 billion of the quarter's total deal value).[1] During the quarter, the median purchase price multiple for U.S. private equity buyouts was 14.4x EBITDA, up from 13.3x in FY 2023 and up from the five-year average (12.7x). On a TTM basis, the U.S. median purchase price multiple through Q1 2024 was 13.1x. The median purchase price multiple for European private equity buyouts ended the quarter at 13.6x EBITDA, which compares to 10.2x at the end of 2023 and to the five-year average of 11.7x.2 Globally, buyout exit value totaled $64.8 billion across 537 deals during the quarter, down from $141.8 billion in value from 614 deals during the prior quarter.[1]
- **Venture**: During the quarter, an estimated 3,925 U.S. venture-backed transactions totaling $36.6 billion were completed, which was a decrease on both a capital and deal count basis over the prior quarter, which saw an estimated 4,034 deals completed totaling $40.1 billion. This was also a decrease of 32.4% compared to the five-year quarterly average of $54.1 billion. Total U.S. venture-backed exit value increased during the quarter, totaling approximately $18.4 billion across an estimated 600 completed transactions. This compares to $10.4 billion across 536 exits in Q4 2023. This was meaningfully below the five-year quarterly average of $74.6 billion of exit value from 401 transactions.[3]

Sources: [1] Preqin [2] Pitchbook/LCD [3] PitchBook/NVCA Venture Monitor [4] Fitch Ratings [5] Jefferies
Notes: FY=Fiscal year ended 12/31; YTD=Year to date; LTM=Last 12 months (aka trailing 12 months); PPM=Purchase Price Multiples: Total Purchase Price ÷ EBITDA.

Private Equity Overview

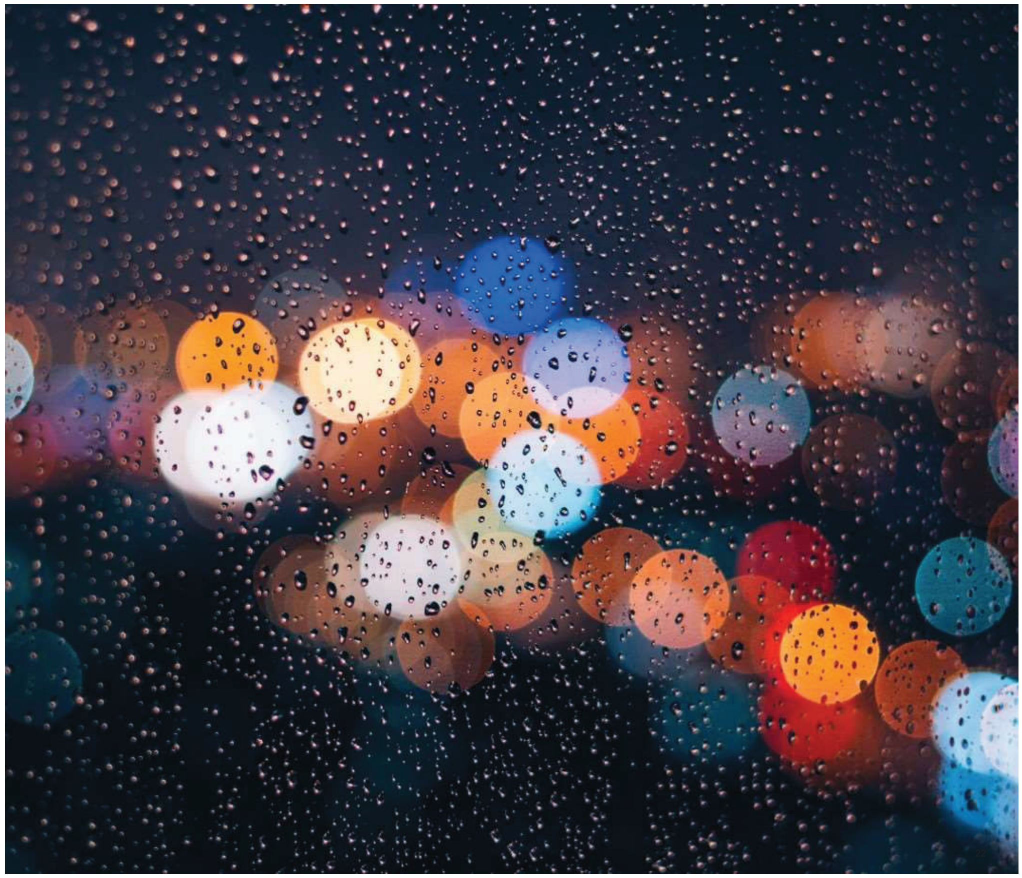


Source: Pitchbook, LCD

Sources: [1] Preqin [2] Pitchbook/LCD [3] PitchBook/NVCA Venture Monitor [4] Fitch Ratings [5] Jefferies

- **Mezzanine**: 4 funds closed on $2.1 billion during the quarter. This was an increase from the prior quarter's total of $1.5 billion raised by 7 funds but represented a decrease of 65.9% from the five-year quarterly average of $6.1 billion. Estimated dry powder was $61.7 billion at the end of Q1 2024, down from $65.5 billion at the end of the prior year.[1]
- **Distressed Debt/Special Situations**: The TTM U.S. high-yield default rate was 3.04% as of March 2024, which was up slightly from December 2023's TTM rate of 2.96%.[4] During the quarter, $5.2 billion was raised by 12 funds, down from the $25.0 billion raised by 17 funds during Q4 2023. Dry powder was estimated at $145.2 billion at the end of Q1 2024, which was down 11.5% from Q4 2023. This was down from the five-year average level of $152.7 billion.[1]
- **Secondaries**: 5 funds raised $12.4 billion during Q1 2024, down substantially from the $28.2 billion raised by 10 funds in Q4 2023. This was a slight decrease compared to the five-year quarterly average of $13.9 billion.[1] The average discount rate for LP buyout and venture capital portfolios finished the year at 6.0% and 29.0%, respectively.[5]
- **Infrastructure**: $35.1 billion of capital was raised by 24 funds in Q1 2024 compared to $68.7 billion of capital raised by 31 funds in Q4 2023. The 10 largest funds in market are currently seeking a combined $167.2 billion in capital. Infrastructure managers completed 475 deals for an aggregate deal value of $58.4 billion in Q1 2024, compared to 599 deals totaling $109.2 billion in Q4 2023.[1]
- **Natural Resources**: During Q1 2024, 5 funds closed on $3.0 billion compared to 9 funds closing on $3.5 billion during the prior quarter. 172 energy and utilities deals were completed in Q1 2024 totaling $174.9 billion, an increase, on a capital basis, compared to 829 completed deals totaling $54.6 billion in FY 2023. Energy and utilities deals accounted for the largest percentage of private equity deal value during the quarter.[1]

Total Fund



Highlights

Executive Summary

- The Total Fund outperformed the Performance Benchmark over the trailing quarter, three-, five-, and ten-year periods.
- The Fund ended FY 2024 trailing the performance benchmark by .6% however tracked well among peer group.
- This quarter included the inception of the Active Credit Asset Class (4/1/24), making the total plan well diversified across now seven broad asset classes.
- Public market asset class investments do not significantly deviate from their broad market based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
- Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type, or investment strategy.
- Asset allocation is monitored on a daily basis to ensure the actual asset allocation of the plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Aon Investments and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

Performance Highlights

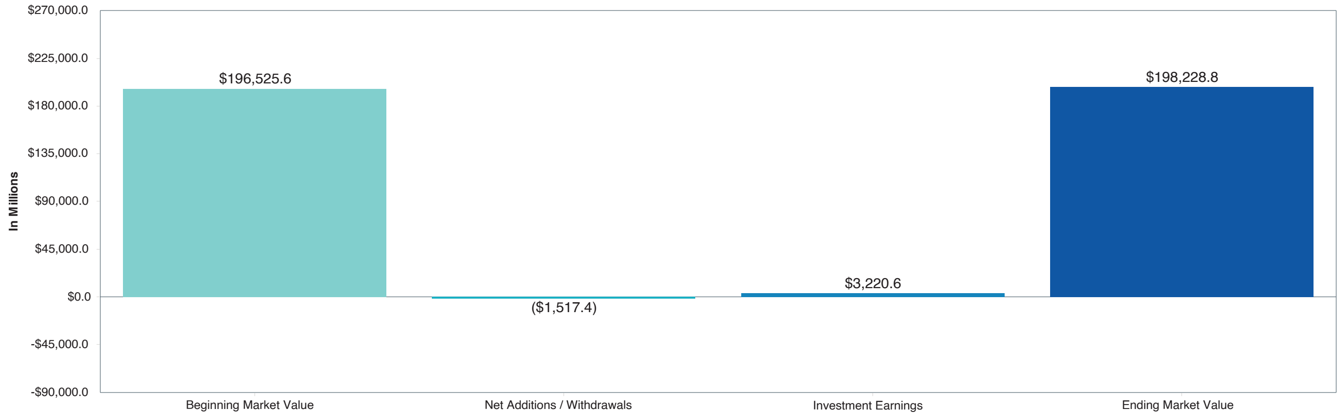
- The Total Fund outperformed the Performance Benchmark over the trailing quarter, three-, five-, and ten-year periods.

Asset Allocation

- The Fund assets total $198.2 billion as of June 30, 2024, which represents a $1.7 billion increase since last quarter.
- Actual allocations for all asset classes were within their respective policy ranges and in line with the current policy at quarter-end.

Total Plan Asset Summary

As of June 30, 2024



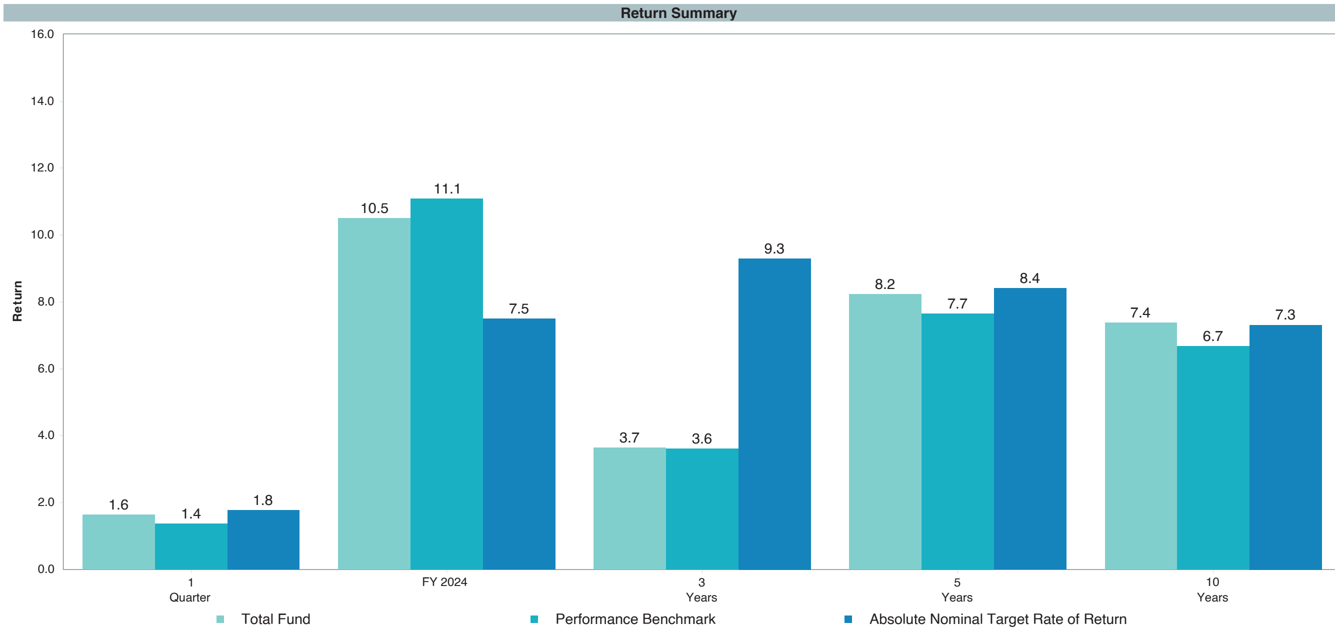
Summary of Cash Flows		
	1 Quarter	FY 2024
Total Fund		
Beginning Market Value	196,525,624,636	185,709,266,761
+ Additions / Withdrawals	-1,517,391,052	-6,604,019,074
+ Investment Earnings	3,220,556,698	19,123,542,595
= Ending Market Value	**198,228,790,282**	**198,228,790,282**

*Period July 2023 - Present

Total Plan Performance Summary

As of June 30, 2024

Return Summary



Asset Allocation & Performance

As of June 30, 2024

	Allocation			Performance %				
	Market Value $	%	Policy %	1 Quarter	FY 2024	3 Years	5 Years	10 Years
Total Fund	**198,228,790,282**	**100.0**	**100.0**	**1.6 (13)**	**10.5 (30)**	**3.7 (34)**	**8.2 (13)**	**7.4 (13)**
Performance Benchmark				*1.4 (28)*	*11.1 (21)*	*3.6 (35)*	*7.7 (31)*	*6.7 (33)*
Absolute Nominal Target Rate of Return				*1.8 (9)*	*7.5 (84)*	*9.3 (1)*	*8.4 (12)*	*7.3 (15)*
Global Equity*	**96,085,228,129**	**48.5**	**47.2**	**2.3**	**18.6**	**4.6**	**10.6**	**8.7**
Asset Class Target				*2.4*	*18.4*	*4.7*	*10.4*	*8.2*
Domestic Equities	**49,663,625,556**	**25.1**		**3.1**	**23.1**	**8.2**	**14.1**	**12.1**
Asset Class Target				*3.2*	*23.1*	*8.1*	*14.1*	*12.1*
Foreign Equities	**29,470,583,303**	**14.9**		**1.3**	**12.1**	**-0.5**	**6.2**	**4.7**
Asset Class Target				*0.8*	*11.5*	*0.2*	*5.6*	*3.9*
Global Equities	**12,190,685,735**	**6.1**		**2.0**	**18.9**	**5.6**	**10.0**	**8.5**
Benchmark				*2.7*	*19.9*	*6.3*	*11.4*	*8.9*
Fixed Income	**40,464,418,129**	**20.4**	**21.6**	**0.2**	**4.0**	**-1.5**	**0.6**	**1.6**
Asset Class Target				*0.1*	*3.1*	*-1.9*	*0.1*	*1.3*
Private Equity	**18,385,800,226**	**9.3**	**9.3**	**3.4**	**6.8**	**7.7**	**16.8**	**15.5**
Asset Class Target				*2.9*	*20.5*	*7.5*	*13.3*	*11.1*
Real Estate	**18,836,891,381**	**9.5**	**9.6**	**-0.8**	**-5.7**	**4.1**	**4.5**	**7.0**
Asset Class Target				*-2.5*	*-10.5*	*2.0*	*2.6*	*5.7*
Strategic Investments	**12,552,784,488**	**6.3**	**6.4**	**1.3**	**8.1**	**6.9**	**7.5**	**6.9**
Short-Term Target				*0.7*	*8.5*	*6.9*	*7.6*	*6.0*
Active Credit	**9,599,331,682**	**4.8**	**4.9**	**2.7**				
Asset Class Target				*2.5*				
Cash**	**2,304,336,247**	**1.2**		**1.3**	**5.3**	**2.3**	**1.7**	**1.4**
Bloomberg 1-3 Year Gov/Credit Index				*1.0*	*4.9*	*0.6*	*1.2*	*1.4*

Benchmark and universe descriptions can be found in the Appendix.
* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.
**Performance for the Cash & Central Custody and Enhanced Cash Composite is shown.

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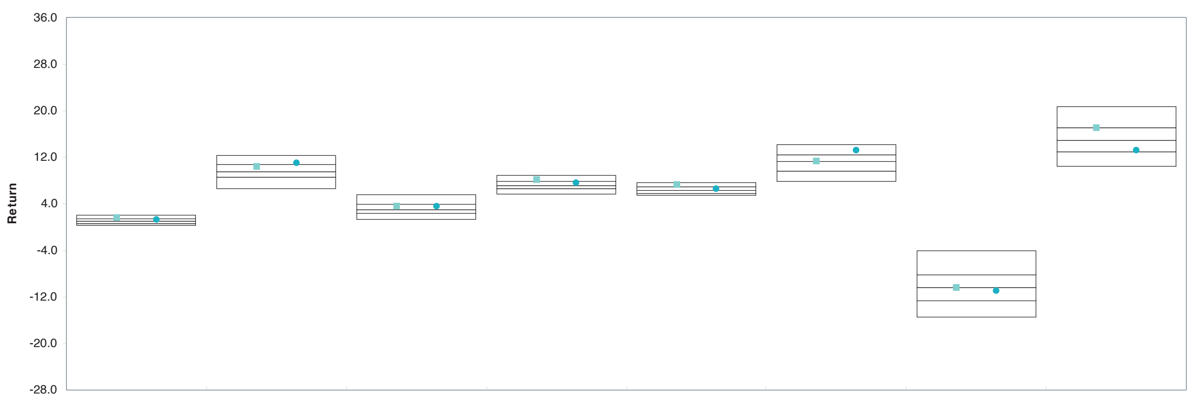
Plan Sponsor Peer Group Analysis

As of June 30, 2024



	1 Quarter	FY 2024	3 Years	5 Years	10 Years	2023	2022	2021
Total Fund	**1.6 (13)**	**10.5 (30)**	**3.7 (34)**	**8.2 (13)**	**7.4 (13)**	**11.4 (47)**	**-10.4 (51)**	**17.2 (26)**
Performance Benchmark	1.4 (28)	11.1 (21)	3.6 (35)	7.7 (31)	6.7 (33)	13.3 (12)	-10.9 (57)	13.3 (72)
5th Percentile	2.0	12.4	5.6	8.9	7.6	14.3	-4.0	20.7
1st Quartile	1.4	10.8	3.9	7.9	6.9	12.5	-8.2	17.2
Median	1.0	9.6	3.0	7.2	6.3	11.3	-10.3	15.0
3rd Quartile	0.7	8.6	2.4	6.6	5.8	9.7	-12.7	12.9
95th Percentile	0.3	6.6	1.3	5.7	5.5	7.9	-15.5	10.5
Population	96	96	91	88	83	174	173	206

Parentheses contain percentile rankings.
Universe: All Public Plans > $1B-Total Fund

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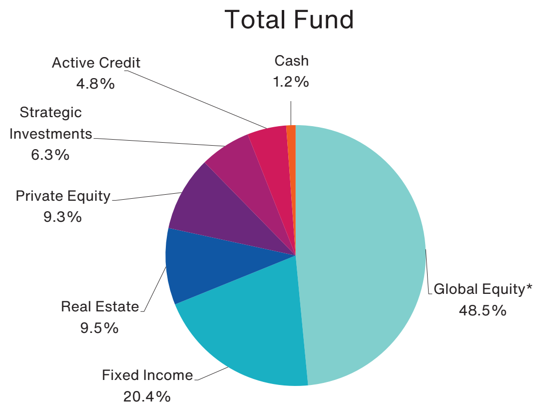
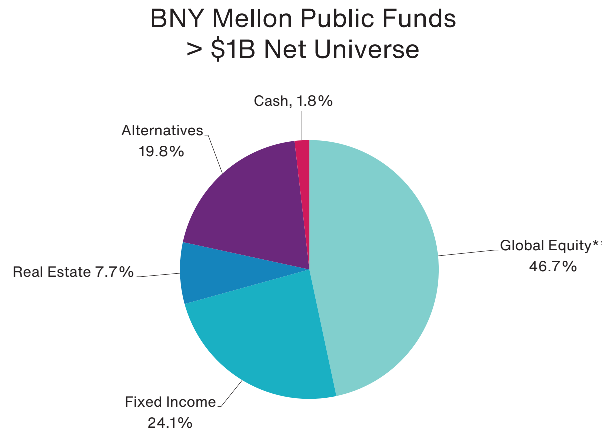
Universe Asset Allocation Comparison[1]

As of June 30, 2024





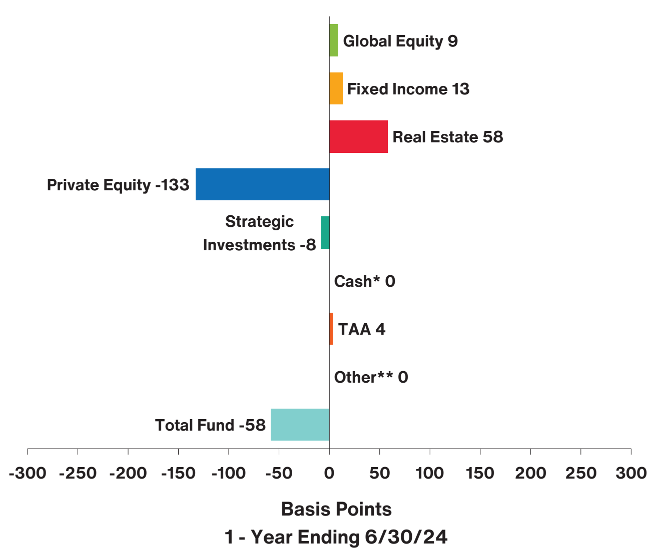
*Global Equity Allocation: 25.1% Domestic Equities; 14.9% Foreign Equities; 6.1% Global Equities; 1.4 Global Equity Cash; 1.0% Global Equity Liquidity Account. Percentages are of the Total FRS Fund.

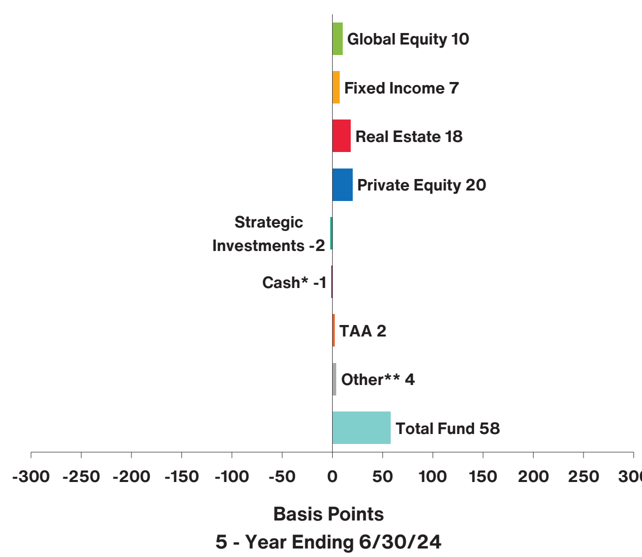
[1]Allocations may not sum too 100.0% due to rounding.

**Global Equity Allocation: 30.0% Domestic Equities; 16.6% Foreign Equities.

Attribution

As of June 30, 2024



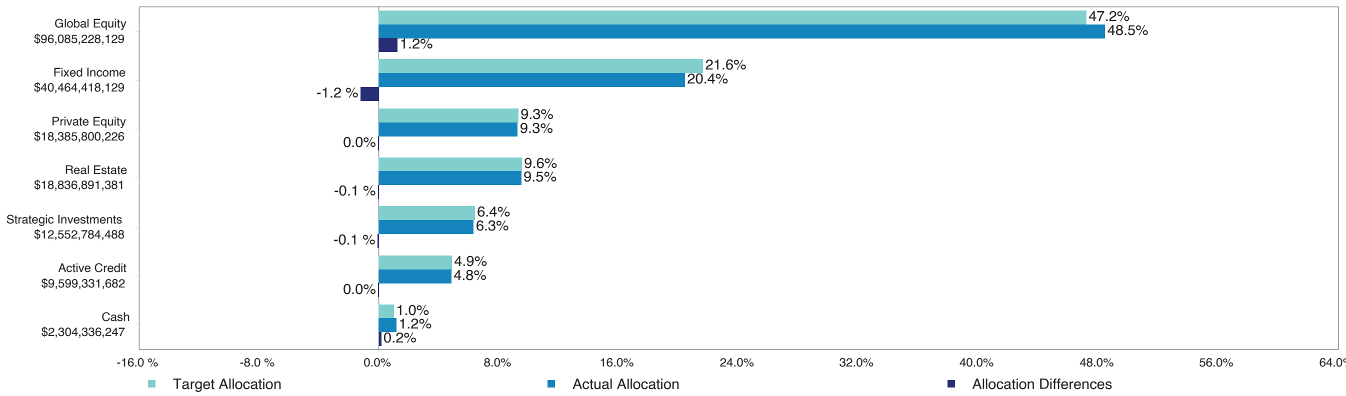


*Cash AA includes Cash and Central Custody, Securities Lending Account income from 12/2009 to 3/2013 and unrealized gains and losses on securities lending collateral beginning June 2013, TF STIPFRS NAV Adjustment Account, and the Cash Expense Account.
**Other includes transition accounts, liquidity portfolios, accounts outside of C&CC, and unexplained differences due to methodology.

Asset Allocation Compliance

As of June 30, 2024

	Market Value $	Current Allocation %	Target Allocation %	Minimum Allocation %	Maximum Allocation %
Total Fund	**198,228,790,282**	**100.0**	**100.0**		
Global Equity	96,085,228,129	48.5	47.2	35.0	60.0
Fixed Income	40,464,418,129	20.4	21.6	12.0	30.0
Private Equity	18,385,800,226	9.3	9.3	6.0	20.0
Real Estate	18,836,891,381	9.5	9.6	8.0	20.0
Strategic Investments	12,552,784,488	6.3	6.4	2.0	14.0
Active Credit	9,599,331,682	4.8	4.9	2.0	12.0
Cash	2,304,336,247	1.2	1.0	0.3	5.0



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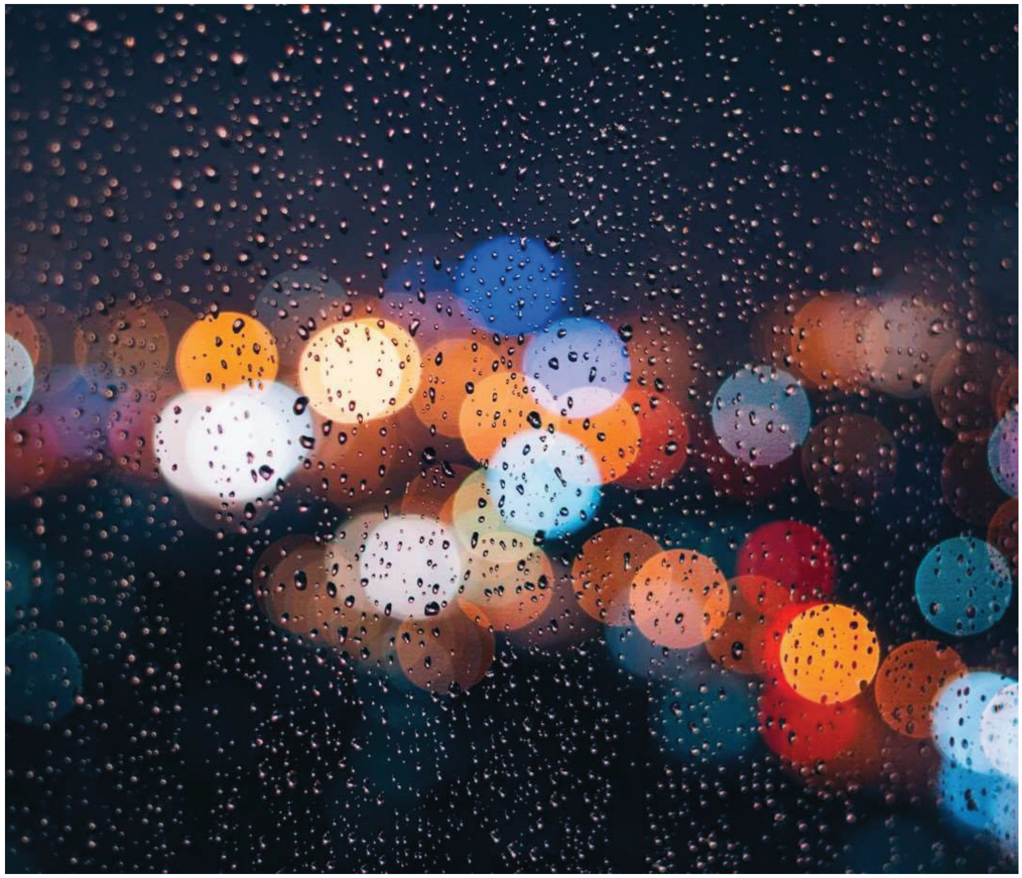
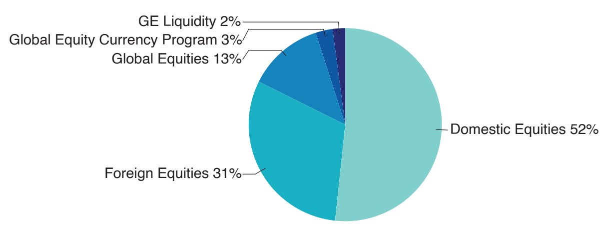
Global Equity



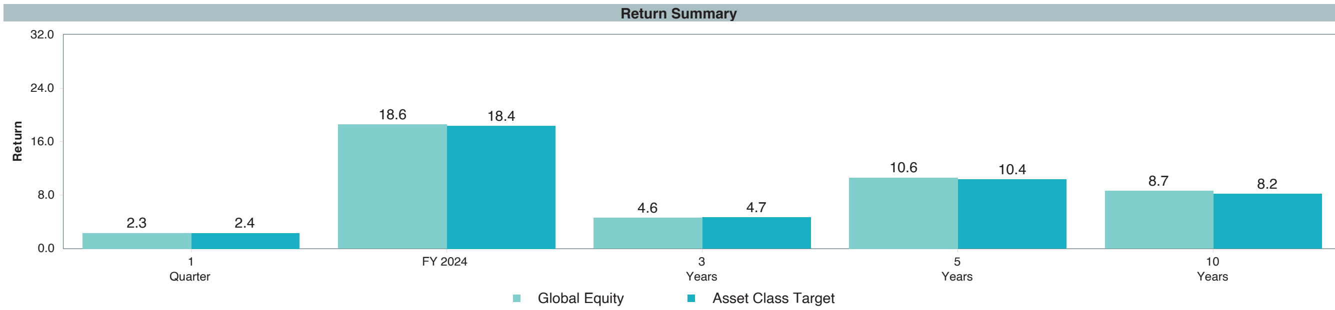
Global Equity* Portfolio Overview

As of June 30, 2024

Current Allocation
June 30, 2024 : $96,085M

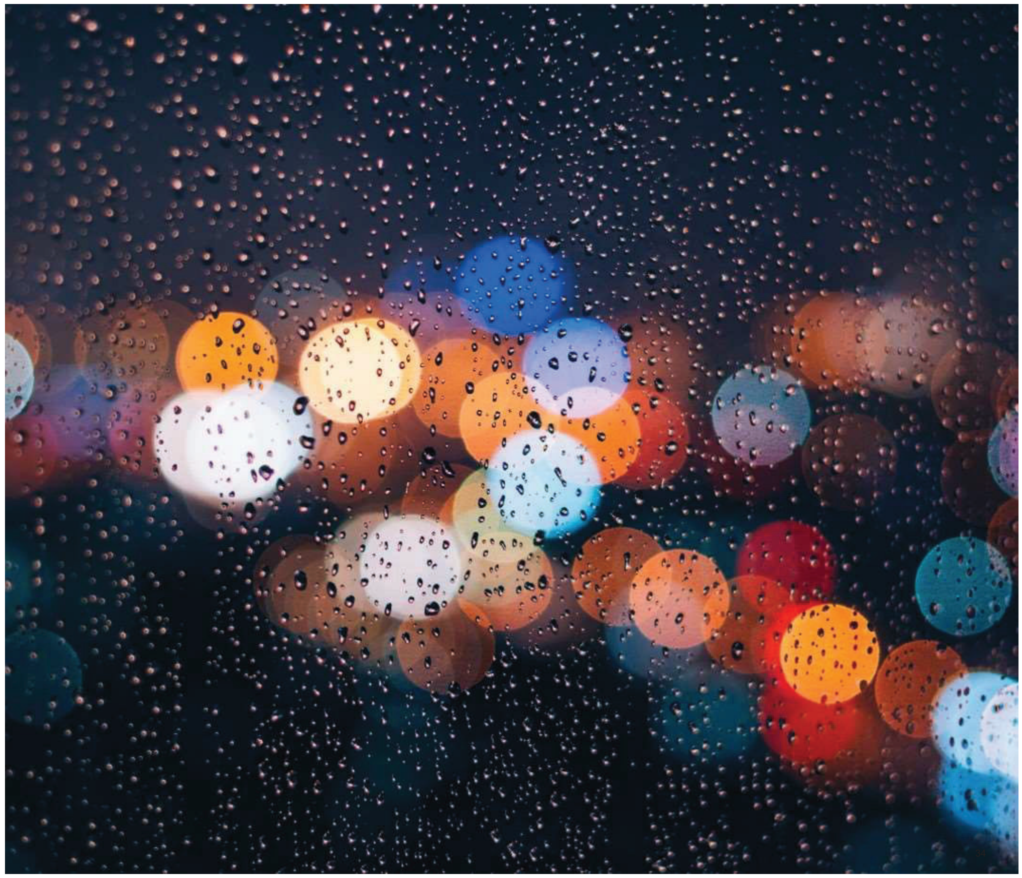


Return Summary



* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

Domestic Equities



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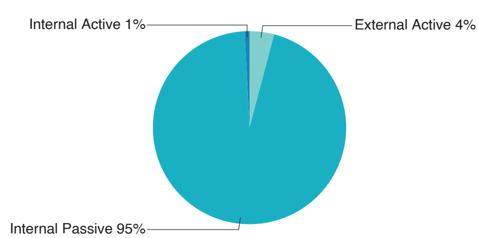
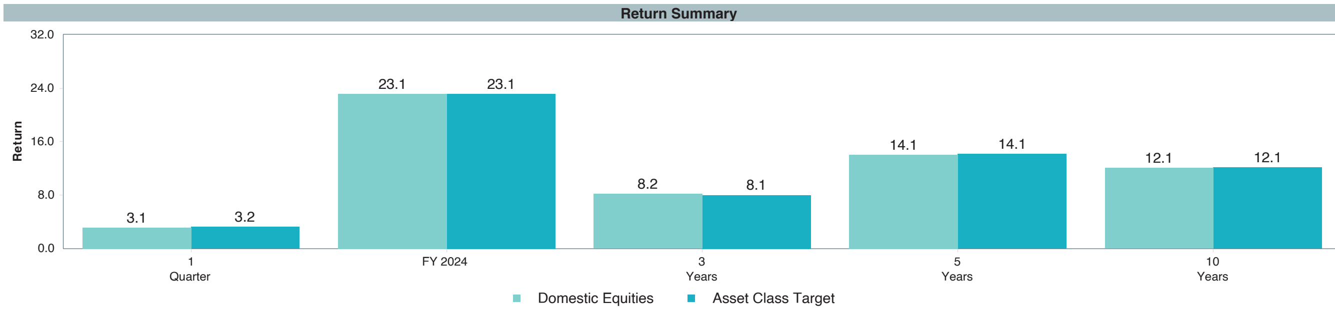
Domestic Equities Portfolio Overview

As of June 30, 2024

Current Allocation
June 30, 2024 : $49,664M



Return Summary



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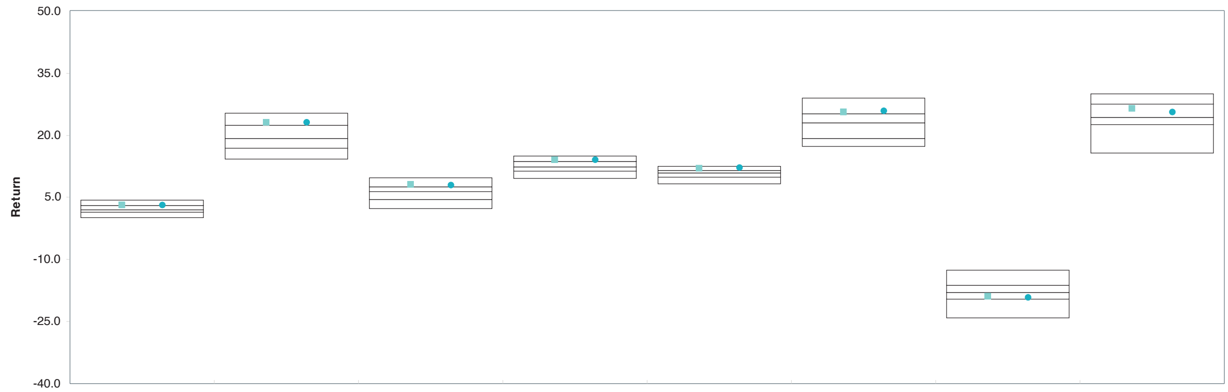
Domestic Equities Peer Group Analysis

As of June 30, 2024



	1 Quarter	FY 2024	3 Years	5 Years	10 Years	2023	2022	2021
Domestic Equities	**3.1 (24)**	**23.1 (20)**	**8.2 (18)**	**14.1 (21)**	**12.1 (18)**	**25.6 (22)**	**-18.9 (61)**	**26.6 (30)**
Asset Class Target	3.2 (21)	23.1 (20)	8.1 (19)	14.1 (20)	12.1 (14)	26.0 (21)	-19.2 (65)	25.7 (39)
5th Percentile	4.4	25.4	9.8	14.9	12.5	28.9	-12.5	30.0
1st Quartile	3.0	22.5	7.6	13.7	11.6	25.2	-16.2	27.5
Median	2.0	19.3	6.4	12.4	10.9	23.0	-17.9	24.3
3rd Quartile	1.4	16.8	4.5	11.4	9.8	19.3	-19.6	22.6
95th Percentile	0.1	14.3	2.3	9.5	8.3	17.3	-24.1	15.7
Population	53	51	48	42	37	51	52	56

Parentheses contain percentile rankings.

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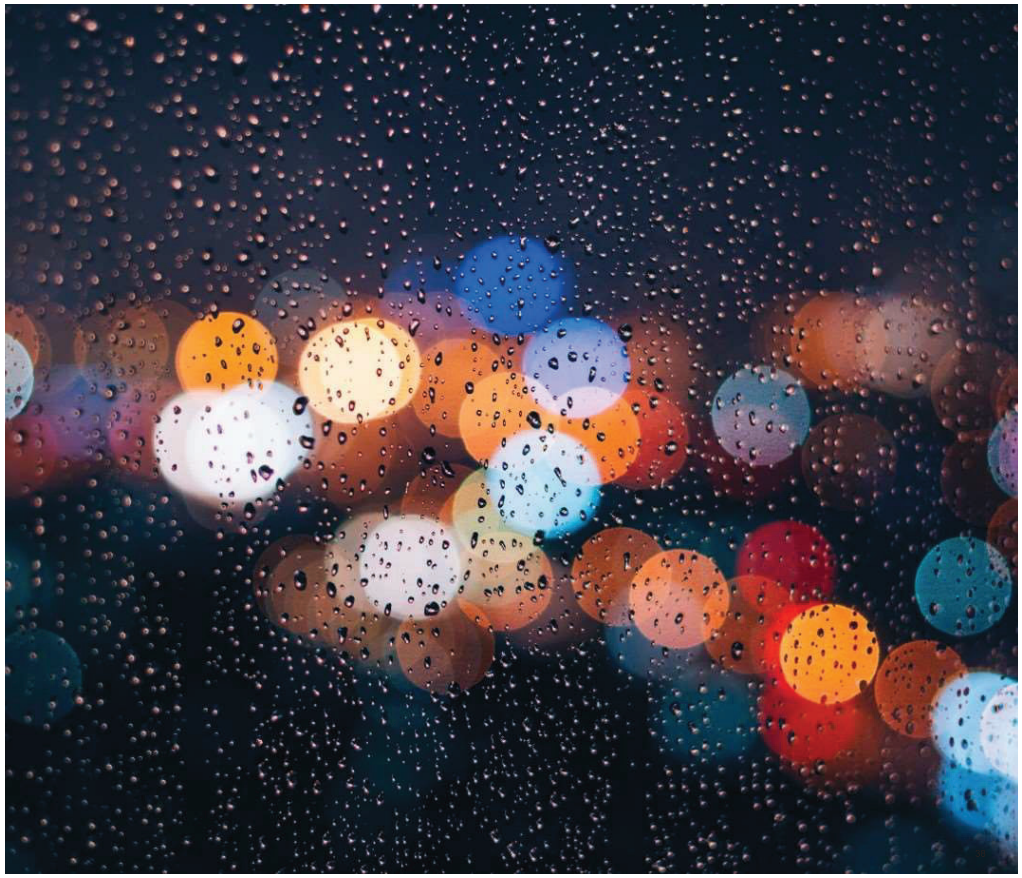
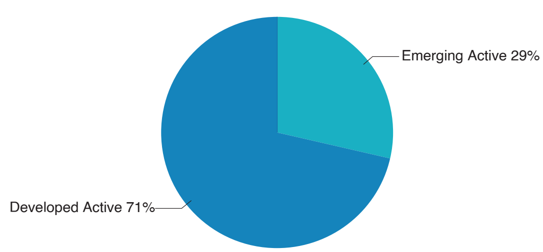
Foreign Equities



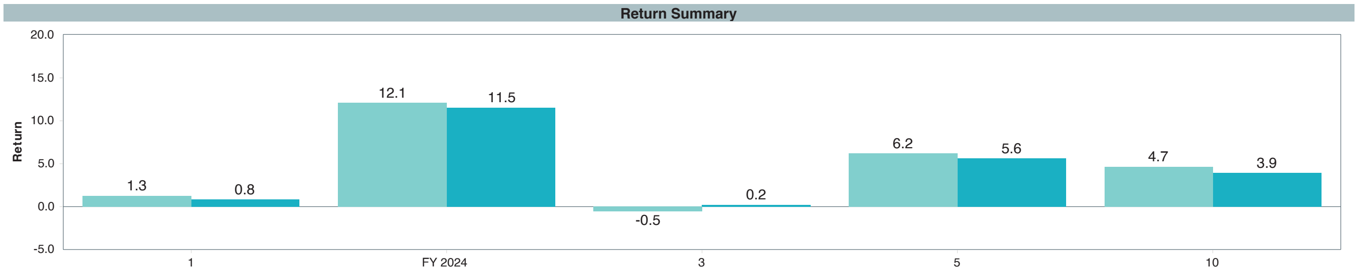
Foreign Equities Portfolio Overview

As of June 30, 2024

Current Allocation
June 30, 2024 : $29,471M

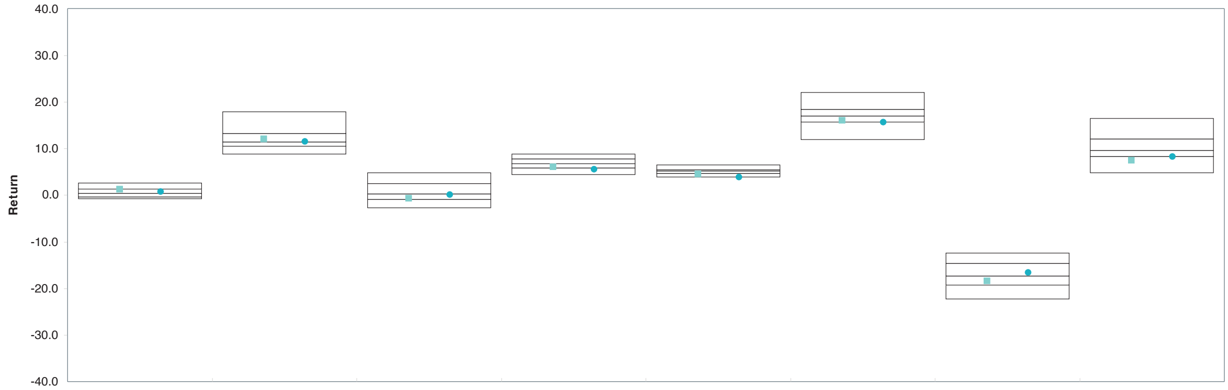


Return Summary



Foreign Equities Peer Group Analysis

As of June 30, 2024



	1 Quarter	FY 2024	3 Years	5 Years	10 Years	2023	2022	2021
Foreign Equities	**1.3 (28)**	**12.1 (42)**	**-0.5 (69)**	**6.2 (71)**	**4.7 (79)**	**16.1 (68)**	**-18.4 (66)**	**7.6 (80)**
Asset Class Target	0.8 (39)	11.5 (48)	0.2 (53)	5.6 (80)	3.9 (97)	15.7 (76)	-16.6 (41)	8.4 (71)
5th Percentile	2.7	18.0	4.9	8.9	6.5	22.1	-12.4	16.5
1st Quartile	1.3	13.3	2.5	7.9	5.6	18.4	-14.6	12.2
Median	0.4	11.4	0.4	6.8	5.2	17.0	-17.3	9.6
3rd Quartile	-0.3	10.5	-0.8	5.9	4.7	15.7	-19.2	8.3
95th Percentile	-0.7	8.8	-2.6	4.5	4.0	12.0	-22.2	4.9
Population	53	52	51	46	42	51	54	56

Parentheses contain percentile rankings.

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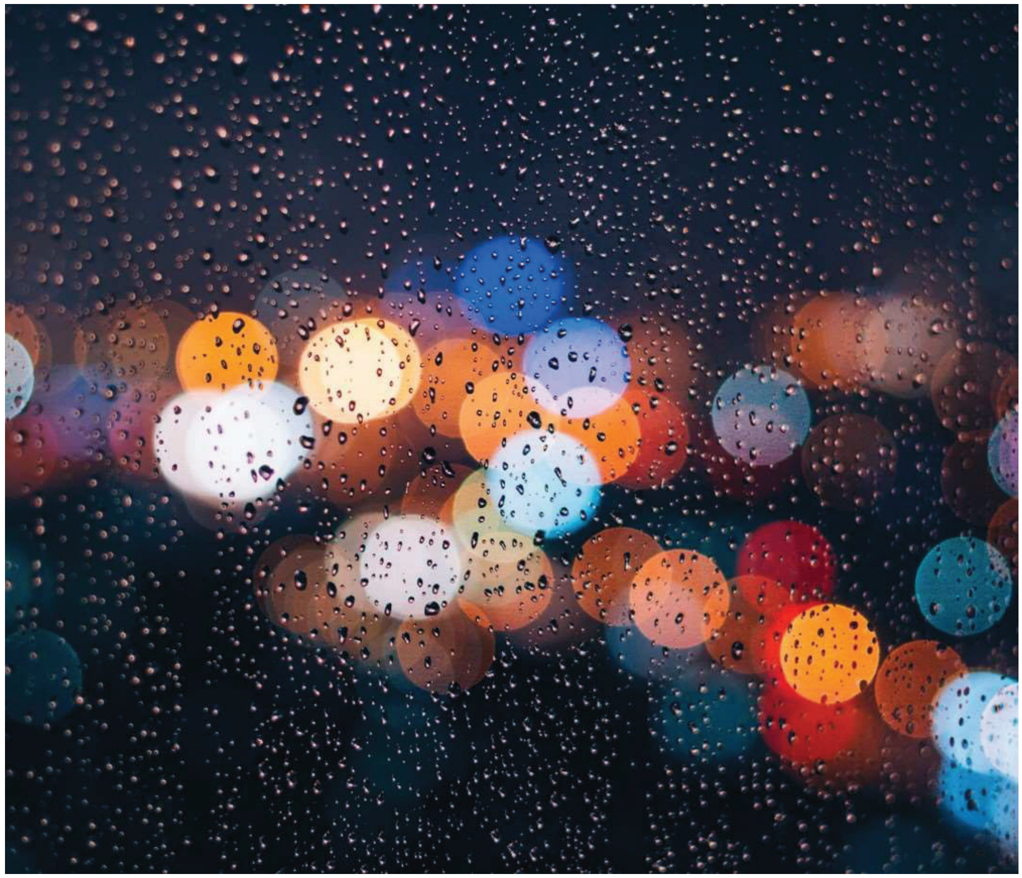
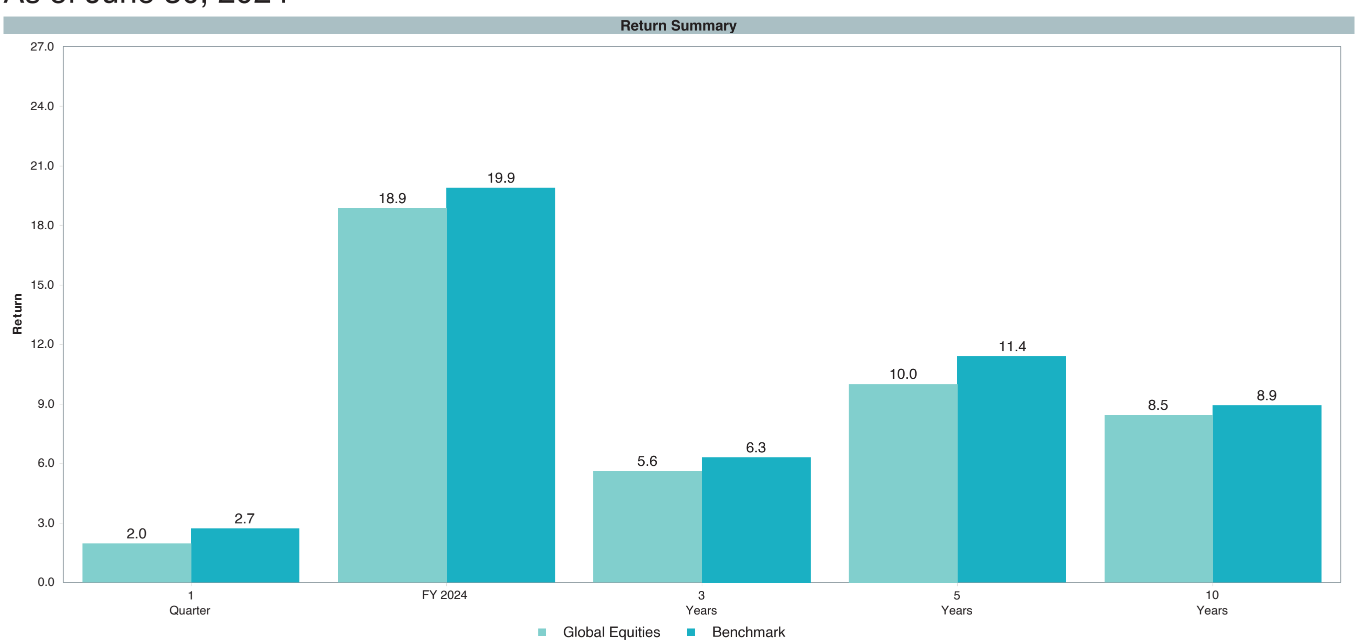
Global Equities

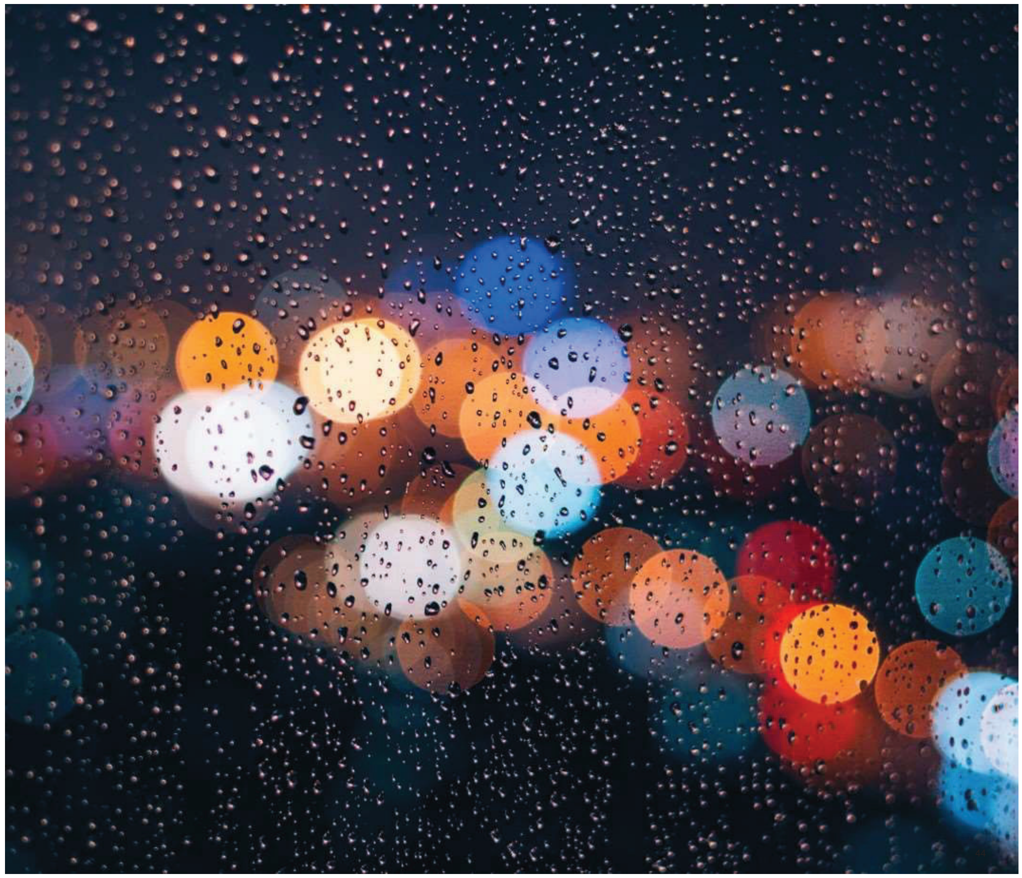


Global Equities Performance Summary

As of June 30, 2024



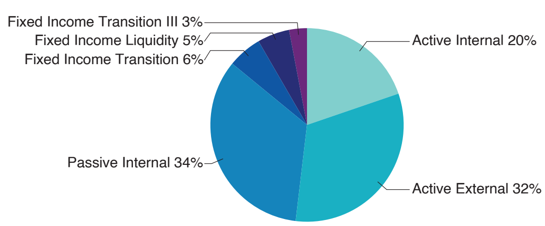
Fixed Income



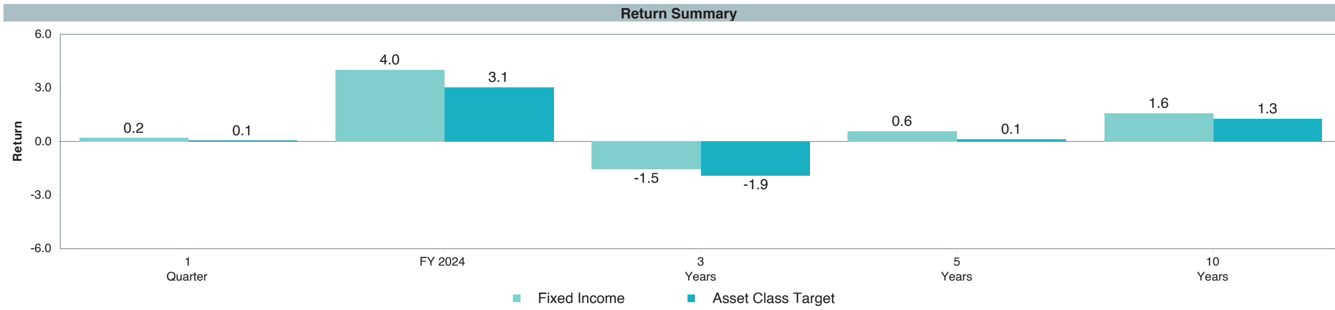
Fixed Income Portfolio Overview

As of June 30, 2024

Current Allocation
June 30, 2024 : $40,464M



Return Summary



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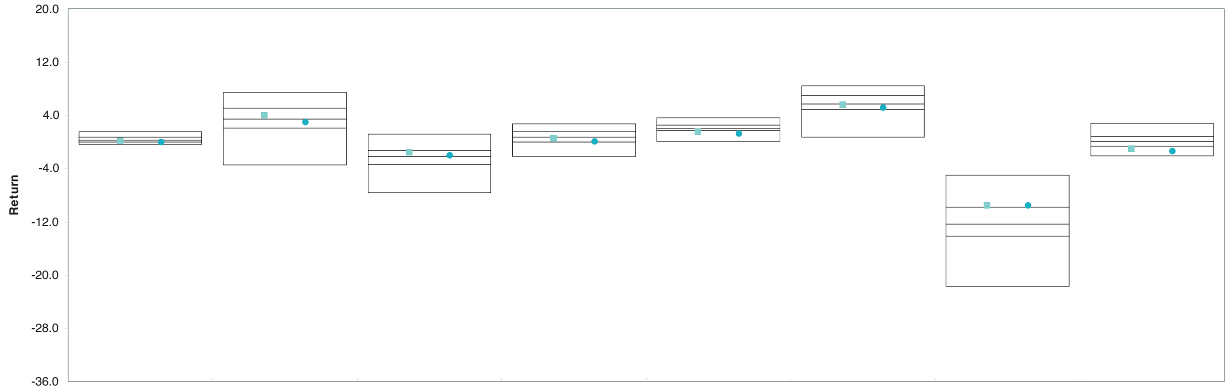
Fixed Income Peer Group Analysis

As of June 30, 2024



	1 Quarter	FY 2024	3 Years	5 Years	10 Years	2023	2022	2021
Fixed Income	**0.2 (63)**	**4.0 (40)**	**-1.5 (35)**	**0.6 (66)**	**1.6 (80)**	**5.6 (54)**	**-9.5 (25)**	**-1.0 (86)**
Asset Class Target	0.1 (76)	3.1 (57)	-1.9 (46)	0.1 (74)	1.3 (86)	5.2 (69)	-9.5 (25)	-1.3 (91)
5th Percentile	1.5	7.4	1.3	2.8	3.6	8.4	-4.9	2.8
1st Quartile	0.8	5.1	-1.3	1.5	2.6	7.0	-9.8	0.8
Median	0.3	3.5	-2.2	0.8	2.0	5.8	-12.3	0.1
3rd Quartile	0.1	2.1	-3.3	0.1	1.7	4.9	-14.1	-0.6
95th Percentile	-0.3	-3.4	-7.6	-2.1	0.1	0.8	-21.7	-2.0
Population	55	53	51	45	41	53	57	58

Parentheses contain percentile rankings.

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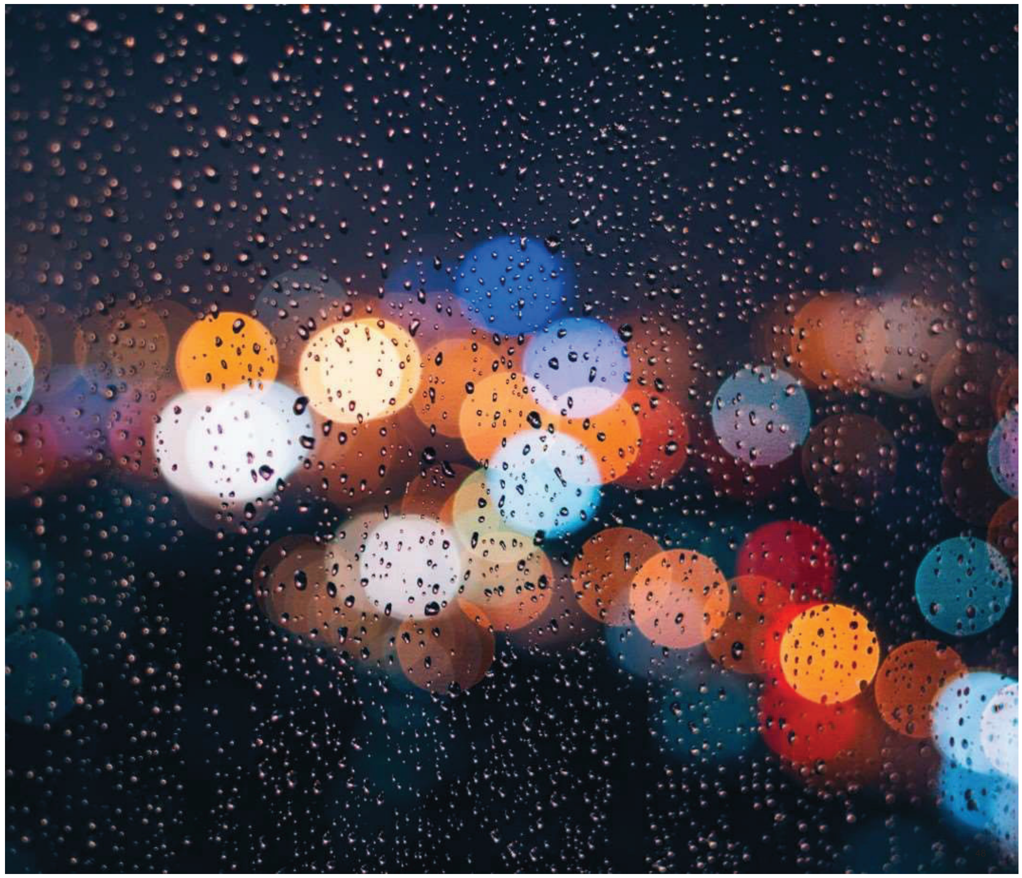
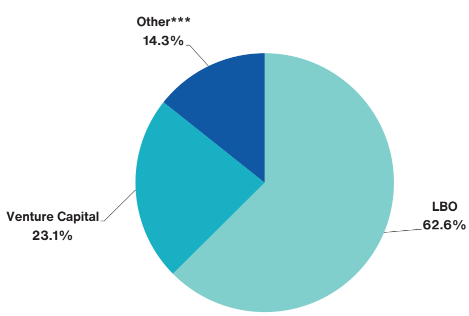
Private Equity



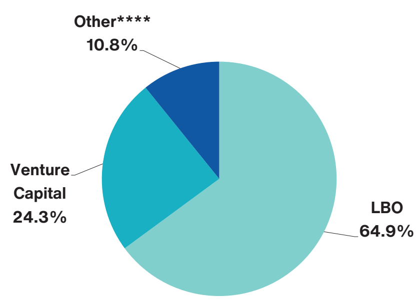
Private Equity Asset Allocation Overview

As of June 30, 2024

FRS Private Equity by Market Value*



Preqin Private Equity Strategies by Market Value**

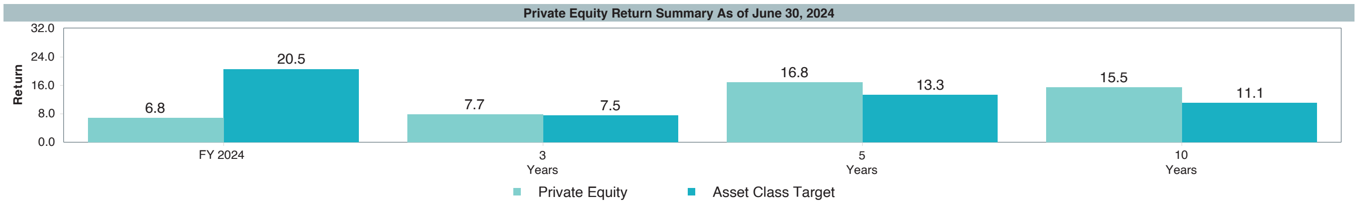


*Allocation data is as of June 30, 2024.
**Allocation data is as of June 30, 2019, from the Preqin database.
***Other for the FRS Private Equity consists of Growth Capital, Secondary, PE Cash, and PE Transition.
****Other for the Preqin data consists of Distressed PE, Growth, Mezzanine, and other Private Equity/Special Situations.
Preqin universe is comprised of 10,000 private equity funds representing $4.8 trillion.

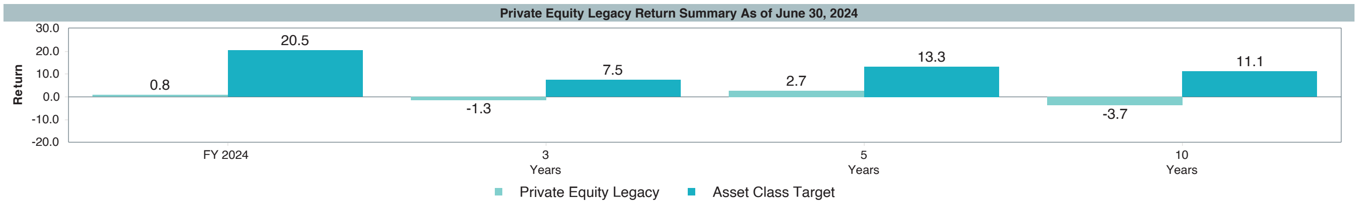
Private Equity Time-Weighted Investment Results

As of June 30, 2024

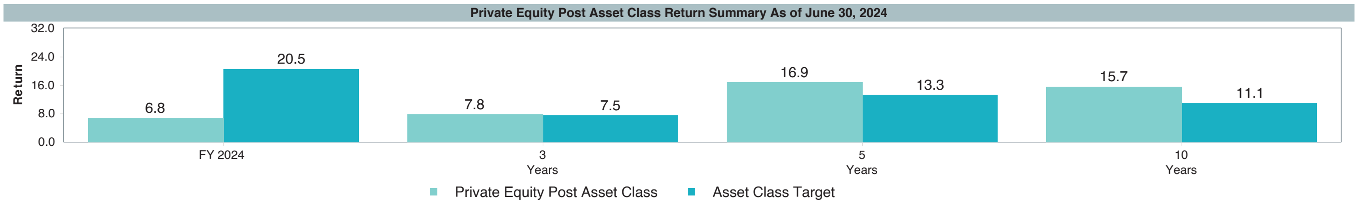
Private Equity Return Summary As of June 30, 2024



Private Equity Legacy Return Summary As of June 30, 2024



Private Equity Post Asset Class Return Summary As of June 30, 2024



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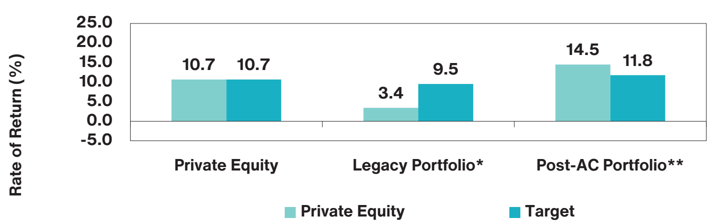
Dollar-Weighted Investment Results

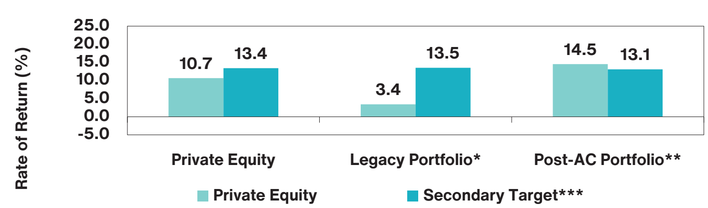
As of June 30, 2024

Since Inception



As of June 30, 2024

Since Inception



*The Inception Date for the Legacy Portfolio is January 1989.
**The Inception Date for the Post-AC Portfolio is September 2000.
***The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index based on actual ABAL weights. Secondary Target data is on a quarterly lag.

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Real Estate

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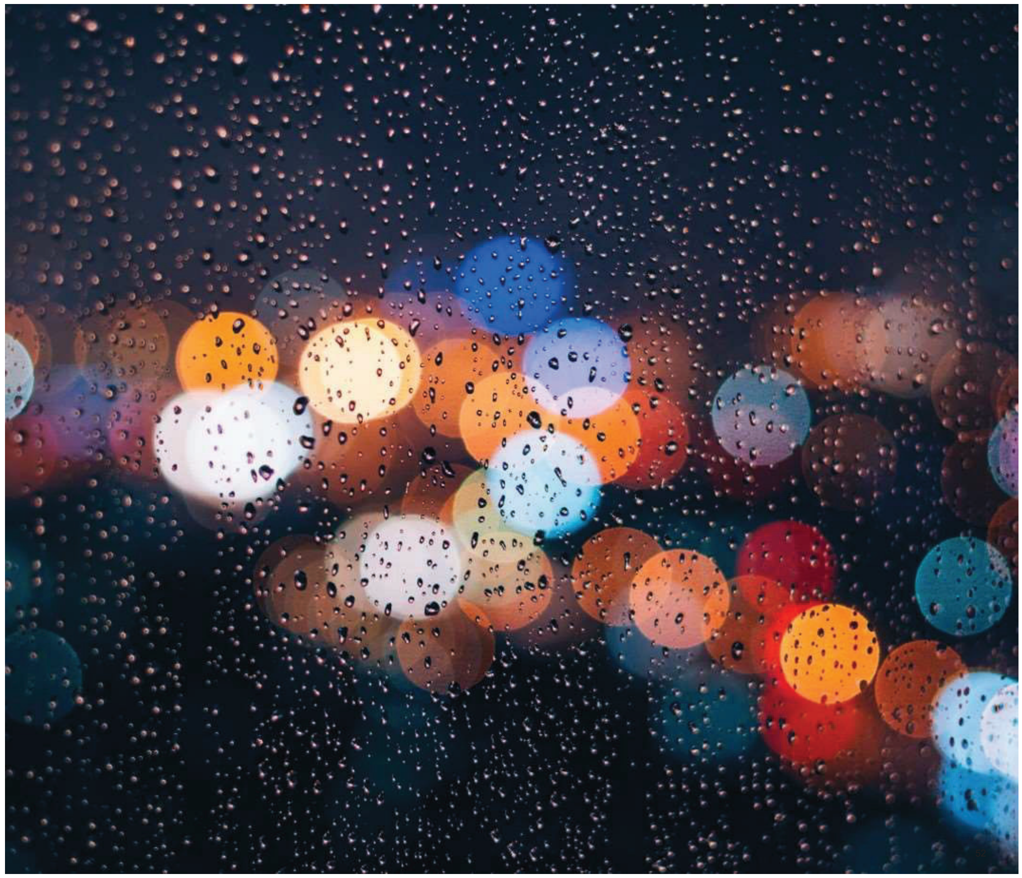
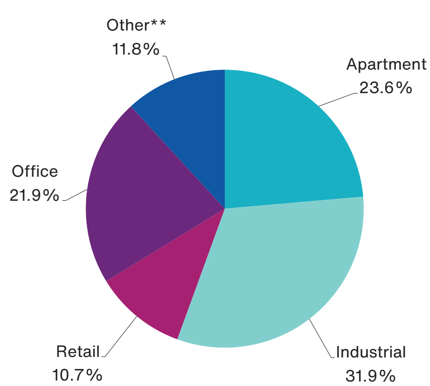


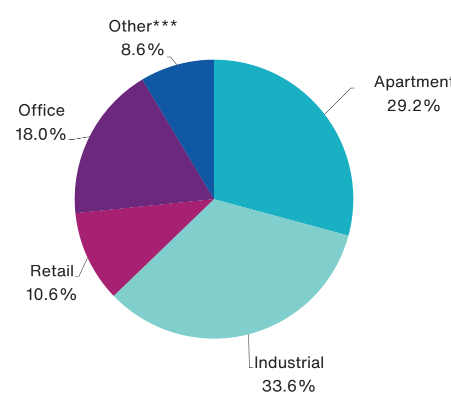
Real Estate Asset Allocation Overview

As of June 30, 2024

FRS*



NFI-ODCE Index*



*Property Allocation data is as of March 31, 2024. The FRS chart includes only the FRS private real estate assets. Property type information for the REIT portfolios is not included.

**Other for the FRS consists of Hotel, Land, Preferred Equity, Agriculture, Self-Storage and Senior Housing.

***Other for the NFI-ODCE Index consists of Hotel, Senior Living, Healthcare, Mixed Use, Single Family Residential, Parking, Timber/Agriculture, Land and Infrastructure.

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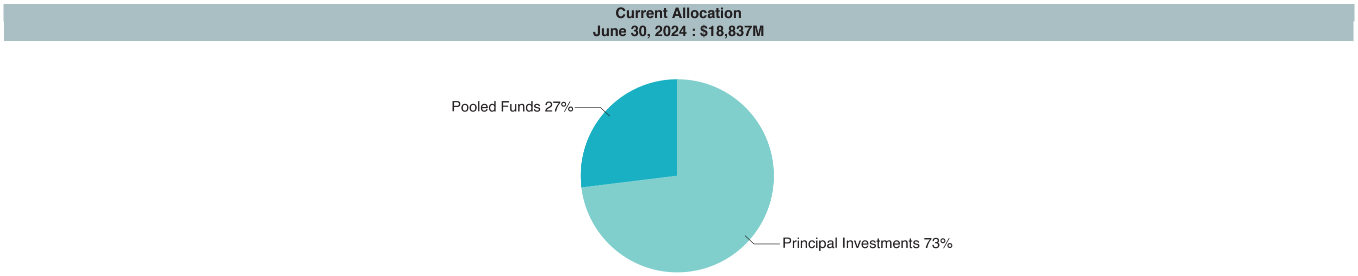
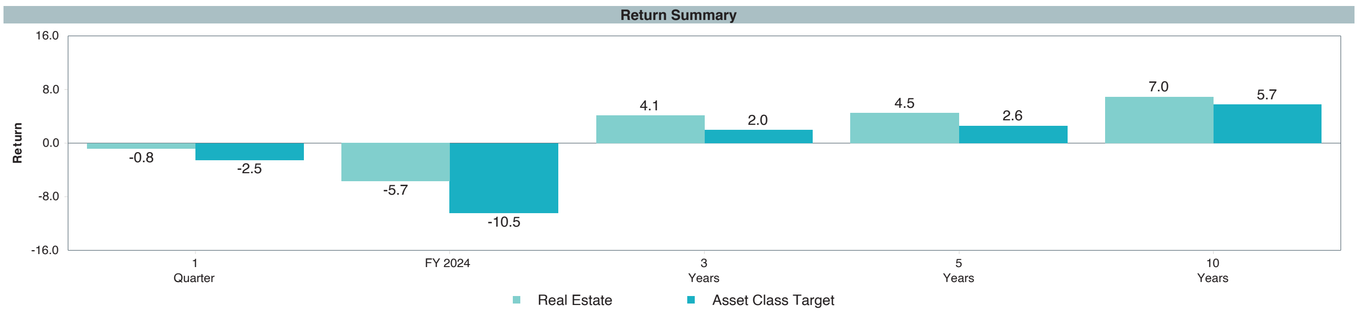
Real Estate Portfolio Overview

As of June 30, 2024





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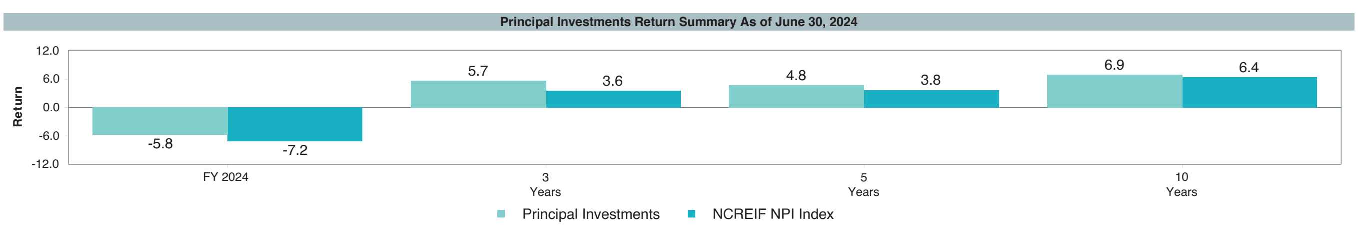
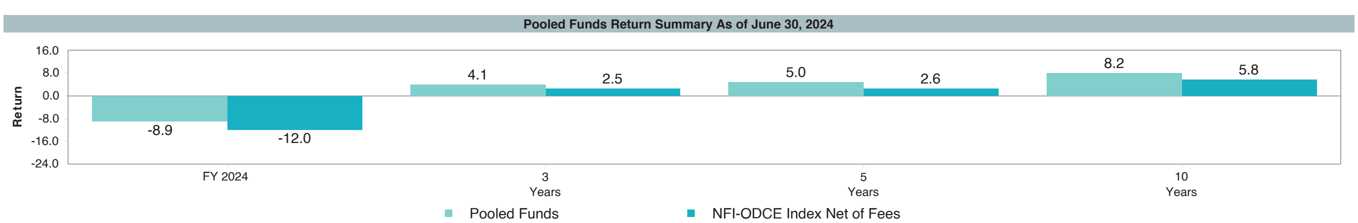
Real Estate Performance Overview

As of June 30, 2024





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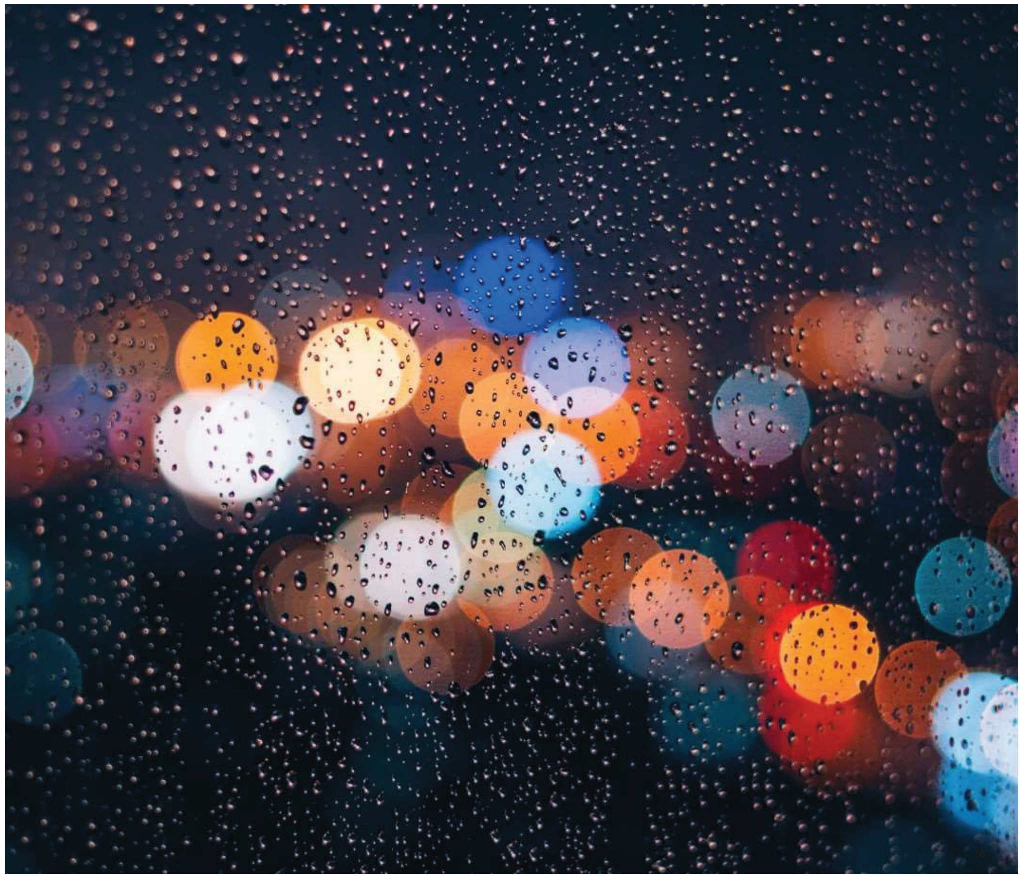
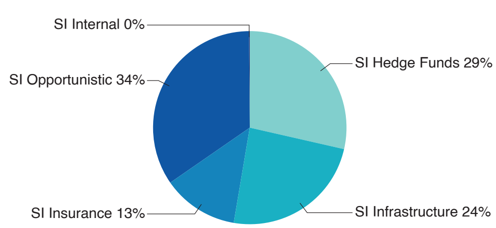
Strategic Investments



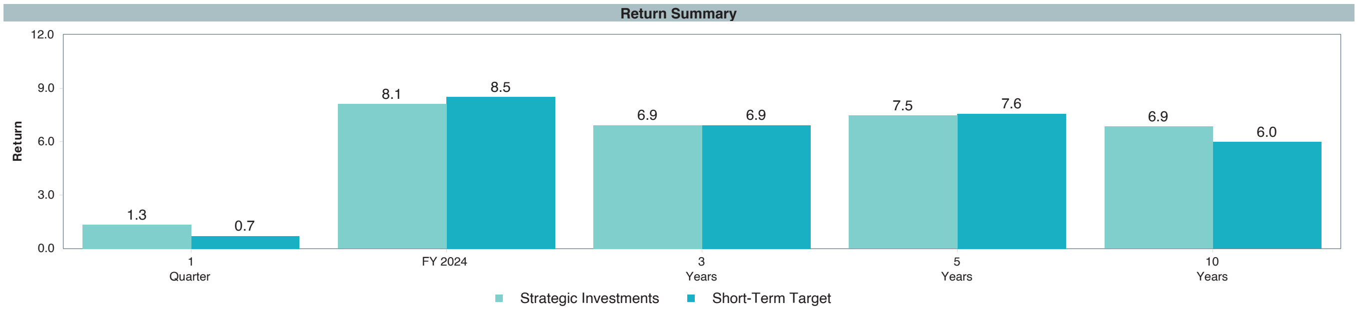
Strategic Investments Portfolio Overview

As of June 30, 2024

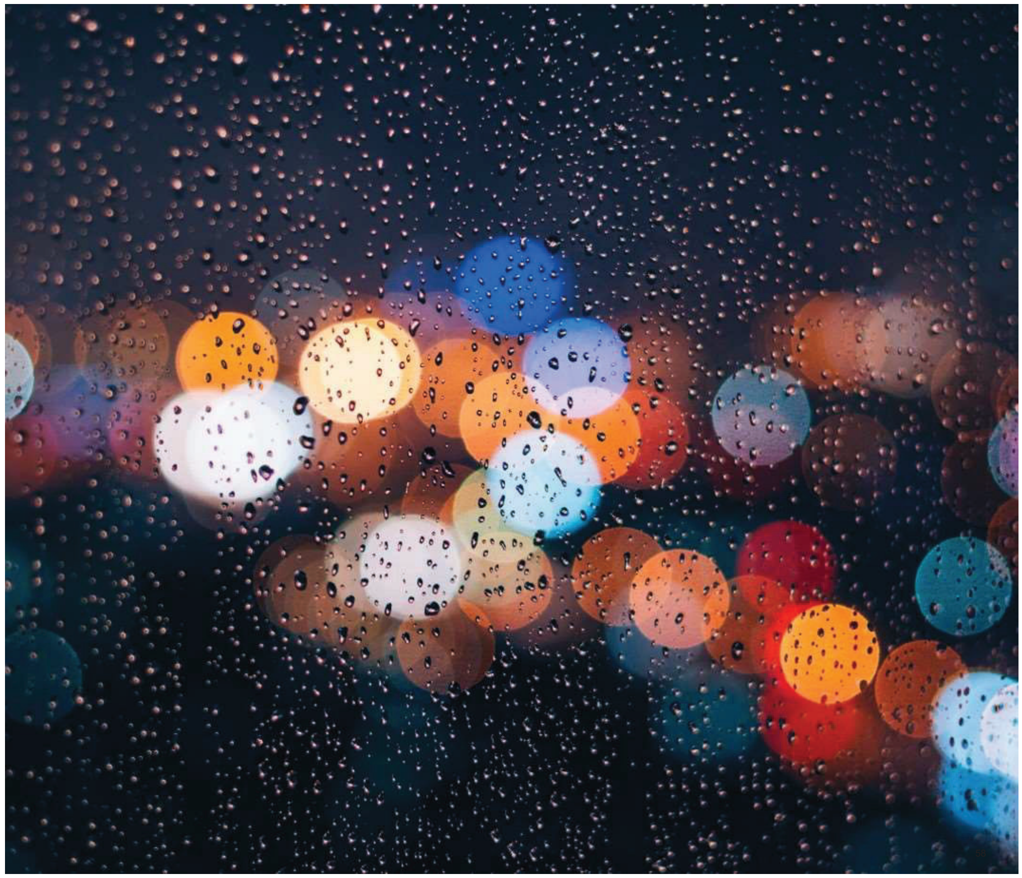
Current Allocation
June 30, 2024 : $12,553M



Return Summary



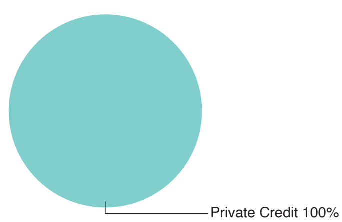
Active Credit



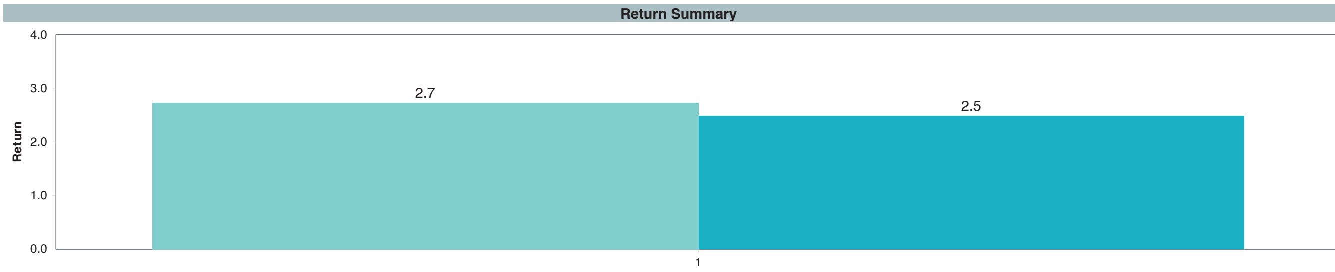
Active Credit Portfolio Overview

As of June 30, 2024

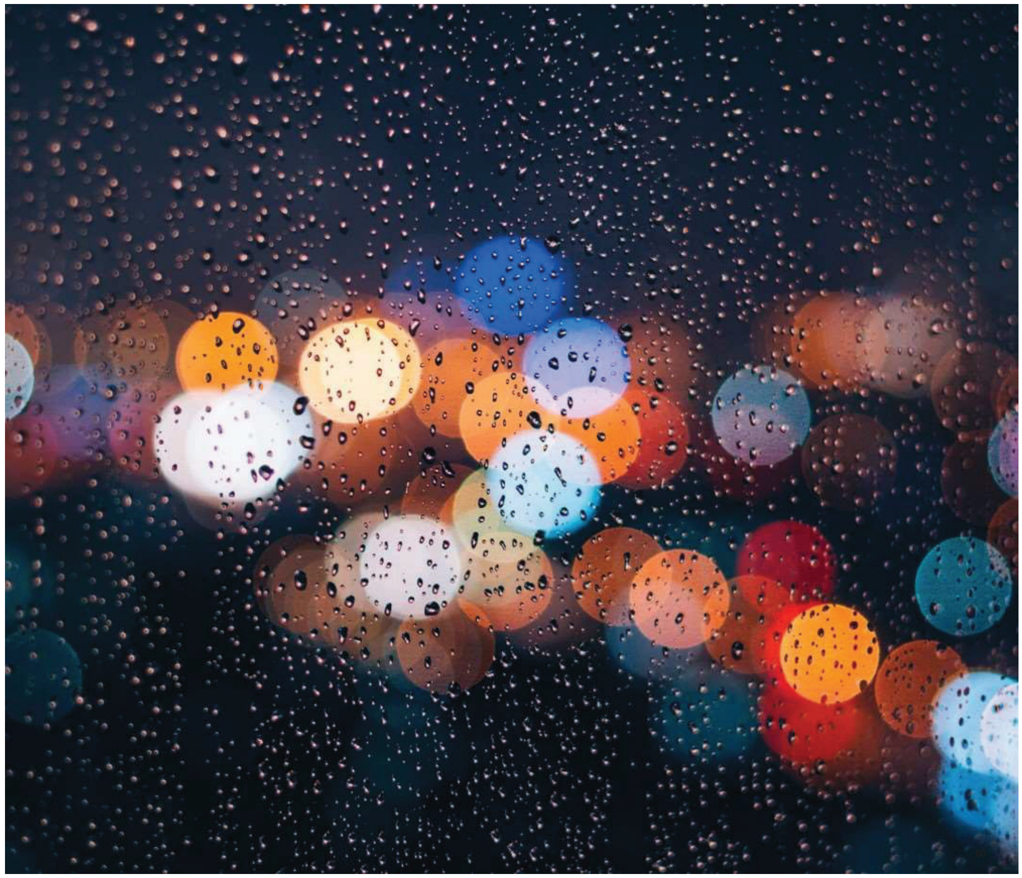
Current Allocation
June 30, 2024 : $9,599M



Return Summary



Cash



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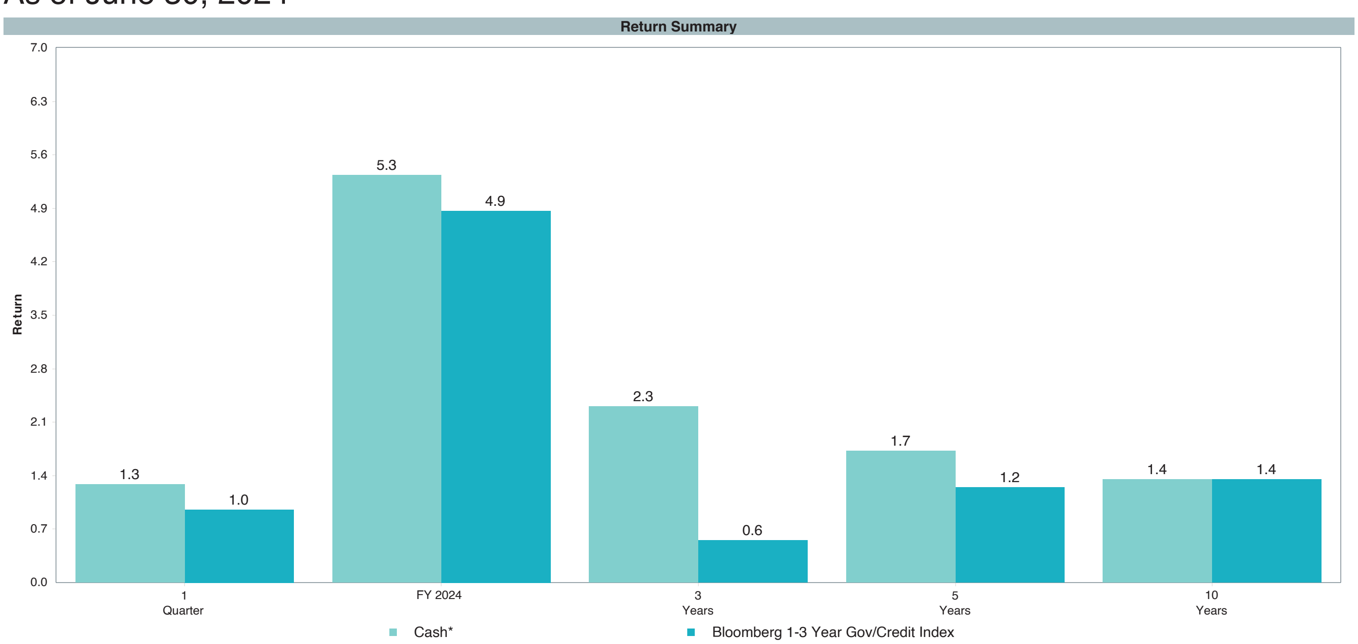
Cash Performance Summary

As of June 30, 2024



*Performance for the Cash & Central Custody and Enhanced Cash Composite is shown.

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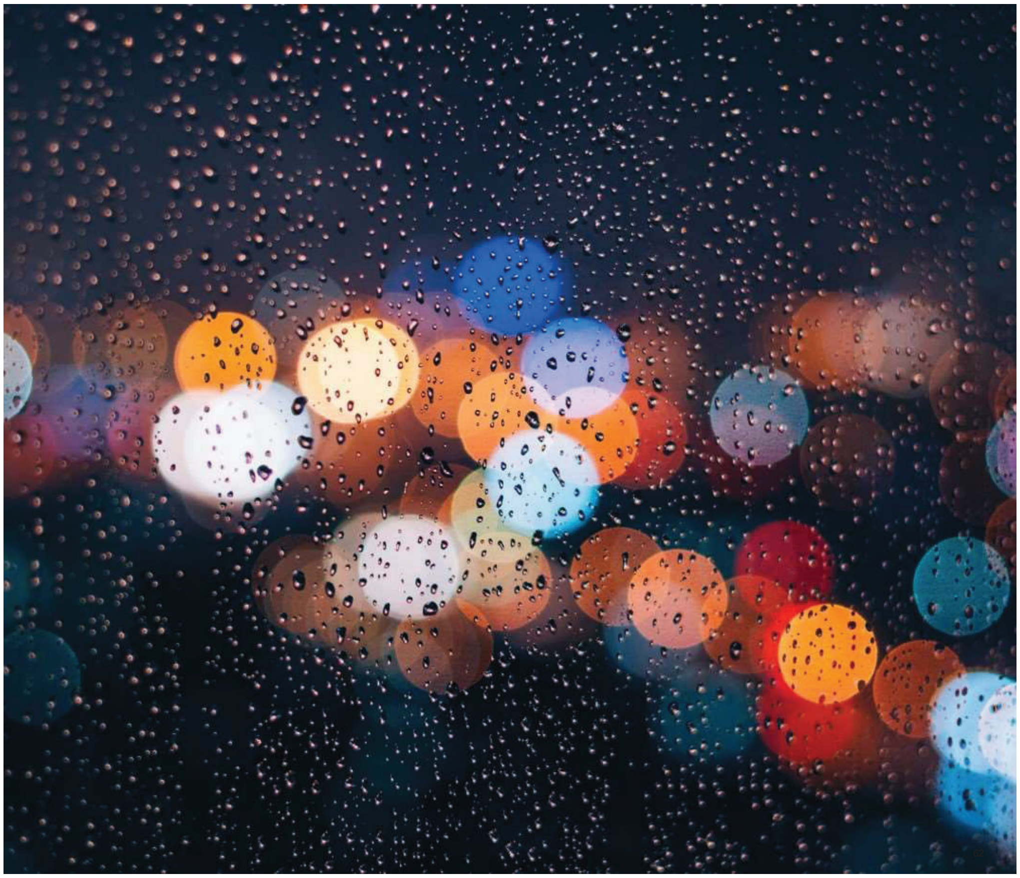
Appendix



Appendix

Total FRS Assets

Performance Benchmark- A combination of the Global Equity Target, the Barclays Capital U.S. Intermediate Aggregate Index, the Private Equity Target Index, the Real Estate Investments Target Index, the Strategic Investments Target Benchmark, and the Bank of America Merrill Lynch 3-Month US Treasury 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. Please refer to section VII. Performance Measurement in the FRS Defined Benefit Plan Investment Policy Statement for more details on the calculation of the Performance Benchmark. Prior to October 1, 2013, the Performance benchmark was a combination of the Global Equity Target, the Barclays Aggregate Bond Index, the Private Equity Target Index, the Real Estate Investments Target Index, the Strategic Investments Target Benchmark, and the iMoneyNet First Tier Institutional Money Market Funds Net Index. The short-term target policy allocations to the Strategic Investments, Real Estate and Private Equity asset classes are floating and based on the actual average monthly balance of the Global Equity asset class. Prior to July 2010, the Performance Benchmark was a combination of the Russell 3000 Index, the Foreign Equity Target Index, the Strategic Investments Target Benchmark, the Barclays Aggregate Bond Index, the Real Estate Investments Target Index, the Private Equity Target Index, the Barclays U.S. High Yield Ba/B 2% Issuer Capped Index, and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. During this time, the short-term target policy allocations to Strategic Investments, Real Estate and Private Equity asset classes were floating and based on the actual average monthly balance of the Strategic Investments, Real Estate and Private Equity asset classes. The target weights shown for Real Estate and Private Equity were the allocations that the asset classes were centered around. The actual target weight floated around this target month to month based on changes in asset values.

Total Global Equity

Performance Benchmark- A custom version of the MSCI All Country World Investable Market Index (MSCI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect securities and other investments prohibited by Florida law or that would be prohibited by Florida law if acquired as of the date of measurement of such Index notwithstanding that the securities or investments were actually acquired before such date. Prior to July 2010, the asset class benchmark is a weighted average of the underlying Domestic Equities, Foreign Equities and Global Equities historical benchmarks.

Total Domestic Equities

Performance Benchmark- The Russell 3000 Index. Prior to July 1, 2002, the benchmark was the Wilshire 2500 Stock Index. Prior to January 1, 2001, the benchmark was the Wilshire 2500 Stock Index ex-Tobacco. Prior to May 1, 1997, the benchmark was the Wilshire 2500 Stock Index. Prior to September 1, 1994, the benchmark was the S&P 500 Stock Index.

Total Foreign Equities

Performance Benchmark- A custom version of the MSCI ACWI ex-U.S. Investable Market Index adjusted to exclude companies divested under the PFIA. Prior to April 1, 2008, it was the MSCI All Country World Index ex-U.S. Investable Market Index. Prior to September 24, 2007, the target was the MSCI All Country World ex-U.S. Free Index. Prior to November 1, 1999, the benchmark was 85% MSCI Europe, Australasia and Far East (EAFE) Foreign Stock Index and 15% IFCI Emerging Markets Index with a half weight in Malaysia. Prior to March 31, 1995, the benchmark was the EAFE Index.

Total Global Equities

Performance Benchmark- Aggregated based on each underlying manager's individual benchmark. The calculation accounts for the actual weight and the benchmark return. The benchmarks used for the underlying managers include both the MSCI FSB All Country World ex-Sudan ex-Iran Net Index and MSCI FSB All Country World ex-Sudan ex-Iran Net Investable Market Index (IMI).

Appendix

Total Fixed Income

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

Total Private Equity

Performance Benchmark- The MSCI All Country World Investable Market Index (ACWI IMI), adjusted to reflect the provisions of the Protecting Florida's Investments Act, plus a fixed premium return of 300 basis points per annum. Prior to July 1, 2014, the benchmark was the domestic equities target index return (Russell 3000 Index) plus a fixed premium return of 300 basis points per annum. Prior to July 1, 2010, it was the domestic equities target index return plus a fixed premium return of 450 basis points per annum. Prior to November 1, 1999, Private Equities was part of the Domestic Equities asset class and its benchmark was the domestic equities target index return plus 750 basis points.

Total Real Estate

Performance Benchmark- 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%. Prior to July 1, 2014, the benchmark was a combination of 90% NCREIF ODCE Index, net of fees, and 10% FTSE EPRA/NAREIT Developed Index, net of fees. Prior to July 1, 2010, it was a combination of 90% NCREIF ODCE Index, gross of fees, and 10% Dow Jones U.S. Select RESI. Prior to June 1, 2007, it was the Consumer Price Index plus 450 basis points annually. Prior to July 1, 2003, the benchmark was the Dow Jones U.S. Select Real Estate Securities Index Un-Levered. Prior to November 1, 1999, the benchmark was the Russell-NCREIF Property Index.

Total Strategic Investments

Performance Benchmark- Long-term, 4.0% plus the contemporaneous rate of inflation or CPI. Short-term, a weighted aggregation of individual portfolio level benchmarks. Prior to July 1, 2018, a Performance Benchmark-Long-term, 4.5% plus the contemporaneous rate of inflation or CPI. Short-term, a weighted aggregation of individual portfolio level benchmark.

Total Active Credit

Performance Benchmark- Floating based on public/private mix: (1) High Yield – Bloomberg U.S. High Yield Index; (2) Bank Loans – LSTA Leveraged Loan Index; (3) Emerging Market Debt, adjusted to reflect securities and other investments prohibited by Florida law and SBA policy – Bloomberg Emerging Market Local Currency Government 10% Country Capped, Bloomberg Emerging Market USD Sovereign, and Bloomberg Emerging Market USD Corporate; and (4) Private Credit - LSTA Leveraged Loan Index + 1.75%

Total Cash

Performance Benchmark- Bloomberg Barclays U.S. Treasury Bill: 1-3 month index. Prior to October 1, 2020, it was the Bank of America Merrill Lynch 3-Month US Treasury Index. Prior to July 1, 2018 it was the iMoneyNet First Tier Institutional Money Market Funds Net Index. Prior to July 1, 2010, it was the iMoneyNet First Tier Institutional Money Market Funds Gross Index. Prior to June 1, 2007, it was the return of the Merrill Lynch 90-Day (Auction Average) Treasury Bill Yield Index.

Appendix

Description of Benchmarks

Bloomberg EM Local Currency Government 10% Country Capped Index measures the performance of fixed-rate, local currency emerging market treasury Countries. Securities must have at least one year remaining until final maturity.

Bloomberg EM USD Corporate- Aims to measure US dollar denominated debt issued by emerging market corporations

Bloomberg EM USD Sovereign- Aims to include US dollar-denominated debt issued by emerging market sovereigns, government guaranteed, and 100% government owned emerging market issuers

Bloomberg U.S. Corporate High Yield Bond Index- Measures the USD denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below

Bloomberg U.S. Intermediate Aggregate Bond Index- A market value-weighted index consisting of U.S. Treasury securities, corporate bonds and mortgage-related and asset-backed securities with one to ten years to maturity and an outstanding par value of $250 million or greater.

Bloomberg U.S. Treasury Bill: 1-3 month Index- Consists of U.S. Treasury Bills that have a remaining maturity of greater than or equal to 1 month and less than 3 months

Consumer Price Index (CPI)- The CPI, an index consisting of a fixed basket of goods bought by the typical consumer and used to measure consumer inflation.

FTSE EPRA/NAREIT Developed Index- An index designed to represent general trends in eligible real estate equities worldwide. Relevant real estate activities are defined as the ownership, disposure and development of income-producing real estate. This index covers the four primary core asset classes (Industrial, Retail, Office, and Apartment).

Morningstar LSTA Leveraged Loan Index- A market-value weighted index designed to measure the performance of the US leveraged loan, consisting of senior secured, USD denominated, a minimum initial term of 1 year, a base rate +125, and minimum issue size of $50 million

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

NCREIF ODCE Property Index- The NCREIF ODCE is a capitalization-weighted, gross of fee, time-weighted return index. The index is a summation of open-end funds, which NCREIF defines as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, subject to contribution and/or redemption requests.

Appendix

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.

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Appendix

Description of Universes

Total Fund- A universe comprised of 150 total fund portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics and Investment Metrics. Aggregate assets in the universe comprised $2.0 trillion as of quarter-end and the average market value was $13.2 billion.

Domestic Equity- A universe comprised of 52 total domestic equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $1.0 trillion as of quarter-end and the average market value was $18.5 billion.

Foreign Equity- A universe comprised of 55 total international equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $1.0 trillion as of quarter-end and the average market value was $18.5 billion.

Fixed Income- A universe comprised of 55 total fixed income portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $1.1 trillion as of quarter-end and the average market value was $19.5 billion.

Real Estate- A universe comprised of 42 total real estate portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $1.0 trillion as of quarter-end and the average market value was $24.1 billion.

Private Equity- An appropriate universe for private equity is unavailable.

Strategic Investments- An appropriate universe for strategic investments is unavailable.

Active Credit- An appropriate universe for strategic investments is unavailable.

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Appendix

Explanation of Exhibits

Quarterly and Cumulative Excess Performance- The vertical axis, excess return, is a measure of fund performance less the return of the primary benchmark. The horizontal axis represents the time series. The quarterly bars represent the underlying funds' relative performance for the quarter.

Ratio of Cumulative Wealth Graph- An illustration of a portfolio's cumulative, un-annualized performance relative to that of its benchmark. An upward-sloping line indicates superior fund performance versus its benchmark. Conversely, a downward-sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

Performance Comparison - Plan Sponsor Peer Group Analysis- An illustration of the distribution of returns for a particular asset class. The component's return is indicated by the circle and its performance benchmark by the triangle. The top and bottom borders represent the 5th and 95th percentiles, respectively. The solid line indicates the median while the dotted lines represent the 25th and 75th percentiles.

Notes

- The rates of return contained in this report are shown on an after-fees basis unless otherwise noted. They are geometric and time-weighted. Returns for periods longer than one year are annualized.
- Universe percentiles are based upon an ordering system in which 1 is the best ranking and 100 is the worst ranking.
- Due to rounding throughout the report, percentage totals displayed may not sum to 100%. Additionally, individual fund totals in dollar terms may not sum to the plan total.

Disclaimer

Past performance is not necessarily indicative of future results.

Unless otherwise noted, performance returns presented reflect the respective fund's performance as indicated. Returns may be presented on a before-fees basis (gross) or after-fees basis (net). After-fee performance is net of each respective sub-advisors' investment management fees and include the reinvestment of dividends and interest as indicated on the notes page within this report or on the asset allocation and performance summary pages. Actual returns may be reduced by Aon Investments' investment advisory fees or other trust payable expenses you may incur as a client. Aon Investments' advisory fees are described in Form ADV Part 2A. Portfolio performance, characteristics and volatility also may differ from the benchmark(s) shown.

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Suite 700
Chicago, IL 60601
ATTN: Aon Investments Compliance Officer

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Quarterly Investment Review

FRS Investment Plan

Second Quarter 2024

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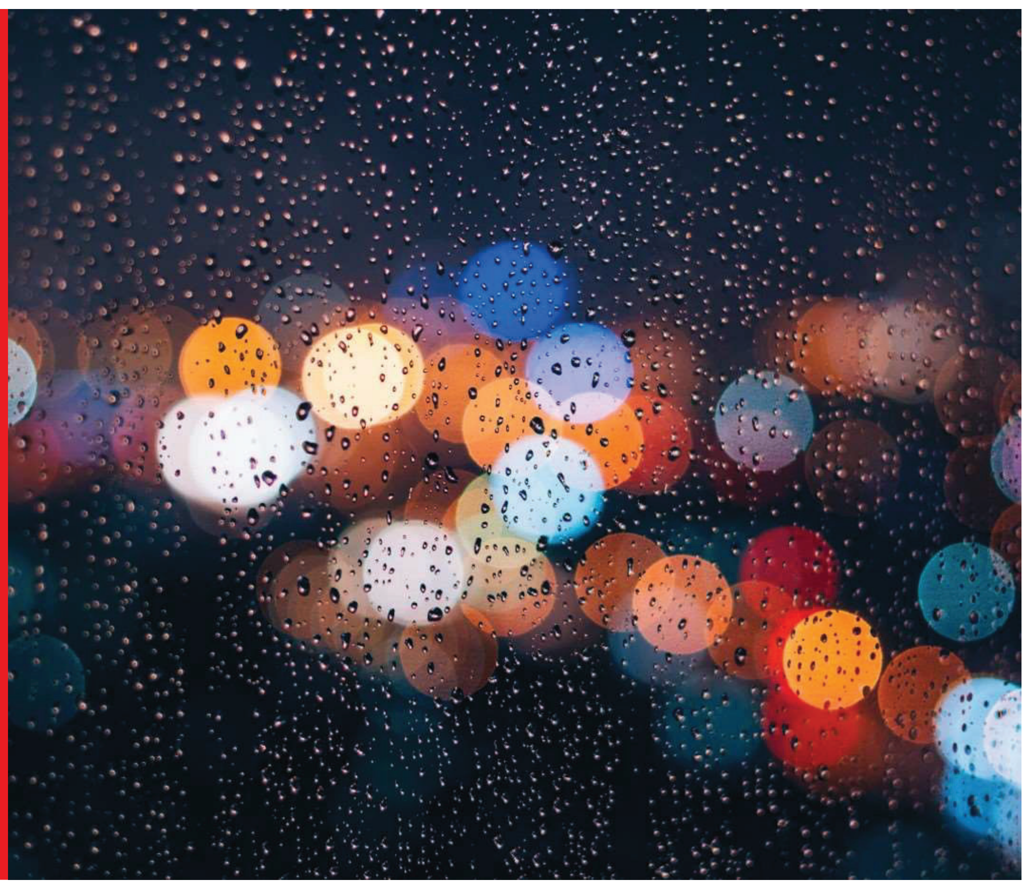

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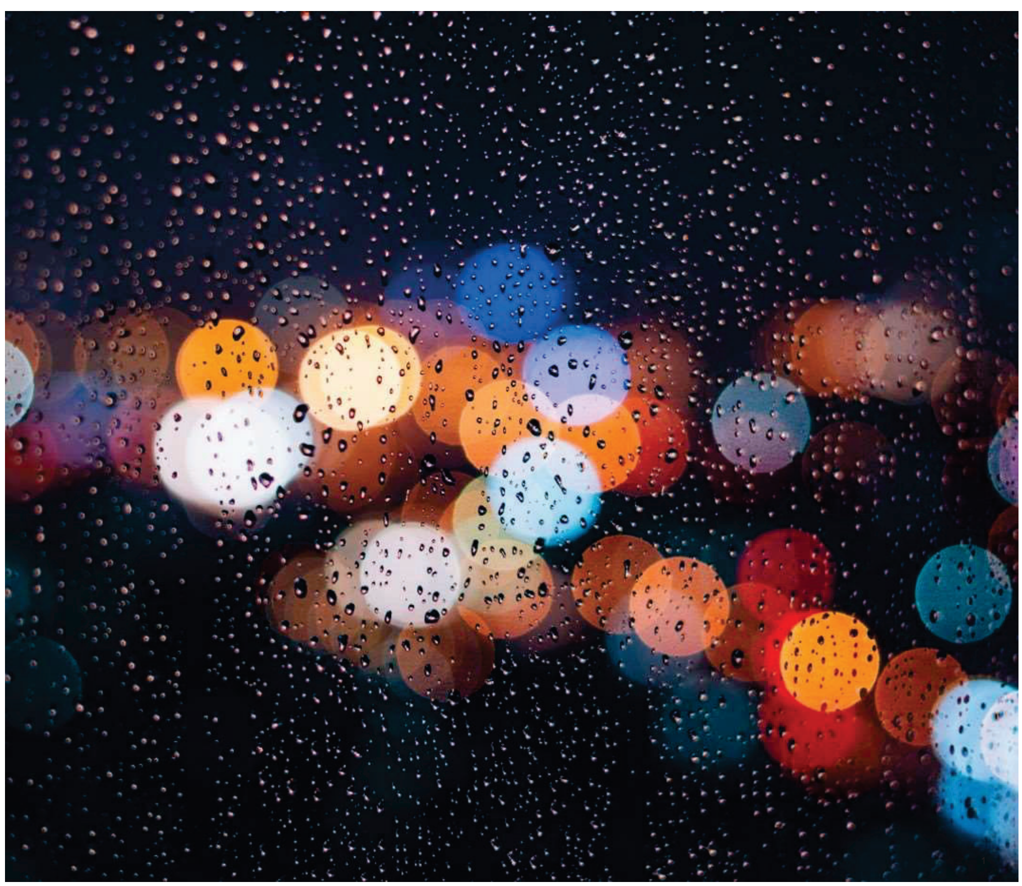


FRS Investment Plan

Asset Allocation & Performance

As of June 30, 2024

	Allocation		Performance %					
	Market Value $	%	1 Quarter	Year to Date	FY 2024	3 Years	5 Years	10 Years
FRS Investment Plan	**17,214,941,874**	**100.0**	**1.4**	**7.2**	**13.1**	**3.2**	**7.7**	**6.8**
Total Plan Aggregate Benchmark			*1.6*	*7.1*	*13.5*	*3.7*	*7.7*	*6.6*
Retirement Date	**8,792,122,746**	**51.1**						
FRS Retirement Fund	**604,347,884**	**3.5**	**0.6 (89)**	**2.6 (87)**	**6.3 (98)**	**0.7 (57)**	**4.4 (28)**	**4.0 (71)**
Retirement Custom Index			*0.4 (100)*	*1.8 (100)*	*5.8 (100)*	*0.6 (59)*	*4.2 (57)*	*3.9 (75)*
FRS 2020 Retirement Date Fund	**483,581,259**	**2.8**	**0.6 (76)**	**3.0 (96)**	**6.7 (98)**	**0.9 (66)**	**4.9 (78)**	**4.7 (82)**
2020 Retirement Custom Index			*0.5 (91)*	*2.2 (100)*	*6.3 (99)*	*0.9 (65)*	*4.7 (79)*	*4.6 (86)*
FRS 2025 Retirement Date Fund	**979,910,427**	**5.7**	**0.8 (75)**	**3.9 (82)**	**8.0 (97)**	**1.3 (48)**	**5.6 (64)**	**5.4 (68)**
2025 Retirement Custom Index			*0.6 (81)*	*3.1 (99)*	*7.6 (98)*	*1.4 (32)*	*5.6 (65)*	*5.3 (72)*
FRS 2030 Retirement Date Fund	**1,132,473,939**	**6.6**	**1.0 (64)**	**5.4 (61)**	**10.3 (85)**	**2.1 (30)**	**6.6 (62)**	**6.1 (68)**
2030 Retirement Custom Index			*1.0 (67)*	*4.7 (85)*	*10.1 (87)*	*2.3 (22)*	*6.6 (62)*	*6.0 (75)*
FRS 2035 Retirement Date Fund	**1,158,670,075**	**6.7**	**1.3 (55)**	**6.6 (59)**	**12.3 (85)**	**2.8 (34)**	**7.4 (84)**	**6.7 (76)**
2035 Retirement Custom Index			*1.2 (57)*	*6.1 (83)*	*12.2 (86)*	*2.9 (25)*	*7.4 (81)*	*6.6 (85)*
FRS 2040 Retirement Date Fund	**1,100,285,565**	**6.4**	**1.4 (61)**	**7.3 (78)**	**13.4 (89)**	**3.2 (62)**	**8.0 (92)**	**7.1 (80)**
2040 Retirement Custom Index			*1.4 (61)*	*6.9 (89)*	*13.4 (89)*	*3.3 (58)*	*8.1 (91)*	*7.0 (89)*
FRS 2045 Retirement Date Fund	**1,139,527,667**	**6.6**	**1.5 (63)**	**7.7 (83)**	**14.0 (93)**	**3.4 (69)**	**8.5 (95)**	**7.4 (94)**
2045 Retirement Custom Index			*1.5 (61)*	*7.3 (91)*	*14.0 (92)*	*3.5 (67)*	*8.5 (95)*	*7.3 (96)*
FRS 2050 Retirement Date Fund	**843,829,369**	**4.9**	**1.5 (64)**	**7.8 (90)**	**14.2 (96)**	**3.6 (69)**	**8.8 (90)**	**7.5 (90)**
2050 Retirement Custom Index			*1.5 (64)*	*7.5 (94)*	*14.2 (96)*	*3.7 (68)*	*8.8 (89)*	*7.4 (94)*

Asset Allocation & Performance

As of June 30, 2024

	Allocation		Performance %					
	Market Value $	%	1 Quarter	Year to Date	FY 2024	3 Years	5 Years	10 Years
FRS 2055 Retirement Date Fund	**672,492,524**	**3.9**	**1.5 (65)**	**7.8 (92)**	**14.2 (96)**	**3.7 (69)**	**8.9 (92)**	**7.6 (100)**
2055 Retirement Custom Index			*1.5 (65)*	*7.5 (95)*	*14.2 (96)*	*3.7 (69)*	*8.8 (93)*	*7.4 (100)*
FRS 2060 Retirement Date Fund	**621,825,466**	**3.6**	**1.5 (72)**	**7.8 (96)**	**14.2 (98)**	**3.7 (68)**	**9.0 (100)**	**-**
2060 Retirement Custom Index			*1.5 (72)*	*7.5 (100)*	*14.2 (98)*	*3.7 (69)*	*8.8 (100)*	*-*
FRS 2065 Retirement Date Fund	**55,178,573**	**0.3**	**1.5 (72)**	**7.8 (96)**	**14.1 (99)**	**-**	**-**	**-**
2065 Retirement Custom Index			*1.5 (72)*	*7.5 (100)*	*14.2 (98)*	*-*	*-*	*-*
Stable Value	**1,316,589,237**	**7.6**						
FRS Stable Value Fund	**1,316,589,237**	**7.6**	**0.7 (47)**	**1.5 (47)**	**2.9 (61)**	**2.3 (67)**	**-**	**-**
ICE BofA US Treasuries 1-3 Year Index			*0.9 (8)*	*1.2 (77)*	*4.5 (10)*	*0.4 (94)*	*-*	*-*
Real Assets	**149,830,597**	**0.9**						
FRS Inflation Sensitive Fund	**149,830,597**	**0.9**	**0.1**	**0.6**	**2.2**	**0.3**	**3.0**	**1.8**
FRS Custom Multi-Assets Index			*0.3*	*0.2*	*2.8*	*0.7*	*2.7*	*2.0*
Fixed Income	**559,339,865**	**3.2**	**0.5 (15)**	**0.7 (11)**	**5.0 (12)**	**-1.8 (12)**	**0.9 (15)**	**2.1 (7)**
Total Bond Index			*0.4 (22)*	*0.1 (27)*	*4.4 (20)*	*-1.9 (13)*	*0.6 (24)*	*1.8 (16)*
FRS U.S. Bond Enhanced Index Fund	**222,743,815**	**1.3**	**0.1 (71)**	**-0.5 (66)**	**2.9 (65)**	**-2.9 (46)**	**-0.1 (65)**	**1.4 (58)**
Blmbg. U.S. Aggregate Index			*0.1 (89)*	*-0.7 (88)*	*2.6 (75)*	*-3.0 (53)*	*-0.2 (76)*	*1.3 (72)*
FRS Core Plus Bond Fund	**336,596,050**	**2.0**	**0.3 (53)**	**0.6 (19)**	**5.1 (16)**	**-1.9 (18)**	**1.0 (22)**	**2.3 (11)**
FRS Custom Core-Plus Fixed Income Index			*0.1 (91)*	*-0.3 (81)*	*3.8 (66)*	*-2.2 (25)*	*0.6 (53)*	*1.9 (38)*

Asset Allocation & Performance

As of June 30, 2024

	Allocation		Performance %					
	Market Value $	%	1 Quarter	Year to Date	FY 2024	3 Years	5 Years	10 Years
Domestic Equity	4,126,425,367	24.0	2.3 (28)	12.7 (32)	22.6 (30)	7.2 (39)	13.3 (32)	11.6 (25)
Total U.S. Equities Index			*2.7 (26)*	*12.9 (31)*	*22.4 (32)*	*7.7 (34)*	*13.5 (32)*	*11.5 (26)*
FRS U.S. Stock Market Index Fund	1,940,551,105	11.3	3.2 (21)	13.6 (28)	23.2 (27)	8.1 (27)	14.2 (21)	12.2 (14)
Russell 3000 Index			*3.2 (21)*	*13.6 (28)*	*23.1 (28)*	*8.1 (28)*	*14.1 (22)*	*12.1 (15)*
FRS U.S. Stock Fund	2,185,874,262	12.7	1.2 (38)	12.1 (35)	22.8 (30)	6.3 (49)	-	-
Russell 3000 Index			*3.2 (21)*	*13.6 (28)*	*23.1 (28)*	*8.1 (28)*	-	-
International/Global Equity	831,784,242	4.8	1.0 (45)	6.2 (39)	12.1 (39)	0.6 (46)	6.7 (30)	5.2 (21)
Total Foreign and Global Equities Index			*1.2 (43)*	*6.1 (41)*	*12.6 (33)*	*0.9 (43)*	*6.3 (39)*	*4.5 (30)*
FRS Foreign Stock Index Fund	292,616,449	1.7	1.0 (46)	5.4 (49)	11.2 (48)	0.3 (49)	5.8 (46)	4.2 (40)
MSCI All Country World ex-U.S. IMI Index			*0.9 (46)*	*5.3 (51)*	*11.6 (43)*	*0.2 (50)*	*5.6 (49)*	*3.9 (49)*
FRS Foreign Stock Fund	177,568,808	1.0	-0.2 (65)	7.2 (31)	10.8 (52)	-2.5 (66)	6.1 (42)	5.2 (19)
MSCI AC World ex USA (Net)			*1.0 (46)*	*5.7 (45)*	*11.6 (42)*	*0.5 (48)*	*5.5 (50)*	*3.8 (51)*
FRS Global Stock Fund	361,598,985	2.1	2.9 (23)	11.6 (24)	19.0 (30)	3.4 (50)	12.4 (14)	10.9 (4)
MSCI AC World Index (Net)			*2.9 (23)*	*11.3 (25)*	*19.4 (28)*	*5.4 (33)*	*10.8 (29)*	*8.4 (30)*
FRS Self-Dir Brokerage Acct	1,438,849,820	8.4						

The returns for the Retirement Date Funds, Inflation Sensitive Fund, and Core Plus Bond Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.
Note: The SDBA opened for members on 1/2/2014. No performance calculations will be made for the SDBA.

Asset Allocation & Performance

As of June 30, 2024

	Performance %									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
FRS Investment Plan	15.7	-15.1	14.1	13.1	20.5	-5.7	16.4	8.0	-0.9	4.9
Total Plan Aggregate Benchmark	*15.4*	*-13.8*	*14.2*	*11.7*	*20.0*	*-5.8*	*15.5*	*8.5*	*-1.3*	*4.9*
Retirement Date										
FRS Retirement Fund	8.6 (81)	-11.8 (36)	9.6 (1)	10.2 (38)	14.8 (36)	-3.7 (69)	10.8 (24)	6.2 (18)	-2.6 (100)	4.4 (69)
Retirement Custom Index	*8.2 (92)*	*-10.7 (12)*	*8.9 (9)*	*9.6 (61)*	*14.5 (40)*	*-3.8 (69)*	*10.4 (41)*	*6.2 (18)*	*-1.8 (87)*	*3.6 (85)*
FRS 2020 Retirement Date Fund	9.0 (98)	-12.1 (7)	10.5 (10)	10.5 (69)	16.3 (67)	-4.4 (51)	14.0 (29)	7.4 (22)	-2.1 (100)	4.4 (100)
2020 Retirement Custom Index	*9.1 (98)*	*-11.1 (4)*	*10.0 (22)*	*10.2 (72)*	*16.0 (73)*	*-4.5 (53)*	*13.3 (49)*	*7.1 (25)*	*-1.6 (85)*	*3.9 (100)*
FRS 2025 Retirement Date Fund	10.3 (94)	-13.0 (14)	11.7 (14)	11.4 (72)	18.2 (75)	-5.2 (51)	16.1 (25)	8.0 (22)	-1.7 (79)	4.5 (100)
2025 Retirement Custom Index	*10.8 (89)*	*-11.9 (6)*	*11.3 (24)*	*11.2 (74)*	*17.8 (82)*	*-5.3 (56)*	*15.5 (39)*	*7.6 (26)*	*-1.5 (72)*	*4.2 (100)*
FRS 2030 Retirement Date Fund	12.5 (89)	-13.7 (15)	12.8 (29)	12.0 (76)	19.8 (80)	-6.0 (46)	18.0 (27)	8.5 (20)	-1.3 (60)	4.5 (96)
2030 Retirement Custom Index	*12.8 (85)*	*-12.7 (7)*	*12.4 (40)*	*12.0 (76)*	*19.4 (82)*	*-6.0 (47)*	*17.3 (46)*	*8.0 (28)*	*-1.5 (63)*	*4.4 (96)*
FRS 2035 Retirement Date Fund	14.3 (91)	-14.5 (8)	13.8 (66)	12.6 (85)	21.1 (81)	-6.7 (45)	19.8 (21)	9.1 (16)	-1.4 (54)	4.4 (100)
2035 Retirement Custom Index	*14.4 (91)*	*-13.6 (3)*	*13.4 (72)*	*12.7 (84)*	*20.8 (87)*	*-6.8 (46)*	*18.9 (48)*	*8.3 (37)*	*-1.7 (62)*	*4.3 (100)*
FRS 2040 Retirement Date Fund	15.7 (94)	-15.2 (9)	14.6 (80)	13.3 (77)	22.5 (77)	-7.5 (51)	20.9 (24)	9.2 (14)	-1.4 (49)	4.4 (96)
2040 Retirement Custom Index	*15.8 (94)*	*-14.4 (5)*	*14.3 (85)*	*13.4 (75)*	*22.1 (82)*	*-7.5 (51)*	*20.4 (42)*	*8.6 (45)*	*-1.7 (65)*	*4.3 (96)*
FRS 2045 Retirement Date Fund	16.9 (90)	-15.8 (12)	15.4 (90)	13.8 (77)	23.4 (81)	-8.0 (57)	21.5 (24)	9.4 (25)	-1.5 (52)	4.4 (100)
2045 Retirement Custom Index	*16.7 (94)*	*-15.0 (9)*	*15.1 (91)*	*13.9 (75)*	*23.0 (87)*	*-8.0 (57)*	*21.2 (41)*	*8.9 (38)*	*-1.7 (64)*	*4.3 (100)*
FRS 2050 Retirement Date Fund	17.5 (89)	-16.0 (11)	16.1 (88)	14.0 (75)	24.0 (82)	-8.4 (66)	21.6 (26)	9.5 (24)	-1.5 (61)	4.4 (95)
2050 Retirement Custom Index	*17.2 (93)*	*-15.1 (4)*	*15.8 (94)*	*14.1 (72)*	*23.6 (83)*	*-8.4 (66)*	*21.3 (49)*	*8.9 (42)*	*-1.7 (66)*	*4.3 (96)*
FRS 2055 Retirement Date Fund	17.8 (89)	-16.0 (12)	16.4 (86)	14.3 (69)	24.1 (88)	-8.4 (60)	21.5 (40)	9.3 (35)	-1.4 (53)	4.4 (100)
2055 Retirement Custom Index	*17.2 (92)*	*-15.1 (2)*	*16.0 (92)*	*14.1 (79)*	*23.7 (90)*	*-8.4 (60)*	*21.3 (56)*	*8.9 (39)*	*-1.7 (64)*	*4.3 (100)*

Asset Allocation & Performance

As of June 30, 2024

	Performance %									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
FRS 2060 Retirement Date Fund	**17.8 (93)**	**-16.0 (7)**	**16.4 (80)**	**14.5 (78)**	**24.2 (-)**	**-8.3 (-)**	**-**	**-**	**-**	**-**
2060 Retirement Custom Index	*17.2 (96)*	*-15.1 (1)*	*16.0 (89)*	*14.1 (81)*	*23.7 (-)*	*-8.4 (-)*	-	-	-	-
FRS 2065 Retirement Date Fund	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2065 Retirement Custom Index	-	-	-	-	-	-	-	-	-	-
Stable Value										
FRS Stable Value Fund	**2.7 (78)**	**1.8 (62)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
ICE BofA US Treasuries 1-3 Year Index	*4.3 (12)*	*-3.6 (94)*	-	-	-	-	-	-	-	-
Real Assets										
FRS Inflation Sensitive Fund	**2.5**	**-7.7**	**12.8**	**4.0**	**13.0**	**-5.5**	**8.1**	**6.0**	**-7.9**	**3.2**
FRS Custom Multi-Assets Index	*2.9*	*-5.9*	*11.5*	*2.3*	*13.0*	*-5.5*	*8.1*	*6.2*	*-5.0*	*1.8*
Fixed Income	**7.1 (15)**	**-12.4 (16)**	**-0.3 (15)**	**8.0 (55)**	**9.8 (22)**	**-0.1 (36)**	**4.4 (22)**	**4.7 (12)**	**0.3 (59)**	**4.7 (77)**
Total Bond Index	*6.7 (24)*	*-11.9 (13)*	*-0.7 (27)*	*7.2 (84)*	*9.2 (48)*	*-0.1 (30)*	*3.9 (43)*	*4.3 (17)*	*0.1 (71)*	*4.9 (77)*
FRS U.S. Bond Enhanced Index Fund	**5.9 (55)**	**-13.1 (34)**	**-1.7 (68)**	**7.8 (63)**	**8.7 (61)**	**0.0 (23)**	**3.6 (59)**	**2.7 (66)**	**0.7 (26)**	**6.2 (29)**
Blmbg. U.S. Aggregate Index	*5.5 (75)*	*-13.0 (30)*	*-1.5 (62)*	*7.5 (72)*	*8.7 (61)*	*0.0 (24)*	*3.5 (63)*	*2.6 (67)*	*0.5 (36)*	*6.0 (39)*
FRS Core Plus Bond Fund	**7.7 (11)**	**-13.2 (47)**	**-0.1 (21)**	**8.6 (55)**	**11.0 (18)**	**-0.5 (40)**	**5.3 (28)**	**5.7 (15)**	**0.1 (47)**	**4.6 (73)**
FRS Custom Core-Plus Fixed Income Index	*6.9 (45)*	*-12.5 (23)*	*-0.3 (31)*	*7.6 (75)*	*10.0 (41)*	*-0.4 (36)*	*4.2 (69)*	*4.9 (33)*	*0.2 (43)*	*5.1 (50)*
Domestic Equity	**27.1 (23)**	**-20.4 (69)**	**24.6 (58)**	**20.0 (35)**	**30.1 (38)**	**-6.5 (49)**	**20.8 (49)**	**13.7 (30)**	**0.7 (32)**	**11.5 (47)**
Total U.S. Equities Index	*25.7 (29)*	*-19.1 (62)*	*25.9 (44)*	*18.9 (38)*	*30.0 (38)*	*-6.5 (49)*	*19.6 (57)*	*14.9 (23)*	*-0.5 (42)*	*11.1 (51)*
FRS U.S. Stock Market Index Fund	**26.0 (27)**	**-19.2 (62)**	**25.7 (46)**	**21.0 (31)**	**31.1 (28)**	**-5.2 (36)**	**21.2 (43)**	**12.9 (35)**	**0.6 (32)**	**12.6 (31)**
Russell 3000 Index	*26.0 (28)*	*-19.2 (63)*	*25.7 (46)*	*20.9 (31)*	*31.0 (28)*	*-5.2 (36)*	*21.1 (46)*	*12.7 (37)*	*0.5 (33)*	*12.6 (33)*
FRS U.S. Stock Fund	**30.2 (16)**	**-22.4 (76)**	**22.9 (65)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Russell 3000 Index	*26.0 (28)*	*-19.2 (63)*	*25.7 (46)*	-	-	-	-	-	-	-

AON

Asset Allocation & Performance

As of June 30, 2024

	Performance %									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
International/Global Equity	**17.1 (40)**	**-18.2 (54)**	**9.5 (49)**	**15.2 (40)**	**23.7 (38)**	**-13.5 (33)**	**28.6 (49)**	**4.5 (44)**	**-2.6 (47)**	**-3.2 (43)**
Total Foreign and Global Equities Index	*16.4 (45)*	*-16.8 (46)*	*9.8 (47)*	*11.7 (51)*	*22.3 (47)*	*-14.0 (39)*	*27.3 (58)*	*4.9 (41)*	*-4.4 (54)*	*-3.0 (42)*
FRS Foreign Stock Index Fund	**16.0 (48)**	**-16.6 (45)**	**8.6 (53)**	**11.5 (51)**	**22.3 (47)**	**-14.7 (46)**	**28.3 (51)**	**5.3 (38)**	**-4.4 (54)**	**-4.5 (57)**
MSCI All Country World ex-U.S. IMI Index	*15.6 (51)*	*-16.6 (45)*	*8.5 (53)*	*11.1 (53)*	*21.6 (53)*	*-14.8 (47)*	*27.8 (54)*	*4.4 (44)*	*-4.6 (55)*	*-4.2 (53)*
FRS Foreign Stock Fund	**16.1 (47)**	**-22.7 (74)**	**2.8 (71)**	**25.3 (17)**	**27.4 (21)**	**-14.9 (49)**	**31.2 (40)**	**1.0 (68)**	**-0.5 (36)**	**-2.3 (35)**
MSCI AC World ex USA (Net)	*15.6 (51)*	*-16.0 (42)*	*7.8 (56)*	*10.7 (55)*	*21.5 (54)*	*-14.2 (41)*	*27.2 (59)*	*4.5 (43)*	*-5.7 (59)*	*-3.9 (48)*
FRS Global Stock Fund	**25.0 (23)**	**-25.6 (70)**	**18.1 (45)**	**33.8 (23)**	**30.5 (25)**	**-5.6 (21)**	**29.3 (18)**	**2.2 (84)**	**5.6 (12)**	**3.7 (53)**
MSCI AC World Index (Net)	*22.2 (33)*	*-18.4 (49)*	*18.5 (40)*	*16.3 (45)*	*26.6 (47)*	*-9.4 (52)*	*24.0 (41)*	*7.9 (47)*	*-2.4 (57)*	*4.2 (47)*

The returns for the Retirement Date Funds, Inflation Sensitive Fund, and Core Plus Bond Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

AON

Asset Allocation - FRS Investment Plan

As of June 30, 2024

Asset Allocation as of 6/30/2024	U.S. Equity	Non-U.S. Equity	U.S. Fixed Income	Real Assets	Stable Value	Brokerage	Total	% of Total
FRS Retirement Fund	95,486,966	74,939,138	306,404,377	127,517,404			604,347,884	3.5%
FRS 2020 Retirement Date Fund	85,110,302	67,217,795	229,217,517	102,035,646			483,581,259	2.8%
FRS 2025 Retirement Date Fund	225,379,398	177,363,787	389,024,439	188,142,802			979,910,427	5.7%
FRS 2030 Retirement Date Fund	329,549,916	258,204,058	358,994,239	185,725,726			1,132,473,939	6.6%
FRS 2035 Retirement Date Fund	396,265,166	311,682,250	291,984,859	158,737,800			1,158,670,075	6.7%
FRS 2040 Retirement Date Fund	429,111,370	336,687,383	213,455,400	121,031,412			1,100,285,565	6.4%
FRS 2045 Retirement Date Fund	492,275,952	387,439,407	161,812,929	97,999,379			1,139,527,667	6.6%
FRS 2050 Retirement Date Fund	384,786,192	302,934,743	85,226,766	70,881,667			843,829,369	4.9%
FRS 2055 Retirement Date Fund	316,071,486	248,822,234	49,091,954	58,506,850			672,492,524	3.9%
FRS 2060 Retirement Date Fund	292,257,969	230,075,422	45,393,259	54,098,816			621,825,466	3.6%
FRS 2065 Retirement Date Fund	28,527,322	15,339,643	5,131,607	6,180,000			55,178,573	0.3%
Total Retirement Date Funds	**$ 3,074,822,039**	**$ 2,410,705,860**	**$ 2,135,737,346**	**$ 1,170,857,501**	**$ -**	**$ -**	**$ 8,792,122,746**	**51.1%**
FRS Stable Value Fund					1,316,589,237		1,316,589,237	7.6%
Total Stable Value	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,316,589,237**	**$ -**	**$ 1,316,589,237**	**7.6%**
FRS Inflation Adjusted Multi-Assets Fund				149,830,597	-		149,830,597	0.9%
Total Real Assets	**$ -**	**$ -**	**$ -**	**$ 149,830,597**	**$ -**	**$ -**	**$ 149,830,597**	**0.9%**
FRS U.S. Bond Enhanced Index Fund			222,743,815				222,743,815	1.3%
FRS Core Plus Bond Fund			336,596,050				336,596,050	2.0%
Total Fixed Income	**$ -**	**$ -**	**$ 559,339,865**	**$ -**	**$ -**	**$ -**	**$ 559,339,865**	**3.2%**
FRS U.S. Stock Market Index Fund	1,940,551,105						1,940,551,105	11.3%
FRS U.S. Stock Fund	2,185,874,262						2,185,874,262	12.7%
Total Domestic Equity	**$ 4,126,425,367**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 4,126,425,367**	**24.0%**
FRS Foreign Stock Index Fund		292,616,449					292,616,449	1.7%
FRS Global Stock Fund		361,598,985					361,598,985	2.1%
FRS Foreign Stock Fund		177,568,808					177,568,808	1.0%
Total International/Global Equity	**$ -**	**$ 831,784,242**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 831,784,242**	**4.8%**
FRS Self-Dir Brokerage Acct						1,438,849,820	1,438,849,820	8.4%
Total Self-Dir Brokerage Acct						$ 1,438,849,820	$ 1,438,849,820	8.4%
Total Portfolio	**$ 7,201,247,406**	**$ 3,242,490,103**	**$ 2,695,077,210**	**$ 1,320,688,098**	**$ 1,316,589,237**	**$ 1,438,849,820**	**$ 17,214,941,874**	**100.0%**
Percent of Total	**41.8%**	**18.8%**	**15.7%**	**7.7%**	**7.6%**	**8.4%**	**100.0%**	

Note: The SDBA opened for members on 1/2/14. No performance calculations will be made for the SDBA.

AON

Multi Time Period Statistics

As of June 30, 2024

	3 Years Return	3 Years Standard Deviation	3 Years Sharpe Ratio	3 Years Tracking Error	3 Years Information Ratio	3 Years Up Market Capture	3 Years Down Market Capture
FRS Investment Plan	**3.21**	**12.67**	**0.08**	**0.71**	**-0.58**	**100.73**	**103.51**
FRS Retirement Fund	0.65	9.61	-0.20	0.66	0.10	100.96	100.51
FRS 2020 Retirement Date Fund	0.88	9.96	-0.16	0.73	-0.06	98.54	98.74
FRS 2025 Retirement Date Fund	1.27	10.81	-0.11	0.81	-0.26	97.96	99.08
FRS 2030 Retirement Date Fund	2.15	11.96	-0.01	0.81	-0.22	99.04	99.94
FRS 2035 Retirement Date Fund	2.81	12.97	0.05	0.83	-0.18	99.75	100.57
FRS 2040 Retirement Date Fund	3.19	13.82	0.08	0.86	-0.12	100.25	100.89
FRS 2045 Retirement Date Fund	3.41	14.53	0.10	0.91	-0.09	101.10	101.79
FRS 2050 Retirement Date Fund	3.59	14.89	0.11	0.94	-0.07	101.26	101.90
FRS 2055 Retirement Date Fund	3.69	15.11	0.12	1.00	0.03	102.39	102.80
FRS 2060 Retirement Date Fund	3.71	15.10	0.12	0.99	0.05	102.40	102.75
FRS 2065 Retirement Date Fund	-	-	-	-	-	-	-
FRS Stable Value Fund	2.28	0.16	-1.44	0.53	-1.65	72.19	-
FRS Inflation Sensitive Fund	0.33	8.92	-0.25	1.09	-0.39	95.05	98.03
FRS U.S. Bond Enhanced Index Fund	-2.93	7.52	-0.77	0.27	0.40	101.64	100.34
FRS Core Plus Bond Fund	-1.88	7.17	-0.66	0.64	0.43	98.71	96.39
FRS U.S. Stock Market Index Fund	8.09	18.09	0.36	0.03	1.43	100.10	99.97
FRS U.S. Stock Fund	6.28	19.12	0.26	2.25	-0.66	100.70	107.63
FRS Foreign Stock Index Fund	0.34	17.19	-0.07	2.41	0.11	107.52	106.78
FRS Global Stock Fund	3.42	18.77	0.11	3.90	-0.41	105.58	114.63
FRS Foreign Stock Fund	-2.45	18.08	-0.22	4.58	-0.58	107.80	120.54

The returns for the Retirement Date Funds, Inflation Sensitive Fund, and Core Plus Bond Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

AON

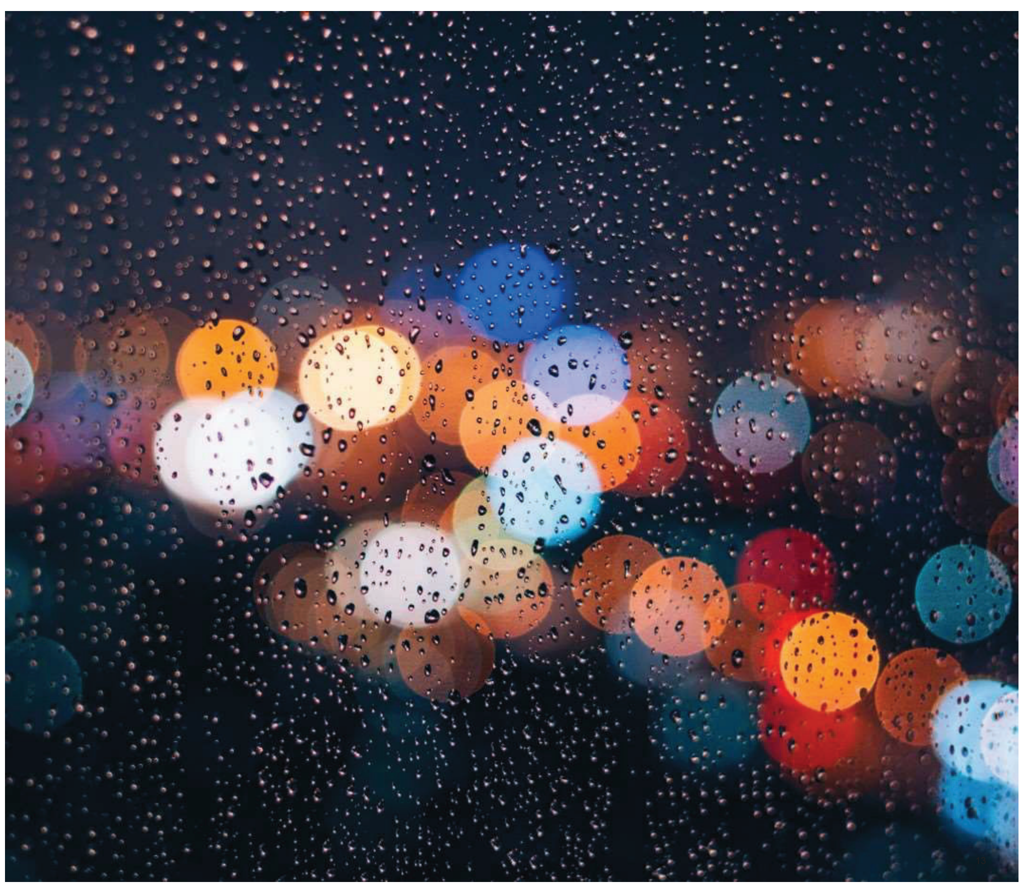
Multi Time Period Statistics

As of June 30, 2024

	5 Years Return	5 Years Standard Deviation	5 Years Sharpe Ratio	5 Years Tracking Error	5 Years Information Ratio	5 Years Up Market Capture	5 Years Down Market Capture
FRS Investment Plan	**7.69**	**12.99**	**0.47**	**0.69**	**0.08**	**102.05**	**102.88**
FRS Retirement Fund	4.44	9.23	0.28	0.60	0.47	101.99	100.10
FRS 2020 Retirement Date Fund	4.86	9.88	0.31	0.67	0.15	99.76	98.74
FRS 2025 Retirement Date Fund	5.63	11.00	0.36	0.72	-0.02	99.30	99.06
FRS 2030 Retirement Date Fund	6.61	12.25	0.41	0.72	-0.05	99.70	99.80
FRS 2035 Retirement Date Fund	7.41	13.33	0.44	0.73	-0.07	99.90	100.19
FRS 2040 Retirement Date Fund	8.02	14.31	0.46	0.75	-0.06	100.10	100.43
FRS 2045 Retirement Date Fund	8.45	15.14	0.47	0.78	-0.04	100.58	101.08
FRS 2050 Retirement Date Fund	8.77	15.61	0.48	0.81	-0.02	100.61	101.02
FRS 2055 Retirement Date Fund	8.94	15.81	0.49	0.84	0.15	101.51	101.65
FRS 2060 Retirement Date Fund	8.97	15.81	0.49	0.84	0.18	101.58	101.58
FRS 2065 Retirement Date Fund	-	-	-	-	-	-	-
FRS Stable Value Fund	-	-	-	-	-	-	-
FRS Inflation Sensitive Fund	2.97	9.28	0.13	1.02	0.29	99.65	96.81
FRS U.S. Bond Enhanced Index Fund	-0.13	6.31	-0.33	0.24	0.46	102.26	100.89
FRS Core Plus Bond Fund	1.03	6.63	-0.14	1.38	0.35	108.45	103.02
FRS U.S. Stock Market Index Fund	14.19	18.66	0.69	0.04	1.05	100.14	100.01
FRS U.S. Stock Fund	-	-	-	-	-	-	-
FRS Foreign Stock Index Fund	5.82	17.94	0.28	1.98	0.13	104.25	104.43
FRS Global Stock Fund	12.45	19.12	0.60	4.01	0.46	109.42	105.68
FRS Foreign Stock Fund	6.05	18.70	0.29	4.50	0.16	109.09	108.53

The returns for the Retirement Date Funds, Inflation Sensitive Fund, and Core Plus Bond Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

Appendix



Benchmark Descriptions

Retirement Date Benchmarks - A weighted average composite of the underlying components' benchmarks for each fund.

ICE BofA US Treasuries 1-3 Year Index - An unmanaged index that tracks the performance of the direct sovereign debt of the U.S. Government having a maturity of at least one year and less than three years.

FRS Custom Multi-Assets Index - A monthly weighted composite of underlying indices for each TIPS and Real Assets fund. These indices include Barclays U.S. TIPS Index, MSCI AC World Index and the Bloomberg Commodity Total Return Index, NAREIT Developed Index, S&P Global Infrastructure Index, S&P Global Natural Resources Index.

Total Bond Index - A weighted average composite of the underlying benchmarks for each bond fund.

Barclays Aggregate Bond Index - A market value-weighted index consisting of government bonds, SEC-registered corporate bonds and mortgage-related and asset-backed securities with at least one year to maturity and an outstanding par value of $250 million or greater. This index is a broad measure of the performance of the investment grade U.S. fixed income market.

FRS Custom Core-Plus Fixed Income Index - A monthly rebalanced blend of 80% Barclays U.S. Aggregate Bond Index and 20% Barclays U.S. High Yield Ba/B 1% Issuer Constrained Index.

Total U.S. Equities Index - A weighted average composite of the underlying benchmarks for each domestic equity fund.

Russell 3000 Index - A capitalization-weighted index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

Total Foreign and Global Equities Index - A weighted average composite of the underlying benchmarks for each foreign and global equity fund.

MSCI All Country World ex-U.S. IMI Index - A capitalization-weighted index of stocks representing 22 developed country stock markets and 24 emerging countries, excluding the U.S. market.

MSCI All Country World ex-U.S. Index - A capitalization-weighted index consisting of 23 developed and 24 emerging countries, but excluding the U.S.

MSCI All Country World Index - A capitalization-weighted index of stocks representing approximately 47 developed and emerging countries, including the U.S. and Canadian markets.

Descriptions of Universes

Retirement Date Funds - Target date universes calculated and provided by Lipper.

FRS Stable Value Fund - A stable value universe calculated and provided by Lipper.

FRS U.S. Bond Enhanced Index Fund - A broad market core fixed income universe calculated and provided by Lipper.

FRS Core Plus Bond Fund - A broad market core plus fixed income universe calculated and provided by Lipper.

FRS U.S. Stock Market Index Fund - A multi-cap U.S. equity universe calculated and provided by Lipper.

FRS U.S. Stock Fund - A multi-cap U.S. equity universe calculated and provided by Lipper.

FRS Foreign Stock Index Fund - A foreign blend universe calculated and provided by Lipper.

FRS Foreign Stock Fund - A foreign blend universe calculated and provided by Lipper.

FRS Global Stock Fund - A global stock universe calculated and provided by Lipper.

Notes

- The rates of return contained in this report are shown on an after-fees basis unless otherwise noted. They are geometric and time-weighted. Returns for periods longer than one year are annualized.
- Universe percentiles are based upon an ordering system in which 1 is the best ranking and 100 is the worst ranking.
- Due to rounding throughout the report, percentage totals displayed may not sum to 100%. Additionally, individual fund totals in dollar terms may not sum to the plan total.

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Disclaimer

Past performance is not necessarily indicative of future results.

Unless otherwise noted, performance returns presented reflect the respective fund's performance as indicated. Returns may be presented on a before-fees basis (gross) or after-fees basis (net). After-fee performance is net of each respective sub-advisors' investment management fees and include the reinvestment of dividends and interest as indicated on the notes page within this report or on the asset allocation and performance summary pages. Actual returns may be reduced by Aon Investments' investment advisory fees or other trust payable expenses you may incur as a client. Aon Investments' advisory fees are described in Form ADV Part 2A. Portfolio performance, characteristics and volatility also may differ from the benchmark(s) shown.

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STATE BOARD OF ADMINISTRATION
OF FLORIDA

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TALLAHASSEE, FLORIDA 32308
(850) 488-4406

POST OFFICE BOX 13300
32317-3300

August 26, 2024

Mr. Vinny Olmstead, Chair
IAC Compensation Subcommittee
2770 Indian River Boulevard
Suite 501
Vero Beach, FL 32960

Re: September Meeting of the State Board of Administration (SBA) Investment Advisory Council (IAC) Compensation Subcommittee (Subcommittee)

Dear Vinny:

Attached are the materials for the upcoming Subcommittee meeting. I would like to highlight two items on the agenda: the IAC's performance evaluation of the CIO for Fiscal Year 2023 -2024 and going forward, and Mercer's review of peer incentive compensation plan payout levels.

1. **Review of CIO's Performance**

As you know, effective this past June 17th, the Trustees appointed me as the SBA's Executive Director, with Lamar Taylor remaining Chief Investment Officer and reporting to me. In light of the IAC's and the Subcommittee's interactions with Mr. Taylor over the last fiscal year, I thought it would be appropriate and helpful for the IAC to provide its feedback on Mr. Taylor's performance for me to consider as I finalize his performance evaluation for Fiscal Year Ended June 30, 2024. Mr. Taylor has provided me and each of you a self-assessment of his performance and organizational accomplishments over the last year. I look forward to hearing your feedback on his performance over the last year.

Going forward, the question is what role does the IAC play in assessing the CIO's performance. You may recall that when the ED and CIO roles were combined, the Trustees relied on the Subcommittee's review of the EDCIO in determining the EDCIO's qualitative component of the incentive compensation plan. Now that the roles are split, only the IAC's review of the ED's performance will be provided to the Trustees to determine the qualitative component of the ED's incentive compensation. This is because statutorily only the ED directly reports to the Trustees. All other positions, including the CIO report to the ED, who is the final authority on personnel matters, including compensation. Nevertheless, given the role of the IAC and the background and experience of the IAC members, it would seem appropriate (and would be welcomed from my perspective) to have the IAC continue to weigh in on the CIO's performance by providing feedback to me that I may use in completing my evaluation of the CIO for each fiscal year going forward.

To this end, I would propose a process similar to the one employed in years past. By July 15th of each year, the CIO would complete a self evaluation and provide it to me and the IAC members along with the form attached as Exhibit A. By July 31st, the IAC members would complete the form and provide it to Mercer who would then compile the responses by August 31st and provide them to the ED to be presented at the next Subcommittee meeting. This process and timeline coincide exactly with the process the IAC will follow in providing feedback to the Trustees on my performance going forward.

As a final point on this topic, although the ED and CIO roles have been separated, I have amended the Incentive Compensation Plan for Certain SBA Employees other than the Executive Director to include the role of the CIO at the Tier 1 payout level. The Tier 1 level is the same payout level that was in place for the CIO role when it was combined with the ED role, and it is the same payout level that currently applies to my role as ED.

2. **Mercer's Review of Peer Incentive Payout Levels**

In December 2022, Mr. Taylor, as Interim EDCIO at the time, made a number of recommendations to the Subcommittee regarding compensation. Several of those recommendations were ultimately supported by the IAC; however, the Subcommittee requested additional information relating to Mr. Taylor's recommendation to increase the Incentive Compensation Plan's (ICP) payout levels for all positions. Soon after starting in my role as Executive Director, I asked Mercer to provide a brief summary of current ICP payout ratios of the SBA's peer universe as compared to the payout ratio of the SBA's ICP. As you can see from the materials, the SBA's ICP payout ratios are significantly behind the payout ratios for peer plans. In many cases, peer plan payout ratios range from *2 to 3 times* the payout ratio of the SBA's ICP.

This is not a new development. Similar data was presented in 2021 and again in 2022, and my understanding is that this has been a matter of interest for the Subcommittee and members of the IAC since the SBA's ICP commenced in 2015. Mercer will briefly present its current findings at the upcoming Subcommittee meeting. In light of the information Mercer has compiled, I plan to propose the SBA engage Mercer to conduct and present the Subcommittee with further analysis of the ranges of payout ratios and aggregate dollar amount of incentive compensation paid at peer plans (where that information is available). From this information, I would seek to work with the IAC to ensure the SBA's payout ratios are both more competitive with peer incentive compensation plans and manageable from a budget perspective.

Once again, I look forward to seeing you all virtually at the upcoming Subcommittee meeting. Please do not hesitate to reach out to me if you have any questions.

Best regards,

Chris Spencer
Executive Director

Exhibit A

1) **Investment Performance and Risk Management**
The rating for this category should reflect the degree to which the incumbent has:
   - Implemented the investment policies of the Trustees
   - Managed active risk within the investment portfolios

   (Circle One)

   Poor Below Expectations Meets Expectations Exceeds Expectations

   Comments:

2) **Investment Staff Recruitment and Retention**
The rating for this category should reflect the degree to which the incumbent has:
   - Developed subordinate investment staff
   - Recruited and retained key investment talent

   (Circle One)

   Poor Below Expectations Meets Expectations Exceeds Expectations

   Comments:

3) **Investment Infrastructure and Operations**
The rating for this category should reflect the degree to which the incumbent has:
   - Identified and implemented improvements in investment analytics and reporting
   - Identified and implemented investment process operational improvements

   (Circle One)

   Poor Below Expectations Meets Expectations Exceeds Expectations

   Comments:

4) Interaction with the Investment Advisory Council

The rating for this category should reflect the degree to which the incumbent has:

- Maintained effective working relationships with IAC members and the Council as a whole
- Provided requested information and transparency

(Circle One)

Poor Below Expectations Meets Expectations Exceeds Expectations

Comments:

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Agenda
Investment Advisory Council (IAC) Compensation Subcommittee
Conference Call

Thursday, September 5, 2024
1:30 - 3:00 p.m.

1.	**Welcome/Call to Order/Approval of Minutes of September 12, 2023 Meeting** **(Attachments 1A – 1B)**	Vinny Olmstead, Chair
2.	**Opening Remarks**	Vinny Olmstead, Chair
	Opening Remarks	Chris Spencer, Executive Director
3.	**Discussion of Evaluation of Performance of Interim ED/CIO** **(Attachments 2A – 2C)**	Josh Wilson, Mercer
4.	**SBA Incentive Plan Market Review** **(Attachment 3)**	Josh Wilson, Mercer
5.	**SBA Compensation Update** **(Attachment 4)**	Chris Spencer, Executive Director
6.	**Other Business/Audience Comments/Closing Remarks/Adjournment**	

Attachment 1A

MINUTES
INVESTMENT ADVISORY COUNCIL
COMPENSATION SUBCOMMITTEE CONFERENCE CALL
September 12, 2023

A meeting of the Investment Advisory Council (IAC) Compensation Subcommittee was held on Tuesday, September 12, 2023, in the Hermitage Room of the State Board of Administration of Florida (SBA), Tallahassee, Florida. The attached transcript of the September 12, 2023, meeting is hereby incorporated into these minutes by this reference.

IAC Members:	Vinny Olmstead, Chair (via Teams) John Goetz (via Teams) Peter Collins (via Teams)
SBA Employees:	Lamar Taylor, Interim Executive Director & CIO (via Teams) Paul Groom Amy Pacey Teresa Jackson Alyson Beyer
Consultants:	Josh Wilson – Mercer (via Teams)

WELCOME/CALL TO ORDER/APPROVAL OF MINUTES

Vinny Olmstead, Chair, called the meeting to order at 1:05pm. The approval of the September 6, 2022, and February 13, 2023, IAC Compensation Subcommittee minutes was deferred until later in the meeting. Vinny explained that the purpose of today's meeting is to discuss Lamar Taylor's performance evaluation as Interim Executive Director & CIO.

OPENING REMARKS

Lamar Taylor, Interim Executive Director & CIO, gave an update on performance, noting that performance at the end of the fiscal year was up 7.5%, 261 bps behind target. He explained that this is due to a lag in private market valuations. Lamar commented on Hurricane Idalia which hit the area on August 30, stating that while they are still waiting on preliminary information, they do not expect any significant impacts to the Hurricane Catastrophe Fund.

Lamar discussed the Governance Risk and Compliance review that was recently conducted by Funston, which found that the SBA is a high performing organization that takes risk and compliance seriously. The review produced over 40 recommendations that will be implemented over the next 5 years. Lamar also provided an overview on the results of the employee engagement survey conducted through Glint, noting that the SBA's engagement score was 3 points above the benchmark. After Vinny Olmstead, Chair, inquired about the frequency of the survey, Lamar explained that it's done periodically but there is not a set schedule; however, he stated that it may be beneficial to do it more frequently to see if any progress has been made. Lamar also answered a question from Vinny regarding how the fiscal year's performance would affect the SBA investment team's compensation.

Vinny Olmstead, Chair, requested a motion to approve both the September 6, 2022, and February 13, 2023, meeting minutes. Peter Collins made a motion to approve the minutes. Vinny seconded. All in favor. The September 6, 2022, and February 13, 2023, meeting minutes were approved.

DISCUSSION OF EVALUATION OF PERFORMANCE OF INTERIM ED/CIO

Lamar Taylor explained that while he has been in the role of Interim Executive Director & CIO since October 2021, this is his first formal evaluation. Josh Wilson, Mercer, explained that the results were compiled from a questionnaire completed by each of the Compensation Subcommittee members, in which they rated Lamar according to a four-point scale on five categories: People, Efficiencies/Infrastructure, Interaction with Committees, and Individual Rating. Josh went over the results and comments for each category, noting that Lamar received very strong scores all around. John Goetz noted that no one rated Lamar below a 3 (met expectations) on any of the categories. Josh agreed that it was a very favorable response while leaving room for improvement. Lamar thanked everyone for their consideration, stating that he is always open to feedback. Regarding a comment that an evaluation should be done by direct reports, Josh referred to Lamar's earlier remarks on the employee engagement survey that had also produced favorable results.

Vinny Olmstead, Chair, suggested that the full IAC participate in Lamar's evaluation in the future to provide more constructive results and comments. Peter Collins and John Goetz agreed. Lamar stated that he would check whether the plan would have to be amended to extend participation to the full IAC. Vinny congratulated Lamar on the evaluation results and Lamar thanked everyone once again.

SBA COMPENSATION UPDATE

Lamar Taylor, Interim Executive Director & CIO, provided an update on the previously agreed upon efforts to adjust the pay scale target to the median of peers. In July, a market adjustment was implemented which moved most employees closer to the median target for their respective pay grades. Lamar noted that there will still be a merit cycle in December that should move everyone even closer to the target and commented that he believed this would benefit recruitment and retention. He noted that the SBA's flexible approach of allowing employees to occasionally work remotely when needed, seems to be working. There was some discussion between Lamar, Josh Wilson, and the Compensation Subcommittee regarding remote work trends.

Lamar also outlined changes that had been made to the Incentive Compensation Plan: increased membership to include the Financial Operations team and lawyers; removed the rule that if the period gets negative absolute performance but positive relevant performance, you must wait two consecutive quarters before getting paid; and added flexibility to provide waivers of unintended consequences when first vetted with the IAC. Lamar noted that over the next year they hope to present the recommendations for increasing the incentive compensation payout percentages. Lamar, Josh Wilson, Amy Pacey, Teresa Jackson, and Paul Groom answered questions from the Compensation Subcommittee regarding pay grades, compensation, and turnover.

OTHER BUSINESS/AUDIENCE COMMENTS/CLOSING REMARKS/ADJOURNMENT

The Compensation Subcommittee inquired about Lamar's compensation and discussed his inability to receive incentive compensation as Interim. After discussion between Josh Wilson, Mercer, and the Compensation Subcommittee, it was requested that Josh prepare a recommendation on incentive compensation for Lamar, covering both the current year and prior year. Following a review of Mercer's recommendation, Vinny Olmstead, Chair, and John Goetz will prepare a memo to the Trustees recommending that Lamar receive incentive compensation since he has been in the interim role for an extended period.

There being no further questions or items for discussion, the meeting was adjourned at 2:13pm.

Vinny Olmstead, Chair
IAC Compensation Subcommittee

12/2/23

Date

Attachment 1B

STATE OF FLORIDA

STATE BOARD OF ADMINISTRATION

INVESTMENT ADVISORY COUNCIL
COMPENSATION SUBCOMMITTEE

PUBLIC MEETING

PAGES 1 - 65

Tuesday, September 12, 2023

1:05 p.m. - 2:13 p.m.

LOCATION:
1801 Hermitage Blvd.
Tallahassee, FL

Stenographically Reported By:

TRACY L. BROWN

APPEARANCES:

(Appearing remotely)

Vinny Olmstead, Chair
Lamar Taylor, Interim ED & CIO
Peter Collins
John Goetz
Josh Wilson, Mercer
Amy Walker

(Appearing in person)

Paul Groom
Audrey Milnes
Marissa Hicks
Teresa Jackson
Amy Pacey

Thereupon,

The following proceedings began at 1:05 p.m.:

MR. CHAIR: Welcome, all. We'll kick this off maybe by just approving our minutes. I think we have two sets of minutes to approve, one from the September 6th, 2022, and the other from the February 13th, 2023 meetings, which I have reviewed and look accurate to me.

I guess I can move for approval. But just to provide context, I think there's three folks on the comp committee, which is Gary Wendt, Peter Collins and myself, and John as chair here.

So, Lamar, I don't know how to handle approving them. I say I approve and maybe we get email approval from Gary and from Peter?

MR. TAYLOR: I think that can work. From what I understand, Peter will be joining us in a minute. And we might be able to defer these minutes till the end.

MR. CHAIR: Let's do that then.

MR. TAYLOR: Okay.

MR. CHAIR: And with regards to, you know -- anyway, this is a continuation from a

conversation that we had previously. And I think the intent here is to get some feedback from Josh over at Mercer regarding Lamar. I know we're in sort of an odd here where Lamar is in an interim role, so not technically eligible for the variable pay. However, we think constructive feedback and going through the process made a heck of a lot of sense. So we opted to move forward and look forward to hearing comments from Josh.

Welcome, Peter.

MR. GROOM: Before we go any further, we just want to remind everybody that the meeting is being recorded.

MR. CHAIR: Excellent.

MR. TAYLOR: And, Mr. Chair, if it's all right with you, just before we move to Josh, just a few opening remarks. I can bring the group up to date on a couple of things, then I'll have some additional comments at the end in the comp update. It's up to you.

MR. CHAIR: Please.

MR. TAYLOR: So thank you, all, and welcome. Just a couple things. One, just performance. I know we sent out our fiscal year-ending performance information out recently. We ended the fiscal year up seven and a half percent. That's the good news. The bad news, that's a little over two and a half -- 250 bps -- 261 bps to be precise, behind target. And that's a function of the things we talked about at the last IAC meeting where you sort of take the good with the bad with the private markets. Those markets lag and so when, you know, the public markets are going down, the private markets kind of keep us void. This year we had public markets moving up pretty substantially and the private markets are lagging behind that. So as we all know, we think those will smooth out over time. We can talk more about that next week at the IAC meeting.

Hurricane Idalia did hit the Florida Big Bend area August 30th. Obviously devastating to the folks who were impacted. In fact, former executive director of the State Board of Administration lives in that area. And I'm kind of trying to follow up on how they fared. He wasn't there at the time. But definitely impacted those folks that lived in that area

but that's not a heavily populated area. And we're not expecting a significant impact to the Hurricane Catastrophe Fund. Preliminary estimates will be coming in. We'll get some pretty good information about the middle of this month, that's where preliminary proofs of loss are due and the actuaries -- the modeling estimates are due 15 days after landfall. So we'll have some pretty good information middle of this week.

I had an audit committee meeting August 21st. A number of things that we discussed there, one of them was the completion of the Funston Government Risk and Compliance Review, that's a five-year process -- or every five years we run through that. A lot of good information. This time, one of the things I thought, I should read the overall summary. And overall, Funston reports that the SBA is a high-performing organization with a strong tone at the top, middle and bottom. The governance risk and compliance are taken very seriously and commitment to improvement is evident throughout. And generally the organization has effected policies and processes to ensure the decisions are well considered. Risks are identified and mitigated. And compliance with statutes and policies are consistent -- consistently achieved.

They came up with a little over 40 recommendations/considerations for improvement. We are in the process now of either implementing those or we will implement those over the next five years.

And, Mr. Chair, if I could, the point about Funston, and particularly their tone at the top kind of reminded me of something I alluded to in my self assessment, but I thought I'd just take a brief moment to just kind of provide some additional comments on, because it's somewhat in response to a fair point that was raised in the evaluation, which is that the compensation subcommittee really only gets a few bites of the apple for providing the evaluation in terms of the relatively few interactions -- the four meetings. And so what I thought I would do is briefly just kind of report to the committee the results of an employee engagement survey that we conducted the first part of June, which is sort of

tantamount to a 360 review of SBA leadership. And that is its purpose. We try to do these periodically in a way that provides the most opportunity for folks to provide candid feedback to us so we can take some of that feedback and make improvements, if necessary.

So we engaged a third party -- our HR team engaged a third party, Glint, to conduct an employee engagement survey, June 1st through the 21st, of a third of the questions. The point was to try to get an engagement score which is to drill into two areas, one, how happy are you working at the SBA, and would you recommend the SBA is a great place to work. This third party has benchmarks scoring against similar organizations in the financial industry.

We had 82 percent of our employees participate in the survey, 186 out of 227 people participated. Our engagement score was 79 out of a hundred, which was three points better than the benchmark score of 76 out of 100.

We can kind of -- I don't want to belabor the point and get into the details, but some of the things that I thought were relevant in terms of the feedback was questions where we scored above benchmark that I think are relevant to this meeting, one, people planned to be working at the SBA two years from now. So from improvement retention standpoint, we got some good feedback. I have confidence in SBA leadership team, which I think speaks to the team that we have in the executive area. And the SBA continues to improve the way work gets done.

We did have some takeaways and feedback around improving communication and ensuring that the feedback that we received from the survey gets implemented. But I did want to just sort of dwell a little bit more on that. I mentioned it in the self assessment but really didn't get into the weeds.

And so that's all the comments I had. I'm happy to take any questions.

MR. CHAIR: Lamar, how often -- Vinny Olmstead here. How often -- is this the first time that you did the employee engagement survey?

MR. TAYLOR: We -- yes and no. It's the

first time I think we've used Glint for this. We have done these -- historically we've kind of called them tone at the top. And just to try to get an assessment of how folks throughout the organization feel, particularly from a values standpoint, you know, are we walking the walk and talking the talk in terms of our mission and our values?

And so we did one of those, I think, right about -- during the pandemic. We've done one -- it's not a set schedule, but we do them periodically.

MR. CHAIR: Is there a plan to do it sort of systemically or -- I would think comparing apples to apples year over year with the same survey or similar survey may make some sense, but just out of curiosity, what's the thought on that?

MR. TAYLOR: That's a great question. We certainly think it's a good idea. I don't think we've kind of nailed it down with some sort of periodicity, but I think we would want to sort of test this again, you know, within a year or two, just making sure we're still staying on task. And particularly the feedback that we got, you know, around better communication, you know, how are we -- how are we living up to that? Are people -- do they feel like we are improving the communication opportunities internally, people just being aware of what other -- what's going on at the executive level, what's, you know, going on downtown, what's -- how is that impacting, you know, the operations and the needs from staff.

So we can certainly do that.

MR. CHAIR: I have one more question, Lamar. I don't know if you're going to get to this later, but the 261 bps missed. What implication does that have on the team's compensation?

MR. TAYLOR: Well, it's -- so we would need to look at the three-year number and -- because that's the way -- the comp is based over a three-year period. I believe we're still going to hit the target for the three-year numbers. I can have that information -- I can follow up with that information, I just don't have it at my fingertips right now.

MR. CHAIR: Okay. Any other questions?

MR. TAYLOR: The other complicating factor about that, too, is that it's based on audited -- the incentive comp is based on audited numbers in three and we're not quite done with the audit period. So we get those audit evaluations. And so we're not quite done with the audit -- the audit right yet. So we'll soon get those audit evaluations and then that will help us sort of shake out the three-year number. I knew there was a reason why I didn't have the number in my memory.

MR. CHAIR: Makes sense.

All right. Now that Peter Collins is on, can I go back and just request that we approve the minutes from September 6th and February 13th?

Peter, you good with that?

MR. COLLINS: I'll make a motion.

MR. CHAIR: Second.

All for it.

(Members reply aye.)

MR. CHAIR: I don't think anyone's going to say nay, so let's move forward with the minutes.

And I think next -- so there's no more

questions prior to Josh Wilson giving us his evaluation on the performance of the ED here.

MR. WILSON: Fantastic. Thank you.

Whoever's managing the slides, I assume you have a copy of this and you can sort of work along with me?

MS. MILNES: Yes. Give me just one moment and I'll move forward to it.

MR. WILSON: Perfect. We can go to the, I guess, second page.

So just to brief everyone, you know, we had done these previously with the prior executive director, CIO. Lamar has been in the role since early 2022, but this is the first time that we've done an evaluation for Lamar. So we sent the same format we followed before. A questionnaire was sent out to the IAC members. Three -- the three members completed it, Gary Wendy, Peter Collins, Vinny Olmstead. Sent them to Mercer, Mercer compiled the results. And what you're about to see is the amalgamation of the results.

MR. TAYLOR: Hey, Josh. Just before that, just a point of clarification, I've actually been in the role since October of '21.

MR. WILSON: Okay.

MR. TAYLOR: And we did do a -- there was a review last year, but we didn't run through the formal evaluation process last year.

MR. WILSON: Perfect. Thank you. Appreciate the clarification.

So with that, if we can go to the next page and just give you an executive summary of the results.

So this is based out of four, the rating is a four-point scale. Four is exceeds expectations. Three is meets expectations. Two is below expectations. And poor is one -- a one out of four.

So in the categories that we had, overall mission was a 3.33. People, also a 3.33. Efficiencies and infrastructure as well. Interaction with the committee at 3.67. And individual rating of 3.5.

So very strong scores across the board for the interim executive director.

Then if I could take it to the next page. You can see what we're rating on here. I won't read this to you, but you can see some of the comments are at the bottom that were made by the IAC members.

Dedicated to the mission of an SBA reputation, all seems to have gone well. Poor market caused overall poor results, but versus benchmarks, results were almost always favorable. So I think a strong endorsement for the performance overall.

Any questions on this one before I move to next one?

Okay. From a people perspective, 3.33 out of four. You know, a couple of the comments you'll see in here is a little early to tell on several comments. So difficult -- done a good job during a tough recruiting period. I will say from an outsider's perspective, you know, we're coming off the great resignation, but the labor market is still very tight, so recruiting has been a very difficult task for every state pension plan that I work for. Florida is no exception. I think you've done a very good job, from what I can see, in fulfilling roles.

Any questions on this one?

Okay. From efficiencies, infrastructure, and operations, again a 3.33.

One comment at the bottom.

In terms of interactions with the IAC and audit committee, a strong score here of 3.67. The comments speak for themselves, very responsive to requests and questions and excellent interacting and seeking advice. Openminded about change. Very positive responses there.

MR. GOETZ: I commend the IAC member who switched from just solid threes to a four on this in the voting.

I got a grin, but I didn't actually get a chuckle. I'm picking on --

MR. CHAIR: I chuckled, John. I was on mute.

MR. GOETZ: What I'm alluding to, you know, in these things is when we do -- we do these huge volume reviews in the middle of the year, and we get stuck in columns, you know what I mean. Like, we get stuck in the threes, we get stuck in the fours, you know, depending upon the moment. And I just wanted to reflect as -- as an observer, I see, you know, these scores.

The good news, I guess, just to go to the punchline is no one rated Lamar below a three on anything, which is your point, right, that that's actually a favorable outcome.

MR. WILSON: Correct. Correct.

MR. GOETZ: Okay. All right.

MR. COLLINS: Well, you know, the thing I would say, too, is it's hard for me -- look, I've been there a long time. I've been on this board a long time but Lamar hasn't been there a long time. So I -- you know, as I was going through this, I'm thinking to myself, well, what are my expectations? I had to sit down and really think, well, what were my expectations? And did he meet them? Did he exceed them?

But it really was less about -- it was certainly about Lamar, but more about me understanding my expectations for Lamar. So if there was an area where I didn't vote a four, it's not a negative reflection at all. It's, hey, he met the -- he met my expectations.

You know, I don't exceed all of my wife's expectations, but I'm a hell of a husband.

MR. GOETZ: Josh, you have this normed? You have this normed? You started with your comment that this is good.

MR. WILSON: This is good. I mean, look, this survey is -- you know, the questions are not -- you know, we don't use these questions for 50 other organizations, right. This is very specific to SBA.

You know, from my -- from my standpoint, you know, I saw the results. To the point you made, everyone was a three or higher. I think this is a very favorable response.

MR. GOETZ: Okay.

MR. TAYLOR: And I guess, Mr. Chair, for what it's worth, certainly take it that way. I certainly take it as good feedback that, you know -- and so -- and I'm happy to get the feedback and always open to, you know, ideas for things to consider for improvement. It's about -- it's about kind of meeting everybody's expectations. So I'm very happy with the outcome and thank everybody for their consideration.

And -- but I -- but I will also say, I'm working to get fours from everybody, you know. It's just -- you know, that's -- it's very much wanting to make sure everybody -- I'm moving to that four. So I'll keep working in that direction to get fours out of everybody going forward. But pleased with the outcome.

MR. WILSON: Yeah, I think when you do these honestly and not like a, you know, car service detail rating system, right, where you beg for a five kind of thing, I think these are very honest feedback and I think that's exactly what's needed in the first time you do a formal evaluation like this. If you gave fours across the board and said he's perfect, I'm not sure if that's helpful. So to me, these are very good scores and there's room for improvement but that's what it's all about.

MR. COLLINS: Okay.

MR. WILSON: And then the final page, this actually speaks to -- so the rating was a three and a half out of four, but the comment I think is the most interesting one, which the second part of it says, you know, an evaluation should be done by his direct reports. Because they're in a better position to judge versus the IAC that doesn't spend as much time with him.

And I think, you know, Lamar sort of preceded this with talking about the engagement scores. And particularly, the rating of

leadership, which obviously is a, you know, most accurate reflection of senior leadership. So, you know, I think -- I don't think it was done because of this, but just sort of happens to coincidentally fall in line. An evaluation was done by direct reports and it came out very favorably. So I think that lines up with the IAC rating as well.

MR. CHAIR: I brought this up last year, I'll bring it up again. It's -- you know, having three of -- only three in the comp committee complete this versus the entire committee completing this seems -- you know, one person gives -- it's just skewed a lot. I think it would be -- I bluntly think it would be much more meaningful if the entire -- I understand there's a comp committee, but there's an entire IAC that has opinions. So when you go from, you know, three to nine people, I think you'll get more feedback. You'll get more constructive feedback. You'll probably get more accurate scores.

So I would, again, be in favor next year if we broadened this. I mean, it doesn't take that long, that's for sure, but, you know, you get one out of three comp committee members that don't do it or give one low score and you're -- I'm not sure it accurately reflect --

MR. COLLINS: Do we have to amend the plan at all to allow that? I don't know if that's written anywhere that only the comp committee does it. But I totally agree with you. I mean, you need more feedback and you need the other board members to feel like they're a part of the evaluation and not just three people. So I would totally agree with that.

MR. TAYLOR: I don't think we do. I will double check, but I don't think it's written or mandated anywhere in the plan document that it's only the three members. We will certainly double check. My recollection is the plan document really sort of speaks to the trustees. And that they -- historically, there was a -- some attempt to make sure the trustees had some information on which to make a recommendation. So that was the IAC's feedback or the comp subcommittee's feedback.

I think --

MR. COLLINS: We just went through this for our president at FSU and all the board

evaluates him and they all provided comments. And, you know, some people didn't provide comments, but we didn't have anything less than I want to say -- well, we have 13 people, but we didn't have anything less than six comments. And it was interesting on those, you know, there was a message to be driven home when you get six or seven comments that are blind and almost the same, right. There's a message in there. And I think it's a more robust exercise if you've got all those comments.

MR. TAYLOR: Yeah. Let us just double check and make sure -- I'm pretty sure it's not, but we'll double check and we'll get back to you. And then it's -- then it's just a motion that the IAC, the rest of the IAC wants to weigh in and we can provide this to the full committee next time.

MR. COLLINS: Don't you think, John, as a member of the Board and as Chairman, but not a member of this subcommittee? I mean, wouldn't you like to --

MR. GOETZ: Oh, yeah. Right. Because the IAC has observation of more issues of Lamar's behavior than the comp committee does, right.

Because we're seeing the interaction with each of the unit heads and all that stuff.

So I -- I agree. Give them all a vote. Anything influenced a third by Peter Collins should be questioned.

UNIDENTIFIED SPEAKER: That's not true.

MR. COLLINS: That's not what why I asked you. Can you mute yourself, please.

MR. CHAIR: Okay.

MR. WILSON: Yeah. Any other questions on the survey? As an outsider, I do love the idea of getting a broader group to respond. I think that would provide even better feedback.

MR. CHAIR: Congrats, Lamar. It was a good scoring.

MR. TAYLOR: Well, thank you. And thank you all.

So, Mr. Chair, if it's all right with you, we can proceed to the next item. I can give a pretty brief update on this and take questions if anybody has any.

MR. CHAIR: Please go for it.

MR. TAYLOR: So -- and I think, you know, we -- I'm not going to go page by page on this. I'll just -- unless you all have questions on

it.

I think the thing, just to kind of bring everybody up to speed on the -- this past February, we had a good meeting and the takeaway was, hey, we'd like, Lamar, you, the SBA to really kind of redouble the effort to try and keep compensation annually targeted to the median of our peers. Because as Mercer had reflected, despite the work and the good work that we had -- with the support of the IAC and the trustees that we'd been doing since 2013, we've really been kind of treading more. And a lot of that had been just because of the lags of the pay, how we updated our pay scale.

So we did that. This year, this budget cycle, we requested funds sufficient to try to move us meaningfully to the target, the median target, of our peers today. And just kind of take that medicine in one fell swoop. We implemented that in July for a market adjustment and it was -- pretty much anybody at the Board got some movement towards their median market comp for their paid grade. So that has been helpful. And we will have a merit cycle in December, which is our normal merit cycle. We think that once we kind of complete that cycle, we'll be much, much further along to the target median of our peer plans and base comps. So we have -- we had taken steps there and implemented, and I think we are -- I think we will see benefits in terms of recruitment and retention.

You know, as I said in the self assessment, we have been successful in recruiting people even from outside the state. And I think that we'll be successful there. We saw still relatively high turnover in the non-asset classes over this past cycle. I think that's a reflection of folks, and I'm seeing it now, peer plan saying, hey, you know, we're looking for investment accountants. I mean, and so that's what happened. A lot of the -- we've had people sort of poaching our back office for talent. So I think this market adjustment will help everybody across the board. So that's one thing we did.

MR. CHAIR: Lamar, do you see that as a remote thing? So potentially poaching people, is it -- does the fact that they're able to work remote work against you?

MR. TAYLOR: Maybe. But I don't -- I think we're still having success. I don't think it's necessarily -- I think we probably might have a little bit easier time finding people if we offered the remote as an option. But really what we're seeing in the marketplace is more people trying to get back into the office. And the remote work is more of a hybrid where you get so many days. So in other words, try to -- which would still require people to be in Tallahassee because they'd at least have to be in the office sometime. So we've still got this geography issue of trying to get people here, even if we were to try to do some sort of hybrid stance.

I feel like, you know, people do understand what our -- I mean, we're in every day with some flexibility under certain circumstances for people to kind of take a day here or there. And that seems to be working. And I think -- I'm hoping that more and more of our peers will start -- been on the calls with some peer COs who are now starting to talk about, how did you get your people back in, you know. And they seem to be wanting to kind of of figure out, well, how did that happen? We're trying to get more and more people back in.

So I feel like the market's kind of moving back into at least some kind of hybrid situation.

MR. GOETZ: Yeah. Because I visit your colleagues around the country, you know, on a regular basis, there's a real pattern here. If you're in a metropolitan area, I'll pick on San Francisco as the worst, right, then commuting where the city has gotten relatively scarier and not all your colleagues are in anyway and blah, blah, blah, it's the anti-commute movement and that's where we're getting the hit here in New York as well. The people living in Manhattan are saying, good, I get to escape my screaming kids during the day. But anyone with an hour-long commute is saying, get a grip, I'm going to quit. You know what I mean? Like, it's really --

So, Josh -- and, Mercer, you must have some data on this, too, like in terms of what the pattern is here coming back to office.

MR. WILSON: Absolutely. I'll give it in two perspectives. I do a lot of work in other

state pension plans. And actually I see them being more in office than I do some of my for-profit, publically-traded clients who are really facing that struggle that you just described.

I think overall, companies are trying to move back to the office, usually in some sort of hybrid version because otherwise people will try to find alternative places to work just because, to your point, if you have an hour commute each way and someone's offering you a fully remote job, it seems very attractive. But most companies are trying to get people back. You know, we're seeing two to three days a week is what we're seeing as norm.

MR. COLLINS: Two to three days a week in the office or out of the office?

MR. WILSON: I mean, I guess either way.

MR. COLLINS: I guess --

MR. WILSON: I was thinking in the office.

MR. COLLINS: You know, I think it's at the top, too, Lamar. I mean, this message definitely comes from the top. It's like, hey, we're in office or we're not in office. And I think that any vagaries in that can be laid right at the feet of the CIO or the CEO. It's just a mindset, right. This is -- no, this is what we do.

Florida's a little different, right, too, because we didn't go through the massive lockdowns, even at the governmental level, that a lot of these other states did. So the longer you let these people stay home, the less likely they are to come back.

MR. GOETZ: For sure.

MR. COLLINS: Right. And so there were some states, where, you know, I mean, hell, they had schools closed for two years in some areas. And so I think it's geography. And I think it's from the top.

MR. GOETZ: Well, you saw the Wall Street Journal blew the Boeing management out of the water yesterday. I don't know if you saw that. Oh, baby, that was a bad article for your staff.

MR. TAYLOR: Well, and I couldn't agree more with you, Peter. You're kind of seeing me take this virtually today. I'm at the CII conference. It's the first time I've actually traveled in I can't remember when. But for the

fact I'm in CII, I'd be sitting right there in the Hermitage room with the rest of the staff. I mean, I'm in every day. And our leadership team is in every day. And I think you're completely right, people need to see it from the top down. It can't be, do as I say, not as I do. And we do that.

We're also extremely fortunate that Tallahassee is not New York City. It's not even Tampa. You know, and I would concede that even to our peers, it's like, you know, if we were a Manhattan shop, if we were a San Francisco shop, it's a different situation. I still think we would want to be in office as much as we could possibly be, but I think I would have to acknowledge the commute struggle. We don't -- fortunately, we don't have that here in Tallahassee.

MR. GOETZ: Well, you have the opposite, right. You have the, get to Tallahassee in the first place. Once they're there, the commute to the office is no problem, right. I mean, I think that's the reality of your recruiting, right? So --

MR. TAYLOR: Yeah, yeah.

And so, and, again, just sort of like back to that point because what we're seeing is at least the remote options tend to be hybrid. Even if we did offer hybrid, even if the competitors offer hybrid, you're going to have to be in the city because you're going to have to be in at least some time. That does help.

The other thing that we did following up from the meeting in February, it was a couple of things on the incentive compensation. We did increase the incentive compensation plan for our SBA membership. We included the financial operations team which, again, was a -- something that we had vetted through Mercer to make sure that those, what I think they called investment tangent positions, they actually settle trades and they are very much a part of the investment process hands down. So we included the financial operations team. And the lawyers who had initially been intended to be close-upped in the plan in the first place, which I think ultimately ended up being about 16 positions, we -- we amended the plan to include those positions.

We amended the plan to delete the

requirement that any -- in any period where you've got negative -- you know, below zero absolute performance but positive relevant performance, that you have to wait two consecutive quarters to get paid. We eliminated that requirement. That has been sort of a deferral, an additional deferral requirement from the original plan, something that had been affecting us going back from the fiscal year ending '22. We didn't actually get paid until just about mid summer of '23 from the results of fiscal '22 because of that two-quarter requirement. So that ended up being a very much disincentive, frankly, and so we eliminated that.

We also ensured that the plan has flexibility to provide for waivers of unintended consequences that we had seen before about the risk exception provided there's a -- you know, a vetting with the IAC first to do that. And so all of those are things that we have accomplished, that we've put in place.

The one thing that's still TBD is there was a recommendation to increase the incentive compensation payout percentages. And I think the IAC wanted some additional information there. That's still on our plate and more work to do. I think it -- I think some of the difficulty there is it ends up being a little bit of a judgment call simply because, you know, when you look at our peers, they're just higher. And so it's a question of how much higher do we want to be. And that's kind of a judgment call, so -- but I think what we can do is maybe kind of let that percolate a little bit, maybe get some more recent information and then come back to the IAC with some thoughts and recommendations there. But that is an item that's still to be determined. And over the next year, we'll try to provide some additional information on that one.

That's the only -- that's all I have from the compensation update.

MR. CHAIR: All right. Any other questions from the group?

MR. GROOM: Just -- were you going to separately talk about some of the numbers or --

MR. TAYLOR: Well, I can. I mean, we can work through the -- I can work through the slides if you want me to go through the slides.

MR. GOETZ: I just had a question. Is it appropriate to ask it now? That's my question. Or are we going to talk about the numbers separately?

MR. TAYLOR: Go ahead.

MR. GOETZ: Okay. I didn't -- you know, obviously I'm a novice, I'm not, you know, familiar with how you do everything. The SBA pay plan, the change from the current to the new pay plan, I'm referring to what in the deck is 107th.

MR. TAYLOR: Audrey, can you flip to the pay plan slide.

Yeah, that one.

MR. GOETZ: There you go.

This is in response to that reconciliation you had mentioned, right, in terms of being out of step with the market. So --

MR. TAYLOR: Correct.

MR. GOETZ: -- the PM1, what's the difference between the grade system and the PM system?

MR. TAYLOR: So the PMs are really more for the investment staff. So there's a portfolio manager one, two, three and four.

Portfolio manager four is a senior investment officer. And so PM1 is like just sort of your base. PM two --

MR. GOETZ: Okay. Yeah, that's what I thought.

So you're seeing big compression between younger PM and more experienced PM? That's what the data is showing; is that right? Because you escalated the lower to above 20 percent and the top two were 4 percent adjustments.

MR. TAYLOR: Yes, I think that is -- that is a fair -- and I can defer to Josh and Amy, our comp. But, yes, I think that's what we had seen over time. And we've seen some of those positions inch up and the hires sort of stay roughly the same. They get us a base salary, that's the other thing we're looking at, base salary, not total comp.

MR. GOETZ: No, no, I know, but --

MR. TAYLOR: Base salary.

MR. GOETZ: Base salary. Interesting.

MR. WILSON: Yeah, I think from my perspective what we've seen is sort of the lower end of the portfolio manager spectrum has

really gotten more competitive. So there used to be a much bigger gap between really PM1 and PM3. You can see there's about a 30 or 40 percent gap there. Really what we've done is kind of closed that gap because that's what we're seeing in the marketplace is people are starting to make more earlier in their portfolio management career.

MR. GOETZ: Okay.

MR. COLLINS: So just a couple questions. On the grade 17, do we have any grade 17s, Lamar?

MR. TAYLOR: I believe that's me.

MR. COLLINS: Ah. Okay. And then --

MR. TAYLOR: There's only one person in that grade.

MR. COLLINS: And then who would, like, a 15 or 16 be?

MR. TAYLOR: Well, that's -- I believe that's going to be the general counsel -- actually general counsel may be 16.

Amy, you want to help me out with that? That's -- I forget the break of where general counsel versus, say, the senior operating -- the SOOs would be.

MS. PACEY: I was dueling microphones with Paul here on it. So I'll probably lead.

So 16, that's Chad, Chad Cofo (phonetic).

MR. TAYLOR: Okay. So --

MS. PACEY: Fifteen is --

MR. TAYLOR: Go ahead, I'm sorry.

MS. PACEY: Yeah, fifteen is more senior operatin --

MS. JACKSON: It would be more like a general counsel --

MS. PACEY: Counsel.

MS. JACKSON: -- and --

MR. GROOM: Yeah, I think you're --

MS. JACKSON: -- those other direct reports.

MR. GROOM: Yeah, I think your 15s are probably going to be the chief operating officer and the general counsel and people like that. And then 16, you probably have the director of bond finance and/or the -- I'm sorry, the -- what are the other --

MR. TAYLOR: Oh, Kevin Thompson.

MR. GROOM: Yeah, I'm sorry.

MS. PACEY: Prepaid.

MS. JACKSON: Prepaid has the separate pay

plan.

MR. GROOM: Maybe some of those officers.

MR. CHAIR: Okay. Thank you.

MR. TAYLOR: What we can do, Peter, if you wanted -- if you'd like us to follow up, we can get you a complete list of those positions.

MR. COLLINS: No, that's okay. I was just generally trying to understand that.

And then so as I recall, and I don't know if we're going to get to this, but, you know, you handle comp for everybody else and we handle comp for the executive director; is that right? And it's not -- it's not any of those higher grade people, it's just the CIO and executive director; is that right?

MR. TAYLOR: That's correct. Well, I mean, yes and no. I mean, you all have historically had the ability to relay directly and on comp on the qualitative component and incentive comp, but the feedback that you all provide will impact what we seek to obtain from a budgetary perspective, you know, for the rest of the pay plan which is --

So in other words, to the extent you all want to dive as deeply as you'd like in the comp and how we implement that, we can certainly provide that information for you to all to provide feedback on so that you're aware of it. I mean, it's not the -- but ultimately from the rule or legally, it's the executive director CIO that actually sets the compensation, but the IAC has absolute authority to provide comment in terms of driving our efforts there.

MR. COLLINS: Okay.

MR. GOETZ: That's kind of where I was going because I think just based on the age of the workforce, right, Lamar, in terms of that other slide where you have, you know, a third, you know, disappearing to retirement over the next five years, this is interesting, right, because what we're saying, Josh, is that the PMs -- just pick on the PMs for a minute. That the ability to replace older PMs, we have a 20 percent higher budget, which is where we think the market needs to be to get those younger people on the team.

So I was -- I was just kind of surprised by the magnitude of the compression, but I think conceptually in terms of what you need,

this is a big step, right, to move that up by 25 percent. That's a big -- that's a big step.

So I think it makes -- it all makes sense to me, I just wanted to understand what was behind it.

MR. COLLINS: So and I have another question. I don't know if we're going through these or not. But on the progress towards target salaries on an organization wide --

MR. TAYLOR: Yeah, that one.

MR. COLLINS: I don't know, I guess that's comparison ratio, compa-ratio. Is that shortened for comparison ratio?

MR. TAYLOR: Well, it's basically what is the average of the grade relative to the midpoint of that grade. So what's the -- you know, where are SBA's salaries on average in a particular grade relative to the midpoint of that grade organization wide. So it's a compa-rat- -- compensation ratio is essentially what it's trying to be.

MR. COLLINS: So if I read that last column correctly, the salaries in 2022 were 95 percent of -- 95.83 percent of the 2022 midpoints that Mercer gave us; is that right?

MR. TAYLOR: That's right. But then, of course, in the past July, we did two things, one, we upgraded the pay plan and we provided that market adjustment. And so we don't have the 2023 -- the previous slide gives you sort of where we sit on that compa-ratio after the '20 July adjustments.

If you could back up one slide.

MR. COLLINS: Oh, I see what you're saying.

MR. TAYLOR: And that's a number of the people that actually got adjustments. The numbers aren't quite reconciled. The denominators are slightly different. And so that's why the December '22 there says 107, but you're looking at the people that got adjustments. And the other chart is the entire staff of the SBA.

And then so -- but, yeah, after July of 2023, you see there's a much larger number of people that actually got adjustments because of the market differences. And so those compa-ratios should be a little bit -- a little bit closer together.

MR. COLLINS: So for the first time we're

now at least a hundred percent of the midpoint with those adjustments?

MR. TAYLOR: I'm going to kick that over to Teresa. I believe that's -- we're pretty close.

MR. COLLINS: Well, the slide before the compa-ratio where it says, average rate increase -- or, no, above it. Where it says, total employees, employees as percentage of total, employees in SBA compa-ratio --

MR. TAYLOR: Yeah.

MR. COLLINS: So those compa-ratios across the bottom, we actually -- the December 2022 adjustments took them to 107 percent of the midpoint and then July 2023 took them to 102 percent. So as a percentage to midpoint, we went down, but the salaries could still have gone up?

MR. TAYLOR: Correct. Yes, that's right. Because the pay grade changed. Because the target that we were shooting for, July of '23, increased.

MR. COLLINS: Okay. Okay. And so overall, I guess it's the first slide in this, overall we're talking about -- oh, this is incentive comp. Okay.

MR. TAYLOR: Yeah.

MR. COLLINS: This is just incentive. okay.

MR. TAYLOR: Yeah.

MR. GOETZ: Putting a point on what Peter said, I'm going to translate this, see if I'm right, Lamar. We said on a PM versus, you know, the junior PM, that we increased the midpoint by 21 percent. So on the table that Peter was referring to, we increased by 21 percent, we gave all but five of that away already. That's how I'm interpreting it. In that --

MR. COLLINS: On a relative basis.

MR. GOETZ: On a relative basis, yeah.

MR. TAYLOR: When you say --

MR. GOETZ: No, you gave -- you gave some big pay increases. You must have.

MR. TAYLOR: Yes. Yes, we did.

Now because of the way we implemented it, we wanted to make sure we implemented this in a way that was reasonable. We did put some caps on how much those increases could be because there's -- you know, I mean, there's -- even

though that -- in some cases, getting people to the market midpoint was going to be a lot and we just had to think through the responsibility of that. And at some point, we had to make some reasonable -- so we didn't get all the way there because it was some -- we had to kind of cap on some of those movements. But we got a lot of the way there and we're going to keep -- so we will -- we will be making better progress year to year with trying to stay up with midpoint so we don't get down to that where we're just treading water.

MR. GOETZ: Peter, the way I interpret that was we saw that, right, we approved at the IAC and the comp committee, these big adjustments, right, to get to market. And I agree with Lamar that you don't give that all away in the first year because then you miss -- you get miscalibrated expectations, right.

MR. TAYLOR: Yes.

MR. GOETZ: Right. Like, say the person's pay moves up by 20 percent, if you give the 20 percent that year, then next year they're thinking, 20 percent is normal. So --

MR. TAYLOR: Yeah. And that's an

excellent -- and we made absolutely sure people understood this was a market adjustment and then we will -- but this is not to be expected every year. We needed to do this to kind of level set. And I think in fairness, to make sure from a recruitment and retention standpoint, we kept people and we were able to get people. I think we've kind of passed that. We can try to move on to just a merit cycle, which is still going to need to be meaningful going forward so long as you continue to have what we're seeing in the market, which is it's still difficult to fill positions. And, you know, you got to find the best talent and get them to Tallahassee and keep them.

MR. COLLINS: So -- right. In that same -- in the slide above it where it says, median percent of base pay increase and average percent of base pay increase. So the July 2023 adjustments, the median of the base pay increase was 4.2 percent. The average was 8.4 percent. And I think that that speaks to some of those being outsized increases, right, to get us towards the median -- towards the midpoint.

MR. TAYLOR: That's right. That's absolutely right. That's right. There was some --

MR. COLLINS: Yeah.

MR. TAYLOR: -- going to PM1 and PM2, those are going to be the more highly compensated people to start with.

MR. COLLINS: Yeah.

MR. TAYLOR: And those needed to have the farthest jump.

MR. COLLINS: Yeah. And so what was inflation, you know, at that time? It was higher than 4.2 percent, right?

MR. TAYLOR: Oh, yeah. Yeah. I can go back and look but, you know, it's only now kind of come back to the 4.2 percent. It was, you know, up there around 6, 7, 8.

MR. COLLINS: Sure.

MR. TAYLOR: You know, and again, the pay inflation versus goods inflation is a different kind of concept. The goods inflation was up pretty steep. And pay inflation -- you know, labor market has not cooled nationally to the extent everybody thought it was going to cool. You still see pretty healthy job growth and that's persistent.

MR. COLLINS: So the other thing I thought was interesting when -- I like how you broke this out between no-incentive eligible and incentive eligible. And it seemed a little counterintuitive for me that the non-incentive eligible median base pay increase was lower than the incentive eligible base pay increase.

MR. TAYLOR: Yeah. The median number --

MR. COLLINS: And the average was lower, you know, in the non-incentive available.

MR. TAYLOR: Oh. You mean --

MR. WILSON: Well, I think -- sorry. Go ahead.

MR. TAYLOR: Go ahead.

MR. WILSON: I was just going to say, I think the market for investment professionals is even a little bit hotter than the overall market. So I'm not terribly surprised by those numbers. I think, you know, if you had unlimited dollars, you'd probably see even more for both. But I think if you're going to spend your dollars, the organization that you are, you have to make sure you keep the investment staff first. And so I think that makes sense

to me.

MR. COLLINS: So -- and then the last point I have on this is, so am I looking at this right where it says aggregate rate increase, in December of 2022, the adjustments, it was -- we increased the whole -- the pay by a million two, almost a million three, 1.29. And then in July, we did another 1.6 million?

MR. TAYLOR: That's correct. That's correct. And then we will do a merit cycle in December which we'll have another round. I don't know what that's going to be yet because that's always, you know, again subject to market and budget, but we requested about three million in the budget to move the market because that's what it took us. That's where -- that was the delta between where we were and where we needed to be or we felt we needed to be from a median perspective. And so that's why we had a pretty significant market adjustment in July.

MR. COLLINS: Okay. And what is the total base salary at the SBA, the aggregate salary pool? I mean, how much of it -- that was a -- that was an average increase of 1. -- or 6.5 in

December. So if one, two, five -- so is it like 20 --

MR. TAYLOR: Yeah, let me see if I can --

MR. COLLINS: Is it -- yeah.

MR. TAYLOR: Bear with me just a second and I can pull that information up.

MS. JACKSON: 13.1 over last year.

MR. TAYLOR: It's definitely in the -- I want to say it's close to 30 million totals, just salary.

Salary and benefits are a whole other --

MR. COLLINS: Yeah, benefits are a whole other -- so we've increased the sal- -- the base by 10 percent almost.

MR. TAYLOR: Yeah, that's right. We requested about an 11 percent adjustment in -- for budget purposes, we requested about an 11 percent adjustment.

MR. COLLINS: Yeah, okay.

The moral to this story is if you're going to work for state government, you've got to work at the SBA.

MR. TAYLOR: Well, we -- you know, but again, given what we have to compete with to get the talent, because it's all these public

plans, you know. I can tell you, we don't hold a candle to Texas Teachers. I can tell you that right now, we don't hold a candle in compensation to Texas Teachers, or SWIB. And there was an article in the Wall Street Journal about SWIB's pay. So, you know, that is kind of who we're competing against for the talent that we're --

MR. COLLINS: I get it.

MR. TAYLOR: -- seeking.

MR. COLLINS: I get it.

MR. WILSON: I'm actually in Texas going to a Texas Teachers meeting on Thursday, so I can vouch for that.

MR. COLLINS: Yeah, yeah.

That's all I had, Mr. Chairman. I'm not sure what we were -- you know, what we were doing next.

MR. CHAIR: No, from a historical perspective, we -- you know, this is the first year I think we even looked that layer deeper, which I think is prudent for us to do. If you remember correctly, we were isolated to just the CIO. So I think it's -- I think it's good to get experienced people looking at this stuff and asking these -- asking these questions. And I think Lamar's done a good job of -- you know, I think our concern when we talked about it and wanting more insight was retention and what was going on, especially during the great resignation. So hopefully this is helping and hopefully our feedback is constructive and helpful to Lamar.

MR. COLLINS: So you've got a couple slides in here on the turnover. Are we seeing this affect turnover? And if we're not, why? Or is it just an age thing? Because I'm looking at those two charts and I'm just wondering what your thoughts are on the results of this effort.

MR. TAYLOR: Well, I think the turnover slides, I think, tell you that I think we're doing better at keeping investment staff, incentive-eligible staff. And the turnover is higher in the non-incentive eligible cohort. And that has shot up. And you can see the voluntary turnover spiked up pretty good. So retirements are kind of coming down, but voluntary turnover is coming up. And that's what I think has been a little bit new to us,

that we were losing people -- at one point in time, we were losing people to other State agencies. That's -- over the last two years, that actually happened. And that's now stopped. And has been a function, I think, of being able to move people up.

I can tell you we've had a number of our accounting -- investment accounting people very -- a couple of very key people I know were actively being recruited. And I personally, you know, asked them, what do we need to do to make sure we keep you here on this team? So I think this has helped. You know, pay is important. People need to be able to pay bills, they need to feel like they're being -- and pay as often seems to be relative, you know, kind of -- but I do think what's important to people is are they valued where they work? Are they doing things that are meaningful? Do they have the freedom to learn? Do they have the freedom to grow? And those are other areas that I think are also important with what we're doing.

So I think it is a combination of pay and those other -- the psychic income factors. The pay -- you know, when they compare opportunities, they're looking at the numbers and -- but, yes, I do think the comp is helping certainly in the non-investment staff. The investment side, we need to pay because to the extent people leave or retire, we've going to have to go back in the market and we're going to have to pay market rates. And if you do that then and you're not prepared, if you don't have your system set up so that you're paying people adequately at that time, when you go back into the market and get that price discovery, you bring somebody in a higher rate, then you've got all kinds of, you know, people all upset and, well, I'm worth that, why aren't you paying me that, you know.

MR. COLLINS: Right.

MR. TAYLOR: That's what that helps from that perspective.

MR. COLLINS: Got you.

MR. TAYLOR: Happy to answer any more.

MR. COLLINS: So where do we go from here, Mr. Chairman?

MR. CHAIR: I think we conclude.

Again, this is the first we started

looking at this stuff, which I think is important. I don't know if there's a recommendation on, you know, keeping this going in perpetuity.

MR. GOETZ: Since -- Vinny, since we put it in as an agenda item, should the compensation committee just record, I guess are part of the minuting, you know, that we saw the compensation plan and it seems to have achieved the goal that we set out to move towards competitive comp. You know, some kind of synthesis of it.

MR. CHAIR: Yes. Are we on the agenda subsequent to this at the next week's meeting just to summarize this?

MR. TAYLOR: Historically there's usually been just sort of an update from the subcommittee chair to the IAC as a brief agenda item towards the end of the meeting just kind of letting the full IAC know what transpired.

MR. CHAIR: Okay.

MR. COLLINS: So what about Lamar? You know, I think he's in, like, limbo land. And we talked about this last year where he wasn't eligible for certain things. He's certainly doing the job and getting compensated at the old job.

What do we have -- what abilities do we have to make some -- to effect some change, even if it's interim change? I'd be interested in that.

MR. CHAIR: I think we -- did we not send some memo opining on this previously? I don't -- remind me.

MR. TAYLOR: That has been histoci -- usually, you know, that had come with a recommendation around the qualitative -- you know, what the trustees would award in a qualitative sense, but certainly there's always the opportunity for the IAC to weigh in on, you know, hey, if you've got an opinion on an issue, it's certainly the prerogative of the IAC and the IAC compensation subcommittee to put that in a memo and we can put that on the agenda, or include it in the agenda materials, what is now the October -- the scheduled meeting in October --

MR. COLLINS: So are you eligible for incentive comp?

MR. TAYLOR: No, no. The interim role is

not eligible for the incentive comp.

MR. COLLINS: Okay. So at the very least -- thank you. At the very least, what I'd like to do, Vinny, is say, look, yeah, he's interim, but he's doing the job. And the person who was there permanent would have been eligible for incentive compensation, why should we not incenti- -- why should he not be allowed to be incentivized?

MR. CHAIR: And if he didn't take the job, he would have incentive pay that would have resulted in total comp more than --

MR. COLLINS: Yeah. I think --

(Crosstalk.)

MR. COLLINS: I think if he had to do it all over again, he might have said, I'll stay where I am but just call me the interim.

Don't you think we should do that?

MR. CHAIR: Yes.

MR. COLLINS: Okay. So here's what I need or we need, Lamar, is what would your incentive compensation been able to be? Is there some parameters around that? Or maybe, Josh, you know that or --

MR. WILSON: Yeah, I mean, two things.

One I would say, first of all, I completely support that. I think that makes perfect sense. And I can't think of a good reason not to incent him the way the full-time executive director CIO would have been incented.

Second, you know, I can work with -- either directly the IAC or with management to sort of come up with what -- you know, should it be the same percentage as the full-time executive director and CIO? There's a real logic to that if he's doing the job --

MR. COLLINS: Yes.

MR. WILSON: -- and why not. You know, maybe it's a hybrid between his prior target and the full-time CIO -- but somewhere in that range, right. It shouldn't be lower than it was before. Arguably, it could be as high as it was for the previous CIO. So I think it's one of the -- somewhere in there. But I think that would be fair.

MR. COLLINS: And then on your base pay, do you just get what everybody's getting, Lamar? Or how do we handle base pay?

MR. CHAIR: Base pay, you got.

MR. TAYLOR: I did. And base pay, that

was something that is part of the budget process because the entire pay scale moved up. The policy is to kind of keep me coming to the minimum with the pay scale so that did get a little bit of movement there.

But what if -- so what if --

MR. COLLINS: So let me ask this, you know, it still sort of sticks in my craw that, you know, last year you didn't get any incentive pay and this year we're going to get you incentive pay but still lost of a year of incentive pay. So maybe there's a hybrid -- that's where the hybrid is, Josh. Maybe last year was at his old rate, but this year is at the -- as if he was the CIO. You know, I don't know.

I just -- I only think that's fair. He missed out on what he would have gotten last year, A, so we should give him that. And then we should make sure he doesn't miss out again this year.

MR. WILSON: Why don't I come back to you with a memo, sort of a recommendation, to cover last year and this year, and then we can take it from there?

MR. COLLINS: Yeah. And does that separately have to get approved by the IAC -- or not the IAC, the trustees?

MR. GOETZ: Trustees.

MR. TAYLOR: Yes. That would have to be -- that would ultimately need to get -- so there may be a -- the way to -- it's just kind of discussing with the trustees how they want to do it. I mean, there's really two positions here, there's the executive director and there's the CIO, and there's a, you know, plan in place. But in general, yes, the trustees would have to agree or to award some kind of compensation relating to me in that way. They would have to agree one way or the other to address that.

MR. COLLINS: Okay. And, look, I will work -- I promise you, I will work with all three of them to make sure that we get that done. But we just need some numbers. I just wanted to know whether we had to go have a separate conversation. And I'm certainly willing to have those, Mr. Chairman. And, Lamar, I'm certainly willing to have those. And I don't think any of them are going to -- I

don't think they would balk at it.

MR. CHAIR: Yeah, I think the sensitivity analysis around last year and this year with some assumptions from Josh so we can sort of see the spread would make some sense. And then let's think about it from the -- what we -- what's most likely to be receptive may make some sense also.

MR. COLLINS: John, I mean, I know you're not on the committee, but you're here. I mean, do you disagree with any of that?

MR. GOETZ: No. I think what strikes me to make that all fit together in a good package, including the limbo comment, would be for the chairman of the comp committee or maybe even me, Chairman, right of the IAC this year, to say, this is the personal evaluation of Lamar, this is the rating, and this is our comment on performance, and then translate that directly into compensation connected to that performance as the CIO.

Do you see what I mean? So that you put it all in a nice, neat package that kind of leads to the conclusion we should be paying him for the job that was effectively done. And then just chip that to the trustees.

MR. COLLINS: Yeah.

MR. CHAIR: The last year, the time -- he's been in this role for a really long time. I sort of understood the first year because that was sort of policy, but you're going through a whole other cycle which --

MR. GOETZ: That's why I said, we should say what Peter said.

MR. CHAIR: Yeah.

MR. GOETZ: This is his personal evaluation. His personal evaluation's attached, our survey of comp committee members attached, but here's our letter. Our letter says, he's performing the function --

MR. CHAIR: Yeah.

MR. GOETZ: -- therefore we think the compensation should be related to that function all in a nice, neat recommendation that then Peter can whip around to people on airplanes or whatever.

I mean, all we're saying is we're going to have to be concise because I think we all know the distractions are freaking out of control, right? Is that fair?

MR. CHAIR: No comment.

MR. GOETZ: I didn't say whether they were good or bad, so I'm fine being on record.

MR. TAYLOR: Well, first of all, let me just say, it's always -- I was always sympathetic to Ash when he had to go through the evaluation process because it was always kind of, you know -- so I just want to, first of all, say thank you. And I'm humbled for the feedback and the effort.

And I think we can -- so Josh is gonna work on some numbers and I think maybe, Vinny, what we can do is try to take the -- and kind of John's point, try to put something together for you all to take a look at and, you know -- and then go from there, try to have some sort of report ready for the full IAC meeting next week.

MR. CHAIR: Yeah.

MR. TAYLOR: But certainly ready for -- something that can be provided to the trustees for their input.

MR. CHAIR: Yeah. And I assume next week, just sort of keep a high level for the whole IAC and then we'll get more detailed. And whether it will be John or myself, I don't think that matters. I would think that the whole I- --

MR. COLLINS: I think it should come from both of you.

MR. CHAIR: Yeah, that's fine.

MR. TAYLOR: All right. So, thank you -- thank you, again. And we will -- we'll get moving.

And, again, sincerely, thank you and I'm humbled for the comments.

MR. CHAIR: Lamar, you'll send something -- you'll take the next steps then and --

MR. TAYLOR: Yeah.

MR. CHAIR: -- we'll iterate from there.

The meeting's next Tuesday, right? So, again, we'll keep a high-level there. I don't think that it needs to be the full analysis done or any of that, but, yeah, let's do it.

MR. TAYLOR: That is the plan. I think I've got a plan in place and we'll get you that high-level sort of report and then we'll get you the more detailed information, which is the implementation of that high-level report.

MR. CHAIR: All right. Any other questions or comments?

Let's conclude. Thanks, all.

(Meeting concluded at 2:13 p.m.)

* * *

CERTIFICATE OF REPORTER

STATE OF FLORIDA
COUNTY OF LEON

I, Tracy Brown, certify that I was authorized to and did stenographically report the foregoing proceedings, and that the transcript is a true and complete record of my stenographic notes.

Dated this 26th day of September, 2023.

TRACY L. BROWN
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Attachment 2A

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July 12, 2024

Mr. Vinny Olmstead
Chair, IAC Compensation Subcommittee
2770 Indian River Boulevard, Suite 501
Vero Beach, FL 32960

Dear Vinnie:

In preparation for the September 3rd, 2024, IAC Compensation Subcommittee meeting, I have prepared for the Subcommittee's consideration the following self-assessment. The Subcommittee's evaluation and feedback will assist the Executive Director in his annual evaluation of my performance for Fiscal Year 2023-24, including the qualitative assessment included in the SBA's incentive compensation plan.

Although I will elaborate in more detail in the following pages, here are just a few of my key accomplishments this past year and key goals for the upcoming year:

Key Accomplishments This Past Year:

1. Served as a resource to legislative bill sponsors and members for House Bills 5C and 7071, which, expanded the list of prohibited investments under Florida Law
2. Continued to advocate for Legislative changes to improve investment flexibility, such as the ability to enter into collateralized funding obligations in alternative investments
3. Continued to implement the new asset allocation, including initiating a search for new multi-asset credit manager, finalizing searches for additional core fixed income managers, transitioning the Fixed Income Asset Class to its new full Bloomberg Aggregate benchmark, and oversaw the elimination of REITS from the Real Estate Portfolio and the transition of $8 billion from Global Equity to Fixed Income
4. Successfully advocated for preserving the current actuarially assumed rate of return
5. Filled several key leadership positions and participated in securing necessary funding to implement required market compensation adjustments and incentive compensation plan changes based on Mercer's compensation study and IAC Compensation Subcommittee feedback
6. Continued implementation of key upgrades to investment accounting and analytics technology
7. Oversaw conclusion of commutation of Hurricane Irma losses and successful execution of an additional $1 billion pre-event financing for the Florida Hurricane Catastrophe Fund

8. Led a process that materially reduced fees in a major commingled fund in the Investment Plan
9. Successfully transitioned role of Executive Director

Key Goals for the Upcoming Year:

1. Continue the transition to the new asset allocation
2. Fill the new position of SIO for Active Credit
3. Implement internal investing for the Investment Plan in strategies where there is a cost benefit
4. Assist in pursuing additional legislative initiatives to provide flexibility to SBA to invest
5. Implement the Real Estate securitization program authorized in the 2023 legislative session
6. Continue implementation of an integrated total fund investment book of record for the Pension Plan
7. Commence commutation of Hurricane Michael losses and evaluate funding options for the Florida Hurricane Catastrophe Fund

In the pages that follow, I have elaborated on the above accomplishments and summarized the discussion in the categories contemplated in the incentive compensation plan to be consistent with prior year reviews. Specifically, the discussion is organized around the following four categories: (1) Overall Mission, (2) People, (3) Efficiencies/Infrastructure/Operations, and (4) Interactions with the Investment Advisory Council and Audit Committee. The Executive Director has asked me to prepare this self-assessment and solicit feedback from the IAC Compensation Subcommittee to facilitate his review of my performance. I look forward to receiving your feedback.

1. Overall Mission

The evaluation of this category should reflect the degree to which the incumbent has:

- Assured appropriate alignment with the investment policy of the SBA's mandates (e.g., the Florida Retirement System (FRS) Defined Benefit Pension Plan, the FRS Investment Plan, Florida PRIME, Florida Hurricane Catastrophe Fund (FHCF), etc.), considering the long-term needs of the relevant fund, the risk tolerance of the SBA Trustees and the perceived market environment;
- Provided leadership for effective functioning of the SBA, FHCF and the Investment Plan; and,
- Maintained/strengthened (a) the reputation/brand and performance of the SBA in relation to its large public pension plan peers, (b) external communications, and (c) issue management.

Below are a list of activities and accomplishments I believe are relevant to this category:

- <u>**Investment Performance**</u>

As an investment organization, the value we bring to our beneficiaries and clients is our ability to earn above market returns over time. The investment performance of the funds we manage is the most objective indication of the value our staff brings to the equation, particularly investment performance over the long term. During our June IAC meeting, we reported performance through the fiscal year third quarter.

- The Pension Plan beat its benchmark for the 3-, 5-, 10-, 15-, and 20-year time periods
- The Investment Plan met or beat its benchmark for the 1-, 5- and 10-year time periods
- The Florida Hurricane Catastrophe Fund had strong performance across all time periods
- Florida PRIME continued to beat its benchmark for all time periods, including since inception in 1996

While long term relative and absolute Pension and Investment Plan performance is in line with expectations, near term relative performance is lagging. The one-year Pension Plan performance and the three-year Investment Plan performance numbers underperformed policy benchmarks by 1.8% and 0.3%, respectively for the period ending March 31, 2024. Underperformance in the Investment Plan was primarily attributable to underperformance in real asset funds, particularly real estate. This has since improved, and performance for the one-year Investment Plan numbers are now slightly ahead of benchmark.

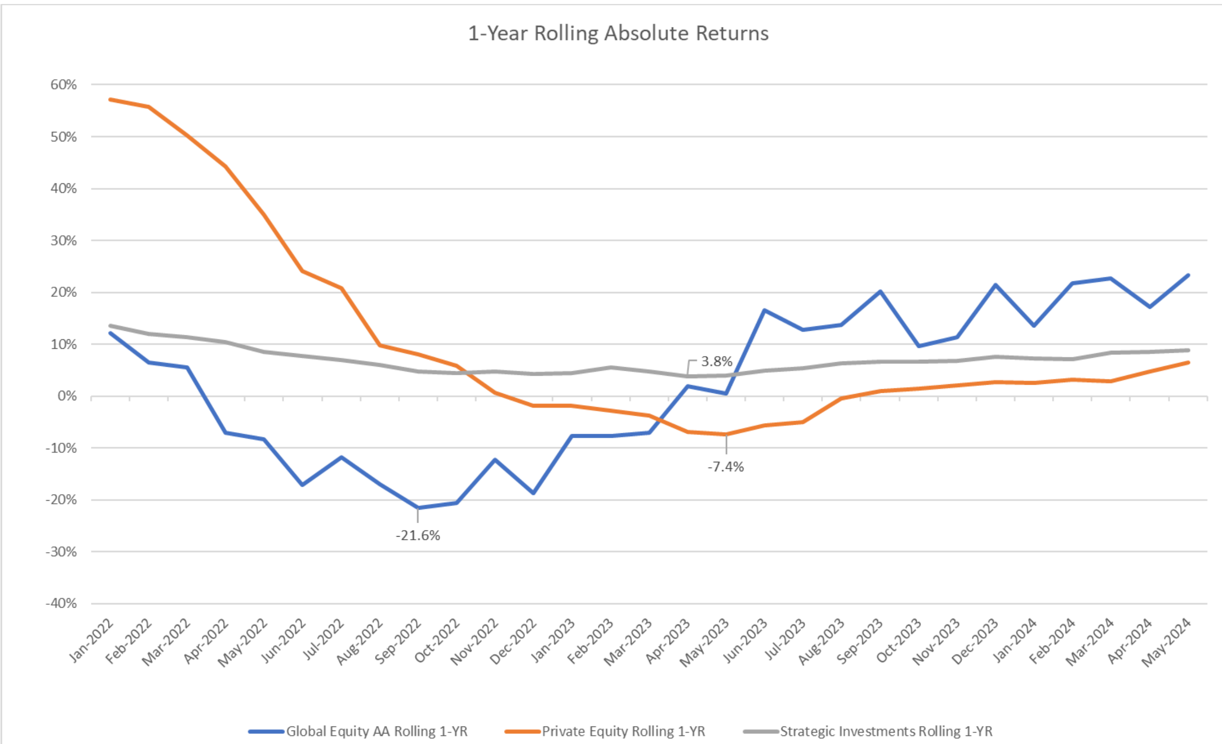
The one-year underperformance for the Pension Plan remains a function of valuation adjustments in real estate and the valuation lags in alternative investments, particularly private equity. Real Estate returns were the greatest detractor in absolute performance for the period ending March 31, 2024, deducting 94 basis points from the Total Fund's one-year number of 11.52%. This is largely due to valuation adjustments in the commercial real estate sector, where SBA's principal investment commercial real estate portfolio has declined more than 26% since the peak of Q2, 2022.

The SBA's experience is similar to other institutional investors that have an allocation to commercial real estate, although on a relative basis, the SBA's portfolio is outperforming by over 300 basis points for the period ending March 31, 2024. This is largely attributable to the SBA's REITS exposure as well as its allocation to special property types, such as medical office, manufactured housing and student housing. Rental income remains strong across the portfolio, and the SBA's focus on core real estate, i.e. low leverage, high-quality lease tenants, should support longer term investment performance. The SBA's real estate portfolio has been a strong source of income since inception, with more than half of the over 8% returns coming from income over the last ten years.

Turning to alternative investments, absolute performance was up in both private equity and strategic investment a respectable 2.93% and 8.30%, respectively, although considerably underperforming benchmarks by 21.86% and 2.50%, respectively. Relative performance in Strategic Investments is lagging primarily due to the fact that many benchmarks for underlying funds are tied to a real return benchmark. Inflation spiked considerably in 2022 and is moderating now. The real return benchmarks are intended be long-term real return benchmarks, and we expect this performance to improve going forward as well. Recall, that approximately 40% of Strategic Investments will be moved to the new asset class Active Credit, and performance for that portion of the portfolio will be assessed and reported separately going forward.

In the case of Private Equity the relative underperformance is driven by continued valuation lags. US and global equity markets continue to perform well coming out of the 2022 downturn, which stemmed from significant increases in interest rates to fight inflation. Private Equity valuations typically lag from three to six months behind public market performance. In addition, Private Equity's primary benchmark includes a significant premium (currently 250 basis points), so this creates an additional hurdle as performance catches up.

The chart of monthly rolling 1-year absolute returns on the next page illustrates to some degree the impact of lagging values. Note that the blue Global Equity performance appears to bottom out in September of 2022 at -21.6%. Private Equity performance takes longer to bottom out (hitting its nadir of -7.4% in June 2023) but bottoms out at a much higher point. Note also, that PE's annual returns start out much, much higher in the chart (that's not a misprint, the one-year performance number for PE in January of 2022 was 57.2%).



The good news is (and the chart illustrates it) that we have seen significant improvement in performance and valuations as buyout activity has increased, and we would expect this will continue. Over the last decade, Private Equity has consistently been the SBA's first or second highest performing asset class.

We recognize the reliance our beneficiaries and clients place on us to deliver positive absolute returns that also beat investible benchmarks, and I remain confident we will continue to generate the investment performance our beneficiaries need.

- **Legislative Activities**

Over the last year, the SBA provided feedback on two legislative proposals relating to investment restrictions. First, during the November 2023 special session, called after the October 7th attacks on Israel, SBA staff provided input and feedback on House Bill 5C, which expands the list of sectors in which a company is prohibited from doing business with Iran. During the November special session, I worked with legislative staff and SBA staff to estimate a fiscal impact of the bill on the SBA's investments. The legislation was passed in November, and pursuant to its requirements, we began implementing the legislation in January of 2024. At the June Cabinet meeting, we reported that we have added 13 companies to the Continued Examinations list with activities in Iran related to the changes made by House Bill 5C.

During this past regular legislative session that ended March 8th, 2024, the SBA provided feedback on House Bill 7071, which restricted investments in Chinese state-owned entities. We also sought to obtain authority for additional investment flexibility in alternative investments. House Bill 7071 was a Committee Bill filed in the House State Affairs Committee and sought to mitigate geopolitical risk in the SBA's investment portfolio by restricting investments in Chinese state-owned entities. As with House Bill 5C, I worked with legislative and SBA staff to estimate the economic impact of the legislation. The legislation was passed and signed in May, 2024, and the SBA immediately began implementation. The SBA has identified over 400 companies, representing approximately $300 million of exposure, that will constitute prohibited investments under the statute. The SBA has until September 2025 to divest of any exposure in these companies, which should provide sufficient time to prudently comply with the legislation.

In addition to House Bill 7071, the SBA proposed House Bill 1013, which would have provided additional flexibility relating to alternative investments. Essentially, this legislation would have allowed the SBA to borrow against alternative investment holdings, rather than completely disposing of them in a secondary sale. This structure, known as a "collateralized funding obligation," works very similar to a home equity loan, and would enable the SBA to access cash by collateralizing its interests in certain alternative investment holdings. The SBA could then repurpose that cash as a way to rebalance investment holdings in an otherwise illiquid environment. Since the SBA would still own the underlying investment interests, the SBA would retain the ability to benefit from any additional upside increases in valuation. While this legislation did unanimously the house committees it was referred to, the Senate companion legislation did not advance, and the bill failed. We plan to continue to seek passage of this legislation in future sessions.

- **Commenced Implementation of Revised Asset Allocation**

Effective January 1, 2024, the Trustees approved the revised asset allocation that reduced the targeted allocations to Global Equities and Strategic Investments, and in turn increased targeted allocations to Fixed Income, Private Equity, and Real Estate and also created an Active Credit asset class. Over the last six months, staff have been executing on this revised allocation.

In January 2024, Fixed Income transitioned to its new benchmark, the full Bloomberg Aggregate Bond Index. This transition was accomplished with internal staff and in conjunction with the first tranche of liquidations in Global Equity to minimize the amount of selling along the curve. Since January, staff has continue to sell down Global Equity as the portfolio moves toward the targeted 45% Global Equity and 21% Fixed Income. These transitions are being timed opportunistically to avoid selling into an unfavorable market. The excellent absolute performance of equity markets so far in 2024 has greatly facilitated this transition at excellent prices.

In anticipation of the additional assets to be managed, Fixed Income staff conducted a search for additional core fixed income managers, and is expected to onboard three new managers over the coming weeks. To date, SBA has transitioned over $9.25 billion from Global Equity to Fixed Income in accordance with the revised asset allocation. Since the start of the calendar year, we have brought Global Equity down to roughly 48.5% from 50.2% and Fixed Income up to about 20.5% from 16.4% of the total fund.

In addition to activity in the public markets, we have continued to build out the new Active Credit Asset Class. Effective April 1st, internal systems, processes, performance composites, and benchmarks were finalized to split out all private credit exposures from the Strategic Investments Asset Class and include them in the new Active Credit Asset Class. Additionally, teams from Fixed Income and Strategic Investments have been interviewing managers for the initial investments in the multi-asset credit component of Active Credit. The team has identified two possible manager candidates and is working on finalizing documentation with the view to having a manager onboarded and funded by the end of September, 2024. Finally, we have advertised internally for a new Senior Investment Officer for the Active Credit Asset Class, and expect to have a candidate identified and in place soon.

- **<u>Continued advocacy for more conservative assumptions for pension plan funding</u>**

As required by Section 121.0312, Florida Statutes, at the October 23, 2023, Actuarial Assumptions Estimating Conference, I provided comments on behalf of the SBA with respect to the assumptions used in determining the employer contribution rates for the Florida Retirement System. In line with a letter submitted by the SBA to the Legislature in September of 2023, I advocated for maintaining the current assumed rate of return used to discount the pension liability and provided additional recommendations with respect to more conservative assumptions. After a brief discussion, the conferees agreed to maintain the current assumed rate of return at 6.70%.

The IAC has historically taken an interest in ensuring appropriate and conservative assumptions are used by the Legislature in the funding process. Aside from keeping the assumed rate of return at a reasonable level, additional proposals I would expect we would continue to recommend would include shortening the amortization period for the unfunded actuarial liability (UAL) and moving to level dollar (as opposed to level percent of pay) amortization. This continues to be an important topic for the IAC to weigh in on, particularly in light of recent legislative proposals to reinstate the Cost of Living Adjustment (COLA) to all current and future FRS participants. The most recent study for this initial proposal estimated that reinstating the COLA could add as much as $20 billion to the existing UAL.

- **<u>Florida Hurricane Catastrophe Fund – Completion of Irma Commutation and Issuance of Pre-Event Debt</u>**

The 2023 Hurricane Season saw 20 named storms, including seven hurricanes, one of which, Idalia, hit Florida in the Big Bend region near Keaton Beach. This is not expected to have a significant impact on the Cat Fund. Currently, industry losses for this storm are approximately $530 million, and projected Cat Fund losses are expected to be approximately $20 million.

In April, the Cat Fund placed an additional $1 billion of Pre-Event Bonds, which will mature July 1, 2034, at a true interest cost of 5.56%. The additional funding will provide additional liquidity in the event of a large storm and can provide subsequent season capacity to pay claims. This $1 billion of proceeds will partially offset the $1.25 billion slated to mature in June of 2025, bringing the total Pre-Event proceeds available for the 2024 and following storm seasons to $3.25 billion. Currently, The Cat Fund's projected liquid resources for 2024 total $10.16 billion, which includes the $3.25 billion in Pre-Event Bond proceeds.

This summer we will commence the commutation process to formally resolve outstanding unreported loss reimbursement claims from Hurricane Michael, which we expect to complete by August.

- **<u>Continued to grow participation in the Investment Plan</u>**

Participation in the Investment Plan continues to increase. As of March 31, 2024, there were a total of 335,651 current participants (224,813 active), which compares to 299,260 participants (197,776 active) in the plan at the same time last year. This represents a 36,391 member, or 12.2% increase over the previous year. Active participants, i.e., employees who are still drawing a salary and who, along with their employer, are continuing to contribute to the Plan. Nearly 70% of all new hires either elect (16%) or default (53%) into the Investment Plan. This represents a complete reversal of the default pattern prior to 2018, when the Legislature changed the default retirement plan. Prior to 2018, approximately 70% of new hires elected or defaulted into the Pension Plan.

As a result of the changing choice patterns for new hires, we are seeing an increase in the number of active Investment Plan members, and a corresponding reduction in active Pension Plan members. On September 30, 2018, the total number of active participants in the FRS was approximately 650,000, with 20% of those representing members of the Investment Plan and 80% representing members in the Pension Plan. Currently, the active FRS participants still total approximately 650,000; however, approximately 35% of those constitute active Investment Plan members, while the remaining 65% constitute active Pension Plan members. Based on the election patterns that were in place at the time of the default change, the number of active participants in the Investment Plan is approximately 12 percentage points higher and the number of active participants in the Pension Plan is approximately 12 percentage points lower than the breakout would have been had the Legislature not changed the default election.

Given the growth in the Investment Plan since the change in the default plan provisions in 2018, along with increasing the relative attractiveness of the Plan through a shorter vesting period and increasing employer contributions, it is no overstatement to say that the future of the FRS *is* the Investment Plan. This is one of the reasons why in 2023 we sought legislative authority to invest directly on behalf of the Investment Plan. With asset balances growing at increasing scale, the ability to capitalize on that scale by reducing costs will increase benefits to Investment Plan beneficiaries.

Over the last year, at my direction, SBA staff conducted an analysis to internally manage a large, passive Russell 3000 equity mandate of the Investment Plan. This is no small feat. While the SBA currently manages a large Russell 3000 strategy internally for the Pension Plan, the Investment Plan requires daily valuations (a daily NAV) and a sizeable liquidity buffer, given the greater liquidity needs. The group settled on a plan of action to bring the assets in house; however, the external manager of the Investment Plan Russell 3000 strategy cut its fee in half to a point that it was no longer economically feasible for SBA staff to manage the assets internally and generate savings. Despite this, the effort clearly resulted in a net benefit to FRS Investment Plan members, and SBA staff will continue to examine opportunities to bring Investment Plan assets in house whenever possible at equivalent performance and lower cost.

- **Continued to see significant further growth in Florida Prime**

As of June 30, 2024, the total market value of Florida PRIME™ was approximately $25.4 billion, up from $21.7 billion the year earlier. During the course of the Fiscal Year, Florida PRIME™ hit a decade-high of $28.8 billion in January 2024.

The performance of Florida PRIME™ has been consistently strong over short-term and long-term periods. For the period ending March 31, 2024 (as reported in the June IAC Meeting), Florida PRIME™ generated *excess* returns (performance above the pool's benchmark) of approximately 38 basis points (0.38 percent) over the last 12 months, 29 basis points (0.29 percent) over the last three years, and 24 basis points (0.24 percent) over the last five years. Additionally, Florida PRIME™ has outperformed all other government investment pools statewide at a significantly lower expense ratio.

2. People

The evaluation for this category should reflect the degree to which the incumbent has:

- Developed subordinate staff
- Recruited and retained key talent

- **Managed succession of and recruited highly qualified external candidates into key positions**

As we have previously reported to the IAC Compensation Subcommittee, the SBA has a very experienced workforce, with many who are either retirement eligible or who will be within the next few years. As of this past May, a total of 41 employees (this number was 26 last year), including 28 managers (and executives) (this number was 23 last year) and supervisors are in DROP or eligible to retire by December 2024. This represents 24 % of all managers at the SBA. Succession management in light of these statistics is critical to the continued success of the organization and has been one of my areas of focus.

Fiscal Year 2023-2024 once again gave us the opportunity to execute our succession management strategy. This past September, Steve Spook, our head of Real Estate retired. This past March, I reported to the IAC that we selected, long-time SBA Senior Portfolio Manager Lynne Gray, who is an outstanding investor and manager, to succeed Steve as the head of the asset class. Recently, our Chief Operating and Financial Officer, Chad Foote, was recruited away from us. Rather than replace the position, we were able to promote two long-time and excellent internal candidates, Marcia Main and Kelly Skelton, to each of the Chief Financial Officer and Chief Operating Officer roles, respectively.

We are also continuing to focus on recruitment efforts, particularly for asset class positions. We were recently able to recruit a fixed income hire from Tennessee who worked for a well-known global investment management organization. I am also currently advertising externally to replace our long-time Senior Investment Policy Officer, John Benton, who will be retiring in July. I am grateful to the IAC, the Compensation Subcommittee and the Trustees for all their support of our recruitment and retention efforts. The market for talent in the public plan investment space is very competitive, and having the support for our recruitment and retention efforts has been and will continue to be critical to our success in this area.

- **<u>Other Recruitment Efforts</u>**

Working with our Human Resources Department and our asset class staff, we have reached out to Finance Department heads at Florida State University and Florida A&M University in an effort to raise awareness about internship opportunities at the SBA for highly motivated students. We have held one full day SBA "orientation" on-site for students, where they learned about the SBA's portfolio construction, asset allocation, investment performance and risk management processes. We also plan to invite these students to attend an IAC meeting in the near future.

While we are too small an organization to be able to consistently maintain a set of open entry level positions, our objective is to benefit from the brightness, enthusiasm, and current learning of these students during their short time here, while introducing them to all the great things about our organization. In some cases, we have been able to recruit former interns back to the SBA after they landed a first job our of town. In other cases, our former interns have gone on to hold positions in excellent investment organizations. Regardless, our efforts in maintaining an intern program that leaves a positive impression in the minds of these bright students increases our brand value and may translate into future exceptional hires.

3. Efficiencies/Infrastructure/Operations

The evaluation for this category should reflect the degree to which the incumbent has:

- Assured the development of organizational structures, systems and processes that enable effective functioning of the SBA, the FHCF, and the Investment Plan;

- This includes areas such as communication of knowledge; development and institutionalization of systems and structures to enhance performance and control risk; efficient acquisition and use of data and other resources; business continuity planning, etc.

The SBA has made many strides in improving efficiencies, expanding upon current infrastructure, and streamlining our operations. Some of the more important new and in-progress initiatives to improve the internal and external monitoring functions of the SBA are discussed below.

- **<u>Commenced update of portfolio accounting system and implementation of total fund IBOR</u>**

Last year, the SBA kicked off one of the more ambitious systems projects it has undertaken in a decade. After having implemented a new total fund risk system and a real estate portfolio management system, the SBA will turn to (a) upgrading its portfolio accounting system and (b) integrating the disparate portfolio and risk management systems housed in each of the asset classes into a total fund investment book of record. In the process, we will streamline our performance calculation processes and plan for moving designated critical data into a single, consolidated data management system.

One major milestone in this project is moving the SBA's on-premise portfolio accounting system to the cloud and implementing a new centralized investment data repository. After a very busy year designing, configuring and testing, we expect to complete this milestone in October of this year. The next phase of the project will involve implementing an internal investment book of record that will integrate performance, transactions and holding information across internal and external positions and public and private markets. The implementation of this next phase is expected to push into the next fiscal year, as it will entail integrating holdings and transaction data from all of the SBA's external, public market managers in near real time. Having an integrated investment book of record will facilitate more timely analysis of performance and risk attribution and contribution, which will lead to better questions and sharper insights into risk and return drivers of the SBA's investments.

- **Real Estate Master Credit Facility**

In November 2022, the SBA's Senior Leadership Group formally approved a $750 million Real Estate Principal Investments Master Credit Facility in accordance with the SBA's New Investment Vehicle/New Investment Program Policy. This approval represented the culmination of many months of work by several internal working groups as well as in-house and outside counsel to negotiate a letter of credit, draft accounting and reporting policies, on-board and document the role of a third-party servicing agent, and establish funding and lending entities to draw down and subsequently loan proceeds under the Master Credit Facility.

The SBA was successful in negotiating a favorable financing rate on the Credit Facility that is significantly lower than the cost of financing on deal-by-deal transactions. In total, initial savings projections indicate that the Master Credit Facility would be expected to save over $50 million in interest costs over five years.

The first draw under the credit facility occurred in November, 2023, and as of the latest information available, we have loaned out $218.1 million of the $750 million facility. We anticipate the balance of the facility to be drawn down during Fiscal Year 2025-26, based on the loan commitments already in the pipeline. Given the pull back in real estate lending since 2022, our access to this facility, particularly at the rates we negotiated, has contributed significantly to our ability to execute accretive transactions in this environment.

This program will serve as the model for the SBA to implement the Real Estate Securitization authorization that was provided for in the SBA's 2023 legislative package. Because the Master Credit Facility was negotiated with a single bank, rather than by accessing capital markets through a securitization process, the SBA did not need additional legislative authorization for the Master Credit Facility (conversely, the SBA did need new legislative authorization to issue a securitization as discussed in the Overall Mission section above). It is anticipated that the securitization program will be implemented on a larger scale than the Master Credit Facility and will be targeted to provide long term, fixed rate financing to the SBA's Real Estate Principal Investments, whereas the Master Credit Facility is intended to provide short term construction loan financing.

4. Interaction with the Investment Advisory Council and the Audit Committee

The evaluation for this category should reflect the degree to which the incumbent has:

- Provided requested information and transparency.
- Maintained effective working relationships with individual IAC members and the Council as a whole, and with members of the Audit Committee on matters within the concern of each body.

The IAC and Audit Committee members have an integral role in the success of the SBA. I fully believe that regular communication and interaction with both parties should be and remain a top priority. I remain committed to expanding transparency and building a strong foundation with each IAC member, so that in turn, appropriate guidance can be provided. I trust that I have built a relationship with each of you where you feel you are able to have a meaningful conversation about any business conducted at the SBA and on behalf of our beneficiaries. I remain focused on ensuring that we continue to coordinate and maximize returns for the best economic interest of our beneficiaries.

In closing, I would like to thank each of the Compensation Subcommittee members for their time and effort in providing critical feedback and counsel to me and the Executive Director and to the entire SBA team through your participation on the IAC at large. I am happy to answer questions of members individually should anyone have any additional questions or requests ahead of the September Compensation Subcommittee Meeting. I look forward to seeing you soon.

Best regards,

Lamar

Lamar Taylor
Chief Investment Officer

IED/CIO Incentive Plan Evaluation Process - FY 2023-2024

IED/CIO Individual/Qualitative Measurement

The sections below outline the approved criteria and process for evaluating the IED/CIO's individual/qualitative performance. Any changes to the criteria for the next Performance Period (fiscal year) need to have been determined and communicated to the IED/CIO prior to July 1.

IED/CIO Individual/Qualitative Performance Criteria

Criteria

In line with the overall framework for the incentive plan, criteria for the individual/qualitative performance portion of the IED/CIO's incentive award approved in June 2015 are: (1) Overall Mission; (2) People; (3) Efficiencies/Infrastructure/Operations; and (4) Interaction with the Investment Advisory Council and Audit Committee. The Qualitative Evaluation Form on the following pages includes more descriptive information regarding each rating area.

Process and Schedule for IED/CIO Individual/Qualitative Performance Rating

In June 2015 it was decided the Compensation Subcommittee will rate the qualitative performance of the IED/CIO and recommend to the full IAC the amount of incentive to be awarded for the Performance Period. The IAC will vote to approve or disapprove the recommendation.

July 1-15: IED/CIO prepares summary of accomplishments in each of the four areas (Mission, People, Efficiencies/Infrastructure/Operations, and Interaction with IAC and Audit Committee). As part of the summary, the IED/CIO may want to encourage the individual Compensation Subcommittee or IAC raters to speak with individual members of the Audit Committee to gain additional perspective on interactions with them.

By July 15: IED/CIO sends his/her Summary to raters (members of Compensation Subcommittee) along with the attached evaluation form.

By July 31: Raters evaluate IED/CIO and return form to Mercer. Mercer may seek clarification of the ratings and/or comments of individual raters.

By August 31: Mercer compiles final ratings and all final comments from raters and sends them to the IED/CIO, who will compile the materials for a noticed public meeting of the Compensation Subcommittee to review/discuss the evaluation with IED/CIO and provide an overall recommendation to the Trustees. The Subcommittee will present its recommendation to the IAC for its approval or disapproval prior to sending the recommendation to the Trustees.

Following the public meetings of the Subcommittee and the IAC, the Subcommittee Chair communicates the recommendation regarding qualitative incentive award and supporting rationale to the Trustees, with a copy to IAC members, as materials for a noticed public meeting of the Trustees.

September: Trustees consider recommendation in public meeting.

State Board of Administration
Interim Executive Director and Chief Investment Officer
Evaluation Form – FY 2023-2024

Vinny Olmstead

Background:

As part of the annual incentive plan for the SBA, the ED/CIO will have an individual/ qualitative portion of his award that the Compensation Subcommittee of the IAC will be responsible for assessing. Subsequently, the Compensation Subcommittee will make a recommendation to the full IAC (which in turn will make a recommendation to the Trustees) combining both financial and individual/qualitative performance. The following categories are be used to evaluate the individual/qualitative portion of the ED/CIO's performance. Although the incentive compensation plan does not apply to the Interim ED/CIO, the Compensation Subcommittee's review of the incumbent's performance during FY 2023-2024 will be useful and instructive to the Trustees and the incumbent.

Please complete the following ratings for the Interim ED/CIO and provide any comments as appropriate. For each category below, please indicate your rating of the Interim ED/CIO's performance in that category by circling one of the responses ranging from "Poor" to "Exceeds Expectations". Please provide any additional comments you may have in the comments box for the respective category, particularly if the rating is below "Meets Expectations."

1) Overall Mission

The rating for this category should reflect the degree to which the incumbent has:

- Assured appropriate alignment with the investment policy of the SBA's mandates (e.g., FRS Defined Benefit Pension Fund, FRS Investment Plan, Florida PRIME, Florida Hurricane Catastrophe Fund (FHCF), etc.), considering the long term needs of the relevant fund, the risk tolerance of SBA Trustees, and the perceived market environment.
- Provided leadership for effective functioning of the SBA, FHCF and the Office of Defined Contribution Programs.
- Maintained/strengthened the reputation/brand and performance of the SBA in relation to its large public pension fund peers, external communications and issue management.

(Circle One)

Poor   Below Expectation   Meets Expectations   Exceeds Expectations

Comments:

State Board of Administration
Interim Executive Director and Chief Investment Officer
Evaluation Form – FY 2023-2024

2) **People**

The rating for this category should reflect the degree to which the incumbent has:
- Developed subordinate staff
- Recruited and retained key talent

(Circle One)

Poor   Below Expectation   Meets Expectations   Exceeds Expectations

Comments:

3) Efficiencies/Infrastructure/Operations

The rating for this category should reflect the degree to which the incumbent has:
- Assured the development of organizational structures, systems and processes that enable effective functioning of the SBA, FHCF and the Office of Defined Contribution Programs.
- This includes such areas as communication of knowledge; development and institutionalization of systems and structures to enhance performance and control risk; efficient acquisition and use of data and other resources; business continuity planning, etc.

(Circle One)

Poor   Below Expectation   Meets Expectations   Exceeds Expectations

Comments:

State Board of Administration
Interim Executive Director and Chief Investment Officer
Evaluation Form – FY 2023-2024

4) **Interaction with the Investment Advisory Council and Audit Committee**

The rating for this category should reflect the degree to which the incumbent has:

- Maintained effective working relationships with individual IAC members and the Council as a whole and with members of the Audit Committee on matters within the concern of each body.
- Provided requested information and transparency.

Note: As part of the evaluation process, individual raters may speak with individual members of the Audit Committee to gain perspective on incumbent's interactions with them.

(Circle One)

Poor   Below Expectation   Meets Expectations   Exceeds Expectations

Comments:

Other Commentary or Considerations

****

Overall Individual/Qualitative Performance Rating for this Period: ***(Circle one)***

Poor   Below Expectation   Meets Expectations   Exceeds Expectations

Attachment 2B

Mercer

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STATE BOARD OF ADMINISTRATION FLORIDA

EXECUTIVE DIRECTOR/ CIO PERFORMANCE EVALUATION SUMMARY

IAC SUBCOMMITTEE EVALUATION

August 2024

Josh Wilson, Partner, Atlanta

A business of Marsh McLennan

Introduction

- Mercer has advised State Board of Administration Florida (SBA) on a variety of human capital needs since 2012.
- Mercer acts as the independent party in the annual review process of the Interim Executive Director/CIO for SBA by the Compensation Subcommittee of the IAC.
- In this process, Mercer collects the performance evaluations completed by the Compensation Subcommittee members and disseminates a summary of the findings.
- Performance reviews were completed by the following members:
  - Gary Wendt
  - Peter Collins
  - Vinny Olmstead
- While Mr. Lamar Taylor began as Interim Executive Director/CIO in early 2022, this is the second performance evaluation done by the IAC. The first one was performed in July/August 2023.
- The following pages include an overall summary of the responses and detailed pages on the survey questions.

Executive Summary

Question	2024 Average Rating (out of a possible score of 4) (Prior year scores)
Overall Mission	3.33 (3.33)
People	3.33 (3.33)
Efficiencies/ Infrastructure /Operations	3.67 (3.33)
Interaction with Committees	3.00 (3.67)
Individual Rating	3.5 (3.5)

- Overall, the Interim Executive Director/CIO received strong marks across all categories.
- The Efficiencies/ Infrastructure and Operations category for the IED/CIO was the highest rated area.

- Mercer converted the rating scale to a numerical scale as follows:
  - Exceeds Expectations = 4 out of 4
  - Meets Expectations = 3 out of 4
  - Below Expectations = 2 out of 4
  - Poor = 1 out of 4

Overall mission

- The rating for this category should reflect the degree to which the Interim ED/CIO has:
- Assured appropriate alignment with the investment policy of the SBA's mandates (e.g., FRS Defined Benefit Pension Fund, FRS Investment Plan, Florida PRIME, Florida Hurricane Catastrophe Fund (FHCf), etc.), considering the long term needs of the relevant fund, the risk tolerance of SBA Trustees, and the perceived market environment.
- Provided leadership for effective functioning of the SBA, FHCF and the Office of Defined Contribution Programs.
- Maintained/strengthened the reputation/brand and performance of the SBA in relation to its large public pension fund peers; external communications and issue management

3.33 OUT OF 4

Comments:

N/A

People

- The rating for this category should reflect the degree to which the Interim ED/CIO has:
  - Developed subordinate staff
  - Recruited and retained key talent

3.33 OUT OF 4

Comments:

N/A

Efficiencies/Infrastructure/operations

- The rating for this category should reflect the degree to which the Interim ED/CIO has:
  - Assured the development of organizational structures, systems and processes that enable effective functioning of the SBA, FHCF and the Office of Defined Contribution Programs.
    - This includes such areas as communication of knowledge; development and institutionalization of systems and structures to enhance performance and control risk; efficient acquisition and use of data and other resources; business continuity planning, etc.

3.67 OUT OF 4

Comments:

N/A

Interaction with IAC & Audit Committee

- The rating for this category should reflect the degree to which the Interim ED/CIO has:
  – Maintained effective working relationships with individual IAC members and the Council as a whole, and with members of the Audit Committee on matters within the concern of each body.
  – Provided requested information and transparency. Note: As part of the evaluation process, individual raters may speak with individual members of the IAC, Audit Committee to gain perspective on Interim ED/CIO interactions with them.

3.00 OUT OF 4

Comments:

- *“Talked maybe once. More timely correspondence on timely matters should be sent”*
- *“Lamar has been less communicative than his predecessor on issues that could have benefitted from that communication”*

Overall Individual/Qualitative Performance Rating for this period

3.50 OUT OF 4

Comments:

- *“Lamar overall did a very good job as the interim Executive Director and I look forward to him being in his new role.”*
- *“Lamar is an excellent bureaucrat! Strategic abilities are difficult to tell. His presence at meetings is not impressive. He needs to show more confidence and command as a leader”*

A business of Marsh McLennan

Attachment 2C

Mercer

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STATE BOARD OF ADMINISTRATION FLORIDA

EXECUTIVE DIRECTOR/ CIO PERFORMANCE EVALUATION SUMMARY

GENERAL IAC EVALUATION

August 2024
Josh Wilson, Partner, Atlanta

Introduction

- Mercer has advised State Board of Administration Florida (SBA) on a variety of human capital needs since 2012.
- Mercer acts as the independent party in the annual review process of the Interim Executive Director/CIO (IED/CIO) for SBA by the Compensation Subcommittee of the IAC.
- In this process, Mercer collects the performance evaluations completed by the Compensation Subcommittee members and disseminates a summary of the findings.
- This year, all members of the IAC (i.e. including members who are not on the Compensation Subcommittee) were invited to evaluate the IED/CIO using the same evaluation criteria.
- Performance reviews were completed by the following non-Compensation Subcommittee members:
  - Terre Canida
  - John Goetz
  - Peter Jones
- The following pages include an overall summary of the responses and detailed pages on the survey questions.

Executive Summary

Question	2024 Average Rating (out of a possible score of 4)
Overall Mission	3.67
People	3.67
Efficiencies/ Infrastructure /Operations	3.00
Interaction with Committees	4.00
Individual Rating	3.67

- Overall, the Interim Executive Director/CIO received strong marks across all categories.
- The interaction with Committees category was the highest rated area.

- Mercer converted the rating scale to a numerical scale as follows:
  - Exceeds Expectations = 4 out of 4
  - Meets Expectations = 3 out of 4
  - Below Expectations = 2 out of 4
  - Poor = 1 out of 4

Overall mission

- The rating for this category should reflect the degree to which the Interim ED/CIO has:
- Assured appropriate alignment with the investment policy of the SBA's mandates (e.g., FRS Defined Benefit Pension Fund, FRS Investment Plan, Florida PRIME, Florida Hurricane Catastrophe Fund (FHCf), etc.), considering the long term needs of the relevant fund, the risk tolerance of SBA Trustees, and the perceived market environment.
- Provided leadership for effective functioning of the SBA, FHCF and the Office of Defined Contribution Programs.
- Maintained/strengthened the reputation/brand and performance of the SBA in relation to its large public pension fund peers; external communications and issue management

3.67 OUT OF 4

Comments:

– *"Very thorough work was completed relative to asset allocation. Performance on a long term basis continues to exceed benchmarks. Plan has navigated a difficult environment, especially as it relates to RE and other alternative investments"*

– *"Outperforming benchmarks for investment managers is incredibly difficult. Most do not succeed. SBA outperformed nearly every time period measured for all mandates"*

– *"Lamar is very effective at leading the effort and accomplishing the project and people changes in his responsibility."*

People

- The rating for this category should reflect the degree to which the Interim ED/CIO has:
  - Developed subordinate staff
  - Recruited and retained key talent

3.67 OUT OF 4

Comments:

- *‘He has managed the turnover effectively and we are happy with the choices”*
- *“People are the most important component for investment success. The results are evidence SBA has top talent. Our interactions with the SIOs is further evidence”*
- *“Given the environment where a large percentage of experienced workforce is eligible for retirement and the demand for labor has been high, I feel that Lamar Taylor has done a very good job”*

Efficiencies/Infrastructure/operations

- The rating for this category should reflect the degree to which the Interim ED/CIO has:
  - Assured the development of organizational structures, systems and processes that enable effective functioning of the SBA, FHCF and the Office of Defined Contribution Programs.
    - This includes such areas as communication of knowledge; development and institutionalization of systems and structures to enhance performance and control risk; efficient acquisition and use of data and other resources; business continuity planning, etc.

3.00 OUT OF 4

Comments:

– *“All Appears to be functioning effectively. My observations are not in depth enough to rate higher”*

– *“This is an area where things such as systems and technology is rapidly changing and SBA has done a good job, but needs to continue to invest and innovate to insure they remain "best in class“”*

– *“Hard for me to observe”*

Interaction with IAC & Audit Committee

- The rating for this category should reflect the degree to which the Interim ED/CIO has:
  - Maintained effective working relationships with individual IAC members and the Council as a whole, and with members of the Audit Committee on matters within the concern of each body.
  - Provided requested information and transparency. Note: As part of the evaluation process, individual raters may speak with individual members of the IAC, Audit Committee to gain perspective on Interim ED/CIO interactions with them.

4.00 OUT OF 4

Comments:

- *“Lamar reaches out personally with important updates between meetings. Further, when I call Lamar he is always available and responsive. In sum, an excellent and transparent relationship.”*
- *“Lamar proactively seeks counsel and is very open to alternative thoughts. Exceptionally inclusive of divergent opinions and deals with it effectively.”*
- *“As interim ED and CIO, Lamar has always maintained a very good communication with the IAC members. He is always open to listen to different points of view. He has always been transparent and always articulates the "going on" of the business at the SBA. He is always available and responsive to questions or requests for information.”*

Overall Individual/Qualitative Performance Rating for this period

3.67 OUT OF 4

Comments:

- *"He provided clear strategic direction and leadership during his tenure as interim ED. As CIO, he fosters a collaborative environment within the investment team, at the same time explains innovative ideas and enhancements to the overall investment portfolio."*
- *"Lamar is suited to his leadership of the team within SBA. His "presence" and ability to move the forces outside his control is a developmental opportunity."*

Mercer

Attachment 3

Mercer

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

DRAFT

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State Board of Administration of Florida

Incentive Plan Audit

Josh Wilson, Partner

Methodology

Review of Incentive Eligibility

- SBA commissioned Mercer to review the incentive compensation program (ICP) against other comparable plans at similar organizations in terms of eligibility and target awards
  - In previous years, Mercer was tasked with a complete review of SBA's incentive compensation program against other comparable plans at similar organizations (design, eligibility, target awards, etc.)
- Mercer utilized surveys and specialized cuts that reflect SBA's size, based on assets under management (AUM), and industry classifications
- The following surveys and cuts were utilized:
  - McLagan Public Pension Survey
  - Mercer US Short-Term Incentive Design Survey, 2023 (Banking/Financial Services)
  - Mercer Public Pension Survey (PPS), 2024 (All Organizations and >$100B AUM)
  - Mercer Investment Group Survey (IGS), 2024 (All Organizations and >$7B AUM (largest cut in the survey))
- <u>*Note*</u>*:* *The Investment Group Survey is comprised largely of Endowments and Foundations ("E&Fs"). These organizations are typically smaller (AUM and employees) than State Pension plans and do not have all of the roles that pensions have. For example, most E&Fs do not have an executive director, or legal roles, or many investment adjacent or support roles because those functions are performed by the larger entity (for example, HR might be done by the University itself). However for the roles that are covered, the incentive levels are typically higher than in public pension plans.*

SBA ICP Eligibility

Tier	Target	Max	Included Titles			
1	35%	52.5%	Chief Investment Officer	Executive Director		
2	25%	37.5%	Chief Financial Officer Chief of DC Programs Chief Operating Officer CO/FO	Deputy General Counsel Deputy Chief Investment Officer Deputy Executive Director Gen Counsel & Chief Ethics Officer	SIO - Private Equity SIO – Strategic Investments Sr Investment Policy Officer Sr Investment Officer – Fixed Income	Sr Investment Officer – Global Equity Sr Investment Officer – Real Estate Sr Officer – Inv Program & Govern
3	15%	22.5%	Assistant General Counsel Director of FI Trading Director of Financial Systems Director of Investment Management Director of Investment Operations Director of Operations and Trading Director of Reporting & Analytics Director Total Fund Analytics & Rep Director Total Fund Research Equity Trader Financial Systems Manager Manager – Derivative & Inv Ops	Manager of Fin Operat Control Manager of Invest Analytics-ODCP Manager of Investment Operat Portfolio Manager Portfolio Manager – FI Portfolio Manager – GE Ex Ovsght Portfolio Manager – PE Portfolio Manager – RE Ext Mngd Portfolio Manager I Portfolio Manager II Portfolio Manager II – Ext RE Portfolio Manager II – FI	Portfolio Manager II – GE Portfolio Manager II – Global Portfolio Manager II – Ivst Grd Crdt Portfolio Manager II – RE Portfolio Manager II – SI Real Estate Acquisitions Manager Senior Portfolio Manager – Active Core Senior Portfolio Manager – GE Senior Portfolio Manager – PE Senior Portfolio Manager – SI SPM – Asset Alloc & Invst Alytic SPM – Ext Managed RE Portfolio	SPM – GE Active and Passive SPM – GE External Management SPM – Principal Investments Sr Portfolio Manager – FI Sr Portfolio Manager – Global Equity St Portfolio Manager/Ext Mgmt Sr Portfolio Manager – Short Term Total Fund Research Manager
4	10%	15%	Assistant Portfolio Manager Financial Systems Analyst Investment Analyst – GE Investment Analyst – Mid-Off/ShrtDu	Investment Analyst – PE Investment Operations Analyst Quantitative Analyst	Quantitative Analyst – PE Senior Investment Analyst - IPAA Senior Investment Analyst – Global	Senior Investment Analyst – RE Senior Financial Ops Ctl Analyst Senior RE Research Analyst

Incentive Plan Review

Position Leveling - Investment

SBA Role	Pension Level	Endowment Level
Executive Director	Executive Director /CEO	*N/A*
Chief Investment Officer	Top Investment Officer	Top Investment Officer
Chief of DC Programs	Senior Investment Executive	Senior Investment Executive
Deputy CIO	Senior Investment Executive	Senior Investment Executive
Deputy ED	Senior Investment Executive	Senior Investment Executive
Senior Investment Officer	Senior Investment Executive	Senior Investment Executive
Director (FI Trading, Operations & Training)	Second Level Investment Executive	Blend – Senior Investment Executive and 2nd Level Investment Executive
Senior Portfolio Manager	Second Level Investment Executive	Blend – Senior Investment Executive and 2nd Level Investment Executive
Director (Investment Management, Reporting & Analytics)	Investment Manager	2nd Level Investment Executive
Portfolio Manager II	Investment Manager	2nd Level Investment Executive
Real Estate Acquisitions Manager	Investment Manager	2nd Level Investment Executive
Manager (Investment Oversight, Investment Analytics)	Senior Investment Analyst	Senior Investment Analyst
Portfolio Manager	Senior Investment Analyst	Senior Investment Analyst
Assistant Portfolio Manager	Intermediate Investment Analyst	Intermediate Investment Analyst
Senior Analyst	Intermediate Investment Analyst	Intermediate Investment Analyst
Analyst	Junior Investment Analyst	Junior Investment Analyst

Positions are matched to corresponding survey roles based on job duties, but are then mapped to investment levels by corresponding incentive opportunity levels to create the incentive tiers

Incentive Plan Review

Investment Position Leveling - Operations

SBA Role	Pension Level	Endowment Level
Chief Operating Officer	Investment Operations Director	N/A
Chief Financial Officer	Investment Operations Director	Senior Investment Operations Executive
General Counsel & Chief Ethics Officer	Investment Operations Director	Senior Investment Operations Executive
Deputy General Counsel	Investment Operations Director	Senior Investment Operations Executive
Director (Operations)	Investment Operations Manager	Investment Operations Director/Manager
Assistant General Counsel	Investment Operations Manager	Investment Operations Director/Manager
Manager (Operations)	Investment Operations Manager	Investment Operations Director/Manager
Individual Contributor (Operations)	Investment Operations Analyst	Investment Operations Analyst
Investment Operations Analyst	Investment Operations Analyst	Investment Operations Analyst
Senior Investment Policy Officer	Senior Risk Management / Asset Allocation Executive	Senior Risk Management Executive
Manager – Analytics	Investment Operations Manager	Investment Operations Manager
Senior Portfolio Manager – Asset Allocation & Investment Analytics	Investment Operations Manager	Investment Operations Manager

Positions are matched to corresponding survey roles based on job duties, but are then mapped to investment levels by corresponding incentive opportunity levels to create the incentive tiers

Market Eligibility

Within SBA, 103 investment employees are eligible for ICP participation

Pension Survey	Endowment Survey	Financial Services (STI Survey)
• 68% of all participating organizations provide incentive compensation to at least some investment professionals • 70% of participating organizations with >$100B in AUM provide incentive compensation to at least some investment professionals • Of those providing incentives, 85% extend participation to the Top Investment Officer and 92% extend participation to Senior or Second Level Investment Executives • 92% of those providing incentives extend participation to Senior Investment Analysts and over half (54%) extend participation to Junior Investment Analysts • It is also common to provide incentives to the investment operations staff. Of those organizations providing incentives, 62% extend participation to Investment Operations Directors and Managers and 46% extend participation to Investment Operations Analysts • Larger organizations are increasingly including legal staff in their incentive plans as they insource legal work done by outside firms	• 92% of all participating organizations offer incentive compensation • 93% of participating organizations with >$7B in AUM extend incentive compensation eligibility to the Top Investment Officer and 94% extend eligibility to Deputy Investment Officers or Top Portfolio / Asset Allocation Executives • 95% of participating organization with >$7B in AUM provide incentive eligibility to Senior Investment Analysts and 93% provide eligibility to Junior Investment Analysts • It is also common for participating organizations to provide incentive compensations to investment operations staff; 87% of participating organizations with >$7B in AUM extend incentive compensation to Investment Operations Directors / Managers and 83% extend incentive compensation to Investment Operation Analysts	• 100% of banking/financial service organizations have short-term incentive plans in place • 80% of banking/financial service organizations include executives in their short-term incentive plan • 100% of banking/financial service organizations include management in their short-term incentive plan • 93% of banking/financial service organizations include professionals in their short-term incentive plan • 73% of banking/financial service organizations include support roles in their short-term incentive plan • Operational, legal, HR and support roles are typically also incentive eligible in these organizations

Pension Target Awards

By Level

SBA Roles	Target	Max	Pension Level	Pension Target	Pension Max
Executive Director	35%	52.5%	ED/CEO	75%	150%
Chief Investment Officer	35%	52.5%	Top Investment Officer	77%	153%
Chief of DC Programs, Deputy CIO, Deputy ED, Senior Investment Officer	25%	37.5%	Senior Investment Executive	50%	110%
Director (FI Trading, Operations & Training), Senior Portfolio Manager	15%	22.5%	Second Level Investment Executive	45%	90%
Director (Investment Management, Reporting & Analytics), Portfolio Manager II, Real Estate Acquisitions Manager	15%	22.5%	Investment Manager	38%	75%
Manager (Investment Analytics), Portfolio Manager	15%	22.5%	Senior Investment Analyst	20%	40%
Assistant Portfolio Manager, Senior Analyst	10%	15%	*Intermediate Investment Analyst*	18%	35%
Analyst	10%	15%	*Junior Investment Analyst*	13%	25%
Chief Operating Officer, Chief Financial Officer, General Counsel & Chief Ethics Officer, Deputy General Counsel	25%	37.5%	Investment Operations Director	46%	123%
Director (Operations), Manager (Operations), Manager – Analytics, Senior Portfolio Manager – Asset Allocation & Investment Analytics	15%	22.5%	Investment Operations Manager	29%	100%
Individual Contributor (Operations), Investment Operations Analyst	10%	15%	*Investment Operations Analyst*	17%	34%
Senior Investment Policy Officer	25%	37.5%	*Senior Risk Management / Asset Allocation Executive*	38%	75%

Italics indicate that All Organizations cut was used

Endowment Target Awards

By Level

SBA Roles	Target	Max	Endowment Level	Endowment Target	Endowment Max
Executive Director	35%	52.5%	N/A	--	--
Chief Investment Officer	35%	52.5%	Top Investment Officer	143%	250%
Chief of DC Programs, Deputy CIO, Deputy ED, Senior Investment Officer	25%	37.5%	Senior Investment Executive	100%	180%
Director (FI Trading, Operations & Training), Senior Portfolio Manager	15%	22.5%	*Blend: Senior Investment Executive and Second Level Investment Executive*	*82%*	*150%*
Director (Investment Management, Reporting & Analytics), Portfolio Manager II, Real Estate Acquisitions Manager	15%	22.5%	Second Level Investment Executive	64%	120%
Manager (Investment Analytics), Portfolio Manager	15%	22.5%	Senior Investment Analyst	50%	90%
Assistant Portfolio Manager, Senior Analyst	10%	15%	Intermediate Investment Analyst	30%	60%
Analyst	10%	15%	Junior Investment Analyst	25%	40%
Chief Operating Officer, Chief Financial Officer, General Counsel & Chief Ethics Officer, Deputy General Counsel	25%	37.5%	Senior Investment Operations Executive	75%	125%
Director (Operations), Manager (Operations), Manager – Analytics, Senior Portfolio Manager – Asset Allocation & Investment Analytics	15%	22.5%	Investment Operations Director / Manager	30%	60%
Individual Contributor (Operations), Investment Operations Analyst	10%	15%	Investment Operations Analyst	8%	25%
Senior Investment Policy Officer	25%	37.5%	Senior Risk Management Executive	60%	138%

Findings & Observations

SBA's **eligibility is appropriate** compared to other pension funds as well as endowments and foundations

- SBA includes senior analysts within their plan, which is a similar practice to 92% of pensions and 95% of endowments within the largest AUM ranges
- SBA includes executives within their plan, which aligns with the funds participating in the McLagan Public Pension survey. Legals roles are also included which aligns with the largest funds who are increasingly insourcing these functions

Financial Services / Banking organizations have more inclusive eligibility compared to SBA

- Majority of organizations offer incentive eligibility to employees from the top executives to support positions
- Funds participating in McLagan's Public Pension survey are likely to offer incentive opportunities to Investment positions (Portfolio Managers, Equity, Asset Management) as well as non-Investment positions (Finance, Legal, Compliance)

SBA's target incentive opportunities are **below the market median** for all three industries

- SBA's target incentive opportunities are most closely related to Pensions and Financial Services
- Compared to funds participating in the McLagan Public Pension survey, SBA's target incentive opportunities are lower for positions that receive incentives, such as Portfolio Managers
- These findings are consistent with prior studies which also showed that SBA targets are below comparable peer organizations

There may be a benefit to **creating more tiers** within the incentive plan (i.e., moving from 4 tiers to 6 or 7 tiers) to create more differentiation among organization levels and highlight career paths

APPENDIX: Peers Group

Mercer Public Pension Survey (n=19)	
Alaska Permanent Fund Corporation	**North Carolina Department of State Treasurer**
Arizona State Retirement	**NYS Teachers' Retirement System**
CA Public Employee's Retirement System (CalPERS)	**Ohio Public Employees Retirement System**
California State Teachers' Retirement System	San Bernadino County Employees' Retirement Association
Colorado PERA	**State of Georgia Retirement System**
Employees' Retirement System of the State of Hawaii	State of North Dakota, Retirement and Investment Office
Florida State Board of Administration	**Teacher Retirement System of Texas**
Los Angeles County Employees Retirement Association	Tennessee Consolidated Retirement System
New York City Comptroller, Bureau of Asset Management	**University of California**
NJ Division of Investment	

>$100B in AUM Peer Group

APPENDIX: Peer Groups

Mercer Investment Group Survey (n=129)					
Abilene Christian University	**Northwestern University**	University of Florida Investment Corp.	Wisconsin Fdn and Alumni Assoc.	The California Endowment	Indiana University Health
Berkeley Endowment Mgmt Co.	Penn State University	University of Massachusetts Foundation	**Yale University Investment Office**	The David and Lucile Packard Fdn	Intermountain Health
Boston College	Pomona College	**University of Michigan**	Alfred I. duPont Charitable Trust	The Ford Foundation	Mayo Clinic
Brandeis University	**Princeton University Inv. Co.**	University of Minnesota	Alfred P. Sloan Foundation	The James Irvine Foundation	Mem. Sloan Kettering Cancer Center
Brown University	Reed College	University of Minnesota Fdn Inv. Advisors	Carnegie Corporation of New York	The Kresge Foundation	New York Presbyterian Hospital
California Institute of Technology	Rice Management Company	University of Nebraska Foundation	Casey Family Programs	The Rockefeller Foundation	Texas Children’s Hospital System
Carnegie Mellon University	Rutgers University Investment Office	**University of Notre Dame**	Chan Zuckerberg Initiative	The Wallace Foundation	UPMC Health System
Columbia Invest. Mgmt Co.	Smith College	**University of Pennsylvania**	Colorado Health Foundation	The William and Flora Hewlett Fdn	Brandywine Trust Group, LLC
Cornell University	Southern Methodist University	University of Pittsburgh	Conrad N. Hilton Foundation	The William Penn Foundation	Church Pension Group
Dartmouth College Investment Office	Swarthmore College	University of Richmond Spider Management Company, LLC	Cystic Fibrosis Foundation	W.K. Kellogg Foundation	Commonfund
Denison University	Texas Christian University	University of Rochester	Dietrich Foundation	Wisconsin Alumni Research Fdn	Fremont Group Management
DUMAC, Inc.	Texas Permanent School Fund	University of Southern California	Ewing Marion Kauffman Foundation	ALSAC St. Jude Children’s Research Hospital	Global Health Investment Corporation
Emory University	The Ohio State University	**University of Virginia Inv Mgmt Co.**	GHR Foundation	Beth Israel Lahey Health	Gore Creek Asset Management
Fordham University	The Rockefeller University	**University of Washington**	Gordon and Betty Moore Foundation	Boston Children’s Hospital	Hershey Trust Company
Harvard Management Company	**The University of Chicago**	**Vanderbilt University**	Inatai Foundation	Carilion Clinic	Kinship LLC
Johns Hopkins University	**The University of Texas / Texas A&M Inv. Management Co.**	VCU Investment Management Co.	J. Paul Getty Trust	Cedars Sinai	Smithsonian Institution
Kamehameha Schools	Trinity University	**Washington University in St. Louis**	John D. and Catherine T. MacArthur Fdn	Children’s Health System of Texas	Sobrato Capital
Massachusetts Institute of Technology	Tufts University	Wellesley College	Margaret A. Cargill Philanthropies	Cleveland Clinic	The Board of Pensions of the Presbyterian Church
Michigan State University	UCLA Investment Company	Wesleyan University	MJ Murdock Charitable Trust	Cook Children’s Healthcare System	The New York Public Library
Mount Holyoke College	UCSF Fdn Investment Mgmt Co.	William & Mary Foundation	Rainwater Charitable Trust	Corewell Health	TIFF Investment Management
New York University Comp Office	**UNC Management Company, Inc.**	Williams College	Robert Wood Johnson Foundation	Howard Hughes Medical Institute	Trinity Church Wall Street
	University of California		The Andrew W. Mellon Foundation		YMCA Retirement Fund

>$7B in AUM

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Attachment 4

2023-2024 SBA Compensation Update

SBA Incentive Compensation Update

	FY2018-2019	FY2019-2020[†]	FY2020-2021	FY2021-2022[^]	FY2022-2023	FY2023-2024
Total Eligible Positions	63	64	66	71[1]	74[#]	103**
Total Participants Receiving an Award	58	0	58[‡]	67	71	94
Maximum Possible Quantitative Award	$1,962,033	$2,182,470	$2,123,588	$2,267,644	$2,343,695	$3,666,275
Actual Quantitative Award (Paid over 2 years)	$1,783,358	$0	$1,742,585	$1,683,752	$1,565,484	N/A
Maximum Possible Individual Award	$369,655	$417,468	$403,005	$420,052	$458,185	$686,028
Actual Individual Award (Paid over 2 years)	$335,657	$0	$335,029	$307,495	$272,154	N/A
Maximum Possible Award	$2,331,688	$2,599,938	$2,526,594	$2,687,695	$2,801,880	$4,352,302
Actual Total Award Earned (Paid over 2 years)	$2,119,014	$0	$2,077,615	$1,991,247	$1,837,638	N/A
Total Earned Quantitative ÷ Max Possible	91%	0%	82%	74%	67%	N/A
Total Earned Individual ÷ Max Possible	91%	0%	83%	73%	59%	N/A
Total Earned ÷ Max Possible	91%	0%	82%	74%	66%	N/A
% Participants Earning Max Possible	37%	$0	83%	58%	31%	N/A
Total Awards Paid in December following FY	$2,063,465*	$0	$1,041,234	$1,982,080	$1,893,407	N/A
Total Awards Deferred to December after next FY	$922,488	$0	$1,009,224	$985,137	$871,569	N/A

† Incentive payouts were not triggered because the SBA had active risk compliance exceptions in FY2019-2020 due to extraordinary volatility in the market due to the Covid-19 pandemic. Maximum figures were reduced from last year's report due to the resignation of an eligible participant.

‡ In 2020-2021, two new Quantitative Analyst positions were added in Private Equity.

* More than 50% of earned awards were paid out due to two individuals (in each year) reaching age 65 in the calendar year and triggering 100% payout pursuant to the Plan Document.

1 In 2021-2022 5 positions added to eligibility: 1 Sr Investment Analyst in FI, 1 Sr Investment Analyst in IPAA, 1 Manager of Investment Analytics in ODCP, 1 Investment Analyst in RE, and 1 Portfolio Manager 1 in RE

^ Payouts did not occur until May 2023, instead of December 2022, due to there not being two quarters of positive returns until 2022.

New positions added; Director of Total Fund Research in IPAA, Deputy CIO in Executive Director, Quantitative Analyst in IPAA

**28 newly added eligible positions in DCFO, Financial Operations, General Counsel, and Real Estate

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Average Total Fund AUM and the Three-Year Total Fund Value Add

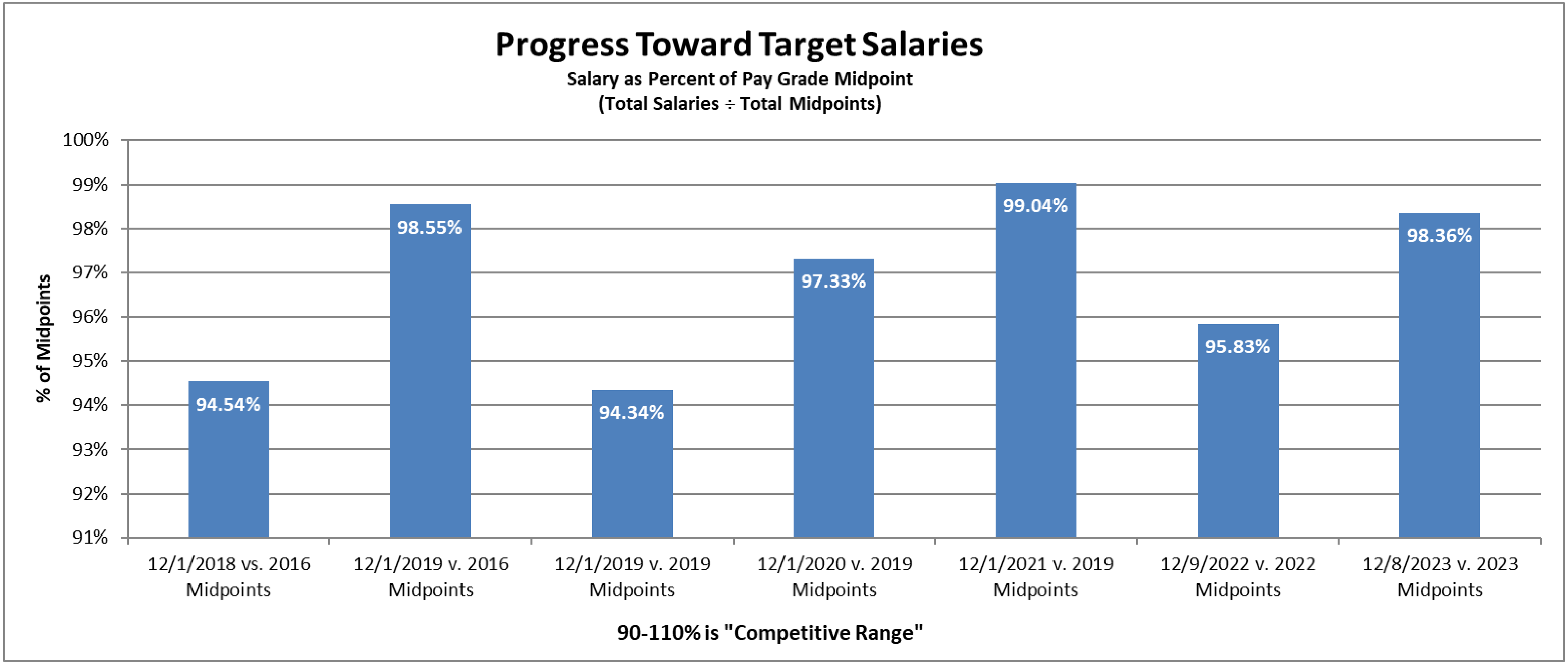
	FY2018-2019	FY2019-2020	FY2020-2021	FY2021-2022	FY2022-2023
Total Fund Average Bal. (Millions)	$162,347.75	$162,543.30	$181,760.40	$191,017.15	$183,036.70
Total Fund Vaue Add %	0.6859%	0.6638%	1.3973%	1.8355%	1.1382%
Total Fund $ Value Add (Millions)	$ 1,113.54	$ 1,078.96	$ 2,539.74	$ 3,506.12	$ 2,083.32
Total Fund $ Value Add Above Max (Millions)	$ 301.80	$ 266.25	$ 1,630.94	$ 2,551.03	$ 1,168.14
Actual Total Award Earned (Paid over 2 years) (Millions)	$ 2.12	$ -	$ 2.08	$ 1.99	$ 1.84
Incentive Payout as % of Total Fund $ Value Add (in bps)	19.0295	0.0000	8.1804	5.6793	8.8207
How much of every $100 inured to FRS	$ 99.81	NA	$ 99.92	$ 99.94	$ 99.91

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

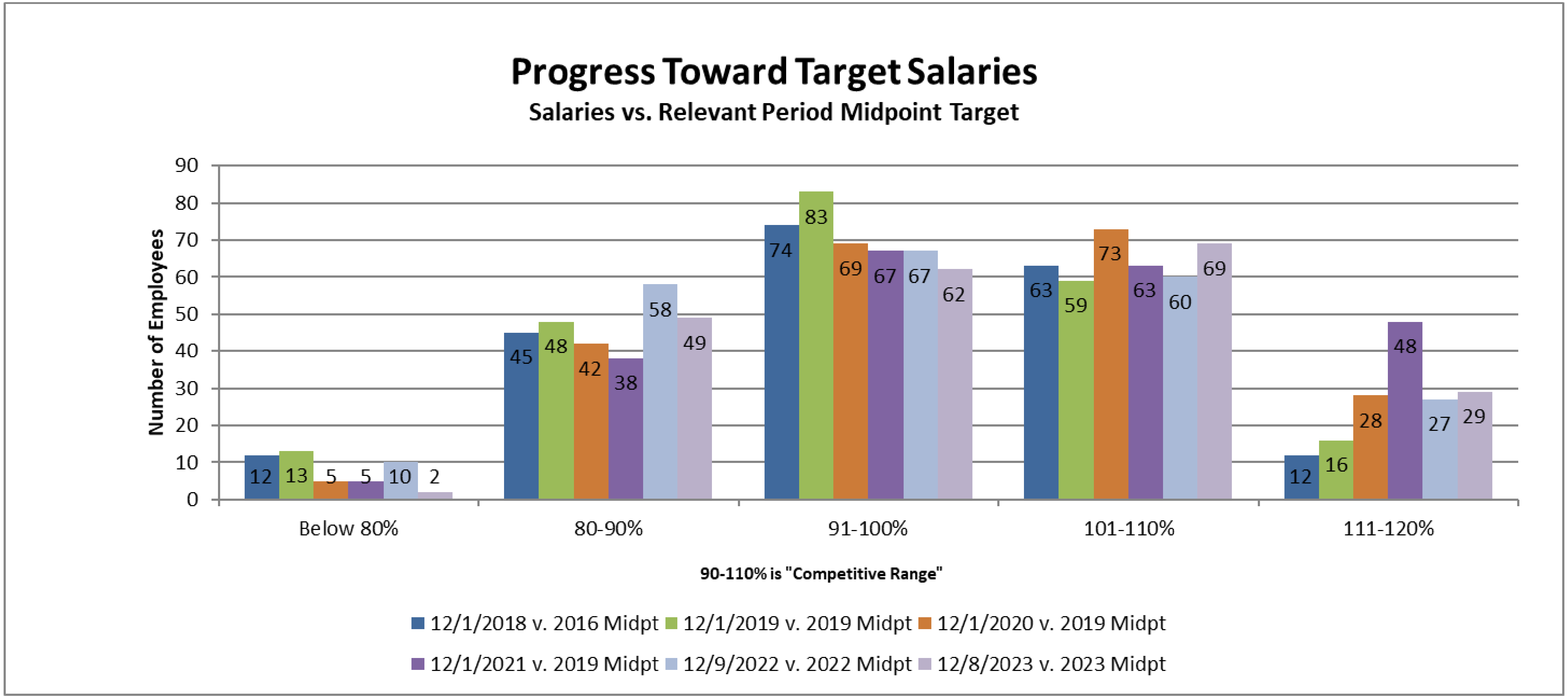
SBA Base Compensation Comparison for all 2023 Salary Adjustments

	All SBA Employees		Non-Incentive Eligible		Incentive Eligible	
	July 2023 Adjustments	December 2023 Adjustments	July 2023 Adjustments	December 2023 Adjustments	July 2023 Adjustments	December 2023 Adjustments
Total Employees	198	194	108	102	90	92
Employees as % of Total Employees	-	92%	55%	53%	45%	47%
SBA Compa-Ratio (Total Salaries ÷ Total Midpoints)	95%	98%	99%	101%	92%	96%

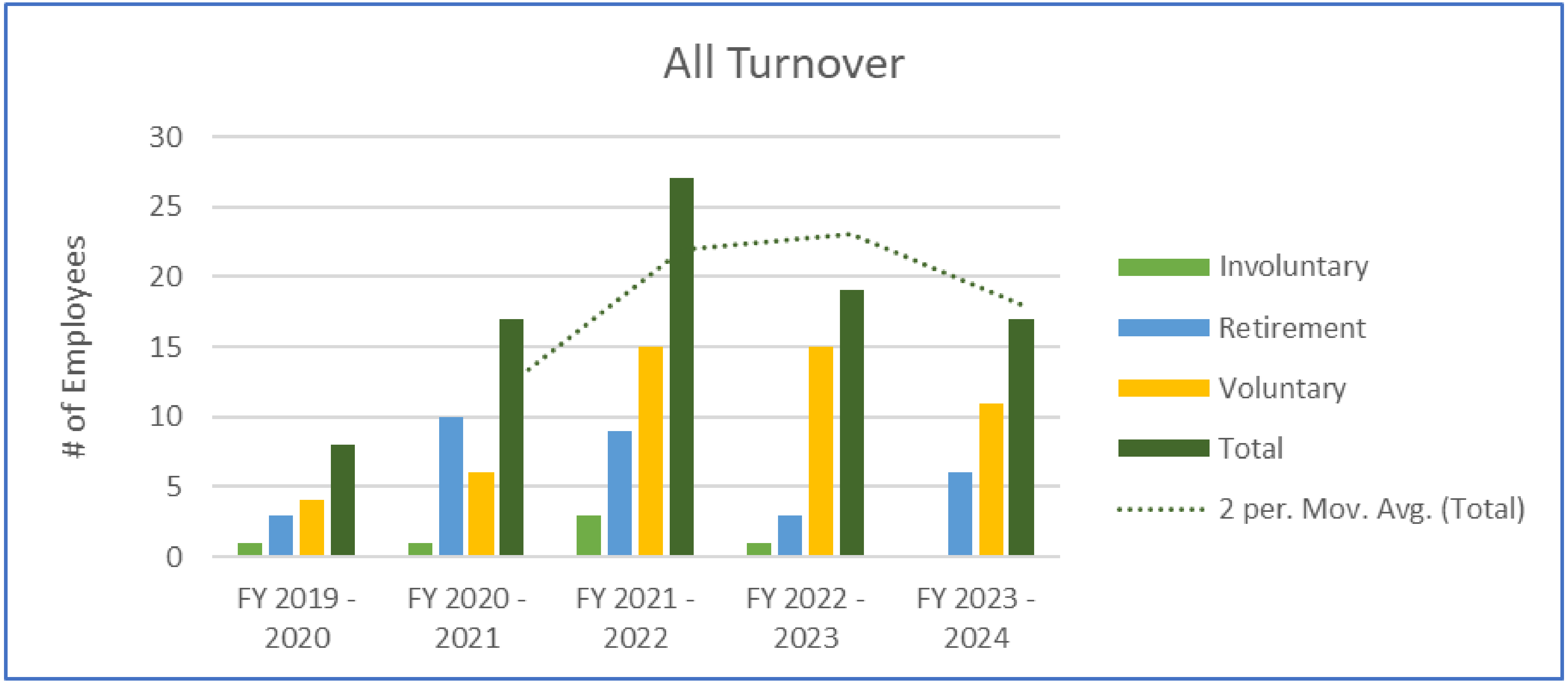
Progress Toward Target Salaries (Organization-wide Compa-Ratio)



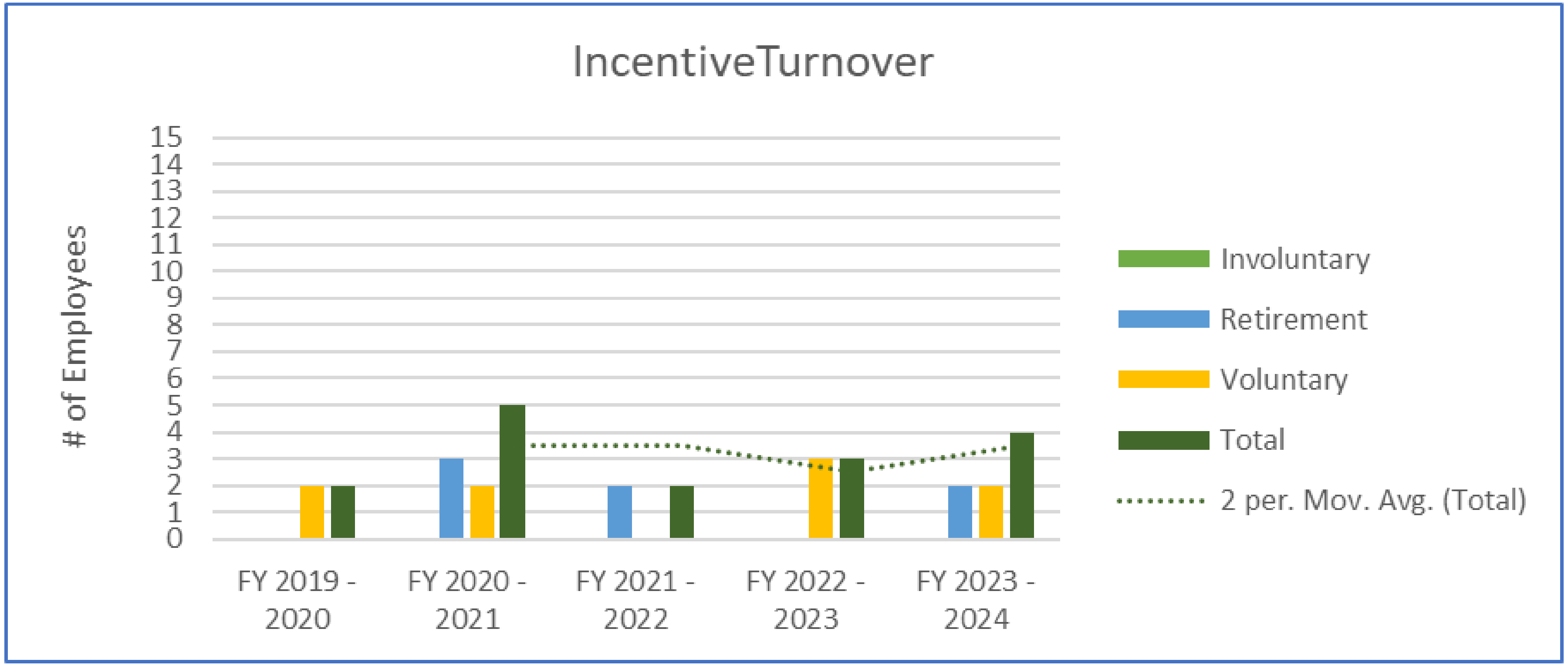
Progress Toward Target Salaries (Distribution of Employees by Compa-Ratio)



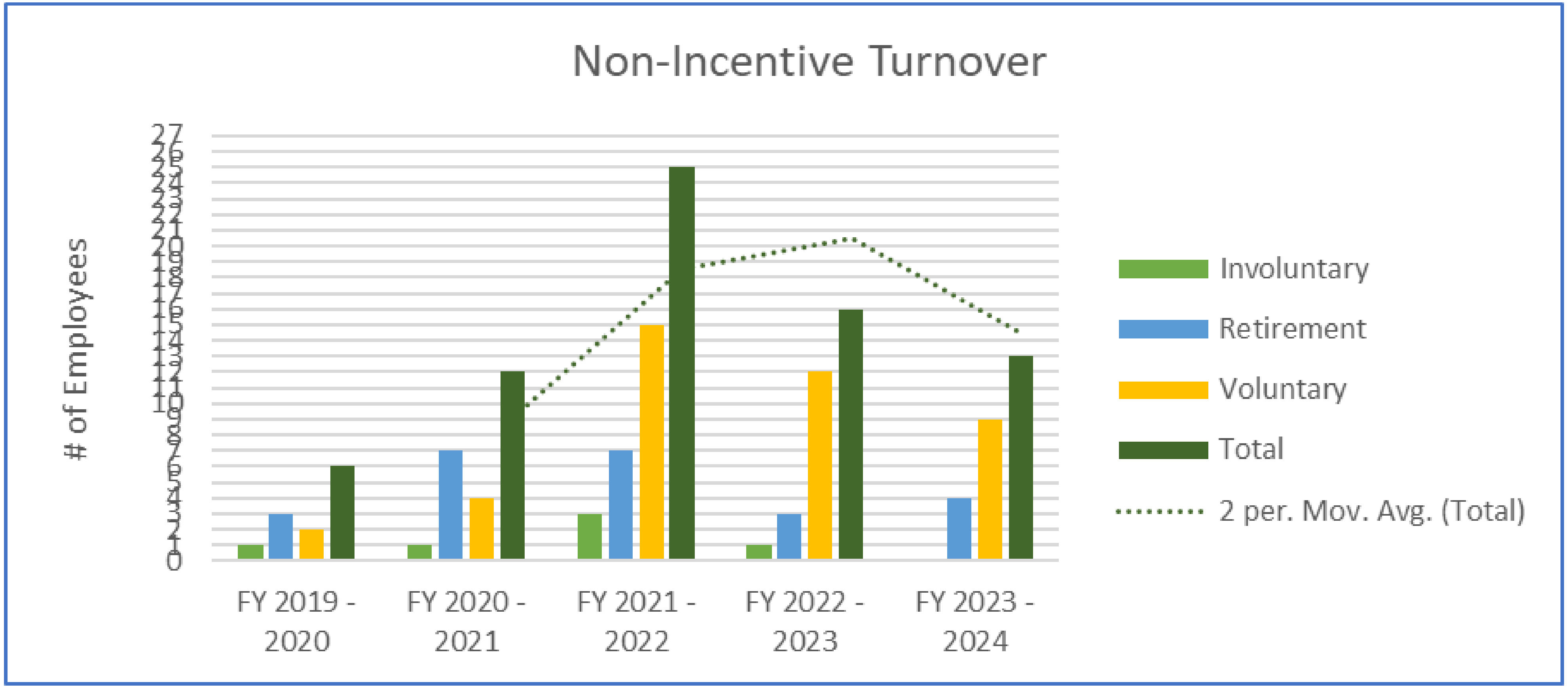
Turnover for all SBA, ODCP, and FHCF Staff



Turnover for all SBA, ODCP, and FHCF Incentive Eligible Staff



Turnover for all SBA, ODCP, and FHCF Non-Incentive Eligible Staff



Projected Retirements by December 2029 for all SBA, ODCP, and FHCF Staff

60 (27.6%) of 217 are eligible* to retire by the end of 2029.

37 (61.6%) of the 60 employees eligible to retire are manager/supervisor-level and above.

There are 37 manager/supervisor-level and above employees eligible to retire of the 97 total manager/supervisor-level and above employees. This means that 38.1% of the SBA's manager/supervisor-level and above positions could be replaced by the end of 2029.

Of the 60 employees eligible to retire, 18 (30%) are already in DROP. Of the 18 in DROP, 9 (50%) are manager/supervisor-level and above.

Of the 60 employees eligible to retire, 13 (21.6%) are in an asset class and 47 (78.4%) are in operations.

There are 97 filled incentive eligible employees with 24 (24.7%) eligible to retire by the end of 2029.

*eligible is defined as a currently employed SBA only colleague as of 06/30/2024

Current SBA Pay Plan

FY23/24 Pay Plan							
effective 07/21/2023							
Grade	**Minimum**	**Midpoint**	**Maximum**	**Range Spread**	**Midpoint Differential**	**Min as % Mid**	**Max as % Mid**
001	$31,200	$39,000	$46,800	50%		80%	120%
002	$35,600	$44,500	$53,400	50%	14%	80%	120%
003	$40,000	$50,000	$60,000	50%	12%	80%	120%
004	$44,400	$55,500	$66,600	50%	11%	80%	120%
005	$48,800	$61,000	$73,200	50%	10%	80%	120%
006	$54,240	$67,800	$81,400	50%	11%	80%	120%
007	$61,100	$76,400	$91,700	50%	13%	80%	120%
008	$70,900	$89,000	$107,100	51%	16%	80%	120%
009	$83,800	$104,700	$125,600	50%	18%	80%	120%
010	$100,000	$125,000	$150,000	50%	19%	80%	120%
011	$118,800	$148,500	$178,200	50%	19%	80%	120%
012	$141,400	$176,700	$212,000	50%	19%	80%	120%
013	$159,200	$199,000	$238,800	50%	13%	80%	120%
014	$172,000	$215,000	$258,000	50%	8%	80%	120%
015	$200,000	$250,000	$300,000	50%	16%	80%	120%
016	$238,000	$297,000	$356,000	50%	19%	80%	120%
017	$285,000	$357,000	$429,000	51%	20%	80%	120%
018	$442,000	$553,000	$664,000	50%	55%	80%	120%
PM1	$100,300	$132,000	$163,700	63%		76%	124%
PM2	$125,200	$178,700	$232,200	85%	35%	70%	130%
PM3	$143,600	$204,400	$265,200	85%	14%	70%	130%
PM4	$210,000	$295,100	$400,000	90%	44%	71%	136%

2024

January

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

February

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29		

March

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

April

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

May

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

July

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

August

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

September

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

November

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

December

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Blue is Proposed IAC Meeting

Yellow is Cabinet Meeting